

Water & Wastewater Operating Budget Rate Setting & Requisition

BRCOTW
CSD 65-2020

November 26, 2020

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Treasurer

Water & Wastewater Operating Budget Rate Setting & Requisition

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2021 Water & Wastewater Operating Budget

Key Themes

Budget Strategy Responsive to COVID-19 Impacts

- Budget increase of 2% in line with Budget Planning Strategy; 1% for operations and 1% for enhanced capital

Balancing Sustainability, Transparency & Affordability

- South Niagara Falls WWTP to support growth accommodated within 2%
- Plant cost of 12% mitigated by reduced capital transfer, to be re-established within the Financial Sustainability Plan increase of 5.15%.

2021 Water & Wastewater Operating Budget, Rate Setting and Requisition

What we're going to cover:

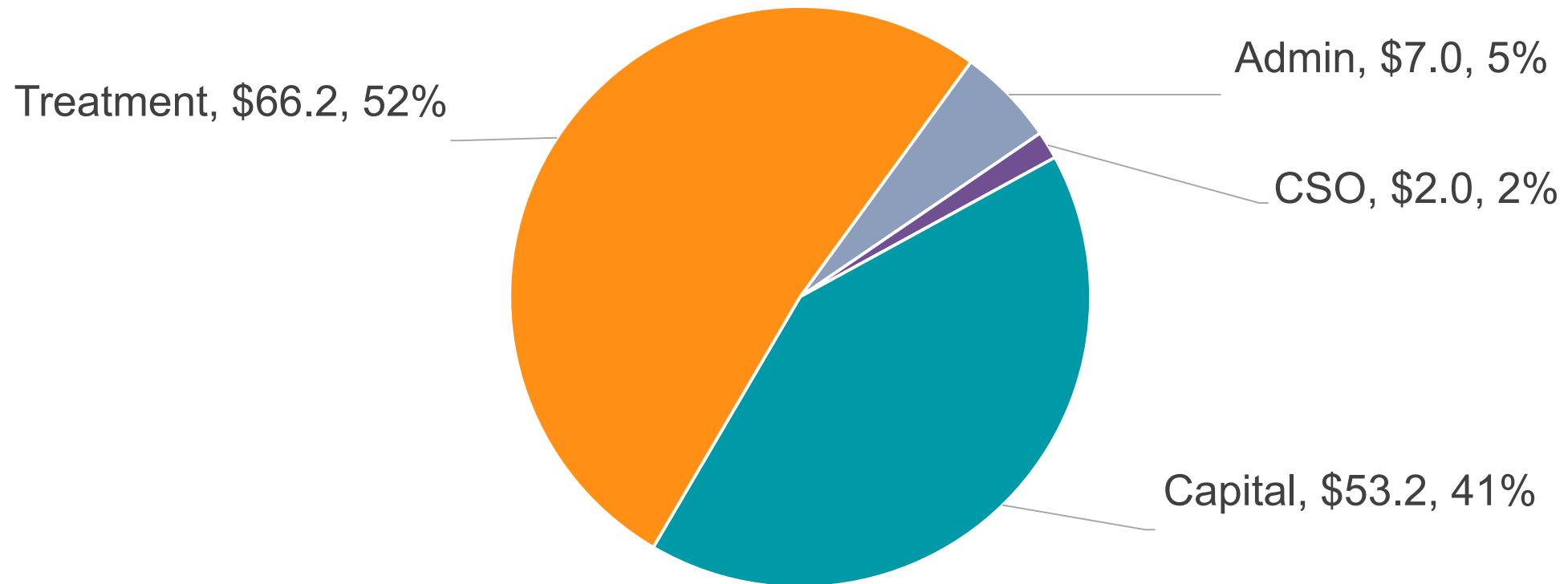
- Operating Budget Summary
- Requisition to Municipalities
- Risks and Opportunities
- Next Steps

2021 Budget Process

- ✓ Budget planning strategy set at 2%
- ✓ Staff developed budget to support:
 - Current service delivery
 - Comply with legislation
 - Affordability concerns
- ✓ Rate Workshop provided education and information
- ✓ BRC approval required

2021 Water & Wastewater Operating Budget

Where does the money go? Gross = \$127M



Discretionary spending less than 6%

2021 Budget Pressures & Mitigations

Accommodated Within 2% Increase

2021 Budget Summary	Water \$	Wastewater \$	Total \$	Total %
2020 Net Requisition	45,921	77,021	122,942	
Gross Increase/Pressures	599	2,376	2,975	
Base Subtotal	46,520	79,396	125,917	2.42%
Mitigations	(292)	(1,328)	(1,620)	
Safe Restart Funding	(31)	(93)	(124)	
Net Operating Increase	276	954	1,230	
Base Total	46,197	77,974	124,172	1.00%
Enhanced Capital Financing	459	770	1,229	1.00%
2021 Net Requisition	46,656	78,744	125,401	2.00%
% Increase	1.60%	2.24%		

2021 Budget Pressures

Increase of \$3.0M on Net Requisition

- Direct Treatment Related (\$2.4 million)
 - Utilities, Chemical Costs, Property Taxes, Bio-Solids, Repair & Maintenance, Base Capital Financing, Environmental Monitoring/Lab Fees
- Indirect Treatment Related (\$0.6 million)
 - External Legal, Compensation, Business Support

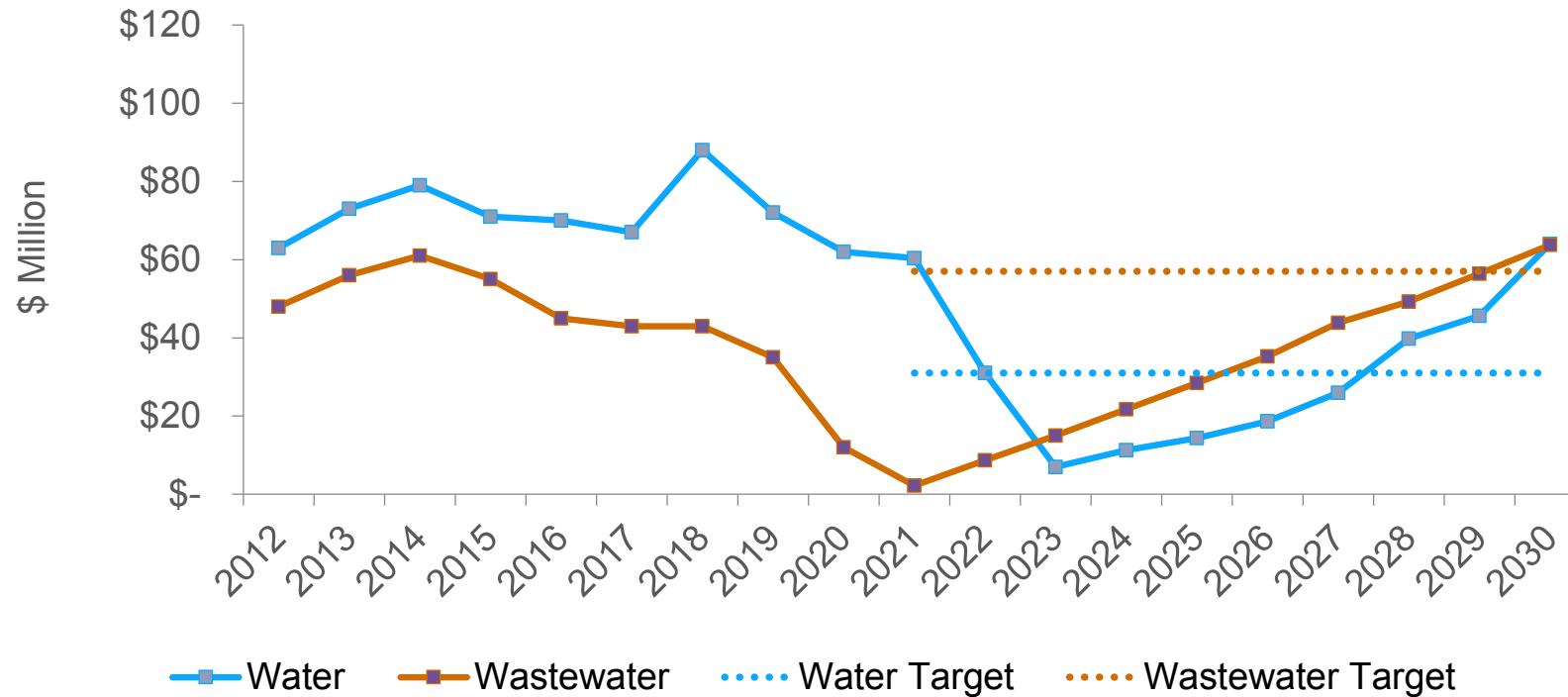
2021 Budget Mitigations

Decrease of \$1.7M on Net Requisition

- CSO Program Deferral (Gross: \$2.0 million; Net: \$1.0 million)
 - 50% reduction on the \$4M program
- Labour Related Costs (Gross: \$0.6 million, Net: \$0.4 million)
 - Student Position Deferral/Salary Gapping
- Water Wagon/Water Festival Deferral (\$0.2 million)
- Safe Restart Funding to mitigate COVID-19 related costs (\$0.1 million)

2021 Water & Wastewater Capital Financing

Increase of \$1.2M on Net Requisition

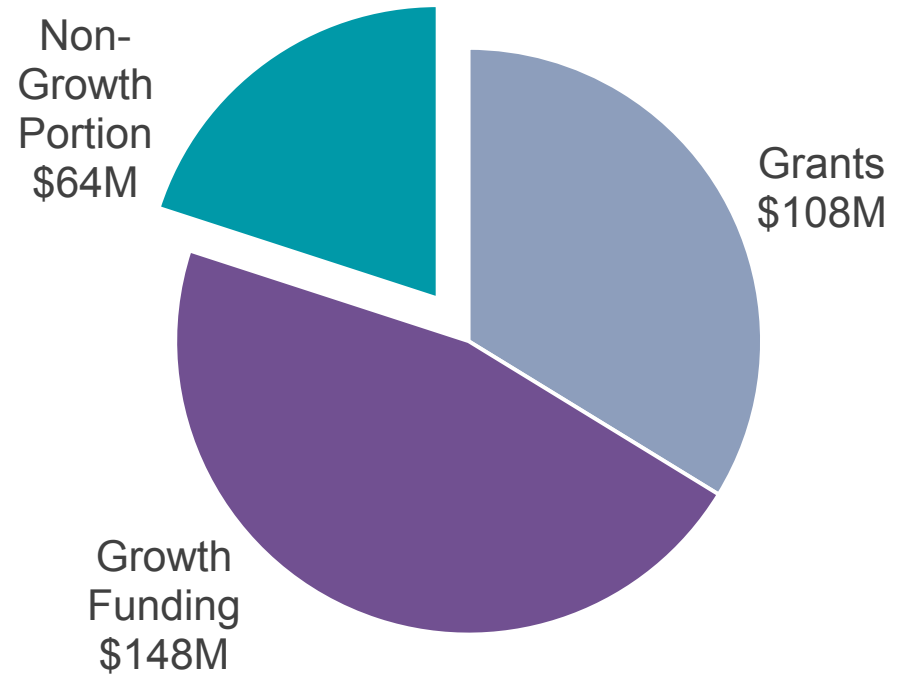


Annually \$52M of Capital Financing: \$42M Reserve, \$10M Debt
Decrease in reserves provided to increase investment as per AMP
Financial Sustainability Plan 5.15% to 2028 to reach target reserve balance

2021 Water & Wastewater Capital Financing

South Niagara Falls WWTP to Support Growth

- Project Cost of \$325M
 - \$5M previously approved for design
 - \$320M for 2021 Budget approval



2021 Water & Wastewater Capital Financing

South Niagara Falls WWTP to Support Growth

Capital Budget		Wastewater Operating Budget
Total 2021 Project Budget Approval \$320 million		Total Wastewater Operating Budget \$9 million
2021 Initiation (for Land, EA, etc.)	Future Initiation	
DC Debt: \$23 million WW Rate Debt: \$11 million	DC Debt: \$125 million WW Rate Debt: \$53 million Grants: \$108 million	Net Operating Budget Debt Servicing Cost \$3.8 million
		Plant Operating Costs \$5.2 million
Total: \$34 million	Total: \$286 million	Total Water/Wastewater Increase 2%

2021 Water & Wastewater Capital Financing

South Niagara Falls WWTP to Support Growth

✓ Known 12% operating costs incorporated in the 2021 budget

✓ Strategy to mitigate within 2%

Wastewater Operating Budget	Operating (Net)	Reserve Contributions	Debt Charge	Total
2020 Approved Net Budget	\$47.9	\$21.0	\$8.2	\$77.0
Changes SNF WWTP:				
Debt Charge Budget	0	0	3.8	3.8
Plant Operating Expenses	5.3	0	0	5.3
% Change	11%	0%	46%	12%
Reserve Reduction for Pay-as-you-go Capital	0	(9.1)	0	(9.1)
% Change	0%	-12%	0%	-12%
2021 Net Budget Impact After SNF WWTP	\$53.2	\$11.9	\$12.0	\$77.0

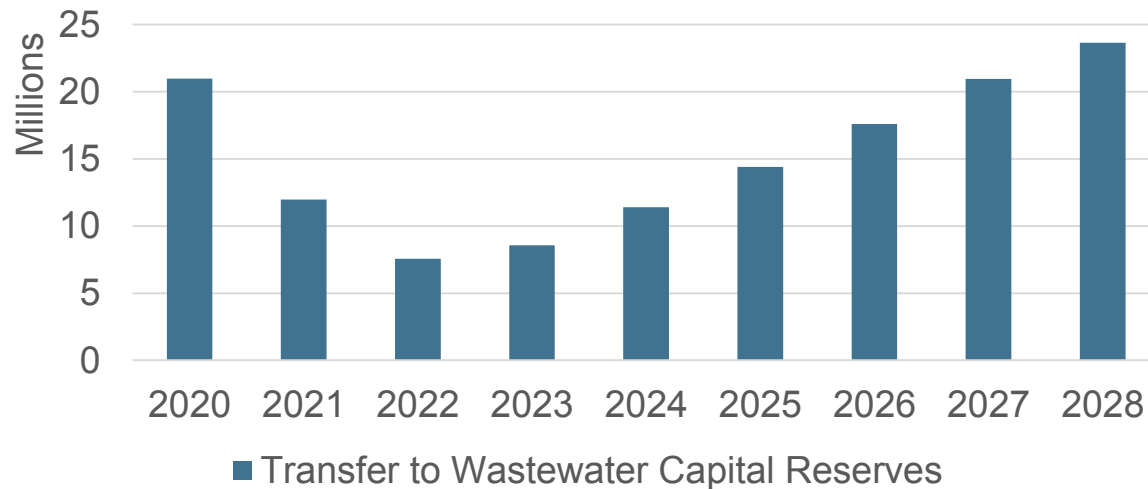
Long-term financial plan provides for continued investment in capital and reserves

2021 Water & Wastewater Capital Financing

South Niagara Falls WWTP to Support Growth

Long-term financial plan provides for:

- Continued investment of \$3.8 M + \$5.3 M in capital projects for example:
 - East Side Pump Station Forcemain Replacement (\$1.5M)
 - Campden Pump Station Upgrades (\$1.2M)
 - George Street SPS Upgrades (\$2.6M)
- Increases to transfer to capital reserve back to \$20M by 2027:



2021 Water Requisition

Methodology

- In place since 2009, reaffirmed in 2011 for 2012-2015, and reaffirmed again in 2015
- 25% Fixed Requisition
 - Based on three-year average volume
- 75% Variable Rate
 - Projected water sale of 57.25 million m³ (same as 2020)
 - 75% of \$46.7 million budget divided by 57.25 million m³
 - Variable rate proposed at \$0.611 per m³ (2020 rate \$0.602)

2021 Water Requisition

25% fixed distribution to municipality

Fixed Water Requisition for 2021 Net Budget				
Municipality	2020 Allocation (\$000)	2021 Allocation (\$000)	Difference (\$000)	Difference (%)
Fort Erie	900	884	(16)	-1.76%
Grimsby	608	637	29	4.78%
Lincoln	453	485	32	7.15%
Niagara Falls	3,011	2,948	(63)	-2.10%
Niagara-on-the-Lake	624	669	45	7.20%
Pelham	237	262	26	10.79%
Port Colborne	610	589	(21)	-3.38%
St. Catharines	3,043	3,097	54	1.79%
Thorold	427	441	14	3.32%
Welland	1,393	1,449	56	4.03%
West Lincoln	176	203	27	15.46%
Total	11,480	11,664	184	1.60%

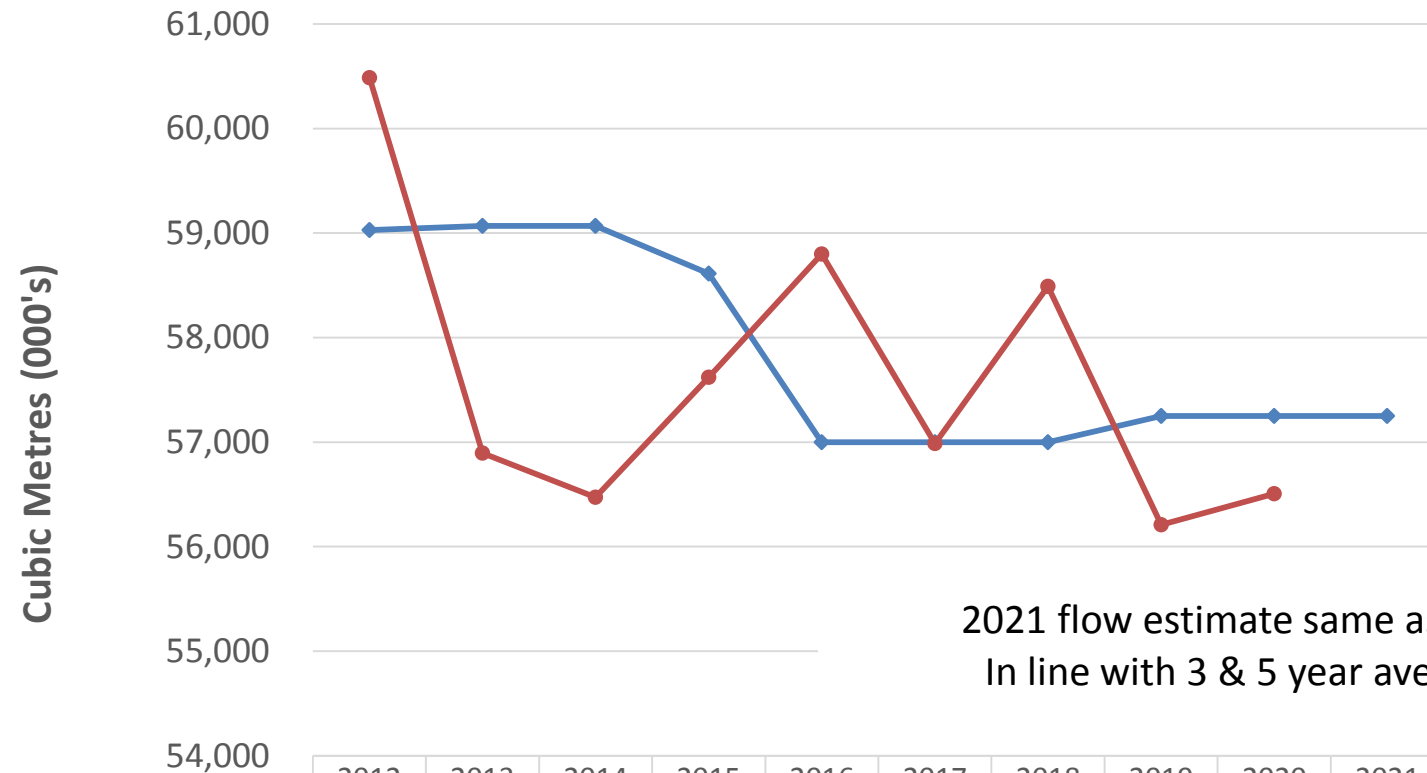
Budget increase of 1.6%

Varies based on historical volume consumed by the municipality

2021 Water Requisition

75% based on municipal volume for the year

Water rate = \$0.611 m³
Increase of 1.6% attributed
to only the budget increase.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Projected Flows for Rate Setting	59,028	59,067	59,067	58,613	57,000	57,000	57,000	57,250	57,250	57,250
Actual Flows	60,486	56,896	56,474	57,622	58,800	56,986	58,491	56,210	56,506	

2021 Wastewater Requisition

Methodology

- 100% fixed since 2007
- 2011 established for 2012 to 2015, and reaffirmed in 2015, the reconciliation and adjustment for actual flows
 - Budget based on 3 years average to September
 - Actual based on 1 year to December
- Reconciliation of 2019 budget included in the 2021 requisition
 - \$1.9 million in rebates and \$1.9 million in payments

2021 Wastewater Requisition

100% fixed distribution to municipality

Fixed Wastewater Requisition for 2021 Net Budget				
Municipality	2020 Allocation (\$000)	2021 Allocation (\$000)	Difference (\$000)	Difference (%)
Fort Erie	8,044	8,074	30	0.37%
Grimsby	3,740	3,463	(277)	-7.40%
Lincoln	2,949	3,027	79	2.67%
Niagara Falls	15,114	14,729	(385)	-2.54%
Niagara-on-the-Lake	3,185	3,193	8	0.25%
Pelham	1,379	1,443	64	4.61%
Port Colborne	4,544	4,805	261	5.75%
St. Catharines	21,916	22,996	1080	4.93%
Thorold	3,900	4,173	274	7.02%
Welland	11,012	11,476	464	4.21%
West Lincoln	1,238	1,364	127	10.24%
Total	77,021	78,744	1,724	2.24%

Budget increase of 2.24%

Varies based on historical volume consumed by the municipality

2021 Wastewater Requisition

100% fixed distribution plus 2019 reconciliation

Municipality	Requisition		Reconciliation Payment / (Refund)		Total Charge (Requisition + Reconciliation)			
	2020 By-Law	2021 By-Law	2020 (2018 Rec.)	2021 (2019 Rec.)	2020 By-Law	2021 By-Law	Difference	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	%
Fort Erie	8,044	8,074	(190)	(299)	7,854	7,775	(79)	-1.01%
Grimsby	3,740	3,463	73	(246)	3,813	3,217	(596)	-15.63%
Lincoln	2,949	3,027	23	(65)	2,972	2,962	(10)	-0.33%
Niagara Falls	15,114	14,729	(711)	(1,272)	14,402	13,457	(946)	-6.57%
Niagara-on-the-Lake	3,185	3,193	115	63	3,300	3,256	(44)	-1.35%
Pelham	1,379	1,443	(84)	(62)	1,295	1,381	85	6.57%
Port Colborne	4,544	4,805	160	382	4,704	5,187	483	10.27%
St. Catharines	21,916	22,996	448	662	22,364	23,658	1,293	5.78%
Thorold	3,900	4,173	301	451	4,200	4,624	424	10.09%
Welland	11,012	11,476	(192)	311	10,820	11,787	967	8.94%
West Lincoln	1,238	1,364	57	77	1,294	1,441	147	11.34%
Total	77,021	78,744	-	-	77,021	78,744	1,724	2.24%

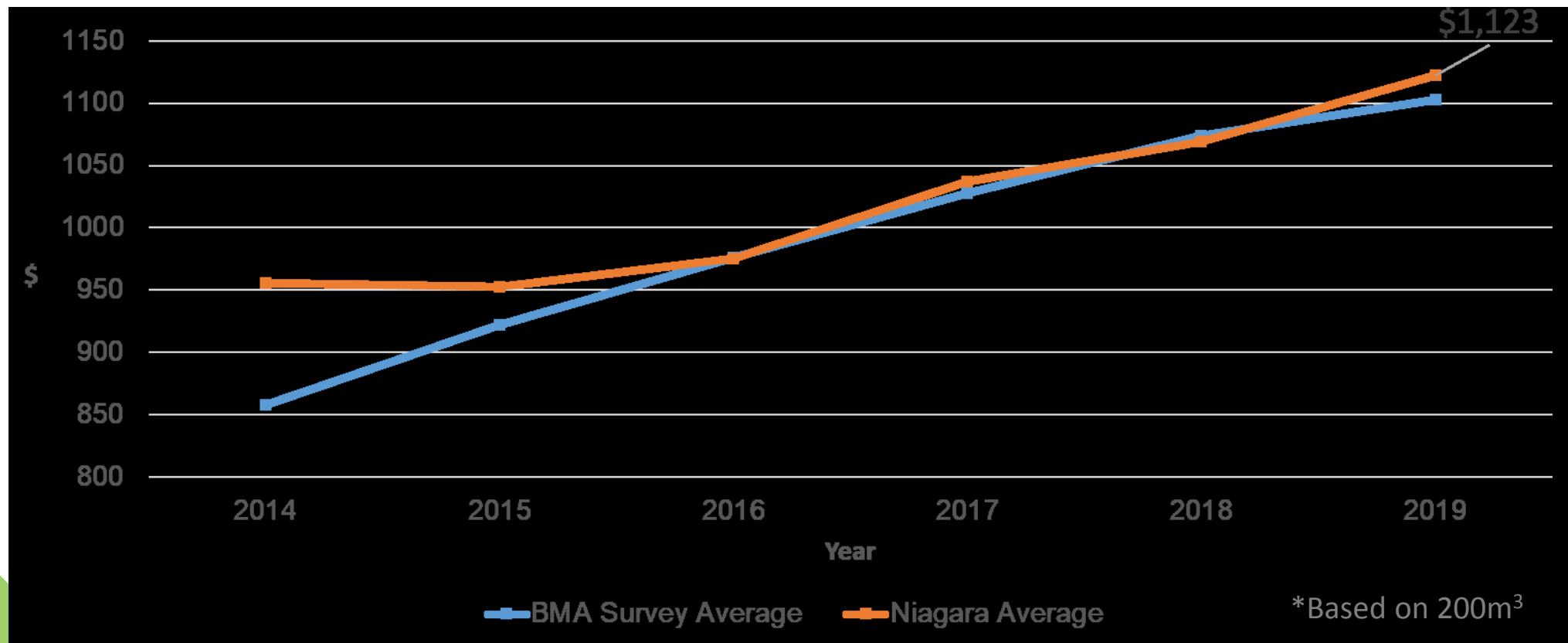
Budget increase of 2.24%

Varies based on historical volume consumed by the municipality

2021 Water & Wastewater Average Cost per Household

BMA Study Average (Includes Region & Local)

Niagara Region Cost per Household In Line with Provincial Average



2021 Water & Wastewater Average Cost per Household

Estimates Average Impact of Regional Share

	40% Region				60% Region			
	2020	2021	Increase \$	Increase %	2020	2021	Increase \$	Increase %
Water & Wastewater	\$472	\$481	\$9	2.00%	\$708	\$722	\$14	2.00%

\$9 on Region's Share



\$14 on Region's Share

2021 Water & Wastewater Operating Budget

Risks & Opportunities

- Many weather dependencies out of Regional control (both)
- Commitment to 5.15% Financial Sustainability Plan required to 2028 for necessary capital investment (both)
- COVID-19 reductions in water flows; 2021 water losses will be mitigated at year-end with Safe Restart funding. (risk)
- Unanticipated equipment and underground infrastructure failure may impact operating expenditures. (risk)
- Capital asset backlog may impact R&M expenditures. (risk)

Next Steps

Approval & Requisition

- Discussion, review and approval of CSD 65-2020 today
- Council approval of budget and requisitions (including by-laws) on December 17, 2020
- Communication to LAMs of budget approval and wholesale requisitions which are effective for January flows billed in February
- LAM set their individual fixed and variable rates for their customers



Questions?

