

2019

January 8



# WATER & WASTEWATER TEN YEAR FINANCIAL PLAN

# Purpose

To provide a sustainable financial strategy to address our infrastructure funding shortfalls over the next 10 years

## Guiding Principles:

- Smooth the rate increases over the 10 year period
- Incorporate water and wastewater asset sustainability requirements
- Maintain minimum reserve balance at 2% of current asset value
- Balance the use of debt with needs of the Levy supported programs
- Use of reserves/pay-as-you-go for existing assets sustainability
- Use of debt for Region portion of growth related infrastructure



# Why do we need a Financial Plan now?

**Our assets have a \$4.4B replacement value**

**Without a solid and viable financial plan we will not be able to afford our sustainability and lifecycle infrastructure needs moving forward, nor will we be able to afford future growth**

**A large portion of our infrastructure will require some level of upgrade or replacement within the next 5 to 15 years**

**It's the law; required for our water treatment license renewal as mandated by the Safe Drinking Water Act**

# How did we get here?

**Asset  
Management  
Plan**

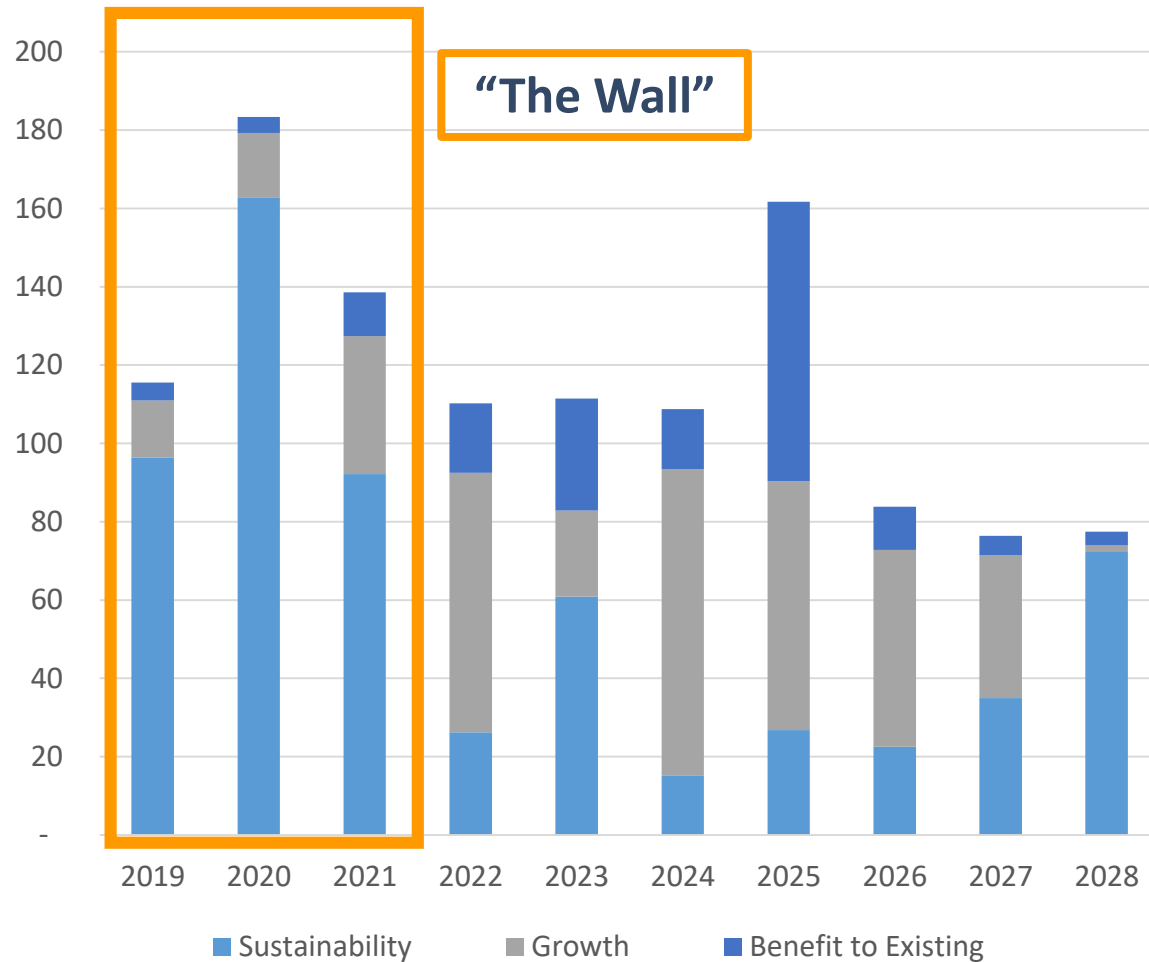
**Master Servicing  
Plan**

**Financial Plan**



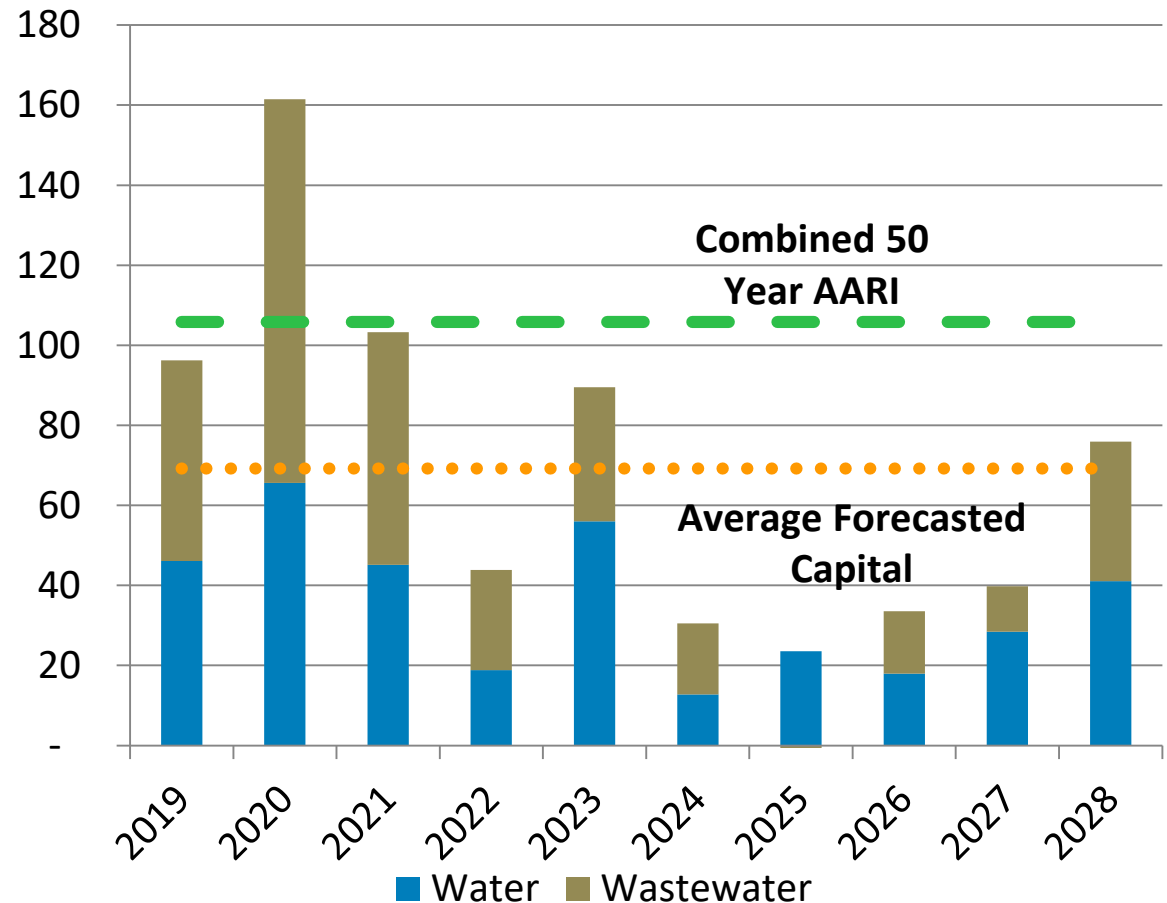
# Proposed 2019 Capital Budget and Forecast

- Total capital request based on 2019 proposed
- The Wall in 2019, 2020 and 2021 is a product of previous deferrals and will continue to grow without a proper plan in place today
- There are large projects in the future to be considered such as in 2025 for the South Niagara Falls Wastewater Treatment Plant



# Average Annual Renewal Investment (AARI)

- The Average Annual Renewal Investment identified in the AMP is \$106M annually
- This is the amount required each year to sustain our existing infrastructure
- Our average ask for sustainability related capital in the budget currently is only \$69M annually



# Our Action Plan

## Smooth Rate Increases

Provide smooth annual increases to the water and wastewater requisitions over the 10 year forecast period

## Increase our Annual Capital Contribution

Move towards an Annual Average Renewal Investment that achieves \$106M over 50 years

## Maintain Minimum Reserves

Maintain balances at 2% of current asset value

## Change our Funding Practices

Use the right type of financing for the right type of asset

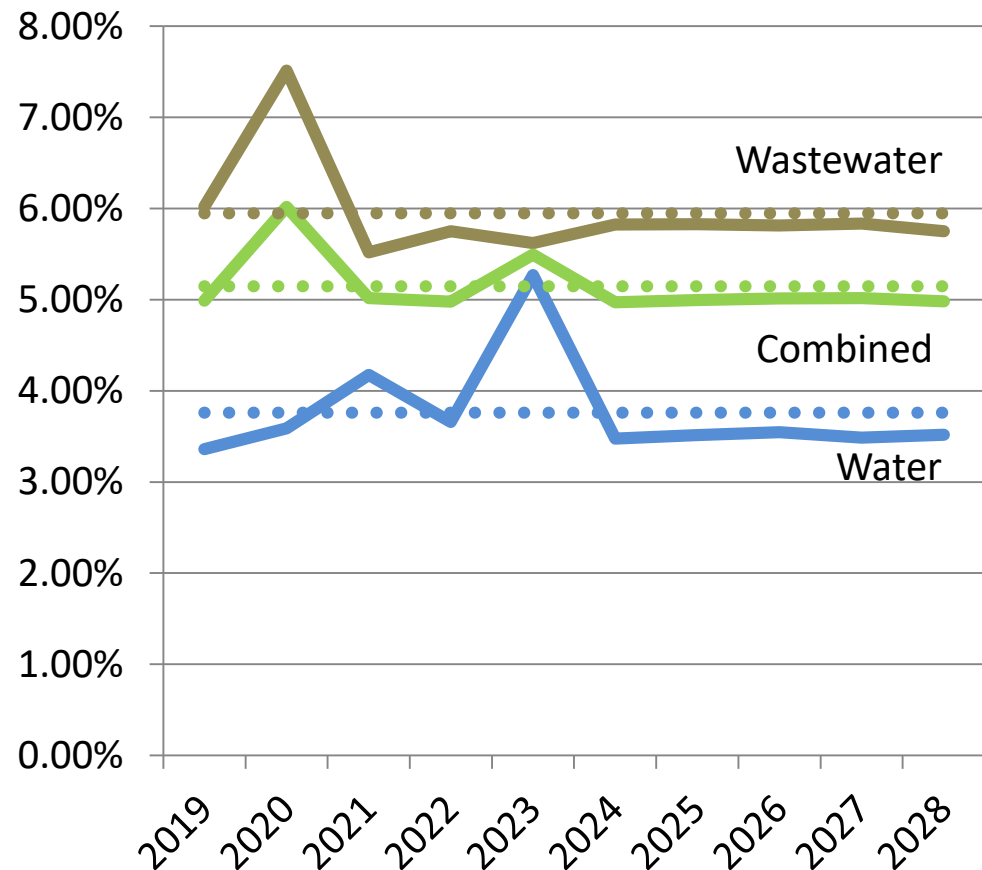
## Maintain Debt Levels

As per provincial guidelines while maintaining credit rating

# Smooth Rate Increases

Combined increase of 5.15% per year

- **Operating expenses assumed to increase at the rate of inflation, 2% annually**
  - Excludes utilities and capital financing
- **Largest impact to fund capital in accordance with the Council approved AMP and MSP**
- **Water average increase of 3.8%**
- **Wastewater average increase of 6.0%**



# Municipal Comparators

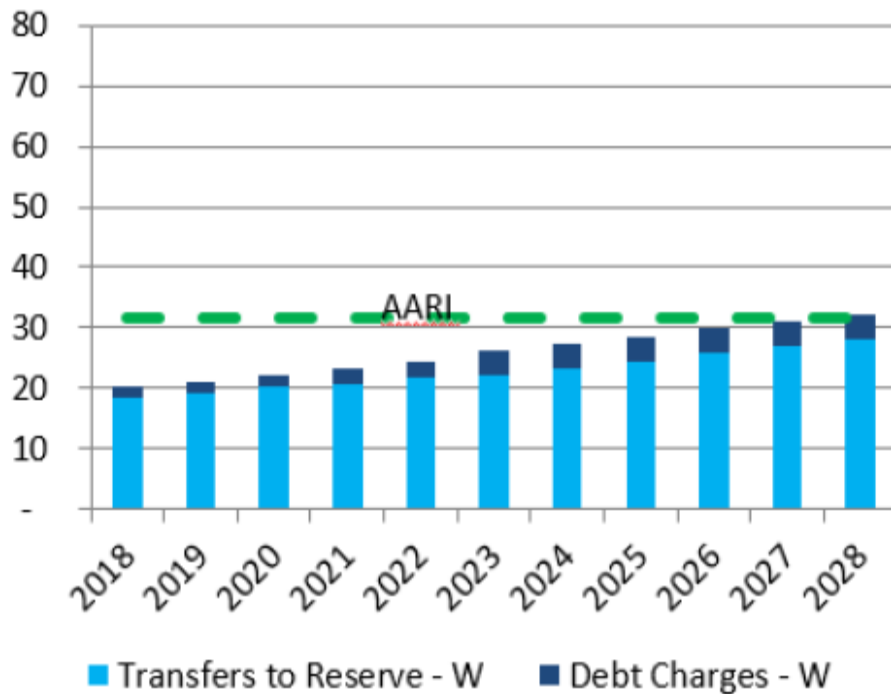
- We aren't alone in these increase requirements
- Our peers have seen or are planning similar increases

Municipality	2015 Rate Increase	2016 Rate Increase	2017 Rate Increase	2018 Rate Increase	Proposed 2019 Rate Increase
Hamilton	4.20%	4.70%	4.85%	4.30%	4.62% / 4.71%
Toronto	8.00%	8.00%	5.00%	5.00%	n/a
Sudbury	4.00%	7.40%	7.40%	7.40%	7.40%
Peel	7.00%	9.00%	4.20%	5.00%	6.50%
York	n/a	9.00%	9.00%	9.00%	9.00%
Niagara	-0.41%	0.84%	-0.03%	2.05%	5.15%

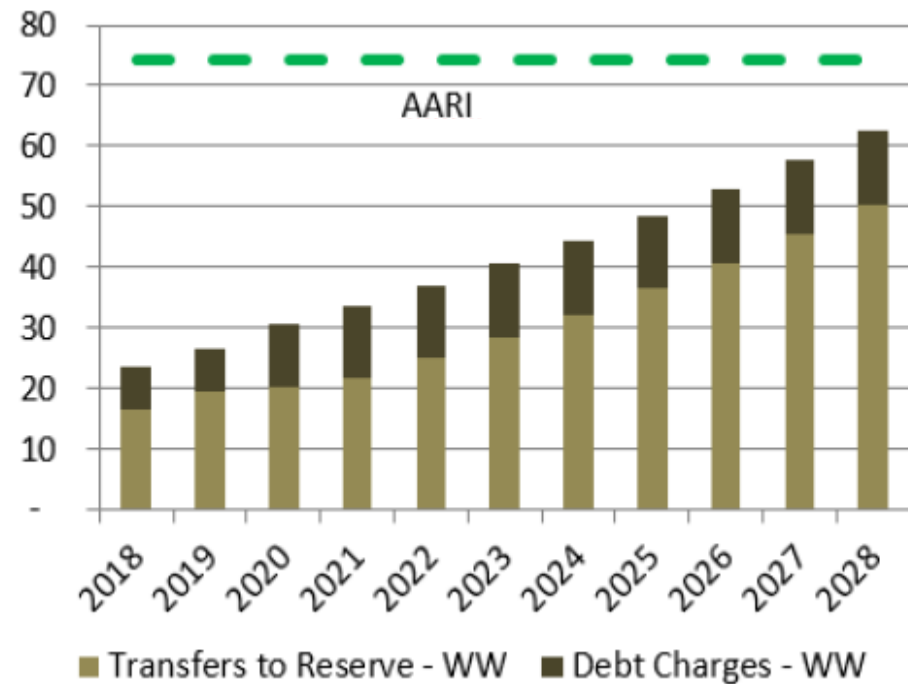
# Increase Our Annual Capital Contribution

## Summary of Internal Capital Funding From Operating

**Water**

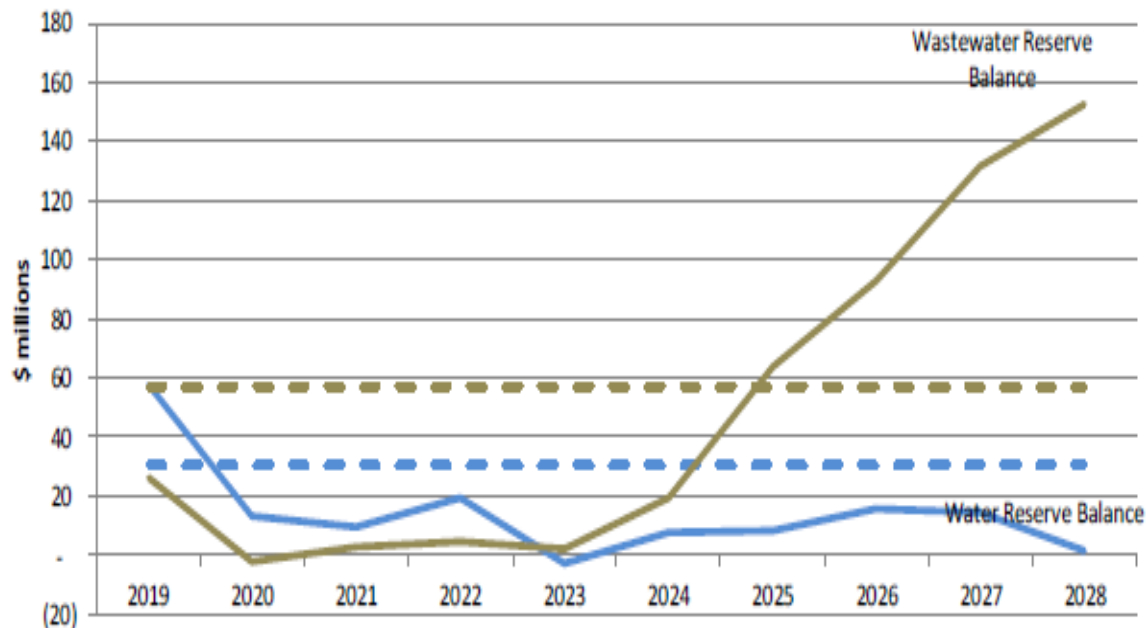


**Wastewater**



# Maintain Minimum Reserve Balances

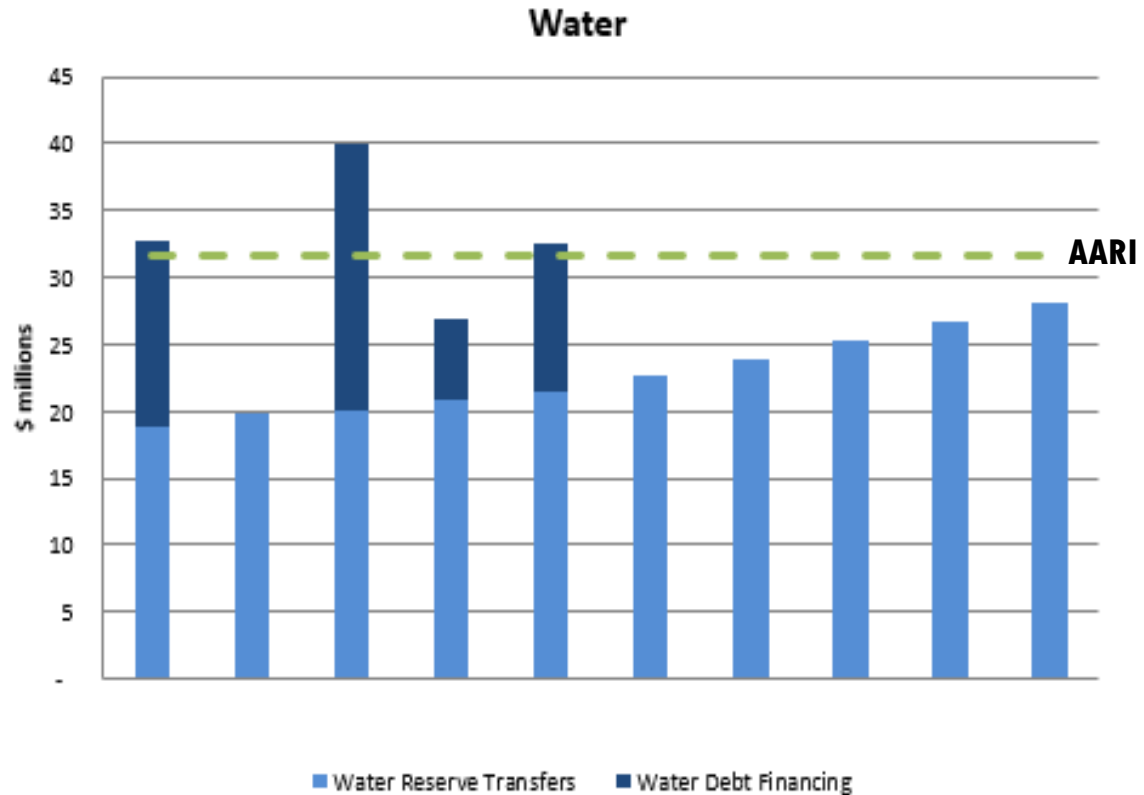
- Reserve targets (dotted) set at 2% of replacement value
- Water below our target balance
- Wastewater starts below our target balance but by 2025 starts to exceed the balance
- Risk of being below our target can limit flexibility and impact our credit rating



# Change Our Funding Practices

## Debt Use to Supplement Reserve Financing

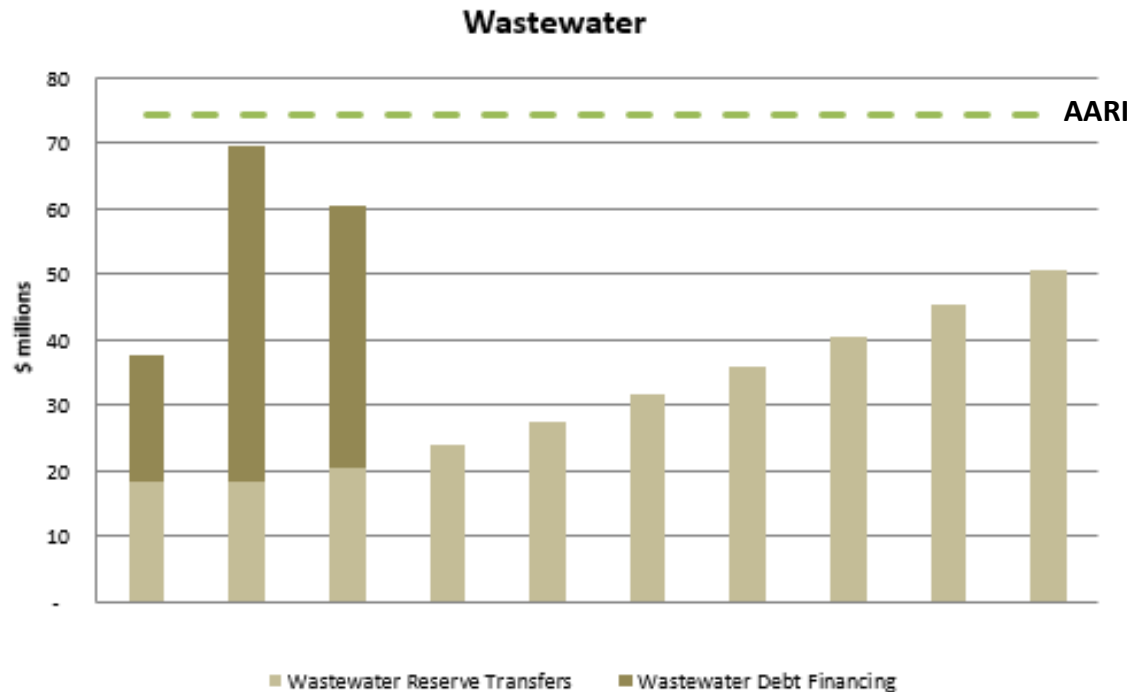
- Target reserve transfers to catch up to the \$32M AARI from 2016 AMP
- Capital is currently predominately funded through reserves
- Debt will fill the gap for the capital forecast in years where reserve funds cannot do it on their own



# Change our Funding Practices

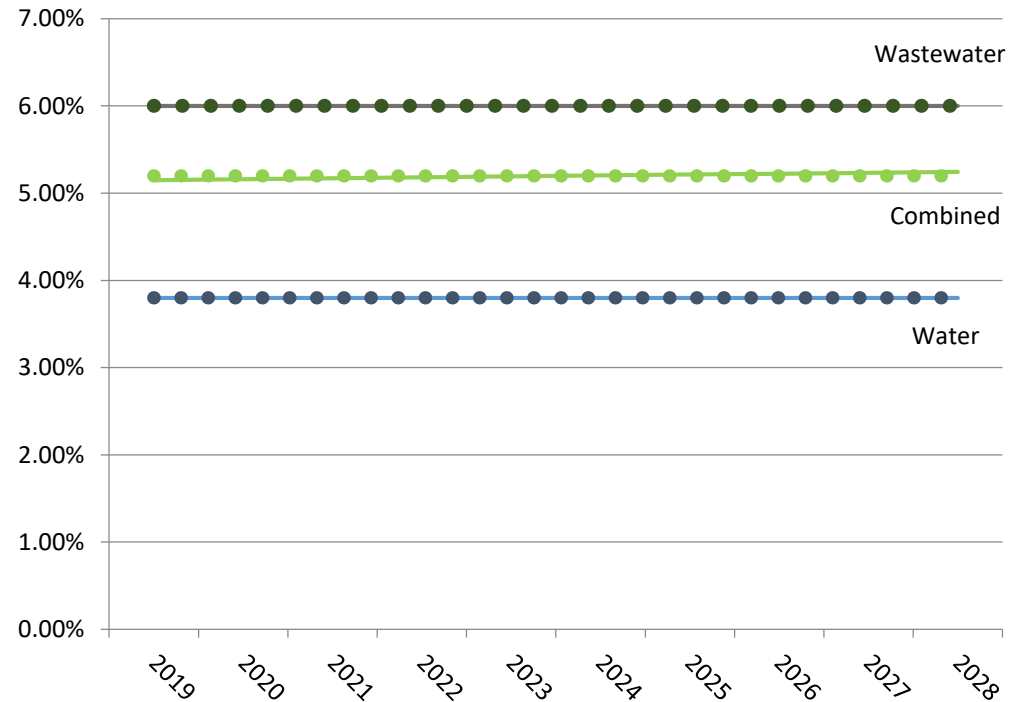
## Debt Use to Supplement Reserve Financing

- Target reserve transfers to catch up to the \$74M AARI from 2016 AMP
- Capital is currently predominately funded through reserves
- Debt will fill the gap for the capital forecast in years where reserve funds cannot do it on their own
- \$3M of Federal Gas Tax annually



# Required Rate Increases

- **Combined 5.15% per year**
  - **Water average increase of 3.8%**
  - **Wastewater average increase of 6.0%**
- **Provides a viable and sustainable financial plan for the next 10 years**
- **Satisfies legislative requirements of the Safe Drinking Water Act**
- **Maintain level of service**



# Next Steps

## January 2019

- **Capital Budget – BRCOTW (Jan 10)**
- **Safe Drinking Water Act Financial Plan approval - Council (Jan 17)**
- **Rate Budget Workshop (Jan 17)**
- **Rate Operating Budget - BRCOTW (Jan 24)**

## February 2019

- **Rate budget approval - Council (Feb 8)**
- **Looking to book a special council meeting for by-law approval (before Levy BRC) (Feb 14)**
- **Submit Financial Plan and License renewal requirements to appropriate Provincial Ministries (Feb 18-22)**
- **Capital Budget approval – Council (Feb 28)**