



Niagara  Region

2019

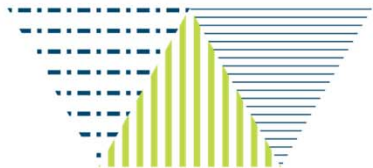
Water & Wastewater Operating Budget, Rate Setting and Requisition

Budget Review Committee of the Whole

January 24, 2019

Tonight's Agenda

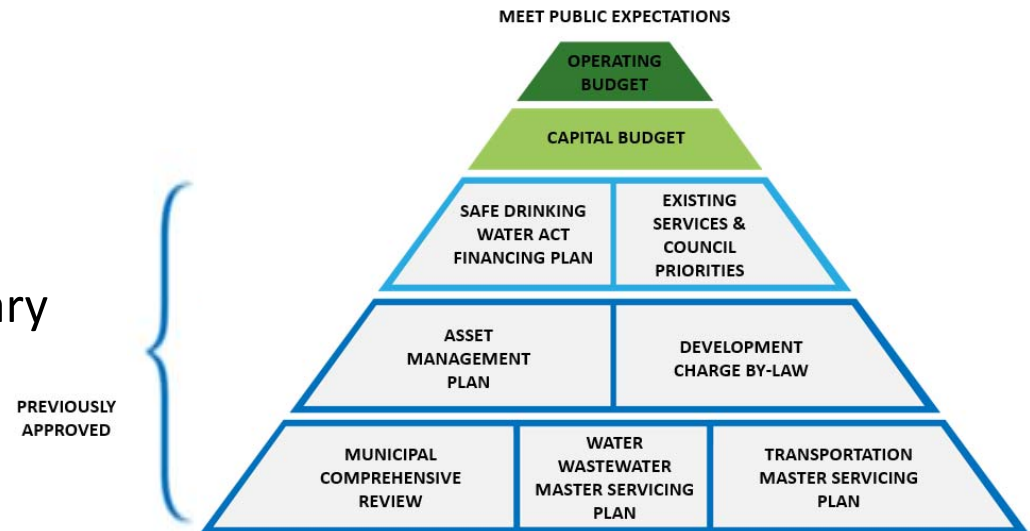
1. 2019 Operating Budget Summary
2. Requisitions
3. Municipal Comparators
4. Risks and Opportunities
5. Next Steps



2019 Water/Wastewater Operating Budget

Key Themes

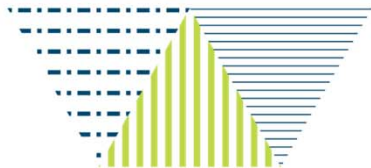
1. Base budget increase within guidance of 2%
2. Recommending increase in excess of guidance - consistent with the SDWA Financial Plan (PWC Jan 9th)
3. Supports capital based on the Asset Management Plan, including necessary debt financing



Budget Process

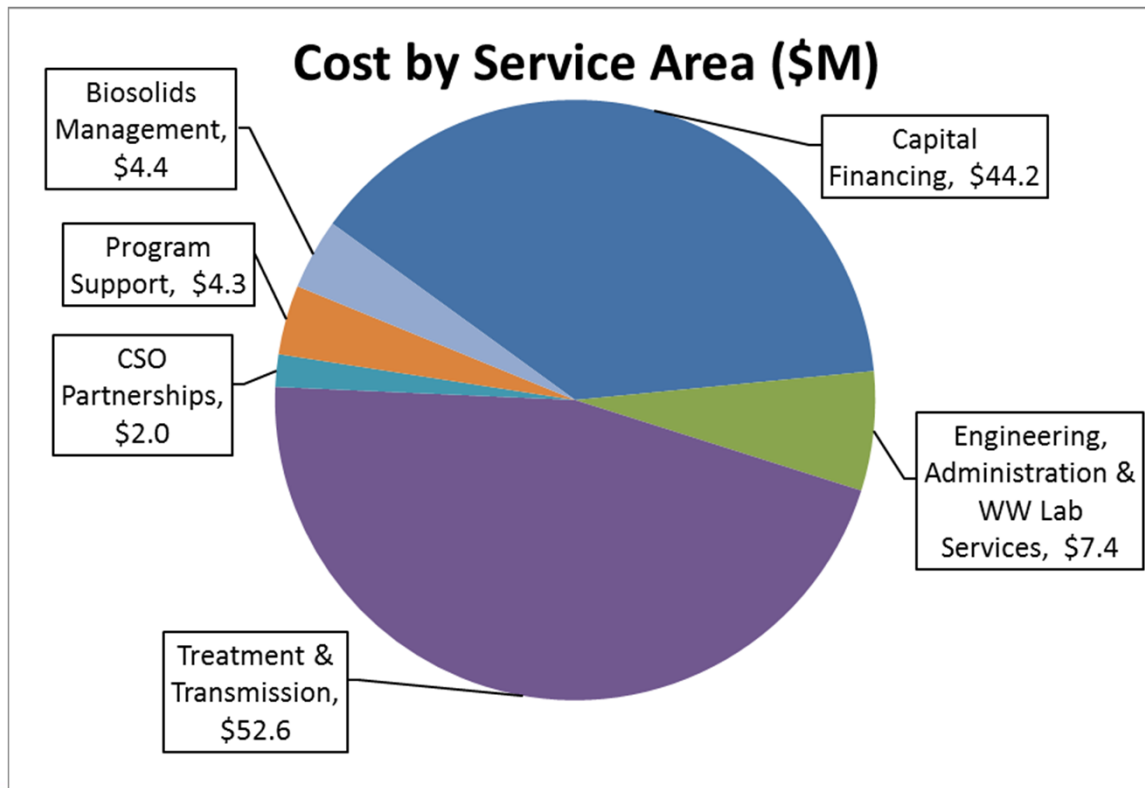
- ✓ Council established guidance of 2% for the 2019 WWWW budget
- ✓ Staff developed budget to support current service delivery and Asset Management Plan, comply with legislation and SDWA Financial Plan
- ✓ Rate Workshop provided education and information

- BRC approval required
 - Subject to additional operating budget considerations



Water and Wastewater within Guidance

2019 Gross Operating Budget: \$114.9 Million

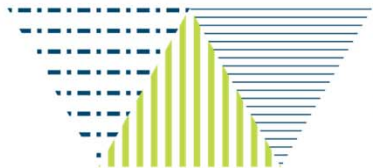


2019 WATER & WASTEWATER BUDGET

2019 Proposed within Guidance

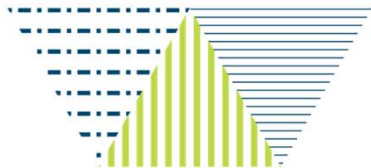
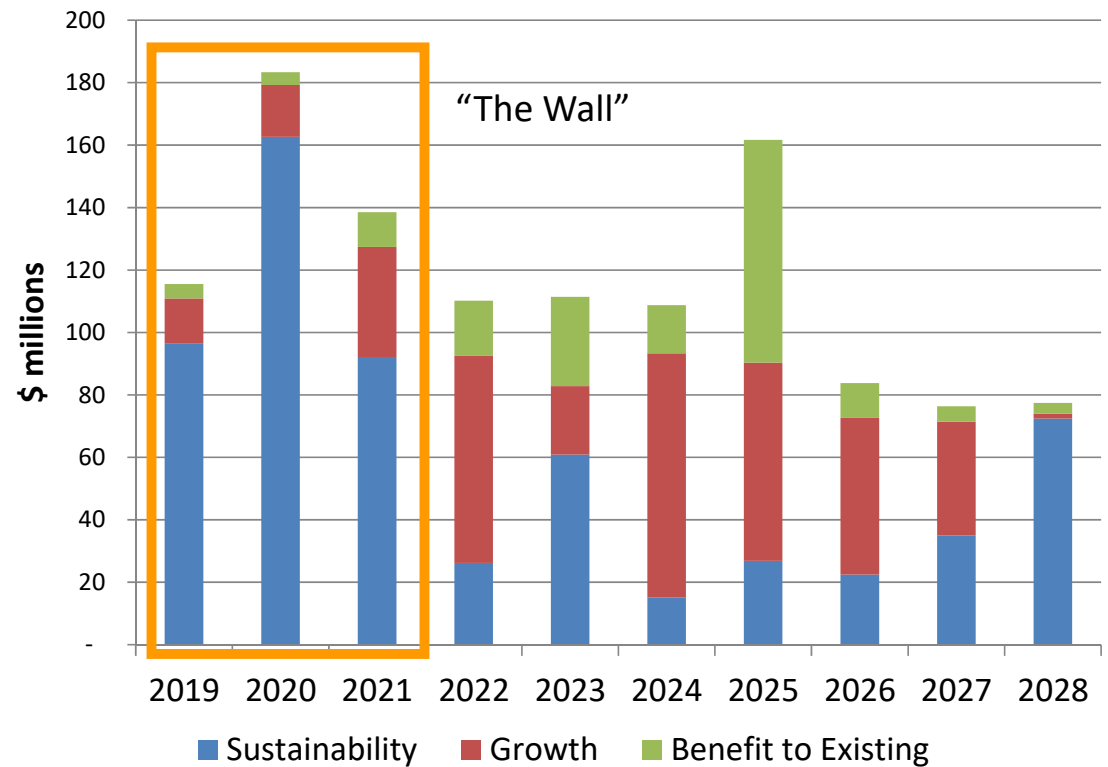
2% or \$2.2 million increase

- \$0.8M increase in compensation and benefits
- \$1.1M increase relating to 15 new permanent FTEs (net 13 FTEs)
- (\$0.3M) in energy savings related to an Energy Consultant
- (\$0.3M) in additional revenue related to Environmental Enforcement Officers
- \$0.7M capital financing of the Asset Management Plan
- Increases in maintenance, offset by discretionary consulting reduction
- Maintain \$4M Combined Sewer Overflow program (CSO)

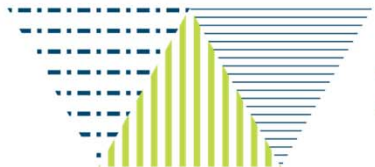
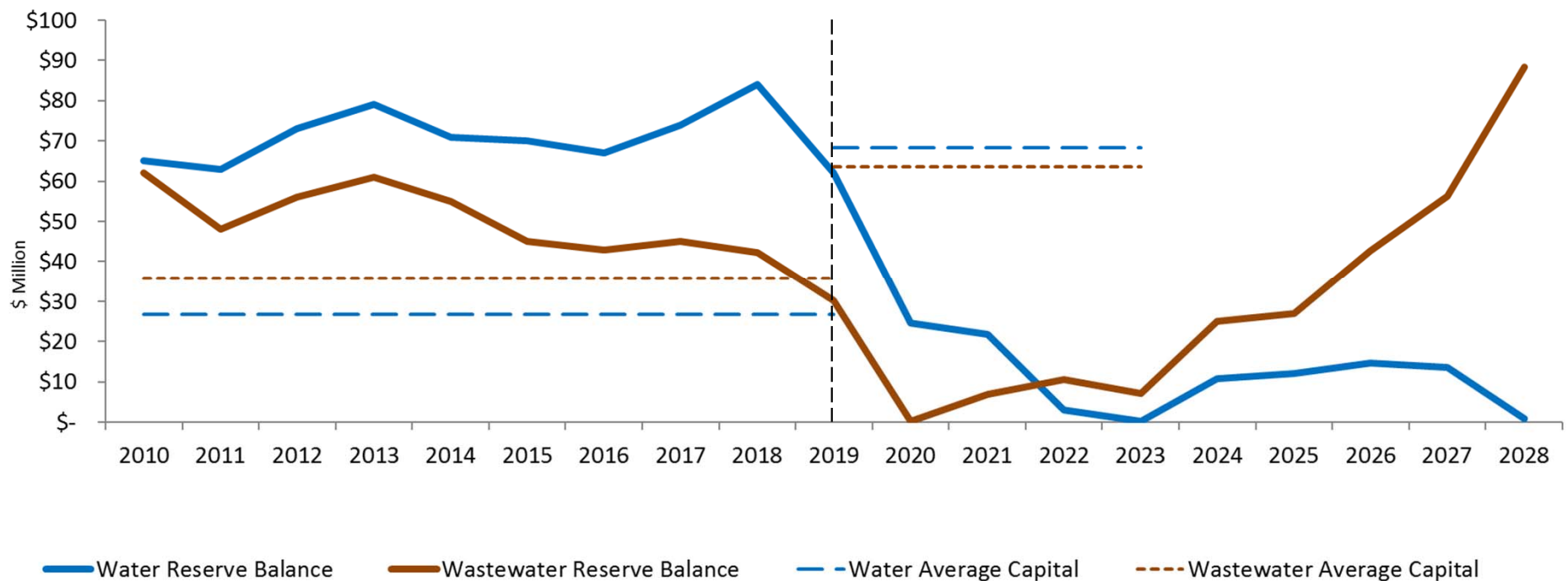


Not included in Base Budget

- Adequate funding for capital in accordance with AMP
- The Wall (deferrals) will continue to grow without a proper plan in place today
- SDWA Financial Plan recommends enhancements to Capital Financing

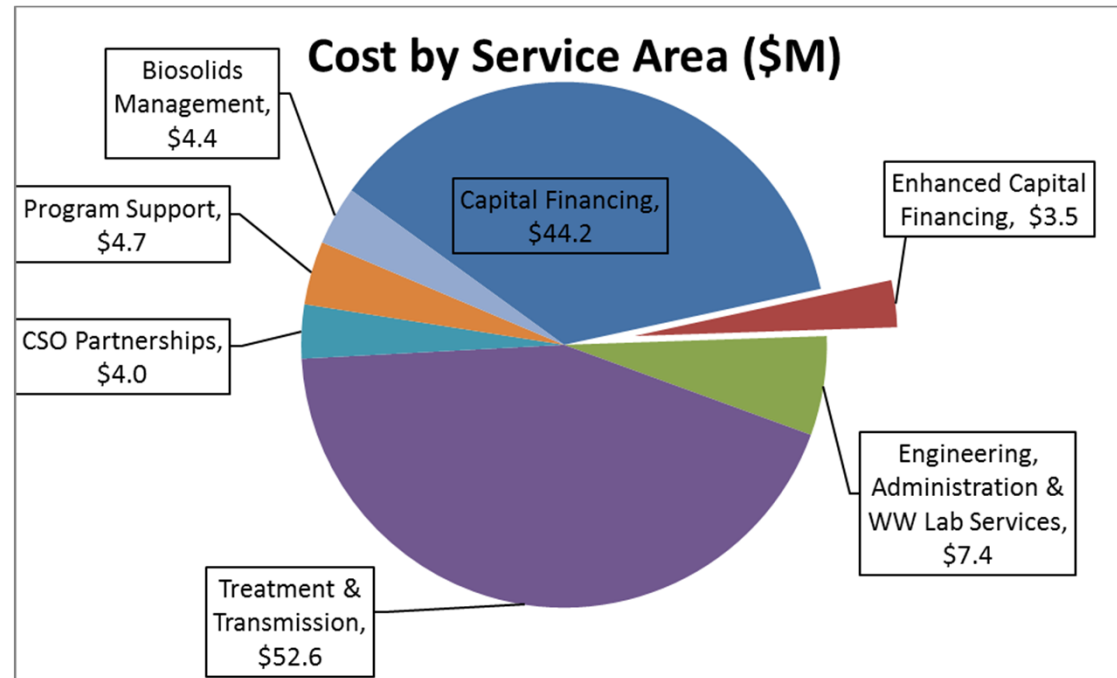


Historical & Projected W/WW Capital Reserve Balances



Water and Wastewater at 5.15% increase

2019 Gross Operating Budget: \$120.8 million

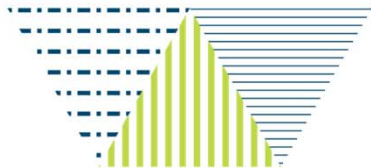
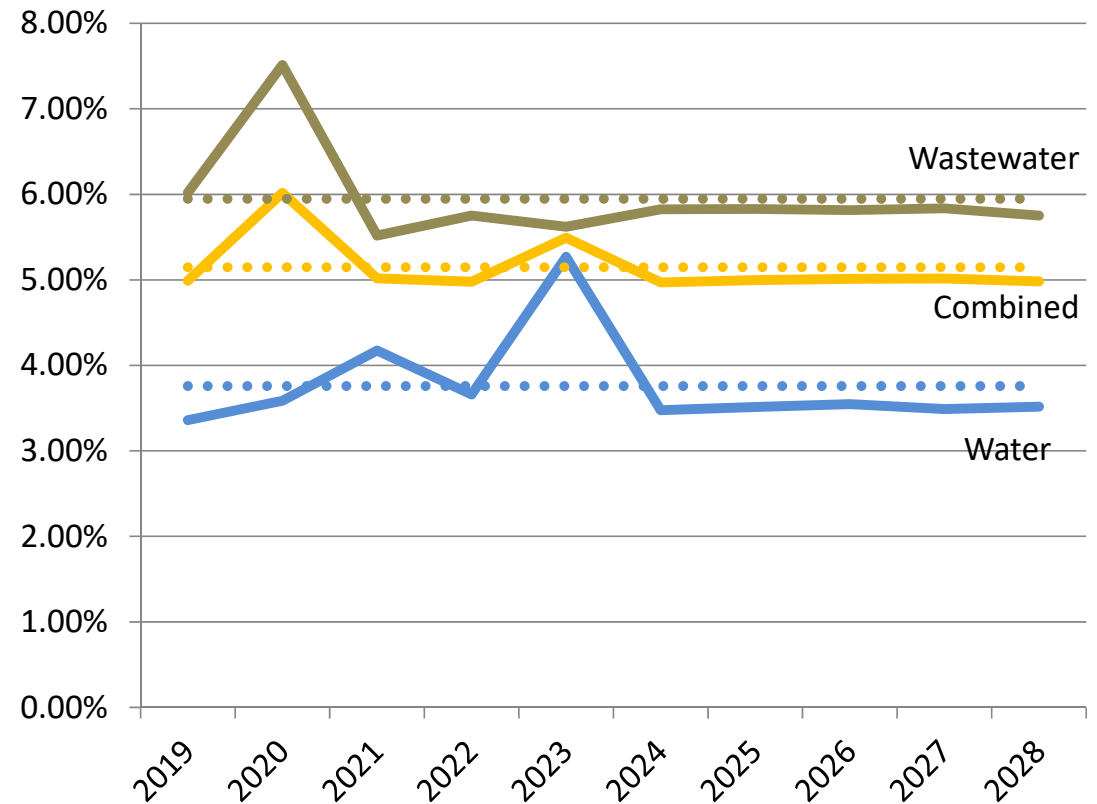


2019 WATER & WASTEWATER BUDGET

Combined increase of 5.15% per year

- 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%
- Average increase for 10 years based on Financial Plan

Smooth Rate Increase



Municipal Comparators

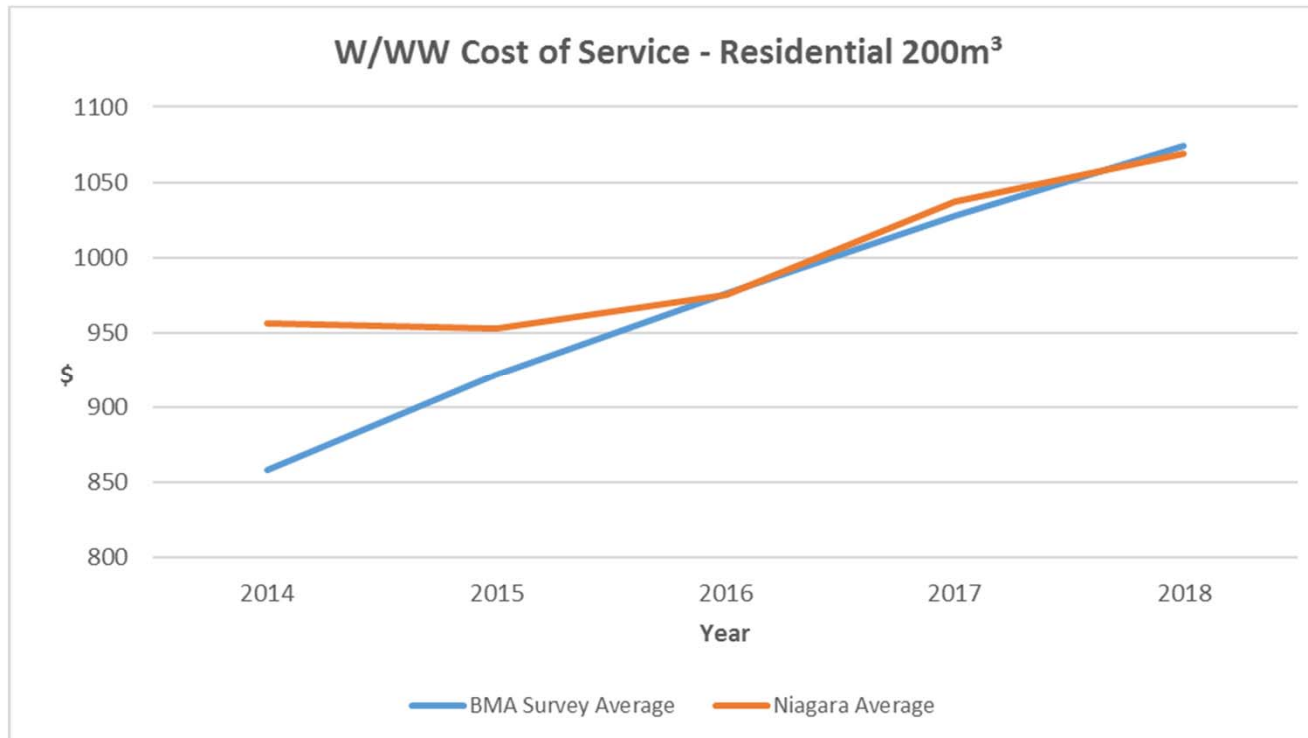
- We aren't alone in these increase requirements
- Our peers have seen or are planning similar increases

Municipality	2015 rate increase	2016 rate increase	2017 rate increase	2018 rate increase	Proposed 2019 rate increase
Halton*	4.90%	5.00%	5.10%	3.80%	3.70%
Durham*	5.00%	5.00%	3.60%	4.00%	1.80%
Waterloo	4.9% (W)/7.9% (WW)	2.9% (W)/6.9% (WW)	1.9% (W)/7.9% (WW)	1.9% (W)/7.9% (WW)	2.9% (W)/6.9% (WW)
Peel*	7.00%	9.00%	4.20%	5.00%	6.50%
York	n/a	9.00%	9.00%	9.00%	9.00%
Niagara	0.84%	-0.03%	0.81%	2.05%	5.15%
Niagara Guidance	2.00%	0.00%	1.00%	2.00%	1.50% / 2.00%

*Upper-tier responsible for WWW billing/maintenance of distribution system.



BMA Study Average Cost per Household

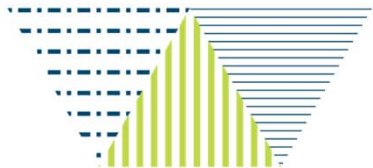


2019 Water and Wastewater Base Budget

Summary - Combined Increase of 5.15%

	2018 Budget (millions)	2019 Budget (millions)	\$ Changes (millions)	% Change
Net Budget - Water	\$43.0	\$44.2	\$1.2	2.77%
Net Budget - Wastewater	68.1	72.9	4.5	6.65%
Net Budget - Combined	111.2	116.9	5.7	5.15%
Permanent FTEs	246.6	261.6	15.0	
Temporary FTEs	6.6	4.5	(2.1)	

Gross Budget: \$120.8 million, Net Budget: \$116.9 million

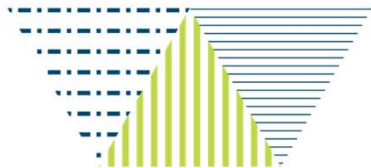


2019 WATER & WASTEWATER BUDGET

Water Requisition

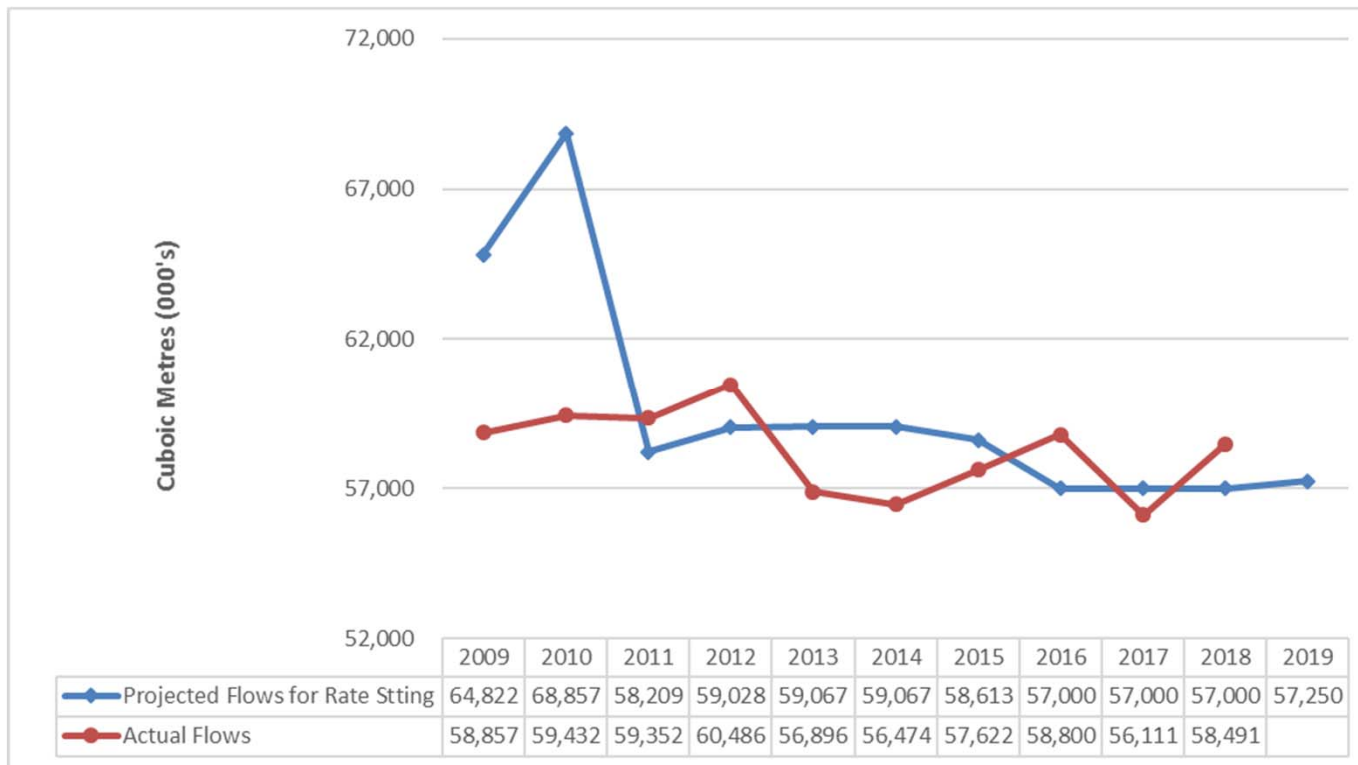
Overview

- Methodology in place since 2009, reaffirmed in 2011 for 2012-2015 and again reaffirmed in 2015
 - 25% Fixed requisition
 - Based on three-year average volume
 - 75% variable rate
 - Projected water sales of 57.25 million m³
 - 75% of \$44.2 million budget divided by 57.25 million m³
 - Variable rate proposed at \$0.580 per m³ (2018 rate \$0.566)



Water Requisition

Water Volume Analysis



Water Requisition

25% fixed distribution by LAM

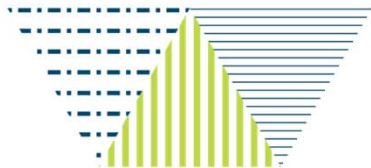
Municipality	Fixed Requisition			
	2018	2019	Difference	
	\$000	\$000	\$000	%
Fort Erie	880	892	11	1.27%
Grimsby	650	620	(31)	-4.70%
Lincoln	427	440	13	3.15%
Niagara Falls	2,896	2,935	39	1.33%
Niagara-on-the-Lake	582	599	17	2.88%
Pelham	246	241	(5)	-2.07%
Port Colborne	570	588	18	3.24%
St. Catharines	2,786	2,920	134	4.82%
Thorold	371	395	24	6.48%
Welland	1,194	1,266	72	6.01%
West Lincoln	159	164	5	3.10%
Total	10,762	11,060	298	2.77%



Wastewater Requisition

Overview

- Methodology of 100% fixed since 2007, 2011 began the reconciliation to actual and established methodology for 2012-2015, and reaffirmed in 2015
 - 100% fixed requisition (based on three-year average)
 - Reconciliation of 2017 net budget based on actual flows included in the 2019 requisition
 - \$2.077 million in rebates and \$2.077 million in payments



Wastewater Requisition

100% fixed distribution by LAM

Municipality	Fixed Requisition			
	2018	2019	Difference	
	(\$000)	(\$000)	(\$000)	%
Fort Erie	7,114	7,596	483	6.79%
Grimsby	3,123	3,324	202	6.45%
Lincoln	2,559	2,837	278	10.88%
Niagara Falls	13,930	14,728	798	5.73%
Niagara-on-the-Lake	2,639	2,961	322	12.20%
Pelham	1,291	1,354	63	4.84%
Port Colborne	3,910	4,077	167	4.26%
St. Catharines	19,462	20,741	1,279	6.57%
Thorold	3,163	3,536	373	11.78%
Welland	9,890	10,363	473	4.79%
West Lincoln	1,066	1,163	97	9.12%
Total	68,146	72,680	4,534	6.65%

Note: Excluding annual reconciliation adjustment



Wastewater Requisition

100% fixed plus 2017 reconciliation

Municipality	Requisition		Reconciliation Payment		Total Charge			
	2018 By-Law	2019 By-Law	2018 (2016 Rec.)	2019 (2017 Rec.)	2018 By-Law	2019 By-Law	Difference	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	%
Fort Erie	7,114	7,596	698	328	7,812	7,924	112	1.43%
Grimsby	3,123	3,324	(294)	165	2,830	3,489	659	23.30%
Lincoln	2,559	2,837	204	231	2,762	3,068	306	11.07%
Niagara Falls	13,930	14,728	342	805	14,273	15,532	1,260	8.82%
Niagara-on-the-Lake	2,639	2,961	76	338	2,715	3,299	584	21.53%
Pelham	1,291	1,354	85	(65)	1,375	1,289	(87)	-6.29%
Port Colborne	3,910	4,077	(544)	(181)	3,366	3,896	530	15.74%
St. Catharines	19,462	20,741	(117)	(1,427)	19,344	19,314	(30)	-0.16%
Thorold	3,163	3,536	142	179	3,305	3,715	410	12.41%
Welland	9,890	10,363	(666)	(404)	9,224	9,960	736	7.98%
West Lincoln	1,066	1,163	74	32	1,140	1,195	55	4.78%
Total	68,146	72,680	-	-	68,146	72,680	4,534	6.65%

2017 Reconciliation distributed to LAMs January 26, 2018 for inclusion in local budgets.



2019 WATER & WASTEWATER BUDGET

Understanding the Risks and Opportunities

Risks

Weather dependant and therefore subject to fluctuation that are outside the Region's control.

Equipment failure do to deferred Capital investment which may impact operating expenditures.

Unanticipated new provincial standards that may create operational pressures.

Limited capital financial flexibility until the budget fully addresses the asset management plan/SDWA



Opportunities

Continuation of the CSO program to help address Wastewater costs as a result of weather specific events.

Approving a budget in accordance with the Financial Plan provides more money for capital mitigating risk of asset failure.

Enhanced staff complement to manage legislative requirements, enhance revenues, and reduce costs

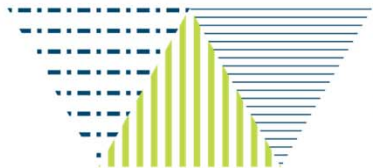
Adequate operating reserves (rate stabilization)



Water & Wastewater Next Steps

Approvals and Requisitions

- Council approval of budget, rate and requisitions (incl. By-laws) – February 14, 2019
- Provide information regarding wholesale requisition to LAMs to complete their budgets
- LAMs will set their individual fixed and variable rates for their customers



Questions?

