

TWENTY24

Water and Wastewater Ten Year Financial Plan

October 10, 2023

Purpose

The Financial Plan:

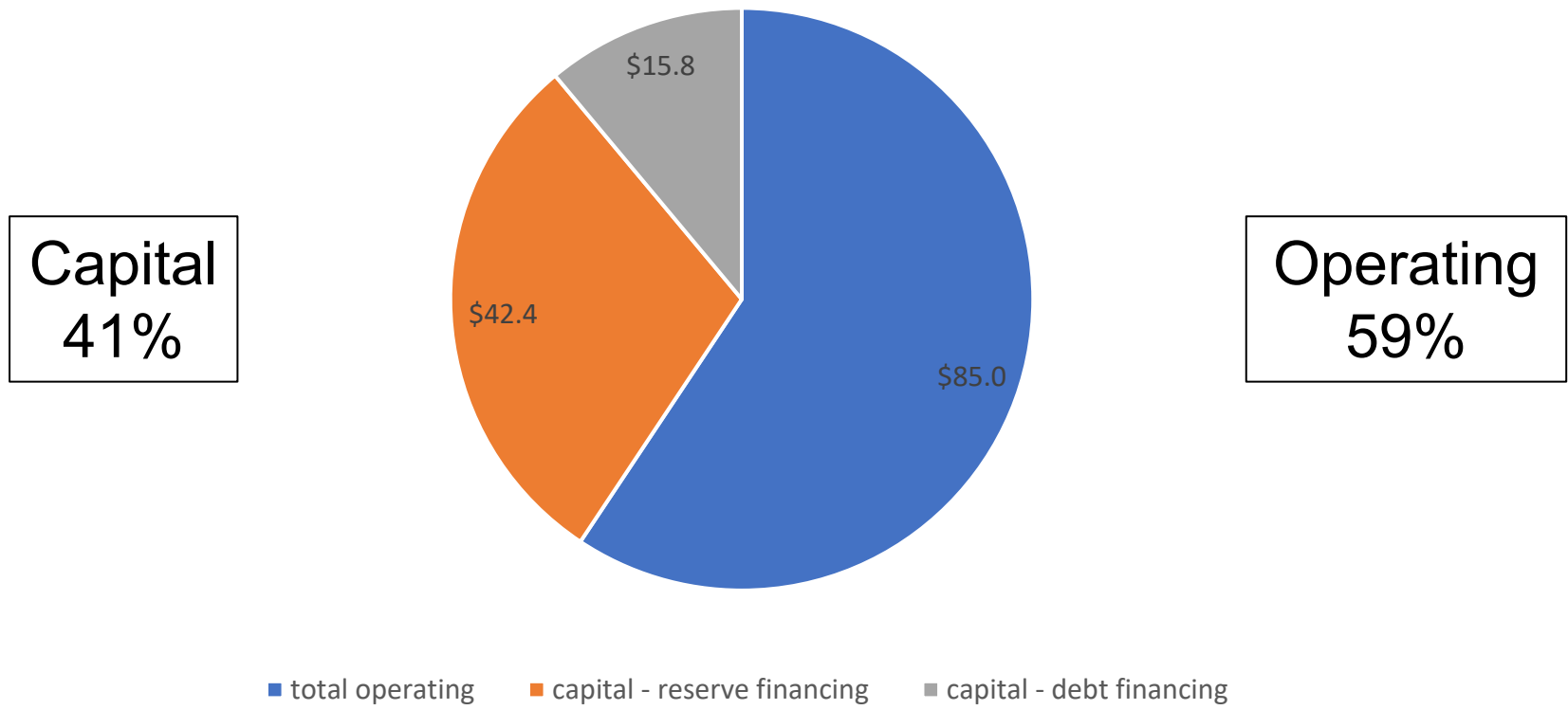
- is a requirement every five years to renew Niagara Region's license to treat water, mandated by the Safe Drinking Water Act, O.Reg. 453/07
- moves towards sustainability in a measured way
- utilizes the Region's budget policies and planning documents, therefore will serve as a basis for future budget recommendations
- will provide an understanding of the impacts on infrastructure condition and asset level of service

Guiding Principles

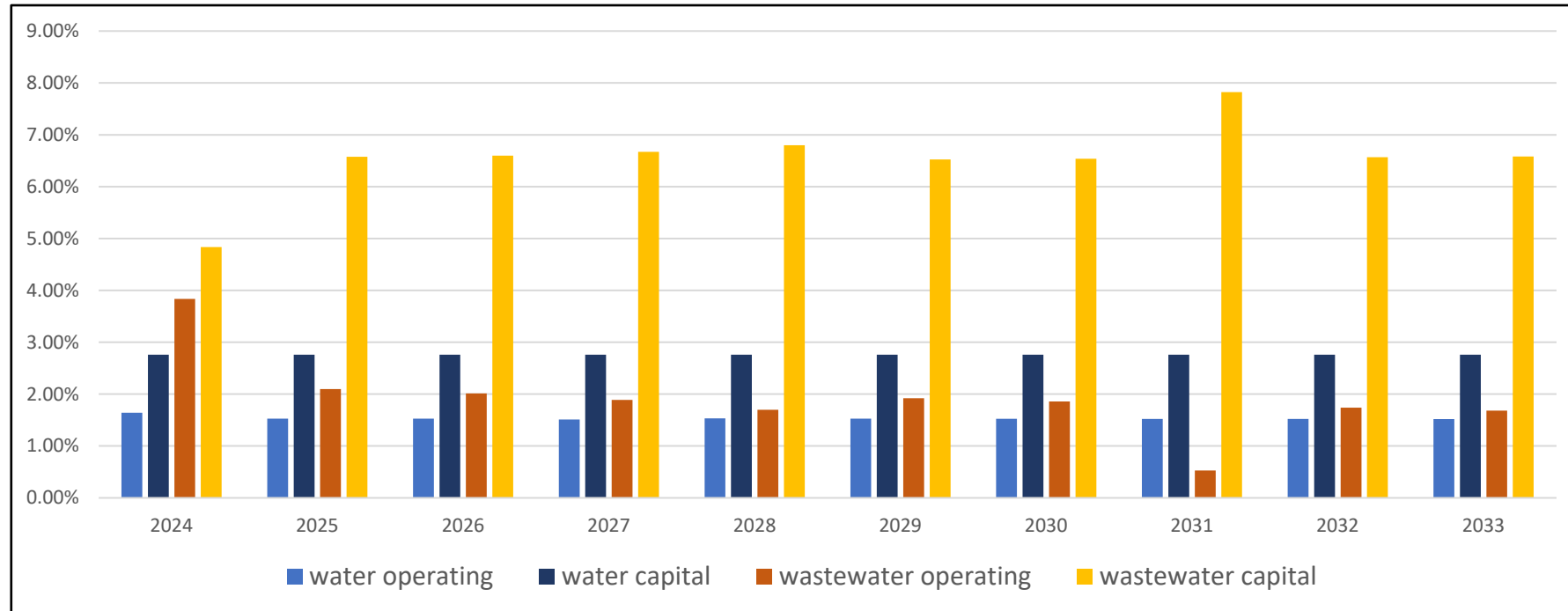
1. Smooth the rate increases over the 10-year period
2. Consider asset renewal requirements in accordance with the Asset Management Plan
3. Support growth related asset requirements in accordance with Water and Wastewater Master Servicing Plan
4. Understand the impacts of investment on asset condition and asset level of service
5. Maintain reserve balances to manage asset risk
6. Use of debt and reserves/pay-as-you-go for assets in accordance with the Capital Financing Strategy

Water and Wastewater Requisition

\$143.2M Composition – 2023 Operating vs. Capital



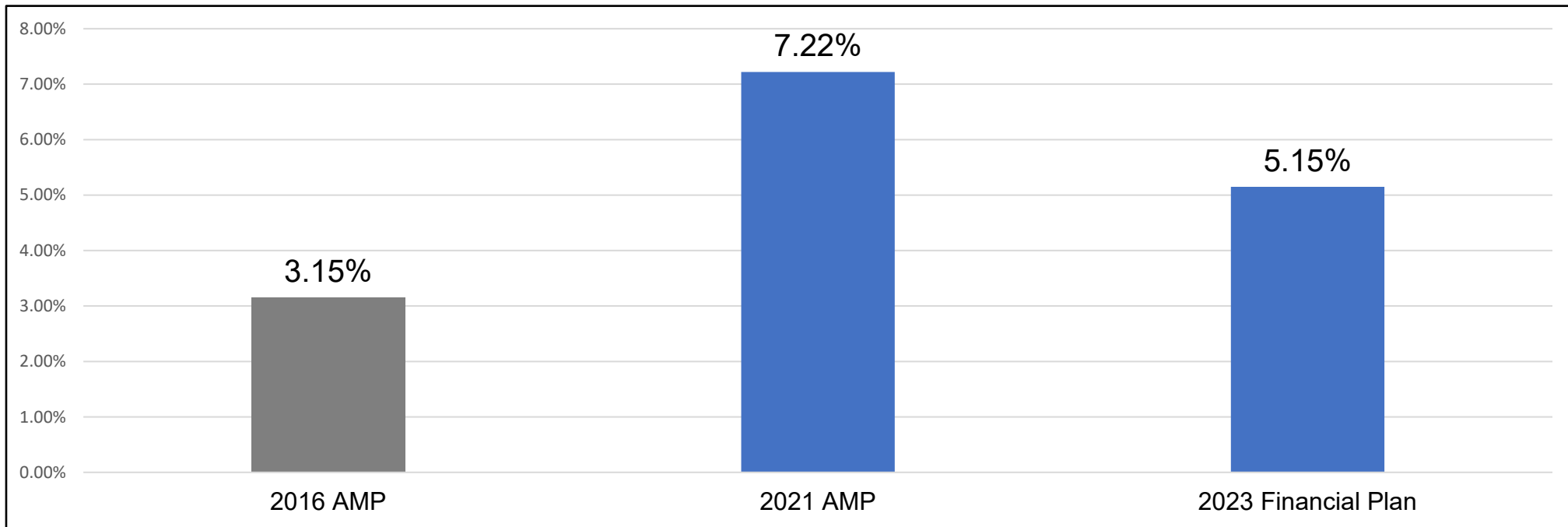
1. Recommended Plan Increases



Combined average increase of 7.15% annually for 10 years
Average Water increase is 4.3%, Average Wastewater increase is 8.5%,
Average for operating of 2% and capital reserves of 5.15%

2. Asset Renewal

As Per Asset Management Plan

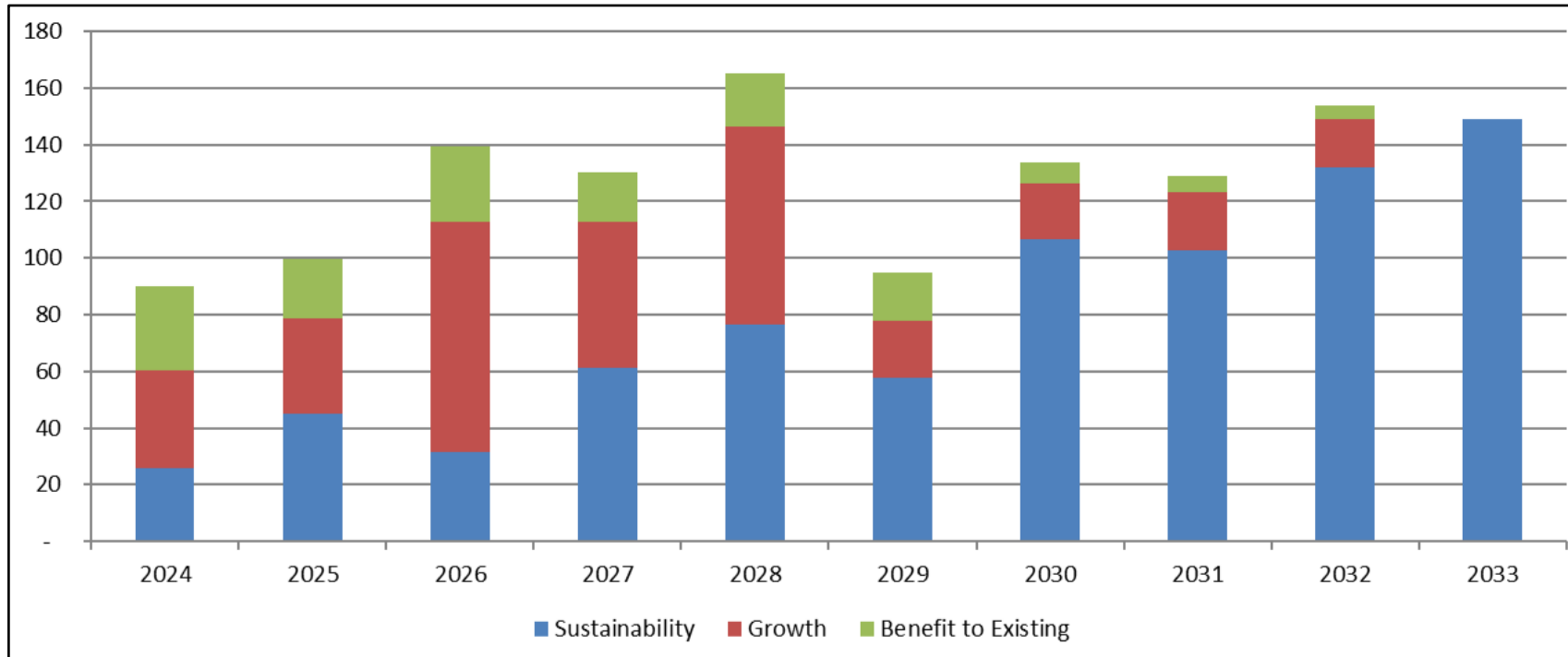


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Sustainability of existing and strategy for backlog

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Moving toward sustainability while considering affordability, staffing, supply chain etc.

2. Asset Renewal

10-Year Capital Plan of \$1,285M



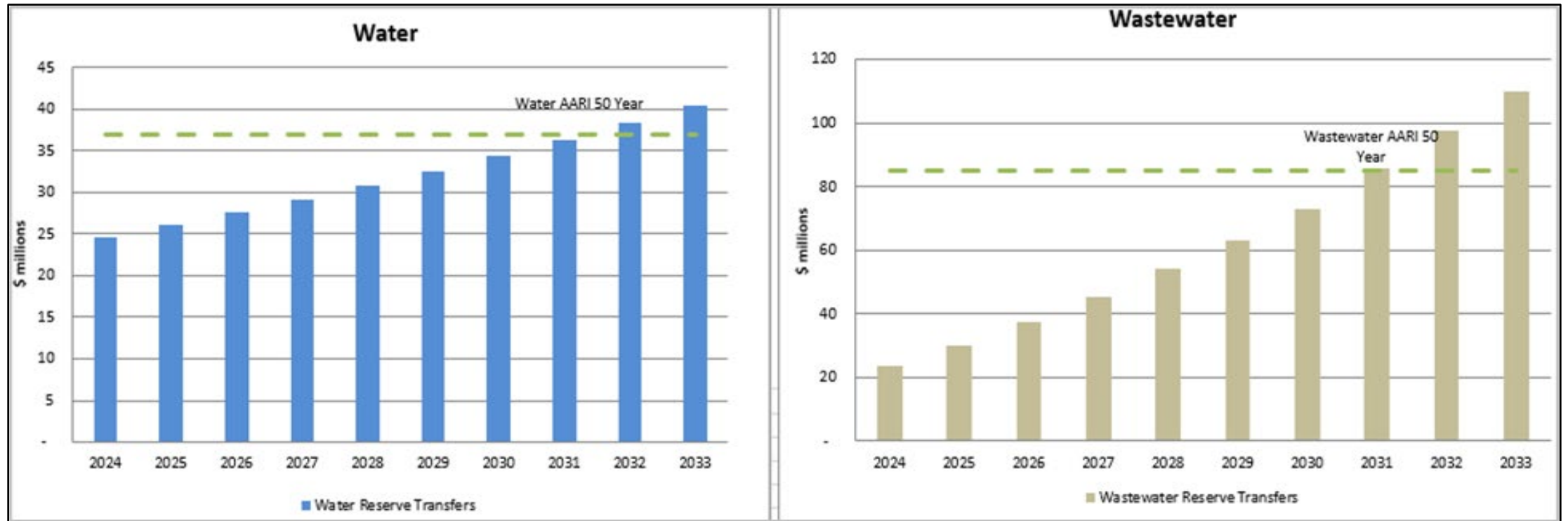
Supported by long-term strategy to target transfer to reserves of \$122M per year

However, requires \$648M of AMP capital deferrals (34% of plan)

Deferral results in increase in assets in very poor condition

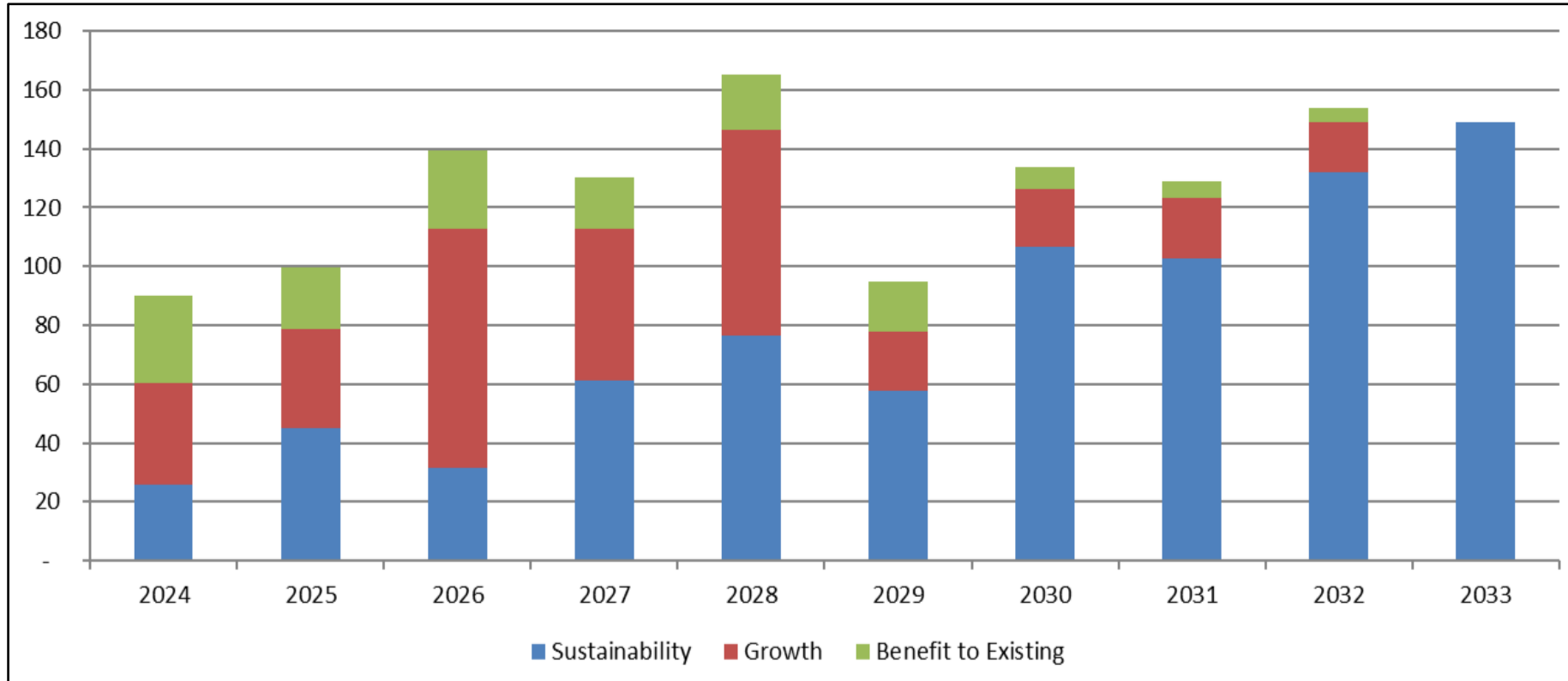
2. Asset Renewal

Budgeted Transfer for Capital - Avg. Annual Renewal Investment



Targets reached in 2031/32 however target doesn't account for on-going inflation. Increases will provide for renewal of future growth asset, inflation, backlog.

3. Growth Related Capital



Growth assets from development charges of \$348M over 10 years. However, \$145M “benefit to existing” must be funded from Rates.

4. Impacts on Asset Condition

Water Asset condition per AMP

		Total Water	Facility (WTW, PS, Reservoirs, etc.)	Linear Network (Transmission)
	Replacement value (2022)	\$1.8 billion	\$1. Billion	\$0.8 billion
Condition rating (percentage by replacement value)	Very good	33.00%	8.10%	65.10%
	Good	34.10%	42.00%	23.90%
	Fair	12.90%	15.90%	8.90%
	Poor	11.30%	20.00%	0.20%
	Very poor	8.70%	14.00%	1.90%

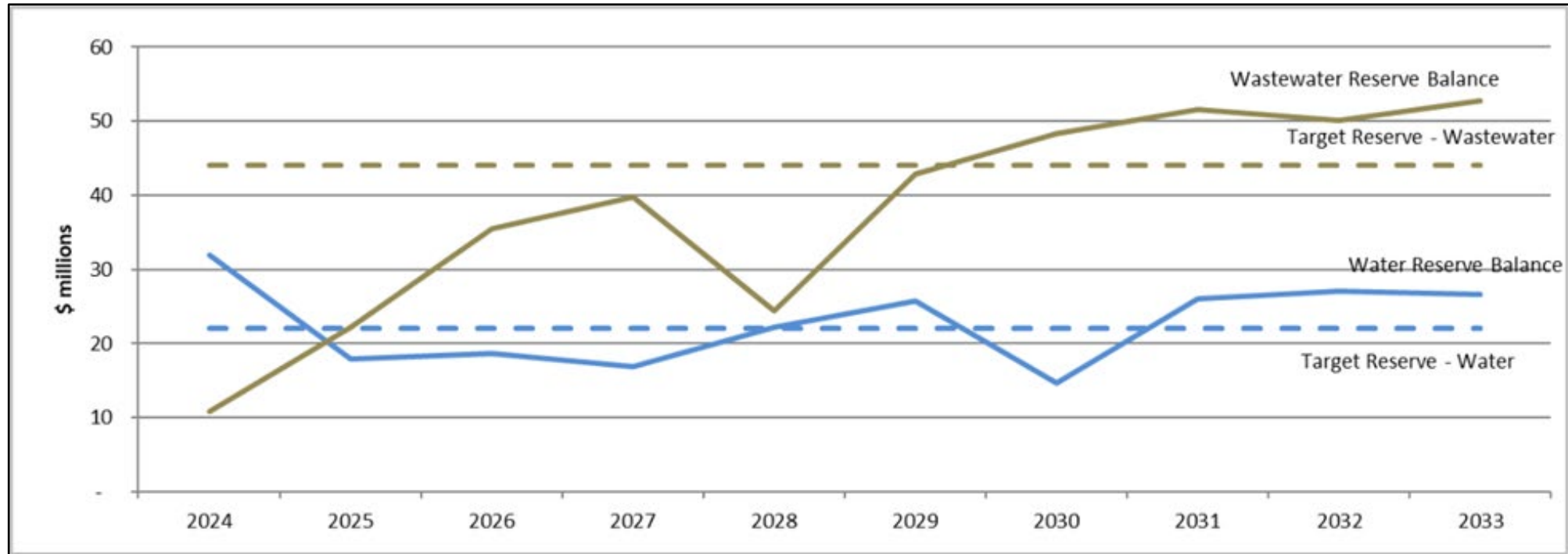
Wastewater Asset condition per AMP

		Total Wastewater	Facilities (WWTP, SPS, etc.)	Linear Network (Sewers, Forcemains)
	Replacement value (2022)	\$3.3 billion	\$2.3 billion	\$1. billion
Condition rating (percentage by replacement value)	Very good	12.30%	3.80%	31.10%
	Good	32.70%	34.50%	28.70%
	Fair	27.00%	23.30%	35.10%
	Poor	14.00%	19.70%	1.50%
	Very poor	14.00%	18.70%	3.60%

- Total proposed capital in AMP is \$1,933M
- Total affordable is \$1,285M
- Deferral of \$648M
- Assets in very poor condition:
 - increase for water to 14.0% by 2033
 - reduce nominally for wastewater to 13.4% by 2033

5. Maintain Reserve Balances

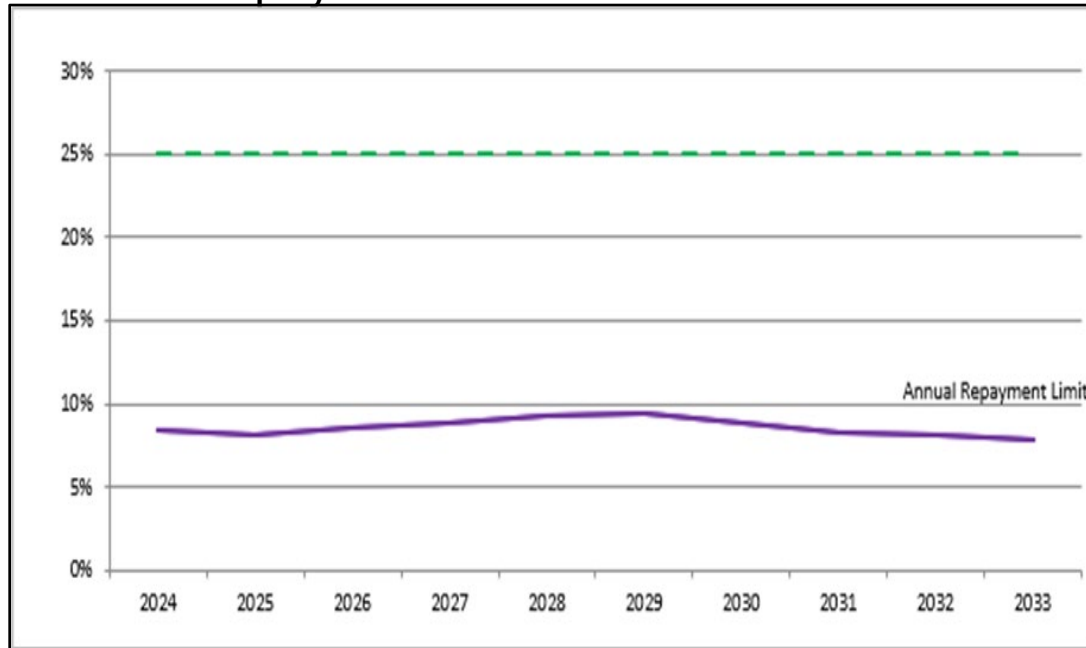
Forecasted Capital Reserves



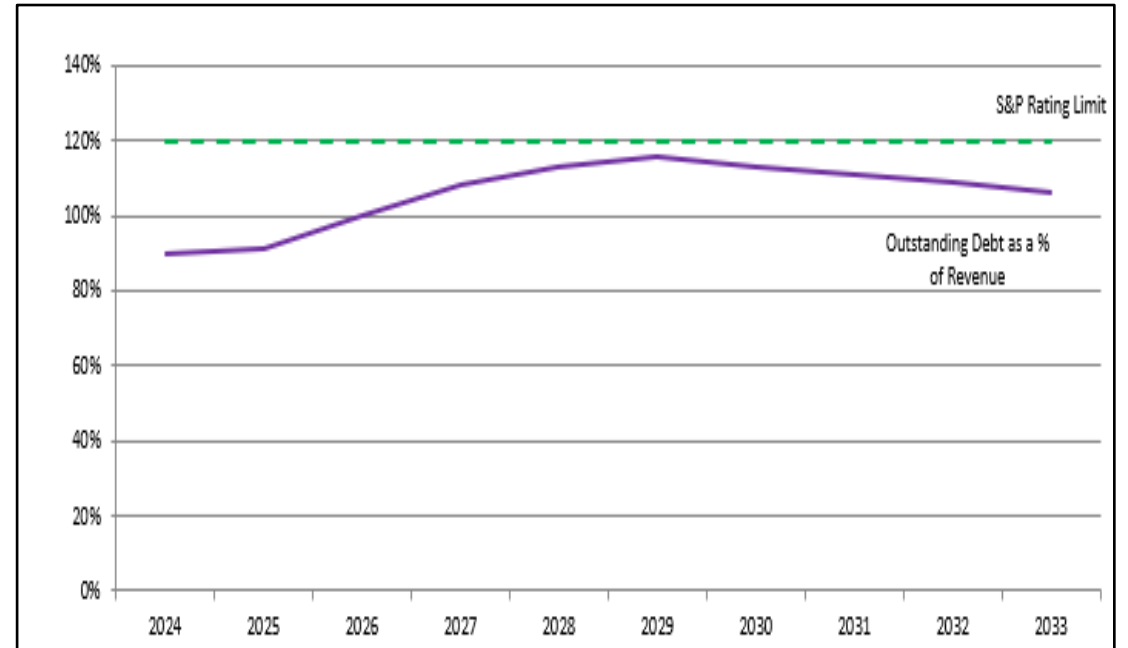
Reserve balance targets were reduced from 2% to 1% of asset replacement value to address critically needed investments.

6. Use of Debt and Reserves

Annual Repayment Limit



Standard & Poor's Debt Limit



No new debt approved in plan.
Forecast includes timing and payments of previous approval
ARL peaks at 9.5%, well below 25% provincial limit
S&P limit peaks at 115.7%, still below the 120% limit

Summary of Risks

Plan balances cost, performance and risk

- 2024 reality:
 - Inflation greater than 3.5%
 - Bill 23 exemptions for water and wastewater should be funded from rates
 - Result may be greater than 7.15%
- Prioritizing growth capital utilizes rate funding for non-critical renewal
- Capital backlog
 - Without a 7.22% increase for capital (instead of recommended 5.15%) capital asset reactive maintenance, cost and failure could increase.
- Reserves of 1% of asset value replacement leave less opportunity to manage above risks

Next Steps

Committee and Council Dates

- Capital Budget – BRCOTW – October 12, 2023
- Rate Operating Budget – BRCOTW – November 2, 2023
- Rate Operating Budget Approval – Council – November 16, 2023
- Capital Budget Approval – Council – December 14, 2023

Questions

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