

NIAGARA REGION BUDGET

2020

Water & Wastewater Operating
Budget, Rate Setting & Requisition

Budget Review Committee of the VWhole

November 28th, 2019



2020 Water & Wastewater Operating Budget

Key Themes

New Budget Planning By-law

- Base budget increase of 2.00% is within Council budget direction
- Funding for sustainability of Capital is at the discretion of Council

Balancing Sustainability, Transparency & Affordability with the Capital Financing Policy

- Financial Sustainability Plan proposed 3.15% for Capital sustainability
- Based on funding principles consistent with recently approved capital financing strategy

2020 Water & Wastewater Operating Budget, Rate Setting and Requisition

What we're going to cover tonight:

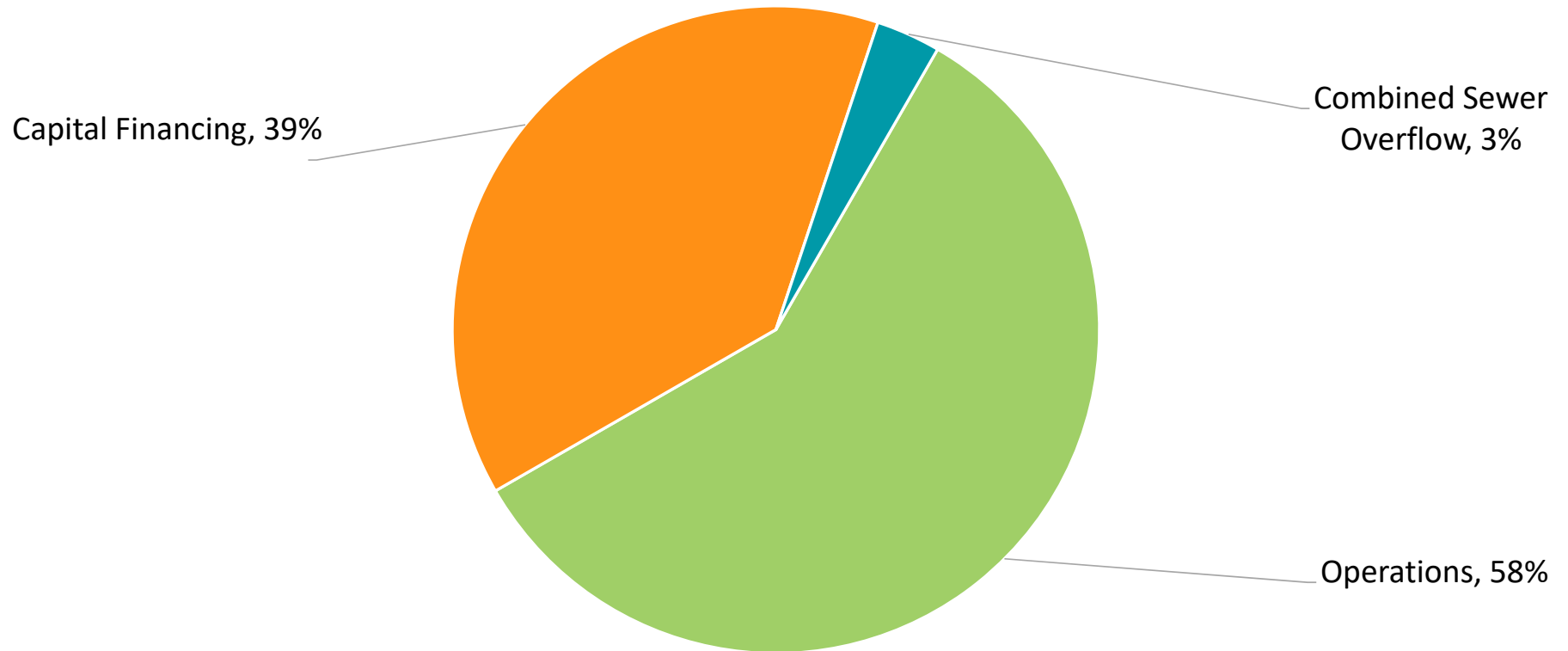
- Operating Budget Summary
- Municipal Comparators
- Requisition
- Risks and Opportunities
- Next Steps

2020 Budget Process

- ✓ June 20 - Council established base budget direction of 2.00%
- ✓ Staff developed budget to support:
 - current service delivery,
 - comply with legislation
 - SDWA Financial Plan
- ✓ Rate Workshop provided education and information
- ✓ BRC approval required

2020 Water & Wastewater Budget

Where does the money go? Gross Budget = \$119M



2020 Water & Wastewater Operating Budget

Before Enhanced Capital Financing: \$119.3 M (\$2.3M increase)

2020 Proposed Budget - Gross & Net			
	Water	Wastewater	Total
Net 2019 Budget Requisition	44,238,899	72,679,759	116,918,658
2020 Budget:			
Total Operating Expenses	23,971,949	51,391,810	75,363,759
Reserve Transfer & Debt Charges	20,978,212	26,779,977	47,758,189
Gross 2020 Budget Total	44,950,161	78,171,787	123,121,948
Less: Revenues	(379,663)	(3,483,572)	(3,863,235)
Less: Reserve Funding	-	-	-
Net 2020 Budget Requisition - Before Increased Capital Financing	44,570,498	74,688,215	119,258,713
Percentage Change	0.75%	2.76%	2.00%
Increased Capital Requirement	1,350,459	2,332,479	3,682,938
Net 2020 Budget Requisition - After Increased Capital Financing	45,920,957	77,020,694	122,941,651
Percentage Change	3.80%	5.97%	5.15%

\$3.7 million
for Capital

2020 Water & Wastewater Operating Budget

Before Enhanced Capital Financing: \$119.3M (\$2.3M increase)

Pressures:

- Labour related costs of \$1.1M inclusive of enhancements for asset planning, capital project management
- Asset Management Software Enhancements (\$0.2M)
- Large Diameter Main Inspection (\$0.3M)
- Chemicals (\$0.5M)
- Overall escalations in administrative support costs charged back from Levy (\$0.4M)
- Repairs & Maintenance (\$0.5M)

Offset by:

- Anticipated Electricity Savings of \$1.1M

2020 Water & Wastewater Program Changes

Included in Base Budget Increase of \$2.3M

Division	FTE	Item	Net Amount	Details
Wastewater Operations	1	Biosolids Operator	\$7 K	Compensation cost mostly offset by savings in sludge collection of \$73K; currently there is only 1 employee at each facility; having a backup will enable processing to continue if existing staff is not available.
Total	9		\$7 K	

2020 Water & Wastewater Capital Financing

Regional Capital Financing Strategy

Niagara Region's Capital Plan

Project Type

Asset Management Plan

- Responsible Growth and Infrastructure Planning
- Current tax base maintaining existing level of service

Strategic Investments

- Debt required to support projects with future beneficiaries

Growth

- Business/Economic Growth
- Growth pays for growth

Funding Source

Other External Sources

- Grants, Subsidies, Local Area Municipal Cost Share etc.

Pay as you go (Reserves)

- Utilize funds set aside from Operating budgets

Federal Gas Tax

- Federal Funding to support local infrastructure priorities

Debt

- Funds raised from creditors for Capital projects
- Required to transition to the policy

Development Charges

- Used for Growth projects based on DC study & receipts

NIAGARA REGION BUDGET

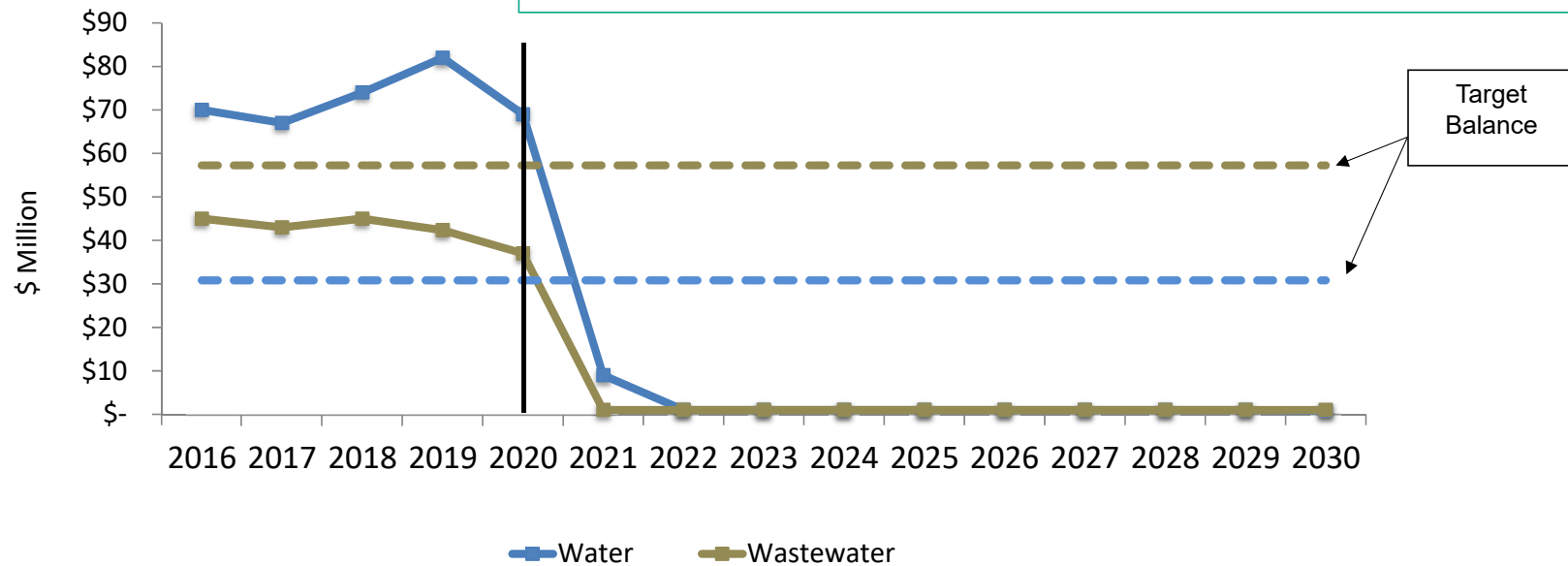
2020 WATER & WASTEWATER

2020 Water & Wastewater Capital Financing

Operating Budget Includes Contributions to Reserves

Without strategy, post 2021 capital budget will be restricted to current annual operating budget contributions:

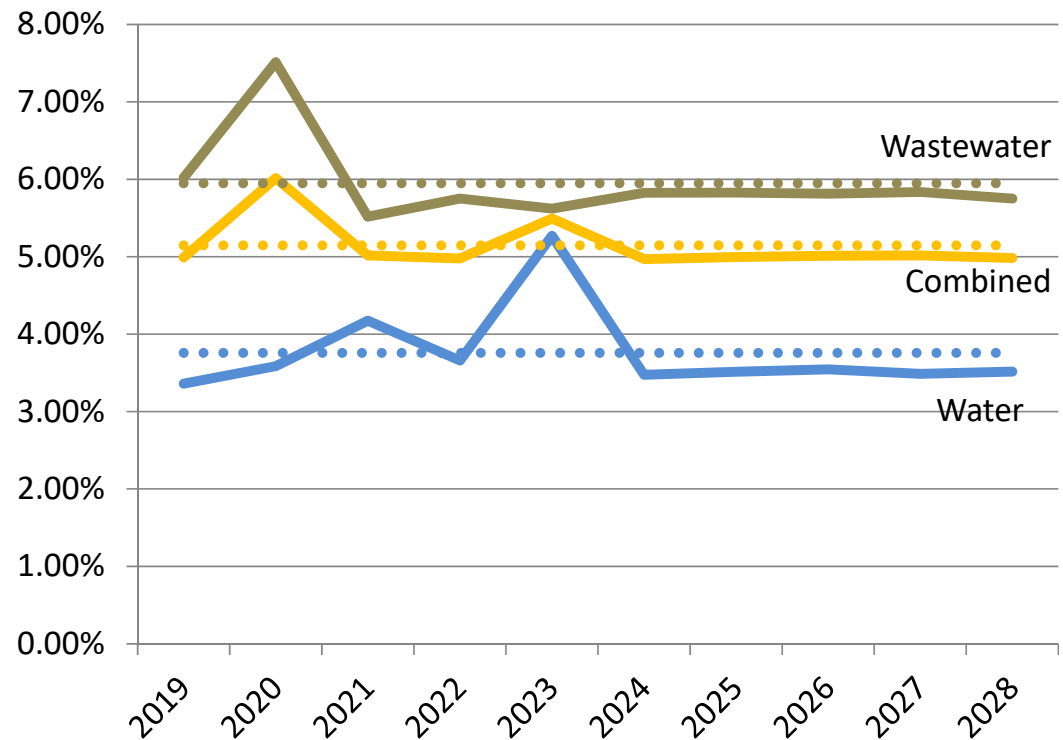
- Water \$17M
- Wastewater \$19M



2020 Water & Wastewater Sustainability Plan

5.15% Required for 10 Years to Smooth Operating and Capital Costs

- To fund capital in accordance with the Council approved AMP and MSP
- 10 year average Water increase of 3.8%, Wastewater of 6.0%
- Base increase may be +/- 2% which will vary the Capital increase to an average of 3.15%



2020 Water & Wastewater Capital Budget

Capital Budget does not rely on Enhanced Capital Financing

If \$3.7M is approved:

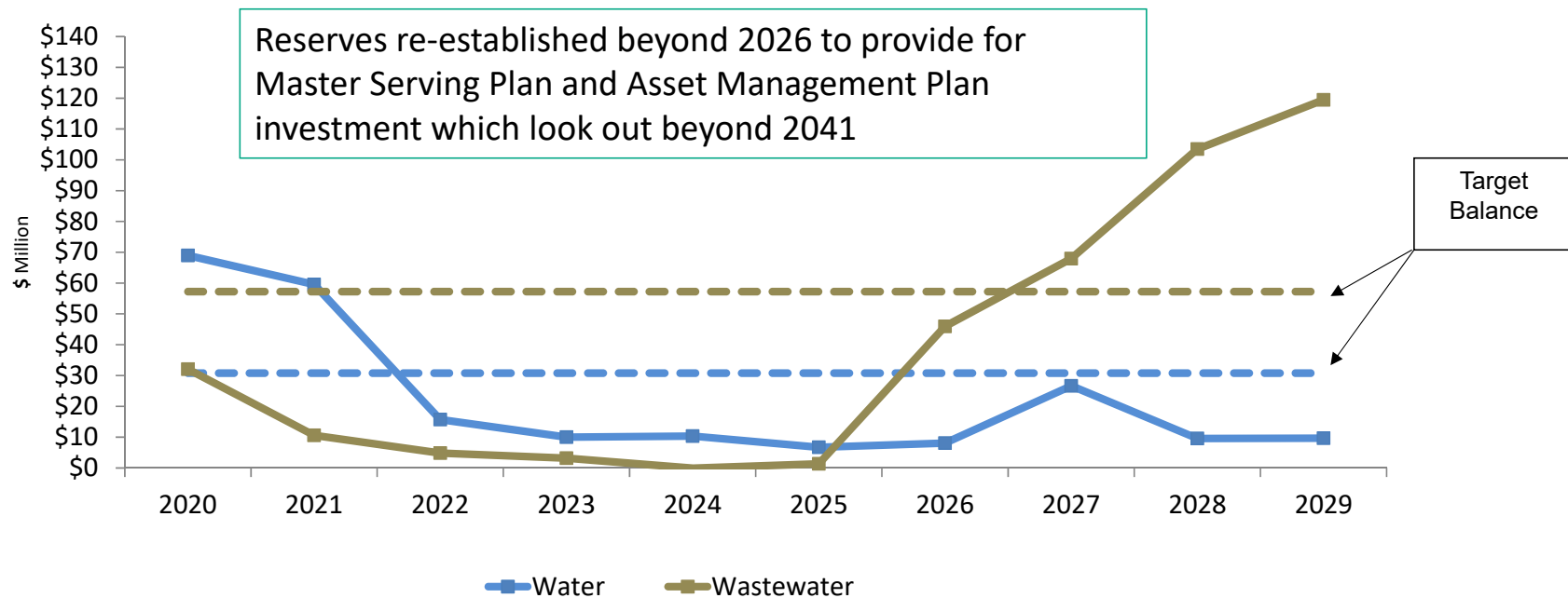
- \$0.5M for Debt Servicing,
- \$3.2M for Capital Reserve Contribution

Capital Budget could be amended to re-introduced:

- Dain City Station Forcemain Replacement (\$550k) – *Reserve Financed*
- Thundering Waters Sanitary Trunk Sewer Rehab (\$8.3M) – *Debt Financed*

2020 Water & Wastewater Sustainability Plan

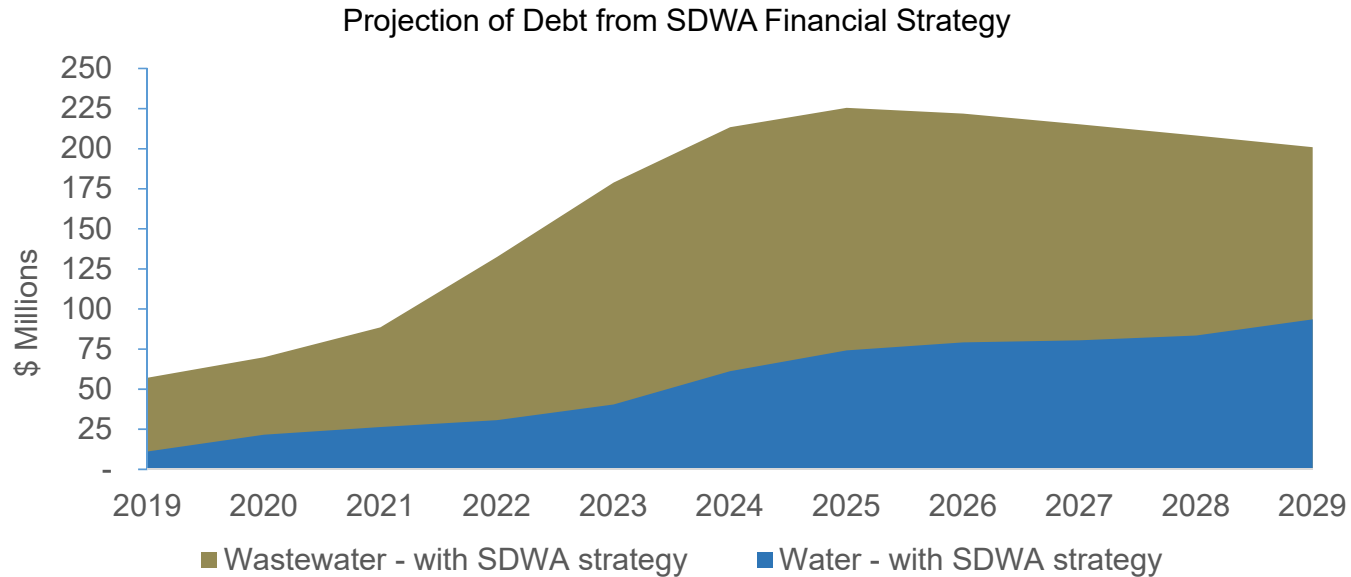
Capital Reserve Balance Forecast



2020 Water & Wastewater Sustainability Plan

Water & Wastewater Use of Debt

\$68.3M of \$380M in outstanding debt relates to W/WW



Municipal Comparators

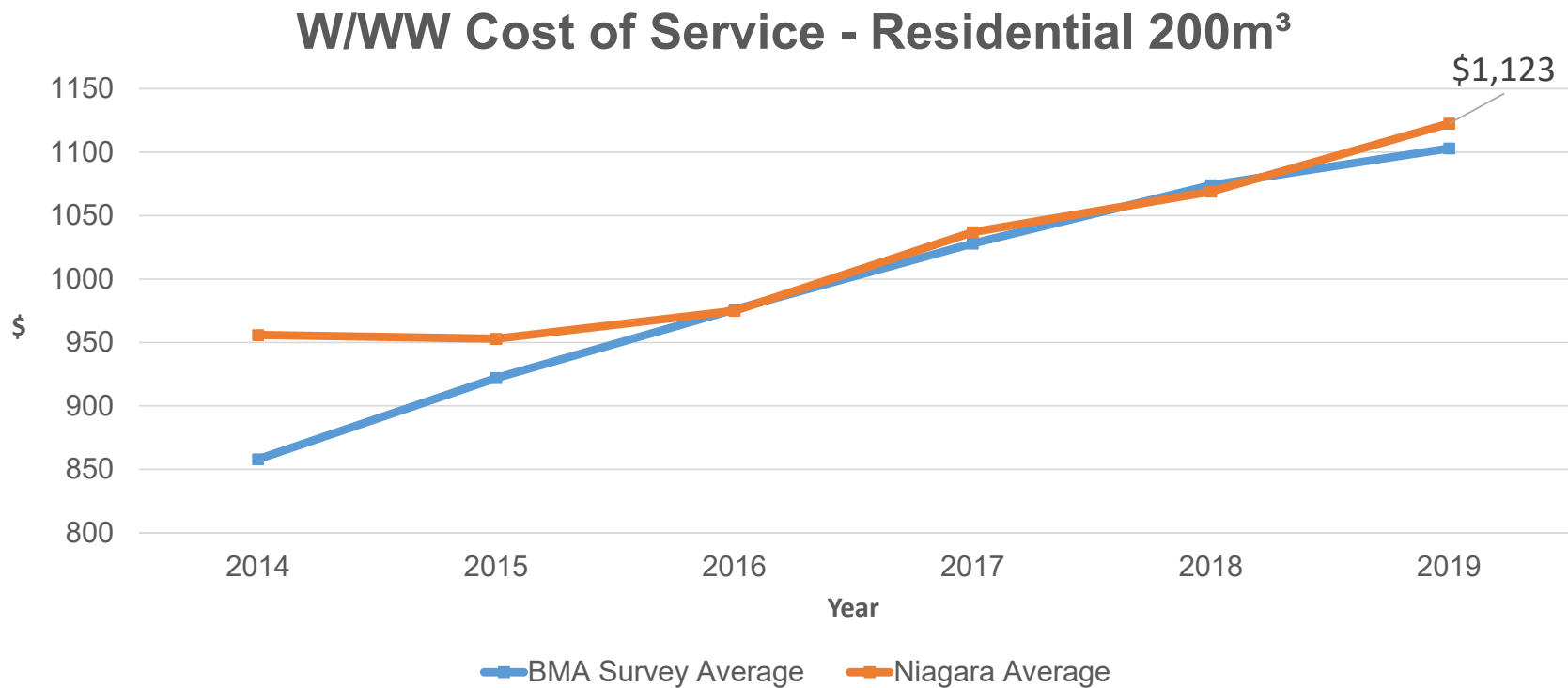
- We aren't alone in these increase requirements
- Our peers have seen or are planning similar increases

Municipality	2015 rate increase	2016 rate increase	2017 rate increase	2018 rate increase	2019 rate increase	Proposed 2020 rate increase
<i>Halton*</i>	4.90%	5.00%	5.10%	3.80%	3.70%	3.90%
<i>Durham*</i>	5.00%	5.00%	3.60%	4.00%	1.80%	TBD
<i>Waterloo</i>	6.61%	5.18%	5.32%	5.32%	5.18%	TBD
<i>Peel*</i>	7.00%	9.00%	4.20%	5.00%	6.50%	6.30%
<i>York</i>	2.77%	9.00%	9.00%	9.00%	9.00%	9.00%
Average	5.26%	6.64%	5.44%	5.42%	5.24%	6.40%
Niagara	0.84%	-0.03%	0.81%	2.05%	5.15%	5.15%
Niagara Guidance	2.00%	0.00%	1.00%	2.00%	1.50% / 2.00%	2.00%

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

2020 Water & Wastewater Average Cost per Household

BMA Study Average (Includes Region & Local Costs)



2020 Water & Wastewater Average Cost per Household

Estimated Average Regional Impacts

	40% Region		Difference		60% Region		Difference	
	2019	2020	\$	%	2019	2020	\$	%
Water Wastewater	\$449	\$472	\$23	5.15%	\$674	\$708	\$35	5.15%

\$23 as a % of \$1,123 is 2.0%

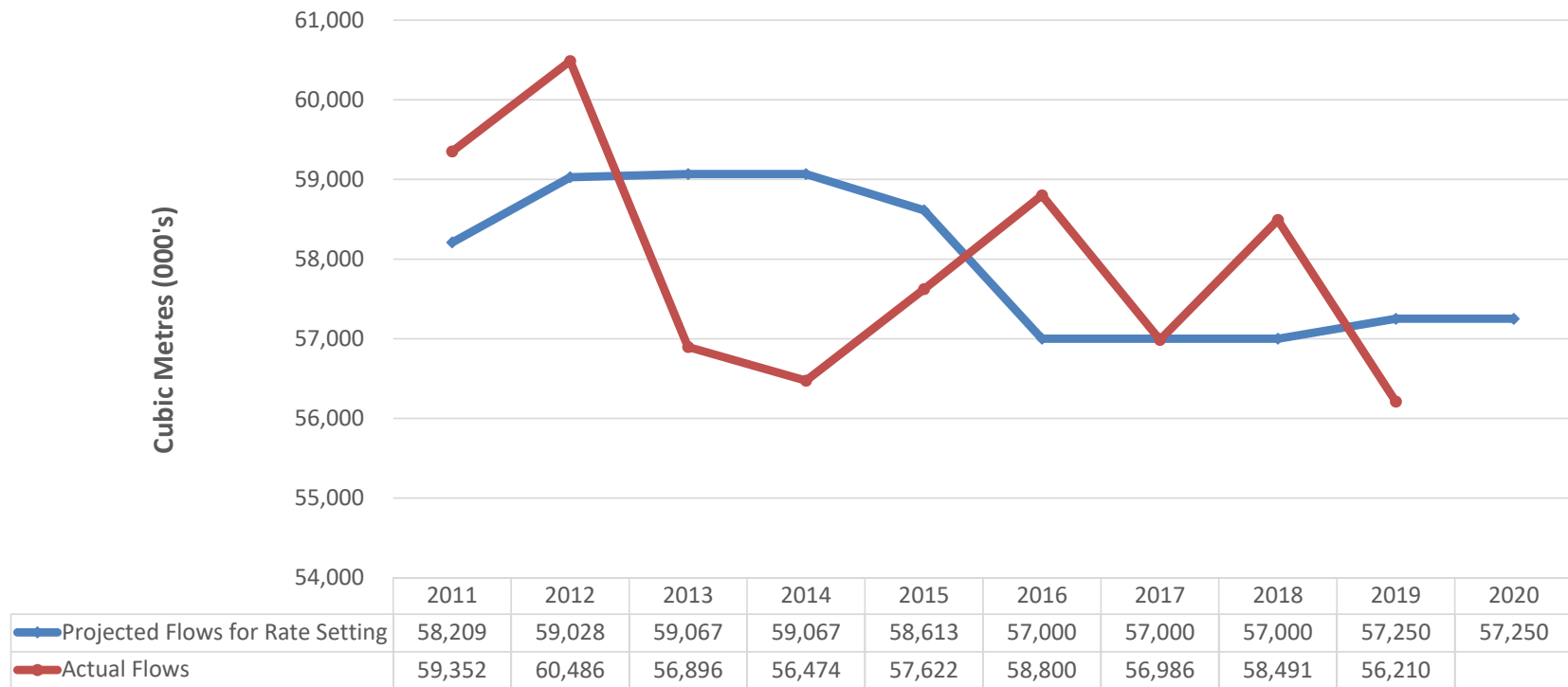
\$35 as a % of \$1,123 is 3.1%

Water Requisition

Methodology

- In place since 2009, reaffirmed in 2011 for 2012-2015, and reaffirmed again in 2015
- 25% Fixed Requisition
 - o Based on three-year average volume
- 75% Variable Rate
 - o Projected water sale of 57.25 million m³ (same as 2019)
 - o 75% of \$45.9 million budget divided by 57.25 million m³
 - o Variable rate proposed at \$0.602 per m³ (2019 rate \$0.580)

Water Requisition Volume Analysis



Water Requisition

25% fixed distributed by LAM

Municipality	Fixed Requisition			
	2019 (\$000)	2020 (\$000)	Difference	
			\$000s	%
Fort Erie	892	900	8	0.91%
Grimsby	620	608	(12)	-1.89%
Lincoln	440	453	12	2.80%
Niagara Falls	2,935	3,011	77	2.61%
Niagara-on-the-Lake	599	624	25	4.16%
Pelham	241	237	(4)	-1.81%
Port Colborne	588	610	22	3.66%
St. Catharines	2,920	3,043	123	4.19%
Thorold	395	427	32	8.14%
Welland	1,266	1,393	127	10.02%
West Lincoln	164	176	12	7.12%
Total	11,060	11,480	421	3.80%

Wastewater Requisition

Methodology

- 100% fixed since 2007
- 2011 established for 2012 to 2015, and reaffirmed in 2015, the reconciliation and adjustment for actual flows
 - o Budget based on 3 years average to September
 - o Actual based on 1 year to December
- Reconciliation of 2018 budget included in the 2020 requisition
 - o \$1.177 million in rebates and \$1.177 million in payments

Wastewater Requisition

100% fixed distribution by LAM

Municipality	Fixed Requisition			
	2019 (\$000)	2020 (\$000)	Difference	
			\$000s	%
Fort Erie	7,596	8,045	449	5.91%
Grimsby	3,324	3,741	417	12.53%
Lincoln	2,837	2,949	112	3.95%
Niagara Falls	14,728	15,115	387	2.63%
Niagara-on-the-Lake	2,961	3,186	225	7.59%
Pelham	1,354	1,379	25	1.86%
Port Colborne	4,077	4,545	468	11.47%
St. Catharines	20,741	21,918	1,177	5.67%
Thorold	3,536	3,900	364	10.30%
Welland	10,363	11,013	650	6.28%
West Lincoln	1,163	1,238	75	6.42%
Total	72,680	77,028	4,348	5.98%

Wastewater Requisition

100% fixed distribution plus 2018 reconciliation by LAM

Municipality	Requisition		Reconciliation Payment / (Refund)		Total Charge (Requisition + Reconciliation)			
	2019 By-Law	2020 By-Law	2019 (2017 Rec.)	2020 (2018 Rec.)	2019 By-Law	2020 By-Law	Difference	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	%
Fort Erie	7,596	8,045	328	190	7,924	7,855	(69)	-0.87%
Grimsby	3,324	3,741	165	73	3,489	3,814	324	9.30%
Lincoln	2,837	2,949	231	23	3,068	2,972	(96)	-3.12%
Niagara Falls	14,728	15,115	805	(711)	15,532	14,404	(1,129)	-7.27%
Niagara-on-the-Lake	2,961	3,186	338	115	3,299	3,301	2	0.05%
Pelham	1,354	1,379	(65)	(84)	1,289	1,296	7	0.55%
Port Colborne	4,077	4,545	(181)	160	3,896	4,704	809	20.76%
St. Catharines	20,741	21,918	(1,427)	448	19,314	22,366	3,052	15.80%
Thorold	3,536	3,900	179	301	3,715	4,201	486	13.09%
Welland	10,363	11,013	(404)	(192)	9,960	10,821	861	8.65%
West Lincoln	1,163	1,238	32	57	1,195	1,294	100	8.33%
Total	72,680	77,028	-	-	72,680	77,028	4,348	5.98%

2020 Water & Wastewater Operating Budget

Risks & Opportunities

Objective	Actions
Sustainability	Implementation of Capital Financing Policy funding strategies. Requires approval of the additional 3.15% or further deferrals will be required.
Affordability	10 year smoothing of annual increases until the SDWA financial plan requirements are fully addressed.
Risk Mitigation	Cost of maintenance activities limit financial flexibility (until the budget fully addresses the asset management plan/SDWA)
Compliance with legislation	New provincial standards may create operational pressures.
Transparency	Additional information and metrics to be included in the quarterly financial report on work in progress and spending forecasts.
Health Equity	Strategies for piloting the reporting on health equity are in progress.

Next Steps

Approval and Requisition

- Discussion, review and approval of CSD 71-2019 today
- Council approval of budget and requisitions (including by-laws) on December 12, 2019
- 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?

