

HALDIMAND COUNTY

2019 Rate Supported Water and Wastewater Capital Forecast and Operating Budget

Committee of the Whole | January 24, 2019



Council Review of the 2019 Draft Budgets

| Budget | Review Dates |
|---|---|
| Rate Supported Capital Forecast & Operating Budget Review | January 24 th , 2019 |
| Tax Supported Capital Budget and Forecast | February 28 th (March 1 st , 2019 if necessary) |
| Tax Supported Operating Budget Review | April 2 nd , 3 rd and 4 th , 2019 |



Rate Supported Framework/Principles

Legislative Framework

Full cost recovery from users of system(s) (no support from the tax levy)

- Water users fund 100% of water capital and operating costs
- Wastewater users fund 100% of wastewater capital and operating costs

Highly legislated/regulated

- Full cost recovery principles
- Water conservation principles
- Economies of scale (significant number of systems in Province (>800 systems) and number of small systems (approx. 600 systems have <10,000 users))
- Province is advocating use of technology to improve efficiencies of systems

Relative small number of users (est. approx. 9,800) and large number of systems to operate

Large portion of costs fixed (50%)



Rate Supported Framework/Principles

Budget Guidelines (consistent with 2013 Rate Study cost allocation/recovery principles – see Appendix L):

- Full cost recovery of all operating and capital costs;
- 50%/50% fixed to variable recovery mode;
- Blended holding and septic tank rates (indexed annually);
- Bulk water based on full cost recovery (indexed annually);
- Annual indexing/review of miscellaneous fees.



Rate Budget Drivers

The required rates revenues is a function of the following:

- Impacts of increased cost of system(s)
- Cost allocation methodology to specific customers
- Offsetting Revenue from other sources

Impact on the “Rate” is a function of:

- Net required rates revenue (from above)
- Anticipated consumption/use of the system(s)
 - “consumption assumptions” – Appendix N
 - customer impacts (number, service size, closures, weather, etc.)



| AVERAGE CUSTOMER IMPACTS | | | | | | |
|--------------------------------------|---|--------------|--------------------|---------------------|---------------------|------------------|
| User | | | 2018 | 2019 | \$ Change | % Change |
| Monthly Services | | | | | | |
| Residential (15 m3) | Water | Basic | \$ 21.10 | \$ 19.80 | \$ (1.29) | (6.1%) |
| | | Consumption | \$ 15.45 | \$ 14.85 | \$ (0.60) | (3.9%) |
| | | Total | \$ 36.55 | \$ 34.65 | \$ (1.90) | (5.2%) |
| | Wastewater | Basic | \$ 24.14 | \$ 24.03 | \$ (0.12) | (0.5%) |
| | | Consumption | \$ 22.05 | \$ 23.09 | \$ 1.04 | 4.7% |
| | | Total | \$ 46.20 | \$ 47.12 | \$ 0.92 | 2.0% |
| | Total | | | \$ 82.75 | \$ 81.77 | \$ (0.98) |
| Commercial (2" 500 m3) | Water | Basic | \$ 259.05 | \$ 243.17 | \$ (15.87) | (6.1%) |
| | | Consumption | \$ 515.14 | \$ 495.05 | \$ (20.08) | (3.9%) |
| | | Total | \$ 774.18 | \$ 738.23 | \$ (35.96) | (4.6%) |
| | Wastewater | Basic | \$ 296.48 | \$ 295.06 | \$ (1.42) | (0.5%) |
| | | Consumption | \$ 735.14 | \$ 769.66 | \$ 34.52 | 4.7% |
| | | Total | \$ 1,031.62 | \$ 1,064.72 | \$ 33.10 | 3.2% |
| | Total | | | \$ 1,805.81 | \$ 1,802.95 | \$ (2.86) |
| Industrial (4" 4,000 m3) | Water | Basic | \$ 906.66 | \$ 851.11 | \$ (55.56) | (6.1%) |
| | | Consumption | \$ 4,121.09 | \$ 3,960.42 | \$ (160.68) | (3.9%) |
| | | Total | \$ 5,027.76 | \$ 4,811.52 | \$ (216.23) | (4.3%) |
| | Wastewater | Basic | \$ 1,037.69 | \$ 1,032.70 | \$ (4.99) | (0.5%) |
| | | Consumption | \$ 5,881.12 | \$ 6,157.30 | \$ 276.19 | 4.7% |
| | | Total | \$ 6,918.81 | \$ 7,190.01 | \$ 271.20 | 3.9% |
| | Total | | | \$ 11,946.56 | \$ 12,001.53 | \$ 54.97 |
| Bulk Services (per use basis) | | | | | | |
| Bulk Water (3,000 gallons) | Potable Water Costs (County) | | \$40.10 | \$40.90 | \$ 0.80 | 2.0% |
| | Estimated Delivery Charges (Private Hauler) | | \$85.45 | \$85.45 | \$- | 0.0% |
| | Total | | \$125.54 | \$126.35 | \$0.80 | 0.6% |
| Septic/Holding (2,000 gallons) | Treatment Costs (County) | | \$127.90 | \$130.45 | \$ 2.56 | 2.0% |
| | Estimated Delivery Charges (Private Hauler) | | \$91.57 | \$91.57 | \$- | 0.0% |
| | Total | | \$219.47 | \$222.02 | \$2.56 | 1.2% |

HALDIMAND COUNTY

2019 Draft Rate Supported Capital Budget and Forecast



2019 Draft Rate Supported Capital Budget

Focus on Corporate Strategic Objectives and Long Term Financial Plans

Key Principles of Rate Supported Capital Budget

- Replacement/Rehabilitation Focus
- Studies/Reviews
- Provide Service Capacity for Anticipated Growth
- Focus on Financing of Projects over the forecast – Water vs. Wastewater



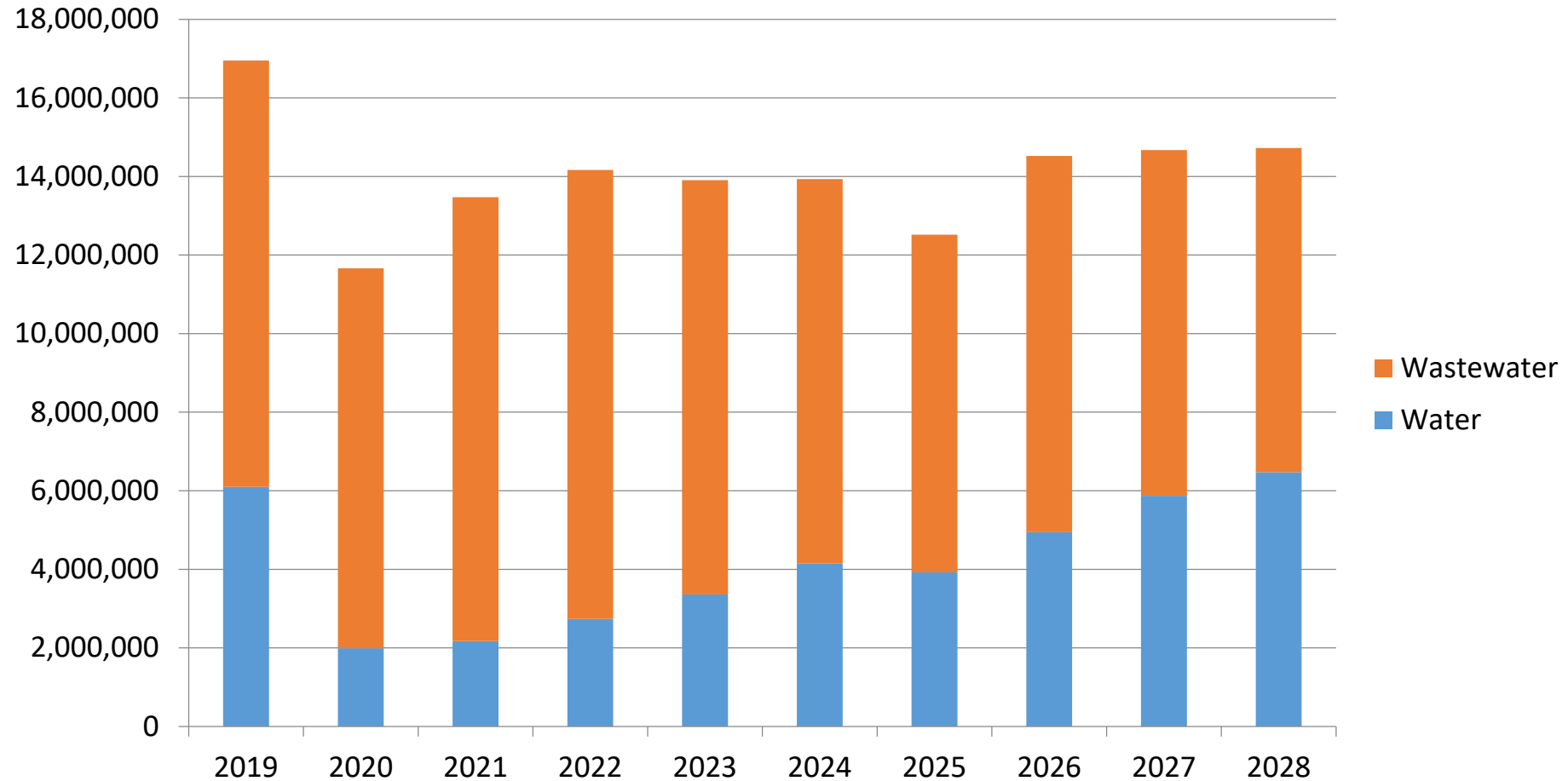
Gross Capital Expenditure Summary

| Gross Expenditures | 2018 Budget Average Annual Gross Expenditures | 2019 Draft Budget Average Annual Gross Expenditures |
|----------------------|---|---|
| Water System | \$3.5 Million | \$3.9 Million |
| Wastewater System | <u>\$8.4 Million</u> | <u>\$8.6 Million</u> |
| Total | <u>\$11.9 Million</u> | <u>\$12.5 Million</u> |



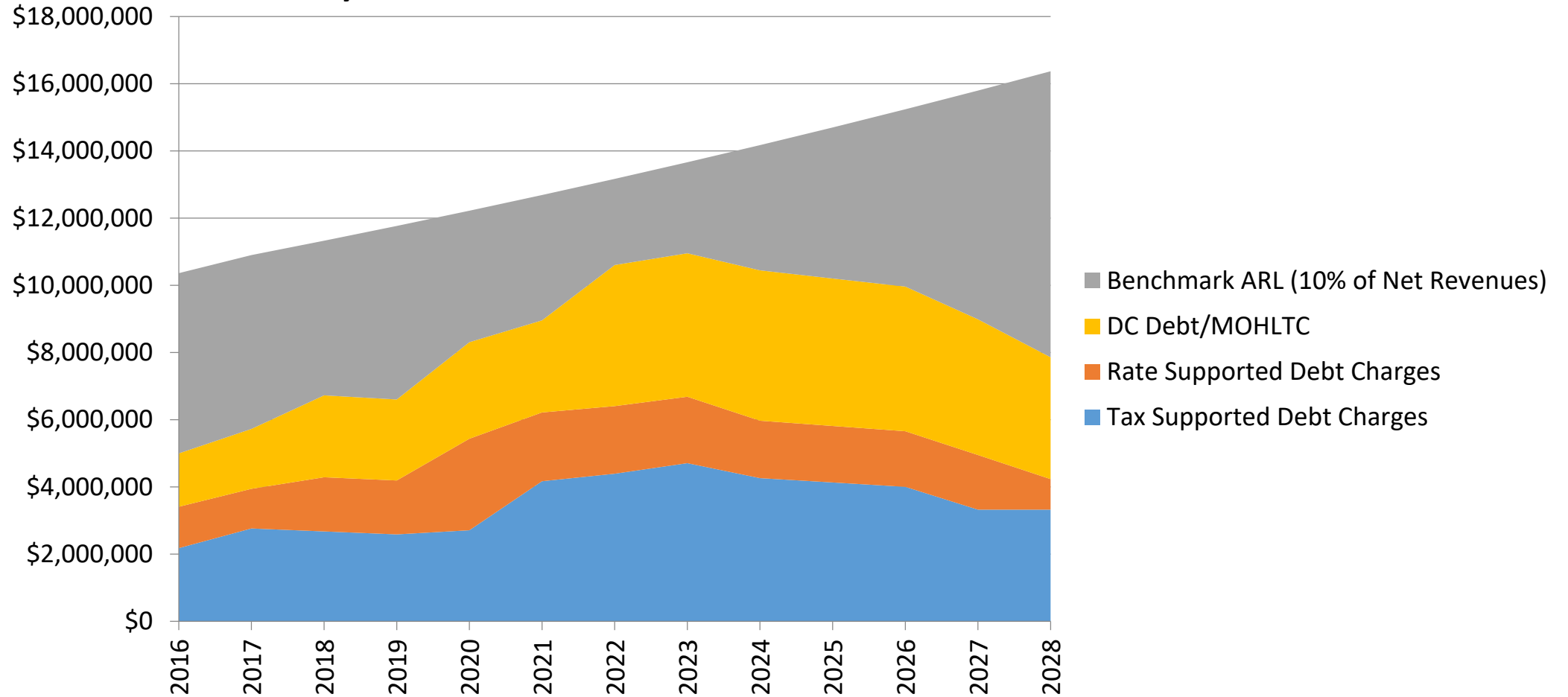
Impact on Capital Replacement Reserve Funds

Forecast - Capital Replacement Reserve Funds



Impact on Long Term Debt Payments

Debt Payments to Benchmark ARL



HALDIMAND COUNTY

2019 Draft Rate Supported Operating Budget



Revenue Required from Rates – Water Only

| <u>WATER OPERATIONS</u> | | | | |
|--|--|-------------------|------------------------|---------------|
| | 2018 Budget | 2019 Budget | increase/(decrease) | |
| | \$ | \$ | \$ | % |
| <i>Expenditures</i> | | | | |
| Salaries, Wages & Benefits | 1,850,430 | 1,863,630 | 13,200 | 0.71% |
| Supplies & Materials | 130,800 | 140,800 | 10,000 | 7.65% |
| Hamilton Water Supply | 2,347,930 | 2,348,400 | 470 | 0.02% |
| Services | 2,828,880 | 2,659,260 | (169,620) | -6.00% |
| Veolia Operating Services Charges | 2,147,060 | 2,201,740 | 54,680 | 2.55% |
| Interdepartmental Charges | 383,650 | 422,750 | 39,100 | 10.19% |
| Long Term Debt Charges | 1,443,500 | 1,441,050 | (2,450) | -0.17% |
| Transfers to Reserves/Reserve Funds | 1,216,310 | 1,611,570 | 395,260 | 32.50% |
| Total Expenditures | 12,348,560 | 12,689,200 | 340,640 | 2.76% |
| <i>Revenues</i> | | | | |
| Recoveries from New Credit | 248,300 | 288,500 | 40,200 | 16.19% |
| Fees & Recoveries | 5,879,790 | 6,255,860 | 376,070 | 6.40% |
| Transfers from Reserves/Reserve Funds | 502,300 | 502,370 | 70 | 0.01% |
| Total Revenues | 6,630,390 | 7,046,730 | 416,340 | 6.28% |
| Net Revenues Required from User Rates | 5,718,170 | 5,642,470 | (75,700) | -1.32% |
| <u>Driver</u> | <u>Net Rate Revenues Impact</u> | | <u>% Impact</u> | |
| A. Base Budget (net) | (\$174,330) | | (3.05%) | |
| B. Council Approved/ New Initiatives | \$12,970 | | 0.23% | |
| C. Water Additional Capital Contribution | \$85,660 | | 1.50% | |
| Total | (\$75,700) | | (1.32%) | |



Water Customers and Consumption Comparison

| | 2018 | | | | 2019 | | | |
|-----------------------|---------------|----------------|------------------|----------------|---------------|----------------|------------------|----------------|
| | Forecast | | Budget | | Budget | | | |
| | Users | % | Consumption | % | Users | % | Consumption | % |
| Residential | 9,116 | 90.47% | 1,366,547 | 41.46% | 9,244 | 90.43% | 1,402,322 | 41.52% |
| Commercial/Industrial | 680 | 6.75% | 604,525 | 18.34% | 679 | 6.64% | 609,511 | 18.05% |
| Large Industrial | 4 | 0.04% | 804,002 | 24.40% | 4 | 0.04% | 837,598 | 24.80% |
| Subtotal | 9,800 | 97.26% | 2,775,075 | 84.20% | 9,927 | 97.11% | 2,849,432 | 84.37% |
| Bulk Water | 276 | 2.74% | 385,927 | 11.71% | 295 | 2.89% | 370,984 | 10.98% |
| New Credit Wholesale | | | 73,065 | 2.22% | | | 84,594 | 2.50% |
| New Credit Depot | | | 61,626 | 1.87% | | | 72,493 | 2.15% |
| Total | 10,076 | 100.00% | 3,295,693 | 100.00% | 10,222 | 100.00% | 3,377,503 | 100.00% |



Revenue Required from Rates – Wastewater

| <u>WASTEWATER OPERATIONS</u> | | | | |
|---|---------------------------------|------------------|---------------------|--------------|
| | 2018 Budget | 2019 Budget | increase/(decrease) | |
| | \$ | \$ | \$ | % |
| <i>Expenditures</i> | | | | |
| Salaries, Wages & Benefits | 665,240 | 914,610 | 249,370 | 37.49% |
| Supplies & Materials | 20,110 | 21,550 | 1,440 | 7.16% |
| Services | 1,571,230 | 1,490,390 | (80,840) | -5.15% |
| Veolia Operating Services Charges | 2,477,170 | 2,548,490 | 71,320 | 2.88% |
| Interdepartmental Charges | 290,310 | 319,250 | 28,940 | 9.97% |
| Long Term Debt Charges | 1,150,900 | 1,139,060 | (11,840) | -1.03% |
| Transfers to Reserves/Reserve Funds | 2,490,760 | 2,585,640 | 94,880 | 3.81% |
| Total Expenditures | 8,665,720 | 9,018,990 | 353,270 | 4.08% |
| <i>Revenues</i> | | | | |
| Municipal Recoveries | 58,320 | 49,000 | (9,320) | -15.98% |
| Fees & Recoveries | 1,833,240 | 1,894,170 | 60,930 | 3.32% |
| Transfers from Reserves/Reserve Funds | 480,240 | 473,640 | (6,600) | -1.37% |
| Total Revenues | 2,371,800 | 2,416,810 | 45,010 | 1.90% |
| Net Revenues Required from User Rates | 6,293,920 | 6,602,180 | 308,260 | 4.90% |
| <i>Driver</i> | | | | |
| | <u>Net Rate Revenues Impact</u> | | <u>% Impact</u> | |
| A. Base Budget (net) | \$66,610 | | 1.06% | |
| B. Council Approved/ New Initiatives | \$208,030 | | 3.31% | |
| C. Wastewater Additional Capital Contribution | <u>\$33,620</u> | | <u>0.53%</u> | |
| Total | <u>\$308,260</u> | | <u>4.90%</u> | |



Wastewater Customers and Consumption Comparison

| | 2018 | | | | 2019 | | | |
|-----------------------|--------------|----------------|------------------|----------------|--------------|----------------|------------------|----------------|
| | Forecast | | Budget | | Budget | | | |
| | Users | % | Consumption | % | Users | % | Consumption | % |
| Residential | 8,870 | 93.14% | 1,309,129 | 61.54% | 9,083 | 93.25% | 1,344,153 | 61.71% |
| Commercial/Industrial | 644 | 6.76% | 489,259 | 23.00% | 649 | 6.66% | 480,157 | 22.05% |
| Large Industrial | 3 | 0.03% | 294,108 | 13.83% | 3 | 0.03% | 316,089 | 14.51% |
| Subtotal | 9,517 | 99.94% | 2,092,496 | 98.36% | 9,735 | 99.94% | 2,140,399 | 98.27% |
| Septic/Holding | 6 | 0.06% | 10,250 | 0.48% | 6 | 0.06% | 10,712 | 0.49% |
| Leachate | | 0.00% | 24,568 | 1.15% | | | 26,956 | 1.24% |
| Total | 9,523 | 100.00% | 2,127,314 | 100.00% | 9,741 | 100.00% | 2,178,067 | 100.00% |



Impact on Other Revenues/Rates

Water “Other” Revenues

- Total other revenues represent approximately \$7.0 million
- Bulk Water Charges represent \$1.2 million; Fire Protection Recoveries represent \$2.2 million; Development charges recovery for debt payments \$502,000 and miscellaneous charges of \$570,000 (New Credit - \$288,000, property tax recovery - \$95,000 and miscellaneous – \$187,000)
- Recovery of costs for non-potable water provided to Industry totals approximately \$2.0 million and \$574,000 for Port Maitland



Impact on Other Revenues/Rates

Wastewater “Other” Revenues

- Total other revenues represent approximately \$2.4 million
- Leachate treatment revenues represent \$1.48 million; holding/septic tank revenues represent \$171,500; transfer from development charges for debt payments of \$473,600; and miscellaneous charges of \$292,000 (sludge storage, overstrength, etc.)



Impact on Bulk Water Rate

| Bulk Water Rate | 2018 Rates | 2019 Proposed Rates | Change | |
|--|------------------------|----------------------------|----------------------|--------------------|
| | | | (\$) | (%) |
| <i>(per cubic metre)</i> | | | | |
| Controlled by Haldimand County | | | | |
| Bulk Water Rate (charged to hauler) | <u>\$2.94</u> | <u>\$3.00</u> | <u>\$0.06</u> | <u>2.0%</u> |
| Monthly Administration Fee (charged to hauler) | <u>\$16.85</u> | <u>\$17.19</u> | <u>\$0.34</u> | <u>2.0%</u> |
| Per Load Impact on "Typical End User" (3,000 gallon load) | | | | |
| Water Commodity (determined by Haldimand County) | \$40.10 | \$40.90 | \$0.80 | 2.0% |
| Estimated hauler delivery charge (determined by hauler) | <u>\$85.45</u> | <u>\$85.45</u> | \$0.00 | 0.0% |
| Total "End User" estimated cost | <u>\$125.54</u> | <u>\$126.35</u> | <u>\$0.80</u> | <u>0.6%</u> |

The following assumptions were used in the above chart: average load is 3,000 gallons (i.e. approximately 13.6 cubic metres); no change in the hauler's delivery charge from 2018 to 2019 and excludes any allocation of administration fee.



Impact on Holding/Septic Charges

| <u>Holding/Septic/Portable Toilet Tank Treatment Charge</u> | <u>2018</u> | <u>2019 Proposed</u> | <u>Change</u> | |
|---|------------------------|---------------------------------|----------------------|--------------------|
| <i>(per cubic metre)</i> | | | <i>(\$)</i> | <i>(%)</i> |
| <u>Controlled by Haldimand County:</u> | | | | |
| Proposed Rate (charged to hauler) | <u>\$14.07</u> | <u>\$14.35</u> | <u>\$0.28</u> | <u>2.0%</u> |
| Monthly Administration Fee (charged to hauler) | <u>\$16.85</u> | <u>\$17.19</u> | <u>\$0.34</u> | <u>2.0%</u> |
| | | | | |
| <u>Per Load Impact on "Typical End User" (2,000 gallon load)</u> | | | | |
| Treatment Cost (determined by Haldimand) | \$127.90 | \$130.45 | \$2.56 | 2.0% |
| Estimated hauler delivery charge (determined by Hauler) | <u>\$87.70</u> | <u>\$87.70</u> | <u>\$0.00</u> | <u>0.0%</u> |
| Total "End User" cost | <u>\$215.60</u> | <u>\$218.15</u> | <u>\$2.56</u> | <u>1.2%</u> |

To determine the per use impact on the “typical end user” (i.e. predominantly rural residents), the following assumptions were used: average load is 2,000 gallons (i.e. approximately 9.1 cubic metres); and no change in the hauler delivery charge from 2018 to 2019. The impacts on specific users will vary considerably based on the number of times a year this service is required.

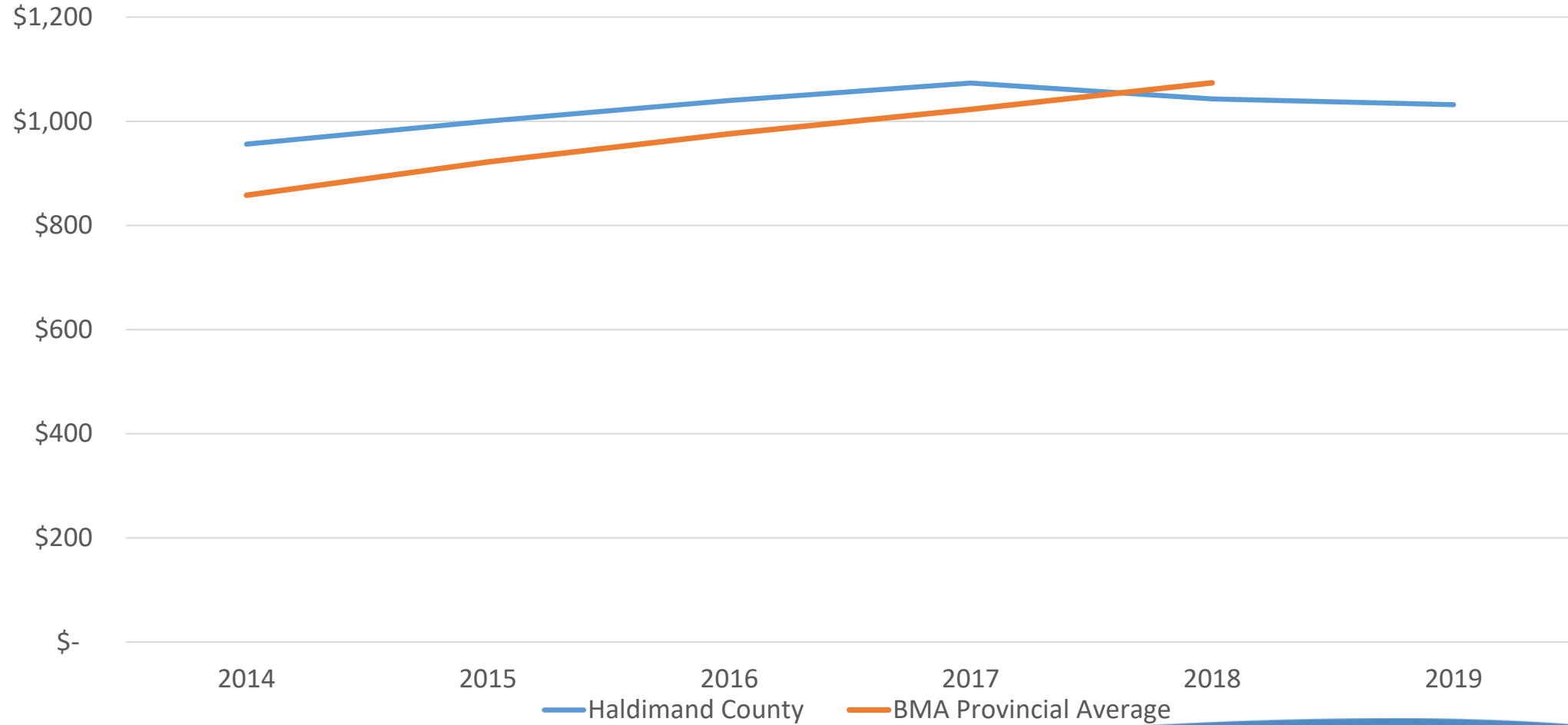


Average Monthly Increase on Customers

| AVERAGE CUSTOMER IMPACTS | | | | | | |
|--------------------------------------|---|--------------|--------------------|---------------------|---------------------|------------------|
| User | | | 2018 | 2019 | \$ Change | % Change |
| Monthly Services | | | | | | |
| Residential (15 m3) | Water | Basic | \$ 21.10 | \$ 19.80 | \$ (1.29) | (6.1%) |
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| | | Total | \$ 6,918.81 | \$ 7,190.01 | \$ 271.20 | 3.9% |
| | Total | | | \$ 11,946.56 | \$ 12,001.53 | \$ 54.97 |
| Bulk Services (per use basis) | | | | | | |
| Bulk Water (3,000 gallons) | Potable Water Costs (County) | | \$40.10 | \$40.90 | \$ 0.80 | 2.0% |
| | Estimated Delivery Charges (Private Hauler) | | \$85.45 | \$85.45 | \$- | 0.0% |
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| Septic/Holding (2,000 gallons) | Treatment Costs (County) | | \$127.90 | \$130.45 | \$ 2.56 | 2.0% |
| | Estimated Delivery Charges (Private Hauler) | | \$91.57 | \$91.57 | \$- | 0.0% |
| | Total | | \$219.47 | \$222.02 | \$2.56 | 1.2% |

Average Monthly Increase on Customers

Comparison of Average Annual Residential Water/Wastewater Costs



Future Issues and Challenges

- Impacts of additional customers and/or consumption patterns related to residential growth
- Impacts of changes in Consumption by Large Industrial Users or conversion to raw water
- Maintenance Costs Associated with OPG Water Intake
- Tangible Capital Asset Reporting and Long Range Asset Management
- Ongoing Performance Evaluations of Facilities
- Leachate Treatment Volumes
- Available Balances in Rate Stabilization Reserve

