



HALDIMAND COUNTY

2020 Draft Rate Supported Operating Budget & Capital Forecast Water & Wastewater

Committee of the Whole | January 28, 2020



Council Review of the 2020 Draft Budgets

Budget	Review Dates
Rate Supported Operating Budget & Capital Forecast	January 28 th , 2020
Tax Supported Capital Budget and Forecast	March 5 th (March 6 th , 2020 if required)
Tax Supported Operating Budget	April 22 nd (April 23 rd , 2020 if required)

3 Pillars of Financial Planning



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 operating and capital costs
- Wastewater users fund 100% of wastewater operating and capital 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 Operating Appendix C):

- Full cost recovery of all operating and capital costs;
- 50%/50% recovery model – 50% of net costs recovered from fixed revenues (basic charges); 50% from variable revenues (consumption);
- Leachate costs to be allocated based on relative loading at the treatment plant and recovered 50% from fixed revenues and 50% from variable revenues;
- Annual indexing/review of miscellaneous fees, including bulk water and holding/septic tank rates.

Rate Budget Drivers

There are three main factors impacting the rates annually:

- Increases or decreases in gross costs
 - Veolia cost increase
 - New initiative for Engineering and Compliance Project Manager
 - Additional 1% increase to capital reserve funds for capital needs
 - Increases or decreases in miscellaneous revenues
 - New Credit consumption increase
 - Fire protection charge increase due to annual indexing
 - Engineering & inspection fees increase
 - Changes in annual consumption/number of customers
 - “consumption assumptions” – Operating Appendix C
-
- Customer impacts (number, service size, closures, weather, etc.)

Average Monthly Impact on Users

	<i>Approved Budget</i>			<i>Draft Budget</i>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
-				
Rate Revenue Requirement	4.0%	0.2%	1.9%	2.7%
Growth/Consumption Impacts	0.7%	3.1%	3.1%	1.9%
Average Monthly Impact on Users	3.3%	-2.9%	-1.2%	0.7%

AVERAGE CUSTOMER IMPACTS

<u>User</u>			<u>2019</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Monthly Services						
<i>Residential (15 m3)</i>	Water	Basic	\$ 19.80	\$ 20.24	\$ 0.44	2.2%
		Consumption	\$ 14.85	\$ 14.61	\$ (0.24)	(1.6%)
		Total	\$ 34.65	\$ 34.85	\$ 0.20	0.6%
	Wastewater	Basic	\$ 24.03	\$ 24.86	\$ 0.83	3.5%
		Consumption	\$ 23.09	\$ 22.66	\$ (0.43)	(1.9%)
		Total	\$ 47.12	\$ 47.52	\$ 0.40	0.9%
	Total		\$ 81.77	\$ 82.37	\$ 0.60	0.7%
<i>Commercial (2" 500 m3)</i>	Water	Basic	\$ 243.17	\$ 248.60	\$ 5.42	2.2%
		Consumption	\$ 495.05	\$ 487.00	\$ (8.05)	(1.6%)
		Total	\$ 738.23	\$ 735.60	\$ (2.63)	(0.4%)
	Wastewater	Basic	\$ 295.06	\$ 305.31	\$ 10.25	3.5%
		Consumption	\$ 769.66	\$ 755.21	\$ (14.45)	(1.9%)
		Total	\$ 1,064.72	\$ 1,060.52	\$ (4.20)	(0.4%)
	Total		\$ 1,802.95	\$ 1,796.12	\$ (6.83)	(0.4%)
<i>Industrial (4" 4,000 m3)</i>	Water	Basic	\$ 851.11	\$ 870.09	\$ 18.98	2.2%
		Consumption	\$ 3,960.42	\$ 3,896.01	\$ (64.41)	(1.6%)
		Total	\$ 4,811.52	\$ 4,766.10	\$ (45.43)	(0.9%)
	Wastewater	Basic	\$ 1,032.70	\$ 1,068.59	\$ 35.88	3.5%
		Consumption	\$ 6,157.30	\$ 6,041.70	\$ (115.61)	(1.9%)
		Total	\$ 7,190.01	\$ 7,110.28	\$ (79.73)	(1.1%)
	Total		\$ 12,001.53	\$ 11,876.38	\$ (125.15)	(1.0%)
Bulk Services (per use basis)						
<i>Bulk Water (approximately 13.6 m3 or 3,000 gallons)</i>	Potable Water Costs (County)		\$40.90	\$41.94	\$ 1.04	2.5%
	Estimated Delivery Charges (Private Hauler)		\$85.45	\$85.45	\$-	0.0%
	Total		\$126.35	\$127.38	\$1.04	0.8%
<i>Septic/Holding (approximately 9.1 m3 or 2,000 gallons)</i>	Treatment Costs (County)		\$130.45	\$133.70	\$ 3.25	2.5%
	Estimated Delivery Charges (Private Hauler)		\$91.57	\$91.57	\$-	0.0%
	Total		\$222.02	\$225.27	\$3.25	1.5%



HALDIMAND COUNTY

2020 Draft Rate Supported Operating Budget



Revenue Required from Rates – Water Only

WATER OPERATIONS				
	2019 Budget	2020 Budget	increase/(decrease)	
	\$	\$	\$	%
<i>Expenditures</i>				
Salaries, Wages & Benefits	1,864,260	1,946,730	82,470	4.42%
Supplies & Materials	2,225,920	2,409,420	183,500	8.24%
Hamilton Water Supply Services	2,348,400	2,349,600	1,200	0.05%
Rents & Financial Expenses	562,120	590,980	28,860	5.13%
Veolia Operating Services Charges	11,390	10,300	(1,090)	-9.57%
Interdepartmental Charges	2,201,740	2,287,500	85,760	3.90%
Long Term Debt Charges	422,750	371,620	(51,130)	-12.09%
Transfers to Reserves/Reserve Funds	1,441,050	1,438,280	(2,770)	-0.19%
	1,611,570	1,132,620	(478,950)	-29.72%
Total Expenditures	12,689,200	12,537,050	(152,150)	-1.20%
<i>Revenues</i>				
Bulk Service Charges	1,519,100	1,552,500	33,400	2.20%
General Fees	5,025,260	4,713,070	(312,190)	-6.21%
Transfers from Reserves/Reserve Funds	502,370	502,320	(50)	-0.01%
Total Revenues	7,046,730	6,767,890	(278,840)	-3.96%
Net Revenues Required from User Rates	5,642,470	5,769,160	126,690	2.25%

Driver	Net Rate Revenues Impact	% Impact
A. Base Budget (net)	(\$21,010)	(0.37%)
B. New Initiatives	\$61,370	1.09%
C. Water Additional Capital Contribution	\$86,330	1.53%
Total	\$126,690	2.25%



Impact on Other Revenues/Rates

Water “Other” Revenues

- Total other revenues represent approximately \$6.8 million
 - approximately \$2.2 million relates to the recovery of costs associated with the provision of non-potable water to industries in Nanticoke;
 - bulk water recoveries represent total revenues of approximately \$1.6 million, with the impacts on the end user outlined below;
 - \$502,000 relates to development charges funding to offset related development related debt payments;
 - fire protection charges represent approximately \$2.3 million which includes an increase of \$55,000 or 2.5%;
 - the remaining miscellaneous fees total approximately \$198,000 and include:
 - property tax recoveries from industry of approximately \$92,000;
 - miscellaneous charges of approximately \$106,000.

Water Customers and Consumption Comparison

	2019				2020			
	Forecast		Budget		Budget			
	Users	%	Consumption	%	Users	%	Consumption	%
Residential	9,088	90.63%	1,402,322	41.52%	9,152	90.60%	1,424,814	40.47%
Commercial/ Industrial	676	6.74%	609,511	18.05%	676	6.69%	611,996	17.38%
Large Industrial	4	0.04%	837,598	24.80%	4	0.04%	924,763	26.27%
Subtotal	9,768	97.41%	2,849,431	84.37%	9,832	97.33%	2,961,573	84.12%
Bulk Water	260	2.59%	370,984	10.98%	270	2.67%	378,993	10.76%
New Credit Wholesale			84,594	2.50%			104,744	2.97%
New Credit Depot			72,493	2.15%			75,530	2.15%
Total	10,028	100.00%	3,377,502	100.00%	10,102	100.00%	3,520,839	100.00%

Impact on Bulk Water Rate

Bulk Water Rate <i>(per cubic metre)</i>	<u>2019 Rate</u>	<u>2020 Rate</u>	<u>Change</u>	
			<i>(\$)</i>	<i>(%)</i>
<u>Controlled by Haldimand County</u>				
Bulk Water Rate (charged to hauler)	<u>\$3.00</u>	<u>\$3.08</u>	<u>\$0.07</u>	<u>2.5%</u>
Monthly Administration Fee (charged to hauler)	<u>\$17.19</u>	<u>\$17.62</u>	<u>\$0.43</u>	<u>2.5%</u>
<u>Per Load Impact on "Typical End User" (13.6 m3 or 3,000 gallon load)</u>				
Water Commodity (determined by Haldimand County)	\$40.90	\$41.94	\$1.04	2.5%
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>\$126.36</u>	<u>\$127.38</u>	<u>\$1.04</u>	<u>0.8%</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 and excludes any allocation of administration fee.

Revenue Required from Rates – Wastewater

WASTEWATER OPERATIONS				
	2019	2020	increase/(decrease)	
	\$	\$	\$	%
<i>Expenditures</i>				
Salaries, Wages & Benefits	913,980	988,810	74,830	8.19%
Supplies & Materials	1,167,700	1,216,300	48,600	4.16%
Services	341,280	343,210	1,930	0.57%
Rents & Financial Expenses	3,590	3,300	(290)	-8.08%
Veolia Operating Services Charges	2,548,490	2,601,000	52,510	2.06%
Interfunctional Adjustments	319,250	290,030	(29,220)	-9.15%
Long Term Debt Charges	1,139,060	2,330,070	1,191,010	104.56%
Transfers to Reserves/Reserve Funds	2,585,640	1,566,640	(1,019,000)	-39.41%
Total Expenditures	9,018,990	9,339,360	320,370	3.55%
<i>Revenues</i>				
Bulk Service Charges	1,648,460	1,650,540	2,080	0.13%
Municipal Recoveries	49,000	53,100	4,100	8.37%
General Fees	245,710	238,960	(6,750)	-2.75%
Transfers from Reserves/Reserve Funds	473,640	593,220	119,580	25.25%
Total Revenues	2,416,810	2,535,820	119,010	4.92%
Net Revenues Required from User Rates	6,602,180	6,803,540	201,360	3.05%
Driver				
	Net Rate Revenues Impact		% Impact	
A. Base Budget (net)	\$103,760		1.57%	
B. New Initiatives	\$61,170		0.93%	
C. Wastewater Additional Capital Contribution	\$36,430		0.55%	
Total	\$201,360		3.05%	



Impact on Other Revenues/Rates

Wastewater “Other” Revenues

- Total other revenues represent approximately \$2.5 million
 - approximately \$1.4 million relates to the leachate treatment cost recovery;
 - the holding/septic tank treatment charges total approximately \$173,000
 - \$593,000 relates to development charges funding to offset related development related debt payments;
 - the remaining miscellaneous fees total approximately \$334,000 and include:
 - “overstrength” charges established under the Sewer Use By-law of \$155,000;
 - sludge storage charges to Norfolk County of approximately \$53,100;
 - miscellaneous charges of approximately \$125,900.

Wastewater Customers and Consumption Comparison

	2019				2020			
	Forecast		Budget		Budget			
	Users	%	Consumption	%	Users	%	Consumption	%
Residential	8,963	93.36%	1,406,719	64.29%	9,027	93.41%	1,453,506	63.25%
Commercial/ Industrial	630	6.56%	454,457	20.77%	630	6.52%	469,366	20.43%
Large Industrial	3	0.03%	283,343	12.95%	3	0.03%	329,352	14.33%
Subtotal	9,596	99.96%	2,144,519	98.01%	9,660	99.96%	2,252,223	98.01%
Septic/Holding	4	0.04%	11,952	0.55%	4	0.04%	11,811	0.51%
Leachate		0.00%	31,628	1.45%			33,820	1.47%
Total	9,600	100.00%	2,188,099	100.00%	9,664	100.00%	2,297,854	100.00%

Impact on Holding/Septic Charges

<u>Holding/Septic/Portable Toilet Tank Treatment Charge</u>	<u>2019</u>	<u>2020 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>\$14.35</u>	<u>\$14.71</u>	<u>\$0.36</u>	<u>2.5%</u>
Monthly Administration Fee (charged to hauler)	<u>\$17.19</u>	<u>\$17.62</u>	<u>\$0.43</u>	<u>2.5%</u>
<u>Per Load Impact on "Typical End User" (9.1 m³ or 2,000 gallon load)</u>				
Treatment Cost (determined by Haldimand)	\$130.45	\$133.70	\$3.25	2.5%
Estimated hauler delivery charge (determined by Hauler)	<u>\$91.57</u>	<u>\$91.57</u>	<u>\$0.00</u>	<u>0.0%</u>
Total "End User" cost	<u>\$222.02</u>	<u>\$225.27</u>	<u>\$3.25</u>	<u>1.5%</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. The impacts on specific users will vary considerably based on the number of times a year this service is required.

HALDIMAND COUNTY

2020 Draft Rate Supported Capital Budget and Forecast



2020 Draft Rate Supported Capital Budget

Focus on Corporate Strategic Objectives and Long Term Financial Plans

Key Principles of Rate Supported Capital Budget

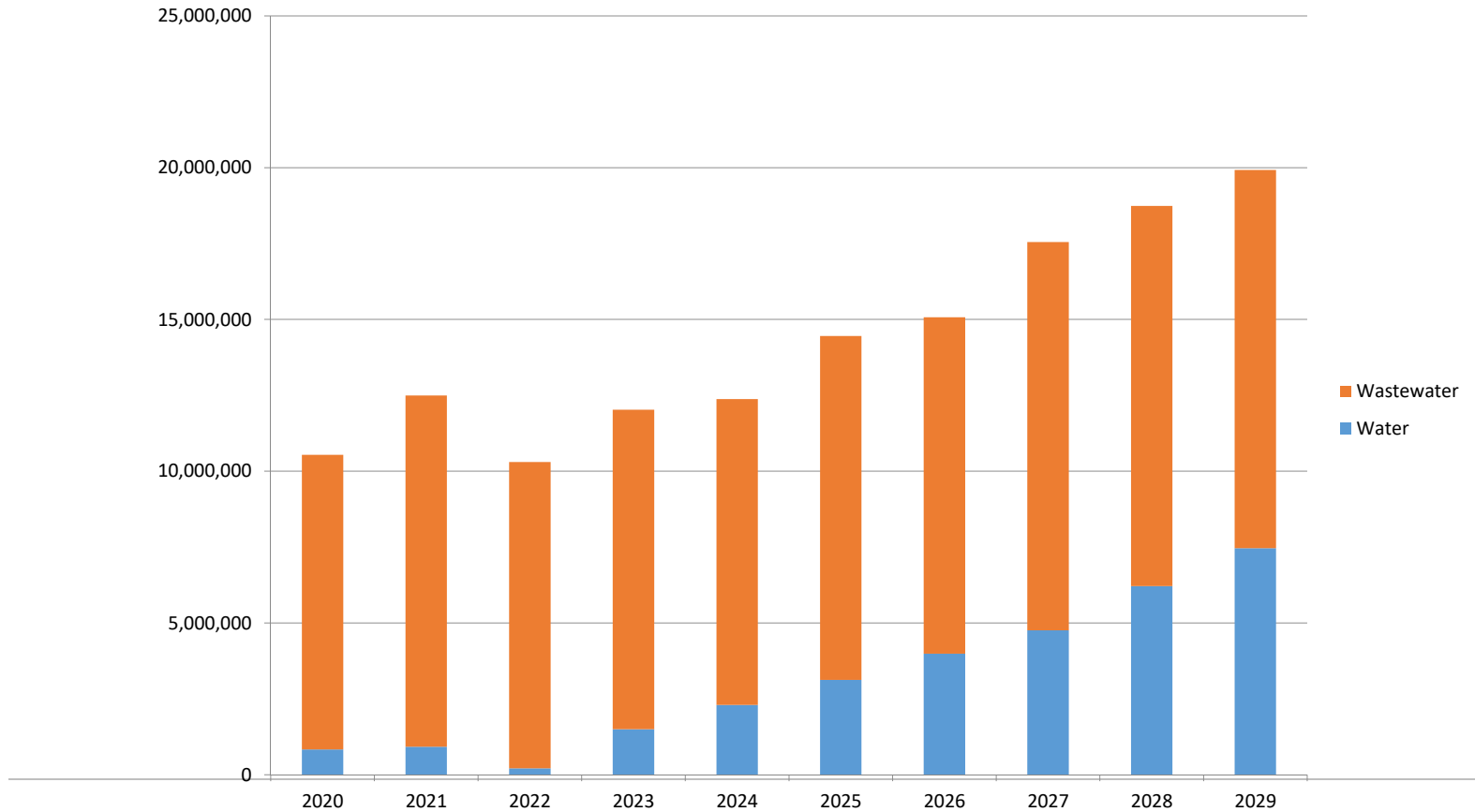
- Replacement/Rehabilitation Focus
- Studies/Reviews
- Provide Service Capacity for Anticipated Growth
- Focus on Financing of Projects over the forecast – Water vs. Wastewater

Gross Capital Expenditure Summary

Gross Expenditures	2019 Budget Average Annual Gross Expenditures	2020 Draft Budget Average Annual Gross Expenditures
Water System	\$3.9 Million	\$3.8 Million
Wastewater System	<u>\$8.6 Million</u>	<u>\$7.8 Million</u>
Total	<u>\$12.5 Million</u>	<u>\$11.6 Million</u>

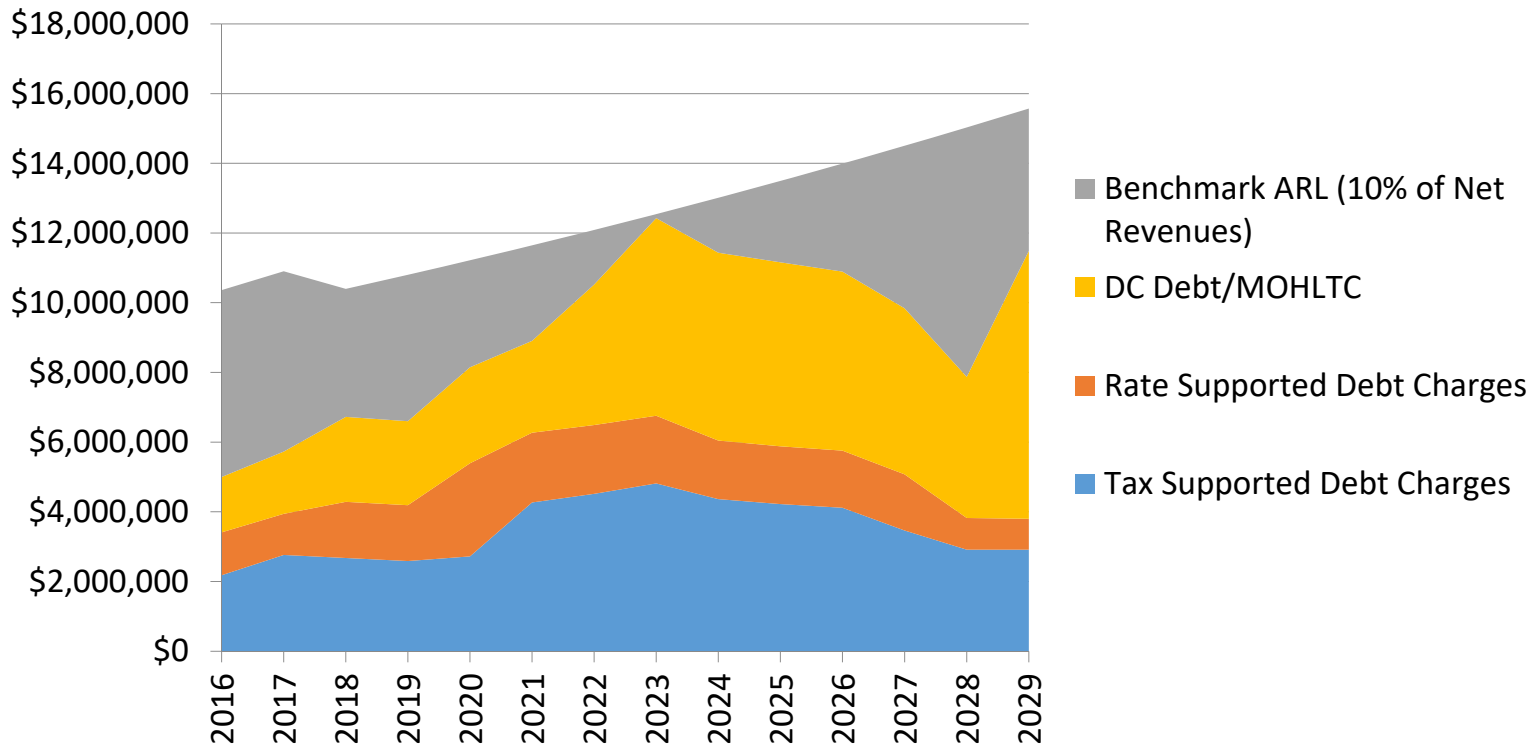
Impact on Capital Replacement Reserve Funds

Forecast - Capital Replacement Reserve Funds



Impact on Long Term Debt Payments

Debt Payments to Benchmark ARL

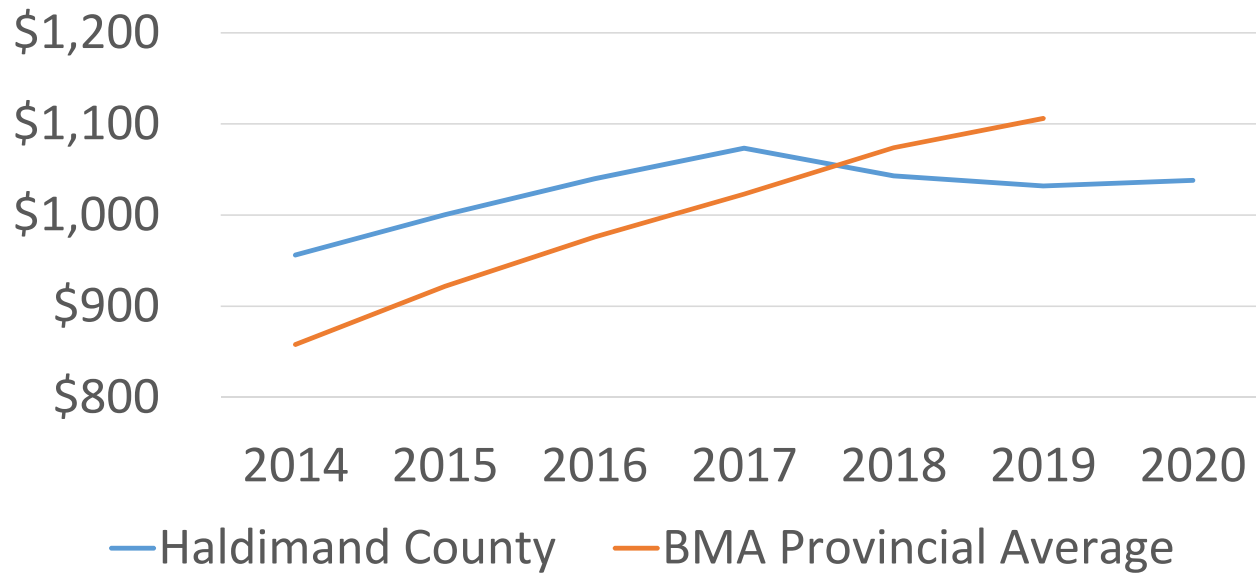


Average Monthly Increase on Customers

AVERAGE CUSTOMER IMPACTS						
User			2019	2020	\$ Change	% Change
Monthly Services						
Residential (15 m3)	Water	Basic	\$ 19.80	\$ 20.24	\$ 0.44	2.2%
		Consumption	\$ 14.85	\$ 14.61	\$ (0.24)	(1.6%)
		Total	\$ 34.65	\$ 34.85	\$ 0.20	0.6%
	Wastewater	Basic	\$ 24.03	\$ 24.86	\$ 0.83	3.5%
		Consumption	\$ 23.09	\$ 22.66	\$ (0.43)	(1.9%)
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	Total			\$ 81.77	\$ 82.37	\$ 0.60
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		Consumption	\$ 495.05	\$ 487.00	\$ (8.05)	(1.6%)
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	Wastewater	Basic	\$ 1,032.70	\$ 1,068.59	\$ 35.88	3.5%
		Consumption	\$ 6,157.30	\$ 6,041.70	\$ (115.61)	(1.9%)
		Total	\$ 7,190.01	\$ 7,110.28	\$ (79.73)	(1.1%)
	Total			\$ 12,001.53	\$ 11,876.38	\$ (125.15)
Bulk Services (per use basis)						
Bulk Water (approximately 13.6 m3 or 3,000 gallons)	Potable Water Costs (County)		\$40.90	\$41.94	\$ 1.04	2.5%
	Estimated Delivery Charges (Private Hauler)		\$85.45	\$85.45	\$-	0.0%
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Septic/Holding (approximately 9.1 m3 or 2,000 gallons)	Treatment Costs (County)		\$130.45	\$133.70	\$ 3.25	2.5%
	Estimated Delivery Charges (Private Hauler)		\$91.57	\$91.57	\$-	0.0%
	Total		\$222.02	\$225.27	\$3.25	1.5%

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
- Long Range Asset Management
- Ongoing Performance Evaluations of Facilities
- Leachate Treatment Volumes
- Available Balances in Capital Replacement and Rate Stabilization Reserves