

HALDIMAND COUNTY

2021 Draft Rate Supported Operating Budget & Capital Forecast Water & Wastewater

Special Council | January 26, 2021



Council Review of the 2021 Draft Budgets

Budget	Review Dates
Rate Supported Operating Budget & Capital Forecast	January 26 th , 2021
Tax Supported Capital Budget and Forecast	March 4 th (March 5 th , 2021 if required)
Tax Supported Operating Budget	March 31 st (April 1 st , 2021 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. 10,000) 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):

- 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

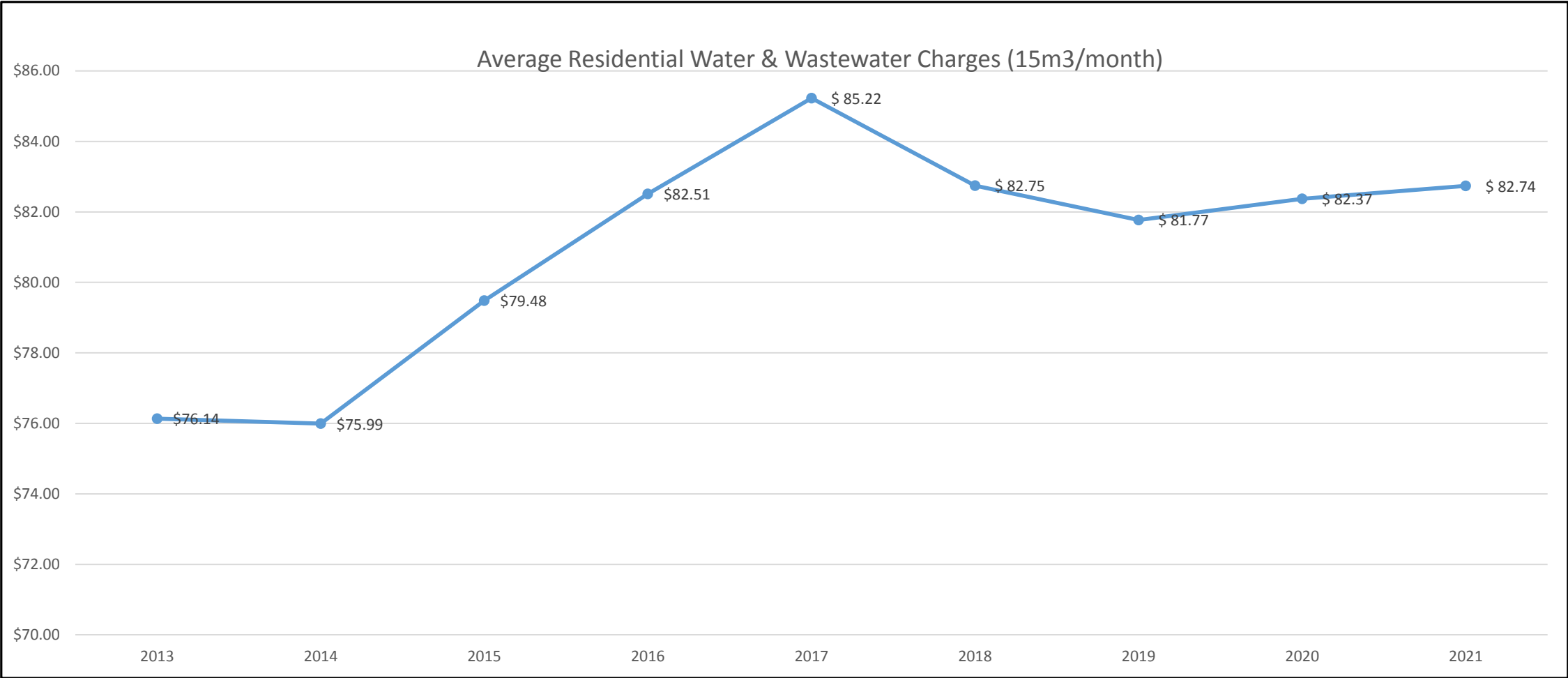
There are three main factors impacting the rates annually:

- Increases or decreases in gross costs
 - Savings in new OCWA water contract; Wastewater Veolia cost increase
 - Increase in Hamilton water contract
 - Increase in Hydro at wastewater facilities
 - New initiative for Supervisor, Environmental Operations
 - Additional 1% increase to capital reserve funds for capital needs, directed 100% to water needs
- Increases or decreases in miscellaneous revenues
 - New Credit consumption increase
 - Bulk water revenue increase based on historical trending and annual indexing
 - Fire protection charge increase due to annual indexing
- Changes in annual consumption/number of customers
 - “consumption assumptions”
- 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>	<u>2021</u>
Rate Revenue Requirement	4.0%	0.2%	1.9%	2.7%	3.1%
Growth/Consumption Impacts	0.7%	3.1%	3.1%	1.9%	2.7%
Average Monthly Impact on Users	3.3%	-2.9%	-1.2%	0.7%	0.4%

Average Monthly Impact on Users



HALDIMAND COUNTY

2021 Draft Rate Supported Operating Budget



Revenue Required from Rates – Water Only

<u>WATER OPERATIONS</u>				
	2020 Budget	2021 Budget	increase/(decrease)	
	\$	\$	\$	%
<i>Expenditures</i>				
Salaries, Wages & Benefits	1,946,730	2,033,080	86,350	4.44%
Materials	2,409,420	2,401,380	(8,040)	-0.33%
Hamilton Water Supply	2,349,600	2,553,200	203,600	8.67%
Contracted Services	590,980	601,400	10,420	1.76%
Rents & Financial Expenses	10,300	10,300	-	0.00%
OCWA Operating Services Charges	2,287,500	2,100,010	(187,490)	-8.20%
Interfunctional Adjustments	371,620	397,640	26,020	7.00%
Long Term Debt Charges	1,438,280	1,279,440	(158,840)	-11.04%
Transfers to Reserves/Reserve Funds	1,132,620	1,417,000	284,380	25.11%
Total Expenditures	12,537,050	12,793,450	256,400	2.05%
<i>Revenues</i>				
Bulk Service Charges	1,552,500	1,701,400	148,900	9.59%
General Fees	4,713,070	4,674,330	(38,740)	-0.82%
Development Charges Reserve Funds	502,320	502,130	(190)	-0.04%
Total Revenues	6,767,890	6,877,860	109,970	1.62%
Net Revenues Required from User Rates	5,769,160	5,915,590	146,430	2.54%
<u>Driver</u>	<u>Net Rate Revenues Impact</u>		<u>% Impact</u>	
A. Base Budget (net)	(\$15,490)		(0.27%)	
B. Non Rate Revenue New Initiatives	\$36,190		0.63%	
C. Water Additional Capital Contribution	\$125,730		2.18%	
Subtotal, Non-Rate Revenue Drivers	\$146,430		2.54%	
D. Rate Revenue New Initiative	\$5,700		0.10%	
Total	\$152,130		2.64%	



Impact on Other Revenues/Rates

Water “Other” Revenues

- Total other revenues represent approximately \$6.9 million
 - approximately \$2.1 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 \$1.7 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 \$45,430 or 2.0%;
 - the remaining miscellaneous fees total approximately \$298,000 and include:
 - property tax recoveries from industry of approximately \$92,000;
 - miscellaneous charges of approximately \$206,000.

Water Customers and Consumption Comparison

	2020				2021			
	Forecast		Budget		Budget			
	Users	%	Consumption	%	Users	%	Consumption	%
Residential	9,256	90.59%	1,424,814	40.47%	9,333	90.83%	1,482,570	40.67%
Commercial/Industrial	673	6.59%	611,996	17.38%	673	6.55%	636,244	17.45%
Large Industrial	4	0.04%	924,763	26.27%	4	0.04%	915,750	25.12%
Subtotal	9,933	97.21%	2,961,573	84.12%	10,010	97.42%	3,034,565	83.24%
Bulk Water	285	2.79%	378,993	10.76%	265	2.58%	404,273	11.09%
New Credit Wholesale			104,744	2.97%			126,733	3.48%
New Credit Depot			75,530	2.15%			80,190	2.20%
Total	10,218	100.00%	3,520,839	100.00%	10,275	100.00%	3,645,761	100.00%

Impact on Bulk Water Rate

Bulk Water Rate	2020 Rate	2021 Rate	Change	
<i>(per cubic metre)</i>			<i>(\$)</i>	<i>(%)</i>
Controlled by Haldimand County				
Bulk Water Rate (charged to hauler)	<u>\$3.08</u>	<u>\$3.14</u>	<u>\$0.06</u>	<u>2.0%</u>
Monthly Administration Fee (charged to hauler)	<u>\$17.62</u>	<u>\$17.97</u>	<u>\$0.35</u>	<u>2.0%</u>
Per Load Impact on "Typical End User" (13.6 m3 or 3,000 gallon load)				
Water Commodity (determined by Haldimand County)	\$41.94	\$42.78	\$0.84	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>\$127.39</u>	<u>\$128.23</u>	<u>\$0.84</u>	<u>0.7%</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				
	2020	2021	increase/(decrease)	
	\$	\$	\$	%
<i>Expenditures</i>				
Salaries, Wages & Benefits	988,810	1,045,270	56,460	5.71%
Supplies & Materials	1,216,300	1,336,090	119,790	9.85%
Services	343,210	356,710	13,500	3.93%
Rents & Financial Expenses	3,300	3,300	-	0.00%
Veolia Operating Services Charges	2,601,000	2,646,100	45,100	1.73%
Interfunctional Adjustments	290,030	308,460	18,430	6.35%
Long Term Debt Charges	2,330,070	1,647,710	(682,360)	-29.28%
Transfers to Reserves/Reserve Funds	1,566,640	2,084,480	517,840	33.05%
Total Expenditures	9,339,360	9,428,120	88,760	0.95%
<i>Revenues</i>				
Bulk Service Charges	1,650,540	1,665,540	15,000	0.91%
Municipal Recoveries	53,100	50,500	(2,600)	-4.90%
General Fees	238,960	239,770	810	0.34%
Transfers from Reserves/Reserve Funds	593,220	422,000	(171,220)	-28.86%
Total Revenues	2,535,820	2,377,810	(158,010)	-6.23%
Net Revenues Required from User Rates	6,803,540	7,050,310	246,770	3.63%

Driver	Net Rate Revenues Impact	% Impact
A. Base Budget (net)	\$210,580	3.10%
B. Non-Rate Revenue New Initiatives	\$36,190	0.53%
C. Wastewater Additional Capital Contribution	\$0	0.00%
Subtotal, Non-Rate Revenue Drivers	\$246,770	3.63%
D. Rate Revenue New Initiative	\$8,100	0.12%
Total	\$254,870	3.75%



Impact on Other Revenues/Rates

Wastewater “Other” Revenues

- Total other revenues represent approximately \$2.4 million
 - approximately \$1.5 million relates to the leachate treatment cost recovery;
 - the holding/septic tank treatment charges total approximately \$188,700
 - \$422,000 relates to development charges funding to offset related development related debt payments;
 - the remaining miscellaneous fees total approximately \$289,300 and include:
 - “overstrength” charges established under the Sewer Use By-law of \$160,700;
 - sludge storage charges to Norfolk County of approximately \$50,500;
 - miscellaneous charges of approximately \$78,100.

Wastewater Customers and Consumption Comparison

	2020				2021			
	Forecast		Budget		Budget			
	Users	%	Consumption	%	Users	%	Consumption	%
Residential	9,101	93.04%	1,453,506	63.25%	9,178	93.09%	1,487,971	63.76%
Commercial/Industrial	674	6.89%	469,366	20.43%	674	6.84%	460,232	19.72%
Large Industrial	3	0.03%	329,352	14.33%	3	0.03%	337,411	14.46%
Subtotal	9,778	99.96%	2,252,224	98.01%	9,855	99.96%	2,285,614	97.94%
Septic/Holding	4	0.04%	11,811	0.51%	4	0.04%	12,595	0.54%
Leachate		0.00%	33,820	1.47%			35,381	1.52%
Total	9,782	100.00%	2,297,855	100.00%	9,859	100.00%	2,333,590	100.00%

Impact on Holding/Septic Charges

<u>Holding/Septic/Portable Toilet Tank Treatment Charge</u>	<u>2020</u>	<u>2021 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>\$14.71</u>	<u>\$15.00</u>	<u>\$0.29</u>	<u>2.1%</u>
Monthly Administration Fee (charged to hauler)	<u>\$17.62</u>	<u>\$17.97</u>	<u>\$0.35</u>	<u>2.1%</u>
<u>Per Load Impact on "Typical End User" (9.1 m3 or 2,000 gallon load)</u>				
Treatment Cost (determined by Haldimand)	\$133.70	\$136.38	\$2.67	2.0%
Estimated hauler delivery charge (determined by Hauler)	<u>\$91.57</u>	<u>\$91.57</u>	<u>\$0.00</u>	0.0%
Total "End User" cost	<u>\$225.27</u>	<u>\$227.95</u>	<u>\$2.67</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. The impacts on specific users will vary considerably based on the number of times a year this service is required.

HALDIMAND COUNTY

2021 Draft Rate Supported Capital Budget and Forecast



2021 Draft Rate Supported Capital Budget

Focus on Corporate Strategic Objectives and Long Term Financial Plans

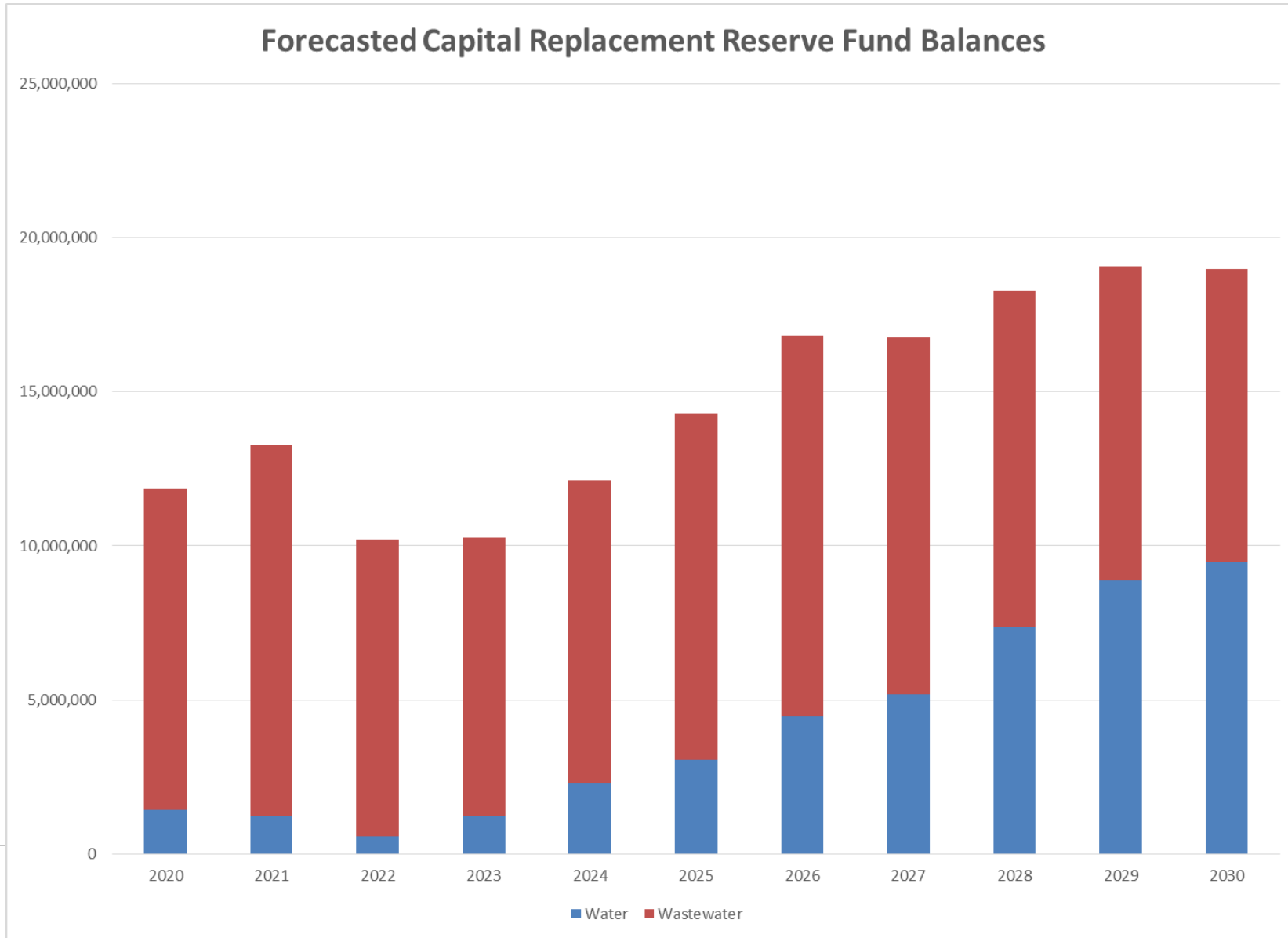
Key Principles of Rate Supported Capital Budget

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

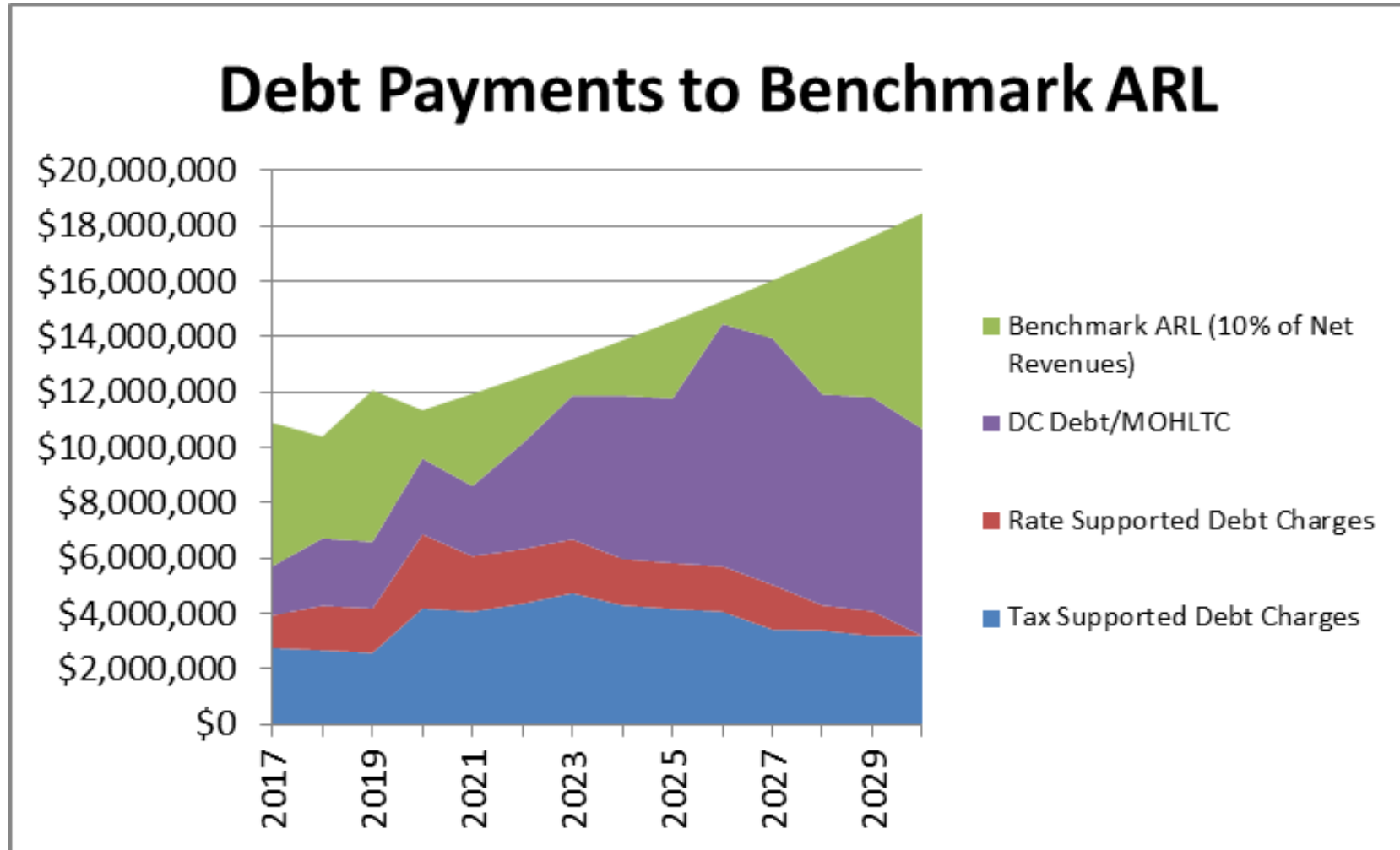
Gross Capital Expenditure Summary

Gross Expenditures	2020 Budget Average Annual Gross Expenditures	2021 Draft Budget Average Annual Gross Expenditures
Water System	\$3.8 Million	\$4.5 Million
Wastewater System	<u>\$7.8 Million</u>	<u>\$8.2 Million</u>
Total	<u>\$11.6 Million</u>	<u>\$12.7 Million</u>

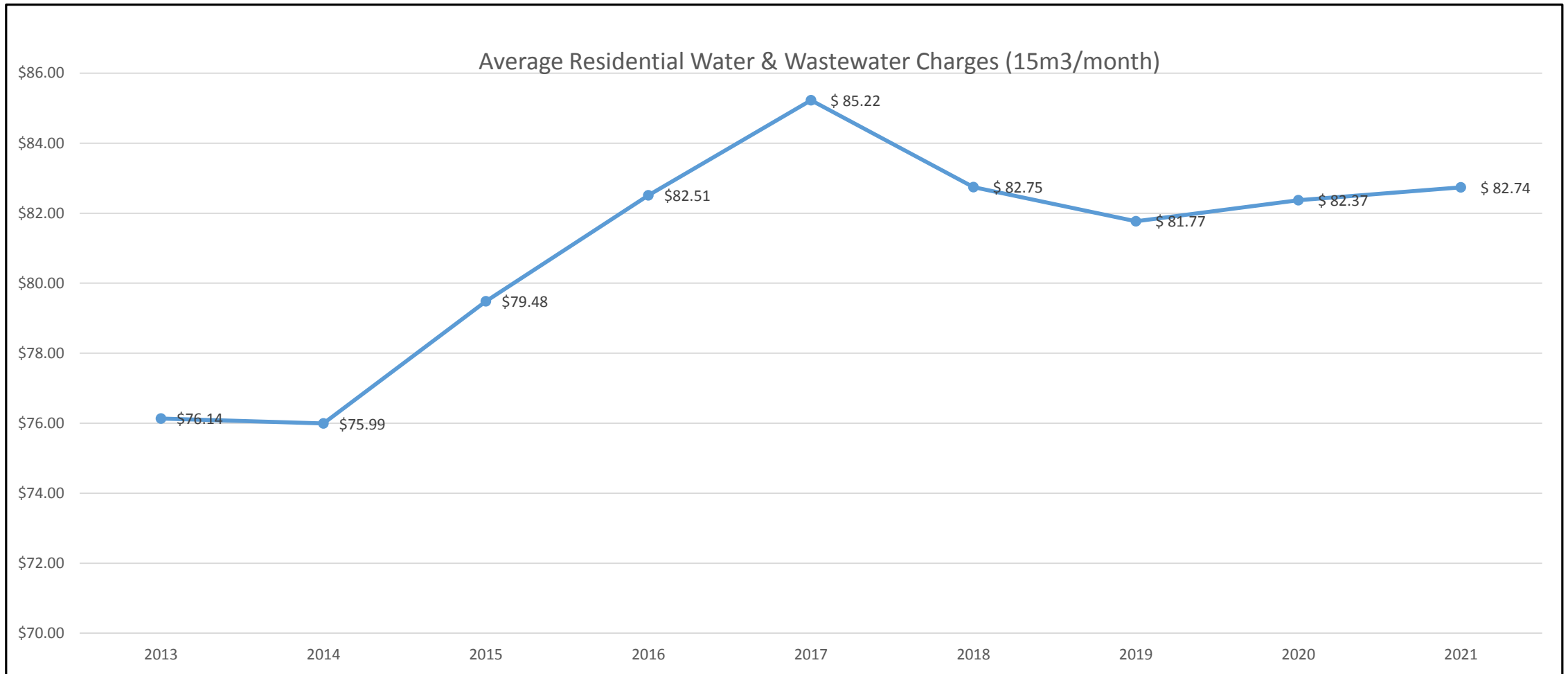
Impact on Capital Replacement Reserve Funds



Impact on Long Term Debt Payments

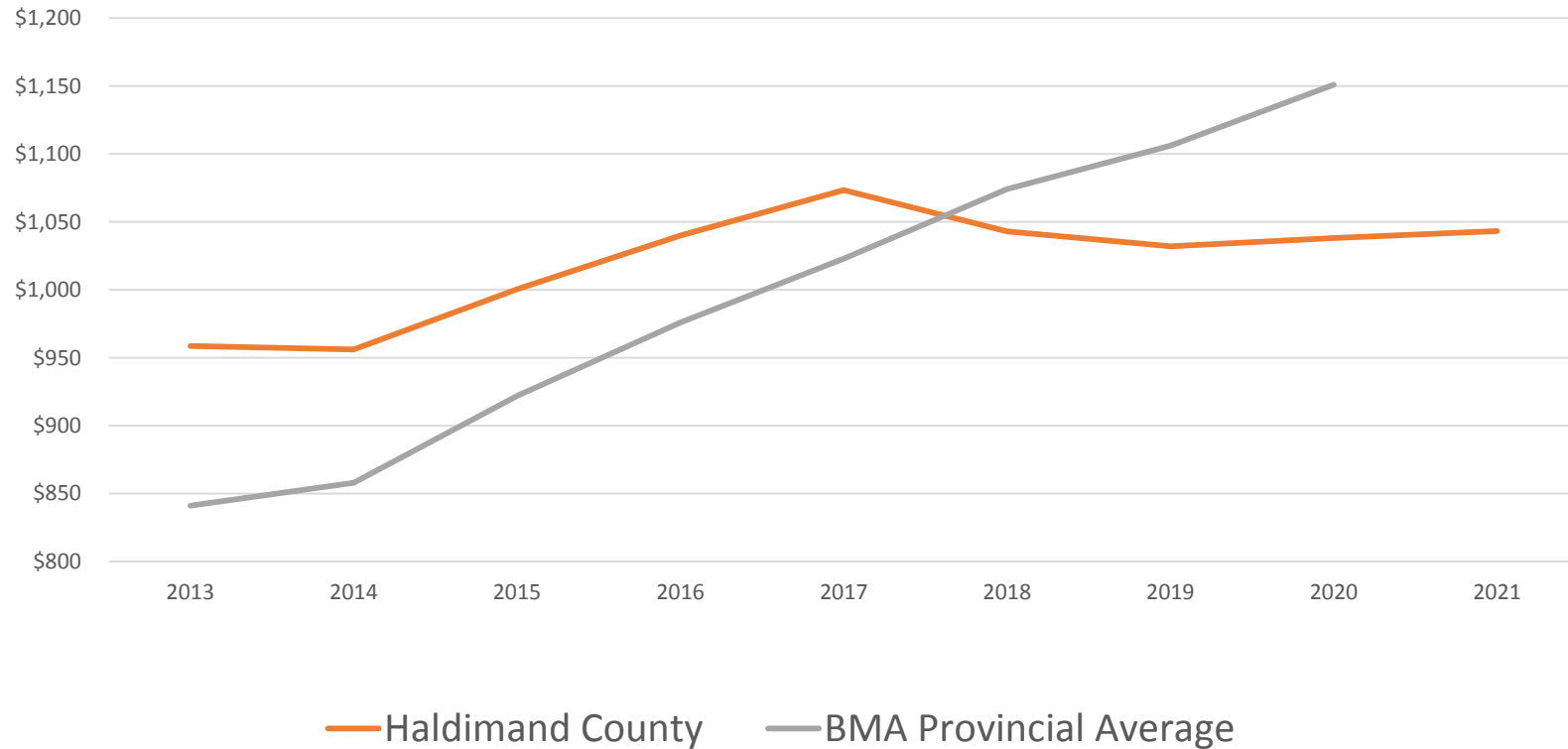


Average Monthly Increase on Customers



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