



HALDIMAND COUNTY 2018 Rate Supported Water and Wastewater Capital Forecast and Operating Budget

Committee of the Whole
December 7, 2017



Council Review of 2018 Draft Budgets

<u>Budget</u>	<u>Review Dates</u>
Water and Wastewater: Draft Capital Forecast and Operating Budget Review	December 7, 2017
Tax Supported Capital Budget and Forecast	February 8, 2018 (February 9 th if necessary)
Tax Supported Operating Budget Review	March 6, 2018 (March 7 th and 8 th if necessary)

Rate Supported Framework/Principles

Legislative Framework

- *Full cost recovery from users of system(s)*
 - *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*

Rate Supported Framework/Principles

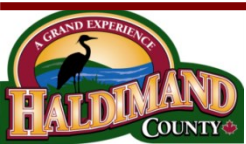
- *Full cost recovery from users of the system(s) (no support from tax levy)*
 - *Relative small number of users (est. approx. 9,400) and large number of systems to operate (4 wastewater treatment plants, 4 wastewater lagoons, 2 water treatment facilities, 7 water distribution systems and 8 wastewater distribution systems)*
 - *Large portion of costs fixed (50%)*
- *Budget Guidelines (consistent with 2013 Rate Study cost allocation/recovery principles – see Appendix M):*
 - *Full cost recovery of all operating and capital costs;*
 - *50%/50% fixed to variable recovery mode (eliminated of Block 2 rate in 2016);*
 - *Industry standard Fire Protection allocation methodology;*
 - *Monthly Administration fees for bulk water and hauled waste customers (only in months of use);*
 - *Blended holding and septic tank rates (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 M*
 - *customer impacts (number, service size, closures, weather, etc.)*

Average Monthly Increase on Customers

User			2017	2018	\$ Change	% Change
Monthly Services						
Residential (15 m3)	Water	Basic	\$ 21.78	\$ 21.10	\$ (0.68)	(3.1%)
		Consumption	\$ 15.49	\$ 15.45	\$ (0.04)	(0.2%)
		Total	\$ 37.27	\$ 36.55	\$ (0.72)	(1.9%)
	Sewer	Basic	\$ 25.45	\$ 24.14	\$ (1.31)	(5.1%)
		Consumption	\$ 22.50	\$ 22.05	\$ (0.45)	(2.0%)
		Total	\$ 47.95	\$ 46.20	\$ (1.76)	(3.7%)
	Total		\$ 85.22	\$ 82.75	\$ (2.48)	(2.9%)
Commercial (2" 500 m3)	Water	Basic	\$ 267.44	\$ 259.05	\$ (8.39)	(3.1%)
		Consumption	\$ 516.37	\$ 515.14	\$ (1.23)	(0.2%)
		Total	\$ 783.81	\$ 774.18	\$ (9.62)	(1.2%)
	Sewer	Basic	\$ 312.47	\$ 296.48	\$ (15.99)	(5.1%)
		Consumption	\$ 750.31	\$ 735.14	\$ (15.17)	(2.0%)
		Total	\$ 1,062.78	\$ 1,031.62	\$ (31.15)	(2.9%)
	Total		\$ 1,846.58	\$ 1,805.81	\$ (40.78)	(2.2%)
Industrial (4" 4,000 m3)	Water	Basic	\$ 936.03	\$ 906.66	\$ (29.37)	(3.1%)
		Consumption	\$ 4,130.96	\$ 4,121.09	\$ (9.86)	(0.2%)
		Total	\$ 5,066.99	\$ 5,027.76	\$ (39.23)	(0.8%)
	Sewer	Basic	\$ 1,093.65	\$ 1,037.69	\$ (55.96)	(5.1%)
		Consumption	\$ 6,002.44	\$ 5,881.12	\$ (121.32)	(2.0%)
		Total	\$ 7,096.09	\$ 6,918.81	\$ (177.29)	(2.5%)
	Total		\$ 12,163.08	\$ 11,946.56	\$ (216.52)	(1.8%)
Bulk Services (per use basis)						
Bulk Water (3,000 gallons)	Potable Water Costs (County)		\$39.41	\$40.10	\$0.69	1.7%
	Estimated Delivery Charges (Private Hauler)		\$85.45	\$85.45	\$0.00	0.0%
	Total		\$124.86	\$125.54	\$0.69	0.6%
Septic/Holding (2,000 gallons)	Treatment Costs (County)		\$125.35	\$127.90	\$2.55	2.0%
	Estimated Delivery Charges (Private Hauler)		\$91.57	\$91.57	\$0.00	0.0%
	Total		\$216.92	\$219.47	\$2.55	1.2%



2018 Draft Budget



HALDIMAND COUNTY 2018 Draft Rate Supported Capital Budget and Forecast



2018 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*

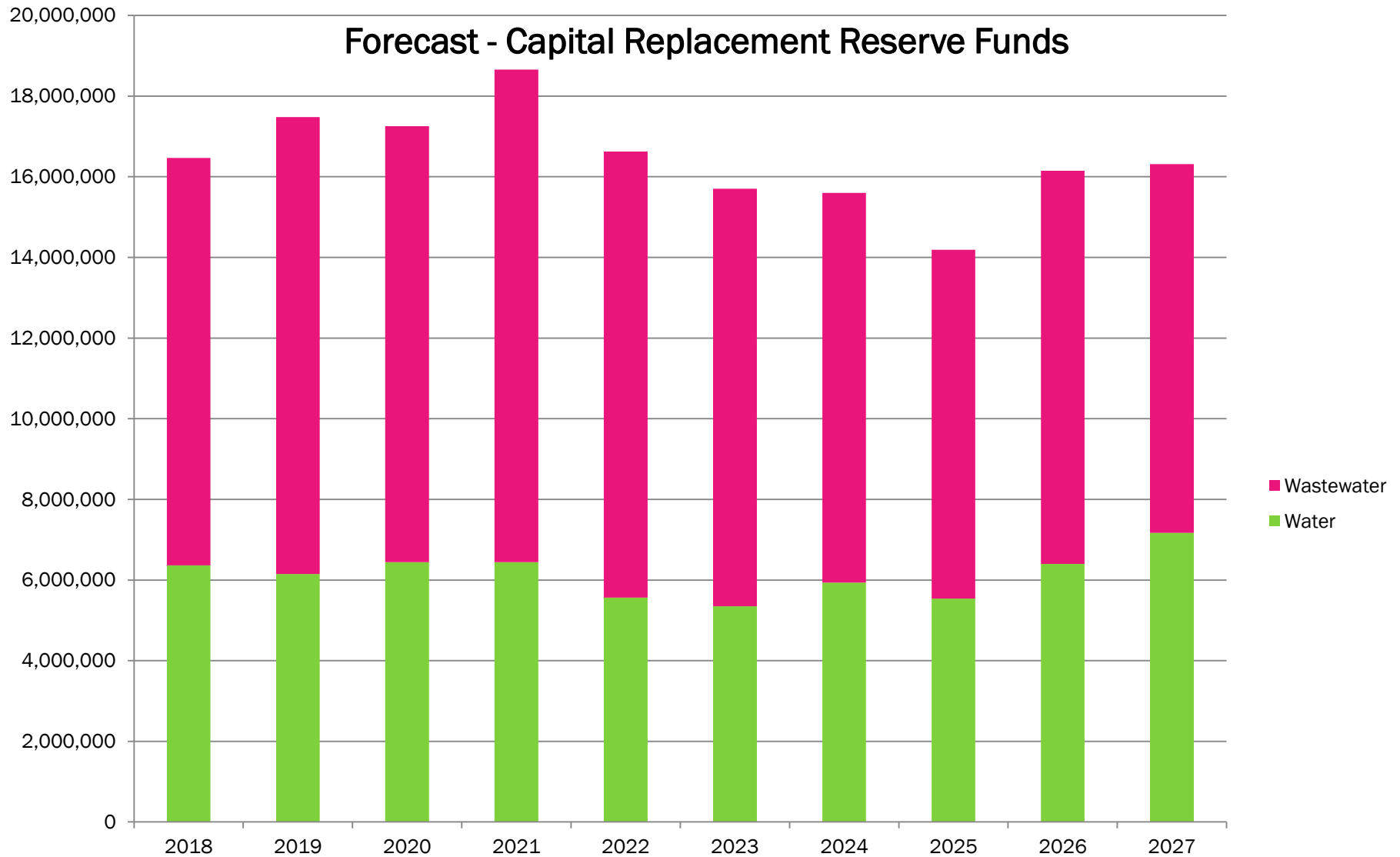


Gross Capital Expenditure Summary

- Comparison of average gross expenditures over forecasted period

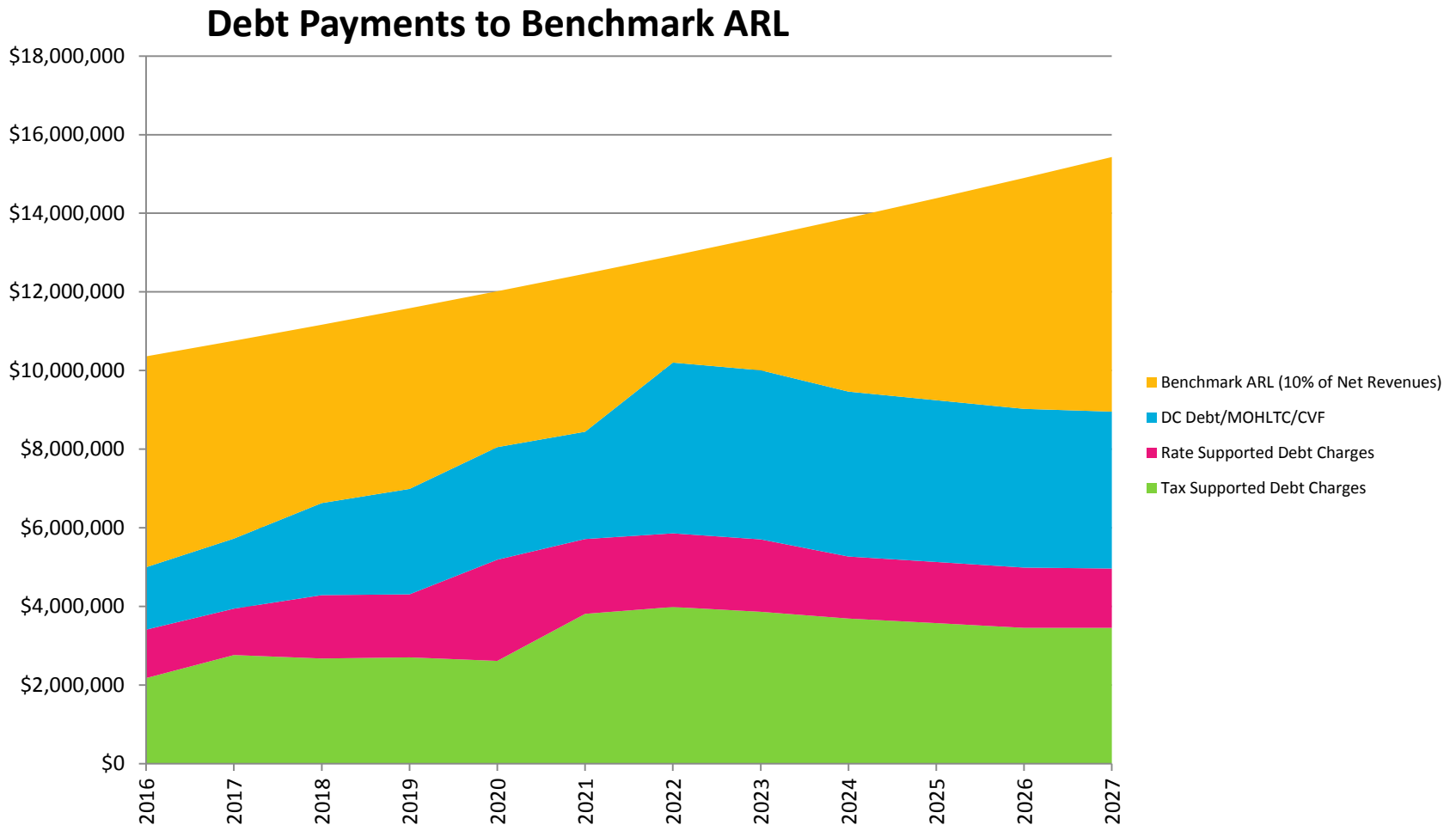
<u>Gross Expenditures</u>	<u>2017 Budget Average Annual Gross Expenditures</u>	<u>2018 Draft Budget Average Annual Gross Expenditures</u>	<u>10 Year Forecast from 2013 Rate Study (average annual gross expenditures)</u>
Water System	\$3.4 Million	\$3.5 Million	\$4.7 Million
Wastewater System	<u>\$3.6 Million</u>	<u>\$8.4 Million</u>	<u>\$4.3 Million</u>
Total	<u>\$7.0 Million</u>	<u>\$11.9 Million</u>	<u>\$9.0 Million</u>

Impact on Capital Replacement Reserve Funds



2018 Draft Budget

Impact on Long Term Debt Payments





HALDIMAND COUNTY 2018 Draft Rate Supported Operating Budget



Revenue Required from Rates - Water Only

WATER OPERATIONS				
	2017 Budget	2018 Budget	increase/(decrease)	
	\$	\$	\$	%
<i>Expenditures</i>				
Salaries, Wages & Benefits	1,783,980	1,850,430	66,450	3.72%
Supplies & Materials	127,700	130,800	3,100	2.43%
Hamilton Water Supply	2,346,200	2,347,930	1,730	0.07%
Services	3,403,740	2,828,880	(574,860)	-16.89%
Veolia Operating Services Charges	2,100,430	2,147,060	46,630	2.22%
Interdepartmental Charges	357,950	383,650	25,700	7.18%
Long Term Debt Charges	337,300	1,443,500	1,106,200	327.96%
Transfers to Reserves/Reserve Funds	1,870,600	1,216,310	(654,290)	-34.98%
Total Expenditures	12,327,900	12,348,560	20,660	0.17%
<i>Revenues</i>				
Recoveries from New Credit	210,600	248,300	37,700	17.90%
Fees & Recoveries	6,406,490	6,382,090	(24,400)	-0.38%
Total Revenues	6,617,090	6,630,390	13,300	0.20%
Net Revenues Required from User Rates	5,710,810	5,718,170	7,360	0.13%

<u>Driver</u>	<u>Net Rate Revenues Impact</u>	<u>% Impact</u>
A. Base Budget (net)	(\$159,740)	(2.80%)
B. New Initiatives	\$87,160	1.53%
C. Water Additional Capital Contribution	\$79,940	1.40%
Total	<u>\$7,360</u>	<u>0.13%</u>



2018 Draft Budget

Customers and Consumption

Water Customers and Consumption Comparison

	2017				2018			
	Actuals		Budget		Budget			
	Users	%	Consumption	%	Users	%	Consumption	%
Residential	8,533	89.81%	1,335,143	40.67%	8,665	89.82%	1,366,547	41.46%
Commercial/Industrial	680	7.16%	610,566	18.60%	680	7.05%	604,525	18.34%
Large Industrial	4	0.04%	819,174	24.95%	4	0.04%	804,002	24.40%
Subtotal	9,217	97.01%	2,764,883	84.22%	9,349	96.91%	2,775,075	84.20%
Bulk Water	284	2.99%	398,119	12.13%	298	3.09%	385,927	11.71%
New Credit Wholesale			71,247	2.17%			73,065	2.22%
New Credit Depot			48,783	1.49%			61,626	1.87%
Total	9,501	100.00%	3,283,032	100.00%	9,647	100.00%	3,295,693	100.00%

Revenue Required from Rates - Wastewater only

<u>WASTEWATER OPERATIONS</u>				
	2017 Budget	2018 Budget	increase/(decrease)	
	\$	\$	\$	%
<i>Expenditures</i>				
Salaries, Wages & Benefits	690,660	665,240	(25,420)	-3.68%
Supplies & Materials	20,060	20,110	50	0.25%
Services	1,608,540	1,571,230	(37,310)	-2.32%
Veolia Operating Services Charges	2,406,180	2,477,170	70,990	2.95%
Interdepartmental Charges	268,720	290,310	21,590	8.03%
Long Term Debt Charges	1,245,270	1,150,900	(94,370)	-7.58%
Transfers to Reserves/Reserve Funds	2,378,520	2,490,760	112,240	4.72%
Total Expenditures	8,617,950	8,665,720	47,770	0.55%
<i>Revenues</i>				
Municipal Recoveries	74,100	58,320	(15,780)	-21.30%
Fees & Recoveries	1,860,360	1,833,240	(27,120)	-1.46%
Transfers from Reserves/Reserve Funds	403,140	480,240	77,100	19.12%
Total Revenues	2,337,600	2,371,800	34,200	1.46%
Net Revenues Required from User Rates	6,280,350	6,293,920	13,570	0.22%

<u>Driver</u>	<u>Net Rate Revenues Impact</u>	<u>% Impact</u>
A. Base Budget (net)	(\$109,550)	(1.74%)
B. New Initiatives	\$84,930	1.35%
C. Wastewater Additional Cap	<u>\$38,190</u>	<u>0.61%</u>
Total	<u>\$13,570</u>	<u>0.22%</u>

Customers and Consumption

Wastewater Customers and Consumption Comparison

	2017				2018			
	Actuals		Budget		Budget			
	Users	%	Consumption	%	Users	%	Consumption	%
Residential	8,369	92.76%	1,309,129	61.54%	8,501	92.87%	1,344,153	61.71%
Commercial/Industrial	644	7.14%	489,259	23.00%	644	7.04%	480,157	22.05%
Large Industrial	3	0.03%	294,108	13.83%	3	0.03%	316,089	14.51%
Subtotal	9,016	99.93%	2,092,496	98.36%	9,148	99.93%	2,140,398	98.27%
Septic/Holding	6	0.07%	10,250	0.48%	6	0.07%	10,712	0.49%
Leachate		0.00%	24,568	1.15%			26,956	1.24%
Total	9,022	100.00%	2,127,314	100.00%	9,154	100.00%	2,178,066	100.00%

Impact on Other Revenues/Rates

➤ Water “Other” Revenues

- Total other revenues represent approximately \$6.6 million
- Bulk Water Charges represent \$1.0 million; Fire Protection Recoveries represent \$2.2 million; Development charges recovery for debt payments \$502,000 and miscellaneous charges of \$567,000 (New Credit - \$248,000, property tax recovery - \$98,000 and miscellaneous – \$221,000)
- Recovery of costs for non-potable water provided to Industry totals approximately \$2.1 million and \$261,000 for Port Maitland

➤ Wastewater “Other” Revenues

- Total other revenues represent approximately \$2.4 million
- Leachate treatment revenues represent \$1.4 million; holding/septic tank revenues represent \$151,000; transfer from development charges for debt payments of \$480,000; and miscellaneous charges of \$139,000 (sludge storage, overstrength, etc.)

Impact on Bulk Water Rate

<u>Bulk Water Rate</u>	<u>2017 Rates</u>	<u>2018 Proposed Rates</u>	<u>Change</u>	
<i>(per cubic metre)</i>			(\$)	(%)
<u>Controlled by Haldimand County</u>				
Bulk Water Rate (charged to hauler)	<u>\$2.89</u>	<u>\$2.94</u>	<u>\$0.05</u>	<u>1.7%</u>
Monthly Administration Fee (charged to hauler)	<u>\$16.52</u>	<u>\$16.85</u>	<u>\$0.33</u>	<u>2.0%</u>
<u>Per Load Impact on "Typical End User" (3,000 gallon load)</u>				
Water Commodity (determined by Haldimand County)	\$39.41	\$40.10	\$0.69	1.7%
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>\$124.86</u>	<u>\$125.54</u>	<u>\$0.69</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 (due to reduced fuel charges) from 2017 to 2018 and excludes any allocation of administration fee.

Impacts on Holding/Septic Charges

<u>Holding/Septic/Portable Toilet Tank Treatment Charge</u>	<u>2017</u>	<u>2018 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>\$13.79</u>	<u>\$14.07</u>	<u>\$0.28</u>	<u>2.0%</u>
Monthly Administration Fee (charged to hauler)	<u>\$16.52</u>	<u>\$16.85</u>	<u>\$0.33</u>	<u>2.0%</u>
<u>Per Load Impact on "Typical End User" (2,000 gallon load)</u>				
Treatment Cost (determined by Haldimand)	\$125.35	\$127.90	\$2.55	2.0%
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>\$216.92</u>	<u>\$219.47</u>	<u>\$2.55</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 2017 to 2018. The impacts on specific users will vary considerably based on the number of times a year this service is required.

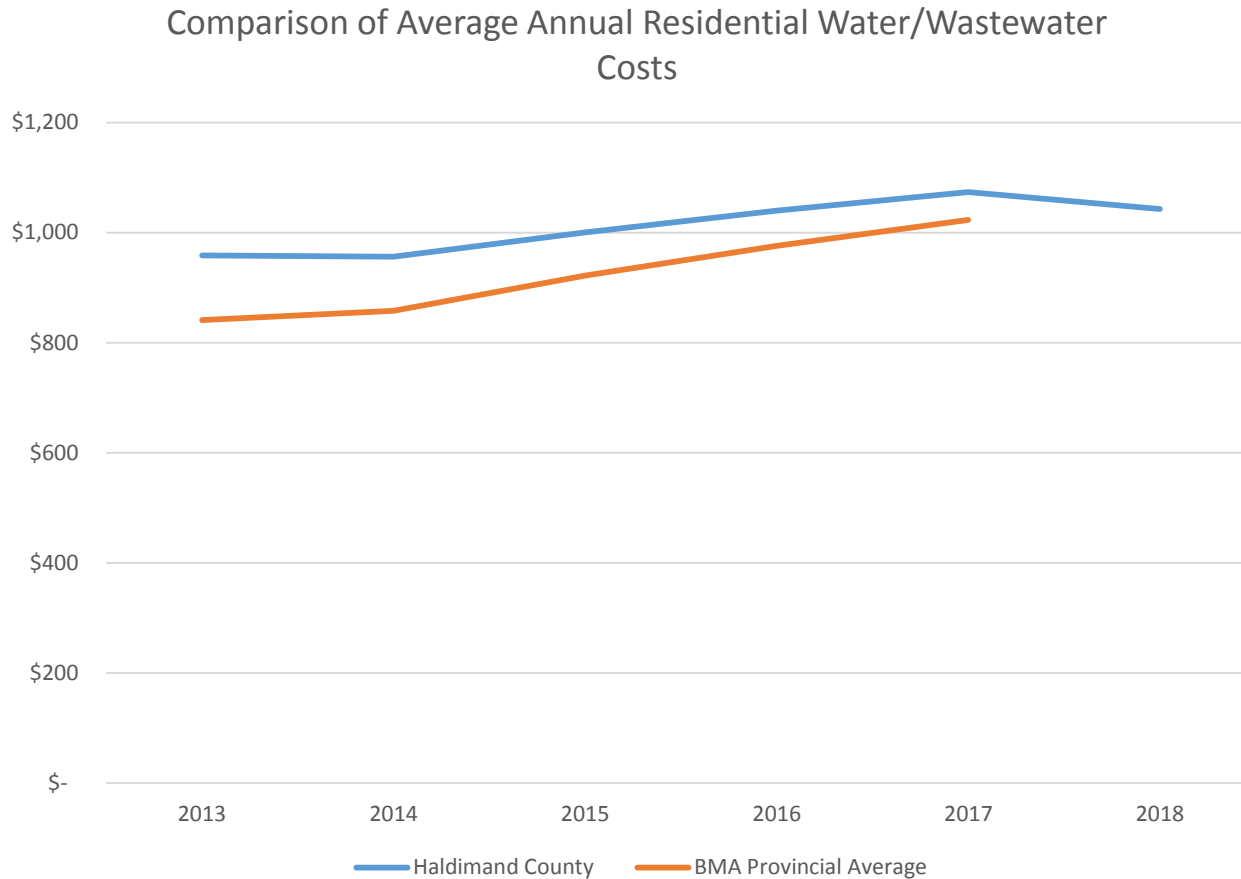
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2018 Draft Budget

Average Monthly Increase on Customers



Future Issues and Challenges

- Impacts of Reduced 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