



Subject: 2024 Rates Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2023-164

Meeting Date: November 22, 2023

Recommendation:

That the Committee of the Whole recommend to Council:

That Corporate Services Department Report 2023-164, **BE RECEIVED**; and

That the 2024 Rates Budget as outlined in Appendix B to Corporate Services Department Report 2023-164, **BE APPROVED**.

Purpose:

The purpose of this report is to present the proposed 2024 Rates Budget to the Budget Committee of the Whole.

A separate report has been prepared and presented to the Committee of the Whole – Budget, titled “2024 Rates Setting Report 2023-165,” to establish water, wastewater, and storm sewer rates to be charged.

Background:

The 2024 Rates Budget is presented in a similar fashion as the prior year Rate Budget.

Financial Services would like to thank Public Works staff for their leadership and support in developing the 2024 Rates Budget.

Should the 2024 Rates Budget report be approved by the Committee of the Whole – Budget on November 22, 2023, it will move forward to be ratified at the November 28, 2023, Council meeting.

Similar to the 2024 Capital and Related Project Budget, the 2024 Rate Budget was developed through a process that requested Council and staff input. Staff have prepared their recommendations after considering:

- The City's established Vision/Mission/Values;
- The Strategic Pillars identified in the City's Strategic Plan;
- The following themes/focuses:
 - Environment and Climate Change;
 - Welcoming, Livable, Healthy Community;
 - Economic Prosperity;
 - Increased Housing Options;
 - Sustainable and Resilient Infrastructure;
- Tactically considering where the City can support and drive competitive advantages:
 - People;
 - Processes – getting to simple (moving towards);
 - Community – Connection;
 - Location;
- Service levels;
- Growth – achieving economies of scale; and
- Impact of leading a reduction in the Infrastructure Deficit.

The budget document should be read in conjunction with:

- The 2024 Capital and Related Project Budget (Report 2023-160) presented to the Budget Committee of the Whole on September 20, 2023 and ratified by Council on September 26, 2023.
- The 2024 User Fees and Charges (Report 2023-162) presented to the Budget Committee of the Whole on October 18, 2023 and ratified by Council on October 24, 2023 with appendments.

Discussion:

Financial Services highlights the budget is a plan to allocate resources in advance for the maximum benefit of City residents and stakeholders. It is a method to authorize revenue and expense authority. In preparing the 2024 Rates Budget, certain assumptions and estimates are necessary. They are based on information available to staff at the time of preparing the budget. Actual results will vary although, as regulated through the Municipal Act, a balanced budget is required.

Rate Budget Impact

Water and Wastewater

If the proposed 2024 Rates Budget and 2024 Rates Setting reports are approved as presented, the water and wastewater impact to a single-family property use 188 m³ of water will be:

	\$ Change	% Change
Water	\$81.05 per year	12%
Wastewater	\$120.29 per year	12%
Blended/Combined	\$201.34 per year	12%
	\$16.78 per month	

This increase is required to offset the Niagara Region anticipated water and wastewater increases as presented at the Niagara Region's Budget Review Committee of the Whole – November 16, 2023, and to fund City of Port Colborne capital projects to reduce water loss and inflow and infiltration ("I&I"). Reduced water loss and I&I would result in lower charges from the Niagara Region, all things being equal.

Storm Sewer

If the proposed 2024 Rates Budget is approved as presented, the storm sewer impact to a single-family property is \$55.90 per year or \$4.66 per month, which represents a 40% increase over the prior year.

This increase is part of the approved Disaster Mitigation Adaptation Fund (DMAF) grant application (Report 2023-39) to address storm sewer outlet protection, outlet pumping, and sump pump drains in storm sewer districts 6, 7, and 13 which are at highest risk of storm seiche events.

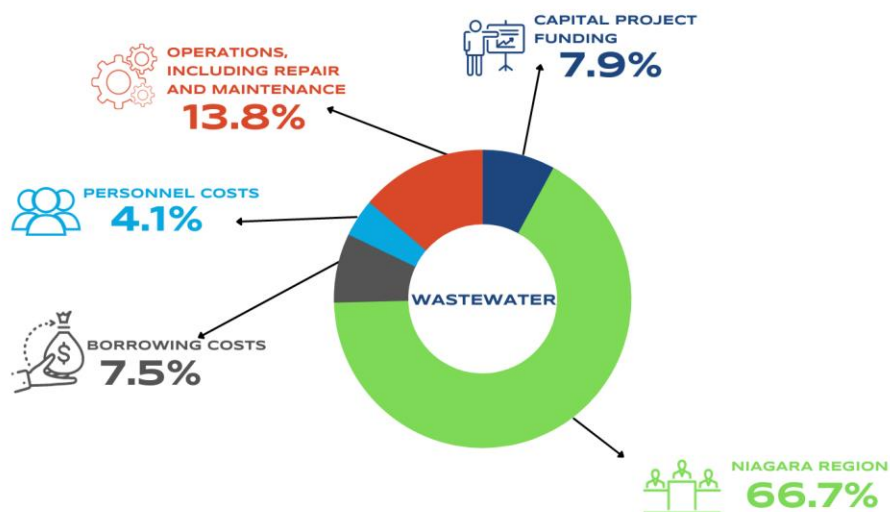
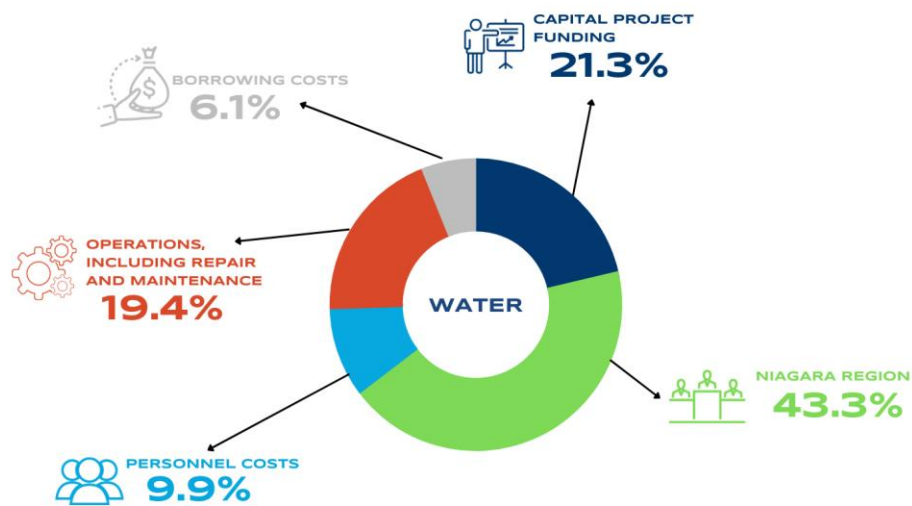
Budget Summary

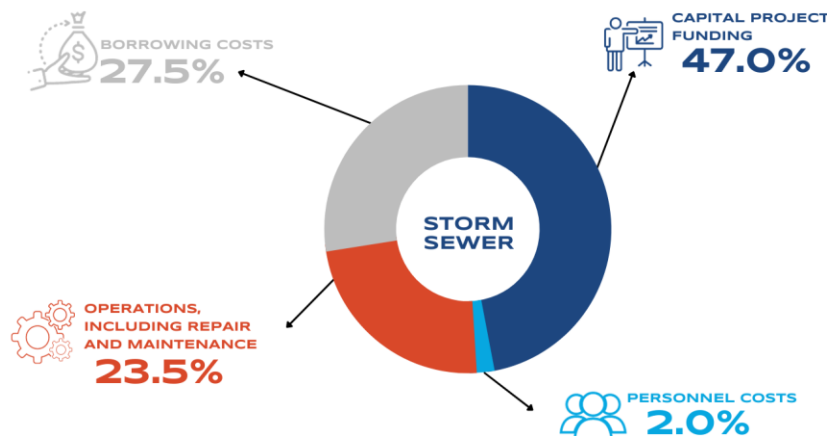
This budget was developed to maintain current service levels and tackle water loss and I&I.

The number of initiatives and actions that are funded within this budget are significant.

The 2024 Rates Budget as outlined in Appendix A – 2024 Rates Budget Presentation and Appendix B – 2024 Rates Budget Divisional Summary & Detail totals \$16,559,613 (2023 - \$13,661,100).

In percentage terms, the water, wastewater, and storm sewer budgets can be broken down as follows:





In dollar terms, the water, wastewater, and storm sewer budgets can be broken down as follows:

	Water	Wastewater	Storm	Total
Revenue	5,939,113	8,685,700	1,934,800	16,559,613
Personnel Expenses	589,900	356,025	37,875	983,800
Operating Expenses	1,149,513	1,196,396	455,725	2,801,634
Borrowing Expenses	364,800	650,000	531,200	1,546,000
Niagara Region	2,572,900	5,797,279	-	8,370,179
Total Expenses	4,677,113	7,999,700	1,024,800	13,701,613
Surplus/(Deficit) Before Capital Transfers	1,262,000	686,000	910,000	2,858,000
Transfer to/(from) Capital	568,700	302,000	26,000	896,700
Transfer to/(from) Reserves	693,300	384,000	884,000	1,961,300
Surplus/(Deficit)	0	0	0	0

Water and wastewater usage and billing metrics can be found in Appendix D.

Some of the salient highlights and changes in the 2024 Rates Budget are as follows:

- The budget incorporates an anticipated 7.95% combined increase in water and wastewater charges from the Niagara Region, as communicated at their Budget Review Committee of the Whole – November 16, 2023. This increase is before adjusting for the City's increase in water purchases and wastewater volumes.
- This budget accounts for the fact that water purchased vs. water billed ratio fell to a forecasted 56.6% in 2023 vs. 64.0% in 2022 and sent to the wastewater plant

vs. water metered increased to 2.7 m³ in 2023 vs. 2.17 m³ in 2022. These water and wastewater volume occurrences are why the combined water and wastewater budget to the Niagara Region has increased 14% year over year.

- The budget maintains the wastewater backflow and disconnect grant program, with the backflow at \$1,000 and disconnect at \$2,500. This program exists through the wastewater by-law.
- The budget maintains the Guaranteed Income Supplement (GIS) grant introduced in 2021 for wastewater charges.
- The budget maintains the pre-authorized payment (PAP) and move to online billing incentives that have been in place since 2021. The City currently has 1,658 or 26.8% of properties on PAP and 889 or 14.4% of properties on online billing.
- The budget proposes changing the water and wastewater lateral replacement grant and loan program introduced in 2022 to a straight grant program with an incentive for doing both the water and wastewater lines at the same time. Specifically, instead of a proposed \$1,000 grant per line and up to a \$2,500 loan per line the program be adjusted to a straight grant of \$1,000 per line with an incentive, an additional \$1,000, if both lines are done. This would make the total value of the grant \$3,000. Moving away from the loan component will reduce complexity and collectability concerns.
- This budget provides a number of water, wastewater and storm water projects as follows:
 - \$5 million in water upgrades funded over 5 years with Federal and Provincial funding support.
 - \$10 million in wastewater lateral lining (1/3 the City).
 - \$32 million Disaster Mitigation Adaptation Fund (DMAF) Grant Application to address storm sewer outlet protection, outlet pumping, and sump pump drains in storm sewer districts 6, 7, and 13 which are at highest risk of storm seiche events.
- To facilitate the lining of 1/3 of the City's wastewater pipes, this debt includes annual funding of \$650,000 to fund \$10,000,000 in debt.

2023 Forecast

The City is forecasting a slight deficit in the combined rates budget of \$72,300. This represents ½ of 1% differential from budget. The main drivers are charges from the Niagara Region as volumes of water purchased and wastewater cleaned are higher than budgeted. Water sales are also down slightly year over year. These budget pressures were partly offset by reductions in personnel expenses and operating costs.

In preparing this forecast, as with this budget, certain assumptions and estimates are necessary. This forecast is based on information available to Staff at the time. Actual results will vary.

Reserve Forecasted Balances

Should this budget be approved, and the 2024 budget equal actual, and the 2023 forecast equal forecast at year end, the forecasted rate reserves would be as follows at the end of 2024 (provided there are no new projects approved):

- Water forecasted at \$1,525,700;
- Wastewater forecasted at \$2,804,900;
- Storm Sewer forecasted at \$1,039,300.

Reserves are used in case of an emergency, to cover a budget shortfall in-year and to support future capital works recognizing the identified infrastructure deficit. The main priority of these reserves is to support the City's portion of funding in the DMAF Grant Application.

Risks to the Rates Budget

- Changes to legislation, including rules and regulation;
- Decisions of other levels of government:
 - i.e. Ministry of the Environment, Conservation and Parks;
 - i.e. the Bereavement Authority of Ontario;
- Unforeseen and/or unplanned environmental considerations related to approved projects;
- Economic weakness or other unforeseen factors impacting changes in past patterns of facility and service usage and/or goods purchased by users and customers;
- Inflation advancing more than anticipated;
- Interest rate changes, impacting investments and borrowing costs;
- Unexpected changes or usage in infrastructure;
- Unbudgeted and/or unexpected changes in needs or wants of residents resulting in Council approved changes in service levels or goods and service offerings;
- A resurgence in COVID-19 or other epidemics, pandemics, or other public health crisis event; and
- Weather conditions that impact operations, including storm surges.

Looking Forward

Corporate Services recognizes that continuous improvement is a process. Looking forward to 2024, staff identify the following activities that will help determine the financial outcomes of the City going into the 2025 budget process:

- Finalize reviewing fees (specifically non-full cost recovery fees);

- Continue to work on Key Performance Indicators (KPIs) and related benchmarks, where applicable;
 - Complete the Infrastructure Needs Assessment (INS) and Non-Linear Asset Management Plan to support future capital and related project budgets;
 - Update the development charges by-law so growth pays for growth Report 2023-161;
 - Review and update long standing by-laws related to rate budget activities;
 - Working on a multi-year operating forecast (anticipated T1 reporting time [June 2024]);
 - A multi-year capital and related project funding plan has been developed. Upon completion of the INS, staff will assign projects for Council consideration.
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Internal Consultations:

As stated, Financial Services would like to thank Public Works for their leadership and support in developing this 2024 Rates Budget.

Financial Implications:

Financial Services identifies the proposed 2024 Rates Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The 2024 Rates Budget was published on the City's website on November 17, 2023, through the agenda process. The 2024 Rates Budget will be considered by the Committee of the Whole on November 22, 2023, and, if approved by the Committee of the Whole, the 2024 Rates Budget will be presented before Council on November 28, 2023, for ratification.

Following the budget process, staff will continue to review service levels and operations. Should changes be requested or sought, staff will seek input and where necessary approval from Council.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Environment and Climate Change
- Welcoming, Livable, Healthy Community

- Economic Prosperity
 - Increased Housing Options
 - Sustainable and Resilient Infrastructure
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Conclusion:

Staff recommend that the Committee of the Whole recommend approval of the 2024 Rates Budget as outlined in this report and the various appendices.

Appendices:

- a. Appendix A – 2024 Rates Budget Presentation
- b. Appendix B – Divisional Summary & Detail
- c. Appendix C – Divisional Multi-Year Budgets
- d. Appendix D – Divisional Usage & Billing Metrics

Respectfully submitted,

Bryan Boles, CPA, CA, MBA
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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.