



PORT COLBORNE

Subject: 2022 Rates Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2021-311

Meeting Date: December 6, 2021

Recommendation:

That Corporate Services Department Report 2021-311, **BE RECEIVED**; and

That the 2022 Rates Budget as outlined in Appendix B to Corporate Services Department Report 2021-311, **BE APPROVED**.

Purpose:

The purpose of this report is to present the proposed 2022 Rates Budget to the Budget Committee of the Whole.

A separate report has been prepared and presented to the Committee of the Whole – Budget entitled, 2022 Rates Setting Report 2021-312, to establish water, wastewater and storm sewer rates to be charged.

Background:

The 2022 Rates Budget is presented in accordance with a slightly modified timeline approved by Council through Report 2021-174.

Financial Services would like to thank Public Works staff for their leadership and support in developing the 2022 Rates Budget.

Should the 2022 Rates Budget report be approved by the Committee of the Whole – Budget on December 6, 2022, it will move forward to be ratified at the December 13, 2021, Council meeting.

Similar to the 2022 Capital and Related Projects Budget and the 2022 Levy Budget, the 2022 Rates Budget was developed through a process that requested Council and staff input. Staff have based their recommendations after considering:

- The City's established Vision/Mission/Values
- The Strategic Pillars identified in the City's Strategic Plan
- A need to connect the community
- A desire to come out of the COVID-19 pandemic stronger
- Planning and building for growth
- Organizational capacity
- Organizational financial flexibility

The budget document should be read in conjunction with:

- The 2022 Capital and Related Project Budget (Report 2021-240) approved by the Committee of the Whole – Budget on September 16, 2021 and ratified by Council on September 27, 2021.
- The 2022 Proposed User Fees and Charges (Report 2021-277) presented to the Committee of the Whole – Budget on October 28, 2021 and ratified by Council on November 8, 2021

Financial Services acknowledges that the format of the 2022 Rates Budget continues to evolve from the 2021 Rates Budget. Financial Services would like to thank Council for their support and encouragement with respect to the account structure changes that have been made to date. Staff's hope is Council will find the new format as a continued movement towards increasing accountability and transparency.

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 2022 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 2022 Rates Budget and 2022 Rates Setting reports are approved as presented, the water and wastewater impact to a single-family property will be:

	\$	%
Water	Zero	Zero
Wastewater	Zero	Zero
Blended/Combined	Zero	Zero

In order to achieve a zero increase in the water budget Staff highlight:

- The water system work that is on-going by staff continues to improve the water billed vs. purchased ratio. At the time of writing this report, the current ratio is anticipated to improve to 68.4% vs. 64.0% in 2020. This is up from 52.7% in 2017.
- The reserve transfer in water has been reduced to \$400,195 from \$703,685 forecasted during the 2022 Capital and Related Capital Budget. Reserve transfers will be re-evaluated after the completion of the updated City's asset management plan which is anticipated by June 2022 to meet Provincial planning and reporting obligations.

The zero impact to wastewater is possible because the 2021 increase took effect April 1, 2021. With no change in rate, the 2022 budget is impacted by the rate differential of the current rate and the rate previously in place during January to March 2021.

Storm Sewer

If the proposed 2022 Rates Budget is approved as presented, the storm sewer impact to a single-family property is \$11.55 which represents a 10% increase over the prior year.

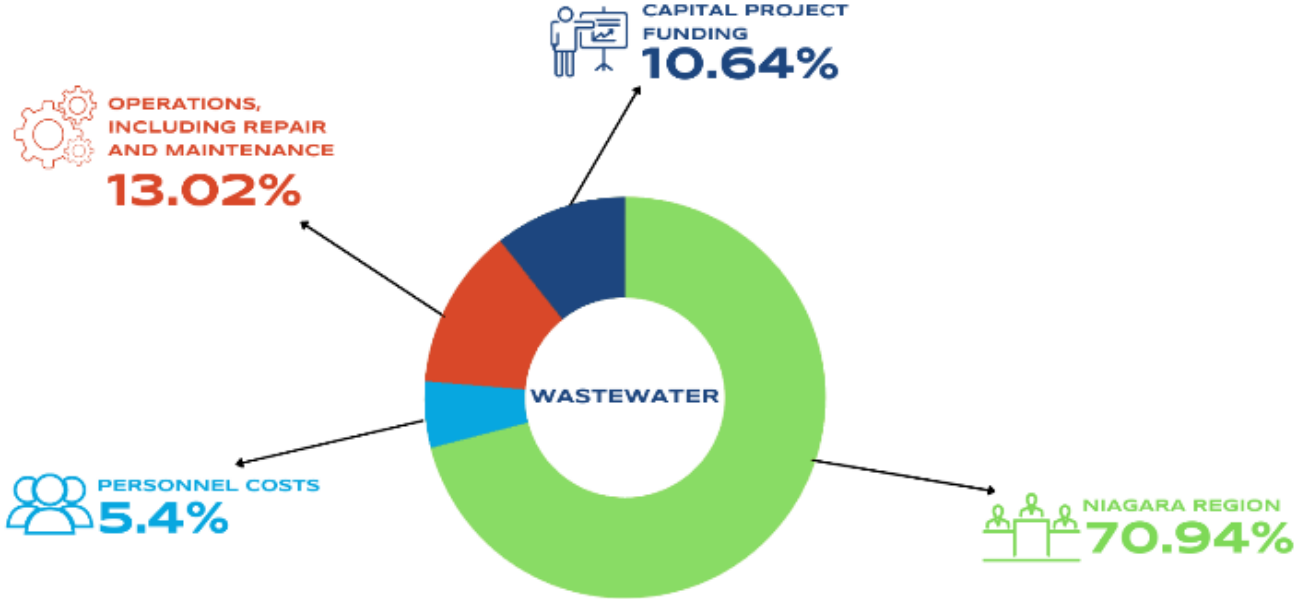
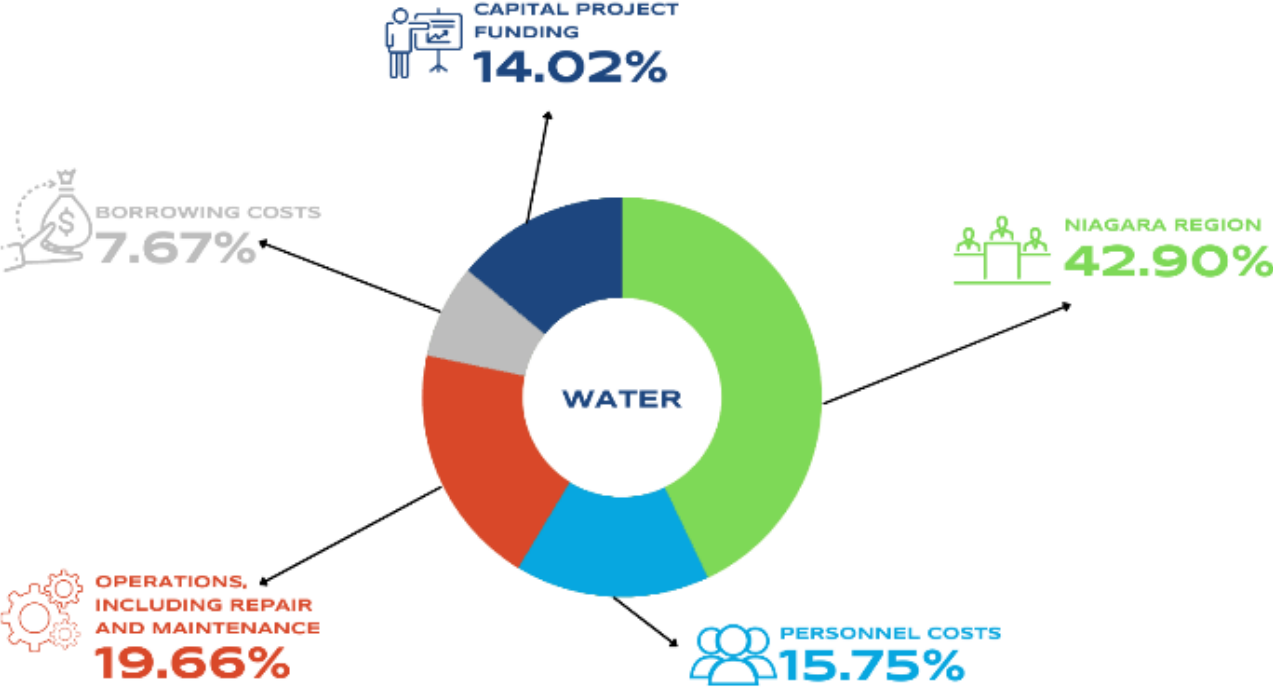
Budget Summary

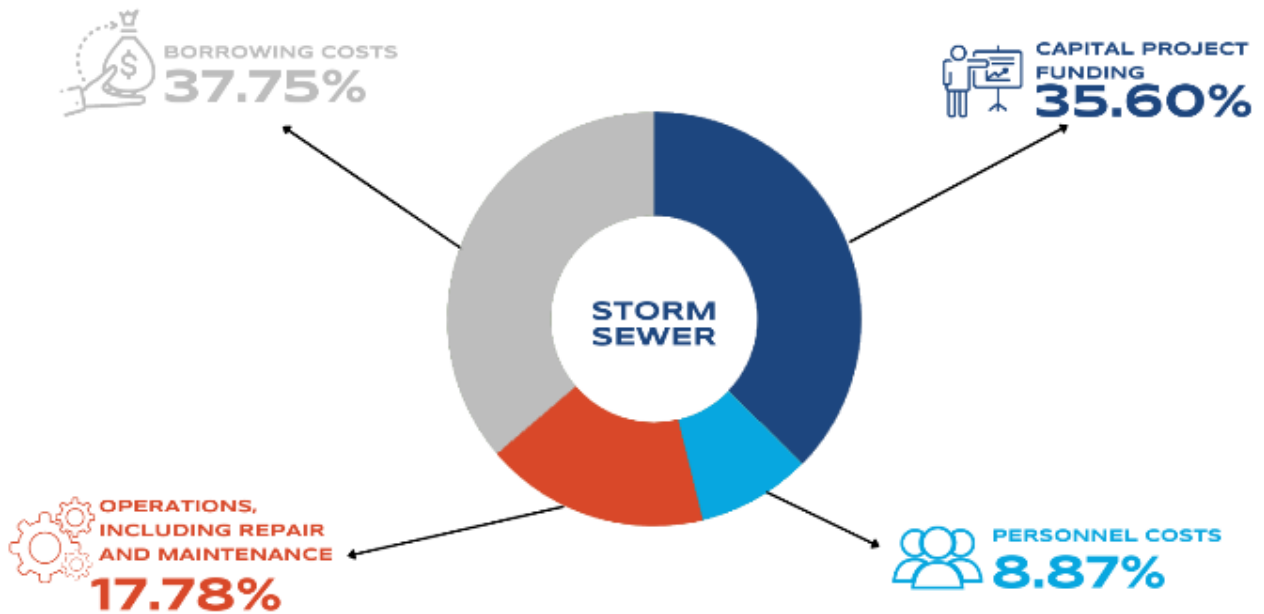
This budget was developed recognizing City services continue to remain operational and active during the COVID-19 pandemic, Financial Services and Public Works have developed budgets that maintain current services levels while continuing to strengthen the City.

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

The 2022 Rates Budget as outlined in Appendix A – 2022 Rates Budget Presentation and Appendix B – Rates Budget Appendices totals \$13,120,100.

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:

	Rates			
	Storm Sewer	Wastewater	Water	Total
Total Revenue	1,407,000	6,937,067	4,757,000	13,101,067
Personnel Expenses	124,800	374,600	749,300	1,248,700
Operating Expenses	182,100	5,364,379	2,516,176	8,062,655
Total Expense	306,900	5,738,979	3,265,476	9,311,355
Surplus/(Deficit) Before Transfers	1,100,100	1,198,088	1,491,524	3,789,712
Transfers to (from) Reserves	390,944	413,191	400,195	1,204,330
Transfers to (from) Capital	110,000	324,897	266,700	701,597
Transfers to (from) Borrowing Costs	531,156	-	364,629	895,785
Transfers to (from) Levy as Cost Reimbursement	68,000	460,000	460,000	988,000
Total Transfers	1,100,100	1,198,088	1,491,524	3,789,712
Surplus/(Deficit)	-	-	-	-

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

Some of the salient highlights and changes in the 2022 Rates Budget are as follows:

Water and Wastewater

- The Niagara Region increased the variable water purchase rate by 4%. The fixed charged rates decreased for water by \$31,543 or 5.34% and increased for wastewater by \$115,879 or 2.4% as a result of flows to the Niagara Region's wastewater system.
- One additional full-time equivalent Water/Wastewater Operator and one seasonal Water/Wastewater Operator is proposed in this budget. This increase will support the projects approved through the 2022 Capital and Related Project Budget and repair and maintenance work in year. Total cost is approximately \$120,000. The adjusted Headcount of the Rates (water, wastewater and storm sewer) grouping would increase to 15 and the FTE figure to 13.12. The FTE figure helps identify not all individuals are full-time.
- Update and move the current water meter reading software to the Cloud as the current software is no longer supported. The cost is estimated at \$5,300 annually.
- The introduction of water (\$25,000) and wastewater (\$25,000) replacement grants.
- Maintaining the pre-authorized payment incentive of \$25 for new registrations to the program and introduce a new incentive to move to online billing. This new incentive is also proposed at \$25. The water and wastewater budgets each include \$20,000 to support these incentives.
- Maintain the Guaranteed Income Supplement (GIS) grant implemented in 2021 for wastewater charges.

Storm Sewer

- As a result of proposed changes in the 2022 Rates Setting Report the reserve transfer in storm sewer has been increased to \$409,944 from \$51,121 forecasted during the 2022 Capital and Related Capital Budget.

Other salient changes include:

- The allocation of the rates personnel budget has changed year over year. In 2021 it was split 50/50 between water and wastewater. In 2022 it is allocated 60% water, 30% wastewater and 10% storm sewer based on anticipated scheduling. The change better reflects actual experience and changing

compliance standards.

- The administrative levy/rate cost recovery for administrative (including staff time), related facility, insurance, and fleet costs from the rate budgets (Water, Wastewater and Storm Sewer) was reviewed by staff during 2021. This review was noted during the 2021 Budget process and the 2022 Levy Budget process. The 2022 budget, similar to the Trimester 2 Report 2021-263, reflects a change in the transfer from \$607,100 to \$988,000. As a percentage of the rate program this reflects approximately an 8% overhead charge. The \$988,000 is split between Water and Wastewater at \$460,000 each and \$68,000 to Storm Sewer.

Looking Forward

Summary of Some Significant Capital Projects Approved in 2021 for 2022/2023

- Water: Erie Street watermain replacement. Project cost \$1,880,000.
- Water: Watermain replacement and looping project associated with Davis St., West St, Homewood Ave, Berkley Ave. Project cost \$5,000,000 (grant dependent).
- Wastewater: Clarke Area Sanitary Sewer Remediation associated with the east side sanitary network, north of Killaly St. E. Project cost \$1,000,000 (grant dependent).
- Wastewater: Clarke Area Sanitary Sewer Remediation. Project cost \$500,000 (grant dependent).
- Storm Sewer: Surcharge and flooding along King Street. Project cost \$300,000.
- Storm Sewer: Johnston Street Pumping Station upgrades. Project cost \$35,000.
- Storm Sewer: Johnston Street Stormwater pond cleaning and maintenance. Project cost \$75,000.

Updated Reserve Forecasted Balances

- Water forecasted at \$516,300 end of 2022.
- Wastewater forecasted at \$760,700 end of 2022
- Storm Sewer forecasted at \$482,700 end of 2022

These reserves support the rate budgets should there be a budget shortfall and fund future capital requirements.

Planning, Budget and Related Process

As identified on many occasions, “everyday is budget day” in a municipality. Financial Services anticipates this new budget layout may provide the opportunity for new questions and direction from Council. Corporate Services continues to identify continuous improvement is a process. Looking forward to 2022, staff identify the following activities, in addition to those identified during the 2022 Levy Budget process,

that will help determine the financial outcomes of the City going into the 2023 budget process:

- Complete and update the City's asset management plan by June 2022 to meet Provincial planning and reporting obligations, including an infrastructure needs assessment of all linear assets.
 - Based on the completion of the Infrastructure Needs Study, develop a five (5) year linear capital projects plan that incorporates all linear assets such as water, wastewater and storm sewer for recommended reconstruction and upgrades.
 - Move bulk water revenue and related costs to a separate cost centre to track more as a self-sustaining entity going forward.
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Internal Consultations:

As stated, Financial Services would like to thank Public Works for their leadership and support in developing this 2022 Rates Budget.

Financial Implications:

Financial Services identifies the proposed 2022 Rates Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The timeline for the 2022 Rates Budget was approved at the June 28, 2021 Council meeting. The 2022 Rates Budget was published on the City's website on November 26, 2021 through the agenda process. The 2022 Rates Budget will be considered by the Committee of the Whole – Budget on December 6, 2021. If approved by the Committee of the Whole – Budget, the 2022 Rates Budget will be considered by Council on December 13, 2021.

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

- Service and Simplicity - Quality and Innovative Delivery of Customer Services
 - Attracting Business Investment and Tourists to Port Colborne
 - City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
 - Value: Financial Management to Achieve Financial Sustainability
 - People: Supporting and Investing in Human Capital
 - Governance: Communications, Engagement, and Decision-Making
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Conclusion:

Staff recommend Council approve the 2022 Rates Budget as outlined in Appendix B.

Appendices:

- a. Appendix A – 2022 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.