



Subject: 2023 Rates Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2022-246

Meeting Date: December 7, 2022

Recommendation:

That the Committee of the Whole recommend to Council:

That Corporate Services Department Report 2022-246, **BE RECEIVED**; and

That the 2023 Rates Budget as outlined in Appendix B to Corporate Services Department Report 2022-246, **BE APPROVED**.

Purpose:

The purpose of this report is to present the proposed 2023 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, 2023 Rates Setting Report 2022-247, to establish water, wastewater and storm sewer rates to be charged.

Background:

The 2023 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 2023 Rates Budget.

Should the 2023 Rates Budget report be approved by the Committee of the Whole – Budget on December 7, 2022, it will move forward to be ratified at the December 13, 2022, Council meeting.

Similar to the 2023 Capital and Related Projects Budget and the 2023 Levy Budget, the 2023 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
- The following themes/focuses
 - Supporting economic prosperity initiatives
 - Supporting environmental sustainability initiatives
 - Supporting a welcoming and livable community
 - Supporting increased and enhanced housing options
- 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
- Impact of leading a reduction in the Infrastructure Deficit

The budget document should be read in conjunction with:

- The 2023 Capital and Related Project Budget (Report 2022-248) presented to the Budget Committee of the Whole on December 7, 2022.
- The 2023 Proposed User Fees and Charges (Report 2022-244) presented to the Budget Committee of the Whole on December 7, 2022.

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 2023 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 2023 Rates Budget and 2023 Rates Setting reports are approved as presented, the water and wastewater impact to a single-family property use 150 m3 of water will be:

	\$	%
Water	\$46.07	8.00%
Wastewater	Zero	Zero
Blended/Combined	\$46.07	2.92%

As identified below, this increase is required to offset the Niagara Region anticipated increase as communicated at their Budget Review Committee of the Whole – July 21, 2022.

Storm Sewer

If the proposed 2023 Rates Budget is approved as presented, the storm sewer impact to a single-family property is \$12.71 which represents a 10% increase over the prior year.

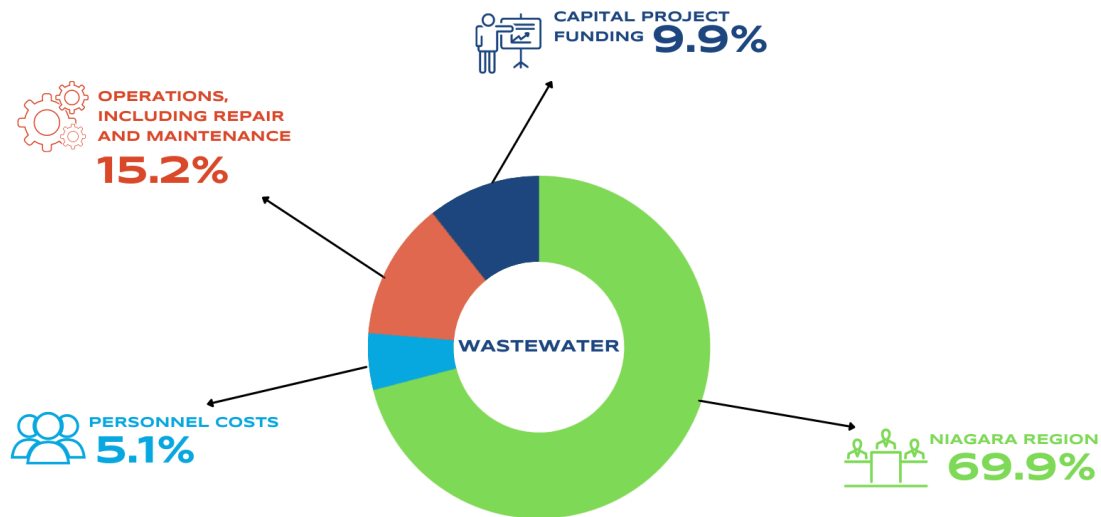
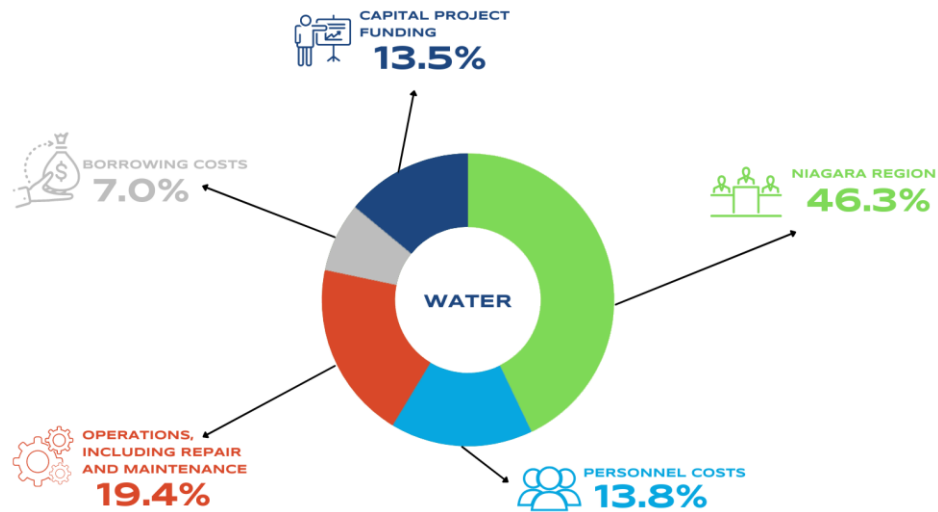
Budget Summary

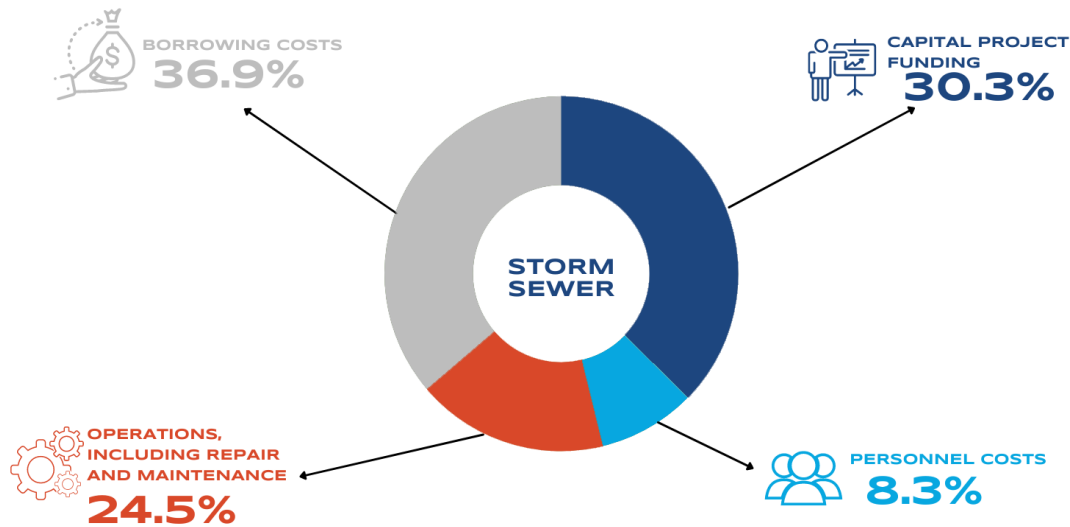
This budget was developed to maintain current services levels while continuing to strengthen the City.

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

The 2023 Rates Budget as outlined in Appendix A – 2023 Rates Budget Presentation and Appendix B – Rates Budget Appendices totals \$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:

	Storm Sewer	Wastewater	Water	Total
Total Revenue	1,437,700	7,041,100	5,182,300	13,661,100
Niagara Region	-	4,920,879	2,398,200	7,319,079
Personnel costs	119,090	357,270	714,540	1,190,900
Operations	351,962	1,067,997	1,003,970	2,423,929
Capital	850,000	840,000	621,700	2,311,700
Borrowing costs	531,155	-	364,326	895,481
Reserve transfers	(414,507)	(145,046)	79,564	(479,989)
Total Expenses	1,437,700	7,041,100	5,182,300	13,661,100
Surplus / (Deficit)	-	-	-	-

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

Some of the salient highlights and changes in the 2023 Rates Budget are as follows:

- The budget incorporates an anticipated 8.2% increase in water and wastewater charges from the Niagara Region, as communicated at their Budget Review Committee of the Whole – July.
- Re-implements a wastewater backflow and disconnect grant program. Backflow at \$1,000 and disconnect at \$2,500. This program is already in the wastewater bylaw. The budget allotted is \$25,000 although Staff recommend that no one

should be turned away, if needed, additional funding should come from the wastewater reserve.

- Maintain the Guaranteed Income Supplement (GIS) grant introduced in 2021 for wastewater charges.
- Maintain water and wastewater lateral replacement grant program introduced in 2022.
- Maintain the pre-authorized payment and move to online billing incentives introduced in 2021 and 2022.
- Covers forecasted increases in Niagara Region charges of \$357,000, representing 105.5% of the year over year increase in rate expenses.
- \$2.045 million in new Water, Wastewater and Storm Water projects
 - \$500,000 for new linings of wastewater pipes
 - \$500,000 for inventorying, cleaning, and condition assessments of the storm water system
 - \$300,000 storm water outlet backflow control
- No new debt is proposed...water debt paid down by \$298,700 and Storm Sewer debt paid down by \$246,000

2022 Forecast

The City is forecasting reserve transfers of \$1,621,175 vs. \$1,204,330. The additional reserve transfer is identified in Appendix A, pages 26-28 and in the various appendices attached to this report. The main driver is reduced billings from the Niagara Region for wastewater as less wastewater was sent to the Niagara Region wastewater plant this year. This reduction is believed to have resulted from the lower lake levels/precipitation and therefore is not structural in terms of long-term savings. The budget for 2023 Niagara Region wastewater charges has remained constant recognizing the proposed increase from the Niagara Region and the significant changes the City experiences in charges from the Niagara Region as a result of inflow and infiltration result from the lake levels/precipitation.

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.

Updated Reserve Forecasted Balances

Should this budget be approved, and the 2023 budget equal actual, and the 2022 forecast equal forecast at year end, the forecasted rate reserves would be as follows at the end of 2023 (provided there are no new projects approved):

- Water forecasted at \$1,227,000
- Wastewater forecasted at \$2,065,000
- Storm Sewer forecasted at \$554,000

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.

Risks to the Rates Budget

Actual events and results can be substantially different from what is expected or implied as a result of risk, uncertainties, and other factors, many of which are beyond the control of Council and staff, including, but not limited to:

- Changes to legislation, including rules and regulation
 - i.e. Bill 39, Better Municipal Governance Act, 2022 was introduced subsequent to the development of this budget and is still being reviewed at the time of printing this presentation
- Decisions of other levels of government
 - i.e. Ministry of the Environment, Conservation and Parks
 - i.e. Niagara Region water and wastewater charges have not been published or approved, only guidance from July 21, 2022 has been shared
- 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 – note inflation was budgeted differently for different expenses ranging from 0% to the 35% range (fuel costs increased 70% over 2 years)
- Interest rates declining which impacts investment income
- Higher precipitation and lake levels compared to 2022 increasing inflow and infiltration or changing water usage
- 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

Looking Forward

As identified on many occasions, “everyday is budget day” in a municipality. Corporate Services continues to identify continuous improvement is a process. Looking forward to 2023, staff identify the following activities that will help determine the financial outcomes of the City going into the 2024 budget process:

- Infrastructure Needs Study (INS) will be completed in the first trimester of 2023. Staff will then 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.
 - The 5-year linear capital projects plan will be provided to Council with the 2024 Capital and Related Project Budget in September 2023.
 - The INS highlighted the City needs to inventory and perform condition assessments of the storm water system. While water and wastewater inventory and condition assessment is well documented, this has not be done for the storm water system. This project has been included in the 2023 Capital and Related Project Budget.
 - Review and update long standing bylaws related to rate budget activities.
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Internal Consultations:

As stated, Financial Services would like to thank Public Works for their leadership and support in developing this 2023 Rates Budget.

Financial Implications:

Financial Services identifies the proposed 2023 Rates Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The 2023 Rates Budget was published on the City’s website on November 28, 2022 through the agenda process. The 2023 Rates Budget will be considered by the Committee of the Whole – Budget on December 7, 2022. If approved by the Committee

of the Whole – Budget, the 2023 Rates Budget will be considered by Council on December 13, 2022.

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.

Summarize any public notification or engagement initiatives.

Strategic Plan Alignment:

The initiative 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

Conclusion:

Staff recommend Council approve the 2023 Rates Budget as outlined in this report and the various appendices.

Appendices:

- a. Appendix A – 2023 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

Steve Shypowskyj

Director of Corporate Services/Treasurer
(905) 835-2900 Ext. 105
Bryan.Boles@portcolborne.ca

Director, Public Works Services
(905) 835-2900 Ext. 220
Steve.Shypowskyj@portcolborne.ca

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.