

THE REGIONAL MUNICIPALITY OF NIAGARA

COMMITTEE OF THE WHOLE

REPORT COTW 5-2010

The Municipal Council of the Regional Municipality of Niagara met in Committee of the Whole in the Council Chamber, Regional Municipal Building, Thorold, Ontario, on Wednesday, March 24, 2010 commencing at 4:12 p.m.

ATTENDANCE

Council: Regional Chair Partington; Councillors; Augustyn; Badawey; Baty; Bentley; Burroughs; Bylsma; Casselman; Cordiner; D'Angela; Gabriel; Garcia; Goulbourne; Greenwood; Heit, Henderson; Hodgson; Katzman; Lepp; Marshall; Martin; McMullan; Puttick; Rigby; Saracino; Timms; Zimmerman.

Staff: Messrs. Trojan, Chief Administrative Officer; Bergsma, Commissioner Corporate Services; Brothers, Commissioner, Public Works; Hutchings, Commissioner Community Services; Ms. Matthews-Malone, Director, Water & Wastewater Services; Messrs. Lockyer, Treasurer/Director, Financial Management & Planning; Pilon, Associate Director & Service Quality Improvement; Roach, Manager, PW Financial Services; Roberts, Executive Officer to the Regional Chair; Steele, Associate Director, Strategic Business Management; Ms. Anderson, Communications Specialist; Ms. Lambe, Communications Specialist; Ms. Williams, Senior Financial Analyst; Mr. Bain, Regional Clerk; Ms. Reilly, Legislative Assistant.

CALL TO ORDER

24. Regional Chair Partington called the meeting to order at 4:12 p.m.

PUBLIC NOTICE OF THE MEETING

25. Kevin Bain, Regional Clerk, advised that Public Notice of this meeting has been given in accordance with the Region's Public Notice Policy by publication of a notice within the prescribed notice period in the St. Catharines Standard, Niagara Falls Review, Welland Tribune, Niagara this Week and by placement of a notice on the Region's website. In addition, the public notice was circulated to the municipal clerks of all area municipalities. Unfortunately, incorrect information on the date of the meeting has been provided by parties outside of the Region's control. In accordance with the public notice properly given by the Region, any members of the public wishing to speak at this public meeting will have the opportunity to do so.

The Regional Chair called on Mr. Trojan, Chief Administrative Officer, to present his introductory remarks.

INTRODUCTORY REMARKS

26. Mike Trojan, Chief Administrative Officer

Mike Trojan, Chief Administrative Officer, advised that the purpose of today's Committee of the Whole meeting is to provide the public an opportunity to comment on the 2010 Water & Wastewater Budget, and rate and requisitions to Area Municipalities. Niagara is a service provider for water and wastewater treatment, transmission and trunk systems, and supporting services to our local area municipal partners.

Staff previously presented the Water and Wastewater 2010 Budget to Committees of Council, with budget increases of 3% for water and wastewater services, which includes both current and capital components.

This afternoon's presentation will focus on the requisitions to Area Municipalities for water and wastewater services. We have a joint presentation from both Public Works and Corporate Services, and I would like to turn the floor over to Commissioner Brothers for introductory remarks and staff's presentation.

27. Ken Brothers, Commissioner, Public Works

Ken Brothers, Commissioner, Public Works, advised that the Region provides a joint service with the Area Municipalities in the provision of water and wastewater utility services to Niagara residents. Our role in this process is to provide safe drinking water to Area Municipalities that meet all regulatory, environmental and compliance requirements, as set by the Provincial Government. The Region understands its role in providing safe drinking water and achieving the public trust in ensuring that we have adequate oversight in our operations. Our focus is on the public health of our residents through safe drinking water and the treatment of effluents in our community.

The Region is also expected to provide effective and efficient operations in the provision of safe drinking water. We believe we have met these tests as a result of the MOE inspections of our water treatment facilities, which have been fully compliant with respect to the safety of our drinking water, and from an efficiency and effectiveness perspective, through a nominal annual increase of 3% budget requirement.

In the 2009 Rate budget debate, there was considerable discussion regarding the fixed and variable consumption components of the rate structure to Area Municipalities. Staff have followed through on last year's Council direction to assign a 25% fixed portion of the area requisition for water, and a 75% metered consumption component which, theoretically, should provide the required annual

revenue in support of the approved operating and capital budget for Water & Wastewater Services. However, for the past number of years in the Niagara Region, there has been a steady decline in water consumption that has left a significant deficit in the water budget resulting from the variable consumption reduction, included in the rate setting methodology.

Today's rate and requisition setting presentation will focus on ensuring that we achieve the revenues we require to operate our business, to match the approved budget expenditures.

The Region has a public responsibility to ensure that the rate revenue we receive for water and wastewater services can support the approved annual budgets set by Council. Unfortunately, this has not happened over the past number of years and we have run an accumulative deficit of over \$22.5 million over the last six years. As staff, our responsibility is to present to you the Water and Wastewater budget and requisition recommendation that provides sustainable finances in support of the infrastructure and operating needs in the provision of your water and wastewater utility.

Betty Matthews-Malone, Director of Water and Wastewater Services Division, with the assistance of Gord Lockyer from Corporate Services, will present the 2010 rate and requisition presentation recommendations for your consideration establishing the 2010 water and wastewater requisitions to Area Municipalities.

28. Presentation
2010 Water and Wastewater
Budget Rate and Requisition Setting

Betty Matthews-Malone, Director, Water & Wastewater Services, together with Gord Lockyer, Treasurer/Director of Financial Management and Planning, provided an overview of the 2010 Regional Water & Wastewater Budget, Rate & Requisition Setting. Ms. Matthews-Malone advised that the objective of the meeting was to seek approval of the 2010 Water and Wastewater Budget Rate and Requisition Setting.

Information was provided describing the Niagara Region's Water & Wastewater capital intensive system; Ontario Municipal Benchmarking Initiative comparables for the Niagara Region and the Upper Tier Average for Water Treatment Cost per Megalitre and Wastewater Disposal Cost per Megalitre; 10 Year Capital Water & Wastewater Forecast, Costs and Recovery Drivers and Water & Wastewater Budget Review Overview Dates.

Ms. Matthews-Malone also described the Water Budget by Program; Actual & Projected Water Flows; Water Requisition Annual Deficit; Recent Water Flows and Daily Domestic Water Use; Region's Rate Methodology; Comparison of Flows Using 5 & 19 Year Linear Regression and 2009 Actual; Budget

Requirements and Impact on Residents, Wastewater Budget by Program and Water & Wastewater Impact on Residents.

(A copy of the 2010 Water and Wastewater Budget Rate and Requisition Setting Presentation is attached to the minutes.)

29. Closing Remarks

Mr. John Bergsma, Commissioner, Corporate Services, advised that the Region has sustained a \$22 million deficit its water operations since 2004 and that this is simply not sustainable and that the Region cannot continue to recover revenue based on a methodology that maintains such significant losses. As part of the Capital Affordability Review, moving towards debt funding and “User Pay” methodology will be examined. The Commissioner commented that Water and Wastewater costs are not variable and that a significant portion of the costs for supplying water and removing wastewater are fixed. If you tie a fixed cost, to a fluctuating source of revenue, the Region puts itself in a significant position of risk and it becomes necessary to mitigate that risk. The Committee was advised that when consumption reduces, the unit price of the product must go up to make up the difference. The Region’s costs to operate its water and wastewater systems do not go down significantly when usage does. This is a difficult message to get across to the public.

Mr. Bergsma advised that the current method of recovering costs – 75% based on the amount of water used and 25% fixed – is not perfect. As a group with municipal partners, the Region is moving forward to find a better solution. He commented that conservation has many benefits but saving money is not one of them. It is necessary to match revenue requirements and the only way to do so is to use realistic projection when it comes to volume and an increased fixed recovery.

(Refer to Councillor Information Requests.)

DELEGATION

30. Andy Petrowski
Resident, St. Catharines

Mr. Petrowski commented that the Water & Wastewater Budget, Rate & Requisition Setting process is very confusing to the public, commenting that residents cannot afford any increases in their water & wastewater rates. He expressed his concern with those of modest homes having to pay the same fixed rate as those with more valuable properties. Other concerns expressed included the Region’s inability to receive the information they need from municipalities to assist them with their calculations; using reserves and increasing debt to fund water and wastewater rates.

The Committee of the Whole recessed at 5:51 p.m.

The Committee of the Whole reconvened at 6:20 p.m.

ITEMS FOR INFORMATION

31. Moved by Councillor D'Angela
Seconded by Councillor Marshall

That the following communications commenting on the Water & Wastewater Budget Rate and Requisition Setting be received for information:

- C7440 An email from Gino R. Visentin (March 16, 2010)
C7441 An email from Raymond Hostin (March 23, 2010)
C7442 An email from Barney Stout (March 23, 2010)
C7443 An email from Rita Ventresca (March 24, 2010)
C7444 An email from Greg Washuta (March 24, 2010)
C7445 An email from Sharon Colli (March 24, 2010)
C7446 An email from Sarah Ledda (March 23, 2010)
C7447 An email from Pat Cusack (March 24, 2010)
C7448 An email from Diane and Eveline Goldsworthy (March 24, 2010)

Carried.

ITEMS FOR CONSIDERATION

32. 2010 Water and Wastewater
Budget Rate and Requisition Setting
PWA 24-2010 (CSD 35-2010)

Moved by Councillor Casselman
Seconded by Councillor Hodgson

That Report PWA 24-2010, March 9, 2010 (CSD 35-2010, March 10, 2010), respecting 2010 Water and Wastewater Budget Rate and Requisition Setting, be referred for consideration at the Regional Council meeting of Thursday, March 25, 2010.

Carried.

COUNCILLOR INFORMATION REQUESTS

Staff was requested to:

- (i) Provide a budget summary for 2010 Water and Wastewater Budget (D. Goulbourne) Refer to minute item 28.
- (ii) Provide information on 90%/10% split of fixed costs vs. variable costs (J. Casselman) Refer to minute item 28.
- (iii) Provide "What If" Scenario – if rate is lowered – i.e. borrowing through reserves. If debt goes up, what happens? (J. Casselman) Refer to minute item 28.
- (iv) What is impact on User if recovery methodology is based on 50%/50% split of fixed costs vs. variable costs? (D. Augustyn) Refer to minute item 28.

ADJOURNMENT

The Committee of the Whole meeting adjourned at 6:52 p.m.

Peter Partington
Regional Chair

Gail Reilly
Legislative Assistant

Kevin Bain
Regional Clerk