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THE REGIONAL MUNICIPALITY OF NIAGARA
JOINT MEETING OF
CORPORATE AND FINANCIAL SERVICES COMMITTEE
AND
PUBLIC WORKS AND UTILITIES COMMITTEE
REPORT CFS 23/PW 23-2002

Minutes of a meeting of the Corporate and Financial Services Committee held in Committee Room 4, Regional Municipal Building, Thorold, Ontario, on Wednesday, November 13, 2002, commencing at 9:00 a.m.

ATTENDANCE

Committee: Councillors Martin, Co-Chair; Badawey, Co-Chair; Zimmerman, Regional Chair; Beamer; Bentley; Burroughs; Eke; Forster; Harry; Hildreth; Partington; Saracino; Timms.

Staff: Mr. Trojan, Chief Administrative Officer; Mr. Bacchus, Commissioner of Corporate Services; Mr. Lockyer, Treasurer/Director, Financial Planning & Reporting; Ms. Reilly, Legislative Assistant.

Staff
(Part-time): Mr. Neville, Commissioner, Public Works; Mr. Brcic, Director, Wastewater and Water Services; Mr. Payne, Director, Waste Management Services; Ms. Ralph, Manager, Waste Policy and Planning; Mr. J. Murphy, Manager, Policy & Development; Mr. Roach, Manager, P.W. Financial Services; Ms. Williams, Senior Financial Analyst.

Others: Councillor Brickell.

1. 2003 Wastewater and Water Uniform Wholesale Rates

Mr. Bacchus, Commissioner, Corporate Services, Mr. Neville, Commissioner, Public Works and Mr. Brcic, Director, Wastewater and Water Services,

provided an overview of the 2003 Wastewater and Water Uniform Wholesale Rates.

Mr. Bacchus outlined the objectives in developing the Wastewater and Water Uniform Wholesale Rates as follows:

- Stable and predictable wholesale rate increases
- Minimize reliance on debt as a source of financing
- Maintaining self-financing systems
- Achieving minimum reserve fund balances
- Capital Program related to Master Plans

Mr. Neville detailed the following impacts of the Master Plan on the Wastewater and Water Systems.

Wastewater System

- Watershed Protection
- Combined Sewer Flows/By-pas Control
- Asset Preservation/Management
- Maintenance Management System
- Reserve Levels
- Treatment Quality Upgrade
- New Capacity Needs

Water System

- Source Water Monitoring & Protections
- Treatment Quality Upgrade
- Asset Preservation/Management
- System Monitoring-Disinfection
- Linkages-Redundancy

Other pending impacts were highlighted relating to:

- Safe Drinking Water Act
- Drinking Water Regulation
- Ammonia Control
- NWQPS
- Wainfleet
- Reliability & Security
- Bill 175

Mr. Bacchus highlighted the following assumptions used in developing the rates:

- Future operating costs increase at an annual rate of 2%
- Rate setting strategy could be altered by Master Servicing Study Conclusions
- Debt issued at average 6% costs
- Reserve financing maximized
- Predicted flows based on past trends

Key considerations that affect wastewater and water rate calculations:

- Wastewater Flows
- Water Flows
- Capital Program Costs
- Current Costs
- Minimum Reserve Levels
(\$10 million wastewater and \$7 million water)

QUORUM

As some Councillors had to leave the meeting and there being a lack of ordinary quorum at the meeting, the Committee Chair determined that the ordinary quorum for the meeting be reduced to five members, pursuant to Part 11, Section 11.7 of the Procedural By-law 7174-93.

Mr. Brcic advised that water and wastewater flows are a critical component used to calculate uniform wholesale rates and provided a comparison of these flows over the last decade.

The Director commented that a significant portion of the water and wastewater systems' total expenditures is driven by capital program costs. The 2003 capital programs are based on previously developed and allocated projects as well as preliminary findings of the current Master Servicing Plan Updates. Upon completion of the Master Servicing Plan Updates, revised capital programs including asset management needs, will be developed for consideration in preparation of future budgets and rates. Mr. Brcic summarized the 2003 Capital Program Wastewater and Water Projects.

In summary, Mr. Bacchus advised that the Wastewater Capital Budget is proposed at \$26,770,000 and the Water Capital Budget at \$23,200,000. Financing is primarily from Reserve in order to mitigate debt. The Commissioner commented that there is the potential to reduce amounts through funding programs such as SuperBuild.

Mr. Brcic detailed the discretionary and non-discretionary components of the current wastewater and water budgets.

Two rate options were presented as follows:

Option A

Reduce 2003 Wholesale Rate Increase

- Wastewater 7% to 5%
- Water 9% to 8%

Option B

Increase reserve fund balance in anticipation of new energy savings

- Wastewater 7%
- Water 9%

Committee was advised that Option B was recommended in Report CSD 154-2002/PWA 207-2002.

Following review of the options, Committee recommended that the savings in energy costs be passed on to the consumer.

Moved by Councillor Badawey
Seconded by Councillor Partington

That Option A, reducing the 2003 Wholesale Rate Increase, Wastewater from 7% to 5% and Water 9% to 8%, be adopted.

Carried.

Moved by Councillor Partington
Seconded by Councillor Beamer

That Report CSD 154-2002/PWA 207-2002, regarding 2003 Wastewater and Water Uniform Wholesale Rates, be approved as amended:

A) Wastewater System

1. The Wastewater Works expenditure totaling \$46,645,000 be approved for 2003.
2. The Wastewater Works capital expenditure totaling \$26,770,000 be approved for 2003.
3. The uniform rate charged to area municipalities for wastewater treatment for 2003 be established at **\$0.528** per cubic meter, representing a **5.0%** change, for the period January 1, 2003 to December 31, 2003.
4. Regional Development Charges and debt financing as appropriate be used towards financing growth-related capital costs as identified for the wastewater system.
5. Substitution of unfunded debt with contributions from reserve fund totalling \$2.0 million be approved as part of the Financial Plan for the Wastewater Capital Program

B) Water System

6. Waterworks expenditures totalling \$27,880,000 be approved for 2003.
 7. The Water Works capital expenditure totalling \$23,200,000 be approved for 2003.
 8. The uniform rate charged to the area municipalities for the production of water be established at **\$0.368** per cubic meter, representing an increase of **8%**, for the period January 1, 2003 to December 31, 2003.
 9. Debt financing totalling \$14.4 million and Regional Development Charges be used towards financing growth-related capital costs as identified for the waterworks system.
 10. Substitution of unfunded debt with contributions from reserve fund totalling \$6.7 million be approved as part of the Financial Plan for the Water Capital Program
 11. In accordance with the financing strategies adopted by Council for the water and wastewater systems, a \$5.0 million loan repayment to the wastewater reserve be approved as part of the Financial Plan recommended for the water system for 2003.
- C) The Regional Clerk be directed to ensure that the appropriate by-laws be prepared for presentation to Regional Council.
- D) This report be circulated to the Area Municipal Treasurers and Clerks for information.

Carried.

2. 2003 Waste Management Division
Operating and Capital Budget

Mr. Payne, Director, Waste Management Services, together with Ms. Ralph, Manager, Waste Policy and Planning, provided an overview of the 2003 Waste Management Division Operating and Capital Budgets. The total proposed expenditures for the operating budget are \$33 million, which represents an increase of \$2.96 million, or 9.8% over the 2002 approved budget. The proposed increase in municipal requisition is \$2.5 million or 10.8%. The Capital Budget is proposed at a total expenditure of \$8.5 million, with debenture financing of \$7.5 million.

Mr. Payne highlighted the expenditure increases in the Operating Budget as follows:

- Administration/Planning – increase of \$370,519 or 1.2%
- Waste Disposal – increase of \$179,473 or 0.6%
- Waste Diversion – increase of \$1,202,231 or 4.0%
- Waste Collection – increase of \$1,203,847 or 4.0%

Major adjustments to the Operating Budget were identified as follows:

- Administration
 - increase in Regional Chargebacks of \$183,102
 - \$84,501 increase in staffing costs (Organic Roll-out)
 - \$125,000 savings in Planning studies
- Diversion
 - \$666,587 increase in recycling collection contract costs
 - \$289,499 increase for Organic Roll-out
- Collection
 - \$1,130,232 increase in waste collection contract costs
- Disposal
 - \$1,197,849 increase in Operating & Closed Landfill Costs
 - \$297,688 increase in Debt
 - \$414,970 increase in Composting Costs (primarily for additional organics)
 - \$227,600 for new Private Sector Disposal Options (continuation of Ref-fuel pilot)
 - \$189,800 increase for Humberstone Landfill Improvements
 - \$100,000 increase for Bridge St. Landfill Studies
 - Major decrease in transfer to Reserves (2,248,435)

Mr. Payne summarized the 2003 Revenue sources noting that overall expenditures less all revenues (including charges to municipalities) result in a balanced budget for 2003.

The Director presented the Area Municipal Requisitions and Waste Management Rates, noting that municipalities use own charge approach or Waste Management rates calculated by the Region.

A review of the Uniform Disposal Rate (UDR) indicates insufficient reserves generated at 2% annual UDR increase (only \$17.5 million by 2012). Original recommendation in 1999 was for balance in reserves of \$230 million by 2009 for new disposal facility.

The options presented assume only 2% increase in 2003; no draws from reserves to fund capital projects (except planning) and unfunded Admin/Planning expense repaid over four years beginning in 2003.

Scenarios

- #1 – 2.5% increase 2004 onwards, \$20 million in 2012
- #2 – 4.3% increase 2004 onwards, \$20 million in 2009
- #3 – 4.5% increase 2004 onwards, \$30 million in 2012
- #4 – 8.1% increase 2004 onwards, \$30 million in 2009
- #5 – 4% 2004 to 2008, 8% 2009 to 2012, \$30 million in 2012

Mr. Payne advised that the 2001 Municipal Performance Measures indicate Niagara well below average cost per tonne for all waste services for comparable Cities and Regions. At 2003 budgeted expenditures, Niagara cost per tonne will still be below 001 average costs for other municipalities. In recent Ontario Municipal Benchmarking surveys, Niagara's Administrative /Costs for waste management were only 5% of total budget, compared to average of 10%.

The 2003 Capital Budget is proposed at \$8.4 million with debenture financing of \$7.5 million and reserve fund financing of \$1 million. The budget is \$4.3 million less than 2002, but \$3.9 million more than projections. The budget includes additional capital for landfill projects, composting and the MRF facility.

Following discussion of the budget, it was:

Moved by Councillor Bentley
Seconded by Councillor Eke

That Report PWA 206-2002/CSD 155-2002, November 13, 2002, regarding 2003 Waste Management Division Operating and Capital Budgets, be received and referred to the Public Works and Utilities Committee.

Carried.

ADJOURNMENT

Committee adjourned at 1:55 p.m. to meet again at the Call of the Chair.

Doug Martin
Chair

Gail Reilly
Legislative Assistant

Thomas R. Hollick
Regional Clerk