

**THE REGIONAL MUNICIPALITY OF NIAGARA
JOINT MEETING OF
CORPORATE AND FINANCIAL SERVICES COMMITTEE
AND
PUBLIC WORKS AND UTILITIES COMMITTEE
REPORT CFS 24/PW 25-2004**

Minutes of a Joint meeting of the Corporate and Financial Services Committee and Public Works and Utilities Committee held in Committee Room 4, Regional Municipal Building, Thorold, Ontario, on Tuesday, November 23, 2004, commencing at 3:15 p.m.

ATTENDANCE

Committee: Councillors Redekop, Co-Chair; Burroughs, Co-Chair; Bodner; Eke; Goulbourne; Harry; Salci; Saracino.

Staff: Mr. Trojan, Chief Administrative Officer; Mr. Bacchus, Commissioner, Corporate Services; Mr. Neville, Commissioner of Public Works; Mr. Brcic, Director, Water & Wastewater Services; Mr. Kellendonk, Associate Director, Water & Wastewater Operations; Mr. Payne, Director, Waste Management Services; Ms. Ralph, Manager, Waste Policy & Planning; Mr. Roach, Manager, Financial Services, P.W.; Mr. Steele, Project Manager, Water & Wastewater Services; Ms. Williams, Senior Financial Analyst; Ms. Reilly, Legislative Assistant.

Others: Councillor Casselman.

1. **2005 Water & Wastewater Uniform Wholesale Rates**

Mr. Bacchus, Commissioner, Corporate Services, together with Mr. Brcic, Director, Water & Wastewater Services, provided an overview of the 2005 Water and Wastewater Uniform Wholesale Rates. Mr. Bacchus advised that uniform wholesale rates are designed to ensure that the Regional Water and Wastewater Systems remain self-sufficient, as per the Municipal Act. The rate generated revenues must provide all funds to finance operational and capital financial needs of the system. The Commissioner highlighted the rate calculation objectives and rate calculation, noting that Regional rates charged to area municipalities are wholesale and uniform. Local municipalities calculate and bill retail rate to consumers.

Mr. Brcic apprised Committee of flow projections, noting that reasonable water and wastewater flow projections are critical in the determination of appropriate uniform wholesale rates. The Director presented a 10 year flow projection,

noting that the projection, together with long-term capital and inflationary trends, are utilized to mitigate possible major annual fluctuations.

The water capital program is proposed at \$32.12 million gross and \$30.37 million net. The wastewater capital program is proposed at \$45.2 million gross (\$14.9 million or 49.0% increase) and \$34.2 million net (\$3.8 million or 12.2% increase). This includes the Master Servicing Plan Update Recommendations for Capital Project Implementation and Asset Management.

Mr. Brcic presented the Master Plan impact on the Water and Wastewater Systems. Other impacts include the Niagara Water Quality Protection Strategy; non-services areas; reliability and security; effective service & efficiencies. The asset value of the Regional Water & Wastewater Systems was noted as \$995 million. The Director also highlighted the current and long term regulatory impacts. Also presented to Committee, was a breakdown of the 2005 Water and Wastewater Capital projects.

Councillor Burroughs assumed the Chair at 4:00 p.m.

Mr. Bacchus summarized the 2005 Operating Expenditures as:

- Water Operating Costs: \$13.8 million
- Wastewater Operating Costs: \$26.1 million

A chart was provided on the 2004/2005 operating costs for the water and wastewater systems detailing the major drivers behind the increase in costs.

In summary, the 2005 costs for water and wastewater were presented as follows:

<u>Water</u>	<u>Millions</u>
- Operations & Admin	\$13.7
- Capital financing & Reserve Contributions	<u>\$20.2</u>
Total	\$33.9

<u>Wastewater</u>	<u>Millions</u>
- Operations & Admin	\$26.1
- Capital financing & Reserve Contributions	<u>\$25.7</u>
Total	\$51.8

Total 2005 costs \$85.7

Mr. Bacchus provided details on the Capital Program Financing Strategy, Reserve Fund Levels Strategy and Debt Financing Strategy.

In conclusion, it is recommended that the uniform rate for water be established at \$0.440 per cubic meter, representing an increase of 10%, for the period

January 1, 2005 to December 31, 2005 and the uniform rate for wastewater be established at \$0.574 per cubic meter, representing a 5.0% change, for the period January 1, 2005 to December 31, 2005.

Moved by Councillor Bodner
Seconded by Councillor Eke

That Report CSD 156-2004/PWA 201-2004, respecting 2005 Water and Wastewater Uniform Wholesale Rates, be received and approved in principle, subject to final approval of the Capital Program.

Carried.

2. 2005 Waste Management Services Division Operating Budget

Mr. Payne, Director, Waste Management Services, provided an overview of the 2005 Waste Management Services Budget. The Director presented the principles behind the revised long-term finance strategy based on a fully self-financed approach for current costs, capital debt servicing and future expenditures; strive for a balance between reasonableness and fairness; and provide an economic incentive to promote diversion.

Mr. Payne advised that the cost of waste disposal is expected to increase significantly over the next few years, noting a total system cost of \$8.1 to \$10.8 million (estimated annual cost from 2005 to 2013) and \$23.7 to \$22.5 million (estimated annual cost from 2014 to 2023). Mr. Payne outlined the strategy for setting the UDR, noting the current UDR at \$75.77 with 2% escalation is insufficient to cover current and projected disposal costs. It is proposed to set the UDR at \$92.25 in 2005, reduce the curbside limit for waste to one free container in 2007 and charge for tags for additional containers. The UDR can remain at \$92.25 for next 15 to 20 years. Container tags would provide for Rate Stabilization and both revenue sources will allow for self financing of capital, avoiding \$20 to \$30 million in debt servicing costs over the next 20 years. A chart was presented detailing the methods of allocating costs to area municipalities for 2003 to 2006 (as part of the short term issues).

Mr. Payne presented the 2005 proposed budget expenditures and revenues total \$37,511,961, representing an increase of \$350,530 or 0.94% over 2004 budget.

A chart was presented providing a comparison of 2004 and 2005 municipal requisitions totaling \$27,948,873, representing an increase of \$546,731 or 2.00%.

A Chart summarizing Reserve Fund Impacts was presented as follows:

• Projected Opening Balance 2005	\$8,000,000
• Current Budget – transfer to Reserves (Disposal)	\$2,100,000
• Capital Budget – transfer from Reserves	-\$4,200,000
• Projected Year-end Balance	\$5,900,000

In conclusion, Mr. Payne summarized the budget projections for future years as follows:

- No major changes to overall program is expected until 2013 when new disposal facility anticipated
- Only minor changes expected in Diversion Programs over next few years, minor change in expenditures
- Current contracts for collection and processing continue for next 3 to 4 years, so costs will increase primarily by CPI
- Total disposal expenditures and revenues will increase when container tag comes into effect and reserve funds are developed for capital funding and rate stabilization
- Portion of Municipal requisition related to disposal should decrease, as UDR held at \$92.25 and total tones will decrease

Moved by Councillor Eke
Seconded by Councillor Salci

That Report CSD 157-2004/PWA 202-2004, respecting 2005 Waste Management Services Division Operating Budget, be received and approved in principle, subject to final approval of the Capital Program.

Carried.

3. Waste Management Financing Options
2005 Cost Apportionment

Moved by Councillor Eke
Seconded by Councillor Salci

That Report PWA 196-2004, November 9, 2004/CSD 153-2004, November 10, 2004, respecting Waste Management Financing Options, 2005 Cost Apportionment, be received.

Carried.

4. Waste Management Financing Options Study
Revised Long Term Finance Strategy

Moved by Councillor Eke
Seconded by Councillor Salci

That Report PWA 203-2004 (November 23, 2004)/CSD 158-2004 (November 24, 2004), respecting Waste Management Financing Options Study, Revised Long-term Finance Strategy, be received.

Carried.

ADJOURNMENT

Committee adjourned at 5:30 p.m. to meet again at the call of the Chair.

Wayne Redekop
Co-Chair

Gail Reilly
Legislative Assistant

Gary Burroughs
Co-Chair

Pam Gilroy
Acting Regional Clerk