



# Water, Wastewater & Stormwater Management Budgets

Budget Committee of the Whole

January 23, 2018



# Overview

The 2018 Draft Water, Wastewater & Stormwater Budgets propose:

- Water and Wastewater combined retail rate increase of 7.5% (effective April 1, 2018);
- 9% increase for Stormwater rate (effective April 1, 2018), similar to the increases adopted in the previous years. Staff will review revised rate structure options in 2018 and report back to Council;
- Budget approval by Council at the Special Council Meeting on February 6, 2018.

# Water and Wastewater: Service Provision

- Richmond Hill receives water from the York Water System. The system is an extension of the City of Toronto and Peel Region water systems. The Region of York collects wastewater for treatment at the Duffin Creek Water Pollution Control Plant in Pickering (all at wholesale rates)
- Richmond Hill provides water & wastewater services to each household and business at a combined retail rate based on cubic metre consumption

# Town Responsibilities

- Provide for the acquisition & distribution of Water and Wastewater services to the residents of Richmond Hill
  - Maintain & operate almost 1,200 km of watermain and sanitary infrastructure, along with storm sewers and stormwater ponds (CSD)
  - Billings, collections, meter maintenance (CFS)
  - Major repair and reconstruction of infrastructure (Capital - EIS)
  - Resident service enquiries through Access Richmond Hill (CAO)

# Financial Plan / Rate Study

- Council had previously approved a Water and Wastewater Financial Plan (2010) and Stormwater Management Rate Study (2013). Due to its impending expiration of the WWw Financial Plan, and grown/matured Stormwater related function, update of these plans is required
- An Activity Based Costing (ABC) exercise was undertaken to examine all expenditures and resource efforts contributing to the delivery of these services.
- WWw - Identified cost assumptions including: wholesale costs from the Region, Public Works Operations costs and a realignment of staffing costs between the Operating, Water, Wastewater & Stormwater budgets
- Provides two other areas of consideration:
  - The Town will be accounting for the costs of the water used to operate splash pads
  - Elimination of the early payment discount program which will reduce costs and be consistent with industry practice

# Proposed Retail Rate Increase

The 2018 Draft Water & Wastewater Budget proposes a 7.5% combined retail rate increase effective April 1, 2018.

\*\*The plan for years 2019 to 2027 will see an annual increase of 7.5% from 2019 to 2020 and increases of 2.7% from 2021 to 2027.\*\*

# 2018 Draft Operating Budget - Www

	2017 Approved Budget	2018 Draft Budget	Variance (Favourable) / Unfavourable
Net Revenues			
Water & Wastewater Revenues	\$ (72,568,900)	\$ (78,817,100)	\$ (6,248,200)
Water Services Supply	22,033,000	22,978,300	945,300
Wastewater Services Supply	<u>31,511,600</u>	<u>35,751,100</u>	<u>4,239,500</u>
	(19,024,300)	(20,087,700)	(1,063,400)
Maintenance & Operations	8,369,100	9,035,100	666,000
Corporate Allocations			
Financial Services	1,355,700	1,430,000	74,300
Corporate Expenditures	1,715,600	1,555,600	(160,000)
Corporate Revenues	(60,000)	(60,000)	-
Transfer to R&R and Stabilization Reserves	<u>7,643,900</u>	<u>8,127,000</u>	<u>483,100</u>
	10,655,200	11,052,600	397,400
Net Budget	\$ -	\$ -	\$ -

# WWw Budget Highlights

The 2018 Draft Water and Wastewater Budget provisions and Financial Plan identified:

- 7.5% combined Water & Wastewater rate, reflecting a wholesale rate increase of 9% from the Region of York, accounts for 72% of this budget;
- 1% combined retail rate increase generates \$566,000 greater revenues
- Water volume budgeted at 21,153,222 cubic metres (2017 – 21,113,340)
- Greater transfers to the Operating Fund to reflect increased workflow activity toward Water & Wastewater functions and revenue recoveries related to Splash Pads (net impact of \$354,900);
- Increased contributions to the Water and Wastewater Repair & Replacement Fund to continue the legislated requirement of providing for full replacement funding of related infrastructure assets;
- Increased contribution to the Rate Stabilization Reserve to provide for any potential future deficits

# WWw Budget Highlights

- Elimination of the discount program effective July 1, 2018 (net impact of \$354,900);
- New staff request for a Water and Wastewater Operator;
- Stormwater Management Services costs have traditionally been absorbed in the Water and Wastewater operating budget, but using a multiple year phase-in approach we will move to the Stormwater budget

# Stormwater Management: Service Provision

- Stormwater which is generated through rainfall and snow-melt flows into storm sewers, and in some areas to stormwater management ponds where it is released into water courses in Valleylands
- Richmond Hill currently owns and operates more than 72 Storm Water Facilities, 521 kilometres of storm sewers and 16,340 catch basins, and manages more than 150 kilometres of streams and rivers
- Consistent with other infrastructure, Richmond Hill's stormwater system requires ongoing maintenance, including periodic repair and replacement

# Town Responsibilities

- Planning for repair and replacement of ponds, storm sewers and catch basins to avoid costly and inconvenient situations like washed-out roads and trails, stream erosion or flooding
- Major repair and reconstruction of infrastructure (part of Capital program) (EIS)
- Maintains & operates 521 km of storm sewers and stormwater pond infrastructure (CSD)
- Billings and collections of stormwater management charges (CFS)
- Resident Service enquiries through Access Richmond Hill (CAO)

# Financial Plan / Rate Study

- There has been a need to allocate more staff time and resources to stormwater management services over time (since the 2013 Stormwater review) - a multiple year phased approach will rebalance the portions of costs from Water and Wastewater to the Stormwater budget
- A shortfall projection in the funding for both operating and capital activities towards full cost recovery for:
  - Provision for asset lifecycle replacements (\$31.5 million over ten years)
  - New capital infrastructure projects (valleylands, flood remediation) (\$33.6 million over ten years)
- The Water Quality Protection Reserve Fund will be depleted by 2021 at the current level of 9% annual rate increase, a result of infrastructure growth over the last 5 years and the SWM program which has progressed and matured significantly

# Financial Plan / Rate Study

- The current SWM rate is billed by a two-tier, flat rate approach based on the number of water meters for both residential and non-residential properties (2018 proposed rates: \$67.84 and \$197.10), major shortcomings include:
  - Multi-unit properties are only billed by the number of water meters and not by the number of units
  - Non-residential properties are billed by a single flat rate and not differentiated by use or size of property
- In 2018, staff will do a review based on land use considering impervious area of all properties and provide a revised and more equitable rate structure to ensure that funding is sustainable for full cost recovery and lifecycle contributions

# 2018 Draft Operating Budget - SWM

	2017 Approved Budget	2018 Draft Budget	Variance (Favourable) / Unfavourable
Expenditures			
Contracts / Services	\$765,200	\$765,200	
Materials / Supplies	57,400	57,400	
Transfer to Other Funds	<u>2,674,500</u>	<u>3,025,100</u>	<u>350,600</u>
Total Expenditures	\$ 3,497,100	\$ 3,847,700	\$ 350,600
Revenues			
User Fees	(3,272,100)	(3,622,700)	(350,600)
Reserves and Reserve Funds	<u>(225,000)</u>	<u>(225,000)</u>	
Total Revenues	(3,497,100)	(3,847,700)	(350,600)
Net Budget	\$ -	\$ -	\$ -

# SWM Budget Highlights

- Rate increase of 9.0% for both residential and non-residential/multi-residential/condominiums, as in previous years
- Greater transfer to the Water Quality Protection Reserve Fund for Stormwater Management related infrastructure (\$350,600)

# Recommendation

- The retail rate for Water & Wastewater Services be increased by 7.5%, effective April 1, 2018, to \$4.4115 per cubic metre
- The rate for Stormwater Management services be increased by 9.0%, for residential and non-residential units, to \$67.84 and \$197.10, respectively. Staff will review and propose a more equitable rate structure and report back to Council
- Budget approval by Council at the Special Council Meeting on February 6, 2018

# Discussion