



Water and Wastewater Long-Range Financial Plan

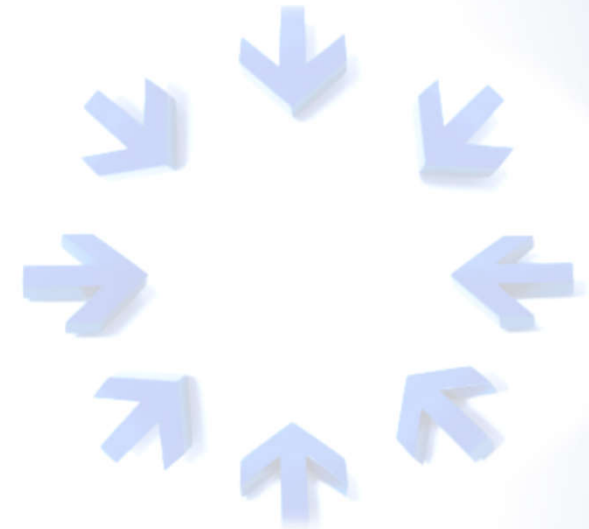
In Accordance with O.Reg. 453/07



City of Niagara Falls

Long Range Financial Plan - Background

- O. Regs 453/07 requires municipalities responsible for water systems to prepare a financial plan
- City's is taking a proactive integrated approach:
 - Includes both water/wastewater even though the Regulation is only for water
 - Plan covers a 6 year period from 2019 to 2024 and must be updated every 5 years
- Financial Plan is a **dynamic document** that should be updated and re-evaluated, on an **ongoing** basis to:
 - Amend the assumptions, projections and strategies based on changes in the municipal environment including regulatory changes



Guiding Principles

- To protect and maintain water and wastewater assets
- To ensure a reasonable degree of stability and predictability in the rate burden
- Fair sharing in the distribution of resources between current and future ratepayers
- Sustainable cash flows
- Financial flexibility
- Maintain programs and services at their current levels

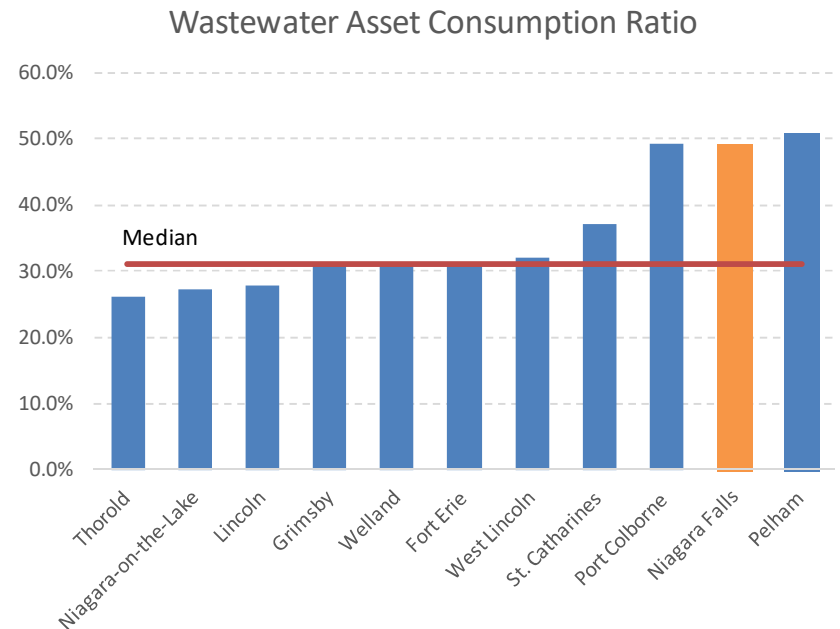
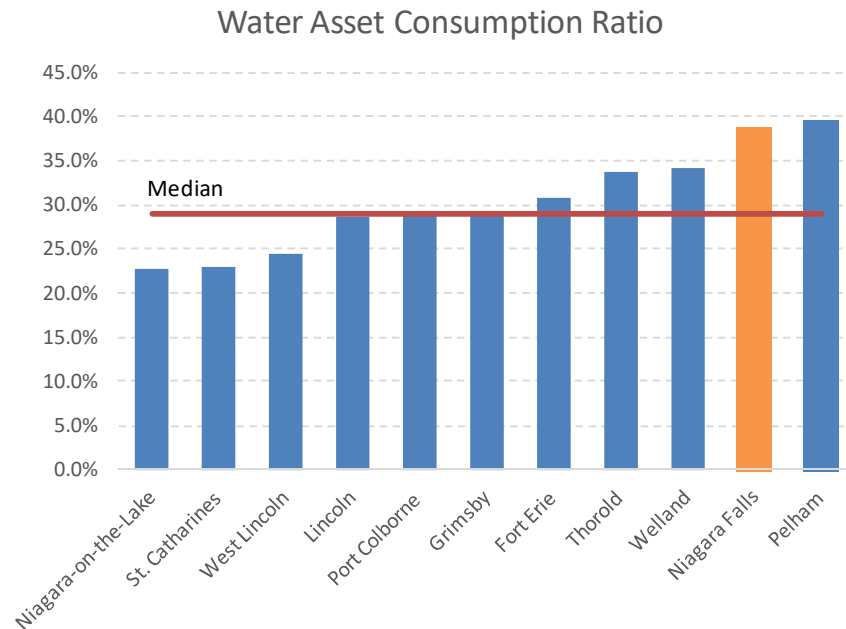


2018 Comparison

Volume Meter Size	Residential 200 m3 5/8"	Commercial 10,000 m3 2"	Industrial 30,000 m3 3"	Industrial 100,000 m3 4"	Industrial 500,000 m3 6"
Niagara Avg	\$ 1,086	\$ 33,096	\$ 99,398	\$ 321,519	\$ 1,585,100
Niagara Med.	\$ 1,059	\$ 32,244	\$ 95,475	\$ 304,836	\$ 1,488,671
Total 100+ Ontario Municipalities	\$ 1,075	\$ 36,054	\$ 102,824	\$ 334,031	\$ 1,647,471
Niagara Falls	\$ 916	\$ 24,996	\$ 72,153	\$ 232,000	\$ 1,127,854
Ranking	third lowest	second lowest	second lowest	second lowest	lowest
% Below Average	19%	32%	38%	39%	41%

- In relation to Niagara municipalities surveyed, the existing cost of service is amongst the lowest in the survey
- Also well below the survey average of 100+ Ontario municipalities
- For non-residential customers, the cost of service in Niagara Falls ranges from 32% to 41% lower than the peer average of Niagara Municipalities.

Asset Consumption Ratio



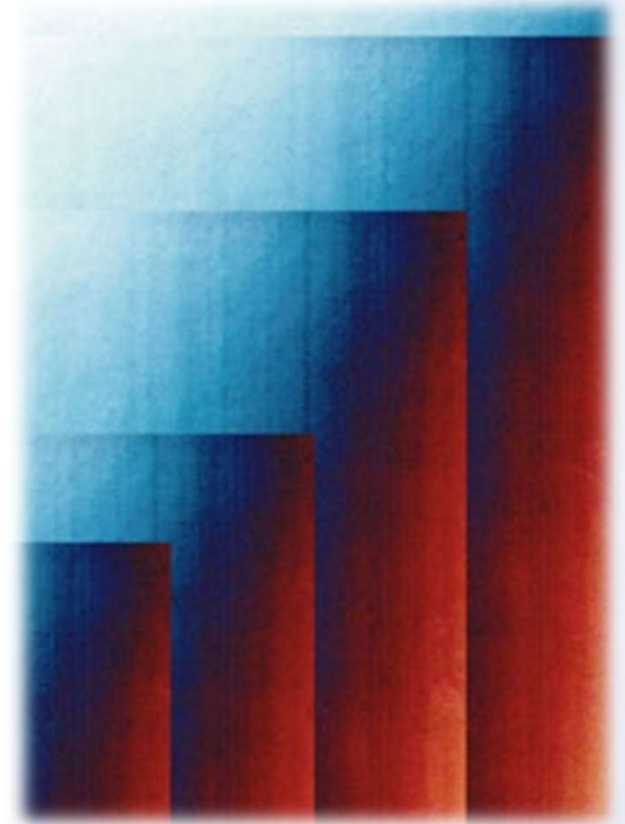
- Shows value of assets that have been consumed
- A high ratio may indicate significant replacement needs
- Niagara Falls' asset consumption ratio is second highest in the Region

LRFP Forecast Assumptions

- Inflation 2%
- Annual consumption increase of 0.5%
- Customer growth of 1.5% annually
- Debt issued – 15 years at 3.4%
- Current level of service standards
- Regional Expenditure Increases—3.8% annually for water and 6% annually for wastewater.
- Other Revenues— 2% annually.
- Capital Requirements—The 2013 Asset Management Plan recommended that the City set aside annually:
 - \$6.1 million in water; and
 - \$6.5 million in wastewater for asset replacement
- A phase-in strategy over the six year period gradually moves the City to the recommended capital contributions

LRFP Forecast Assumptions – Rate Structure

- Of over 100 Ontario municipalities surveyed, approximately 90% have a two-tiered rate structure, consistent with the approach in Pelham.
- The City's existing rate setting practice is to recover approximately 60.5% of revenues from the volumetric charge and the remainder from the fixed monthly charge.
- The recommended approach in setting the rates is to maintain the same rate proportion of fixed and volumetric charges.
- The existing allocation continues to support affordability objectives and provides an adequate level of revenue stability.



Reserves

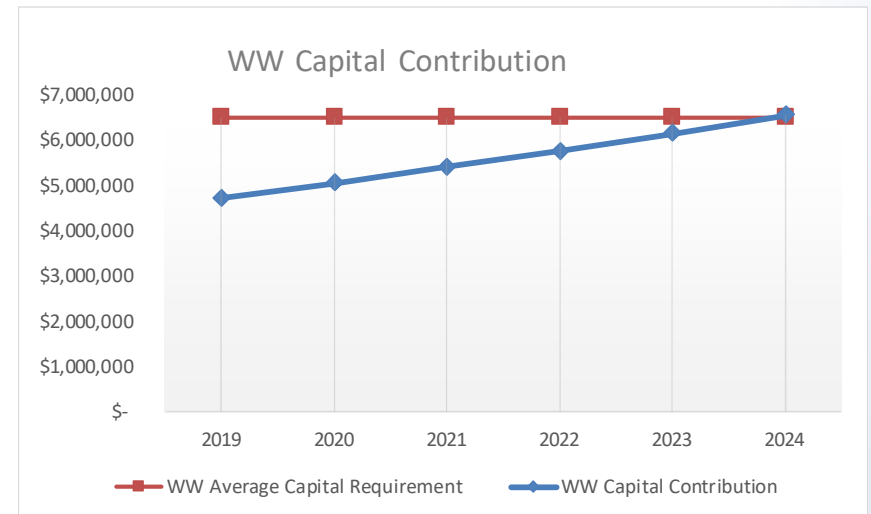
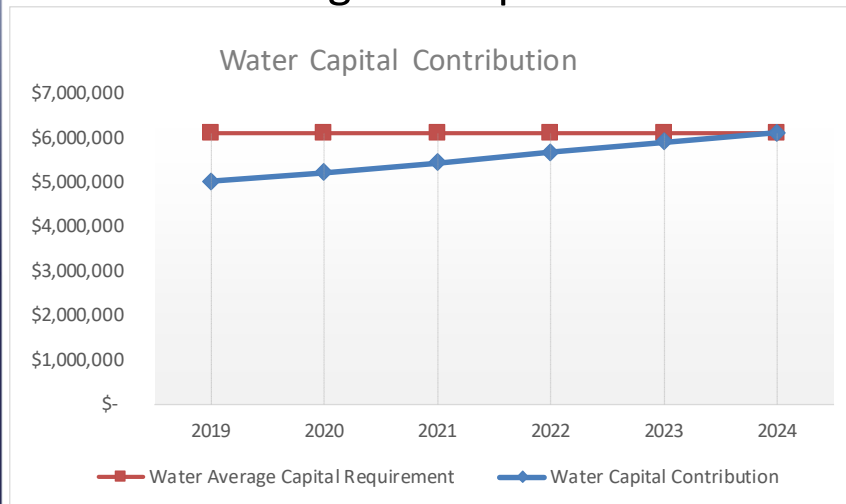
The purpose for maintaining reserves includes:

- To provide for rate stabilization;
- To provide financing for one-time or short term requirements;
- To make provisions for replacements/renewals/acquisitions of assets/infrastructure that are currently being consumed;
- To avoid spikes in funding requirements for large capital projects by reducing their reliance on long-term debt borrowings; and
- To ensure adequate and sustainable cash flows

Reserve Strategies

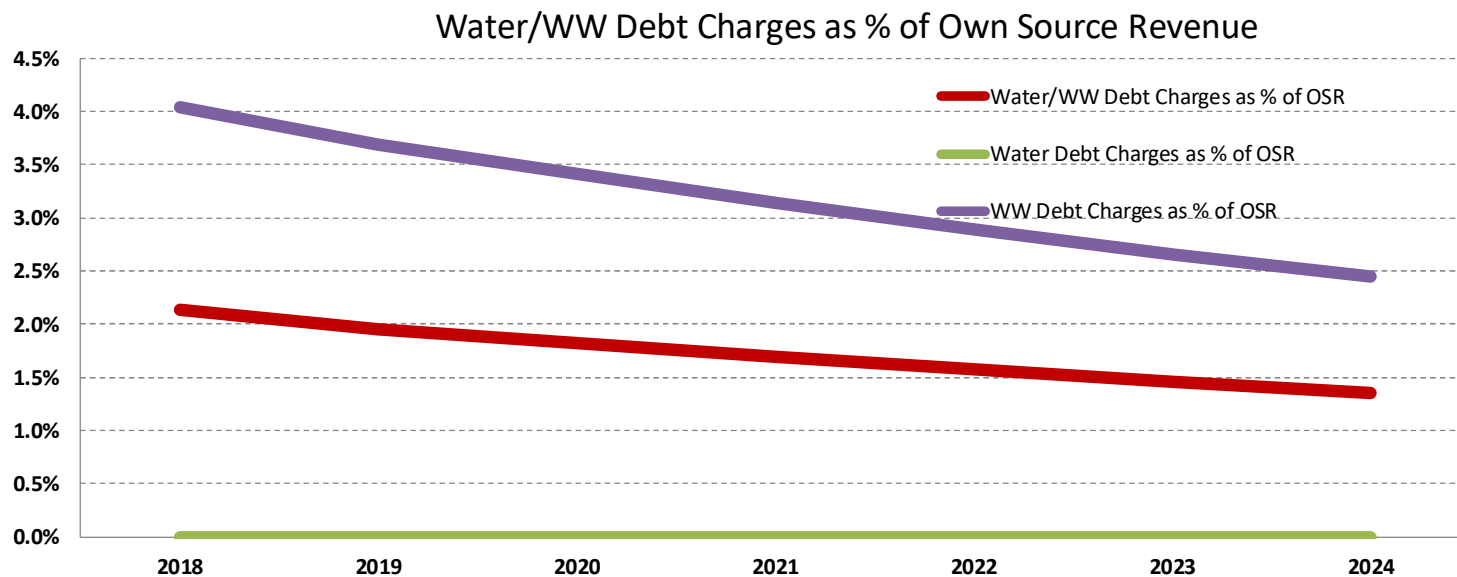
Goal

- The City will maintain all infrastructure in a state of good repair by implementing life cycle costing and providing adequate annual contributions to the replacement reserves to fund the future rehabilitation/replacement of assets.
- The City will target setting aside a contribution to the Water and Wastewater Reserve based on the projected annual replacement costs as outlined in the asset management plan.



Debt Strategies

- The prudent use of debt is acknowledged as a fundamental component to a well developed and a credible financial management plan.
- Debt servicing costs should not exceed - 10% of own source revenues to maintain sufficient financial flexibility.



Ratepayer Impact Analysis

200 m ³ residential impact - 5/8"							
		Cost of service					
Year	Annual Consumption m3	Water	WW	Total	Percentage Increase From Prior Year		
2018	200	\$ 439	\$ 477	\$ 916			
2019	200	\$ 451	\$ 500	\$ 951	3.8%		
2020	200	\$ 463	\$ 524	\$ 987	3.8%		
2021	200	\$ 476	\$ 549	\$ 1,025	3.8%		
2022	200	\$ 490	\$ 575	\$ 1,065	3.8%		
2023	200	\$ 503	\$ 603	\$ 1,106	3.9%		
2024	200	\$ 517	\$ 631	\$ 1,148	3.8%		



- Water rate increase of 2.8% annually
- Wastewater rate increase of 4.8% annually

Summary

- Current rates are amongst the lowest of all Niagara municipalities
- Niagara Falls is older than most Niagara municipalities
- Low contributions to reserves relative to capital needs

Recommend:

- Phase-in strategy of capital reserves to achieve asset management plan recommendations
- Rates will continue to be relatively low in relation to Niagara municipalities
- Reserves will gradually be built to provide revenue stability
- Update financial plan based on changes to assumptions

Questions & Answers

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