



BUDGET REVIEW COMMITTEE MEETING Minutes of Tuesday, February 23, 2010

Committee Members present:

Chair Grenier
Councillor Alakas
Councillor Alexander
Councillor Belcastro
Councillor Campion
Councillor Chiocchio
Councillor Larouche
Councillor Letourneau
Councillor Sharpe
Councillor Van Vliet

Staff Members present:

City Manager, Craig Stirtzinger
General Manager, Financial & Corporate Services/City Treasurer, Bruno Silvestri
Manager of Budgets and Financial Reporting/Deputy Treasurer, Kristine Douglas
General Manager, Engineering, Public Works & Transportation Services/City Engineer, Sal Iannello

Regrets:

Mayor Goulbourne
Councillor Dzugan
Councillor O'Dell

Call to Order

The Chair called the meeting to order at 7:07 p.m.

Approval of Agenda

Motion made to approve the agenda.

Motion carried.

Approval of Minutes from January 19, 2010 Meeting

Motion made to approve the minutes from the January 19, 2010 meeting.

Motion carried.

Memorandum – 2010 Water/Sewer Budget Narrative

This topic was introduced by the City Manager.

The City Manager stated that the Water/Sewer budget meetings will be held on the following dates:

- March 8 – Public Input meeting
- March 15 & 22 – to be held if necessary
- March 23 – Special Council meeting to pass the 2010 Water and Sewer rates

The City Manager reviewed the memorandum which identifies the main factor affecting the Water and Sewer Budgets as being the declining water consumption.

Three Years of Flows

The sewage treatment and water purchases topic was introduced by the City Treasurer.

Sewage treatment flows are based on a 3-year average of actual flows. The 2010 Sanitary Sewer Budget, provided by the Region, was distributed which shows the share for each municipality in the Region. The Region's Sanitary Sewer Budget was reviewed by the City Treasurer. The flow year is from October to September for sanitary sewer. Sewage treatment is not based on a rate. The Region sets its budget for sanitary sewer for the year and since Welland's 3-year average of sewage flows represents 15.7% of the regional municipalities' total flows, therefore the City pays 15.7% of the Niagara Regional Sanitary Sewer Budget which equals \$9,352,893 for 2010.

The City Treasurer stated he would attempt to bring a copy of the Region's detailed budget to the next meeting.

In response to a question, the Chair stated that there are only two other regions in Ontario that have a two tier system for water distribution and sewage treatment those being York and Waterloo. The Chair stated that staff will try and get information on the billing methods between the upper and lower tiers in time for this budget cycle.

The City Treasurer stated that there is not a cubic meter rate set for sanitary sewer. We pay 15.7% of the Region's sanitary sewer budget.

The City Engineer stated that the Engineering Department is working towards upgrading our system to improve/reduce sewer flows being treated. The Committee discussed sewage treatment flows.

The City Treasurer stated that water purchases will be the challenge for this budget year. Historically, we have used the 3-year average to set the water consumption amount. Staff recommends, at this point, after 2 years of deficit, that the 3-year average is not a realistic estimate and that the budget should be based on 6.6 million cubic meters of water

purchase. Although the budget increase is close to 0%, the impact on the rate is higher because of the need to raise the same amount of revenue but with lower consumption. The City Treasurer explained that the Region bills the lower tier for water consumption based on a 25% fixed portion which is based on the 3-year average of water consumption and the remaining 75% is based on our actual water consumption.

The Treasurer stated that in a year, if the City overpays as a result of lower consumption, this will be factored into the 25% fixed portion in the 3-year rolling average going forward.

The City Treasurer further explained that for 2010, the Region was proposing a 100% 3-year rolling average for the 2010 water budget which the City opposed. The City Treasurer stated that St. Catharines, who has been metered for years, has faced large consumption decreases. The biggest factor is weather and conservation. If meters were the only factor, then Welland would be the only municipality experiencing a decrease in consumption; however, this has been the situation across the region and the province.

A discussion has been held in the Region about refunding those municipalities who use less water but the only place the refund would come from would be another municipality.

2010 Water/Sewer Operating Budget

The City Treasurer explained the expenditures in the 2010 budget, which include recovery of the 2009 net deficit of \$240,000 after postponement of capital projects to 2010, bringing in \$250,000 from the Water/Sewer surplus reserve and other savings.

The revenue decrease is a result of both declines in the Industrial/Commercial/Institutional (I/C/I) and Residential sectors. We expected 1.7 million cubic meters of consumption for the I/C/I sector and the actual was 1.2 million cubic meters which is a decrease of approximately 30%. There is an approximate 12% decrease in Residential consumption for 2009.

The City Treasurer explained that other operating expenses include all expenses in the detailed budget pages except payroll expenses, outside contracts and consulting, capital, debt, water purchases and sewage treatment.

The City Engineer stated that the leak detection program is a City program and the City does not have anything for homeowners because leak detection is the homeowner's responsibility.

The Chair stated that there are a number of over-the-counter products available to residents to detect leaks. He will take this up with the Water Conservation program to do a public education initiative.

A point of order was raised because Councillor Grenier is the Chair of this committee and also of the Conservation Committee so the meeting should be handed off to the Vice-Mayor.

The Chair acknowledged the point of order.

The City Treasurer stated that staff will have a sample of an average water bill for 2010 for the next Budget Review Committee meeting.

The City Treasurer further commented that the development of the Water/Sewer rates is similar to taxation since expenses are provided and other revenues are factored in so we know how much revenue we need to collect. If we don't get the projected revenue again, we need to do more mitigating techniques such as postponing capital projects not yet begun, curtailing controllable expenses and there would be some savings from the Region since we would be buying less water.

The Treasurer stated that the information on fixed and consumption rates will be available at the next meeting. In addition, he stated that approximately 12% of revenues generated in the 2009 Water and Sewer Budgets went towards fixed charges.

Water/Sewer Capital Budgets

This topic was introduced by the City Engineer.

Alternative #1 represents the budget within the current Debt Management Plan and Alternative #2 represents the first attempt at the Water/Sewer Capital Budget for 2010.

The City Treasurer stated that the Debt Management Plan has been reached. Approximately \$400,000 is available to be used in 2010. Alternative #2 is the first submission from staff which is not within the Debt Management Plan.

The City Engineer stated that it is the intent at this time that those projects removed from Alternative #2 to arrive at Alternative #1 will be priorities for 2011. In addition, staff tried to maximize other levels of government funding.

Motion made that the Budget Review Committee validates the Debt Management strategy for the 2010 Water/Sewer Capital Budgets.

Motion carried.

The Chair stated that the issue is what level of consumption should be used for the 2010 budget.

The City Treasurer commented that the 3-year average is no longer feasible to use. Staff recommends the 6.6 million cubic meters as more reasonable and propose the use of this in the 2010 Water/Sewer Operating Budget rate setting. The City Treasurer does not feel that the City could risk another year of deficits.

The City Treasurer noted that the average customer rate increase is probably close to 14% for 2010. We have the sewage treatment amount for 2010. The Region approached the area municipalities with a fixed rate water budget for 2010, which was refused, and the Region is still working on setting its 2010 water budget.

The Committee discussed the various issues affecting the rate setting from consumption to equivalency factors and the fixed versus variable portion of the water/sanitary sewer bill.

The City Treasurer stated that staff will come back with a rate at 6.6 million cubic meters and show the impact of changing this amount upwards.

The Committee discussed the usage of the 2-year rolling average versus the 3-year rolling average.

Motion made that staff are to create rate impacts from 6.6 million cubic meters to 7.1 million cubic meters.

Motion carried.

New Business

The Committee asked for the following information for the next meeting:

- Number of water meters left to be installed
- Anticipated completion date of installations
- Number of households that are being triple billed
- Consequence of the City not being able to install a meter in a household

Establish Next Meeting Date

The next meeting will take place on Monday, March 8, 2010.

Adjournment

Motion made to adjourn the meeting at 8:54 p.m.

Motion carried.