Water and Wastewater & Treatment
2016 – 2019 Budgets

2016-2019 Multi-Year Budget
Agenda

1. Supporting Council’s Strategic Plan
2. Core Business Objectives
3. Operating Budgets
4. Revenue Overview
5. Capital Budgets
6. Capital Financing
7. Summary
Supporting Council’s Strategic Plan

Strengthening Our Community
Healthy, safe, and accessible city

Building A Sustainable City
Robust Infrastructure
Strong and healthy environment
Responsible growth

Growing Our Economy
Urban Regeneration
Local, regional, and global innovation

Leading in Public Service
Proactive financial management
2016 – 2019 Water and Wastewater & Treatment Budgets

Four Core Business Objectives

- Compliance
- Financial Management
- Customer Service
- Best Management Practices

2016-2019 Multi-Year Budget
Safe Drinking Water Act effective January 1, 2013 imposes “Standard of Care” on elected officials

**Legal obligation** to exercise a level of care, diligence and skill with regard to a municipal drinking water system that a reasonably prudent person would be expected to exercise in a similar situation.

Pending regulations for wastewater.
Drinking Water

Final Inspection Rating of 100% for 2015 on our MOECC Drinking Water System audits

Thames River
Chemically Enhanced
Primary Treatment at
Vauxhall, now Greenway
Drinking Water
- Lead and frozen service mitigation
- Computerized Maintenance Management for records and reporting

Thames River
- Bill 66 to effect a 40% reduction in phosphorus
- Pollution Prevention and Control Plan, and Thames River Clear Water Revival
- $162M (2016-19) and $517M over next 10 years
Financial Management Goal

Maintain stable rate increases

Healthier reserve funds for unknowns

Cost control measures -- short and long term sustainable

Revenue stability

![Past and Projected Future Rate Increases](image)
Avoided $177 million in last 11 years – relining instead of replacing

Equipment -- $230k / yr. electricity savings

Greenway sludge management -- $700k / yr.
Computerized Maintenance Management System

Incinerator electricity generation

Investigate revenue forecasting factors
Customer Service -- Goals

Large customers -- the information they desire

Homeowners -- understand their billing

Complete suite of education curriculum

New service for a growing City
Customer Service
Recent Accomplishments

Developed a frozen water service response plan

New Services in SW London

New Billing Service Agreement with enhancements
Customer Service
2016 - 2019

Expanding water education curriculum

Basement flooding program review

Large customers and homeowners access to billing details on line – this spring
Best Management Practices-- Goals

Being prepared to meet changing regulations

Managing water from all sources supportively

Protect; Conserve; Treat
Long Term Sustainability
Best Management Practices
Recent Accomplishments

Support research
- Thames River Experimental Stream Science facility
- Greenway commercialization / research facility

Applied new technology
- Greenway and Vauxhall CEPT
- Burbrook trunk sewer microtunneling
Best Management Practices
2016 - 2019

Innovation
Incinerator electricity business case and pilot
New technology business case for blowers

One Water theme
Managing water in all its forms to one ethic
Quality Management system, communication, transparency
### Operating Budget - Water

#### Water Budget 2016 – 2019

<table>
<thead>
<tr>
<th>Total Operating Budget</th>
<th>Average Annual Net Increase</th>
<th>Average Impact on Rate</th>
<th>Average Residential Impact (165.4m³)</th>
<th>Average Increase over Prior year Budget</th>
<th>Average Impact of Reduced Water Consumption &amp; Increase in Other Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>$307.6m</td>
<td>$1.6m</td>
<td>3%</td>
<td>$11</td>
<td>2.1%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

#### Budget Pressures

- Declining consumption revenues
- 1 new FTE in 2016 to meet additional demands; 1 new FTE in 2017 and 1 new FTE in 2018 for the Backflow Prevention program
- Increases in utility and water costs (eg. Electricity at average of 6.8% annually, purchase of water ranging from 9% to 3%)
Operating Budget - Wastewater

Wastewater Budget 2016 – 2019

<table>
<thead>
<tr>
<th>Total Operating Budget</th>
<th>Average Annual Net Increase</th>
<th>Average Impact on Rate</th>
<th>Average Residential Impact (165.4m³)</th>
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<tbody>
<tr>
<td>$376.8m</td>
<td>$2.3m</td>
<td>3%</td>
<td>$14</td>
</tr>
</tbody>
</table>

Average Increase over Prior year Budget: 2.5%
Average Impact of Reduced Water Consumption & Growth in Number of Connections: 0.5%

Budget Pressures

- Declining consumption revenue
- Increases in utility and chemical costs (eg. Electricity at average of 6.8% annually)
- Wage, salary and benefit increases due to existing employment agreements
- Increases in capital levy to progress toward target of funding 75% of lifecycle projects
### Water Revenues 2016-2019 ($ millions)

<table>
<thead>
<tr>
<th>Type of Revenue</th>
<th>2015 Revised Budget</th>
<th>2019 Proposed Budget</th>
<th>2016-2019 Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Usage Charges</td>
<td>$ 46.9</td>
<td>$ 49.1</td>
<td>$ 2.2</td>
</tr>
<tr>
<td>Water Infrastructure Charges</td>
<td>22.6</td>
<td>26.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Fire Protection Charges</td>
<td>2.7</td>
<td>3.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Customer Assistance Charges</td>
<td>0.3</td>
<td>0.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>1.0</td>
<td>1.2</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$ 73.6</strong></td>
<td><strong>$ 80.0</strong></td>
<td><strong>$ 6.4</strong></td>
</tr>
</tbody>
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### Wastewater Revenues 2016-2019 ($ millions)

<table>
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<th>Type of Revenue</th>
<th>2015 Revised Budget</th>
<th>2019 Proposed Budget</th>
<th>2016-2019 Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wastewater Usage Charge</td>
<td>$ 41.0</td>
<td>$ 43.0</td>
<td>$ 2.0</td>
</tr>
<tr>
<td>Wastewater Infrastructure Charge</td>
<td>18.8</td>
<td>21.7</td>
<td>2.9</td>
</tr>
<tr>
<td>Storm Drainage System Charge</td>
<td>24.1</td>
<td>28.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>5.3</td>
<td>5.7</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$ 89.2</strong></td>
<td><strong>$ 98.4</strong></td>
<td><strong>$ 9.2</strong></td>
</tr>
</tbody>
</table>

**Note:** Increases in revenue are based on forecast 3% annual rate increases. Rate increase covers water expenses of 2.1% and wastewater expenses of 2.5%.
2016 – 2019 Capital Budget by Category
- Watermains $139.6 million
- Meters $8.8 million
- Reservoirs & Pumping Stations $2.4 million
- Other $2.5 million

Major Projects

Lifecycle
- Main Replacements - $50.1M
- Main Rehabilitation - $24.2M
- Water Services Replacement - $8M

Growth
- Medway-Wonderland Trunk Watermains - $11M
2016–2019 Capital Budget by Category
- Sewers $148.3 million
- Pollution Control Plants & Pumping Stations $33.5 million
- Stormwater Management Facilities $110 million
- Other $2.2 million

Major Projects

**Lifecycle**
- Sewer Replacement Program - $61.7M
- Specialized Sewer Repairs - $17.3M

**Growth**
- Southwest Area Plan - $48.3M Stormwater + $19.8M Sanitary

**Service Improvement**
- Combined Sewer Separation - $25.5M
## Capital Financing

### Water 2016-2019

<table>
<thead>
<tr>
<th></th>
<th>Budget ($ millions)</th>
<th>% of Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RATE SUPPORTED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Levy</td>
<td>78.7</td>
<td>51%</td>
</tr>
<tr>
<td>Capital Water Reserve Fund</td>
<td>47.7</td>
<td>31%</td>
</tr>
<tr>
<td>Debt</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Rate Supported</strong></td>
<td>$ 126.4</td>
<td>82%</td>
</tr>
</tbody>
</table>

|                |                     |                |
| **NON-RATE SUPPORTED** |             |                |
| City Services (Development Charges) | 20.3 | 13%            |
| Federal Gas Tax Grant          | 5.9 | 4%             |
| Other Contributions (Provincial Grants, Cash Payments) | 0.7 | 0%             |
| **Total Non-Rate Supported** | $ 26.9 | 18%            |

### Wastewater & Treatment 2016-2019

<table>
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<tr>
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<th>Budget ($ millions)</th>
<th>% of Financing</th>
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</thead>
<tbody>
<tr>
<td><strong>RATE SUPPORTED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Levy</td>
<td>70.9</td>
<td>24%</td>
</tr>
<tr>
<td>Sewage Works Reserve Fund</td>
<td>89.8</td>
<td>31%</td>
</tr>
<tr>
<td>Debt</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Rate Supported</strong></td>
<td>$ 160.7</td>
<td>55%</td>
</tr>
</tbody>
</table>

|                |                     |                |
| **NON-RATE SUPPORTED** |             |                |
| City Services (Development Charges) | 113.0 | 38%            |
| Federal Gas Tax Grant          | 18.0 | 6%             |
| Other Contributions (Provincial Grants, Cash Payments) | 2.4 | 1%             |
| **Total Non-Rate Supported** | $ 133.3 | 45%            |

### Total Sources of Financing

|                | $ 153.3 | 100% |

### Total Sources of Financing

|                | $ 294.0 | 100% |

**Note:** No new Rate Supported Debt to be authorized through 2016-2019
Authorized but Unissued (Sept/15): Water - $ 0.5M; Wastewater - $32.5M
Strengthening Our Community -- “Help Londoners understand how we provide safe drinking water and protect the Thames River”

Thames River Clear Water Revival and Annual Reporting on drinking water performance

Building a Sustainable City -- “Fund innovative ways to adapt to Climate Change”

Basement flooding reduction review and programs, and flood proofing treatment plants

Growing Our Economy -- “Lead the development of new ways to resource recovery, energy recovery and utility and resource optimization .....”

Pilot energy from waste incinerator heat, and Greenway Wastewater research Facility

Leading in Public Service -- “Make sure that financial issues are not created and pushed to the future, creating problems for future generations.”

Debt management strategy, pay as you go policies for Life Cycle renewal projects.
QUESTIONS

The Value of Wastewater and Stormwater to our Customers 2015

2016-2019 Multi-Year Budget