



# Wawa Long-Term Financial Plan

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Council Presentation  
April 5, 2022

# Agenda



- Scope of Assignment, Approach, and Key Factors
- Capital Expenditures Forecast & Financing
- Operating Forecast
- Scenario Analysis
- Additional Scenarios
- Observations for Council's Consideration
- Questions



## Scope of Assignment, Approach, and Key Factors

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Municipality of Wawa LTFP



# Scope of Assignment

- Watson & Associates Economists Ltd. was retained by the Municipality to assist in the preparation of a Long-Term Financial Plan (LTFP) over a 10-year planning horizon (2022-2031).
- A review of the Municipality's expected operating expenses, revenues, and capital requirements over the forecast period was undertaken in order to provide an analysis of the Municipality's forecasted financial position.
- Observations are provided on potential tax-supported and rate-supported increases as well as a scenario analysis and a discussion on possible risks to the analysis.
- This presentation will provide an overview of the approach and a summary of the results of the analysis.

# Scope of Assignment



- The Long-Term Financial Plan (LTFP) aims to address the following:
  - capital infrastructure needs for tax-supported and rate-supported Municipal services;
  - capital financing;
  - operating costs for services; and
  - potential impact on taxpayers and ratepayers over the planning horizon.

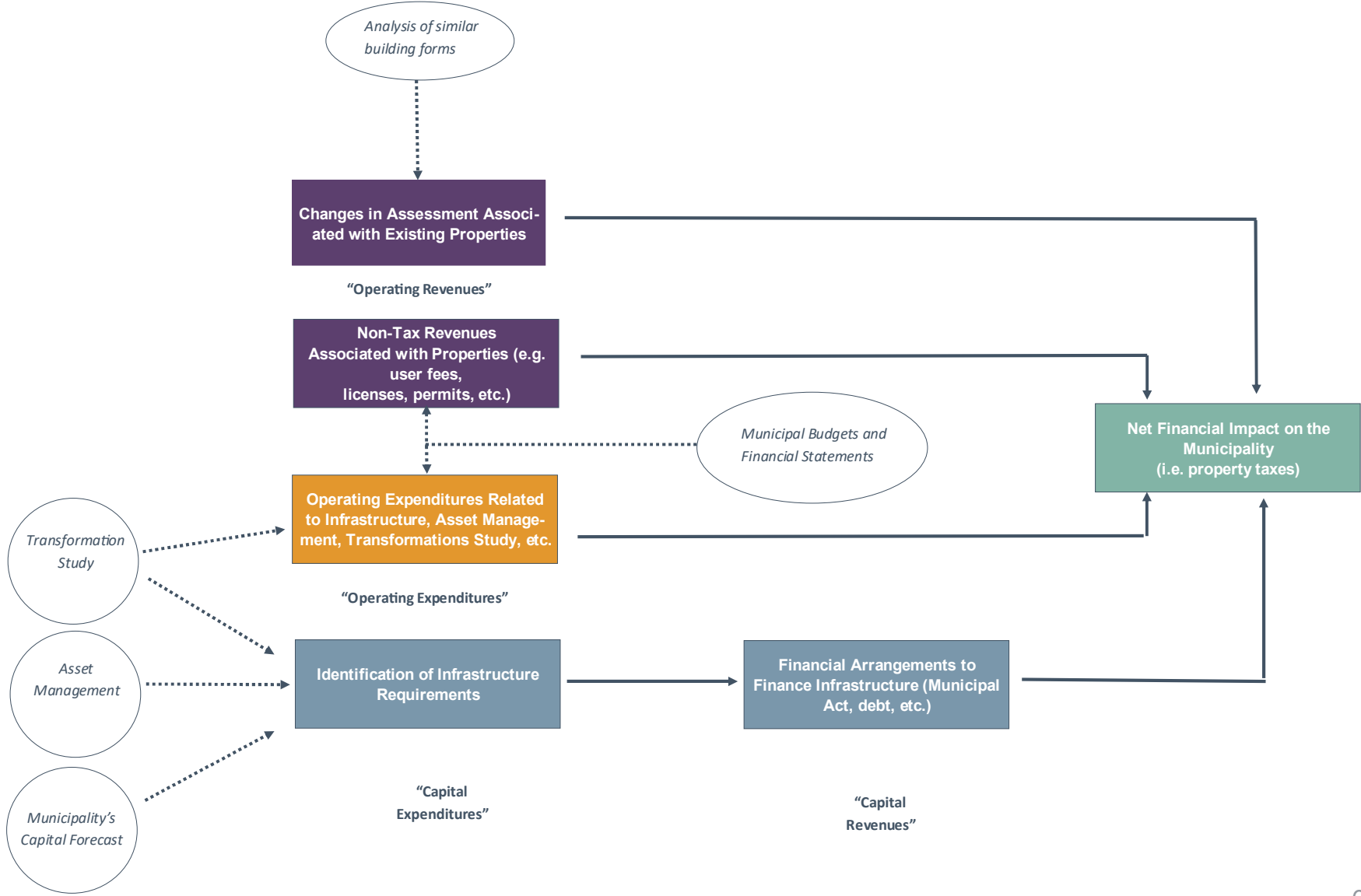


# Key Factors that Influence the LTFP

- The implementation of a Capital Plan that is based on the following documents:
  - Capital Budget (2022-2025)
  - Asset Management Plan
  - Transformation Study
- No assumed growth in the Municipality
  - Minor adjustment to assessment base for new senior's complex
  - Further adjustments to assessment will be made as a result of the Valard Camp at a future point in time (not included for the purposes of this analysis).
- Reduction of certain operating revenues
- Reliance on grant funding (operating and capital)



# Approach





# Capital Expenditures Forecast & Financing

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Municipality of Wawa LTFP



# Capital Forecast – Tax Supported Services



Capital Forecast	Total 2022-2031	Inflated \$									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Transformation Study Related Capital	7,707,293	313,000	4,065,720	1,825,902	1,502,671	-	-	-	-	-	-
Asset Management Related Capital	9,441,008	2,339,550	63,750	299,115	1,276,103	865,946	883,265	900,930	918,949	937,328	956,074
Other Capital Needs Identified in Capital Forecast	10,604,617	3,301,764	3,668,736	556,614	3,077,503	-	-	-	-	-	-
<b>Total Annual Capital Expenditures</b>	<b>27,752,918</b>	<b>5,954,314</b>	<b>7,798,206</b>	<b>2,681,631</b>	<b>5,856,276</b>	<b>865,946</b>	<b>883,265</b>	<b>900,930</b>	<b>918,949</b>	<b>937,328</b>	<b>956,074</b>

- Transformation Study Capital:
  - The Municipality recently undertook a Transformation Study which provided recommendations for potential capital projects. Based on discussions with staff, certain recommendations have been incorporated into the Municipality’s capital forecast.
    - These projects are approximately \$7.7 million in inflated dollars and includes projects such as: Marina divestiture (\$1.3 million), Townhall upgrades (\$3.5 million), Electronic records management system (\$45,000), etc.
- Asset Management Works:
  - Certain asset management works have been included in the Municipality’s capital forecast from 2022-2025
  - An annual provision of \$800,000 (uninflated and net of grants) to provide for continuing asset management has been included for 2026-2031.
  - It is noted that the Municipality’s AMP identified an average annual capital requirement to sustain the current level of service at approximately \$2.5 million (2022\$).
    - It is acknowledged that not all of the recommended works are being embraced in the forecast.
- Other Capital Needs Identified in Capital Forecast:
  - Other capital needs between 2022-2025 are based on the Municipality’s forecast and includes projects such as: Arena Modernization (\$3.1 million), Waterfront – Phase 2 (\$2.2 million), MMCC Improvements (\$1.13 million), etc.

# Capital Financing – Tax Supported Services



Capital Forecast & Financing	Total 2022-2031	Inflated \$									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Total Annual Capital Expenditures</b>	<b>27,752,918</b>	<b>5,954,314</b>	<b>7,798,206</b>	<b>2,681,631</b>	<b>5,856,276</b>	<b>865,946</b>	<b>883,265</b>	<b>900,930</b>	<b>918,949</b>	<b>937,328</b>	<b>956,074</b>
<i>Capital Financing</i>											
Transfer to Capital (from Operating)	1,418,006	198,864	410,448	374,024	434,671	-	-	-	-	-	-
Reserves	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Reserves</i>	7,510,683	1,609,652	236,301	234,090	1,265,491	660,284	673,489	686,959	700,698	714,712	729,006
<i>Federal Gas Tax Reserve Fund</i>	2,088,129	118,420	153,000	296,514	222,854	205,662	209,775	213,971	218,250	222,615	227,068
<i>OCIF Reserve Fund</i>	46,224	25,000	-	-	21,224	-	-	-	-	-	-
Federal Grants	11,498,780	2,368,900	5,067,713	1,672,963	2,389,204	-	-	-	-	-	-
Provincial Grants	3,848,612	1,633,478	1,012,744	104,040	1,098,350	-	-	-	-	-	-
Debentures	1,342,483	-	918,000	-	424,483	-	-	-	-	-	-

- Excluding grant funding, the average annual capital expenditures are approximately \$1 million over the forecast.
- A significant portion of the capital forecast is financed through grants. Of the \$27.8 million in capital works identified, approximately 63% of the financing is assumed to be through external grant funding.
  - Major projects that are anticipated to be funded through grants (including the amount to be grant funded) include:
    - Townhall Accessibility (\$3.5 million)
    - Arena Modernization (\$2.8 million)
    - Marina Divestiture (\$2.7 million)
    - School Zone Surface Rehabilitation: (\$1.9 million)
    - Waterfront Phase 2 (\$1.8 million)
    - Airport Equipment (\$700,000)
- Many projects are contingent on receiving external funding through grants and will not proceed if grant funding is not secured.
- Debt financing has been assumed for the Townhall upgrades (2023), and the Fire Hall (2025).
- Asset management works in the latter half of the forecast are assumed to be funded through a combination of capital reserve funding and gas tax revenues.

# Capital Forecast – Rate Supported Services



Capital Forecast	Total 2022-2031	Inflated \$									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Transformation Study Related Capital	185,000	185,000	-	-	-	-	-	-	-	-	-
Asset Management Related Capital	2,222,000	195,000	199,000	203,000	260,000	216,000	221,000	225,000	230,000	234,000	239,000
Other Capital Needs Identified in Capital Forecast	3,651,021	3,557,021	-	94,000	-	-	-	-	-	-	-
<b>Total Annual Capital Expenditures</b>	<b>6,058,021</b>	<b>3,937,021</b>	<b>199,000</b>	<b>297,000</b>	<b>260,000</b>	<b>216,000</b>	<b>221,000</b>	<b>225,000</b>	<b>230,000</b>	<b>234,000</b>	<b>239,000</b>

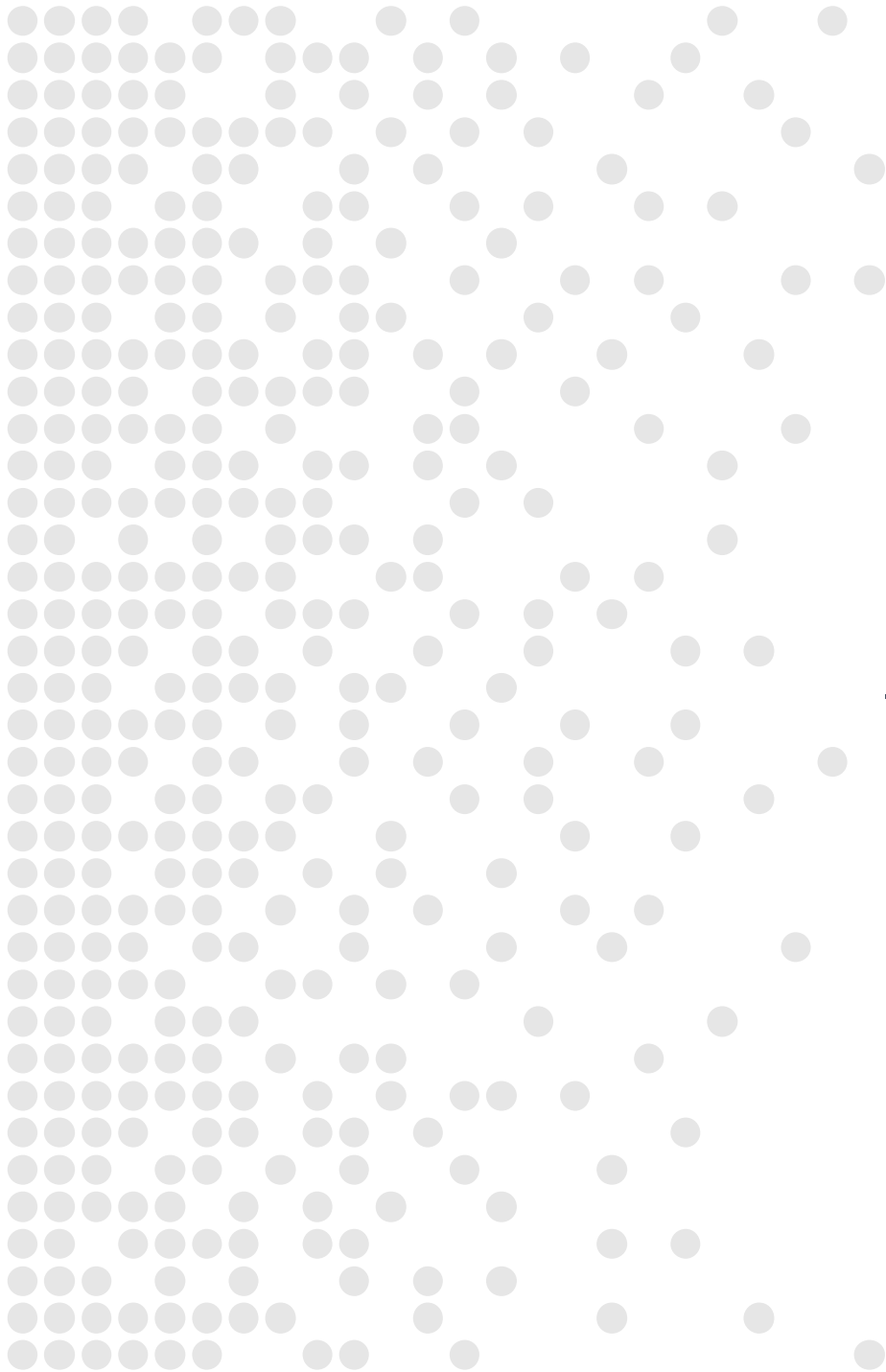
- Transformation Study Capital:
  - Recommendations included in the forecast include the water & wastewater master plan in addition to the water financial plan/rate study. Both are anticipated to be undertaken in 2022.
- Asset Management Works:
  - Certain asset management works have been included in the Municipality’s capital forecast for 2022-2025.
  - The annual provision of \$200,000 (2022\$) to provide for continuing asset management in 2026-2031 provides for a similar level of spending as what has been identified in the Municipality’s capital forecast for 2022-2025.
  - It is noted that the Municipality’s AMP identified an average annual capital requirement to sustain the current level of service at approximately \$1.8 million (2022\$).
    - It is acknowledged that not all of the recommended works are being embraced in the forecast.
- Other Capital Needs Identified in Capital Forecast:
  - The Municipality has identified a critical water intake valve project to be undertaken in 2022. The critical portion of the project that must be undertaken is \$250,000. Subject to receipt of grant funding, the Municipality will undertake an additional \$2.5 million in works in 2022 related to this project.



# Capital Financing – Rate Supported Services

Capital Forecast & Financing	Total 2022-2031	Inflated \$									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Total Annual Capital Expenditures</b>	<b>6,058,021</b>	<b>3,937,021</b>	<b>199,000</b>	<b>297,000</b>	<b>260,000</b>	<b>216,000</b>	<b>221,000</b>	<b>225,000</b>	<b>230,000</b>	<b>234,000</b>	<b>239,000</b>
Capital Financing											
Transfer to Capital	599,000	280,000	124,000	147,000	48,000	-	-	-	-	-	-
Reserves											
Capital Reserve	1,577,000	-	-	-	212,000	216,000	221,000	225,000	230,000	234,000	239,000
Equipment Reserve	200,000	125,000	-	75,000	-	-	-	-	-	-	-
OCIF Reserve Fund	300,000	150,000	75,000	75,000	-	-	-	-	-	-	-
Federal/Provincial Grants	2,702,021	2,702,021	-	-	-	-	-	-	-	-	-
Debentures	680,000	680,000	-	-	-	-	-	-	-	-	-

- The large capital expenditure in 2022 related to the water intake valve is largely contingent on receipt of grant funding.
  - If the Municipality is successful in receiving grant funding, a portion of this project is anticipated to be funded through debentures.
- Funding of the remaining works (largely asset management related) over the forecast period is to be achieved through reserves and capital transfers.



## Operating Forecast

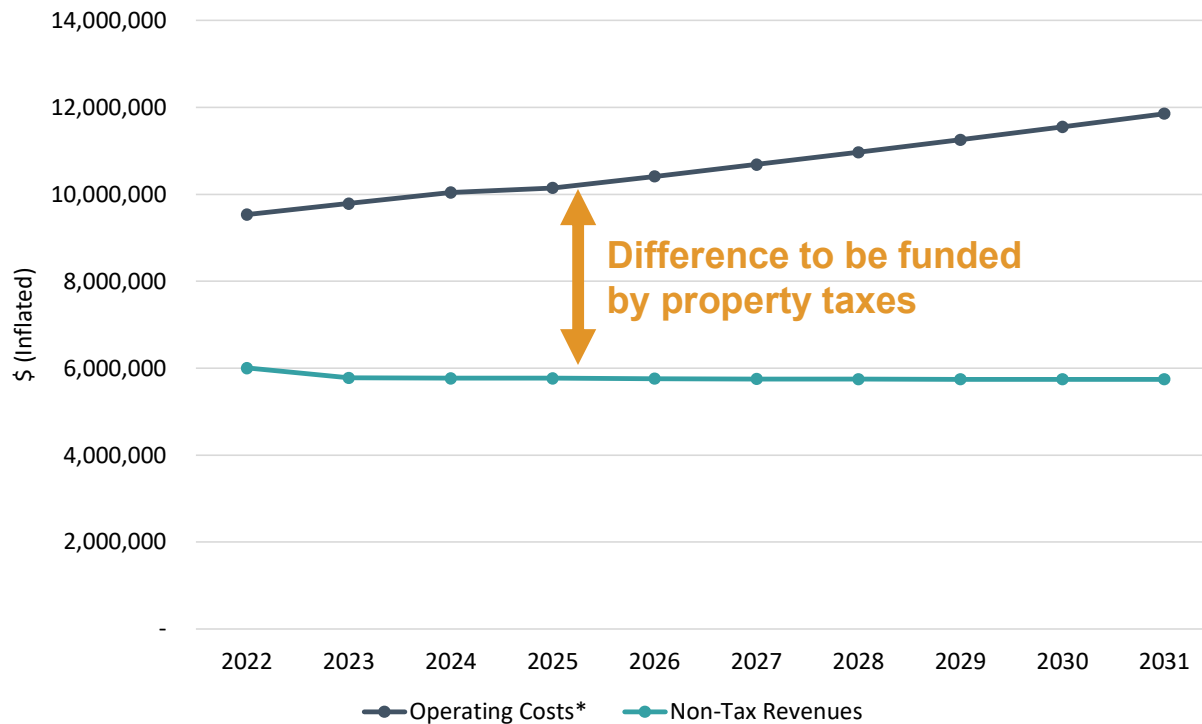
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Municipality of Wawa LTFP



# Operating Forecast – Tax Supported Services

Expenditures net of debt payments and reserve transfers



\*Operating costs exclude capital related debt payments and reserve transfers

**Average annual expenditure increase: 2.46%**

**Average annual non-tax revenue decrease: -0.48%**

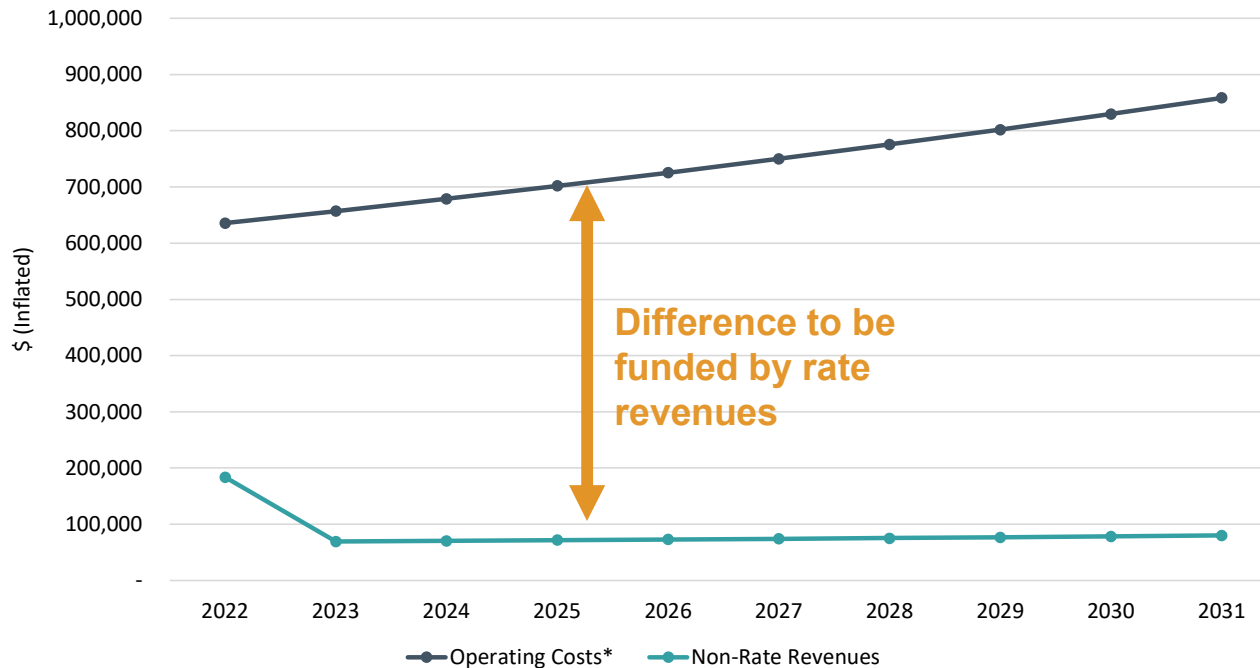
## Assumptions on inflationary factors:

- **Expenditures:**
  - Salaries & Benefits: 3%
  - Utilities & Chemicals: 5%
  - All other expenditures: 2%
  - Note: specific adjustments made to line items based on discussions with staff
- **Revenues:**
  - Most revenues inflated by 2%
  - Grant revenues: inflated based on best estimates at this time. Certain revenues were decreased/eliminated over forecast period, others were kept constant.



# Operating Forecast – Rate Supported Services

Expenditures net of debt payments and reserve transfers



\*Operating costs exclude capital related debt payments and reserve transfers

## Assumptions on inflationary factors:

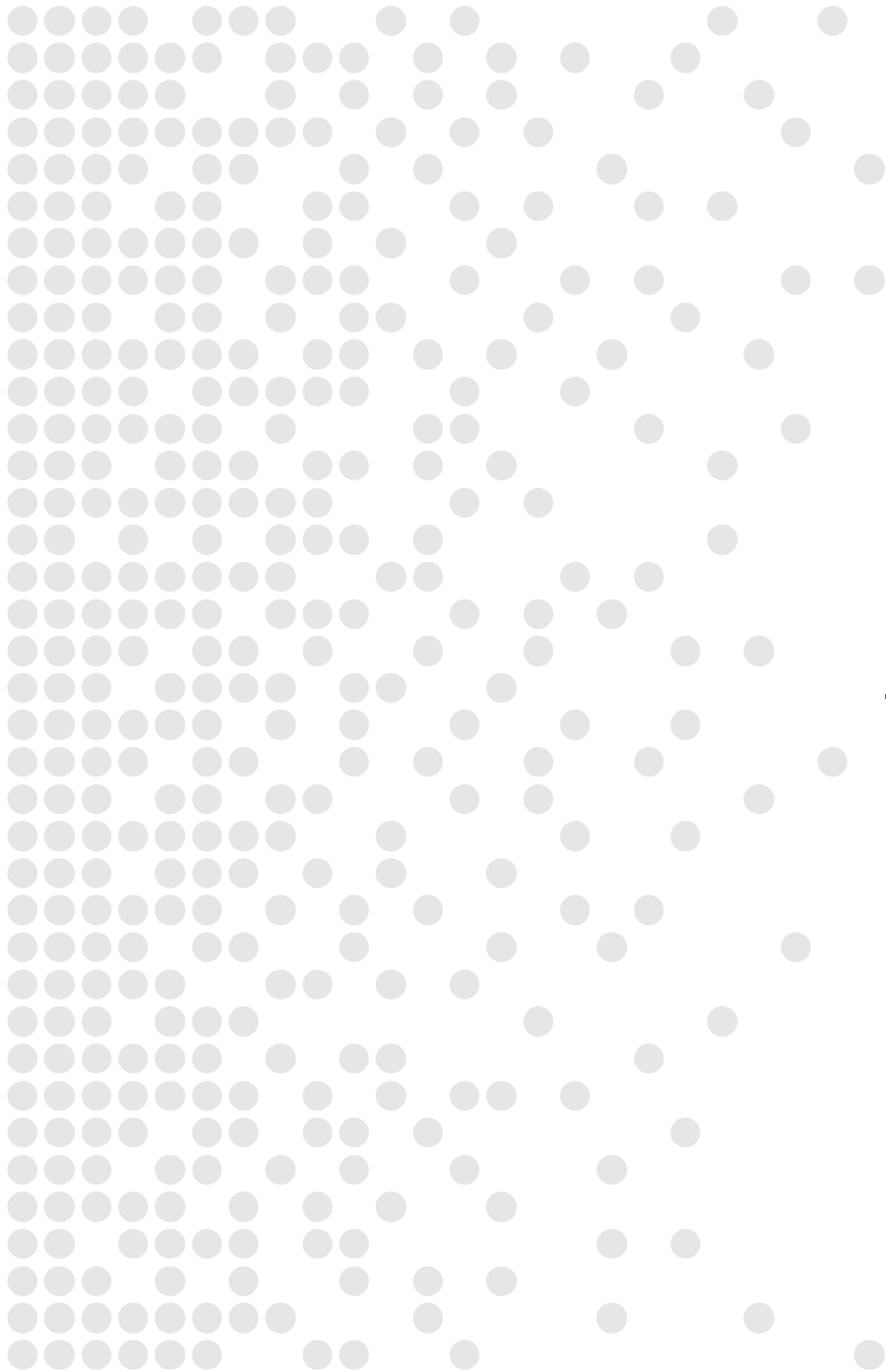
- **Expenditures:**
  - Salaries & Benefits: 3%
  - Utilities & Chemicals: 5%
  - All other expenditures: 2%
- **Non-Rate Revenues:**
  - Most revenues inflated by 2%
  - Solar Energy Revenue: 0%
  - Large drop in revenues in 2023 attributable to drop in sewage dumping fees from large temporary work camp.

**Average annual expenditure increase: 3.4%**

**Average annual non-rate revenue change:**

**2023: -62.2%**

**2024-2031: 1.8%**



## Scenario Analysis

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### Municipality of Wawa LTFP





# Overview of Scenario Analysis

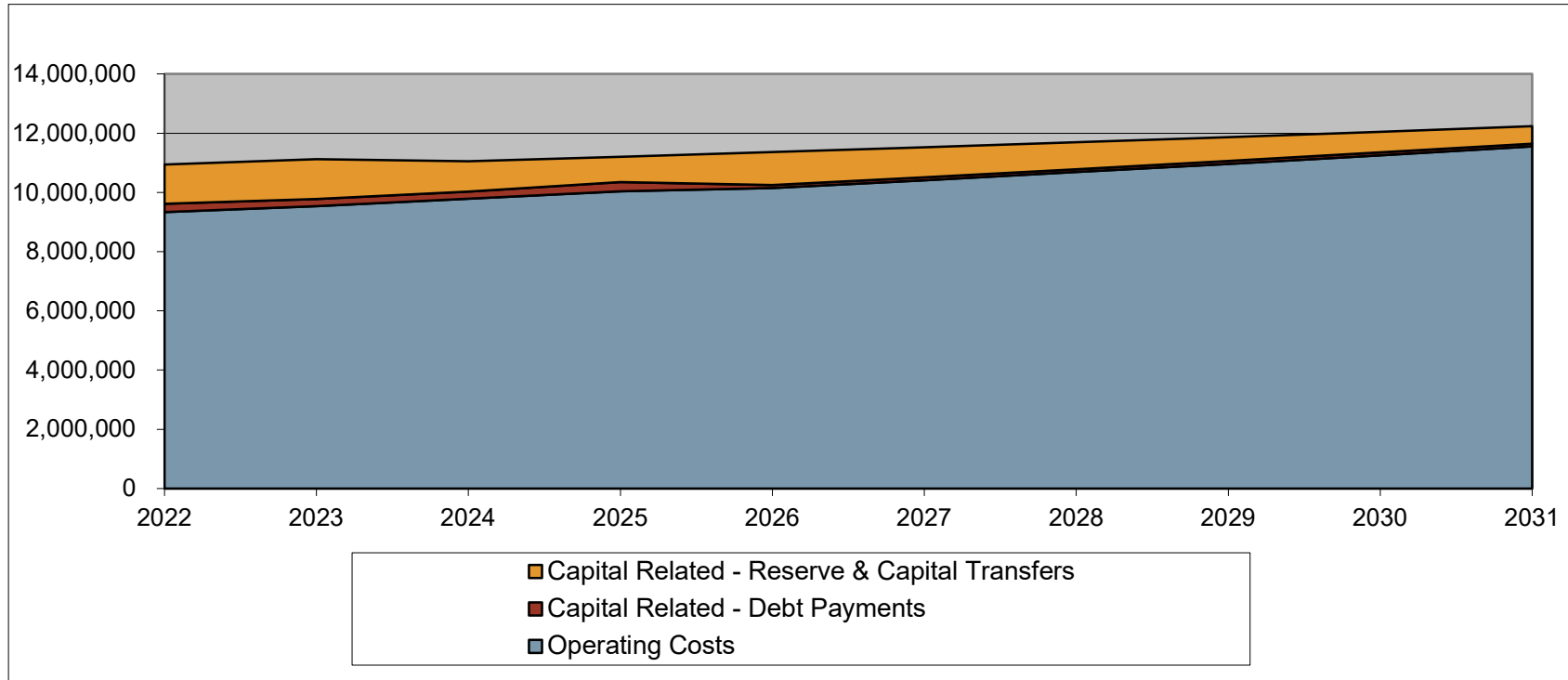
- Based on the information provided in the previous slides, significant capital expenditures are required over the forecast period.
  - In addition, the level of recommended asset management spending is not being met over the forecast period for both tax and rate-supported services.
- Similarly, the operating expenditures are increasing at a faster rate than operating revenues.
- Based on these observations, four (4) scenarios have been prepared to illustrate the impact to the Municipality.
- The Scenarios are:
  1. Base case (3% annual tax rate increase, 2% water/wastewater rate increase)
  2. 1% additional increase to rates (both tax and rate supported)
  3. Fully funding AMP requirements (phased-in over 10 years)
  4. Base case with the removal of hydro dam grant (phased out over time)



# Scenario 1: Base Case

- This scenario maintains the Municipality's current property tax rate and water/wastewater rate increases (generally reflects historical levels)
  - Property Tax Increases: 3% Annually
  - Water/Wastewater Rate Increases: 2% Annually
- **Tax-Supported Observations:**
  - This scenario provides for an average annual capital expenditure of \$1,000,000 per year for tax-supported capital (excluding grant funded expenditures).
    - However, to achieve the 3% annual tax rate increase, the capital funding/transfers to reserves must be reduced over time.
    - Tax-supported funds are being drawn upon from the Municipality's reserves in order to maintain a 3% annual increase, which would not be sustainable over the long-term
    - Note, this scenario only provides for 1/3 of the \$2.5 million annual AMP requirements.
- **Rate-Supported Observations:**
  - This scenario provides for an average annual capital-related expenditure of \$900,000 per year for rate-supported capital (excluding grant funded expenditures).
    - Note, this scenario only provides for half of the \$1.8 million annual AMP requirements.

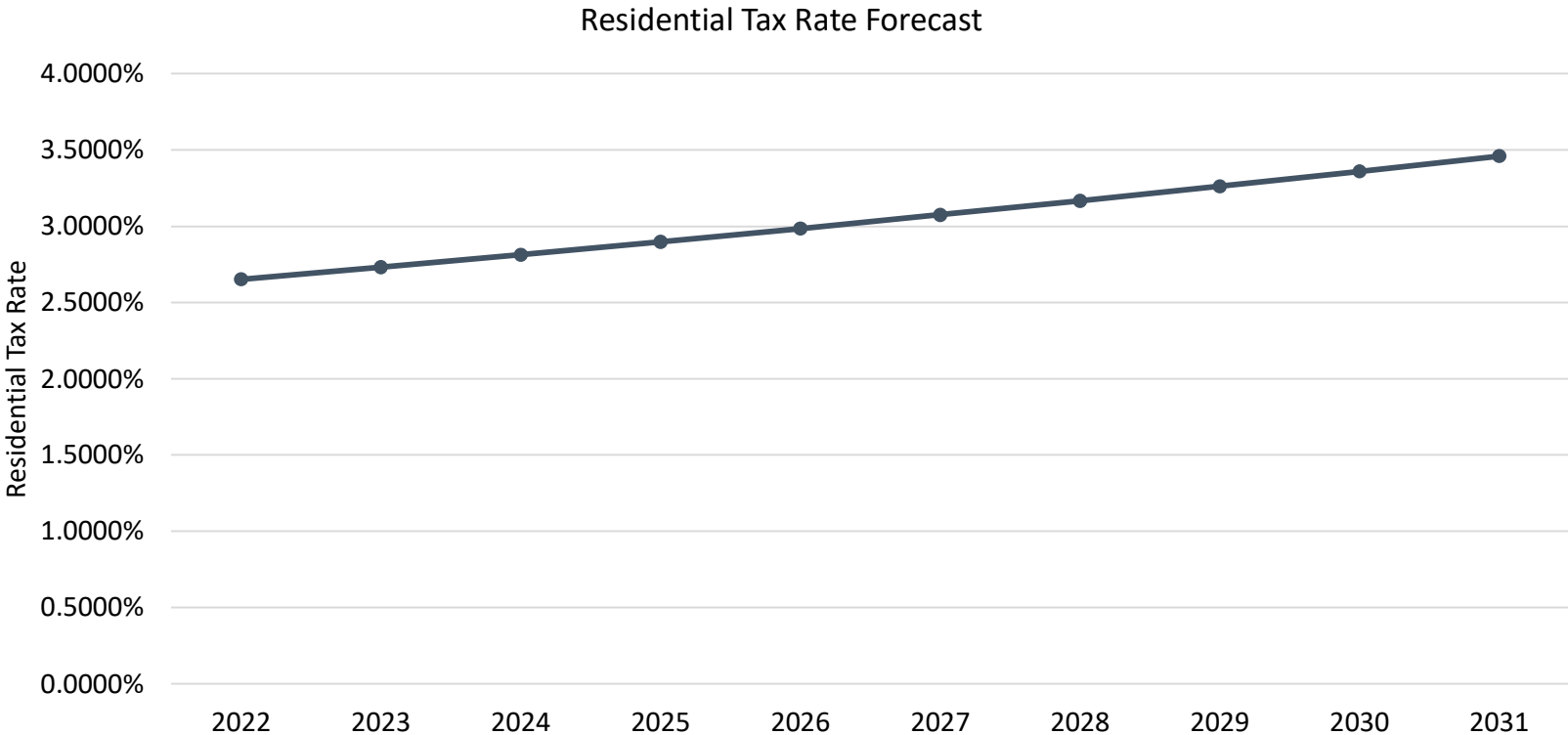
# Tax-Supported Operating Budget: Base Case



Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Costs	9,336,081	9,531,156	9,788,491	10,042,954	10,149,273	10,413,834	10,686,078	10,966,257	11,254,633	11,551,476
Capital Related - Debt Payments	283,938	242,743	242,743	307,334	95,161	94,459	94,459	94,459	94,459	94,459
Capital Related - Reserve & Capital Transfers	1,321,596	1,348,977	1,023,183	850,087	1,117,227	1,014,189	909,213	802,957	695,372	586,407
<b>Total</b>	<b>10,941,615</b>	<b>11,122,875</b>	<b>11,054,417</b>	<b>11,200,375</b>	<b>11,361,660</b>	<b>11,522,481</b>	<b>11,689,750</b>	<b>11,863,673</b>	<b>12,044,464</b>	<b>12,232,342</b>



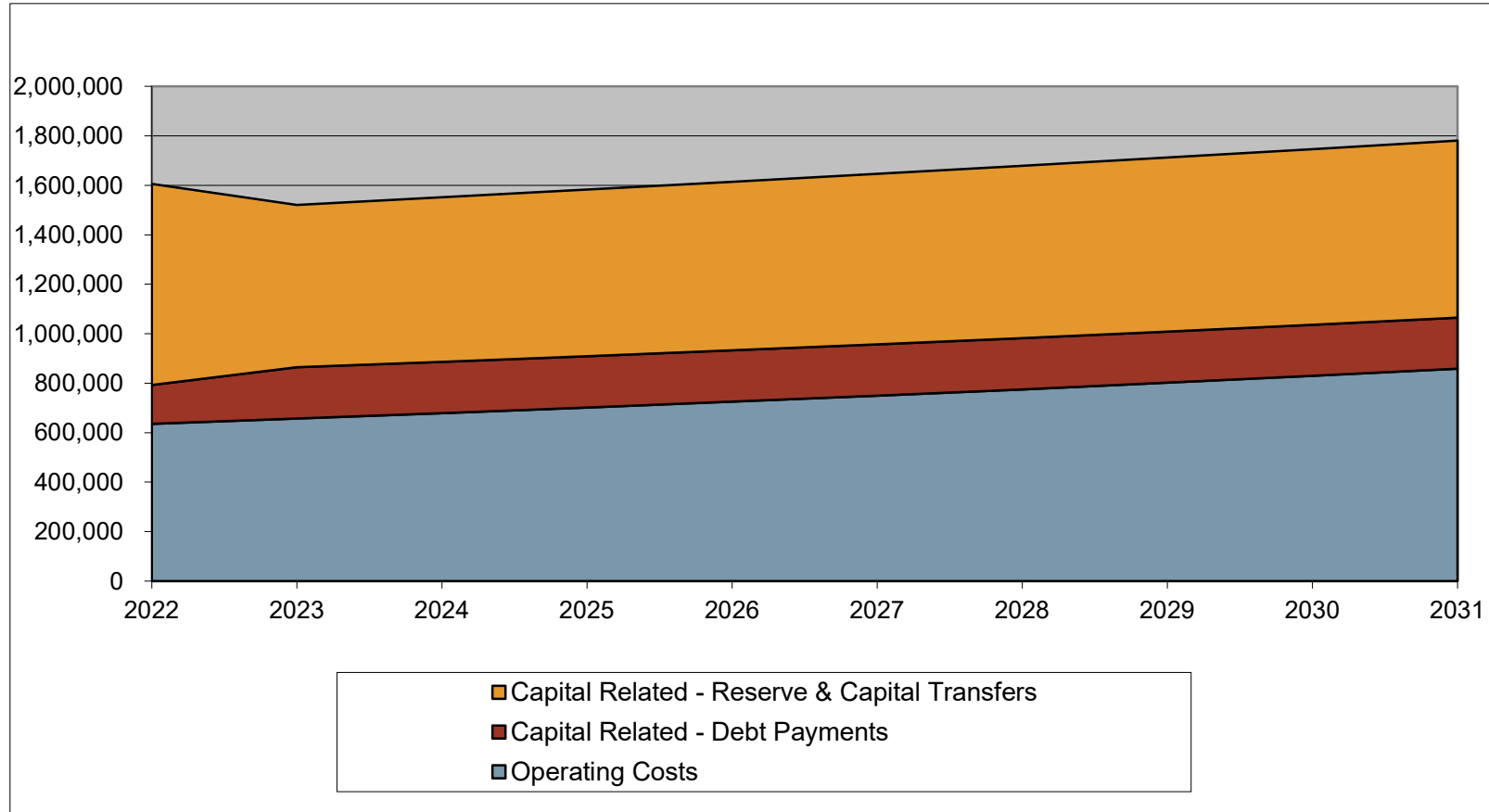
# Tax Rate Forecast (2022-2031): Base Case



Annual tax rate increases have been set at 3% under the base case scenario.

Tax Bill Based on Average Residential Home Assessment (\$100,000)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Average Tax Bill	\$2,653	\$2,732	\$2,814	\$2,899	\$2,986	\$3,075	\$3,167	\$3,262	\$3,360	\$3,461
Increase (\$)		\$80	\$82	\$84	\$87	\$90	\$92	\$95	\$98	\$101

# Rate Supported Operating Budget: Base Case

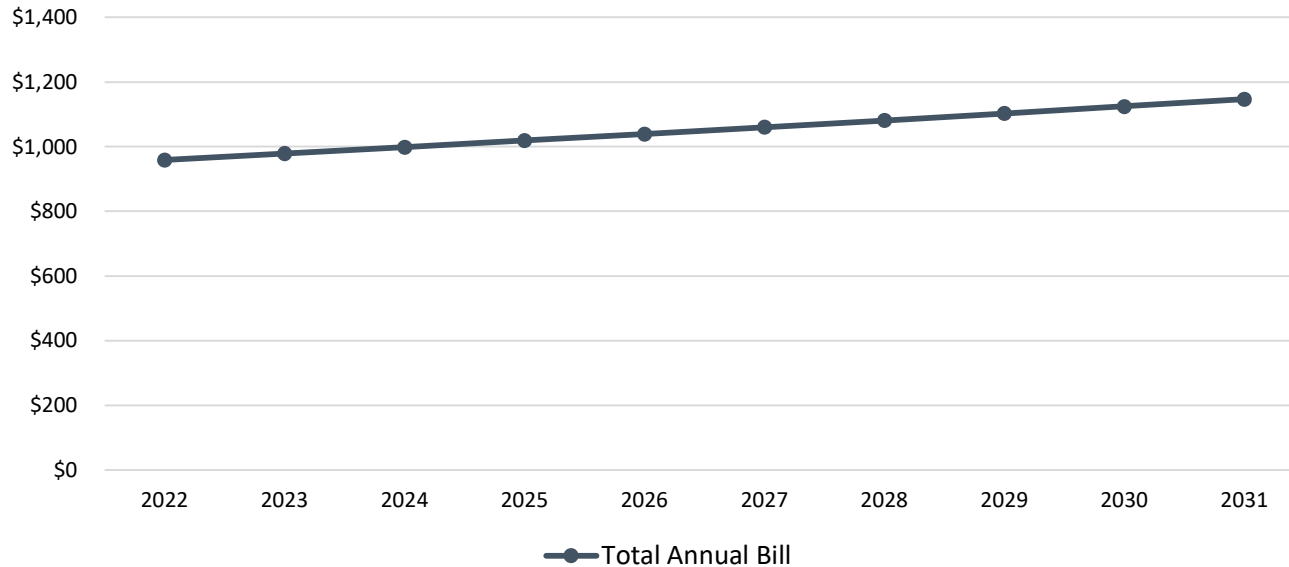


Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Costs	635,800	657,000	679,000	701,800	725,400	749,900	775,300	801,800	829,400	858,100
Capital Related - Debt Payments	157,266	207,301	207,301	207,301	207,301	207,301	207,301	207,301	207,301	207,301
Capital Related - Reserve & Capital Transfers	812,602	656,437	665,396	673,951	682,109	689,781	696,972	703,793	709,950	715,453
<b>Total</b>	<b>1,605,668</b>	<b>1,520,738</b>	<b>1,551,697</b>	<b>1,583,052</b>	<b>1,614,810</b>	<b>1,646,982</b>	<b>1,679,574</b>	<b>1,712,894</b>	<b>1,746,651</b>	<b>1,780,855</b>



# Rate Forecast (Water & Wastewater Combined): Base Case

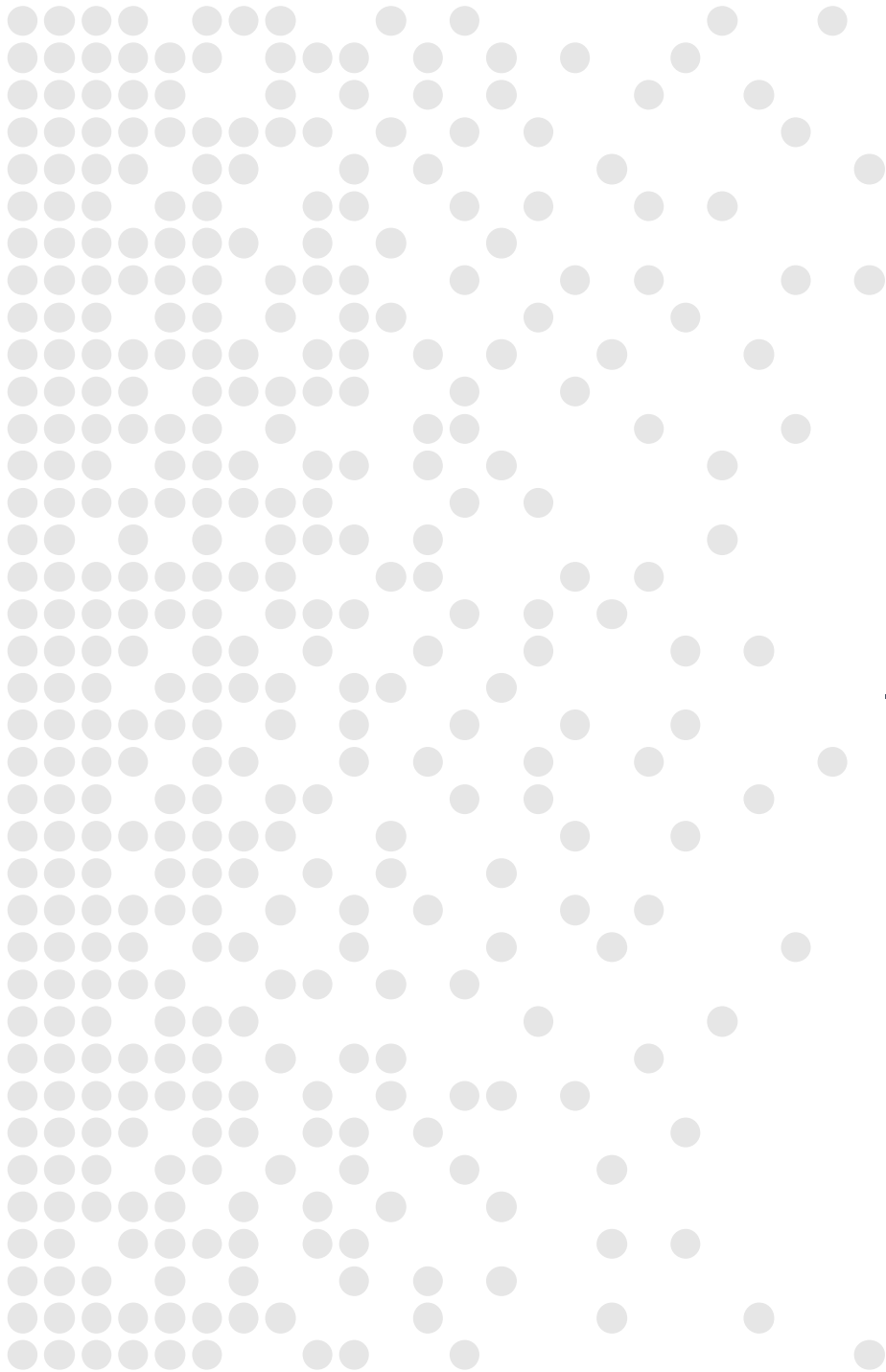
Annual Customer Bill - Based on 180 cu.m. of usage and 3/4" meter



Annual rate increases have been set at 2% under the base case scenario.

Annual Customer Water and Wastewater Bill - Based on 180 m<sup>3</sup> of usage 3/4" meter

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Monthly Base Rate - Water & Wastewater	\$59.50	\$60.69	\$61.90	\$63.14	\$64.40	\$65.69	\$67.00	\$68.34	\$69.71	\$71.10
Variable Rate	1.36	1.39	1.42	1.45	1.48	1.51	1.54	1.57	1.60	1.63
<b>Annual Base Rate Bill</b>	<b>\$714</b>	<b>\$728</b>	<b>\$743</b>	<b>\$758</b>	<b>\$773</b>	<b>\$788</b>	<b>\$804</b>	<b>\$820</b>	<b>\$837</b>	<b>\$853</b>
Volume	180	180	180	180	180	180	180	180	180	180
<b>Annual Volume Bill</b>	<b>\$245</b>	<b>\$250</b>	<b>\$256</b>	<b>\$261</b>	<b>\$266</b>	<b>\$272</b>	<b>\$277</b>	<b>\$283</b>	<b>\$288</b>	<b>\$293</b>
<b>Total Annual Bill</b>	<b>\$959</b>	<b>\$978</b>	<b>\$998</b>	<b>\$1,019</b>	<b>\$1,039</b>	<b>\$1,060</b>	<b>\$1,081</b>	<b>\$1,103</b>	<b>\$1,125</b>	<b>\$1,147</b>
<b>\$ Increase - Total Annual Bill</b>		<b>\$20</b>	<b>\$20</b>	<b>\$20</b>	<b>\$21</b>	<b>\$21</b>	<b>\$21</b>	<b>\$21</b>	<b>\$22</b>	<b>\$22</b>



## Additional Scenarios

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### Municipality of Wawa LTFP



## Scenario 2: 1% Additional Increase to Rates (both tax and rate supported)

- The rate increases under the base case provide for a reduced level of capital spending over the forecast period. In order to maintain the level of capital spending over the ten years, additional rate increases were analyzed for both the tax- and rate-supported budgets.
- This scenario increases the Municipality's property tax rate and water/wastewater rate annual increase by an additional 1% on top of the Base Case presented in Scenario 1.
  - Property Tax Increases: 4% Annually
  - Water/Wastewater Rate Increases: 3% Annually
- **Tax-supported Observations:**
  - This level of rate increases provides for an average annual capital expenditure of \$1.4 million (excluding grant funded expenditures)
    - This is in comparison to the average annual amount of \$1 million of capital spending provided under the base case scenario
  - This scenario provides for a sustained level of capital funding from the operating budget over the forecast period.
- **Rate-supported Observations:**
  - This level of rate increases provides for an average annual capital expenditure of \$970,000 (excluding grant funded expenditures)
    - This is in comparison to the average annual amount of \$900,000 of capital spending provided under the base case scenario.
  - This scenario provides for a moderate increase in the level of capital funding from the operating budget over the forecast period.





# Scenario Analysis – Scenario 2

1% additional annual rate increases (4% tax rate increases, 3% water/wastewater rate increases)

## Tax Supported:

- Impacts on additional funds available as a result of adjusting the annual tax rate increase from 3% to 4% were analyzed.
- The tax bill impacts are as follows:

Tax Bill Based on Average Residential Home Assessment (\$100,000)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Average Tax Bill - Scenario 2	\$2,653	\$2,759	\$2,869	\$2,984	\$3,103	\$3,227	\$3,356	\$3,491	\$3,630	\$3,775
<b>Annual Increase - Base Case (\$)</b>		<b>\$80</b>	<b>\$82</b>	<b>\$84</b>	<b>\$87</b>	<b>\$90</b>	<b>\$92</b>	<b>\$95</b>	<b>\$98</b>	<b>\$101</b>
<b>Incremental Increase Under Scenario 2 (\$)</b>		<b>\$27</b>	<b>\$28</b>	<b>\$30</b>	<b>\$32</b>	<b>\$35</b>	<b>\$37</b>	<b>\$39</b>	<b>\$42</b>	<b>\$44</b>
<b>Total Annual Increase - Scenario 2(\$)</b>		<b>\$106</b>	<b>\$110</b>	<b>\$115</b>	<b>\$119</b>	<b>\$124</b>	<b>\$129</b>	<b>\$134</b>	<b>\$140</b>	<b>\$145</b>

## Rate Supported:

- Rate increases were adjusted from 2% annual increases to 3% both on the base and volume charges.
- The impacts on the water/wastewater bill are as follows:

Average Residential Water & Wastewater Bill	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Annual Bill - Scenario 2	\$959	\$987	\$1,017	\$1,047	\$1,077	\$1,110	\$1,144	\$1,179	\$1,214	\$1,250
<b>Annual Increase - Base Case (\$)</b>		<b>\$20</b>	<b>\$20</b>	<b>\$20</b>	<b>\$21</b>	<b>\$21</b>	<b>\$21</b>	<b>\$21</b>	<b>\$22</b>	<b>\$22</b>
<b>Incremental Increase Under Scenario 2 (\$)</b>		<b>\$7</b>	<b>\$9</b>	<b>\$11</b>	<b>\$12</b>	<b>\$12</b>	<b>\$13</b>	<b>\$13</b>	<b>\$13</b>	<b>\$14</b>
<b>Annual Increase (\$)</b>		<b>\$27</b>	<b>\$29</b>	<b>\$32</b>	<b>\$32</b>	<b>\$33</b>	<b>\$34</b>	<b>\$35</b>	<b>\$35</b>	<b>\$36</b>

In addition to the annual increase under the base case, an additional \$34-\$58 would be added to the average residential customer's tax and water/wastewater bills.



# Scenario 3: Fully-Funding AMP Requirements (both tax and rate supported)

- Under this scenario, an additional asset management provision has been phased in beginning in 2024 on both tax and rate budgets. The phase-in has been assumed evenly over ten years such that the Municipality would be fully funding asset management needs as per the AMP by 2034.
- **Tax-Supported:**
  - Over the ten-year forecast period, tax rate increases would average 5.1% annually
  - This level of rate increases provides for an average annual capital expenditure of \$1.7 million (excluding grant funded expenditures)
    - This is in comparison to the average annual amount of \$1 million of capital spending provided under the base case scenario, and \$1.4 million under Scenario 2
- **Rate-supported Observations:**
  - Over the ten-year forecast period, rate increases would average 7.0% annually
  - Average annual capital-related expenditures and transfers average \$1.3 million per year for rate-supported capital (excluding grant funded expenditures)
    - This is in comparison to the \$900,000 average annual amount provided for under the base case, and \$970,000 under Scenario 2.



# Scenario Analysis – Scenario 3

## Fully Funding AMP Requirements

### Tax Supported:

- To meet the AMP recommended annual level of spending of \$2.5 million (2022\$) by 2034, the following tax rate increases on the average bill are observed:

Tax Bill Based on Average Residential Home Assessment (\$100,000)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Average Tax Bill - Scenario 3	\$2,653	\$2,732	\$2,900	\$3,074	\$3,254	\$3,441	\$3,634	\$3,833	\$4,039	\$4,253
<b>Annual Increase - Base Case (\$)</b>		<b>\$80</b>	<b>\$82</b>	<b>\$84</b>	<b>\$87</b>	<b>\$90</b>	<b>\$92</b>	<b>\$95</b>	<b>\$98</b>	<b>\$101</b>
<b>Incremental Increase Under Scenario 3 (\$)</b>		<b>\$0</b>	<b>\$86</b>	<b>\$90</b>	<b>\$93</b>	<b>\$97</b>	<b>\$101</b>	<b>\$104</b>	<b>\$108</b>	<b>\$113</b>
<b>Total Annual Increase - Scenario 3 (\$)</b>		<b>\$80</b>	<b>\$168</b>	<b>\$174</b>	<b>\$180</b>	<b>\$186</b>	<b>\$193</b>	<b>\$199</b>	<b>\$206</b>	<b>\$213</b>

### Rate Supported:

- To meet the AMP recommended annual level of spending of \$1.8 million (2022\$) by 2034, the following increases on the average residential customer's bill are observed:

Average Residential Water & Wastewater Bill	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Annual Bill - Scenario 3	\$959	\$978	\$1,064	\$1,155	\$1,246	\$1,338	\$1,436	\$1,540	\$1,646	\$1,753
<b>Annual Increase - Base Case (\$)</b>		<b>\$20</b>	<b>\$20</b>	<b>\$20</b>	<b>\$21</b>	<b>\$21</b>	<b>\$21</b>	<b>\$21</b>	<b>\$22</b>	<b>\$22</b>
<b>Incremental Increase Under Scenario 3 (\$)</b>		<b>\$0</b>	<b>\$66</b>	<b>\$70</b>	<b>\$71</b>	<b>\$71</b>	<b>\$77</b>	<b>\$82</b>	<b>\$84</b>	<b>\$85</b>
<b>Annual Increase (\$)</b>		<b>\$20</b>	<b>\$86</b>	<b>\$91</b>	<b>\$91</b>	<b>\$92</b>	<b>\$98</b>	<b>\$104</b>	<b>\$106</b>	<b>\$108</b>

In addition to the annual increase under the base case, an additional \$152-198 would be added to the average residential customer's tax and water/wastewater bills.



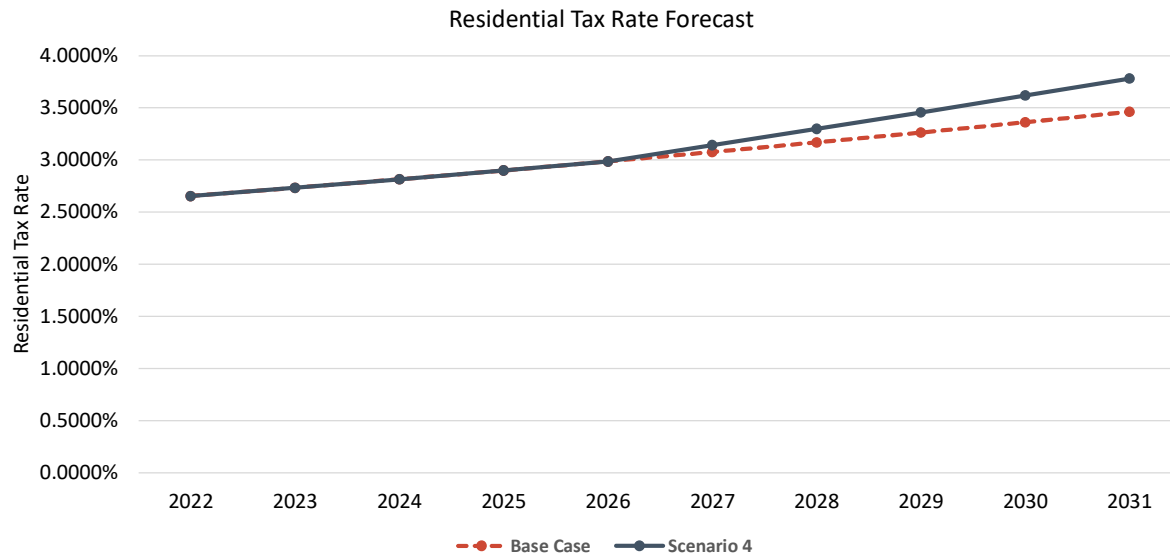
## Scenario 4: Base Case with the removal of hydro dam grant (phased out over time)

- The Municipality received approximately \$2.4 million in hydro dam grant revenue in 2021. In order to demonstrate the impacts of a reduction in this grant revenue, this scenario provides for a decrease in the grant by an additional \$200,000 per year beginning in 2027 (i.e. a 12-year phase-out).
  - By 2031, the phase-out would provide for revenues of \$1.4 million.
- It is noted that the contribution by the Municipality to the Algoma District Services Administration Board would decrease if the hydro dam grant revenue were to decrease. As a result, this expense was also reduced by approximately \$75,000 per year.
- Tax rate increases between 2027-2031 would average 4.8% annually (versus the base case annual increase of 3%). Further tax rate increases would be observed beyond 2031 if the grant revenue was fully phased out



# Scenario Analysis – Scenario 4

## Base Case with Phase out of Hydro Dam Grant



Tax Bill Based on Average Residential Home Assessment (\$100,000)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Average Tax Bill - Scenario 4	\$2,653	\$2,732	\$2,814	\$2,899	\$2,986	\$3,141	\$3,298	\$3,456	\$3,618	\$3,781
<b>Annual Increase - Base Case (\$)</b>		\$80	\$82	\$84	\$87	\$90	\$92	\$95	\$98	\$101
<b>Incremental Increase Under Scenario 4 (\$)</b>		\$0	\$0	\$0	\$0	\$65	\$65	\$64	\$63	\$62
<b>Total Annual Increase - Scenario 4</b>		\$80	\$82	\$84	\$87	\$155	\$157	\$159	\$161	\$163

In addition to the annual increase under the base case, an additional \$62-65 would be added to the average residential customer's tax bill beginning in 2027.



# Comparison of Rates

## Tax Supported:

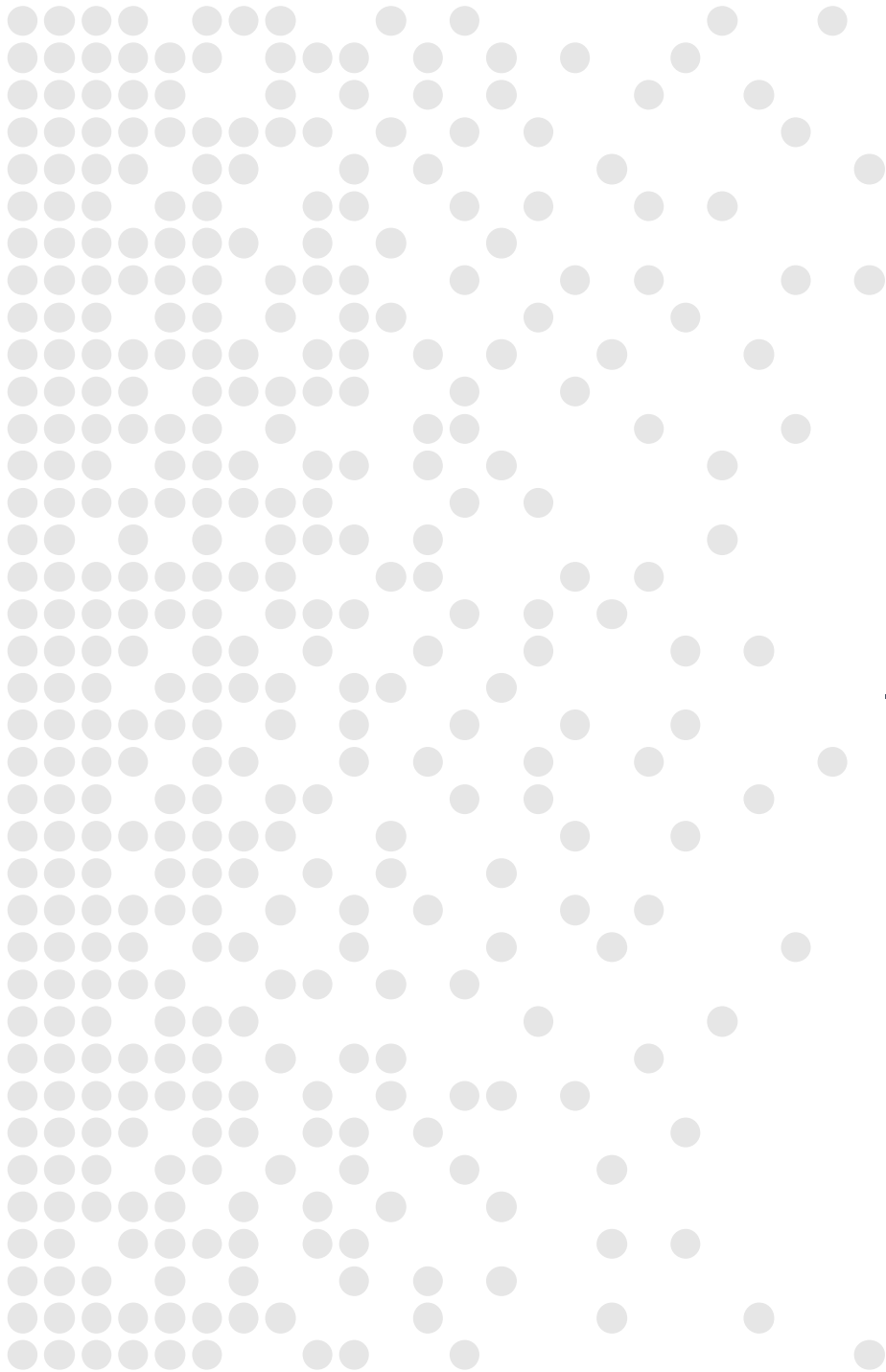
Tax Bill Based on Average Residential Home Assessment (\$100,000)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Scenario 1 - Base Case	\$2,653	\$2,732	\$2,814	\$2,899	\$2,986	\$3,075	\$3,167	\$3,262	\$3,360	\$3,461
Scenario 2 - 4% Annual Increases	\$2,653	\$2,759	\$2,869	\$2,984	\$3,103	\$3,227	\$3,356	\$3,491	\$3,630	\$3,775
Scenario 3 - Funding of AMP Requirements	\$2,653	\$2,732	\$2,900	\$3,074	\$3,254	\$3,441	\$3,634	\$3,833	\$4,039	\$4,253
Scenario 4 - Phase out of Dam Grant	\$2,653	\$2,732	\$2,814	\$2,899	\$2,986	\$3,141	\$3,298	\$3,456	\$3,618	\$3,781

Annual Percentage Increases by Scenario	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Scenario 1 Annual Increase (%)		3%	3%	3%	3%	3%	3%	3%	3%	3%
Scenario 2 Annual Increase (%)		4%	4%	4%	4%	4%	4%	4%	4%	4%
Scenario 3 Annual Increase (%)		3%	6%	6%	6%	6%	6%	5%	5%	5%
Scenario 4 Annual Increase (%)		3%	3%	3%	3%	5%	5%	5%	5%	5%

## Rate Supported:

Average Residential Water & Wastewater Bill	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Scenario 1 - Base Case	\$959	\$978	\$998	\$1,019	\$1,039	\$1,060	\$1,081	\$1,103	\$1,125	\$1,147
Scenario 2 - 3% Annual Increases	\$959	\$987	\$1,017	\$1,047	\$1,077	\$1,110	\$1,144	\$1,179	\$1,214	\$1,250
Scenario 3 - Funding of AMP Requirements	\$959	\$978	\$1,064	\$1,155	\$1,246	\$1,338	\$1,436	\$1,540	\$1,646	\$1,753
Scenario 4 - Phase out of Dam Grant	\$959	\$978	\$998	\$1,019	\$1,039	\$1,060	\$1,081	\$1,103	\$1,125	\$1,147

Annual Percentage Increases by Scenario	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Scenario 1 Annual Increase (%)		2%	2%	2%	2%	2%	2%	2%	2%	2%
Scenario 2 Annual Increase (%)		3%	3%	3%	3%	3%	3%	3%	3%	3%
Scenario 3 Annual Increase (%)		2%	9%	9%	8%	7%	7%	7%	7%	7%
Scenario 4 Annual Increase (%)		2%	2%	2%	2%	2%	2%	2%	2%	2%



## Observations for Council's Consideration

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Municipality of Wawa LTFP



# Observations for Council's Consideration

- Based on the scenarios presented, the capital program has a significant impact on the tax- and rate-supported budgets.
- At a minimum, to maintain the Municipality's current level of capital spending, further rate increases are recommended beyond the base case presented (see Scenario 2)
  - At the current level of spending, the Municipality's asset management needs as outlined in the AMP are not being met. To move towards meeting these requirements, the level of rate increases would require a further increase over Scenario 2, especially for the water/wastewater budget.
- The Municipality has a heavy reliance on grant revenue to fund the capital program. The Municipality's success in securing grant revenue will need to be monitored over time as infrastructure continues to age. In the future, certain works that are currently contingent on grants may be required to be undertaken regardless of grant funding, due to the critical nature of the works.
- In addition to capital grants, the Municipality's tax-supported budget is reliant on hydro dam grant revenue. If this stream of revenue is removed, the Municipality will face funding issues and may have to increase tax rates (as observed in Scenario 4).
- This analysis is presented at a high level in order to provide Council with an understanding of longer-term trends and risk factors.
  - The annual rate increases and capital/operating budget impacts will need to be reviewed on an annual basis through the Municipality's budgeting process as new information becomes available.



