

2023

Water & Wastewater Budget

Council-in-Budget Committee

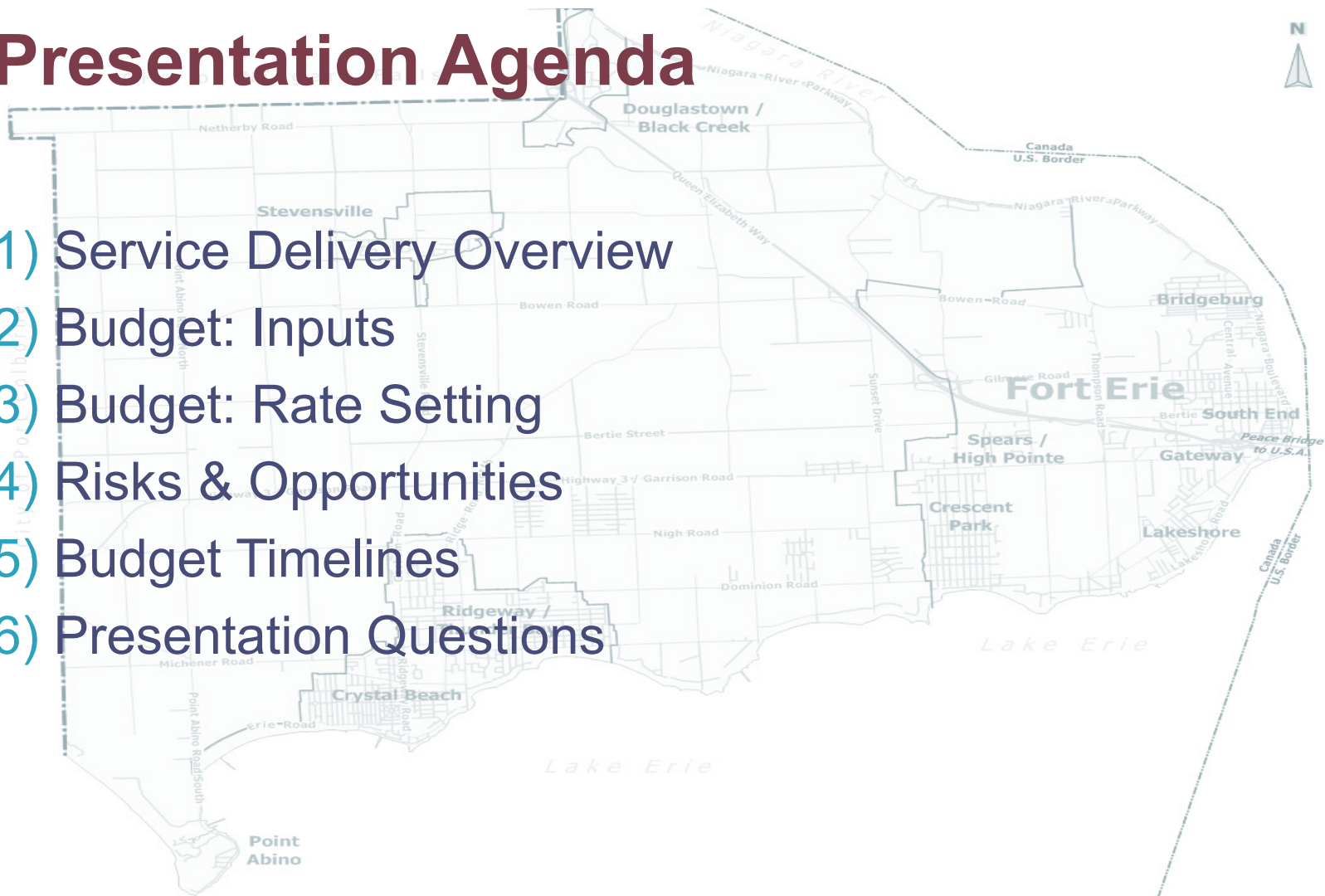
Report No. **CBC-03-2023**

January 18, 2023

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Presentation Agenda

- 1) Service Delivery Overview
- 2) Budget: Inputs
- 3) Budget: Rate Setting
- 4) Risks & Opportunities
- 5) Budget Timelines
- 6) Presentation Questions



1) Service Delivery Overview System

- Customers: 14,167 (95% res + 5% ICI)
- System:
 - 278 km watermains
 - 200 km sanitary sewers
- Safe Drinking Water Act
- Legislated Full Cost Recovery
- Reliable system (safe, availability, flow & pressure)
- Quality of Life
 - Eliminate basement flooding/sewer backups
 - Protection of natural environment
 - Cost control



1) Service Delivery Overview

Responsibilities

Municipal Officials

- Legislative resources (e.g., “Taking Care of Your Drinking Water – A Guide For Members Of Municipal Councils”)
- Training (e.g., “Standard of Care” presentation for all municipal Councils coordinated by Region in early 2019).

Corporate & Community Services

- Billing & Collections
- Customer Service, Digital Services

Infrastructure Services

- Engineering & Capital
- Operations & Maintenance, Compliance
- Customer Service

1) Service Delivery Overview

Operational Commitments

✓ Legislative Compliance

- Conformance and Maintenance of Accreditation.

✓ Reduce Infiltration to Sanitary Sewer System

- Capital investment, extraneous flow programs, capturing new development issues before they start, sewer flow monitoring.

✓ Reduce 'Non-Revenue' Water Volumes

- Capital investment, Water Meter Exchange program, leak detection, tracking, maintenance programs, smart hydrants pressure monitoring and acoustic detection.

1) Service Delivery Overview

Operational Challenges

- **Geography & Geology:** relatively low customer density to support vast infrastructure.
- **Watermain breaks:** 33 in 2022 down compared to 37 in 2021 and historical average of 50.
- **Legislative requirements:** ICL/ECA Wastewater Storm Sewers, Excess Soils (O.Reg 406/19), Getting Ontario Connected Act (Bill 93).
- **Meter program:** Commercial and industrial meter replacement. 2024 program initiated in 2023 due to supply issues.
- **Work orders:** outstanding meter & billing issues.

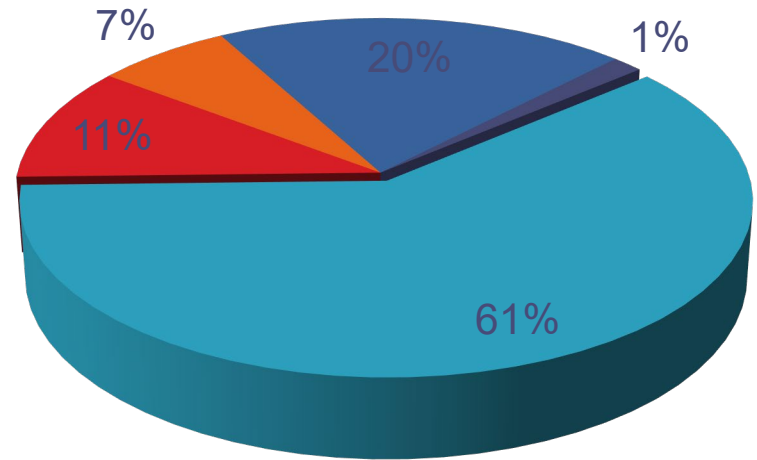
2) Budget: Inputs Overview

Customer Rates are a function of:

1. Expenses & Other Revenues
 - a) Region - Treatment Costs
 - b) Town - Expenses (i.e., operations, billing) and other revenues
 - c) Town - Financing & Transfers
2. Rate Setting
 - a) Customer volumes
 - b) Town's billing methodology

2) Budget: Inputs Total Expenses

| Expense | Amount | % |
|----------------------|---------------------|-------------|
| Region Treatment | \$13,360,150 | 61% |
| Wages & Benefits | 2,337,220 | 11% |
| Materials & Supplies | 1,478,057 | 7% |
| Reserve transfers | 4,480,036 | 20% |
| Debt Costs | 342,199 | 1% |
| Total | \$21,997,662 | 100% |



Note: CBC-03-2023 Appendix “1” contains the above information for prior actual/budget and forecast periods. Appendix “2” contains highlights of budget changes.

2) Budget: Inputs

Region - Treatment Costs

Regional billing methodology unchanged:

- **Water** charge: 75% variable and 25% fixed.
- **Wastewater** charge
 - 100% fixed apportioned on prior 3 year average volumes.
 - 2023 reconciliation adjustment for 2021 actual flows is a charge of **\$200,000** as volumes were lower than estimated.
 - 2024 estimate is credit using 2022 YTD actual flows.
- **Fort Erie** responsible for risk of collections and volumes (e.g., system losses), other than some shared risk with water.

2) Budget: Inputs

Region - Treatment Costs

Increase in Regional budget = \$1,046,708 or 5.14%

- Decreased \$94,824 for Town efforts to reduce volumes:
 - FE water volume share: up **3.0%**.
 - FE wastewater volume share: down **2.0%**.
- >61% of Town's budget
- Region: Budget Review Jan 12 & Council By-law Jan 19.
 - Net budget increase: **8.6%** (Water **5.2%** Wastewater **10.6%**).
 - FE Budget includes **8.2%** approved in budget guidance and uses the same rate for 2024 to 2028 forecasts.

2) Budget: Inputs

Town - Expenses & Other Revenue

Increase in budget of \$299,509 or 1.48%

- Inflation of 7.6% (CS-16-2022, Jul/22) for capital reserves.
- Increased other revenue (i.e., fees).
- Increased wages & benefits of \$84K.
- Increased materials & services of \$142K with focus on reducing non-revenue water and extraneous wastewater flows. Includes overhead costs (e.g., CSU, fleet, finance, insurance).
- Debt charges stable (no matured debt to repurpose). Next debt maturities are in 2025 for Water and 2031 for Wastewater.

2) Budget: Inputs

Town - Program Expenses

Financial assistance Programs

- Water Emergency Relief Fund (WERF): \$8,000 for low income families.
- Seniors Utility Relief Fund (SURF): \$30,000 for low income seniors. Increased 25% in 2021.
- Extraneous Flow Reduction Program: \$50,000 for customer subsidy for works to reduce inflow and infiltration.

2) Budget: Inputs

Town - Financing & Transfers

- Rate Stabilization Reserves (RSR) are key to mitigating annual increases due to:
 - Unknown Regional budget increases.
 - Unknown proportionate share changes.
 - Unknown future treated volumes (e.g., 2024 adjustment expected to be credit).

2) Budget: Inputs

Town - Financing & Transfers

Increase in budget of \$78,908 or 0.39%

- Decrease RSR transfers of \$134,000 related to funding one-time studies.
- Decrease transfers to fund reconciliation charge of \$99,172 from Sewer RSR (\$200,000 less 2021 \$100,828).
- Increase in AMP capital contributions of \$312,080 for inflationary measures.

2) Budget: Inputs

Capital Reserve Funding

- Capital Budget presented to Council December 7.
- Proposed 2023 changes reflect \$11,667 of new amortization and \$312,080 of inflation included at 7.6%.
- “% of Target” adjusted to show 2-yr impact of unfunded extraordinary inflation of 22.4% (2022) and 26.5% (2023).

| Reserve | 2022 Actual | 2023 new Amort | 2023 Inflation | 2023 Proposed | 2023 Target contribution |
|--------------------|-------------|----------------|----------------|---------------|--------------------------|
| Water Capital | \$2,279,771 | \$7,667 | \$173,260 | \$2,460,698 | \$3,417,518 |
| Wastewater Capital | 1,826,518 | 4,000 | 138,820 | 1,969,338 | 2,740,128 |
| TOTAL | \$4,106,289 | \$11,667 | \$312,080 | \$4,430,036 | \$6,157,646 |
| % of Target | 85% | | | 72% | 100% |

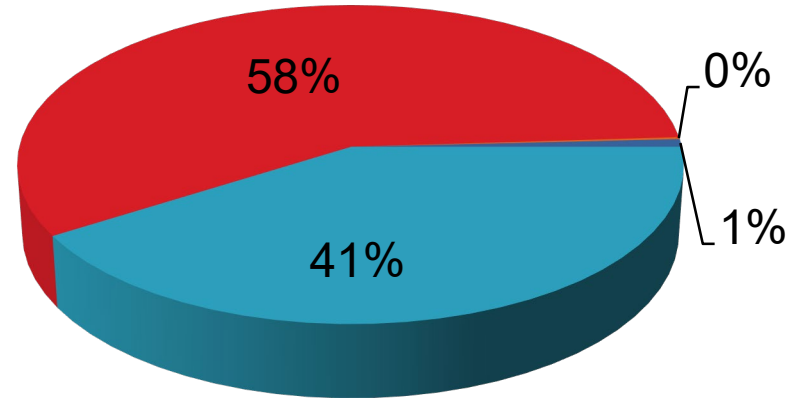
2) Budget: Inputs Revenue & Expense Summary

| | \$ 2022 Budget | \$ 2023 Budget | \$ Increase/ (decrease) | % Increase/ (decrease) of Total |
|--------------------------------|----------------------|----------------------|-------------------------------|---------------------------------------|
| Prior Rate Revenue | | | \$20,352,134 | |
| Net cost – FE | 7,963,040 | 8,341,457 | 378,417 | 1.86% |
| Treatment cost – Region budget | 12,389,094 | 13,440,150 | 1,051,056 | 5.16% |
| Budget increase | | | \$1,429,473 | 7.02% |
| Final Rate Revenue | \$20,352,134 | \$21,781,607 | \$21,781,607 | |

3) Budget: Rate Setting

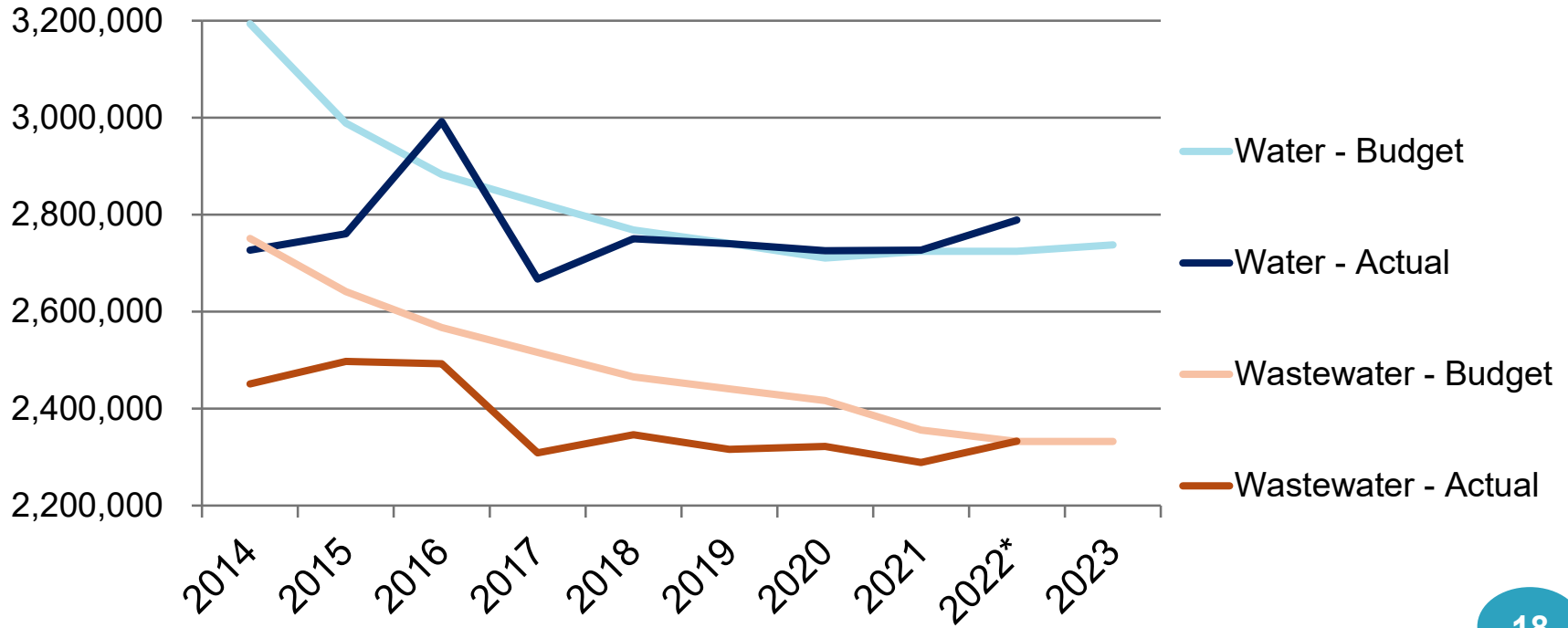
Total Revenue

| Revenue | Amount | % |
|---------------------------------|---------------------|-------------|
| Wastewater Billings | \$12,751,623 | 58% |
| Water Billings | 9,029,984 | 41% |
| Interest, Penalties & user fees | 172,500 | 1% |
| Local Improvement Charges | 43,555 | 0% |
| Total | \$21,997,662 | 100% |



3) Budget: Rate Setting

Volume Budget vs. Actual (m3)



* 2022 is estimated using YTD volumes

3) Budget: Rate Setting Volume Assumptions

- Major historical volume gap addressed over last 8 years.
- Water Consumption: Volume of 2.74M m³ in rate calc
 - Increase 13,621m³ or 0.50% from 2022 volumes.
 - Just below 3-yr and 5-yr averages.
- Wastewater Treatment: Volume of 2.33M m³ in rate calc
 - No change over 2022 volumes.
 - Just over 3-yr and 5-yr averages.

3) Budget: Rate Setting

Base charge

Base charge for stability and sufficiency:

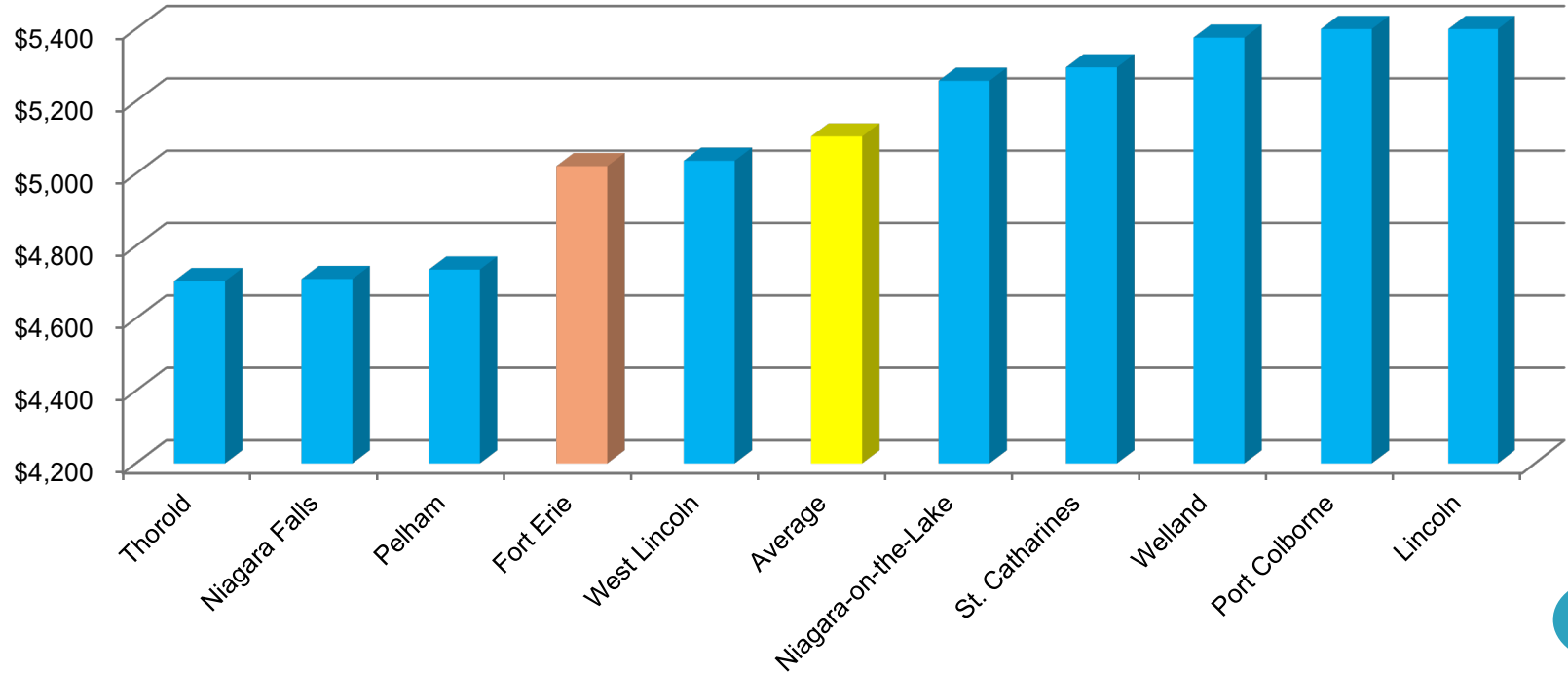
- 2023 combined monthly base of **\$68.22**.
- Water: 1.0% increase over 2022.
- Wastewater: 1.0% increase over 2022.

Niagara base average is 46% of monthly bill

- Fort Erie 2022 was 53%; 2023 is 51%.
- Fort Erie 3rd highest in Niagara in 2022. Challenge due to low customers per km of infrastructure.
- 5-yr forecast decreases to just below 50%.

3) Budget: Rate Setting

Municipal Burden Comparison



Source: BMA Municipal Study 2022

3) Budget: Rate Setting

Volumetric rate

Volumetric Rates for **control & conservation**:

- **\$3.726/m³** 2022 current combined rate
- **\$4.102/m³** 2023 proposed combined rate, or 10.1% increase

Niagara combined volumetric rate for 2022:

- Average 2022 of **\$3.352/m³**, min of **\$1.307/m³**, max of **\$4.774/m³**.
- TOFE 2023 of **\$4.102/m³** above 2022 avg.

3) Budget: Rate Setting

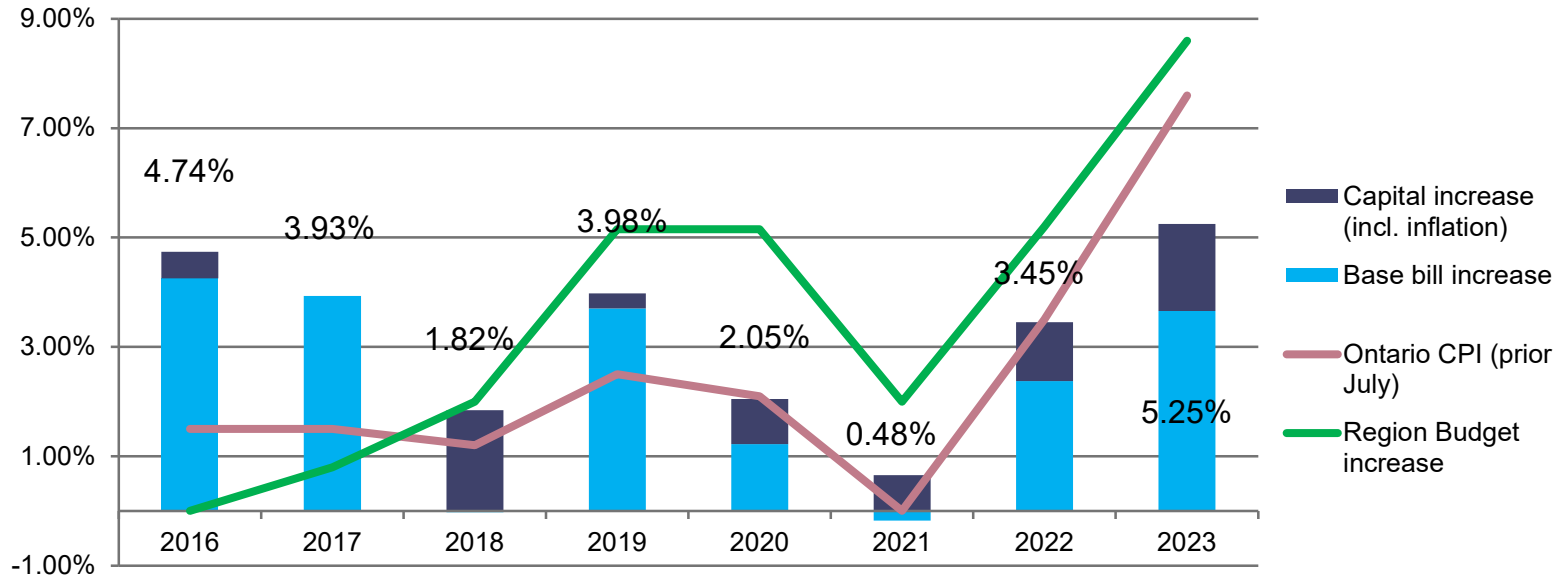
| Avg Monthly Bill | 2022 | 2023 | % increase/ (decrease) | \$ increase/ (decrease) |
|---------------------------------------|-----------------|-----------------|---------------------------|----------------------------|
| Water base charge | \$25.25 | \$25.50 | 1.00% | \$0.25 |
| Water rate charge: \$1.607 *16m3 | \$23.44 | \$25.71 | 9.70% | \$2.27 |
| Water monthly | \$48.69 | \$51.21 | 5.18% | \$2.52 |
| Wastewater base charge | \$42.30 | \$42.72 | 1.00% | \$0.42 |
| Wastewater rate charge: \$2.495 *16m3 | \$36.18 | \$39.92 | 10.3% | \$3.74 |
| Wastewater monthly | \$78.48 | \$82.64 | 5.30% | \$4.16 |
| Monthly total | \$127.17 | \$133.85 | 5.25% | \$6.68 |
| Annual total | \$1,526 | \$1,606 | 5.25% | \$80 |

Household cost of \$4.40 per day
Based on average consumption of 16m³/month

3) Budget: Rate Setting

Rate History & Forecast

Water & Wastewater bill increase by year



Forecast for 2024-2028 is approx. **5.98%** per year and includes Region increase of **8.20%** per year

4) Risks

- **Volumetric rate:** revenue risk from volume variances impacted by consumer shifts such as large consumer changes, aging population uses less water per household than family.
- **Weather:** consumption, treatment volumes & maintenance costs.
- **Billing frequency:** monthly based on AWWA best practice & assists with leak detection & customer cash flow.
- **Legislative compliance:** DWQMS, CLI/ECA wastewater systems
- **Comparisons:** relatively high residential & low non-res rates.
- **Inflation:** high rate (7.6%) extended beyond July 2022.

4) Opportunities

- **Reserves:** below provincial avg but forecasts stable.
- **Grant funding:** applying for available programs (CSO, OCIF).
- **Meter change out program:** reduced meter reading costs, improved customer service & accuracy.
- **Condition assessments:** more precise capital investments.
- **Extraneous flows:** continued reduction of extraneous flows

Example photo: infiltration
sewer maintenance hole →



5) Conclusion

Key Messages

- **Costs:** Town increase of 1.88% + Region increase of 5.14% for a combined budget increase of 7.02%.
- **Rates:** When distributed over estimated volumes for 2023, the net increase for the average household is **5.25%**.
- **Capital:** Infrastructure gaps identified in the 2019 AMP are funded with reserve transfers. Water and wastewater capital was presented and approved on December 7.
- **Debt:** No new debt budgeted or forecasted. Existing debt maturing in 2025 and 2031 will provide additional funding options.
- **Further information:** Related resources available on Town website, including 20 “Frequently Asked Questions”.

5) Conclusion

Budget Timelines

| | Capital | Fees | Rate | Levy |
|-----------------------------------|--------------------|--------|--------|--------|
| Submissions to Corporate Services | Oct 14 | Nov 11 | Nov 11 | Dec 9 |
| Senior Leadership review | Nov 23 | Nov 23 | Dec 21 | Jan 31 |
| Budget Committee package | Nov 30 | Nov 30 | Jan 11 | Feb 8 |
| Budget Committee meeting | Dec 7 | Dec 7 | Jan 18 | Feb 15 |
| Council approval | Dec 12 & Feb 27 | Dec 12 | Jan 23 | Feb 27 |

6) Presentation Questions



Please refer to Council Report No. [CBC-03-2023](#) for recommendations and further information