



2024 Water & Wastewater Budget

Council-in-Budget Committee

Report No. CBC-03-2024

December 6, 2023



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: 14,215 (95% res + 5% ICI)
- System:
 - 282 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, Digital Services
 - Customer Service
- 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 such as targeted sewer and maintenance hole relining, 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:** 24 in 2023, 33 in 2022, 37 in 2021 compared to 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; collections from connected, vacant developments.

2) Budget - Inputs: Overview

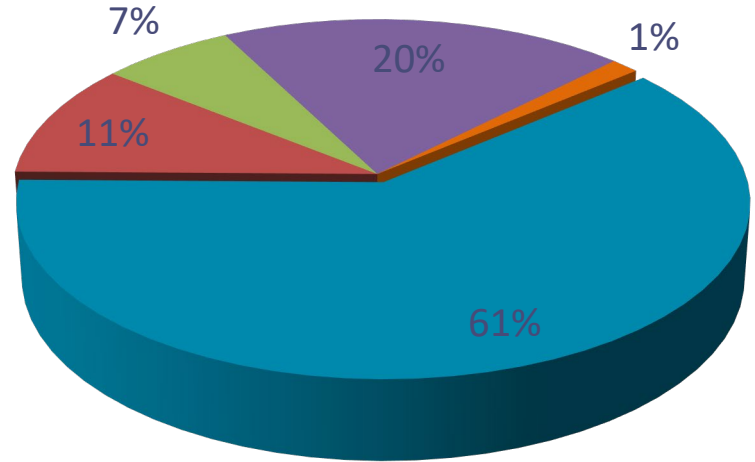
Customer Rates are a function of:

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 (incl Supp)

Expense	Amount	%
Region Treatment	\$14,543,649	61%
Wages & Benefits	2,487,342	11%
Materials & Supplies	1,574,613	7%
Reserve transfers	4,771,329	20%
Debt Costs	334,952	1%
Total	\$23,711,885	100%



Note: [CBC-03-2024](#) 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.
 - 2024 reconciliation adjustment for 2022 actual flows is a credit of **\$218,160** as volumes were lower than estimated.
 - 2025 estimate is credit using 2023 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 treatment costs = \$1,303,499 or 6.05%

- Increased \$206,578 to reflect volumes:
 - FE water volume share: up **5.9%**.
 - FE wastewater volume share: down **0.3%**.
- >61% of Town's budget
- Region: Budget Review Nov 2 & Council By-law Nov 16.
 - Net budget increase: **7.95%** (Water **4.40%** Wastewater **9.90%**).
 - FE Budget includes **7.15%** (Water **4.30%** Wastewater **8.48%**) for 2025 to 2029 forecasts.

2) Budget - Inputs: Town Expenses & Other Revenue

Increase in budget of \$154,534 or 0.71%

- Inflation of 6.5% (CS-08-2023, Jul/23) for capital reserves.
- Increased other revenue (i.e., fees).
- Increased wages & benefits of \$72K.
- Increased materials & services of \$167K 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): \$10,000 for low-income families.
- Seniors Utility Relief Fund (SURF): \$35,000 for low-income seniors.
(17% increase from 2023 last 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., 2025 adjustment expected to be credit).

2) Budget - Inputs: Town Financing & Transfers

Increase in budget of \$280,260 or 1.29%

- Decrease RSR transfers of \$7,700 related to funding one-time studies.
- Increase in AMP capital contributions of \$287,960 for inflationary measures.

2) Budget - Inputs: Capital Funding

- Capital Budget presented to Council November 15.
- Proposed 2024 changes reflect \$3,333 of new amortization and \$287,960 of inflation included at 6.5%.
- 3 additional Capital Projects to be considered (Report pg 4):
 - Maintenance Hole Rehabilitation (MANR24): \$400,000 from Sewer Refurbishing Reserve to reline 20 holes and reduce inflow and infiltration (I/I). Estimated 2024 savings of \$60,000.
 - Geophone Digital Leak Detection Equipment (GEOP24): \$25,000 from Water Refurbishing Reserve to replace existing equipment that aids in leak detection.
 - Correlator Leak Detection Equipment (CORE24): \$35,000 from Water Refurbishing Reserve to replace existing equipment that triangulates watermain breaks.
- 2024 AMP Update to refine capital program and financing strategy.

2) Budget - Inputs: Capital Funding

- “% of Target” adjusted to show the 2022-24 3-yr impact of unfunded extraordinary inflation using Non-Residential Construction Price Index (6.6%, 15.6%, 11.7%).
- Capital Budget noted the gap is large and depends on inflation assumptions, ranging from \$671K/yr (below, Non-Residential index) to \$2.14M/yr (Residential index, 69% funding).

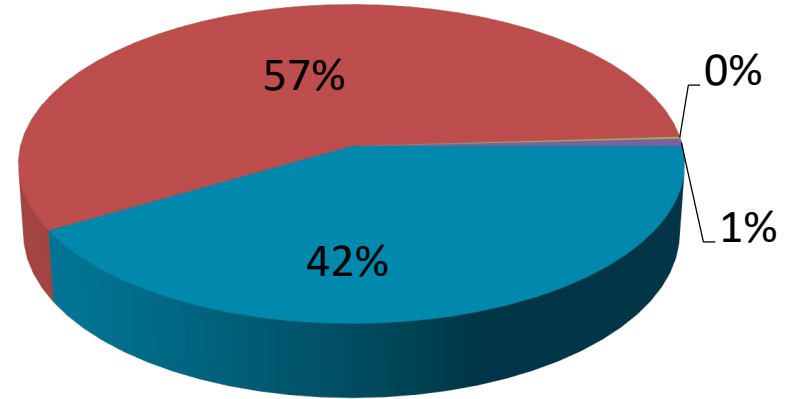
Reserve	2023 Actual	2024 new Amort	2024 Inflation	2024 Proposed	2024 Target contribution
Water Capital	\$2,460,698	\$3,333	\$159,950	\$2,623,981	\$3,042,611
Wastewater Capital	1,969,338	-	128,010	2,097,348	2,349,978
TOTAL	\$4,430,036	\$3,333	\$287,960	\$4,721,329	\$5,392,589
% of Target	88%			88%	100%

2) Budget - Inputs: Revenue & Expense Summary

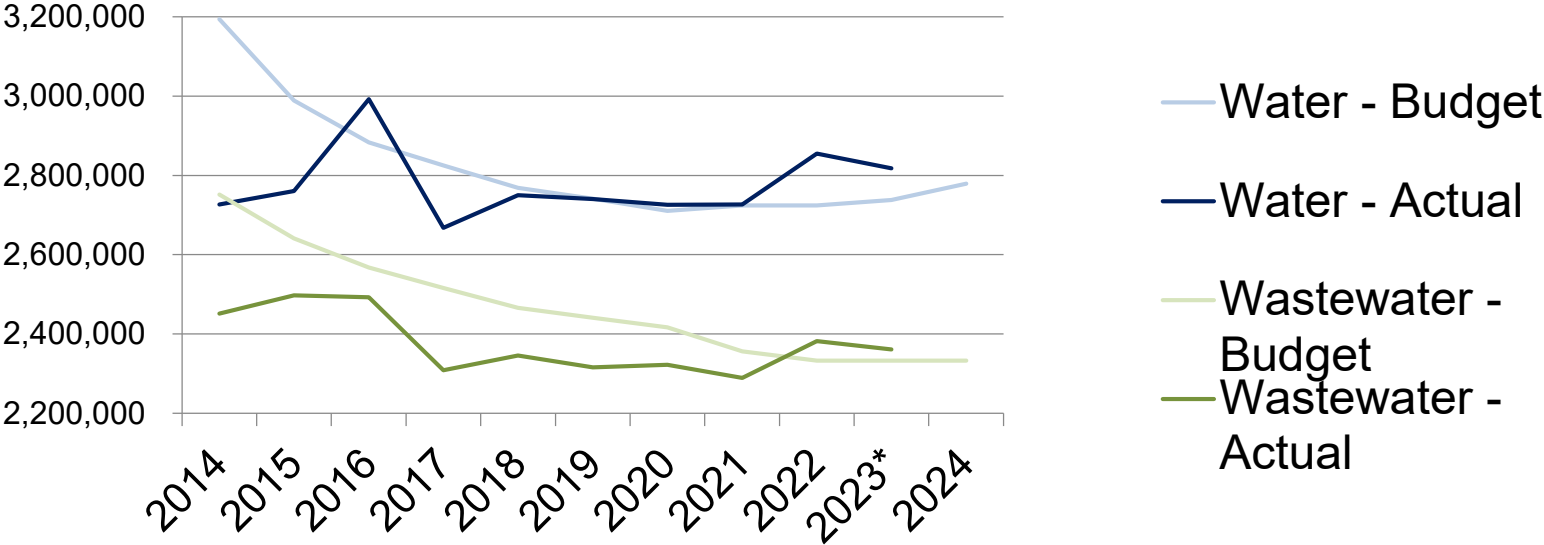
	\$ 2023 Budget	\$ 2024 Budget	\$ Increase/ (decrease)	% Change of Total	% Change over prior	% Change over prior NET FINAL
Prior Rate Revenue			\$21,571,607			
Net cost – FE	8,331,457	8,844,681	513,224	2.37%	6.16%	5.4% (38%)
Region treatment cost	13,240,150	14,543,649	1,303,499	6.05%	9.85%	8.7% (62%)
Budget increase			\$1,816,723	8.42%	8.42%	7.4% (100%)
Final Rate Revenue	\$21,571,607	\$23,388,330	\$23,388,330			

3) Budget - Rate Setting: Total Revenue (incl Supp)

Revenue	Amount	%
Wastewater Billings	\$13,566,946	57%
Water Billings	9,821,384	42%
Interest, Penalties & user fees	180,000	1%
Local Improvement Charges	43,555	0%
Total	\$23,611,885	100%



3) Budget - Rate Setting: Volume Budget vs. Actual (m3)



* 2023 is estimated using YTD volumes

3) Budget - Rate Setting: Volume Assumptions

- Major historical volume gap addressed over last 10 years.
- Water Consumption: Volume of 2.78M m³ in rate calc
 - Increase 41,069 m³ or 1.50% from 2023 volumes.
 - Just below 3-yr and 5-yr averages.
- Wastewater Treatment: Volume of 2.33M m³ in rate calc
 - No change over 2023 volumes.
 - Just below 3-yr and 5-yr averages.

3) Budget - Rate Setting: Base charge

Base charge for stability and sufficiency:

- 2024 combined monthly base of \$70.95.
- Water: 4.0% increase over 2023.
- Wastewater: 4.0% increase over 2023.

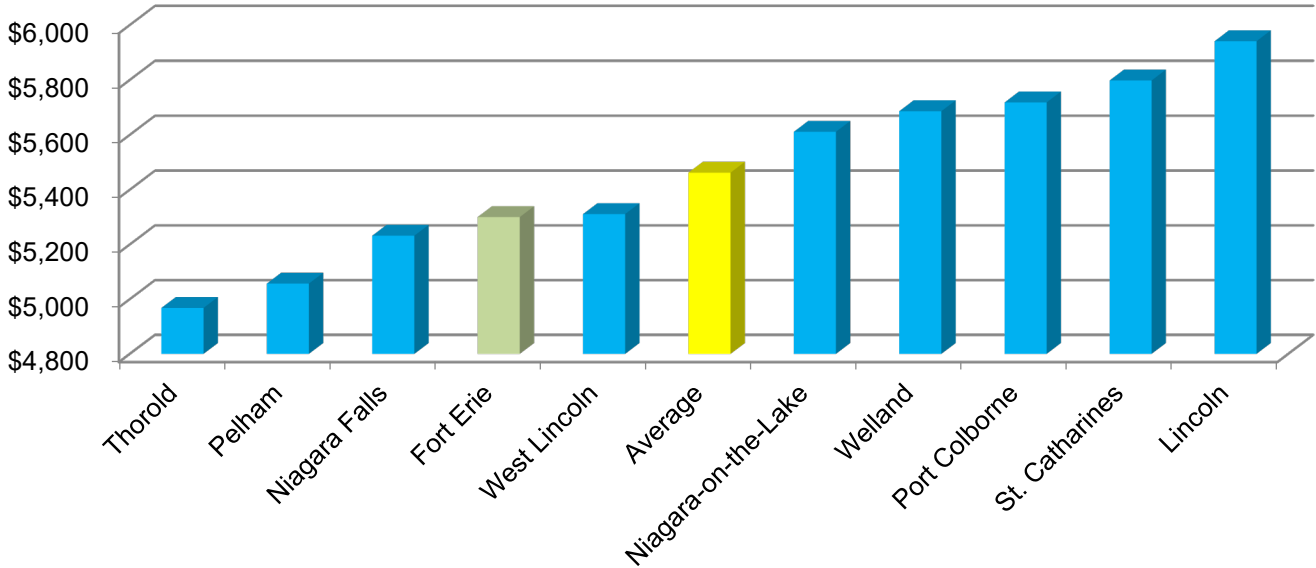
Niagara base average is 45% of monthly bill

- Fort Erie 2023 was 51%; 2024 is 50%.
- Fort Erie 2nd highest in Niagara in 2023.
Challenge due to low customers per km of infrastructure.
- 5-yr forecast decreases to 48%.



3) Budget - Rate Setting: Municipal Burden Comparison

Source: BMA Municipal Study 2023



3) Budget - Rate Setting: Volumetric rate

- Volumetric Rates for **control & conservation**:
 - **\$4.022/m³** 2023 current combined rate
 - **\$4.465/m³** 2024 proposed combined rate, or 11% increase
- Niagara combined volumetric rate for 2023:
 - Average 2023 of **\$3.634/m³**, min of **\$1.412/m³**, max of **\$5.512/m³**.
 - TOFE 2024 of **\$4.465/m³** above 2023 avg.



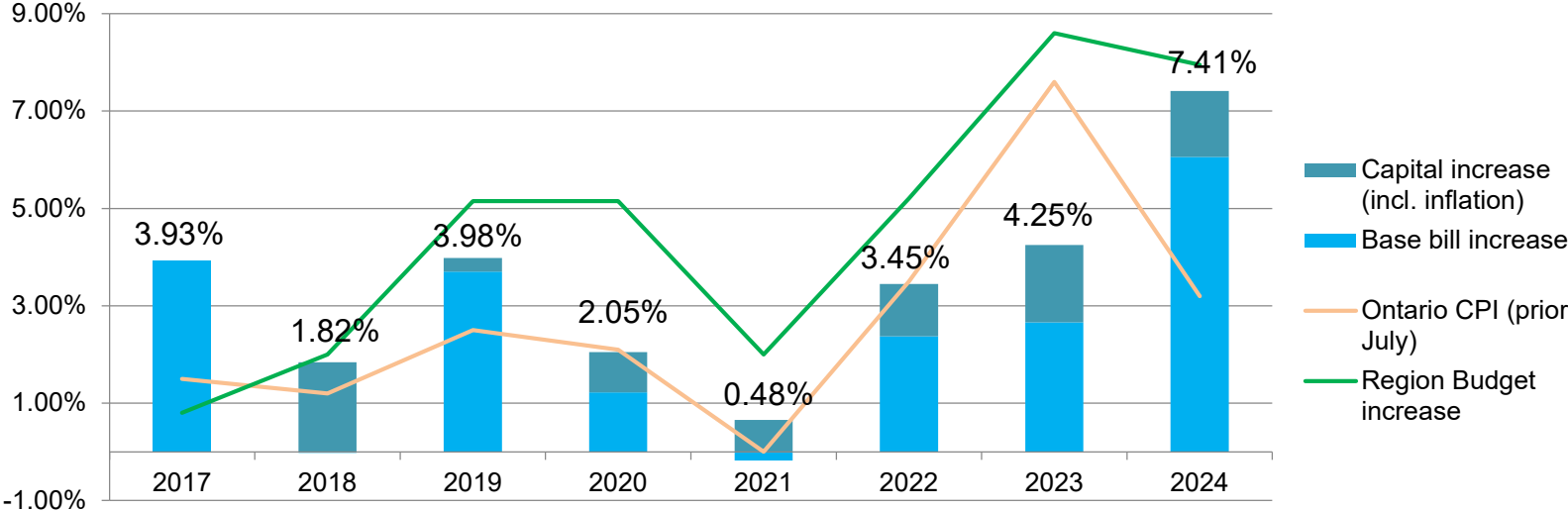
3) Budget - Rate Setting

Avg Monthly Bill	2023	2024	% increase/ (decrease)	\$ increase/ (decrease)
Water base charge	\$25.50	\$26.52	4.00%	\$1.02
Water rate charge: \$1.781 *16m3	\$25.12	\$28.50	13.46%	\$3.38
Water monthly	\$50.62	\$55.02	8.69%	\$4.40
Wastewater base charge	\$42.72	\$44.43	4.00%	\$1.71
Wastewater rate charge: \$2.684 *16m3	\$39.23	\$42.95	9.48%	\$3.69
Wastewater monthly	\$81.95	\$87.38	6.63%	\$5.43
Monthly total	\$132.57	\$142.40	7.41%	\$9.83
Annual total	\$1,591	\$1,709	7.41%	\$118

Household cost of \$4.68 per day
Based on average consumption of 16m³/month

3) Budget - Rate Setting: Rate History & Forecast

Water & Wastewater bill increase by year



Forecast for 2025-2029 is approx. **5.8%** per year (excl capital inflation) and includes Region increase of **7.15%** per year

4) Risks

- **Reserve reliance:** Budget has maintained a high level of reserve transfers to stabilize rates which has sustainability issues.
- **Weather:** consumption, treatment volumes & maintenance costs.
- **Volumetric rate:** revenue risk from volume variances impacted by consumer shifts such as large consumer changes, aging population use less water per household.
- **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:** higher than typical rates, particularly with capital costs.

4) Opportunities

- **Extraneous flows:** reduction of extraneous flows, including sewer relining efforts.
- **Reconciliation:** efforts to reduce I/I are helping to moderate large charges.
- **Grant funding:** applying for available programs (CSO, OCIF).
- **Treatment cost methodology:** next review of cost methodology expected to better reflect cost structure for LAMs.
- **Condition assessments:** more precise capital investments.



5) Conclusion Key Messages

- **Rates:** When distributed over estimated 2024 volumes, the Town increase of 5.4% + Region cost increase of 8.7% results in **7.4%** for the avg household.
- **Supplementary:** Town staff request (Appendix 3) of \$78,430 in 2024 with a full impact in 2025.
- **Capital:** Infrastructure funded with reserve transfers. Water and wastewater was presented/approved November 15, with 3 additional requests tonight.
- **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	Sept 28	Nov 3	Nov 3	Dec 8
Senior Leadership review	mid-Oct	Nov 3	Nov 14	Dec 18
Budget Committee package	Nov 8	Nov 29	Nov 29	Jan 24
Budget Committee meeting	Nov 15	Dec 6	Dec 6	Jan 31
Council approval	Dec 18 & Feb 26	Dec 18	Dec 18	Feb 26

6) Presentation Questions

Please refer to Council Report No. [CBC-03-2024](#) for recommendations and further information