

# 2021

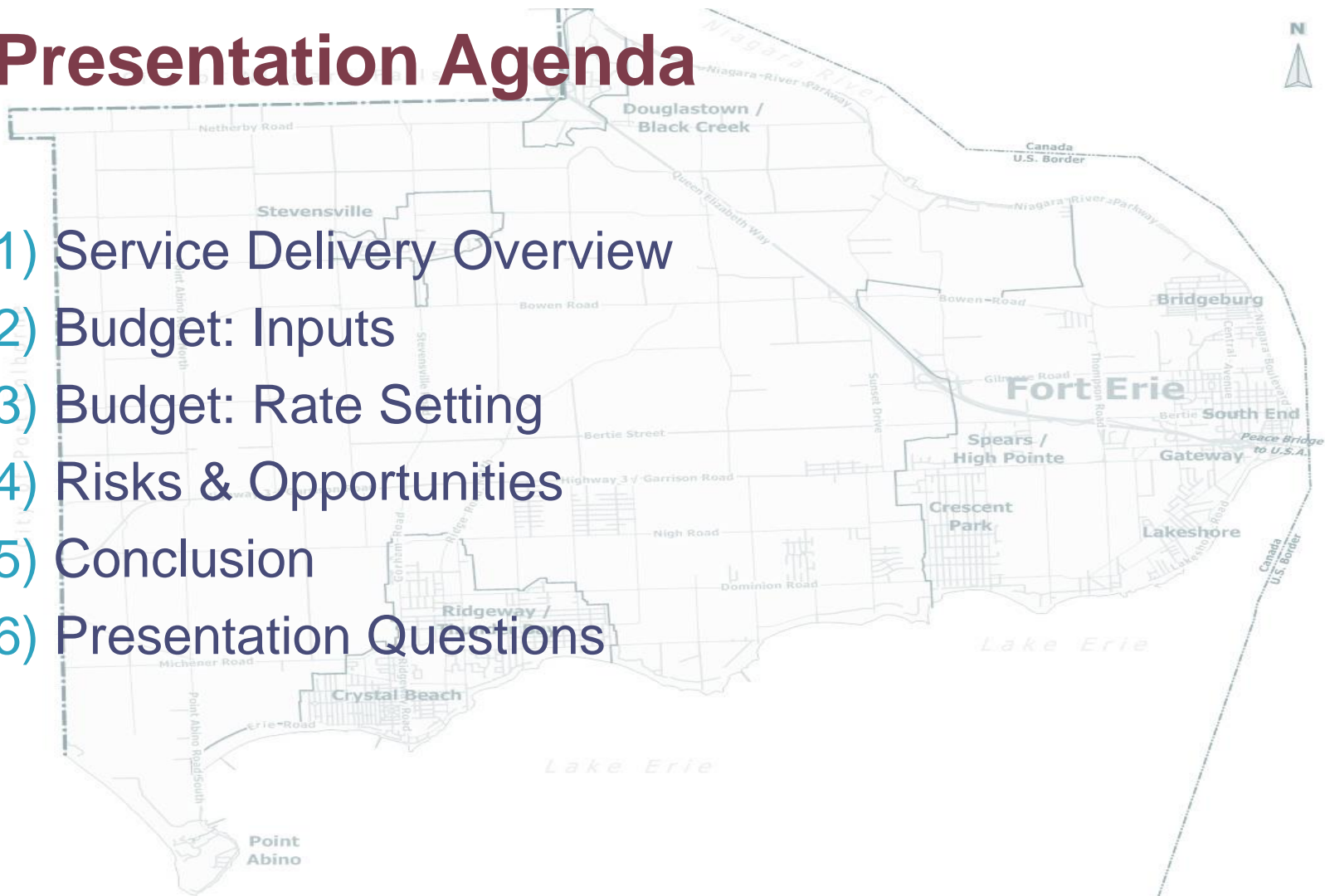
## Water & Wastewater Budget

Council-in-Budget Committee  
December 9, 2020

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# Presentation Agenda

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



# 1) Service Delivery Overview System

- Customers: 13,600 (95% res + 5% ICI)
- System:
  - 276 km watermains
  - 196 km sanitary sewers
- Safe Drinking Water Act
- Legislated Full Cost Recovery
- Reliable system (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.
- ✓ **Leverage Funding Opportunities**
  - Pursue operating (e.g., CSO) & capital (e.g., OCIF) programs.
- ✓ **Reduce 'Non-Revenue' Water Volumes**
  - Capital investment, Water Meter Exchange program, leak detection, tracking and operation & maintenance programs.

# 1) Service Delivery Overview

## Operational Challenges

- **Staffing:** retirements, experience & COVID-19.
- **Watermain breaks:** 39 in 2019 down compared to historical average of 50; tracking well in 2020 to be below average.
- **Legislative requirements:** for new water projects (e.g., 2021 MECP phasing in linear infrastructure ECA for Wastewater & Storm sewer systems).
- **Meter replacement program:** Commercial and industrial
- **Work orders:** outstanding meter & billing issues.
- **Connections per km:** relatively low customers to support infrastructure.

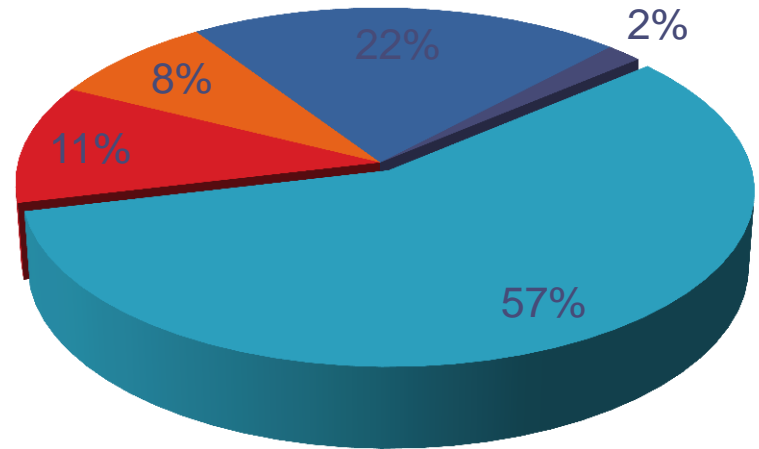
## 2) Budget: Inputs Overview

**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
Regional Treatment cost	\$11,352,451
Wages & Benefits	2,176,821
Materials & Supplies	1,632,178
Infrastructure Reserves	4,245,809
Debt Costs	357,143
<b>Total</b>	<b>\$19,764,402</b>





## 2) Budget: Inputs

### Region - Treatment Costs

Increase in Regional budget = \$238,885 or 1.24%

- Adjusted -\$230,280 for Town efforts to reduce volumes:
  - FE water volume share: down **3.3%**.
  - FE wastewater volume share: down **1.8%**.
- Approx. 60% of Town's budget
- Region: Budget Review Nov 26 & Council By-law Dec/20.
  - Net budget increase of **2.00%** (Water budget increase of **1.60%** and Wastewater increase of **2.24%**).
- 2022 to 2026 forecasts return to **5.15%** annual increase.

## 2) Budget: Inputs

### Region - Treatment Costs

No change in Regional billing formulas:

- **Water** charge
  - 75% variable & 25% fixed.
- **Wastewater** charge
  - 100% fixed apportioned on prior 3 year average volumes.
  - 2021 reconciliation adjustment for 2019 actual flows is a credit of **\$298,910** as volumes were lower than estimated.
  - 2022 estimate is small credit using 2020 YTD actual flows.

## 2) Budget: Inputs

### Town - Expenses & Other Revenue

Increase in budget of \$184,135 or 0.94%

- Decreased other revenue (e.g., grants, fees).
- Increased wages & benefits.
- Increased overhead costs (e.g., fleet, finance, insurance).
- Debt charges stable (no matured debt available to repurpose).
- Increased materials & services with focus on reducing non-revenue water and extraneous wastewater flows.

## 2) Budget: Inputs

### Town - Program Expenses

#### Financial assistance Programs

- Water Emergency Relief Fund (WERF): \$15,000 for low income families.
- Seniors Utility Relief Fund (SURF): Increase 25% in 2021 to \$26,250 for low income seniors.
- Other programs noted in the Operations section such as the Extraneous Flow lateral replacement program.

## 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., 2022 adjustment expected to maintain a small credit).

## 2) Budget: Inputs

### Town - Financing & Transfers

Increase in budget of \$79,060 or 0.42%

- Reduction of annual RSR transfers of \$90,000 offset by one-time \$75,000 funding to reflect availability of forecasted balances.
- Transfer reconciliation credit of \$298,910 to Sewer RSR with overall credit increase from 2020 of \$109,368.
- Increase in strategic AMP capital contributions of \$119,412 and \$70,280 for inflationary measures.
- Reduction of \$205,000 to realign annual CCTV program.

## 2) Budget: Inputs

# Capital Reserve Funding

- Capital Budget presented to Council November 18.
- Proposed 2021 changes reflect strategic AMP increases (\$119,412), new amortization (\$7,658) and inflation.
- No repurposed debt [2018: \$328,157]

Reserve	2020 Actual	2021 Strat + new Amort	2021 Inflation	2021 Proposed	2021 Target contribution
Water Capital	\$2,138,869	\$22,412	\$38,500	\$2,199,781	\$2,199,781
Wastewater Capital*	1,560,680	104,658	31,780	1,697,118	1,767,118
<b>TOTAL</b>	<b>\$3,699,549</b>	<b>\$127,070</b>	<b>\$70,280</b>	<b>\$3,896,899</b>	<b>\$3,966,899</b>
<b>% of Target</b>	<b>95%</b>			<b>98%</b>	<b>100%</b>

\* Based on AMP condition gap; adjusted for \$205K Sanitary CCTV program

## 2) Budget: Inputs Revenue & Expense Summary

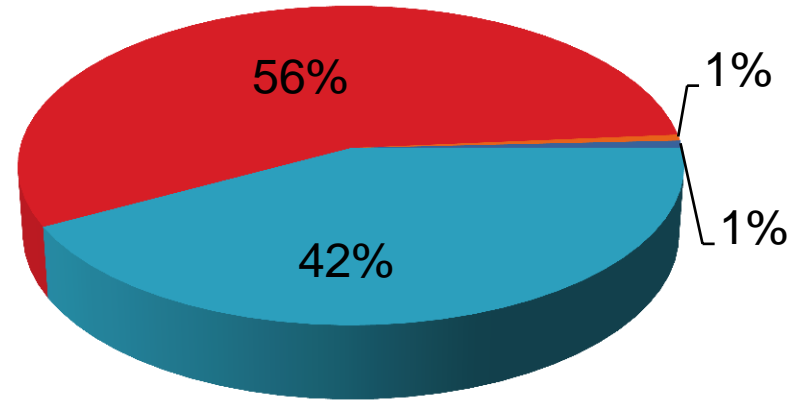
	\$ 2020 Budget	\$ 2021 Budget	\$ Increase/ (decrease)	% Increase/ (decrease) of Total
Prior Rate Revenue			\$19,334,069	
Net cost – FE	7,691,313	7,954,508	263,195	1.36%
Treatment cost – FE reductions		(339,648)	(339,648)	(1.76%)
Treatment cost – Region budget (excl. reconciliation)	11,642,756	11,881,641	238,885	1.24%
Budget increase			\$162,432	0.84%
Final Rate Revenue	\$19,334,069	\$19,334,069	\$19,496,501	



### 3) Budget: Rate Setting

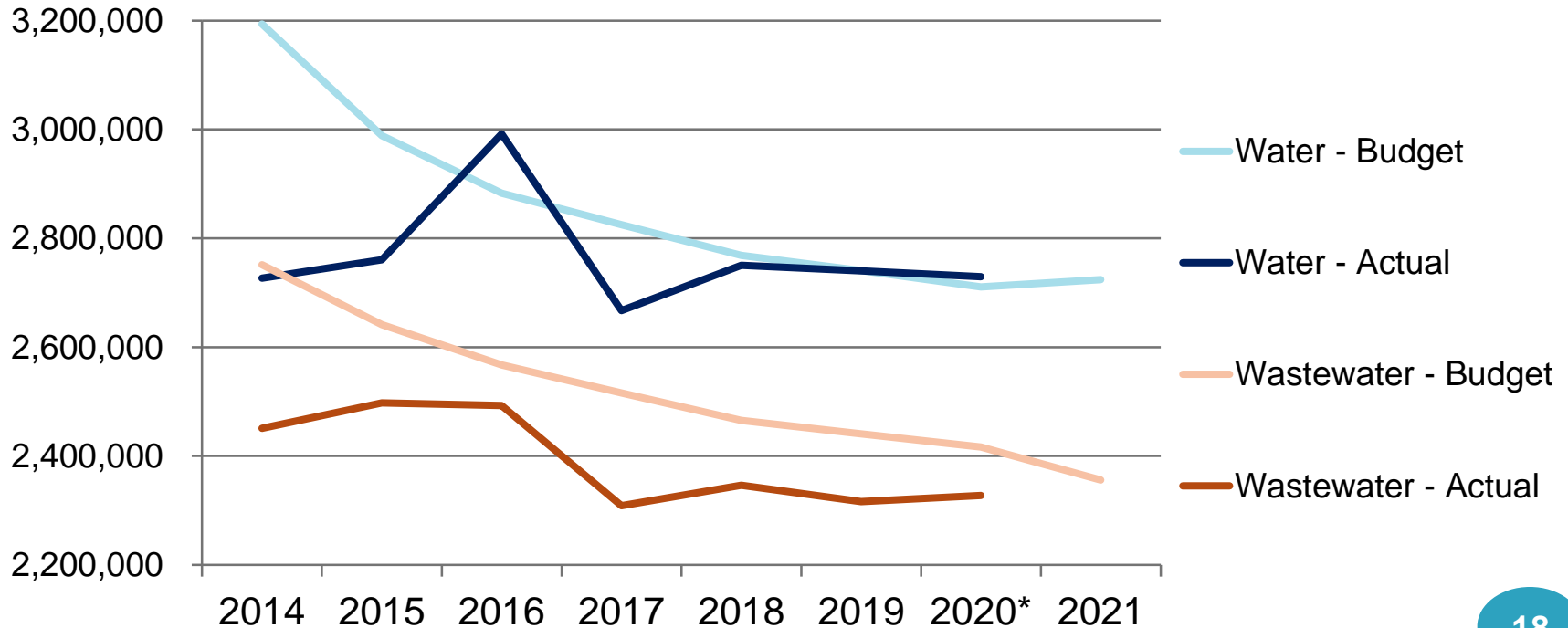
## Total Revenue

Revenue	Amount
Wastewater Billings	\$11,169,226
Water Billings	8,327,275
Interest, Penalties & user fees	147,000
Local Improvement Charges	120,901
<b>Total</b>	<b>\$19,764,402</b>



### 3) Budget: Rate Setting

## Volume Budget vs. Actual (m3)



\* 2020 is estimated using YTD volumes

### 3) Budget: Rate Setting Volume Assumptions

- Water Consumption: Volume of 2.72M m<sup>3</sup> in rate calc
  - Increased 13,554m<sup>3</sup> or 0.5% over 2020 volumes.
  - At 3-yr average. Below 5-yr average.
- Wastewater Treatment: Volume of 2.36M m<sup>3</sup> in rate calc
  - Decrease 60,414m<sup>3</sup> or 2.5 over 2020 volumes.
  - Below 5-yr average.
- Historical volume gap closed in 2021.

### 3) Budget: Rate Setting

## Base charge

Base charge for stability and sufficiency:

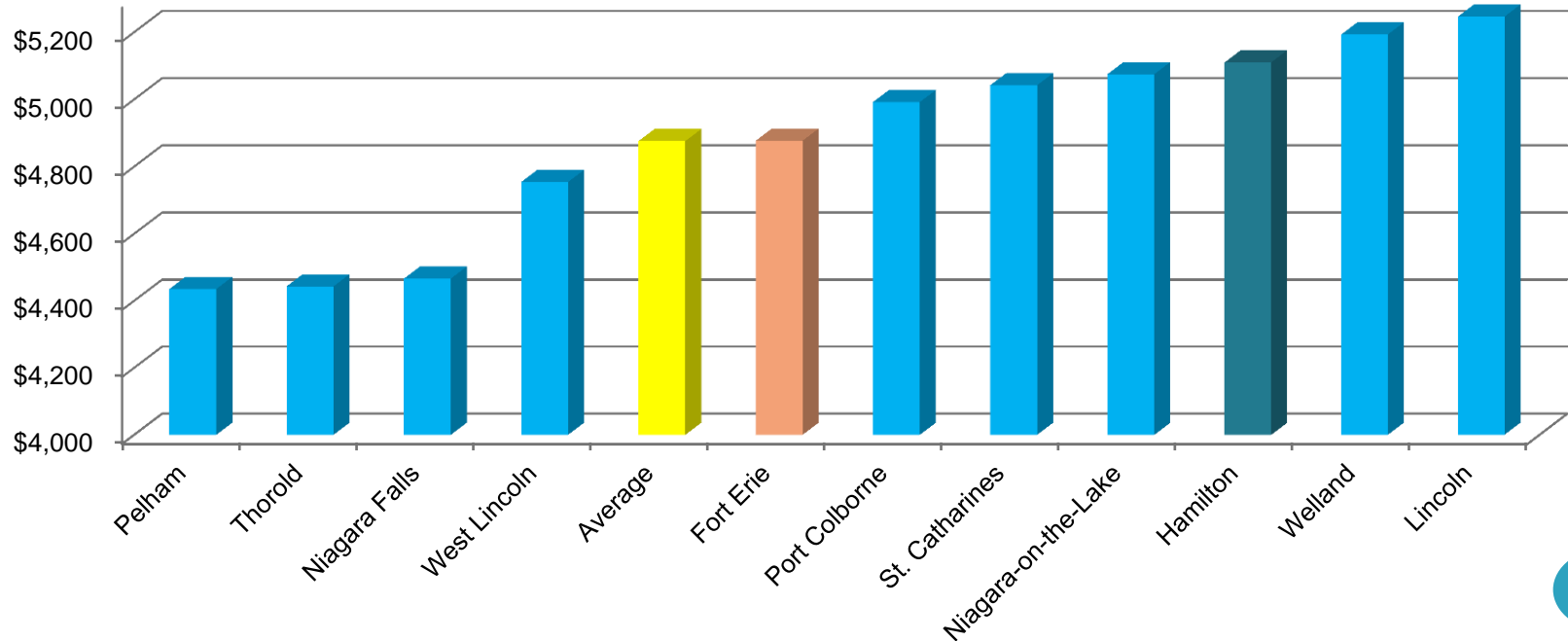
- 2021 combined monthly base of **\$66.74**.
- No increase over 2020.

Niagara base average is 43% of monthly bill

- Fort Erie 2020 was 55%; 2021 is 54%.
- Fort Erie 3<sup>rd</sup> highest in Niagara in 2020. Challenge due to low customers per km of infrastructure.
- 5-yr forecast decreases to 50%.

# 3) Budget: Rate Setting

## Municipal Burden Comparison



Source: BMA Municipal Study 2020 (DRAFT)

### 3) Budget: Rate Setting

## Volumetric rate

#### Volumetric Rates for control & conservation:

- $\$3.475/\text{m}^3$  2020 current combined rate
- $\$3.512/\text{m}^3$  2021 proposed combined rate, or 1.1% increase

#### Niagara combined volumetric rate for 2020:

- Average 2020 of  $\$3.324/\text{m}^3$ , min of  $\$2.332/\text{m}^3$ , max of  $\$5.070/\text{m}^3$ .
- TOFE 2021 of  $\$3.512/\text{m}^3$  above 2020 avg.

### 3) Budget: Rate Setting

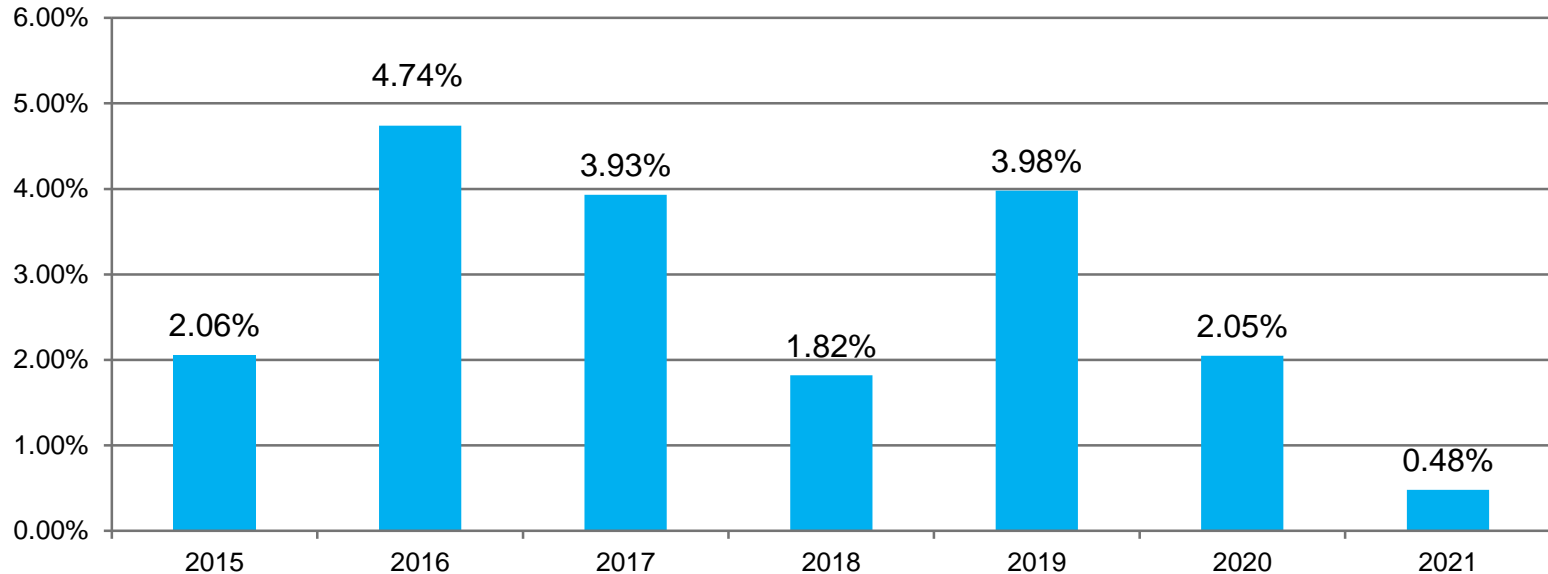
	2020	2021	% increase/ (decrease)	\$ increase/ (decrease)
Water/month	\$49.27	\$48.74	(1.08%)	(\$0.53)
Wastewater/month	\$73.07	\$74.19	1.53%	\$1.12
Monthly total	\$122.34	\$122.93	<b>0.48%</b>	\$0.59
Annual total	\$1,468	\$1,475	<b>0.48%</b>	\$7

Household cost of \$4.04 per day  
Based on average consumption of 16m<sup>3</sup>/month

# 3) Budget: Rate Setting

## Rate History & Forecast

Water & Wastewater bill increase by year



Forecast for 2022-2026 is approx. **3.55%** per year and includes Region increase of **5.15%** per year



# 4) Risks & Opportunities

## Risks

- **Weather:** impacts consumption & maintenance costs.
- **Volumetric vs. base rate:** revenue risk from volume variances.
- **Wastewater treatment adjustment:** impact on rate reserve.
- **Consumer shifts:** impacts from changes to large consumers.
- **Billing frequency:** monthly based on AWWA best practice & assists with leak detection & customer cash flow.
- **Legislative compliance:** DWQMS extension to wastewater.
- **COVID-19:** water flow changes; to consider SRA funding.
- **Comparisons:** relatively high Residential & low Non-Res rates.

# 4) Risks & Opportunities

## Opportunities

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

Example photo: illegal sump connection to sewer lateral →



# 5) Conclusion

## Summary

- **Costs:** Town decrease of 0.40% + Region increase of 1.24% for a combined budget increase of 0.84%.
- **Rates:** When distributed over estimated volumes for 2021, the net increase for a household with 16m<sup>3</sup>/month is **0.5%**.
- **Alternatives:** Approval of final rate structure by upcoming Regional Council will determine impact and any opportunities.
- **Resources:** Related information available on Town website, including 20 “Frequently Asked Questions”.
- **Recommendations:** noted in CBC-02-2021.

# 5) Conclusion

## Budget Next Steps

### Water & Wastewater Budget & User Fees:

- Dec 14 By-law: Fees
- Jan 18 By-law: W&WW

### General Levy Budget:

- Feb 3 Budget-in-Committee: Town Levy #1 with Library reports & presentation
- Feb 10 Budget-in-Committee: Town Levy #2 (if necessary)
- Feb 16 By-laws: Levy & General Capital (actual timing depends on use of dates above)

## 6) Presentation Questions



Please refer to Council Report No. CBC-02-2021 for further information