

2019 Proposed Water and Wastewater Rates

February 25, 2019

2019 Water and Wastewater Budget

Background:

Water is provided in Pelham on a two-tiered system. The Niagara Region is responsible for the treatment and supply of water while the Town of Pelham is responsible for distribution, billing and collection. Water is wholesaled to the Town which then subsequently distributes it to the users. The Town has two main service areas, those being Fenwick and Fonthill. The Town also owns a water hauling station.

Wastewater collection is provided in a similar two-tiered system. The Town provides collection and transmission of wastewater while the Region provides treatment. Similar to water, there are two main service areas: Fenwick and Fonthill. Not all water users in these areas have municipal wastewater service.

Most customers on the system are metered and pay on a water volume consumed basis plus a base charge and are billed six times a year.

A Water & Wastewater Rate Study was completed in 2018 by BMA Management Consulting Inc. The report is attached to this report. This is a requirement by the Town of Pelham's Sustainable Financial Plan in compliance with Ontario Water Regulation 453/07.

The Water and Wastewater Long-range Financial Plan recommends a rate increase for Water 7.5% and for Wastewater 9.5%. This is required to meet the infrastructure and operating requirements of the Water and Wastewater services in Pelham. Pelham has the highest household income in the Niagara Region with one of the lowest water and wastewater rates in the Niagara Region. This is partially a result of a four-year no rate increase from 2014-2017.

Recommendations:

It is recommended that a proposed 7.5% increase in the water and 9.5% increase in the wastewater rates be effective for 2019. This is equivalent to \$62.76 increase per average household for the most common consumption of 33 M³ per billing (see Appendix 4).

It is recommended that Council accepts for information the Water & Wastewater Long-Range Financial Plan in order to be in compliance with Ontario Water Regulation 453/07.

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WATER

Water rates have been set by the Town of Pelham based on a fixed charge component and a rate for consumption usage. This methodology benefits those who conserve water usage and also ensures that the infrastructure is factored into the rate setting structure. Sustainability costs include the costs to maintain the water distribution system with infrastructure repairs, replacements or renewals. These costs together with administrative costs are considered in determining the budget requirements.

Also, the Niagara Region provides water flows to the Town of Pelham based on actual usage. The water usage in the past three (3) years has decreased significantly prompting the Region to institute a fixed component for cost recovery. That said, for 2019 the Region will bill the Town a 25% flat rate based on last year's consumption levels combined with a usage rate based on 100% of actual consumption for 2019.

Currently, the Town recovers its water consumption with a 29.84% flat rate and a 70.16% volumetric rate. As the Town is proactive in energy conservation efforts and the promotion of these environmental initiatives, the Town feels it prudent to reward those that follow these practices. This is done by setting the fixed rate at a minimum level and ensuring users pay more when they consume more.

Base Fixed Rate Calculation

Total Water Budget		\$2,761,883
29.84% Fixed Cost	(1)	(\$824,061)
Subtotal		\$1,937,822
Less: Other Revenues		(\$185,650)
Revenue Required for Consumption	(2)	\$1,752,172

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(1) Rate Setting for fixed given amount of \$824,061

# of Metres	Rate	Revenue
5,065	\$ 24.68	\$750,025
39	\$ 49.35	\$11,548
25	\$ 69.10	\$10,365
33	\$ 98.70	\$19,543
3	\$ 246.77	\$4,442
1	\$ 411.42	\$2,469
2	\$ 822.61	\$9,871
2	\$ 1,316.52	\$15,798
Total Revenue		\$824,061

(2) Consumption Rate Calculation

The consumption rate charge is 100% attributed to the billing from the Niagara Region. The Region allocates its water costs to municipalities based on their actual consumption per month at a rate of \$0.580 per cubic metre. Although the Region uses 1,266,000 cubic metres for billing purposes, this is an estimate and conservation or excess rain causes this usage to be significantly lower at year end. Thus, the Town uses a rate that better reflects the actual usage so that it can recover its costs of operating the distribution system.

Total Town of Pelham estimated consumption costs related to water	\$1,752,172
Divided by forecasted water flows (M ³) for 2019	1,227,820
2019 Proposed Annual Consumption Rate Charge	\$1.427/ M³

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WASTEWATER

The Town of Pelham is using the 2018 Water and Waste Water Rate Study as prepared by BMA Management Consulting Inc. to set its annual rates in wastewater as well. The methodology proposed in the study for wastewater is to establish a fixed rate and a volumetric rate for user fees. Using this methodology, the Town is proposing the following rate structure for wastewater in 2019:

Total Wastewater Budget		\$2,014,103
44.87% Fixed Cost	(1)	(\$903,097)
Subtotal		\$1,111,006
Less: Other Revenues	(2)	(\$5,000)
Revenue Required for Consumption		\$1,106,006

(1) Fixed Rate Calculation

# of Metres	Rate	Revenue
4,638	\$29.71	\$826,100
31	\$59.40	\$11,048
20	\$83.18	\$9,982
26	\$118.80	\$18,533
2	\$297.04	\$3,564
1	\$495.22	\$2,971
2	\$990.16	\$11,882
2	\$1,584.67	\$19,016
Total Revenue		\$903,097

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(2) Consumption Rate Calculation

The consumption rate charge is 100% attributed to the billing from the Niagara Region. The Region allocates its wastewater costs to municipalities based on their proportionate share of the Region's total three-year average historical wastewater flows.

Total Town of Pelham estimated consumption costs related to wastewater	\$1,106,006
Divided by forecasted water flows (M ³) for 2019	1,107,114
2019 Proposed Annual Consumption Rate Charge	\$0.999/ M³

It is noted that consumption levels for wastewater are forecasted to be less than water consumption since there are fewer sewer accounts, as well as higher water flow generated from water hauler usage. It should also be noted that although the rates are based on usage within the Town, the Region's requisition to the Town for wastewater is fixed.

The Niagara Region has reported that water conservation efforts are leveling off as members of the community have been diligent in their efforts to conserve water. Originally, excess use of water led to a methodology of charging 100% of the water and wastewater cost based on consumption. However, as the water consumption levels decrease, the revenues being generated are no longer able to cover the fixed costs resulting in large deficits in this area. The need to cover the fixed costs has become paramount to sustaining the wastewater infrastructure.

SUMMARY

Appendix 4 is a summary of sample water billings for a two-month billing period which has proposed a 7.5% increase in the water and a 9.5% increase in the wastewater rates be effective for 2019. For the average household, this is a \$ 62.76 increase to the annual water and wastewater bill.

Finally, the 2019 Water and Wastewater Budgets are provided for Council's information and reference.

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The Challenge:

1. HMW ensure that the operating costs of water distribution are recovered through user fees and fixed charges?
2. HMW ensure that water rates within the community are affordable for Pelham residents and businesses?

Our Recommended Solution:

THAT the Issue Sheet regarding the 2019 Water and Wastewater Budget be received;
AND THAT Committee recommend to Council that the 2019 Water and Wastewater Budgets be approved.

Rationale:

- A 7.5% increase to the water and a 9.5% increase to the wastewater billing for the fixed rate is required to address the cost increases in the water and wastewater distribution systems.

Measure of Success:

- Council approves the 2019 Water and Wastewater Budget.

Milestones:

- Staff communicate the fact that the Town has maintained a 0% increase in water rates from 2014-2018 for the consumption rate and now is recommending a 7.5% water and 9.5% wastewater rate increase. These increases translate into the Town maintaining its position as having the lowest combined water/waste-water rates in the Region.



TOWN OF PELHAM
2019 Operating Budget
Water

REVENUES	2017 Actual	2018 Budget	2018 Actual	2019 Budget
Water Consumption Charge	1,447,571	1,537,500	1,606,322	1,752,173
Flat Rate Charge	706,302	729,577	746,931	824,061
Meter Installations	76,274	75,000	22,768	50,000
Fees - Administration Charges	5,870	5,100	6,105	5,100
Fees - Disconnect/Reconnect	2,933	2,550	2,021	2,550
Water Haulers	96,422	115,000	117,136	115,000
Penalties - Water & Sewer	8,139	7,500	8,923	7,500
Interest Revenue	-	2,500	-	2,500
Other Revenues	2,261	3,000	2,019	3,000
Total Water Revenues	2,345,772	2,477,727	2,512,225	2,761,884
EXPENSES				
Total Salaries & Benefits	864,625	945,583	881,857	1,021,751
WSIB	18,153	25,000	21,861	26,000
Professional Development	8,770	14,500	8,693	14,500
Associations/Memberships	145	650	476	650
Other Travel Expenses	181	-	126	-
Hydro	1,878	2,000	1,694	2,000
Water	24,211	25,000	26,601	25,000
Telephone	-	750	-	750
Hand Held Devices	3,683	3,900	3,680	3,900
Office Supplies and Services	695	1,050	689	1,050
Materials and Supplies	143,197	149,500	153,313	149,500
Printing Fees/Copy Costs	2,504	3,000	9,995	3,000
Postage	20,597	20,000	17,922	20,000
Protective Clothing	3,443	7,200	3,518	7,200
Insurance	15,285	16,050	14,952	16,050
Interdepartmental transfers	30,354	-	39,722	44,210
Software Support	4,274	5,000	4,274	5,000
Contract Services - Engineering	24,011	26,200	26,797	26,200
Contract Services - Other	34,371	52,000	71,443	52,000
Contract Services - Water Testing	14,630	14,000	14,636	14,000
Contract Services - Region	876,797	893,508	952,874	975,189
Interdepartmental transfers	49,967	18,100	71,191	67,600
Equipment Rental - Other	36	1,000	-	1,000
Transfer to Water Capital Reserve	203,965	253,736	185,941	285,334
Total Water Expenses	2,345,772	2,477,727	2,512,225	2,761,884
Net Surplus(Deficit)	-	-	-	-

**TOWN OF PELHAM
2019 Operating Budget
Wastewater**

REVENUES	2017 Actual	2018 Budget	2018 Actual	2019 Budget
Sewer Consumption Charges	878,281	922,500	987,218	1,106,007
Fixed Rate User Charge	756,535	781,194	802,350	903,097
Penalties on overdue accounts	6,581	5,000	7,350	5,000
Total Wastewater Revenues	1,641,397	1,708,694	1,796,918	2,014,104
EXPENSES				
Salaries and Benefits	175,617	239,418	223,748	251,742
WSIB	3,692	10,268	5,695	7,000
Hydro	1,310	2,000	1,076	2,000
Natural Gas	1,518	2,000	876	2,000
Materials & Supplies	6,488	7,000	10,352	7,000
Insurance	-	1,690	1,582	1,690
Contract Services - Other	26,608	35,000	8,803	35,000
Contract Services - Inspections	1,016	-	-	-
Transfer - Capital Reserve Fund	293,349	120,797	169,176	354,149
Total Expenses	509,598	418,173	421,308	660,581
Niagara Region Volumetric Sewage Cost	1,131,799	1,290,521	1,375,610	1,353,523
Total Wastewater Expenses	1,641,397	1,708,694	1,796,918	2,014,104
Net Surplus(Deficit)	-	-	-	-

**2019 Proposed Water and Wastewater Rates
as per 2 Month Billing**

	2018 Rates	2019 Rates	\$ INCREASE	% INCREASE
WATER				
Bi-Monthly Base Charge (up to 19mm Metre)	\$ 22.96	\$ 24.68	\$ 1.72	7.5%
Bi-Monthly Base Charge (25mm Metre)	\$ 45.91	\$ 49.35	\$ 3.44	7.5%
Bi-Monthly Base Charge (37mm Metre)	\$ 64.28	\$ 69.10	\$ 4.82	7.5%
Bi-Monthly Base Charge (50mm Metre)	\$ 91.81	\$ 98.70	\$ 6.89	7.5%
Bi-Monthly Base Charge (75mm Metre)	\$ 229.56	\$ 246.77	\$ 17.21	7.5%
Bi-Monthly Base Charge (100mm Metre)	\$ 382.72	\$ 411.42	\$ 28.70	7.5%
Bi-Monthly Base Charge (150mm Metre)	\$ 765.22	\$ 822.61	\$ 57.39	7.5%
Bi-Monthly Base Charge (200mm Metre)	\$ 1,224.67	\$ 1,316.52	\$ 91.85	7.5%
Usage Charge, Per Cubic Metre	\$ 1.3275	\$ 1.427	\$ 0.0995	7.5%
WATER HAULERS				
Usage Charge, Per Cubic Metre	\$ 1.5306	\$ 1.6454	\$ 0.1148	7.5%
WASTEWATER				
Bi-Monthly Base Charge	\$ 27.13	\$ 29.71	\$ 2.58	9.5%
Bi-Monthly Base Charge (25mm Metre)	\$ 54.26	\$ 59.40	\$ 5.14	9.5%
Bi-Monthly Base Charge (37mm Metre)	\$ 75.97	\$ 83.18	\$ 7.21	9.5%
Bi-Monthly Base Charge (50mm Metre)	\$ 108.53	\$ 118.80	\$ 10.27	9.5%
Bi-Monthly Base Charge (75mm Metre)	\$ 271.32	\$ 297.04	\$ 25.72	9.5%
Bi-Monthly Base Charge (100mm Metre)	\$ 452.26	\$ 495.22	\$ 42.96	9.5%
Bi-Monthly Base Charge (150mm Metre)	\$ 904.25	\$ 990.16	\$ 85.91	9.5%
Bi-Monthly Base Charge (200mm Metre)	\$ 1,446.85	\$ 1,584.67	\$ 137.82	9.5%
Usage Charge based on Cubic Metres for Sewer	\$ 0.9119	\$ 0.999	\$ 0.0871	9.5%
SEWERS ONLY, NO WATER				
Base Charge Per Billing Period (2 Months)	\$ 27.13	\$ 29.71	\$ 2.58	9.5%
Usage Charge based on 100 Cubic Metres for Sewer	\$ 92.83	\$ 102.11	\$ 9.28	10.00%

**TOWN OF PELHAM
2019 Proposed Water and Wastewater Rates**

Consumption per 2 month period	25 M ³		33 M ³		50 M ³		75 M ³		100 M ³		150 M ³	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
WATER												
Base Charge	\$ 22.96	\$ 24.68	\$ 22.96	\$ 24.68	\$ 22.96	\$ 24.68	\$ 22.96	\$ 24.68	\$ 22.96	\$ 24.68	\$ 22.96	\$ 24.68
Usage Charge	\$ 33.19	\$ 35.68	\$ 43.81	\$ 47.09	\$ 66.38	\$ 71.35	\$ 99.56	\$ 107.03	\$ 132.75	\$ 142.71	\$ 199.13	\$ 214.06
	<u>\$ 56.15</u>	<u>\$ 60.36</u>	<u>\$ 66.77</u>	<u>\$ 71.77</u>	<u>\$ 89.34</u>	<u>\$ 96.03</u>	<u>\$ 122.52</u>	<u>\$ 131.71</u>	<u>\$ 155.71</u>	<u>\$ 167.39</u>	<u>\$ 222.09</u>	<u>\$ 238.74</u>
Year to Year Increase	\$ 0.67	\$ 4.21	\$ 0.67	\$ 5.01	\$ 0.67	\$ 6.70	\$ 0.67	\$ 9.19	\$ 0.67	\$ 11.68	\$ 0.67	\$ 43.66
WASTEWATER												
Base Charge	\$ 27.13	\$ 29.71	\$ 27.13	\$ 29.71	\$ 27.13	\$ 29.71	\$ 27.13	\$ 29.71	\$ 27.13	\$ 29.71	\$ 27.13	\$ 29.71
Usage Charge	\$ 22.80	\$ 24.97	\$ 30.09	\$ 32.97	\$ 45.60	\$ 49.95	\$ 68.39	\$ 74.92	\$ 91.19	\$ 99.90	\$ 136.79	\$ 149.85
	<u>\$ 49.93</u>	<u>\$ 54.68</u>	<u>\$ 57.22</u>	<u>\$ 62.68</u>	<u>\$ 72.73</u>	<u>\$ 79.66</u>	<u>\$ 95.52</u>	<u>\$ 104.63</u>	<u>\$ 118.32</u>	<u>\$ 129.61</u>	<u>\$ 163.92</u>	<u>\$ 179.56</u>
Year to Year Increase	\$ 0.79	\$ 4.76	\$ 0.79	\$ 5.45	\$ 0.79	\$ 6.93	\$ 0.79	\$ 9.11	\$ 0.79	\$ 11.29	\$ 0.79	\$ 15.64
TOTAL WATER AND WASTEWATER CHARGES												
	<u><u>\$ 106.08</u></u>	<u><u>\$ 115.04</u></u>	<u><u>\$ 123.99</u></u>	<u><u>\$ 134.45</u></u>	<u><u>\$ 162.06</u></u>	<u><u>\$ 175.69</u></u>	<u><u>\$ 218.05</u></u>	<u><u>\$ 236.34</u></u>	<u><u>\$ 274.03</u></u>	<u><u>\$ 297.00</u></u>	<u><u>\$ 386.00</u></u>	<u><u>\$ 418.30</u></u>

\$ INCREASE OVER 2018 RATES	\$ 8.97	\$ 10.46	\$ 13.63	\$ 18.30	\$ 22.97	\$ 32.30
% INCREASE OVER 2018 RATES	8.45%	8.44%	8.41%	8.39%	8.38%	8.37%