



Corporate Services

Prepared for: Council-in-Budget Committee

Report: CBC-03-2025

Meeting Date: December 4, 2024

File: 230101

1. Title

2025 Water and Wastewater Operating Budget

2. Recommendations

That: Council approves the 2025 Water and Wastewater Operating Budget attached as Appendix 1 to Report CBC-03-2025, and further

That: Council sets 2025 Water and Wastewater rates, subject to Regional Council approval of treatment rates, effective with billing for January 2025 as follows:

- 2025 water base rate per month: \$28.51
- 2025 water rate per cubic metre: \$1.870
- 2025 wastewater base rate per month: \$46.65
- 2025 wastewater rate per cubic metre: \$3.042, and further

That: Council excludes the capital asset amortization of \$1.9 million from the 2025 Water and Wastewater Operating Budgets, and further

That: Council directs staff to submit the 2025 Water and Wastewater Operating Budget and Rates By-law for Council approval on December 16, 2024.

3. Relation to Council's Corporate Strategic Plan

Priority: Sustainable and managed growth

4. List of Stakeholders

Mayor and Council of the Town of Fort Erie
Water and Wastewater Ratepayers
Region Municipality of Niagara

5. Purpose of Report

The purpose of this report is to approve the 2025 Water and Wastewater Operating Budget and the 2025 base and consumption rates used for billing.

6. Analysis

The Town's "Quality Management System Operational Plan" (QMS), governed by the Safe Drinking Water Act, includes a financially viable system that incorporates full life cycle cost recovery of infrastructure required to manage a safe, effective and reliable municipal water distribution system and wastewater collection system. The Town is committed through QMS to deliver safe drinking water, complying with all relevant legislation and maintaining and continuously improving the QMS. The following sections describe specific revenue, expense and rate setting priorities.

Base Budget Analysis

Total 2025 base revenues (excluding billings) are budgeted to increase \$20,958 and expenses increase \$341,507 representing a combined 1.56%, which includes:

- Revenues have decreased \$20,958, which includes the expiry of a local improvement charge, the loss of grants, and a leachate revenue credit increase.
- Wages and benefits have an overall increase of \$235,008, including the full year phase-in of the Water and Wastewater Supervisor position approved in 2024. The current four-year collective agreement expires December 2024.
- Materials and supplies are budgeted to increase \$83,955 and include costs for system preventative maintenance including hydrants, meters, failure and repair costs, inspection, flushing, extraneous flow reduction, flow monitoring, legislated training and master plan updates. It also includes program support costs which are allocations from areas such as Finance, IT, HR, insurance, facility overhead and fleet. Direct billing and collection costs are shared between water and wastewater. Beginning in 2025, Asset Management costs are consolidated in the Levy and allocated to the Water and Wastewater Budget as an interdepartmental transfer.
- New assets bring additional operating and replacement costs and related impacts of \$22,613 were noted in 2025 Capital Budget Report CBC-01-2025.
- Debt charges decrease by \$7,357. The next Water debt to mature is Crescent Park improvements in 2025 and Frenchman's Creek improvements in 2031 for Wastewater.

Regional Treatment Costs

Treatment costs from the Region account for 63% of the Town's water and wastewater costs. The Region approved a 12.27% increase (7.06% water, 15.01% wastewater) in the 2025 budget. The Town's proportionate share of total volumes were adjusted for 2025 and the total change is an increase of \$1,461,231 or 6.25% of the 9.12% total.

Wastewater treatment costs are billed by the Region as a 100% 'fixed' charge in year one based on an average of the Town's proportionate share of the last three years' wastewater flows. The Region then converts the charge to a fully variable charge by determining the actual flows for the three-year period and billing the lower tier the actual share for the period, resulting in a rolling charge or credit two years later. The 2025 wastewater treatment cost is a \$1,080,964 increase. The 2024 adjustment for 2022 flows was a \$218,160 credit (2023: \$200,000 charge). The Town's 2025 adjustment is a credit of \$788,000 which is a \$569,840 increase from the prior year and represents 4.20% of the budget. The Town estimates a credit in 2026 based on trends to date which will be confirmed with the Region. The Town's Sewer Rate Stabilization Reserve has been used significantly in the past to mitigate charges. Reconciliation credits are added to

the reserve where possible to fund potential future Regional adjustments such as past charges. Applying credits to the rates and failing to move funds to the reserves can otherwise reduce rates to unsustainable levels and risk exposing rate payers to higher future rate increases. The use of this reserve for the large reconciliation charge is included in the Financing and Transfers section. The Town's forecast assumes treatment costs increase at a Regionally combined forecasted rate of 9.24% for 2026 and 8.86% thereafter.

Water treatment costs are billed by the Region as 25% fixed and 75% volumetric based on actual water treated during the year. The Region rate is expected to increase from \$0.701/m³ to \$0.751/m³ for 2025 with a \$380,267 budget increase anticipated based on the rates noted above and includes an increase in the Town's proportionate share of the fixed water requisition. The Region's budget and water rates were reviewed by the Budget Review Committee November 7 and were approved November 14. The Town's forecast assumes treatment costs increase at the same rates as wastewater for future periods.

The Niagara Region included Report [CSD 59-2024](#) for the 2025 Budget to support a Water and Wastewater Methodology Review for the allocation of costs to the Local Area Municipalities (LAMs). The report notes it hasn't been reviewed for ten years and that the Region will work with LAMs to determine a set of principles to ensure the methodology is fair, equitable and stable.

Town Efforts

Staff continue to address non-revenue water (NRW) loss and extraneous sewage flows on the budget. As noted in the past, these efforts are based on industry best practises that include:

- Undertaking an annual AWWA Water Audit to determine NRW volumes and costs, and identify focus areas going forward, as provided to Council in Report [IS-04-2024](#).
- Undertaking area-wide leak detection studies that identify individual leaks in the system that would otherwise go undetected.
- Smart hydrants which aid in early leak detection, pressure and transient monitoring in a leak or break's life.
- Replacement of water meters to enable more accurate billings; undertaking monthly water meter reads to reduce estimated bills and related administrative issues in Finance.
- A valve turning exercise program that aids in reducing water loss during watermain breaks, identifies required repairs and identifies leaky valves. This reduces the risk of expanded shutdown areas when service disruptions occur.
- Replacing watermains based on a predictive model of breaks, rather than simply a 'cast-iron watermain replacement program'. Note that main breaks have been reduced from >50/year a few years ago to consistently in the low 30's/year now.
- Increasing tracking accuracy of water used for fire department purposes, Town hydrant flushing program and other maintenance within the distribution system.
- Town-wide sewer condition assessment and flow monitoring studies as part of the Asset Management Plan (AMP) that identify and focus capital and maintenance efforts on areas of high inflow and infiltration (I/I) and pre and post-construction flow monitoring of projects to determine savings.
- Flow monitoring of new subdivision sanitary sewers to determine work quality and ensure that new infrastructure is not contributing to the I/I issue.
- Sewer and maintenance hole relining, rather than replacement, to reduce I/I at a reduced capital cost in relation to replacement.

There are a limited number of exceptional non-residential customers whereby meter size installations were required despite regular water flow needs. These have generally been adjusted to reduce wastewater fees. However, following discussion with Council, staff will determine the correctness and applicability of rates following the Water Collection Policy to permit the base water meter charge be reduced to an alternate rate based on approved circumstances and confirmation.

The budget continues to include the following assistance programs:

- The Water Emergency Relief Fund (WERF) assists low-income households with water bill payment. The budget was increased 25% in 2024 to \$10,000 based on past requests.
- The [Seniors Utility Relief Fund](#) (SURF) provides a water account credit that is proposed to be increased from \$125 to \$140 to applicants that provide proof of age and receipt of Federal Guaranteed Income Supplement for seniors and has a 2025 budget of \$35,000.
- The Extraneous Flow Program subsidizes property owners up to \$4,500 for repairs on the private portion of sewer laterals to reduce I/I and has a 2025 budget of \$40,000.

Financing and Transfers

2025 has a combined net Rate Stabilization Reserve (RSR) allocation decrease of \$21,700. The Water allocation is a decrease of \$138,850. Sewer RSR funding has increased \$117,150 excluding the change in wastewater reconciliation charge.

As discussed in the 2025 Capital Budget, the AMP financial strategy is being updated in 2025 to identify and address asset funding gaps based on condition assessments. Capital reserve transfers have been increased by \$159,950 for water and \$128,010 for wastewater to match the 2024 Budget increases.

The Regional wastewater reconciliation credit is recommended to be transferred to the Sewer RSR. The Reserve is estimated to have a closing 2024 balance of \$1.8 million and will be adjusted by final 2024 audited operating results. Net of proposed 2025 allocations, the reserve balance is expected to have \$2.2 million for the end of 2025. The Sewer RSR fund continues to be used in forecast periods to minimize rate increases.

Regulatory Requirements

To comply with Ontario Regulation 284/09, staff must report to Council an estimate of the change in the accumulated surplus excluding capital asset amortization from the Water and Wastewater Operating Budget. Amortization is an accounting measure of the value of assets consumed or used in the year. The proposed 2025 capital reserve contributions of \$5.0 million exceed amortization. However, amortization is based on historical asset cost therefore is well below the eventual replacement cost of the asset and not used to estimate reserve contributions requirements. The AMP refines the funding requirements to maintain Town assets.

7. Financial, Staffing and Accessibility (AODA) Implications

The 2025 Budget and revenue requirement is an increase of \$2,133,356 or 9.12%. The revenue is distributed between base and consumption rates. Approximately 51% of the total budget is recovered through base charges to establish a sustainable revenue stream for the largely fixed cost of water and wastewater service delivery. This reflects the reality that fixed costs for most

municipalities are greatest portion of their budgets and demonstrates the importance that a portion of the revenue stream does not vary with consumption. The Town uses a base and variable charge to moderate financial risk and encourage conservation.

The 2025 recommended rates result in the following changes to the average household bill:

Total	2024	2025	\$ Increase	% Increase
Avg annual bill (192m ³)	\$1,709	\$1,845	\$136	7.98%
Avg monthly bill (16m ³)	\$142.39	\$153.75	\$11.36	7.98%

This average bill increase of 7.98% reflects combined budget impacts: Town net costs represent approximately 37% of the budget and are a 5% impact. The Region costs represent 63% of the budget and are an 12% impact, excluding reconciliation variations.

Billed consumption on which rates are based has declined significantly the last several years. Budgeted water consumption has increased for 2025 0.75% to 2.80M m³. Wastewater has increased 2.00% to 2.38M m³. Actual 2024 consumption is projected to be 2.80M m³ and 2.38M m³ respectively. Consumption varies based on factors such as weather and unbilled water from extraneous flow, watermain breaks and fire department usage. A greater reliance on consumption results in greater risk to recover costs.

The five-year projected rate structure maintains the base charges relatively equal to volumetric rates and reflects additional revenue from growth.

The budget increase for 2025 to 2030 is forecast at an annual average of 6.3% using the Region's proposed 9.24% and 8.86% annual increase in treatment costs. It includes the use of RSR funding, excludes measures to fund the widening infrastructure gap from inflation, with changes in consumption and growth.

8. Policies Affecting Proposal

By-law 136-2023 adopted Council's 2023-2026 Corporate Strategic Plan.

Safe Drinking Water Act, 2002 establishes statutory standards of care for those having oversight of municipal drinking water systems.

Ontario Regulation 453/07, "Financial Plans" regulates the submission of a life cycle based full cost recovery financial planning model.

By-law 66-2016 "Being a Bylaw to Regulate the Management of a System of Water Works in the Town of Fort Erie" establishes operation, maintenance & repair standards.

By-law 127-09, as amended, adopted the Budget Policy.

By-law 93-12, as amended, adopted the Reserve Policy governs the strategy for infrastructure reserve funding to address the legislative and long-term capital needs.

By-law 67-2016 adopted a Water and Wastewater Collection Policy.

9. Comments from Departments, Community and Corporate Partners

Staff in Infrastructure Services worked collaboratively in preparing the budget and rates. The Region's public water and wastewater budget reports and rates were referenced.

10. Alternatives

Council may wish to consider additional changes to adjust infrastructure funding and use of RSR funding for different rate outcomes. For discussion purposes, a \$249,000 budget change results in a 1% change in rates.

11. Communicating Results

Information about the 2025 Water and Wastewater Budget will be communicated to residents through a media release and updates on social media. The information will be added in the Town's e-Newsletter and the resulting new rates posted on the website.

12. Conclusion

This 2025 Water and Wastewater Operating Budget demonstrates a financially viable system with stable customer rates, high standards of service delivery, risk mitigation and infrastructure investment. It is a proposed increase of \$2,133,356 or a **9.12%** increase over 2024.

13. Report Approval

Submitted by:
Jonathan Janzen, CPA, CA
Director of Corporate Services

Approved by:
Chris McQueen, MBA
Chief Administrative Officer

14. Attachments

Appendix 1 – 2025 Budget Report: Consolidated Water and Wastewater
Appendix 2 – 2025 Water and Wastewater Budget Summary