

**Town of Pelham**

# **2024 Approved Water and Wastewater Budgets**



# Town of Pelham

## 2024 Water and Wastewater Budgets



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## Background

Water is provided in the Town of Pelham (Town) in a two-tiered system. The Niagara Region (Region) is responsible for the treatment and supply of water while the Town 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 Fonhill. 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 Fonhill. Not all water users in these areas have municipal wastewater service.

Most customers on the system are metered and they are billed six times a year. The bill includes a fixed charge based on meter size and a variable charge based on the volume of water consumed.

A Water & Wastewater Long-Range Financial Plan was completed in 2023 by BMA Management Consulting Inc. The study looked at the required Financial Plan for both Water and Wastewater over a six-year period from 2024 to 2030. The 2024 budget follows the recommendations that were set out in the long-range financial plan. Closely following the recommendations of the long-range financial plan is crucial to ensure that future capital needs of water and wastewater assets are met. Furthermore, Ontario Water Regulation 453/07 requires municipalities to have these long-range financial plans for at least a six-year period. The Town has always followed the recommendations of these plans in the past and the only major difference has been the timing and deferral of some capital projects to future years from the original plan. This has impacted the reserve balances as well as the potential issuance of debt for some of these capital projects.

The rate increases have contributed to an increase in the water and wastewater reserves. The annual reserves allocation has increased from a budget of \$375,533 in 2018 to \$1,362,167 in 2024. This increase to the reserves is critical to meet the future capital needs of the Town and it supports the Reserve and Reserve Fund Policy.

The Water and Wastewater Long-Range Financial Plan recommends a rate increase of 6.5% for Water and 9.5% for Wastewater. 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 the lowest water and wastewater rates in the Niagara Region.



**Niagara Region Rate Increases**

The rate increases from the Region have a major impact on the rate increases for the Town. The Region bills the Town for water based on a combination of fixed and variable charges. The fixed charge accounts for 25% of the Region’s water bill for the Town and the remaining 75% of the bill is a variable charge dependent upon the actual cubic meters of water purchased from the Region. For 2024, the Region has approved a water rate increase of 4.44%, however the rate increase for each lower-tier municipality differs based on historical volume and growth within the municipality. As a result of these factors, the Town will be paying 5.65% more for the fixed component and 4.78% more for the variable component to purchase water in 2024. The purchase of water from the Region is the largest component of the Town’s water budget accounting for over 35% of the total water budget. Table 1 below summarizes the rate increase from the Region.

<b>Table 1: Region Water Rate Increase</b>	<b>2023 Budget</b>	<b>2024 Budget</b>	<b>\$ Change</b>	<b>% Change</b>	<b>Notes</b>
Fixed Rate - 25%	\$ 342,834	\$ 362,204	\$ 19,370	5.65%	
Variable Rate - 75%	\$ 1,003,500	\$ 1,059,982	\$ 56,482	5.63%	(1)
<b>Total Cost to Town</b>	<b>\$ 1,346,334</b>	<b>\$ 1,422,186</b>	<b>\$ 75,852</b>	<b>5.63%</b>	
<b>Notes:</b>					
(1) Variable rate increase from the Region is 4.78%. However, the 2024 budget is based on purchase of 1,512,000 cubic meters of water and 2023 budget is based on purchase of 1,500,000 cubic meters of water. The town takes a 3 year average to budget the anticipated volume of water needed by the Town					

The Region also provides wastewater treatment for the Town. The Region bills the town for wastewater treatment on a 100% fixed charge which is based on actual treatment volume from the previous 3 years. This amount is re-calculated by the region on a rolling basis and any difference between actual and budgeted treatment volume is charged (or credited) back to the Town. For 2024, the Region has approved a wastewater rate increase of 9.90%, however the rate increase for each lower-tier municipality differs based on historical volume and growth within the municipality. As a result of these factors the Town will be paying \$231,073 or 12.68% more for wastewater treatment in 2024. Furthermore, the reconciliation of actual consumption from prior years adds another \$137,000 to the Town’s 2024 wastewater treatment bill from the Region. As a result of these changes the Town will be paying \$2,190,647 for wastewater treatment in 2024, which is \$225,328 or 11.64% higher than the 2023 budgeted amount. Similar to the Town’s water budget, the purchase of wastewater treatment from the Region is the largest component of the Town’s wastewater budget, accounting for over 66% of the total wastewater budget. Table 2 below summarizes the Wastewater rate increases from the Region.



<b>Table 2: Region Wastewater Rate Increase</b>	<b>2023 Budget</b>	<b>2024 Budget</b>	<b>\$ Change</b>	<b>% Change</b>	<b>Notes</b>
Fixed Rate - 100%	\$ 1,822,618	\$ 2,053,691	\$ 231,073	12.68%	
Reconciliation Adjustment	\$ 139,701	\$ 136,956	\$ (2,745)	-	(1)
<b>Total Cost to Town</b>	<b>\$ 1,962,319</b>	<b>\$ 2,190,647</b>	<b>\$ 228,328</b>	<b>11.64%</b>	

**Notes:**

(1) Reconciliation adjustment refers to the update in 3-year average volume of wastewater treatment purchased by the Town and this amount is payable by the town in 2024.

**Recommendations:**

The draft budget proposes a 6.5% increase in the Water and 9.5% increase in the Wastewater rates be effective for 2024. This is equivalent to a combined annual rate increase of 7.95% or \$87.44 per average household for the most common consumption of 33 M<sup>3</sup> per billing.

The Town has been following the BMA study recommendation for reserve fund contributions to both water and wastewater reserves. However, due to change in capital needs over this period, more funds were required in the wastewater reserve fund. Furthermore, significant increases in water and wastewater treatment rate from the Region have put additional pressure on the Town’s water and wastewater budgets. Keeping these challenges in mind, the 2024 draft budget is proposing to not deviate from the BMA Study’s recommended rate increase of 6.5 % for water and 9.5% for wastewater.



**Water**

Water rates have been set by the Town based on a fixed charge component and a rate for consumption usage. This methodology benefits those who conserve water usage and 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.

Currently, the Town recovers its water budget with a 31.88% fixed rate, a 62.68% volumetric rate and 5.44% from other revenues. 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	\$4,021,046	
31.88% Fixed Revenues	(\$1,281,833)	(1)
Subtotal	\$2,739,213	
Less: Other Revenues	(\$218,650)	
Revenue Required for Consumption	\$2,520,563	(2)



**(1) Fixed rates are paid based on the meter size. Most customers with a 5/8" meter will pay \$34.76 per billing.**

Meter Size	# Of Meters	Rate (per billing)	Revenue
5/8"	5375	\$34.76	\$1,121,075
1"	43	\$69.50	\$17,931
1.4"	32	\$97.31	\$18,684
2"	43	\$138.99	\$35,859
3"	3	\$347.51	\$6,255
4"	4	\$579.37	\$13,905
6"	5	\$1,158.42	\$34,753
8"	3	\$1,853.97	\$33,371
<b>Total Revenue</b>			<b>\$ 1,281,833</b>

**(2) Consumption Rate Calculation**

The consumption rate is calculated by taking the Town’s proposed water budget net of fixed and other revenues above and dividing it by the forecasted consumption of water (i.e., water to be billed). For 2024, the Town is anticipating billing 1,253,400 cubic meters of water, and the total budget needs (excluding fixed and other revenue) is \$2,520,563. Therefore, the consumption rate of \$2.011 per cubic meter of water is required.

Total Town of Pelham estimated consumption costs related to water	\$2,520,563
Divided by forecasted water flows (M <sup>3</sup> ) for 2024	1,253,400
<b>2024 Proposed Water Consumption Rate Charge</b>	<b>\$ 2.011/M<sup>3</sup></b>



**Wastewater**

The Town is using the 2023 Water and Wastewater 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 2024:

Total Wastewater Budget	\$3,295,901	
47.15% Fixed Revenues	(\$1,554,112)	(1)
Subtotal	\$1,741,789	
Less: Other Revenues	(\$20,000)	
Revenue Required for Consumption	\$1,721,789	(2)

**(1) Fixed Rate Calculation**

Meter Size	# Of Meters	Rate (per billing)	Revenue
5/8"	4951	\$45.91	\$1,363,876
1"	33	\$91.81	\$18,179
1.4"	24	\$128.56	\$18,513
2"	36	\$183.62	\$39,663
3"	2	\$459.11	\$5,509
4"	4	\$765.44	\$18,371
6"	5	\$1,530.45	\$45,913
8"	3	\$2,449.37	\$44,089
<b>Total Revenue</b>			<b>\$ 1,554,112</b>





**(2) Consumption Rate Calculation**

The consumption rate is calculated by taking the Town’s proposed wastewater budget net of fixed and other revenues above and dividing it by the forecasted treatment of water (i.e., wastewater to be billed). For 2024, the Town is anticipating billing 1,114,900 cubic meters of wastewater, and the total budget needs (excluding fixed and other revenue) is \$1,721,789. Therefore, the consumption rate of \$1.544 per cubic meter of wastewater is required.

Total Town of Pelham estimated consumption costs related to wastewater	\$1,721,789
Divided by forecasted water flows (M <sup>3</sup> ) for 2024	1,114,900
<b>2024 Proposed Wastewater Consumption Rate Charge</b>	<b>\$ 1.544/M<sup>3</sup></b>

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 Region reports 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 sustain the wastewater infrastructure.

**SUMMARY**

Attached to this report is a summary of sample water billings for a two-month billing period which include the proposed 6.5% increase in the water and 9.5% increase in the wastewater rates effective for 2024. For the average household, this is a \$ 87.44 increase to the annual water and wastewater bill.

Finally, the 2024 Water and Wastewater Budgets are provided for Council's information and reference.

# Water Distribution System



The Water division is responsible for the distribution of the Town's water supply supplied by Niagara Region.

	2021	2022	2023	2024	Budget Change		
	Actual	Actual	Approved Budget	Approved Budget	Dollar	Percent	Notes
<b>Revenues</b>							
Consumption Charges	\$ 2,086,013	\$ 2,125,441	\$ 2,346,711	\$ 2,520,563	\$ 173,852	7.41%	
Flat Rate Charge	993,212	1,097,999	1,197,725	1,281,833	84,108	7.02%	
Consumption Charges Water Haulers	177,416	178,288	150,000	150,000	-	-%	
Meter Installations	64,360	14,392	40,000	40,000	-	-%	
Other Revenues	35,465	51,979	28,650	28,650	-	-%	
<b>Total Revenues</b>	<b>3,356,466</b>	<b>3,468,099</b>	<b>3,763,086</b>	<b>4,021,046</b>	<b>257,960</b>	<b>6.86%</b>	
<b>Expenditures</b>							
Salaries and Benefits	1,084,389	1,201,512	1,000,484	1,073,379	72,895	7.29%	
Materials and Supplies	307,683	310,372	309,373	315,634	6,261	2.02%	
Insurance	24,362	25,451	28,621	29,212	591	2.06%	
<b>Contract Services</b>							
Contract Services	1,424,503	1,465,064	1,526,434	1,602,286	75,852	4.97%	-
Contract Services - Region	(1,230,081)	(1,229,132)	(1,346,334)	(1,422,186)	75,852	(5.63)%	-
Contract Services	194,422	235,932	180,100	180,100	-	-%	
Transfer to Reserve	515,529	465,701	898,174	1,000,535	102,361	11.40%	
<b>Total Expenditures before Region Costs</b>	<b>2,126,385</b>	<b>2,238,968</b>	<b>2,416,752</b>	<b>2,598,860</b>	<b>182,108</b>	<b>7.54%</b>	
Niagara Region Volumetric Costs	1,230,081	1,229,131	1,346,334	1,422,186	75,852	5.63%	(1)
<b>Total Expenditures</b>	<b>3,356,466</b>	<b>3,468,099</b>	<b>3,763,086</b>	<b>4,021,046</b>	<b>257,960</b>	<b>6.86%</b>	<b>(1)</b>
<b>Net Surplus (Deficit)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-%</b>	

Notes:

(1) 2024 Regional approved rate increase for purchase of water is 5.65% for fixed component and 4.78% for variable component. 2024 budget is based on the estimated purchase of 1,512,000 cubic meters of water (3 year average) .

# Wastewater Distribution System



The wastewater division is responsible for the collection of wastewater and distribution to the Region's wastewater collection and treatment system.

	2021	2022	2023	2024	Budget Change		
	Actual	Actual	Approved Budget	Approved Budget	Dollar	Percent	Notes
<b>Revenues</b>							
Consumption Charges	\$ 1,379,409	\$ 1,418,426	\$ 1,591,309	\$ 1,721,789	\$ 130,480	8.20%	
Flat Rate Charge	1,134,779	1,256,590	1,385,149	1,554,112	168,963	12.20%	
Other Revenues	25,092	55,948	20,000	20,000	-	-%	
<b>Total Revenues</b>	<b>2,539,280</b>	<b>2,730,964</b>	<b>2,996,458</b>	<b>3,295,901</b>	<b>299,443</b>	<b>9.99%</b>	
<b>Expenditures</b>							
Salaries and Benefits	266,130	297,714	658,642	711,073	52,431	7.96%	
Materials and Supplies	6,660	4,602	11,200	11,326	(126)	(1.13)%	
Insurance	2,707	2,827	3,169	3,222	53	1.67%	
Contract Services	2,496	39,906	18,000	18,000	-	-%	
Transfer to Reserve	860,699	702,315	343,128	361,633	18,505	5.39%	
<b>Total Expenditures before Region Costs</b>	<b>1,138,692</b>	<b>1,047,364</b>	<b>1,034,139</b>	<b>1,105,254</b>	<b>71,115</b>	<b>6.88%</b>	
Niagara Region Volumetric Costs	1,400,588	1,683,600	1,962,319	2,190,647	228,328	11.64%	(1)
<b>Total Expenditures</b>	<b>2,539,280</b>	<b>2,730,964</b>	<b>2,996,458</b>	<b>3,295,901</b>	<b>299,443</b>	<b>9.99%</b>	
<b>Net Surplus (Deficit)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-%</b>	

Notes:

(1) 2024 Regional approved rate for purchase of wastewater treatment is 11.64% which includes the 3-year rolling average reconciliation adjustment.

**Appendix 1  
TOWN OF PELHAM  
2024 Draft Water and Wastewater Rates  
as per 2 Month Billing**

	<b>2023 Rates</b>	<b>2024 Rates</b>	<b>\$ INCREASE</b>	<b>% INCREASE</b>
<b>WATER</b>				
Bi-Monthly Base Charge (up to 19 mm Meter)	\$ 32.64	\$ 34.76	\$ 2.12	6.50%
Bi-Monthly Base Charge (25mm Meter)	65.26	\$ 69.50	4.24	6.50%
Bi-Monthly Base Charge (37mm Meter)	91.37	\$ 97.31	5.94	6.50%
Bi-Monthly Base Charge (50mm Meter)	130.50	\$ 138.99	8.48	6.50%
Bi-Monthly Base Charge (75mm Meter)	326.30	\$ 347.51	21.21	6.50%
Bi-Monthly Base Charge (100mm Meter)	544.01	\$ 579.37	35.36	6.50%
Bi-Monthly Base Charge (150mm Meter)	1,087.72	\$ 1,158.42	70.70	6.50%
Bi-Monthly Base Charge (200mm Meter)	1,740.82	\$ 1,853.97	113.15	6.50%
Usage Charge, Per Cubic Meter	1.888	2.011	0.123	6.50%
<b>WATER HAULERS</b>				
Usage Charge, Per Cubic Meter	\$2.1770	\$2.3185	\$ 0.1415	6.50%
<b>WASTEWATER</b>				
Bi-Monthly Base Charge	\$ 41.93	\$ 45.91	\$ 3.98	9.50%
Bi-Monthly Base Charge (25mm Meter)	83.85	\$ 91.81	7.97	9.50%
Bi-Monthly Base Charge (37mm Meter)	117.41	\$ 128.56	11.15	9.50%
Bi-Monthly Base Charge (50mm Meter)	167.69	\$ 183.62	15.93	9.50%
Bi-Monthly Base Charge (75mm Meter)	419.28	\$ 459.11	39.83	9.50%
Bi-Monthly Base Charge (100mm Meter)	699.04	\$ 765.44	66.41	9.50%
Bi-Monthly Base Charge (150mm Meter)	1,397.67	\$ 1,530.45	132.78	9.50%
Bi-Monthly Base Charge (200mm Meter)	2,236.87	\$ 2,449.37	212.50	9.50%
Usage Charge, Based on Cubic Meters for Sewer	1.410	1.544	0.134	9.50%

**Appendix 2  
TOWN OF PELHAM  
2024 Water and Wastewater Rates  
as per 2 Month Consumption**

	Usage in Cubic Meters (M <sup>3</sup> )					
	33		50		75	
	2023	2024	2023	2024	2023	2024
<b>WATER</b>						
Base Charge	\$ 32.64	\$ 34.76	\$ 32.64	\$ 34.76	\$ 32.64	\$ 34.76
Usage Charge	62.31	66.36	94.41	100.55	141.62	150.82
	\$ 94.95	\$ 101.12	\$ 127.05	\$ 135.31	\$ 174.26	\$ 185.59
Year-to-Year Increase	\$ 5.81	\$ 6.17	\$ 7.77	\$ 8.26	\$ 10.66	\$ 11.33

	Usage in Cubic Meters (M <sup>3</sup> )					
	33		50		75	
	2023	2024	2023	2024	2023	2024
<b>WASTEWATER</b>						
Base Charge	\$ 41.93	\$ 45.91	\$ 41.93	\$ 45.91	\$ 41.93	\$ 45.91
Usage Charge	46.54	50.96	70.52	77.22	105.78	115.83
	\$ 88.47	\$ 96.88	\$ 112.45	\$ 123.13	\$ 147.71	\$ 161.74
Year-to-Year Increase	\$ 7.68	\$ 8.40	\$ 9.76	\$ 10.68	\$ 12.82	\$ 14.03

	33 M <sup>3</sup>		50 M <sup>3</sup>		75 M <sup>3</sup>	
	2023	2024	2023	2024	2023	2024
	<b>TOTAL WATER AND WASTEWATER CHARGES</b>	\$ 183.43	\$ 198.00	\$ 239.50	\$ 258.44	\$ 321.97

<b>\$ INCREASE OVER 2023 RATES (per billing)</b>		<b>\$ 14.57</b>		<b>\$ 18.94</b>		<b>\$ 25.35</b>
<b>\$ INCREASE OVER 2023 RATES (per month)</b>		<b>\$ 7.29</b>		<b>\$ 9.47</b>		<b>\$ 12.68</b>
<b>% INCREASE OVER 2023 RATES</b>		<b>7.95%</b>		<b>7.91%</b>		<b>7.87%</b>
<b>\$ INCREASE OVER 2023 RATES (per year)</b>		<b>\$ 87.44</b>		<b>\$ 113.62</b>		<b>\$ 152.12</b>

