

Issue Summary Report

2016 Proposed Water and Wastewater Rates

#20160209014

Meeting : P&P-02/2016 - Policy and Priorities Committee **Meeting Date** : 2016/02/16 19:30**Meeting Type** : Policy and Priorities Committee

Background

The Water and Wastewater System continues to be very lean over the last 6 (six) years resulting from meter replacements, infrastructure upgrades and continued audits within the system. Additionally, for 2016 the following items have been considered in setting the water and wastewater rates:

1. The Niagara Region set their 2016 budget and used a 3 year rolling average for consumption when billing area municipalities. For the Town of Pelham the consumption for billing will be 1,400,000 cubic meters.
2. Maintaining the Town's commitment to water and wastewater sustainability and lifecycle contributions requiring the transfer of user fees to capital reserve to address infrastructure needs.
3. The impact that conservation has on the level of consumption. The Town strongly encourages conservation efforts but also has to consider that most of the items budgeted are fixed costs that do not fluctuate with the level of consumption. The Town recovers approximately 73% of its user fees through consumption thus increasing the risk of not meeting the fixed costs requirements.

In addition to these impacts, the largest impact on the 2016 budget continues to be due to results of a study conducted by CN Watson on Water and Wastewater rate setting. This study was previously done in 2006 when the Town had not yet established reserves and had no mechanism for rate stabilization. Since this time as Council is aware the Town has reserves that far surpass the requirements of maintaining the system in the long-term. As a result with work done by the consultants together with the Town staff, the amount of transfer into reserves has been reduced significantly. The study shows that the Town has been able to maintain the sustainability of both the water infrastructure and also the cost to maintain the distribution system.

This is further quantified by the amount of additional revenues the Town realized upon completion of the meter replacement program. An additional study performed by a consultant on the potential for significant leaks or losses in the Towns distribution system revealed that the Town works very well at minimizing any loss in the system. The efforts of the staffs work to create a lean system is now being realized. This is why the recommendation to Policies and Priorities this evening is to maintain the water and wastewater rates at 2015 rates representing a three-year 0% increase in water and wastewater rates for ratepayers excluding water haulers.

Each of the Budgets will be discussed in detail taking into consideration the factors above:

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 allows to ensure 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 waterflows 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 2016 the Region will bill the Town a 25% flat rate based on last years consumption

levels and usage rate at 100% of actual consumption for 2016.

Currently, the Town recovers its water consumption with a 27.97% flat rate and a 72.03% 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	\$2,374,207
27.97% Fixed Cost	(1) \$ 657,272
Subtotal	\$1,716,935
Less: Other Revenue	(\$144,500)
Revenue Required for Consumption	(2) \$1,572,435

(1) Rate Setting for fixed given amount of \$657,272

# of Meters	Rate	Revenue
4617	\$22.29	\$617,478
38	\$44.57	\$10,162
22	\$62.41	\$8,238
30	\$89.14	\$16,045
4	\$222.87	\$5,349
Total Revenue		\$657,272

(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 \$0.554. Although the Region uses 1,400,000 cubic meters 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	\$1,572,435
Divided by forecasted waterflows (M3) for 2014	1,184,508
2015 Proposed Annual Consumption Rate Charge	\$1.3275

WASTEWATER

The Town of Pelham has previously used the 2006 Water and Wastewater study prepared by C.N. Watson 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 2015.

The rates proposed for 2015 have been calculated as follows:

Total Wastewater Budget	\$1,694,514
41.2% Fixed Cost	(1) \$683,937
Subtotal	\$997,145
Less: Other Revenue	(\$5,000)

Revenue Required for Consumption	(2)	\$992,145
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(1) Fixed Rate Calculation

# of Meters	Rate	Revenue
4187	\$26.34	\$661,713
30	\$52.68	\$9,482
17	\$73.76	\$7,524
22	\$105.37	\$13,908
3	\$263.43	\$4,741
Total Revenue		\$697,370

(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.

The Town of Pelham consumption costs related to wastewater:

Total Town of Pelham estimated consumption costs related to water	\$ 992,145
Divided by forecasted waterflows (M3) for 2015	1,087,998
2015 Proposed Annual Consumption Rate Charge	\$0.9119

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.

WATER HAULERS

The Bulk Water station continues to realize improvements to the prepay system at the station. As a result of the investment in the station and the continuous maintenance required to sustain the station to the highest level, a modest increase of 1.3% is required.

SUMMARY

Attached is a summary of sample water billings for a two month billing period which has not changed from last years water billings.

Finally, the 2016 Water and Wastewater Budgets are provided for Council's information and reference.

Alternatives

THAT Council can reject or revise the recommendation.

Recommendation

THAT the Issue Sheet regarding the 2016 Water and Wastewater Budget be received;

AND THAT Committee recommend to Council that the 2016 Water and Wastewater Budgets be approved.

Additional Information

- 4. d) **Strategic Plan** : Sustainability, Exceptional Customer Serve
- 4. f) **Best Practices** : Affordability, Risk Management
- 4. g) **Consultation** : Director of Public Works

TOWN OF PELHAM
2016 Proposed Water and Wastewater Rates
As per 2 Month Billing

	2015 Rates	2016 Rates	\$ INCREASE	% INCREASE
WATER				
Bi-Monthly Base Charge (up to 19mm Meter)	\$ 22.29	\$ 22.29	\$ -	0.00%
Bi-Monthly Base Charge (25mm Meter)	\$ 44.57	\$ 44.57	\$ -	0.00%
Bi-Monthly Base Charge (37mm Meter)	\$ 62.41	\$ 62.41	\$ -	0.00%
Bi-Monthly Base Charge (50mm Meter)	\$ 89.14	\$ 89.14	\$ -	0.00%
Bi-Monthly Base Charge (75mm Meter)	\$ 222.87	\$ 222.87	\$ -	0.00%
Usage Charge, Per Cubic Metre	\$ 1.3275	\$ 1.3275	\$ -	0.00%
WATER HAULERS				
Usage Charge, Per Cubic Metre	\$ 1.4670	\$ 1.4860	\$ 0.02	1.30%
WASTEWATER				
Bi-Monthly Base Charge	\$ 26.34	\$ 26.34	\$ -	0.00%
Bi-Monthly Base Charge (25mm Meter)	\$ 52.68	\$ 52.68	\$ -	0.00%
Bi-Monthly Base Charge (37mm Meter)	\$ 73.76	\$ 73.76	\$ -	0.00%
Bi-Monthly Base Charge (50mm Meter)	\$ 105.37	\$ 105.37	\$ -	0.00%
Bi-Monthly Base Charge (75mm Meter)	\$ 263.43	\$ 263.43	\$ -	0.00%
Usage Charge based on Cubic Metres for Sewer	\$ 0.9119	\$ 0.9119	\$ -	0.00%
SEWERS ONLY, NO WATER				
Base Charge Per Billing Period (2 Months)	\$ 26.34	\$ 26.34	\$ -	0.00%
Usage Charge based on Cubic Meters for Sewer	\$ 92.83	\$ 92.83	\$ -	0.00%

Appendix 1 for I.20160209014: 2016 Rate Comparisons

APPENDIX 2

TOWN OF PELHAM 2016 Proposed Water and Wastewater Rates

Consumption per 2 month period	25 M ³		50 M ³		75 M ³		100 M ³		150 M ³		200 M ³	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
WATER												
Base Charge	\$ 22.29	\$ 22.29	\$ 22.29	\$ 22.29	\$ 22.29	\$ 22.29	\$ 22.29	\$ 22.29	\$ 22.29	\$ 22.29	\$ 22.29	\$ 22.29
Usage Charge	\$ 33.19	\$ 33.19	\$ 66.37	\$ 66.37	\$ 99.56	\$ 99.56	\$ 132.75	\$ 132.75	\$ 199.12	\$ 199.12	\$ 265.50	\$ 265.50
	<u>\$ 55.48</u>	<u>\$ 55.48</u>	<u>\$ 88.66</u>	<u>\$ 88.66</u>	<u>\$ 121.85</u>	<u>\$ 121.85</u>	<u>\$ 155.04</u>	<u>\$ 155.04</u>	<u>\$ 221.41</u>	<u>\$ 221.41</u>	<u>\$ 287.79</u>	<u>\$ 287.79</u>
Year to Year Increase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
WASTEWATER												
Base Charge	\$ 26.34	\$ 26.34	\$ 26.34	\$ 26.34	\$ 26.34	\$ 26.34	\$ 26.34	\$ 26.34	\$ 26.34	\$ 26.34	\$ 26.34	\$ 26.34
Usage Charge	\$ 22.80	\$ 22.80	\$ 45.60	\$ 45.60	\$ 68.39	\$ 68.39	\$ 91.19	\$ 91.19	\$ 136.79	\$ 136.79	\$ 182.38	\$ 182.38
	<u>\$ 49.14</u>	<u>\$ 49.14</u>	<u>\$ 71.94</u>	<u>\$ 71.94</u>	<u>\$ 94.73</u>	<u>\$ 94.73</u>	<u>\$ 117.53</u>	<u>\$ 117.53</u>	<u>\$ 163.13</u>	<u>\$ 163.13</u>	<u>\$ 208.72</u>	<u>\$ 208.72</u>
Year to Year Increase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL WATER AND WASTEWATER CHARGES	<u>\$ 104.62</u>	<u>\$ 104.62</u>	<u>\$ 160.60</u>	<u>\$ 160.60</u>	<u>\$ 216.58</u>	<u>\$ 216.58</u>	<u>\$ 272.57</u>	<u>\$ 272.57</u>	<u>\$ 384.54</u>	<u>\$ 384.54</u>	<u>\$ 496.51</u>	<u>\$ 496.51</u>

\$ INCREASE OVER 2015 RATES	\$ -											
% INCREASE OVER 2015 RATES	0.0%											

TOWN OF PELHAM
2016 Operating Budget

	2014 Actual	2015 Budget	2015 Actual to Dec 31/15	2016 Budget
REVENUES				
Water Consumption Charge	1,420,220	1,464,377	1,481,941	1,572,435
Flat Rate Charge	642,508	645,262	651,753	657,272
Meter Installations	23,127	20,000	25,900	25,000
Fees - Administration Charges	3,390	3,000	3,960	4,000
Fees - Disconnect/Reconnect	1,799	2,000	1,956	2,000
Water Haulers	106,905	100,000	80,343	100,000
Penalties - Water & Sewer	6,703	5,000	7,154	6,000
Interest Revenue	2,500	5,000	-	2,500
Other Revenues	2,066	2,000	7,034	5,000
Rain Barrel Program Revenues	6,889	7,500	7,786	-
Transfer from Deferred Revenues				
Total Revenues	2,216,107	2,254,139	2,267,827	2,374,207

EXPENSES

Total Salaries & Benefits	231,644	241,362	251,829	326,042
WSIB	11,065	15,456	-	20,687
Professional Development	7,846	11,800	4,470	15,500
Associations/Memberships	976	930	662	645
Mileage	-	300	-	-
Other Travel Expenses	441	-	1,020	1,000
Hydro	2,582	5,000	2,031	5,000
Water	35,632	16,000	27,405	25,000
Telephone	730	750	963	750
Hand Held Devices	4,106	4,200	4,016	4,200
Office Supplies and Services	598	500	708	500
Materials and Supplies	1,532	1,000	672	1,000
Printing Fees/Copy Costs	2,909	-	3,480	3,500
Postage	18,590	16,000	18,691	18,790
Protective Clothing	520	3,000	1,712	5,222
Advertising	3,099		-	200
Insurance	14,631	14,630	14,435	14,630
Licences	-	-	-	-
Taxes on Own Property	-	2,700	-	3,000
Legal Fees	-	-	-	-
Software Support	5,370	6,000	-	10,000
Contract Services - Engineering	6,276	27,000	5,876	29,600
Contract Services - Other	27,486	-	25,019	6,400
Contract Services - Region	1,000,787	1,100,000	990,593	1,000,000
Building Rental	12,211	12,500	12,211	12,500
Transfer to Water Capital Reserve	473,612	350,000	467,173	350,000
Total Administration	1,862,643	1,829,128	1,832,965	1,854,166

**TOWN OF PELHAM
2016 Operating Budget**

	2014 Actual	2015 Budget	2015 Actual to Dec 31/15	2016 Budget
WATER SYSTEM EXPENSES				
Salaries and Wages - Regular	193,706	201,833	210,586	265,920
Materials & Supplies	10,313	40,000	11,412	40,000
Contracted Services - Other		-	2,304	5,000
Equipment Rental - Other	305	1,000	-	1,000
Total Administration - Water System	204,324	242,833	224,302	311,920
WATER METER MAINTENANCE EXPENSES				
Salaries and Wages - Regular	102,480	106,780	111,411	135,395
Materials & Supplies	1,804	20,000	55,647	20,000
Contracted Services - Other		2,000	-	2,000
Total Administration - Water Meter	104,284	128,780	167,058	157,395
WATER TESTING EXPENSE				
Salaries and Wages - Regular	16,620	17,317	18,068	21,958
Materials & Supplies	87	1,200	-	1,680
Contract Services - Water Testing	21,839	22,200	17,508	23,680
Total Administration - Water Testing	38,546	40,717	35,576	47,318
WATER CONSERVATION PROGRAM EXPENSES				
Salaries and Wages - Regular	2,573	2,681	2,797	3,408
Rainbarrel Program	3,737	10,000	5,129	-
Total Expenses	6,310	12,681	7,926	3,408
Grand Total Expenses	2,216,107	2,254,139	2,267,827	2,374,207
Net Surplus(Deficit)	0	0	0	(0)

TOWN OF PELHAM
2016 Operating Budget
Wastewater

REVENUES	2014 Actual	2015 Budget	2015 Actual to Dec 30/15	2016 Budget
Sewer Consumption Charges	856,402	979,307	899,466	992,145
Fixed Rate User Charge	680,662	683,937	691,370	697,369
Penalties on overdue accounts	5,380	5,000	5,755	5,000
Other Revenues	208		252	
Transfer from Reserve	71,092			
Total Revenues	1,613,744	1,668,244	1,596,843	1,694,514
EXPENSES				
Salaries and Benefits	202,331	211,475	225,822	269,664
WSIB	2,012	2,110	-	2,824
Materials & Supplies	2,802	5,000	2,672	4,500
Insurance	1,526	1,525	1,518	1,525
Contract Services - Engineering		5,000	-	-
Contract Services - Other	2,697	15,000	778	-
Contract Services - Inspections	42,681	-	1,451	2,400
Transfer - Capital Reserve Fund	156,033	200,000	227,328	200,000
Total Expenses	410,082	440,110	459,569	480,913
Niagara Region Volumetric Sewage Cost	1,203,662	1,228,134	1,137,274	1,213,601
Total Wastewater Expenditures	1,613,744	1,668,244	1,596,843	1,694,514
Net Surplus(deficit)	-	-	-	-