

**City of Port Colborne  
Committee of the Whole  
Budget Meeting Agenda**

**Date:** Thursday, March 11, 2021  
**Time:** 6:30 pm  
**Location:** Council Chambers, 3rd Floor, City Hall  
66 Charlotte Street, Port Colborne

**Pages**

- 1. Call to Order**
- 2. Adoption of Agenda**
- 3. Disclosures of Interest**
- 4. Staff Reports**
  - 4.1. 2021 Rate Budgets, 2021-80 1

Note: Bryan Boles, Director of Corporate Services, will provide a presentation.
  - 4.2. 2021 Rates Setting, 2021-84 20

Note: Bryan Boles, Director of Corporate Services, will provide a presentation.
- 5. Correspondence Items**
- 6. Presentations**
- 7. Delegations**

Due to COVID-19 this meeting will be conducted virtually. Anyone wishing to speak to Council is asked to submit a written delegation that will be circulated to Council prior to the meeting. Written delegations will be accepted until noon the day of the meeting by emailing [deputyclerk@portcolborne.ca](mailto:deputyclerk@portcolborne.ca) or submitting a hard copy in the after-hours drop box in front of City Hall, 66 Charlotte Street, Port Colborne. Written delegations accepted after this time will be circulated with the minutes and included as public record.
- 8. Procedural Motions**

9. Information Items

10. Adjournment



**Subject: 2021 Rate Budgets**

**To: Committee of the Whole - Budget**

**From: Corporate Services Department**

Report Number: 2021-80

Meeting Date: March 11, 2021

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**Recommendation:**

That Corporate Services Department Report 2021-80 be received; and

That the 2021 Rate Budgets as set out in appendix A, B, and C of report 2021-80 be approved.

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**Purpose:**

The purpose of this report is to present the proposed 2021 Rate Budgets to Council for approval.

A separate Committee of the Whole – Budget report has been prepared titled, 2021 Rate Setting, Report 2021-81, to establish the water, wastewater and storm sewer rates to be charged.

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**Background:**

The 2021 Rate Budgets are presented on an adjusted timeline from that approved in Report 2020-97. In the summer of 2021, staff will outline a path to have the Rate Budgets approved on a similar timeline to the Levy budget (on or before December 13).

The 2021 Rate Budgets were developed through a collaborative process. Similar to the Levy Budget, staff based their recommendations after considering:

- Organization capacity to fulfill the direction this budget provides:
  - Staff recognizing the COVID-19 pandemic is on-going
  - Staff changes in the Engineering and Operations division
- Organization financial flexibility and ratepayer affordability recognizing water and wastewater rates are higher but when coupled with property taxes still

equals a comparable to slightly more affordable total cost than other municipalities. Affordability is discussed in Report 2021-84, Rate Setting.

- A desire to continuously improve:
  - Introduce a new account structure (blueprint) to track future success
  - Establish a pathway to identify quick wins and plot a sustainable path forward with respect to water and wastewater improvements.

The budget document should be read in conjunction with the 2021 Capital and Related Project Budget (Report 2020-125) approved by Council at the September 28, 2020 Council meeting and the budget presentation presented to the Committee of the Whole on September 17, 2020.

Financial Services acknowledges that the format of the 2021 Rate Budgets are very different than previous years. Staff took a bottom up approach, including adjusting the account structure to facilitate future triennial financial reporting. Staff did not use the prior year budget plus inflation approach. The hope is Council will find the new format as a continued movement towards increasing accountability and transparency. Financial Services would like to thank the Director and staff of the Public Works Department that worked hand in hand in the development of this budget.

## **Discussion:**

Financial Services highlights the budget is a plan to allocate resources in advance for the maximum benefit of City residents and stakeholders. It is a method to authorize revenue and expense authority. In preparing the 2021 budget, certain assumptions and estimates are necessary. They are based on information available to staff at the time of preparation. Actual results will vary although as regulated through the *Municipal Act*, a balanced budget is required.

## **Rate Budget Impact**

### Water and Wastewater

If approved as presented, the 2021 water and wastewater combined budget increase would be 2.98% (represented by a 8.5% reduction in the water budget offset by a 12.9% increase in the wastewater budget).

Driving the water budget reduction is an improvement in the water billing to purchased ratio from 54.3% in 2018 to approximately 64% in 2020. Directionally this figure should be closer to 85% suggesting the City has made progress but there is more work to be done.

The increase in the wastewater budget is an acknowledgement that a refocus on wastewater is required. In 2020 payments to the Niagara Region to treat the wastewater were approximately 86% of total City wastewater billings. Directionally this percentage

should be closer to 50% suggesting the City has significant inflow and infiltration work to be done. City Staff thank Barbara A. Robinson, M.A.Sc., P.Eng., President and Founder, Norton Engineering Inc. for the educational presentation to the Budget Review Committee of the Whole on Inflow and Infiltration (“I&I”) in Sanitary Sewers on February 17, 2021.

### Storm Sewer

If approved as presented, the 2021 Storm Sewer budget increase would be 10%. The most significant cost in this budget is the Nickel Storm Sewer project with annual borrowing costs representing approximately \$536,000 or 63% of the total budget.

## **Budget Summary**

This budget was developed recognizing City rate services have never stopped during the pandemic. Recognizing the ongoing COVID-19 pandemic, staff have developed budgets that maintain current service levels while providing funding to develop a plan and act as quickly as possible to work towards a more sustainable rate budget environment.

Recent organizational changes have provided for a renewed analysis of City rate services. The City has had an opportunity to discuss with Senior Staff at the Niagara Region and appreciate their insight and cooperation as work continues towards a more sustainable rate budget environment for the City.

The 2021 Capital and Related Project Budget approved funding to develop a plan and implement wastewater flow monitoring. Staff are working on that plan and related initiative at the time of writing this report. Albert Einstein famously said, “If I had an hour to save the world, I’d spend 55 minutes defining the problem and five minutes finding the solution”. Staff understand that residents and local stakeholders would like to move fast to improve the water and wastewater rate environment and investigative works and planning are currently underway to implement those improvements.

To ensure Council, residents and local stakeholders remain informed, staff commit to including an update on water and wastewater planning progress and opportunities in the triannual financial reporting scheduled to start for the period ending April 30, 2021 this year. The first report would be the first Council meeting in June of 2021.

Some of the salient highlights and changes in the 2021 Rate budgets are as follows:

### Water and Wastewater

- Includes a low-income seniors grant for individual on guaranteed income supplement. The budget for this grant is \$100,000. Staff identify at the time of writing this report the number of applications under this program is unknown. Based on the analysis and recommendation in Report 2021-84, Staff estimate this could fund between 409 to 658 individuals depending on the scenario

presented, which would make up 7.3% to 11.7% of the City's billing population. As identified budgets are estimates and – if there is a budget surplus/deficit as a result of this budget line – staff will adjust when proposing the 2022 budget. Includes funding for communications to help explain how the water and wastewater systems work and what is being done to improve the systems. While much of this communication is yet to be developed at the time of writing this report, an example of one piece of communication is attached as Appendix H – Water and Wastewater Communication. The budget for this work is \$20,000.

- Includes monthly billing with a goal for an implementation date of October 1, 2021. The cost of moving to monthly billing is \$40,000.
- Includes a one-time \$25 incentive to move to the current equal billing model the City currently offers. The budget plans for – and staff recommend – anyone already on the equal billing system to receive the one-time incentive. The cost of this incentive is \$40,000.
- The water and wastewater combined capital and capital reserve funding amount is recommended to increase by \$103,000 year over year. A report completed by PSD Asset Management in 2019 identified the replacement value of the City's water and wastewater linear assets is \$109.7 million. Recognizing this budget identifies approximately \$1.5 million in capital and related capital reserve funding it would take approximately 73 years to replace the current linear assets within the City at current value dollars (i.e. before accounting for construction price inflation and further deterioration of the pipes).
- Includes one additional staff member in the role of Manager. The City has historically not dedicated a senior level staff person to the Water and Wastewater file. Recognizing the Water and Wastewater budget is just over half the City Levy budget, the embedded complexity in operating the system and the impact rates are having on residents and stakeholders in the City, staff identify this position is sorely needed.
- Supporting and investing in human capital at the City – recognizing that City Staff are the City's most important asset, as was mentioned in the Strategic Plan presentation on October 26, 2020. A formal training budget has been implemented across departments amounting to approximately 2.5% of personnel costs.
- The commitment to continuous learning extends to the youth of the City. This budget includes students that help the City meet seasonal demands while providing students with work experience to support them in their future development. Specifically, these students will be reviewing CCTV videos, analysing areas for repairs and taking inventory on wastewater assets to gather data for strategic replacements.

### Storm Sewer

- The Storm Sewer budget proposed is primarily a maintenance budget at the current time. As noted, 64% of the budget has been allocated to the borrowing costs of the Nickel Storm Sewer.
- The capital budget available for work is \$24,000 with an additional \$42,000 being allocated to reserves. The reserve balance at the end of fiscal 2020 is projected at \$470,000 at the time of writing this report. Staff identify all year-end accounting entries have not been recorded at the time of writing this report and this number is subject to change.

Readers of this report will identify consolidated 2020 and prior year comparatives figures in the attached appendices. Highlights include the following:

### Water and Wastewater

- The proportion of the water and wastewater budgets going to the Niagara Region to purchase water and treat the wastewater was 59.6% in 2017, 65.6% based on the 2020 year-end forecast and 61% should the 2021 budgets be approved.
- The proposed 2021 combined water and wastewater capital and capital reserve transfers are approximately \$50,000 less than in 2017, even after the year over year increase of \$103,000 noted above. Highlighted another way, in 2017 the City budgeted for 14.5% of the combined water and wastewater bill to be allocated to capital and capital reserve transfers. In the proposed 2021 budget the capital funding is proposed to represent 12.8% of the total budget.
- Since 2017 the City has run anywhere between 27% and 43% under budget on personnel expenses as a result of redeploying water and wastewater staff to other projects including transportation and ditching and general vacancies that occur from time to time. This 2021 Rate Budget has split the personnel expense between water and wastewater. Engineering and Operations, along with Human Resources, are going to be reviewing capacity and related needs within the various Engineering and Operation departments. While staff view the City as “one Team” and from time to time sharing between departments is required and supported, the redeployment of water and wastewater staff is impacting the capacity to complete water and wastewater projects.
- Due to staff turnover and COVID-19 priorities, the 2020 capital budgets were underspent by \$337,000 (Water) and \$546,000 (Wastewater). Notably this represented 100% of the wastewater capital budget. These funds are recommended to roll forward to fund capital work to be identified through the water and wastewater planning currently underway by Engineering and Operations.
- Staff identify there are reserve fund transfers each year to balance the rate budgets. The reserve balances at the end of fiscal 2020 are projected at approximately \$700,000 for water and essentially \$NIL for wastewater at the time of writing this report. Staff identify all year end accounting entries have not been

recorded at the time of writing this report and these numbers are subject to change.

### Storm Sewer

- The storm sewer fee was new in 2019 and budget to actual review since then has identified a need to adjust certain budget lines to “right” size the budget. Appendix C – 2021 Storm Sewer Budget identifies the figures accordingly.

The following table summarizes the 2021 Rate Budget (combined operating and capital):

### Water and Wastewater

	2020	2020	2021	\$	%
	Forecast	Budget	Budget	Y/Y Budget Change	
<b>Combined Water and Waste Water</b>					
Penalties and other fees	58,102	69,100	72,998	3,898	5.64%
Variable	3,916,395	5,159,839	4,336,213	- 823,626	-15.96%
Fixed	6,170,930	5,939,314	7,091,895	1,152,581	19.41%
<b>Total Revenue</b>	<b>10,145,427</b>	<b>11,168,253</b>	<b>11,501,106</b>	<b>332,853</b>	<b>2.98%</b>
Niagara Region	6,655,617	6,974,499	7,017,840	43,341	0.62%
Personal costs	649,699	1,144,524	1,122,700	- 21,824	-1.91%
Operations	1,599,271	1,327,081	1,524,310	197,229	14.86%
Capital^	171,261	1,054,792	600,000	- 454,792	-43.12%
Capital Pay-as-you-go (Carryforward)^	883,531	-	-	-	0.00%
Borrowing costs	362,242	364,299	364,300	1	0.00%
Reserve transfers	- 176,194	303,058	871,956	568,898	187.72%
<b>Total Expenses</b>	<b>10,145,427</b>	<b>11,168,253</b>	<b>11,501,106</b>	<b>332,853</b>	<b>2.98%</b>
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Niagara Region %</b>	65.6%	62.4%	61.0%		
<b>Capital &amp; Reserves %</b>	0.0%	12.2%	12.8%		
	65.6%	74.6%	73.8%		

The main driver of the water and wastewater budgets are flows. The budget utilizes the Niagara Region’s three year rolling average calculation but adjusts water purchases downward to reflect improvements to the system in 2018. The rationale for keeping the three-year moving average for wastewater despite Niagara Region billings being less than budgeted in 2020 was weather; given there was no change in the wastewater system in 2020. Staff note precipitation in 2020 was 12% less than 2019, 47% less than 2018 and 8% less than 2017 which helped reduce infiltration in 2020 and bring actual Niagara Region billings in less than budget. Appendix I – Water and Wastewater Usage and Billings provides 5 years of flow information.

While this report already identifies budgets are estimates, staff highlights billing and the Niagara Region charges are highly susceptible to variation. In the event there is a shortfall the reserve transfer intended for future capital work is utilized to balance the budget.

The City's employee group works every day to support the residents and stakeholders of the City. The dedicated full-time equivalent (FTE) is 12.31 and head count is 15. Included in these numbers are 4 student positions.

Appendix A – Water and Appendix B – Wastewater provides a detailed listing of operating expenses.

The capital and reserve transfers which are intended for capital purposes have on a combined basis increase by \$116,000. Even after this increase, which is being incorporated in the aggregate budget increase of 2.98%, the percentage of the budget dedicated to capital is only 12.8% which as noted above is down from 14.5% in 2017.

^ The capital budget was approved at the November 23, 2020 Council meeting through Report 2020-125.

Note: The variable and fixed figures above work on the assumption no change is made to the historical budget relationship from 2020. Should Council approve a change to the variable and fixed billing relationship in Report 2021-84 – Rates Setting, where a potential alternative is illustrated, the total revenue will remain the same but the ratio of variable and fixed would change. This change will adjust the total value on the individual variable and fixed budget lines, but the aggregate budgeted revenue will stay the same.

### Storm Sewer

	2019	2019	2020	2020	2021	\$	%
	Actual	Budget	Forecast	Budget	Budget	Y/Y Budget Change	
Installation Service Fees	1,112	5,000	- 276	5,000	-	- 5,000	-100.00%
Rate Fees	730,566	740,800	777,016	770,279	854,720	84,441	10.96%
<b>Total Revenue</b>	731,678	745,800	776,740	775,279	854,720	<b>79,441</b>	<b>10.25%</b>
			-	-	-		
Operations	265,847	220,350	278,264	248,181	252,870	4,689	1.89%
Capital	-	-	39,998	-	23,724	23,724	-
Borrowing Costs	299,819	299,819	308,186	299,819	535,819	236,000	78.71%
Reserve Transfers	166,012	225,631	150,292	227,279	42,307	- 184,972	-81.39%
<b>Total Expenses</b>	731,678	745,800	776,740	775,279	854,720	<b>79,441</b>	<b>10.25%</b>
<b>Surplus / (Deficit)</b>	-	-	-	-	-	-	

The capital budget was approved at the November 23, 2020 Council meeting through Report 2020-125.

### Water and Wastewater, Including Storm Sewer Past Projects

Over the past number of years, a multitude of projects have been completed by Public Works staff pertaining to the different systems. These projects include:

- A full CCTV examination and documenting of the main sanitary system
- Reconstruction of Janet St.
- Reconstruction of Carter St.
- Grouting of manholes
- Nickel area storm sewer installation with sump pump and roof leader disconnect
- Application for Combined Sewer Overflow funds from Niagara Region
- Bulk Water station purchase
- Fire service water meters in industrial facilities
- All new water meters for residential homes connected to the water system
- Lakeshore Rd. watermain project
- Elm/Prosperity/Rosedale watermain replacement
- Lowering of water services to reduce frozen pipes

## **New Budget Document**

Corporate Services hopes that Council finds this new budget document helpful in assessing the budget. As denoted in Report 2020-168, 2021 Levy Budget Corporate Services has been making a number of changes to the account structure and budget development process. Corporate Services sees this as an initial step in a continuous improvement process. Council input and recommendations to the budget process are appreciated.

## **Looking forward**

As many wise Councillors have said several times before, “everyday is budget day”. Financial Services anticipates this new budget layout may provide the opportunity for new questions and direction from Council. Financial Services will identify that continuous improvement is a process. Looking forward to 2021, staff identify the following projects that will help determine the financial outcomes of the City going into the 2022 budget process:

- Complete the City’s strategic plan and develop tactical plans for each department
- Review the organizational structure
- Establish a cost allocation model consistent with the Provincial Financial Information Return (FIR) guidelines to approximate full cost accounting for programs
- Review cost allocations between the Levy and Rate budgets
- Address the recommendations from the Service Delivery Review
- Establish Key Performance Indicators (KPIs) and related benchmarks, where applicable, for departments and related costs driven by shared service levels
- Complete the Infrastructure Needs Assessment to support future capital and related project budgets

- Upon completion of the infrastructure needs assessment, work to develop a road map and discuss with other levels of government the possibility of support for improving the efficiency of the system
  - Enhancing capital planning
  - Review the purchasing by-law, including delegated processes within the City
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### **Internal Consultations:**

This budget is a joint submission of Corporate Services and Public Works.

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### **Financial Implications:**

Financial Services identifies the proposed 2021 Rate Budgets are a staff recommendation which Council can adjust, if required.

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### **Conclusion:**

That the 2021 Rate Budgets as recommended in this report be approved.

In making this recommendation, staff acknowledge these budgets continue to be underfunded in terms of capital investments. Once staff have completed the infrastructure needs assessment further discussion on capital funding, which may include grant applications, if available, will be required.

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### **Appendices:**

- a. 2021 Water Budget
- b. 2021 Waste Water Budget
- c. 2021 Storm Sewer Budget
- d. Summary - Five Year Combined Water and Waste Water Budgets
- e. Summary - Five Year Water Budget
- f. Summary - Five Year Waste Water Budget
- g. Summary - Three Year Storm Sewer Budget
- h. Water and Waste Water Communication
- i. Water and Wastewater Usage and Billing Metrics

Respectfully submitted,

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### **Report Approval:**

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final approval is by the Chief Administrative Officer.

Appendix A - 2021 Water Budget

	2020		2021	\$	%
	Forecast	Budget	Budget		
Penalties and other fees	43,772	49,600	39,998	- 9,602	-19.4%
Variable	2,192,599	2,600,201	2,128,931	- 471,270	-18.1%
Fixed	2,649,504	2,530,023	2,572,569	42,546	1.7%
<b>Total Revenue</b>	<b>4,885,875</b>	<b>5,179,824</b>	<b>4,741,498</b>	<b>- 438,326</b>	<b>-8.5%</b>
<b>Fixed Ratio</b>	<b>55%</b>	<b>49%</b>	<b>55%</b>		
Niagara Region Charges	2,124,086	2,430,382	2,212,840	- 217,542	-9.0%
Personal costs	540,705	790,145	561,350	- 228,795	-29.0%
Operations	877,788	741,748	739,260	- 2,488	-0.3%
Capital Pay-as-you-go^	171,261	509,219	250,000	- 259,219	-50.9%
Capital Pay-as-you-go (Carryforward)^	337,958	-	-	-	-
Borrowing Costs^	362,242	364,299	364,300	1	0.0%
Reserve Transfers	471,835	344,031	613,748	269,717	78.4%
<b>Total Expenses</b>	<b>4,885,875</b>	<b>5,179,824</b>	<b>4,741,498</b>	<b>- 438,326</b>	<b>-8.5%</b>
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Operating Costs		R&M - P&C		Contracted Services
Association / Membership Fees	2,000	Water Main Maintenance	30000	34160
Communications & Public Relations	10,000	Water Main Valve Maintenance	4000	8000
Computer Software	7,900	Repair / Replacement	6500	9000
Contract Services	170,760	Water Main Flushing	2000	0
PAP / Online Incentives	20,000	Fire Hydrants	29400	14300
Seniors Discounts	-	Meters	7800	10200
Equipment - Purchase	17,300	Services (including thaws)	22200	38100
Equipment - Rental	2,900	Leak Detection	500	52500
Office Supplies	13,750	Locates	500	2500
Postage & Courier	40,000	Elizabeth St. Bulk Water Depot (W)	1100	1000
Protective & Uniform Clothing	6,000	Elm St. Bulk Water Depot (W)	500	1000
Repairs and Maintenance - Parts and Consumables	104,500		104,500	170,760
Staff Training & Development	18,400			
Subject Matter Experts - Consultants	34,000			
Telephone/Internet	8,800			
Travel	1,800			
Utilities - Hydro	2,600			
Chargebacks	278,550			
	739,260			

Costs covered in the levy including fleet, engineering, billing clerk, collections, etc.

^ The capital budget was approved at the November 23, 2020 Council meeting through Report 2020-125.

Appendix B - 2021 Waste Water Budget

	2020		2021	\$	%
	Forecast	Budget	Budget	Y/Y Budget Change	
Penalties and other fees	14,330	19,500	33,000	13,500	69.2%
Variable	1,723,796	2,559,638	2,207,282	- 352,356	-13.8%
Fixed	3,521,426	3,409,291	4,519,326	1,110,035	32.6%
Total Revenue	5,259,552	5,988,429	6,759,608	771,179	12.9%
Fixed Ratio	67%	57%	67%		
Niagara Region Charges	4,531,531	4,544,117	4,805,000	260,883	5.7%
Personal costs	108,994	354,379	561,350	206,971	58.4%
Operations	721,483	585,333	785,050	199,717	34.1%
Capital Pay-as-you-go^	-	545,573	350,000	- 195,573	-35.8%
Capital Pay-as-you-go (Carryforward)^	545,573	-	-	-	-
Borrowing Costs^	-	-	-	-	-
Reserve Transfers	- 648,029	- 40,973	258,208	299,181	-730.2%
Total Expenses	5,259,552	5,988,429	6,759,608	771,179	12.9%
Surplus / (Deficit)	-	-	-	-	-

	Operating Costs
Association / Membership Fees	2,000
Communications & Public Relations	10,000
Computer Software	5,000
Contract Services	187,550
PAP / Online Incentives	20,000
Seniors Discounts	100,000
Equipment - Purchase	13,500
Equipment - Rental	-
Office Supplies	13,750
Postage & Courier	40,000
Protective & Uniform Clothing	4,000
Repairs and Maintenance - Parts and Consumables	45,100
Staff Training & Development	18,400
Subject Matter Experts - Consultants	25,000
Telephone/Internet	-
Travel	1,800
Utilities - Hydro	20,400
Chargebacks	278,550
	785,050

	R&M - P&C	Contracted Services
Sewer Mains	14000	16750
Sewer Laterals	19500	50000
Maintenance Hole	6000	42000
Locates	600	2500
Extraneous Flows	2500	63300
Scholfield Pumping	2500	13000
	45100	187550

Costs covered in the levy including fleet, engineering, billing clerk, collections, etc.

^ The capital budget was approved at the November 23, 2020 Council meeting through Report 2020-125.

## Appendix C - 2021 Storm Sewer Budget

	2020 Forecast	2020 Budget	2021 Budget	\$ Y/Y Budget Change	%
Installation Service Fee	- 276	5,000	-	276	-100%
Rate Fees	777,016	770,279	854,720	77,704	10%
	776,740	775,279	854,720	77,980	10%
	-	-	-	-	0%
Operations	278,264	248,181	252,870	- 25,394	-9%
Capital Pay-as-you-go^	39,998	-	23,724	- 16,274	-41%
Borrowing Costs^	308,186	299,819	535,819	227,633	74%
Reserve Transfers	150,292	227,279	42,307	- 107,985	-72%
	776,740	775,279	854,720	77,980	10%
Surplus / (Deficit)	-	-	-	-	-

^ The capital budget was approved at the November 23, 2020 Council meeting through Report 2020-125.

Operations	
Contracted Services	137,700
Equipment - Rental	12,000
Repairs and Maintenance -	
Consumables and Parts	8,500
Utilities - Hydro	5,000
Utilities - Water	900
Property Tax	10,440
City Storm Sewer Charges	28,330
Chargeback - Payroll	
Expenses	50,000
	252,870

Appendix D - Summary - Five Year Combined Water and Waste Water Budgets

	2017	2017	2018	2018	2019	2019	2020	2020	2021	\$	%
	Actual	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	Budget	Y/Y Budget Change	
Penalties and other fees	59,149	186,275	97,711	58,100	104,433	63,600	58,102	69,100	72,998	3,898	5.64%
Variable	3,706,604	5,469,310	3,771,125	4,726,277	3,805,042	4,817,159	3,916,395	5,159,839	4,336,213	- 823,626	-15.96%
Fixed	4,895,458	4,857,281	5,369,658	5,362,624	5,771,540	5,669,554	6,170,930	5,939,314	7,091,895	1,152,581	19.41%
<b>Total Revenue</b>	<b>8,661,211</b>	<b>10,512,866</b>	<b>9,238,494</b>	<b>10,147,001</b>	<b>9,681,015</b>	<b>10,550,313</b>	<b>10,145,427</b>	<b>11,168,253</b>	<b>11,501,106</b>	<b>332,853</b>	<b>2.98%</b>
<b>Fixed vs. Variable</b>	<b>57%</b>	<b>47%</b>	<b>59%</b>	<b>53%</b>	<b>60%</b>	<b>54%</b>	<b>61%</b>	<b>54%</b>	<b>62%</b>		
Niagara Region	6,076,889	6,270,601	6,375,722	6,226,420	6,496,959	6,452,082	6,655,617	6,974,499	7,017,840	43,341	0.62%
Personal costs	663,079	981,083	670,552	1,015,850	784,858	1,073,198	649,699	1,144,524	1,122,700	- 21,824	-1.91%
Operations	1,048,896	1,314,700	1,277,636	1,235,071	1,440,670	1,255,473	1,599,271	1,327,081	1,524,310	197,229	14.86%
Capital	343,639	749,615	186,519	754,372	734,603	1,054,792	171,261	1,054,792	600,000	- 454,792	-43.12%
Capital Pay-as-you-go (Carry forward)	-	-	-	-	-	-	883,531	-	-	-	0.00%
Borrowing costs	414,826	417,768	434,480	434,480	362,571	364,380	362,242	364,299	364,300	1	0.00%
Reserve transfers	113,882	779,099	293,585	480,808	- 138,646	350,388	- 176,194	303,058	871,956	568,898	187.72%
<b>Total Expenses</b>	<b>8,661,211</b>	<b>10,512,866</b>	<b>9,238,494</b>	<b>10,147,001</b>	<b>9,681,015</b>	<b>10,550,313</b>	<b>10,145,427</b>	<b>11,168,253</b>	<b>11,501,106</b>	<b>332,853</b>	<b>2.98%</b>
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Revenue Budget to Actual / Forecast	- 1,851,655		- 908,507		- 869,298		- 1,022,826				
Niagara Region	70.2%	59.6%	69.0%	61.4%	67.1%	61.2%	65.6%	62.4%	61.0%		
Capital & Reserves	5.3%	14.5%	5.2%	12.2%	6.2%	13.3%	0.0%	12.2%	12.8%		
% of Total Revenue	75.4%	74.2%	74.2%	73.5%	73.3%	74.5%	65.6%	74.6%	73.8%		

This summary highlights that every year to balance the budget as a result of the revenue shortfall people were re-directed to other non water and wastewater tasks, capital plans were not deployed or reserves were reduced.

Appendix E - Summary - Five Year Water Budgets

	2017	2017	2018	2018	2019	2019	2020	2020	2021		
	Actual	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	Budget	\$	%
										Y/Y Budget Change	
Penalties and other fees	47,769	174,275	74,022	47,600	79,870	49,600	43,772	49,600	39,998	- 9,602	-19.36%
Variable	1,978,670	2,460,675	2,199,721	2,515,978	2,090,175	2,545,523	2,192,599	2,600,201	2,128,931	- 471,270	-18.12%
Fixed	2,282,776	2,248,934	2,407,161	2,365,535	2,529,022	2,463,697	2,649,504	2,530,023	2,572,569	42,546	1.68%
Total Revenue	4,309,215	4,883,884	4,680,904	4,929,113	4,699,067	5,058,820	4,885,875	5,179,824	4,741,498	- 438,326	-8.46%
Fixed vs. Variable	54%	48%	52%	48%	55%	49%	55%	49%	55%		
Niagara Region	2,328,268	2,265,352	2,400,104	2,316,757	2,128,971	2,375,340	2,124,086	2,430,382	2,212,840	- 217,542	-8.95%
Personal costs	505,082	661,524	580,239	688,565	735,049	746,829	540,705	790,145	561,350	- 228,795	-28.96%
Operations	663,327	761,439	801,052	706,061	975,565	719,021	877,788	741,748	739,260	- 2,488	-0.34%
Capital	343,639	424,235	168,899	429,219	507,255	509,219	171,261	509,219	250,000	- 259,219	-50.91%
Capital Pay-as-you-go (Carry forward)	-	-	-	-	-	-	337,958	-	-	-	0.00%
Borrowing costs	414,826	417,768	434,480	434,480	362,571	364,380	362,242	364,299	364,300	1	0.00%
Reserve transfers	54,073	353,566	296,130	354,031	- 10,344	344,031	471,835	344,031	613,748	269,717	78.40%
Total Expenses	4,309,215	4,883,884	4,680,904	4,929,113	4,699,067	5,058,820	4,885,875	5,179,824	4,741,498	- 438,326	-8.46%
Surplus / (Deficit)	-	-	-	-	-	-	-	-	-	-	
Revenue Budget to Actual / Forecast	- 574,669		- 248,209		- 359,753		- 293,949				
Niagara Region	54.0%	46.4%	51.3%	47.0%	45.3%	47.0%	43.5%	46.9%	46.7%		
Capital & Reserves	9.2%	15.9%	9.9%	15.9%	10.6%	16.9%	13.2%	16.5%	18.2%		
% of Total Revenue	63.3%	62.3%	61.2%	62.9%	55.9%	63.8%	56.6%	63.4%	64.9%		

This summary highlights that every year to balance the budget as a result of the revenue shortfall people were re-directed to other non water and wastewater tasks, capital plans were not deployed or reserves were reduced.

Appendix F - Summary - Five Year Waste Water Budgets

	2017	2017	2018	2018	2019	2019	2020	2020	2021	\$	%
	Actual	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	Budget	Y/Y Budget Change	
Penalties and other fees	11,380	12,000	23,689	10,500	24,563	14,000	14,330	19,500	33,000	13,500	69.23%
Variable	1,727,934	3,008,635	1,571,404	2,210,299	1,714,867	2,271,636	1,723,796	2,559,638	2,207,282	- 352,356	-13.77%
Fixed	2,612,682	2,608,347	2,962,497	2,997,089	3,242,518	3,205,857	3,521,426	3,409,291	4,519,326	1,110,035	32.56%
<b>Total Revenue</b>	4,351,996	5,628,982	4,557,590	5,217,888	4,981,948	5,491,493	5,259,552	5,988,429	6,759,608	<b>771,179</b>	<b>12.88%</b>
<b>Fixed vs. Variable</b>	<b>60%</b>	<b>46%</b>	<b>65%</b>	<b>58%</b>	<b>65%</b>	<b>59%</b>	<b>67%</b>	<b>57%</b>	<b>67%</b>		
Niagara Region	3,748,621	4,005,249	3,975,618	3,909,663	4,367,988	4,076,742	4,531,531	4,544,117	4,805,000	260,883	5.74%
Personal costs	157,997	319,559	90,313	327,285	49,809	326,369	108,994	354,379	561,350	206,971	58.40%
Operations	385,569	553,261	476,584	529,010	465,105	536,452	721,483	585,333	785,050	199,717	34.12%
Capital	-	325,380	17,620	325,153	227,348	545,573	-	545,573	350,000	- 195,573	-35.85%
Capital Pay-as-you-go (Carry forward)	-	-	-	-	-	-	545,573	-	-	-	0.00%
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Reserve transfers	59,809	425,533	- 2,545	126,777	- 128,302	6,357	- 648,029	- 40,973	258,208	299,181	-730.19%
<b>Total Expenses</b>	4,351,996	5,628,982	4,557,590	5,217,888	4,981,948	5,491,493	5,259,552	5,988,429	6,759,608	<b>771,179</b>	<b>12.88%</b>
<b>Surplus / (Deficit)</b>	-	-	-	-	-	-	-	-	-	-	
Revenue Budget to Actual / Forecast	- 1,276,986		- 660,298		- 509,545		- 728,877				
Niagara Region	86.1%	71.2%	87.2%	74.9%	87.7%	74.2%	86.2%	75.9%	71.1%		
Capital & Reserves	1.4%	13.3%	0.3%	8.7%	2.0%	10.1%	-12.3%	8.4%	9.0%		
% of Total Revenue	87.5%	84.5%	87.6%	83.6%	89.7%	84.3%	73.8%	84.3%	80.1%		

This summary highlights that every year to balance the budget as a result of the revenue shortfall people were re-directed to other non water and wastewater tasks, capital plans were not deployed or reserves were reduced.

Appendix G - Summary - Three Year Storm Sewer Budgets

	2019	2019	2020	2020	2021	\$	%
	Actual	Budget	Forecast	Budget	Budget	Y/Y Budget Change	
Installation Service Fee	1,112	5,000	- 276	5,000	-	- 5,000	-100.00%
Rate Fees	730,566	740,800	777,016	770,279	854,720	84,441	10.96%
<b>Total Revenue</b>	731,678	745,800	776,740	775,279	854,720	<b>79,441</b>	<b>10.25%</b>
			-	-	-		
Operations	265,847	220,350	278,264	248,181	252,870	4,689	1.89%
Capital	-	-	39,998	-	23,724	23,724	-
Borrowing Costs	299,819	299,819	308,186	299,819	535,819	236,000	78.71%
Reserve Transfers	166,012	225,631	150,292	227,279	42,307	- 184,972	-81.39%
<b>Total Expenses</b>	731,678	745,800	776,740	775,279	854,720	<b>79,441</b>	<b>10.25%</b>
<b>Surplus / (Deficit)</b>	-	-	-	-	-	-	

# WE ARE BRIDGING THE WATER GAP

Each year, 2.6 million m<sup>3</sup> of water is taken from the water plant and distributed to Port Colborne homes and businesses. The plant is monitored 24 hours a day.

\$119.7 million

WHAT IS NEEDED

WHAT WE'RE SPENDING

\$1.5 million

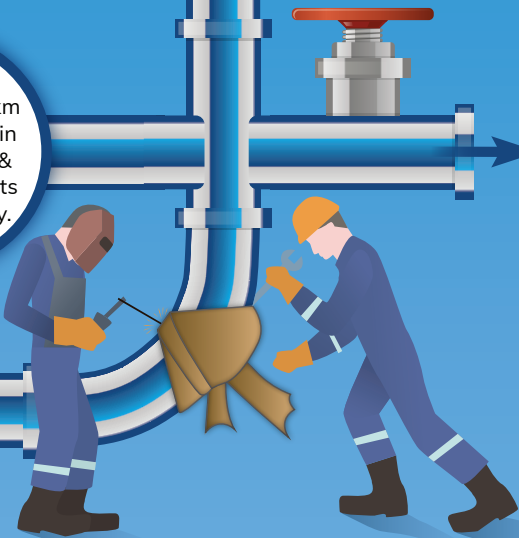
## STATISTICS

A leak of 1 litre per second would fill an Olympic sized swimming pool in a month.



There are 119 km of watermains in Port Colborne & 600 fire hydrants across the City.

Water is tested more than 1800 times per year to ensure quality and safety.



Water loss has been reduced by 12% over the last 5 years.

**WATER BILL** PORT COLBORNE

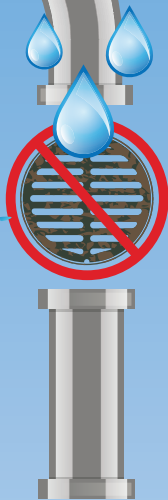
John Doe  
1234 Water Way  
Port Colborne, ON  
L1S 2R4

PMT WATER PAYMENT	69.48
PMT SEWER PAYMENT	63.16
WATF WATER FIXED	26.53
WATR WATER USAGE	27.61
WATR WATER USAGE	10.74
SEWF SEWER FIXED	32.53
SEWR SEWER USAGE	27.35
TOTAL DUE:	\$113.56

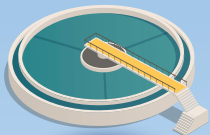
Did you know, when you pay your water and wastewater bill, **62%** goes to Niagara Region?

Do you have a sump pump or roof leaders? Do you know where they go? Please note, these should not be connected to the sewer.

Have questions?  
Give us a call  
905-835-2900.

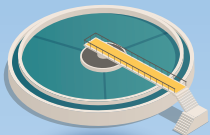


## WASTEWATER STATISTICS



Each year we return 4.8 million m<sup>3</sup> to the Wastewater Treatment Plant.

Treating inflow and infiltration at the Wastewater Treatment Plant costs \$\$\$



Half the volume of wastewater treated is unnecessary infiltration.



**PORT COLBORNE**

For more information please visit [www.portcolborne.ca/water](http://www.portcolborne.ca/water)

\*BASED ON PSD ASSET MANAGEMENT STATISTICS REPORT COMPLETED IN 2019.

Appendix I - Water and Wastewater Usage and Billing Metrics

	2017	2018	2019	2020	2021 (Forecast)
<b>Water</b>					
Water purchase from Region (Actual)	3,182,370	3,233,180	2,656,040	2,515,060	2,656,040
Water purchase from Region (3 year average for budget)	3,097,000	3,048,000	3,023,863	2,801,427	2,873,000
Water of Region Total (3 year average for Budget purposes)	57,682,000	57,525,000	58,130,000	57,148,000	57,096,000
Port Colborne %	5.37%	5.30%	5.20%	4.90%	5.03%
<b>Wastewater</b>					
Wastewater to Region (Actual)	4,389,000	4,547,000	4,846,000	4,231,113	
Wastewater to Region (Budget basis - 3 Year Average - Oct 31 Ending)	4,200,000	3,934,000	3,944,000	4,480,000	4,590,000
Wastewater of Region (Budget basis - 3 Year Average - Oct 31 Ending)	70,095,000	68,571,000	70,306,000	75,938,000	
Port Colborne %	5.99%	5.74%	5.61%	5.90%	
<b>Billing</b>					
Water bill	1,678,488	1,754,042	1,632,548	1,610,607	1,610,607
Water billed vs. Water Purchased (Goal 85%)	52.7%	54.3%	61.5%	64.0%	60.6%
Wastewater billed	1,592,219	1,096,608	1,215,366	1,254,118	1,254,118
Wastewater billed vs. Wastewater cleaned	36.3%	24.1%	25.1%	29.6%	
<b>Additional Data</b>					
Lake Level (Avg. cm above datum)	109	115	134	139.5	
Percipitation (MM)	1030.75	1405.2	1078.3	953	



**Subject: 2021 Rates Setting**

**To: Committee of the Whole - Budget**

**From: Corporate Services Department**

Report Number: 2021-84

Meeting Date: March 11, 2021

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**Recommendation:**

That Corporate Services Department Report 2021-84 be received; and

That the 2021 Water, Wastewater and Storm Sewer Rates as set out in page 5 and 8 of report 2021-84 be approved.

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**Purpose:**

The purpose of this report is to present the proposed 2021 Water, Wastewater and Storm rates to Council for approval.

A separate Committee of the Whole – Budget report has been prepared titled 2021 Rate Budgets, Report 2021-80, to establish the water, wastewater and storm sewer budgets.

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**Background:**

The City of Port Colborne (the “City”) water and wastewater system is operated under a two-tier municipal governance model. The Niagara Region is responsible for cleaning and providing drinking water and treating all wastewater. The City is responsible for water distribution and wastewater collection. The City is also responsible for billing, retains all collection risk and, except for some shared volume risk with water, is responsible for the risk associated with volume under or over usage from budget.

The Niagara Region bills the municipality for all water that leaves their water plan and for all wastewater that enters the treatment plant. As noted in the report, 2021 Rate Budgets, Report 2021-80, water billed in 2020 was 64% suggesting a 36% water loss rate. Directionally this figure should be closer to 15%. In the same report it can be identified the amount of water that is sent to the Niagara Region treatment plants is

approximately double the amount of clean drinking water purchased. These figures identify the current linear assets (the pipes) transporting water and wastewater are in need of significant investment. These issues, coupled with the capital investment required, are the most significant drivers of the water and wastewater rates within the City.

In 2019, Council approved a Storm Sewer fee that applies to all properties in the Urban Storm Sewer boundary. The City Storm Sewers alleviate storm water from the City. An effective Storm Sewer system can help reduce inflow and infiltration (I&I) in the wastewater system. There have been some questions brought forward regarding properties that are within the storm sewer boundary that do not directly have a City storm sewer or rely on a municipal drainage ditch to provide relief to their property. This report provides Council with options to consider billing options for these properties in an effort to help clarify any confusion. These options are included in Appendix E and discussed below. As a precursor to that discussion, staff identify the recommendation is anyone within the Storm Sewer boundary is benefiting from the system and for this reason recommends anyone within the boundary should pay. To this point, staff have also recommended anyone with a drainage ditch that is in the Storm Sewer boundary should not be charged for the ditch and instead those costs should be borne by the Storm Sewer fee as both systems work together to provide relief from storm water.

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## **Discussion:**

Report, 2021 Rate Budgets, Report 2021-80 identified the following budget impacts:

1. Water and Wastewater combined impact of 2.98% (Water reduction of 8.5% and wastewater increase of 12.9%)
2. Storm Sewer budget increase of 10%. The most notable expense in that budget is the 64% borrowing cost for the Nickel Storm Sewer.

## **Water and Wastewater**

When setting the water and wastewater rates there are arguably at least three key decisions after determining the appropriate budget amount. They are as follows:

1. Establishing the appropriate allocation between meter types
2. Establishing the proportion that should be fixed or variable
3. Establishing water and wastewater billing volumes

The following has been provided for Council's information and consideration when approving the water and wastewater rates:

1. Establishing the appropriate allocation between meter types

Staff are proposing no changes in meter ratios. The ratios can be seen in Appendix A – Water and Wastewater Rates. The average residential property is the 5/8” meter size. In this respect, any ratio change normally results in transferring funding responsibility between the residential and commercial/industrial meters. A consulting report performed for Niagara Region by BMA Management Consulting identified that in 2020 commercial and industrial business in the City paid anywhere from 14% to 21% less than businesses in other local area municipalities. Although, if we excluded the two highest municipalities in the study, the City’s commercial and industrial users only paid 2% to 8% less than businesses in other local area municipalities. The range reflects the analysis being performed on different meter sizes and different volumes.

Staff have not recommended any changes in ratios noting the rate options proposed will already result in the amount City commercial and industrial users paying moving towards, and potentially slightly exceeding, the average.

2. Establishing the proportion that should be fixed or variable

In 2020, the City experienced a 55% fixed billing structure for water and 67% for wastewater. There are many factors to consider when considering if costs should be charged on a fixed basis or variable basis. Some of these include:

- a. The nature of the costs. In the City’s system one can view the Niagara Region costs as variable as the more water the City purchases or wastewater it sends to the Niagara Region to treat, the more it is required to pay. In 2021, the proposed budget identifies the Niagara Region costs as 47% for water and 71% for wastewater. The rest of the costs are fixed in terms of spending.
- b. A recognition that the main cost of running the system and need for additional funding are capital and fixed in nature. To this point, water loss and I&I as a result of the current state of the City’s linear assets (pipes in the ground) is arguably no more the cost of any one system user despite the amount of water the user might use.
- c. Fluctuations in water volumes that impact water and wastewater billings. A fixed billing system can remove billing risk within the budget model. For example, the 2020 budget was based on:
  - i. Water sales of 1,905,034 cubic metres when actual volume experienced was only 1,610,607 cubic metres. This left a variable budget deficit of approximately \$400,000.
  - ii. Wastewater sales of 1,794,017 cubic metres when actual volume experienced was only 1,254,118 cubic metres. This left a variable budget deficit of approximately \$835,000. Reader of this report may ask why the water and wastewater sales volumes are different since wastewater is billed based on water sales. The answer is simply that there are some industrial properties in the City that have their own

wastewater treatment plants and for that reason are not billed for wastewater.

- d. The balancing act to avoid some users disproportionately benefit the system vs. providing stability and even enhanced customer service.
  - i. The concept of some users disproportionately benefiting from the system refers to the fact that if the whole system was a fixed charge (both water and wastewater) there would be no incentive to conserve. If water usage in the City was to go up then the bill from the Niagara Region would go up for water and potentially wastewater and the City would have to adjust the fixed charge up for everyone even if only a small number of people were benefiting from extra water usage.
  - ii. Stability and even enhanced customer service describe a situation where individuals have certainty over their bill. If for example there was a leak or a break in a liner of a pool or something of this nature that individual would not find themselves paying for usage, they arguably never benefited from.

Staff have considered the above and at the present time have noted moving water on residential and water and wastewater on commercial and industrial to an all fixed model has the potential to increase the cost of the total system. To this point, staff have provided in Appendix A and Appendix C an option to move residential wastewater to 100% fixed from the 2020 model of 67% fixed. In the final recommendation staff does recommend this illustrated move to fixed residential (5/8" meter) wastewater while leaving the fixed variable ratio for all other meters the same as experienced in 2020.

### 3. Establishing water and wastewater billing volumes

As noted above the water and wastewater billing volumes on an actual to budget basis were out 15% for water and 30% for wastewater. The report, Rate Budgets, Report 2020-80 identifies actual water and wastewater billings has missed budget targets year after year. This has resulted in budget shortfalls in the water and wastewater revenue budget ranging from \$800,000 to \$1.8 million in the past number of years. To offset these revenue deficits, staff have historically curtailed capital spending. This action, while not recommended, appears to have been the only way to balance the budget on an after the fact basis. When reviewing the rates as calculated in Appendix A through Appendix C, Council will notice increases greater than the 2.98% combined water and wastewater budget increase. The reason is the water and wastewater billing volumes have been budgeted based on 2020 actual.

In response to the three considerations above, staff put forward the following rates that would move the residential 5/8" meter rate to 100% fixed for wastewater. There are multiple combinations and permutations that could be considered. Should Council desire to consider other options than those calculated in the report Financial Services

will need time to recalculate as the ratios and dynamic between variable and fixed among the different meter types considering the fact any increase would be taking effect mid-year and does take some time to calculate.

The proposed rates are as follows:

<b>Variable</b>				
Water (all meter types)				1.307
Waste Water (all meter types)				-
Waste Water (all non - 5/8 to 3/4 residential meter types)				1.886
				3.193
<b>Fixed Rate</b>				
<b>Meter</b>	<b>Ratio</b>	<b>Water</b>	<b>Waste Water</b>	<b>Combined</b>
N 5/8 to 3/4 - Residential	1	\$ 379.72	\$ 1,002.38	\$ 1,382.09
N 5/8 to 3/4 - Non-Residential	1	\$ 379.72	\$ 738.03	\$ 1,117.74
N 1	1.4	\$ 531.60	\$ 1,033.24	\$ 1,564.84
N 1 1/2	1.8	\$ 683.49	\$ 1,328.44	\$ 2,011.94
N 2	2.9	\$ 1,101.18	\$ 2,140.28	\$ 3,241.46
N 3	11	\$ 4,176.88	\$ 8,118.29	\$ 12,295.17
N 4	14	\$ 5,316.03	\$ 10,332.36	\$ 15,648.40
N 6	21	\$ 7,974.05	\$ 15,498.55	\$ 23,472.59
N 8	29	\$ 11,011.78	\$ 21,402.75	\$ 32,414.53
N 10	40	\$ 15,188.66	\$ 29,521.04	\$ 44,709.70

The residential impact varies based on usage, application status as a Senior on GIS, and application status to Pre-authorized payment (PAP). The Rates Budget, Report 2020-80 laid out funding for the Seniors on Guaranteed Income Supplement ("GIS") application and PAP program. If approved the requirements/implementation plan of each can be found in Appendix F.

In assessing user impacts, staff identify the average household calculated as usage divided by households equals 150 cubic metres. The following table provides a summary of residential users by volume as a percentage:

Usage	%
< 75	19.2%
75-99	12.2%
100-124	13.3%
125-149	12.7%
150-174	10.2%
175-199	8.3%
>= 200	24.1%
	100.0%

In consideration of user impacts, staff identify, while the proposed water and wastewater fees for an average household using 150 cubic metres might be higher than other municipalities in Niagara, the combined property tax and water and wastewater impact is still less. Notably during the budget presentations last fall, the following was identified which has now been updated to included combined water and wastewater impacts:

		Port Colborne	Local Area Municipalities *
Property Tax	\$	3,434 ^	\$ 4,099
Water / Wastewater	\$	1,343 ~	\$ 997
	\$	4,777	\$ 5,097
* Calculated as simple average			~ 150 m3
^ Includes storm sewer charge			

The table above is current as of 2020 and illustrates the combined household impact of property taxes and water and wastewater. It identifies the City maintains an occupancy cost that is approximately \$320 less then the combined cost in other Local Area Municipalities. This table will be updated for future budget presentations subsequent to Council's decisions regarding the 2021 budget and after the Niagara Region has finalized tax ratios for 2021 and all other Local Area Municipalities budgets are complete.

Readers of this report will find two key appendices to consider when assessing user impacts:

1. Appendix B – Traditional/Historical Rate Model - Residential
2. Appendix C – Traditional/Historical moved to 100% Wastewater Fixed Rate Model – Residential.

Both appendices identify what the rates will be on an annualized basis if the rate was charged for all 12 months of the year and then what they would be on a blended basis which recognizes the rates will only be charged from April 1 to the end of the year and the rate charged from January 1 to March 31 will have been lower.

Appendix B illustrates all users regardless of amount purchased basically would receive the same increase of approximately 14%. If they opted into the PAP program (effectively moving to a blended monthly payment model) that effective rate would be approximately 12% as a result of the one time \$25 dollar credit. In Appendix F, staff note it is recommended residents already on this program would receive this credit in 2021 along with any new registrants provided they stay on the program for one year. If they left the program within a year the credit would be reversed. Lastly in this scenario, in the event a resident was a Senior on Guaranteed Income Supplement and applied as such, the recommended credit in Appendix B of \$152, would essentially limit that residents increase to 1.2%-1.8% if they used between 75 cubic metres and 100 cubic metres and, in fact, makes the increase negative if they also utilized the PAP program. The \$152 credit is equal to the wastewater fixed charged. A credit at this amount has been budgeted for 658 applicants. As noted in the Rate Budgets, Report 2020-80, staff are not able to estimate the potential uptake of this credit. This would represent 11.7% of residential water bills.

Appendix C illustrates users are impacted differently as the variability of wastewater charges moved to fixed. The rationale relating to the comments is provided in this report above. This model would identify the wastewater system as an access fee. This would mean that higher users would experience a smaller increase. As noted in the Appendix, a user with 200 cubic metres of water purchased would experience a 6.6% increase or \$98 dollars if they took advantage of PAP while someone with only 75 cubic metres would experience a 20.5% increase or \$233 dollars if they took advantage of the same program. Recognizing the potential for socio-economic constraints, staff have recommended the introduction of a Senior GIS credit as noted above. In establishing the credit in this scenario, staff started with Appendix B and looked at the water and wastewater blended payment for a 75 cubic metres residential customer and matched that impact in the scenario in Appendix C. This resulted in a Senior GIS credit of \$244 and every Senior on GIS that applied receiving a year over year decrease in their combined water and wastewater bill regardless of consumption if they also applied for the PAP program. These reductions would range from 1% to almost 10%.

While staff have put forward the option in Appendix C, being keeping the fixed and variable ratios the same as those experienced in the 2020 forecasted actual but adjusting to make wastewater charged to residential 5/8" meters fixed, staff look to Council to provide direction.

## Storm Sewer

The storm sewer rate calculation is perhaps less complicated in the fact it is a fixed rate charge and budget to forecasted actual experience is in line. In this respect, the 10% increase over forecasted actual experience proposed in Rate Budgets, Report 2021-84 results in a 10% increase in rates. A single-family property will experience a \$10.50 increase as a result. The 2021 rates are as follows:

Property Description	Flat Fee per Year
	2021
Single Family Properties	\$ 115.50
Multi-Residential 2 to 5 Units	\$ 202.13
Multi-Residential 6 to 9 Units	\$ 259.88
Institutional / Multi Res > 10 Units	\$ 317.63
Small Commerical	\$ 202.13
Medium Commerical	\$ 259.88
Large Commercial	\$ 317.63
Light Industrial	\$ 433.13
Heavy Industrial	\$ 548.63
City Owned	\$ 259.88
CNPI Owned	\$ 259.88
Hydro One Owned	\$ 259.88
Niagara Peninsula Housing	\$ 317.63
Niagara Region	\$ 259.88
Niagara Regional Housing	\$ 317.63
Transport Canada Owned	\$ 259.88
MTO Owned	\$ 259.88

As noted earlier in the report, staff have reviewed the conditions of the Storm Sewer Charge and recommend the following:

1. All properties within the Storm Sewer boundary are charged the storm sewer rates
2. All properties on municipal drains within the Storm Sewer boundary will have those costs covered by the Storm Sewer fee

These recommendations are made after reviewing how this fee came about and recognizing one of the founding concepts was to try and keep the program simple. Further, it recognized the drains and storm sewers do have connectivity and work together to remove storm water from the City. Whereas, some properties within the boundary may not directly have either touching their property, they A) could at some point and B) benefit within the City for the Storm Sewer and Ditching system.

While staff have recommended the above option, other options for Council to consider are included in Appendix E.

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### **Financial Implications:**

Financial Services identifies the proposed 2021 water, wastewater and storm sewer rates are a staff recommendation which Council can adjust, if required.

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### **Conclusion:**

That the 2021 water, wastewater and storm sewer rates as recommended in this report be approved.

In making this recommendation staff acknowledge these budgets continue to be underfunded in terms of capital investments. Once staff have completed the planned infrastructure needs assessment further, discussion on capital funding, which may include any available grant programs, will be required.

Staff further highlight the reason the rate increase is higher than the budget is the fact prior budgets were built on water sales assumptions that were 15% higher than actual experience and wastewater sales experience that was 30% higher than actual experience.

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### **Appendices:**

- a. Water and Wastewater Rates
- b. Traditional/Historical Rate Model – Residential
- c. Traditional/Historical moved to 100% Wastewater Fixed Rate Model – Residential
- d. Storm Sewer Rates
- e. Options for Storm Water and Municipal Ditch Rates Charged to Properties
- f. Seniors on GIS and PAP Programs

Respectfully submitted,

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**Report Approval:**

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final approval is by the Chief Administrative Officer.

Appendix A - Water and Wastewater Rates

2020	2021	
	Traditional	Residential Fixed

Variable

Water (all meter types)	1.365	1.307	1.307
Waste Water (all meter types)	1.382	1.886	-
	<u>2.747</u>	<u>3.193</u>	
Waste Water (all non - 5/8 to 3/4 residential meter types)			1.886
			<u>3.193</u>

Fixed Rate

Meter	Ratio	Water	Waste Water	Combined	Water	Waste Water	Combined	Water	Waste Water	Combined
N 5/8 to 3/4 - Residential	1	\$ 395.01	\$ 535.64	\$ 930.65	\$ 379.72	\$ 738.03	\$ 1,117.74	\$ 379.72	\$ 1,002.38	\$ 1,382.09
N 5/8 to 3/4 - Non-Residential	1	\$ 395.01	\$ 535.64	\$ 930.65	\$ 379.72	\$ 738.03	\$ 1,117.74	\$ 379.72	\$ 738.03	\$ 1,117.74
N 1	1.4	\$ 553.01	\$ 749.90	\$ 1,302.91	\$ 531.60	\$ 1,033.24	\$ 1,564.84	\$ 531.60	\$ 1,033.24	\$ 1,564.84
N 1 1/2	1.8	\$ 711.02	\$ 964.15	\$ 1,675.17	\$ 683.49	\$ 1,328.44	\$ 2,011.94	\$ 683.49	\$ 1,328.44	\$ 2,011.94
N 2	2.9	\$ 1,145.53	\$ 1,553.36	\$ 2,698.89	\$ 1,101.18	\$ 2,140.28	\$ 3,241.46	\$ 1,101.18	\$ 2,140.28	\$ 3,241.46
N 3	11	\$ 4,345.11	\$ 5,892.04	\$ 10,237.15	\$ 4,176.88	\$ 8,118.29	\$ 12,295.17	\$ 4,176.88	\$ 8,118.29	\$ 12,295.17
N 4	14	\$ 5,530.14	\$ 7,498.96	\$ 13,029.10	\$ 5,316.03	\$ 10,332.36	\$ 15,648.40	\$ 5,316.03	\$ 10,332.36	\$ 15,648.40
N 6	21	\$ 8,295.21	\$ 11,248.44	\$ 19,543.65	\$ 7,974.05	\$ 15,498.55	\$ 23,472.59	\$ 7,974.05	\$ 15,498.55	\$ 23,472.59
N 8	29	\$ 11,455.29	\$ 15,533.56	\$ 26,988.85	\$ 11,011.78	\$ 21,402.75	\$ 32,414.53	\$ 11,011.78	\$ 21,402.75	\$ 32,414.53
N 10	40	\$ 15,800.40	\$ 21,425.60	\$ 37,226.00	\$ 15,188.66	\$ 29,521.04	\$ 44,709.70	\$ 15,188.66	\$ 29,521.04	\$ 44,709.70

Appendix B - Traditional / Historical Rate Model - Residential

Traditional / Historical - Model

	2020	Annualized Change			Blended Change		
		2021	\$	%	2021	\$	%
Water	\$ 395.01	\$ 379.72	-\$ 15.29	-3.9%	\$ 383.54	-\$ 11.47	-2.9%
Wastewater	\$ 535.64	\$ 738.03	\$202.39	37.8%	\$ 687.43	\$151.79	28.3%
	<u>\$ 930.65</u>	<u>\$1,117.74</u>	<u>\$187.09</u>	<u>20.1%</u>	<u>\$1,070.97</u>	<u>\$140.32</u>	<u>15.1%</u>
Water - Rate	\$ 1.365	\$ 1.307	-\$ 0.06	-4.2%	\$ 1.322	-\$ 0.043	-3.2%
Wastewater - Rate	\$ 1.382	\$ 1.886			\$ 1.760	\$ 0.378	27.4%
	<u>\$ 2.747</u>	<u>\$ 3.193</u>	<u>-\$ 0.06</u>	<u>-2.1%</u>	<u>\$ 3.082</u>	<u>\$ 0.335</u>	<u>12.2%</u>

Blended Change w/ PAP											
PAP		2021		\$		%					
User 200 m3	\$ 1,480	\$ 1,756	\$ 276	18.7%	\$ 1,687	\$ 207	14.0%	-\$ 25	\$ 1,662	\$ 182	12.3%
User 175 m3	\$ 1,411	\$ 1,677	\$ 265	18.8%	\$ 1,610	\$ 199	14.1%	-\$ 25	\$ 1,585	\$ 174	12.3%
User 150 m3	\$ 1,343	\$ 1,597	\$ 254	18.9%	\$ 1,533	\$ 191	14.2%	-\$ 25	\$ 1,508	\$ 166	12.3%
User 125 m3	\$ 1,274	\$ 1,517	\$ 243	19.1%	\$ 1,456	\$ 182	14.3%	-\$ 25	\$ 1,431	\$ 157	12.3%
User 100 m3	\$ 1,205	\$ 1,437	\$ 232	19.2%	\$ 1,379	\$ 174	14.4%	-\$ 25	\$ 1,354	\$ 149	12.3%
User 75 m3	\$ 1,137	\$ 1,357	\$ 221	19.4%	\$ 1,302	\$ 165	14.6%	-\$ 25	\$ 1,277	\$ 140	12.4%

									Blended Change w/ Senior GIS				Blended Change w/ Senior GIS + PAP													
									Senior GIS	2021	\$	%	PAP	2021	\$	%										
User 200 m3	\$	1,480	\$	1,756	\$	276	18.7%	\$	1,687	\$	207	14.0%	-\$	152	\$	1,536	\$	55	3.7%	-\$	25	\$	1,511	\$	30	2.1%
User 175 m3	\$	1,411	\$	1,677	\$	265	18.8%	\$	1,610	\$	199	14.1%	-\$	152	\$	1,458	\$	47	3.3%	-\$	25	\$	1,433	\$	22	1.6%
User 150 m3	\$	1,343	\$	1,597	\$	254	18.9%	\$	1,533	\$	191	14.2%	-\$	152	\$	1,381	\$	39	2.9%	-\$	25	\$	1,356	\$	14	1.0%
User 125 m3	\$	1,274	\$	1,517	\$	243	19.1%	\$	1,456	\$	182	14.3%	-\$	152	\$	1,304	\$	30	2.4%	-\$	25	\$	1,279	\$	5	0.4%
User 100 m3	\$	1,205	\$	1,437	\$	232	19.2%	\$	1,379	\$	174	14.4%	-\$	152	\$	1,227	\$	22	1.8%	-\$	25	\$	1,202	-\$	3	-0.2%
User 75 m3	\$	1,137	\$	1,357	\$	221	19.4%	\$	1,302	\$	165	14.6%	-\$	152	\$	1,150	\$	14	1.2%	-\$	25	\$	1,125	-\$	11	-1.0%

Appendix C - Traditional / Historical moved to 100% Wastewater Fixed Rate Model - Residential

Traditional / Historical moved to 100% Wastewater Residential Fixed Rate

	2020	Annualized Change			Blended Change		
		2021	\$	%	2021	\$	%
Water	\$ 395.01	\$ 379.72	- 15.29	-3.9%	\$ 383.54	- 11.47	-2.9%
Wastewater	\$ 535.64	\$1,002.38	466.74	87.1%	\$ 885.69	350.05	65.4%
	<u>\$ 930.65</u>	<u>\$1,382.09</u>	<u>451.44</u>	<u>48.5%</u>	<u>\$1,269.23</u>	<u>\$338.58</u>	<u>36.4%</u>
Water	1.3650	1.3074	- 0.058	-4.2%	1.3218	- 0.0432	-3.2%
Wastewater	1.3820	-			1.3820	-	0.0%
	<u>2.7470</u>	<u>1.3074</u>	<u>- 0.058</u>	<u>-2.1%</u>	<u>2.7038</u>	<u>- 0.0432</u>	<u>-1.6%</u>

Blended Change w/ PAP											
PAP		2021		\$							
User 200 m3	\$ 1,480	\$ 1,644	\$ 164	11.0%	\$ 1,603	\$ 123	8.3%	-\$ 25	\$ 1,578	\$ 98	6.6%
User 175 m3	\$ 1,411	\$ 1,611	\$ 200	14.1%	\$ 1,561	\$ 150	10.6%	-\$ 25	\$ 1,536	\$ 125	8.8%
User 150 m3	\$ 1,343	\$ 1,578	\$ 236	17.5%	\$ 1,519	\$ 177	13.2%	-\$ 25	\$ 1,494	\$ 152	11.3%
User 125 m3	\$ 1,274	\$ 1,546	\$ 271	21.3%	\$ 1,478	\$ 204	16.0%	-\$ 25	\$ 1,453	\$ 179	14.0%
User 100 m3	\$ 1,205	\$ 1,513	\$ 307	25.5%	\$ 1,436	\$ 231	19.1%	-\$ 25	\$ 1,411	\$ 206	17.1%
User 75 m3	\$ 1,137	\$ 1,480	\$ 343	30.2%	\$ 1,394	\$ 258	22.7%	-\$ 25	\$ 1,369	\$ 233	20.5%

									Blended Change w/ Senior GIS				Blended Change w/ Senior GIS + PAP													
									Senior GIS	2021	\$	%	PAP	2021	\$	%										
User 200 m3	\$	1,480	\$	1,644	\$	164	11.0%	\$	1,603	\$	123	8.3%	-\$	244	\$	1,359	-\$	121	-8.2%	-\$	25	\$	1,334	-\$	146	-9.9%
User 175 m3	\$	1,411	\$	1,611	\$	200	14.1%	\$	1,561	\$	150	10.6%	-\$	244	\$	1,317	-\$	94	-6.7%	-\$	25	\$	1,292	-\$	119	-8.5%
User 150 m3	\$	1,343	\$	1,578	\$	236	17.5%	\$	1,519	\$	177	13.2%	-\$	244	\$	1,275	-\$	67	-5.0%	-\$	25	\$	1,250	-\$	92	-6.9%
User 125 m3	\$	1,274	\$	1,546	\$	271	21.3%	\$	1,478	\$	204	16.0%	-\$	244	\$	1,234	-\$	40	-3.2%	-\$	25	\$	1,209	-\$	65	-5.1%
User 100 m3	\$	1,205	\$	1,513	\$	307	25.5%	\$	1,436	\$	231	19.1%	-\$	244	\$	1,192	-\$	13	-1.1%	-\$	25	\$	1,167	-\$	38	-3.2%
User 75 m3	\$	1,137	\$	1,480	\$	343	30.2%	\$	1,394	\$	258	22.7%	-\$	244	\$	1,150	\$	14	1.2%	-\$	25	\$	1,125	-\$	11	-1.0%

## Appendix D - Storm Sewer Rates

Property Description	Flat Fee per Year	
	2020	2021
Single Family Properties	\$105.00	\$115.50
Multi-Residential 2 to 5 Units	\$183.75	\$202.13
Multi-Residential 6 to 9 Units	\$236.25	\$259.88
Institutional / Multi Res > 10 Units	\$288.75	\$317.63
Small Commerical	\$183.75	\$202.13
Medium Commerical	\$236.25	\$259.88
Large Commercial	\$288.75	\$317.63
Light Industrial	\$393.75	\$433.13
Heavy Industrial	\$498.75	\$548.63
City Owned	\$236.25	\$259.88
CNPI Owned	\$236.25	\$259.88
Hydro One Owned	\$236.25	\$259.88
Niagara Peninsula Housing	\$288.75	\$317.63
Niagara Region	\$236.25	\$259.88
Niagara Regional Housing	\$288.75	\$317.63
Transport Canada Owned	\$236.25	\$259.88
MTO Owned	\$236.25	\$259.88

## **Appendix E – Options for Storm Water and Municipal Ditch Rates Charged to Properties**

### **Option 1 (Not Recommended)**

Do Nothing. Properties within the Urban Storm Drainage Boundary are often charged both the Storm Sewer System Rate and the Municipal Drainage maintenance and repair costs.

This is often confusing as not all properties immediately drain to both systems; however, some Storm Sewer System do eventually flow to the Municipal Drains and some properties are only on Municipal Drains but pay both rates.

Municipal Drain charges are larger one-off invoices compared to comparatively smaller monthly Stormwater System rate charges. This can also be confusing for property owners who are invoiced for both Systems.

### **Option 2 (Not Recommended)**

All properties within the Urban Storm Drainage Boundary be identified as either 50%+ immediately draining to the Storm Sewer System OR Municipal Drainage Ditch and the property be charged only the rate the majority of the property immediately drains to.

This will require staff to identify permeable and non permeable areas of each property within the Boundary and delineate where most of the stormwater drains, and this percentage can change over time within a property. It is a highly contentious and labour-intensive undertaking.

As Storm Sewer Systems or Municipal Drains are repaired/replaced, the property owners receive larger, one off invoices. Staff also maintain two rate systems.

### **Option 3 (Recommended)**

All properties within the Urban Storm Drainage Boundary be charged only the Storm Sewer System rate charge. Any Municipal Drainage works conducted within the boundary will be paid for through Storm Sewer System funds.

There is only one rate for property owners within the Boundary and staff only maintain one rate system.

The property owners receive regular invoices and as the Storm Sewer System or Municipal Drains are repaired, they are paid for through the previous or future collected funds.

The Storm Sewer System rate will remain proportional to the existing structure and all infrastructure in the Urban Storm Drainage Boundary area is considered one drainage system.

## **Appendix F – Seniors on GIS and PAP Programs**

### **Seniors on Guaranteed Income Supplement (“GIS”)**

This program is recommended to support Seniors on GIS. The credit would be applied on an application basis at the rate approved by Council in this report. The credit would be non-refundable meaning if for any reason the credit would result in the City credit being larger than actual charges a payment for the difference would not be awarded. Further, in the event an applicant becomes ineligible part way through the year, the credit will be prorated. As this credit is being introduced for the first time in 2021, starting April 1 the credit would be prorated for 9 months. In all future years it will be prorated for 12 months.

To qualify the following conditions are recommended to be required:

1. Applicant (or spouse) is a water and wastewater rate payer and considered responsible for the account; and
2. Applicant (or spouse) is 65 years of age or older; and
3. Applicant (or spouse) uses the property for which the application is being made for the purpose of their personal residence; and
4. Applicant (or spouse) is in receipt of a monthly GIS pursuant to Part II of the Old Age Security Act (Canada)

The City will introduce an application process. For the purposes of simplifying the process once in the program the Applicant will remain in the program until they are no longer eligible. The applicant will be required to sign as part of the application process that they agree to notify the City should they no longer be eligible and agree they are subject to a verification request in future years. Staff will perform verification checks on a test basis. For greater clarity every applicant will not be tested every year.

### **Pre-authorized Payment Plan (“PAP”)**

The City has maintained a PAP plan for years. The benefit of the plan is residents can pay a consistent amount monthly to manage their payments and the City work with residents to manage those payments.

From the City’s perspective this also helps manage cashflow for the water and wastewater program.

This report recommended a one-time \$25 dollar credit for any residents that sign up for the PAP program. As illustrated in Appendix B and Appendix C this is effectively a 2% reduction in a resident’s water and wastewater bill.