



7. That any surplus or deficit arising from 2026 sewer operations **BE TRANSFERRED** to/funded from the Sewage Capital Reserve;
8. That all other aspects of the 2026 Sewer Budget **BE APPROVED**; and
9. That residents, in the urban service area, that have sewer service, but no water service, **BE CHARGED** the sewer rate based on the 2026 average water consumption of 200 cubic meters per year, and that this charge **BE PLACED** on the 2026 final tax bill for these residents.

### **Water & Wastewater**

11. That the provision of waste-water services by-law be updated for Council approval.
12. That the Water and Wastewater Bylaw(s) be reviewed and updated during 2026.
13. That the rates and fees be increased as outlined in the report, with an effective date for any billings after April 14<sup>th</sup>.
14. That a fulsome review and comparison of all related fees be undertaken in 2026

### **Key Facts**

- Regional Budget for Water treatment have increased by 4.7%
- Regional Budget for Wastewater treatment have increased by 8.72%
- Combined Regional Budget increase of 7.42%
- Regional costs to Thorold: Water 3.8% increase; Sewer 8.7%
- Asset Management Plan requires lifecycle funding increase
- No increase to water and sewer rates due to growth
- USA levy on tax bill remains fixed

### **Budgetary Status**

Establishment of Budgets 2026

## **Analysis**

### **BACKGROUND**

In establishing the water-sewer rates, several components must be reviewed to determine the budgets. Under the City's jurisdiction is the responsibility for the on-going maintenance and capital renewal of the infrastructure, ie. Water and sewer mains. In addition, the City is responsible for administration and collection of the billing function to the end user, including water meter maintenance and replacement.

### **Regional Billing 2026**

The Region is responsible for the treatment and supply of water, and the treatment of wastewater (sewage flows) of the Area Municipalities. Regional charges represent the majority of costs in both budgets.

The Region has adopted a 4.7% increase to the Water Budget and an 8.720% increase to Wastewater budget, or a blended 7.42%

However, the impact to each of the Area Municipalities is further impacted by:

1. The 3-year rolling average of water and wastewater flows, as this determines the allocation of fixed costs for the budgeted year.
2. The Water flow forecast used to calculate the variable rate.
3. The reconciliation of the sewer flows to actual.
4. Anticipated flows for the year.

Factoring in the above, the Regional costs to Thorold are forecast to increase by:

Water 3.8%  
Sewer: 8.7%

### **Regional Billing Structures**

The Region indicates that most of their costs are fixed, and do not change with consumption level, therefore, when actual volumes are less than the forecast, they incur deficits in their system.

For 2026, for Water, the Region has maintained the modified billing method adopted in 2009, based on a 25% fixed cost recovery (based on previous 3-year average flow volumes) and the remaining 75% based on actual consumption.

For Wastewater, the Region will continue with 100% fixed cost recovery, based on previous 3-year average flows. In addition, they will subsequently adjust and reconcile to apportion their budget (not actual) costs using actual flows, with reconciliation adjustments 2 years following, ie. Reconciliation of the 2024 historical to actual flows will be reflected in the monthly 2026 billings.

However, from an accounting standards perspective, we will have to reflect this in the appropriate year, ie. 2026 adjustments to 2026. The historical adjustments are as follows:

<b>Year</b>	<b>Adjustment</b>
<b>2014</b>	\$19,000 Favourable
<b>2015</b>	\$119,000 Favourable
<b>2016</b>	\$142,000 Unfavourable
<b>2017</b>	\$179,000 Unfavourable
<b>2018</b>	\$301,000 Unfavourable
<b>2019</b>	\$452,000 Unfavourable
<b>2020</b>	\$614,000 Unfavourable
<b>2021</b>	\$1,158,000 Unfavourable
<b>2022</b>	\$ 643,000 Unfavourable
<b>2023</b>	\$ 68,000 Favourable
<b>2024</b>	\$129,000 Favourable
<b>2025</b>	\$155,000 Unfavourable

This indicates that our sewage flows generally have been escalating beyond the 3-year flow patterns, as would be expected with the residential growth levels we are experiencing.

Both sewer and water flows are weather-dependent, with dry years leading to somewhat higher water consumption and lower sewage flows, and wetter years increasing the amount of wastewater treated, and decreasing water consumption. Any deviation from the average consumption levels will create variances within both budgets. As indicated above, deviations to the percentage of Regional flows represented by Thorold will also cause variances.

The Region's billing model for water transfers part of the risk, and for wastewater transfers most of the risk associated with flow volumes deviations onto the local municipalities. The fixed cost recovery by the Region will guarantee that component of their funding. The local municipalities will be faced with the decision to assume the risk or modify their billing structures to increase the fixed component on the water bills to the ultimate consumer.

The City's current billing model to our consumers recovers the majority of the Regional charges solely through the variable, flow based component, as this had historically been volume based.

## **WATER PROGRAM**

### **2025 Water Program Review**

Appendix 1 shows the comparison of 2025 budget to the estimated actual, as well as the forecasted budgets for 2026.

The water system for 2025 is expected to result in an estimated surplus position of approximately \$217,000 due mainly to higher than anticipated water flow revenues.

### **2026 WATER BUDGET**

#### **Regional Wholesale Water Treatment Charges**

The Regional charges represent 42% of the projected water budget expenditures. Based on anticipated volumes for 2026, we are anticipating an increase of 3.8% in Regional water costs.

## **Capital**

The Asset Management Plan (AMP) update for infrastructure was completed in 2025. The AMP, recommended a financial strategy to phase in the capital funding deficit over a 12 year period at \$70,000 per year.

This amount has been included in Budget 2026.

## **Other Expenditures**

Administrative and maintenance budget components, including lead sampling and locates have been increased to reflect inflation, activity-based costing, computer costs, and escalation in wage and benefits' costs.

City facilities will be charged with water usage based on actual consumption, with the water budget reflecting forecasted revenues of \$115,000, and the General Operating Budget including the off-setting expenses.

Water on Construction revenue for new builds has been decreased by \$166,000 to \$139,000, based on declining 2025 pattern.

## **Water Meters**

The majority of the City's water meters were installed in the early 1990's, and require replacement. The original water meter cost is/was borne by the property owner, with replacements to be borne by the City.

In addition, there are a number of subdivisions being developed, and the City should ensure that the water meters installed in these new developments are ready and compatible with the eventual replacement of the old meters and the chosen technology. The City plans to install radio receivers on the meters that will be used to transmit automated water meter reads to towers/antennas once installed. This will result in the elimination of meters needing to be routinely read for billing purposes as well as making it possible to detect leaks within a serviced building.

As part of Budget, staff have included \$3.3 Million for transitioning to radio-read capable meter retrofits, towers and antennas. We are awaiting confirmation from the supplier on the locations required for tower placements.

## **RATE STRUCTURE**

### **Proposed Billing Structure -Water**

No change to the current billing structure for Water is recommended. Under this scenario, all users will be impacted equally.

It should be noted that based on the existing cost structure, 81% of the costs are fixed. The billing model recovers only 38% on a fixed cost basis, and 62% on a variable cost basis. This demonstrates the reason that we are prone to deficits/surpluses when the flow volumes decline/increase, as the majority of our cost recovery is based on a variable structure, while the majority of our costs are fixed.

The proposed Water Budget will require no change to the water rates for the combined Fixed and Variable charges. This is due to the growth in the number of accounts and usage.

## **URBAN SERVICE AREA**

### **SANITARY SEWER & SIDEWALK PROGRAM**

This budget encompasses sidewalks and the sanitary sewer system. Council should note that it does not include storm sewers, which are part of the general roads budget.

### **2025 USA Program Review**

Appendix 3 shows the comparison between 2025 budget and actual, as well as the forecasted 2025 budgets. For the year 2025, revenues came in ahead of forecast with overall City expenditures below forecast. Regional charges were \$155,000 above the anticipated costs. Overall, we anticipate closing the year in an overall surplus position of \$294,000. Per Council directive, any surplus/deficit is transferred to/funded from the Sewage Capital Reserve

While the Regional treatment charges are initially fixed, there is a reconciliation done annually comparing the fixed allocation based on a 3-year rolling average to the allocation amongst municipalities based on the actual flows. This differential is recognized in the fiscal year to which it relates; however the Region pays/rebates it in the second year following the allocation year. For 2025, we experienced an unfavourable adjustment of \$155,000.

**2026 SEWER BUDGET**

**Regional Wastewater Treatment Charges**

Regional costs represent 72% of the total budgeted system costs. However, as a portion of the budget recovery is from taxes, and this levy has been frozen, with a goal of reducing this over time, the Regional costs actually equate to approximately 82% of the Rate Budget.

A 8.7% increase has been approved in the 2026 Regional Wastewater Budget. However, Regional charges for sewer are indicated as 100% fixed and are allocated to the area municipalities based on a three-year rolling average of flows, with the addition of an annual reconciliation.

For 2026, Thorold's overall cost from the Region for wastewater treatment is projected to increase by 8% over 2025 budget and 6% over 2025 Actual

<b>Year</b>	<b>Regional Charges Fixed</b>	<b>Regional Reconciliation</b>	<b>Total Regional</b>
2022 Budget	\$4,869,000	\$ 614,000	\$5,483,000
2022 Actual	\$4,869,000	\$ 643,000	\$5,512,000
2023 Budget	\$5,841,000	\$ 614,000	\$6,455,000
2023 Actual	\$5,841,000	\$ (68,000)	\$5,773,000
2024 Budget	\$6,620,000	\$ 100,000	\$6,720,000
2024 Actual	\$6,620,000	\$(129,000)	\$6,491,000
2025 Budget	\$7,438,751	\$0	\$7,438,751
2025 Actual	\$7,438,571	\$155,000	\$7,593,751
2026 Budget	\$8,053,089	\$0	\$8,053,089

## **Other Expenditures**

Administrative costs and maintenance costs have been escalated to reflect increased wages/benefits and inflation.

## **Other Revenues**

As with the water program, City facilities will be charged for usage. Similar to Water, Sewer on Construction Charges have been decreased by \$164,000.

## **Major Capital**

The Asset Management Plan (AMP) has identified a capital funding shortfall of \$720,000 and recommended phase in over 12 years or \$60,000. Budget 2026 incorporates this amount.

## **Fixed Costs**

It should be noted that the majority of costs in the USA budget are fixed

The City funding for the sewer/sidewalk budget is derived from a combination of tax bill levy, direct charges on the water-sewer bill, reserve funding and miscellaneous revenues.

For 2025, 12% to be raised from taxes, i.e. Assessment based, and 85% to be raised through direct user-pay billing; 3% from miscellaneous revenues. Significant variances occur if the flows and consumption differ from expected levels.

## **Sewer Charge - No Water**

There are approximately 25 users in Port Robinson and Allanburg that utilize the City's Sewer system, but do not have City water services. Accordingly, these users do not get a water sewer bill. In order to fairly charge these customers, it has been the practice in the City to assess a Sewer Charge on the final tax bill.

This sewer charge is based on the average residential consumption. For 2025, the charge will be based on 200 cubic metres. Staff feels that this procedure allows fairness across the City, as it charges sewer costs to all sewer users, and it does so, on an equitable basis.

## Sewer Pricing

As indicated previously, the sewer budget is funded partially on a user-pay basis through a charge on the water-sewer bill, and partially on an assessment basis on the tax bill. The water and sewer rates were unbundled in 2014.

The perception continues to be prevalent, that the sewer charge on the water bill should be less than the water charge due to evaporation and flows to the storm sewer system, for activities such as lawn/garden watering, pool filling, etc.

However, this considers only the consumption side and not pricing and other factors:

- the quantity of sewage generated in relation to water used, ie. For every litre of water purchased, 1.58 litres of sewage treated in 2025 due to infiltration/inflows
- the price differential of sewer to water from the Region, with sewage treatment costs approximately 2.81 times the water treatment costs
- the overall Urban Service Area budget which is 62% higher than the cost to operate the water system

It cannot be stressed enough, that regardless of which method is selected to recoup costs, the sewer budget bottom line does not change and the costs must be collected. The sewer charge must exceed the water charge to maintain the system.

For 2026, the following rates, no change to sewer rates, are required to fund the system:

Fixed Rate per quarter    \$94.46

Consumption Rate        \$2.566 per cubic metre

It should be noted that these rates equate to a differential of 149, ie. The Sewer costs on the Water Sewer bill will be 49% higher than the water costs.

The tax levy component remains fixed at \$1,230,000 to fund the USA (Sanitary Sewer and Sidewalks) budget. This will result in 0% increase to the sewer rates charged on the water-sewer bill and a 0% impact to the USA levy on the tax bill.

**Fees & Charges**

It is recommended that the following service fees be increased as follows, to accommodate cost increases.

<b>Fee</b>	<b>Proposed</b>	<b>Current</b>
Water Shut off/Turn On <u>Maintenance</u>	\$96.00 (plus HST) during normal working hours or actual cost outside of normal working hour	\$93.00 Plus HST during normal working hours or actual cost outside of normal working hours
Water Shut off/Turn On <u>Arrears</u>	\$115.00 (plus HST) during normal working hours or actual cost outside of normal working hours	\$111.00 plus HST
Meter Removal	\$96.00 (include HST)	\$93.00 plus HST
Meter Reinstallation	\$142.00 (include HST)	\$137.00 plus HST
Water Sewer Account Status Fee	\$30 per account	\$28 per account
Water-Sewer Arrears Transferred to taxes	\$36 per transfer	\$34 per transfer
New Account Admin Fee	\$19 per account	\$17 per account
NSF Fee	\$35 per cheque	\$27 per cheque

**O.Reg 284/09**

In 2009 the Province of Ontario passed, as part of the Municipal Act, Ontario Regulation 284/09. The new regulation, in force as of January 1, 2009, gives municipalities the option of excluding amortization expense, post-employment benefit expenses and solid waste landfill closure and post-closure costs from budgets.

The changes to accounting standards move the preparation of the City's Financial Statements to an accrual basis, while budgets continue to be prepared on a cash basis. Therefore, the surplus on the Financial Statements will differ from the surplus for budgeting purposes. The differences surround capital items, debt repayment, post-employment benefits and solid waste landfill closure and post-closure expenses.

In accordance with the regulation, this report is required to contain at least the following:

1. An estimate of the change in accumulated surplus of the municipality to the end of the year resulting from the exclusion of these expenses.
2. An analysis of the estimated impact of the exclusion of any of the expenses on future tangible capital asset funding requirements of the municipality.

We are pleased to report that given Councils' program to address infrastructure renewal in the water and sewer area, not only do we cover amortization expense, but also contribute towards replacement with a positive adjustment to surplus as follows:

	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>Add to Surplus:</b>			
Acquisition of Assets	\$12,696,000	\$6,426,000	\$19,122,000
Transfer to Reserves	\$ 49,000	\$ 0	\$ 49,000
<b>Deduct from Surplus:</b>			
Amortization Expense	\$(689,000)	\$(749,000)	\$(1,438,000)
<b>Total Adjustment</b>	<b>\$12,056,000</b>	<b>\$5,677,000</b>	<b>\$17,733,000</b>

As noted above, we more than provide for amortization expense, and continue to work towards full replacement provisions.

**SUMMARY**

The Water and Sewer rates will require no change from the 2025 rates.

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**Approved and Submitted by:**

Manoj Dilwaria  
Chief Administrative Officer

CITY OF THOROLD  
2026 WATER BUDGET

Revenues

	2025 BUDGET	2025 ESTIMATED ACTUAL	2026 BUDGET
Flows	\$ 5,735,411	\$ 6,205,932	\$ 6,240,000
City Use	\$ 90,000	\$ 113,212	\$ 115,000
Water on Construction	\$ 305,000	\$ 158,606	\$ 139,000
Sale of Water Meters	\$ 251,200	\$ 107,826	\$ 196,000
Misc.	\$ 107,484	\$ 170,888	\$ 165,012
	<b>\$6,488,457</b>	<b>\$6,755,826</b>	<b>\$6,854,374</b>

Expenditures

Admin/ Engineering/ Maintenance/Water Meters	\$ 1,683,986	\$ 1,789,100	\$ 1,846,150
Lead Testing/Water Sampling	\$ 72,721	\$ 89,987	\$ 98,474
Regional Charges	\$ 2,765,000	\$ 2,724,617	\$ 2,870,000
Other Flow Charges	\$ 85,000	\$ 86,826	\$ 88,000
Capital Replacement	\$ 1,674,000	\$ 1,798,750	\$ 1,831,750
Capital Replacement -AMP/Inflation	\$ 124,750	\$	\$ 70,000
Other Capital/Software	\$ 34,000	\$ 600	\$ 1,000
Transfer to Reserves-Water Meter	\$ 49,000	\$ 49,000	\$ 49,000
Transfer to Reserves - Surplus	\$	\$ 216,946	
<b>Total</b>	<b>\$6,488,457</b>	<b>\$6,755,826</b>	<b>\$6,854,374</b>

CITY OF THOROLD  
2026 URBAN SERVICE AREA BUDGET

	BUDGET 2025	ESTIMATED ACTUAL 2025	BUDGET 2026
<b><u>Revenues</u></b>			
Tax -USA	\$1,230,000	\$1,230,000	\$1,230,000
Supplemental USA/pil	\$110,000	\$111,295	\$112,375
Flows	\$8,538,737	\$9,138,548	\$9,283,548
City Use	\$135,000	\$169,020	\$171,000
Sewer on Construction	\$300,000	\$138,122	\$138,000
Misc.	<u>\$122,621</u>	<u>\$183,962</u>	<u>\$158,247</u>
	<b>\$10,436,358</b>	<b>\$10,970,947</b>	<b>\$11,093,170</b>
<b><u>Expenditures</u></b>			
USA Levy Tax Write-offs/Provision	\$50,000	\$50,000	\$50,000
Admin & Engineering & Maintenance	\$720,857	\$829,529	\$728,331
Regional Charges	\$7,438,751	\$7,438,751	\$8,053,089
Projected Regional Reconciliation Current Year	\$0	\$155,000	\$0
Capital Replacement	\$1,577,000	\$1,577,000	\$1,820,750
Capital Replacement -AMP/inflation	\$243,750	\$243,750	\$60,000
Other Capital	\$31,000	\$1,000	\$1,000
Sidewalk	\$375,000	\$382,000	\$380,000
Transfer to Reserves: Surplus/(Deficit)		\$293,917	
<b>Total</b>	<b>\$10,436,358</b>	<b>\$10,970,947</b>	<b>\$11,093,170</b>

**2026 WATER-SEWER BUDGET  
COMPARISON OF RATE STRUCTURES**

	2025 actual	2026 proposed	PROPOSED RATES CHANGE \$	%
<b><u>WATER</u></b>				
Fixed Charge	\$ 63.15	\$ 63.15	\$0.000	0.0%
Consumption Charge	\$ 1.719	\$ 1.719	\$0.000	0.0%
<b><u>SEWER</u></b>				
Fixed Charge	94.46	94.46	\$0.000	0.0%
Consumption Charge	2.566	2.566	\$0.000	0.0%
<b>SEWER as a % of Water</b>	149.4%	149.4%		
<b>Tax Levy</b>				
Sidewalks	\$375,000	\$380,000	\$5,000	1.3%
Sewers	\$855,000	\$850,000	-\$5,000	-0.6%
Total USA Tax Levy	\$1,230,000	\$1,230,000	\$0	0.0%
<b><u>TOTAL</u></b>				
Fixed Charge	\$ 157.61	\$ 157.61	\$35.67	0.0%
Consumption Charge	\$ 4.285	\$ 4.285	\$1.349	0.0%
<b>AVERAGE RESIDENTIAL CONSUMPTION (cubic metres)</b>				
			200	
<b>Total</b>				
Actual 2025 Water Sewer Cost			\$1,487.44	
Proposed 2026 Water Sewer Cost			\$1,487.44	
<b>AVERAGE ANNUAL INCREASE</b>			\$0.00	0.0%
<b><u>AVG QUARTERLY INCREASE</u></b>				
			\$0.00	