




Hamilton

CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	November 22, 2024
SUBJECT/REPORT NO:	2025 Preliminary Water, Wastewater and Stormwater Rate Supported Budget (FCS24055) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Matt Hilson (905) 546-2424 Ext. 1444 Katie Black (905) 546-2424 Ext. 6415
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the metered water consumption charges for average residential properties (meters < 25mm in size) in the City of Hamilton be imposed at the following rates, effective January 1, 2025:

Monthly Water Consumption (m3)	Rate (\$/m3)
0 – 10	1.17
> 10	2.34

- (b) That the metered water consumption charge for commercial, industrial, institutional and larger residential properties (meters = >25mm in size) in the City of Hamilton be imposed at the rate of \$2.34 per cubic metre, effective January 1, 2025;
- (c) That daily water fixed charges for all properties in the City of Hamilton be imposed at the following rates, effective January 1, 2025:

Meter Size	Daily Water Rate
15 mm	\$0.53
16 mm	\$0.53

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Meter Size	Daily Water Rate
20 mm	\$0.53
21 mm	\$0.53
25 mm	\$1.33
38 mm	\$2.65
50 mm	\$4.24
75 mm	\$8.48
100 mm	\$13.25
150 mm	\$26.50
200 mm	\$42.40
250 mm	\$60.95
300 mm	\$90.10

- (d) That the wastewater / storm treatment charges for average residential properties (meters < 25mm in size) in the City of Hamilton be imposed at the following rates, effective January 1, 2025:

Monthly Water Consumption (m3)	Rate (\$/m3)
0 – 10	1.19
> 10	2.37

- (e) That the wastewater / storm treatment charge for all commercial, industrial, institutional and larger residential properties (meters = >25mm in size) in the City of Hamilton be imposed at the rate of \$2.37 per cubic metre, effective January 1, 2025;
- (f) That daily wastewater / storm fixed charges for all properties in the City of Hamilton be imposed at the following rates, effective January 1, 2025

Meter Size	Daily Wastewater / Storm Rate
15 mm	\$0.57
16 mm	\$0.57
20 mm	\$0.57
21 mm	\$0.57
25 mm	\$1.43
38 mm	\$2.85
50 mm	\$4.56
75 mm	\$9.12
100 mm	\$14.25
150 mm	\$28.50

Meter Size	Daily Wastewater / Storm Rate
200 mm	\$45.60
250 mm	\$65.55
300 mm	\$96.90

- (g) That the residential non-metered annual water rate be imposed at the flat rate of \$854.10 per annum, effective January 1, 2025;
- (h) That the residential non-metered annual wastewater / storm rate be imposed at the flat rate of \$865.05 per annum, effective January 1, 2025;
- (i) That the residential combined non-metered annual water and wastewater / storm rate be imposed at the flat rate of \$1,719.15 per annum, effective January 1, 2025;
- (j) That the Private Fire Line rates be imposed at the following rates, effective January 1, 2025:

Connection Size		Monthly Rate
mm	inches	
25	1	\$5.08
38	1.5	\$11.67
50	2	\$20.30
75	3	\$45.68
100	4	\$81.20
150	6	\$182.70
200	8	\$324.80
250	10	\$324.80
300	12	\$324.80

- (k) That the 2025 Water, Wastewater and Storm Proposed User Fees and Charges be imposed as per Appendix “G” to Report FCS24055, effective January 1, 2025;
- (l) That the daily single-family unit (SFU) stormwater fee of \$0.74 (\$270.10 annually) for all properties in the City of Hamilton be approved, in principle, effective April 1, 2026;
- (m) That the 2025 Water, Wastewater and Stormwater Rate Supported Operating Budget in the amount of \$327,779,491 be approved as per Appendix “A” to Report FCS24055;
- (n) That the long-term financing plan for the Water, Wastewater and Stormwater programs and related rate increases required to meet sustainable financing as identified in the 2025 Water, Wastewater and Stormwater Rate Supported Operating Budget forecast 2026-2034 (Appendix “A” to Report FCS24055) be approved, in principle;

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- (o) That the 2025 Water, Wastewater and Stormwater Rate Supported Capital Budget and Financing Plan in the amount of \$314,899,750 be approved as per Appendices “K”, “N”, “Q” and “S” to Report FCS24055;
- (p) That the 2026-2034 Water, Wastewater and Stormwater Rate Supported Capital Budget forecast and financing plan (Appendix “I” to Report FCS24055) be approved, in principle;
- (q) That the City Solicitor be authorized and directed to prepare, for Council approval, all necessary by-laws respecting the 2025 water and wastewater / storm user fees, charges and rates set out in Recommendations (a) through (k) of Report FCS24055;
- (r) That the 2025 Rate Supported Staffing Summary, inclusive of the proposed Business Cases, be approved as per Appendix “F” to Report FCS24055;
- (s) That three additional Full-Time Equivalents that are not included in Appendix “F” to Report FCS24055 be included in the Preliminary 2025 Tax Supported Budget with a net-zero cost;
- (t) That the General Manager, Finance and Corporate Services, be authorized and directed to negotiate and confirm the terms for the placement and issuance of all debenture issue(s), and / or private placement debenture issue(s), in either a public or private market and / or bank loan agreements and debenture issue(s) and / or variable interest rate bank loan agreements and debenture issue(s), in an amount not to exceed \$101,904,316 Canadian currency as attached in Appendices “K”, “N” and “Q” to Report FCS24055, which includes \$51,925,440 in Rate Supported municipal debt and \$49,978,876 Rate Supported Development Charges municipal debt;
- (u)
 - i) That the General Manager, Finance and Corporate Services, be authorized to engage the services of all required professionals to secure the terms and issuance of the debenture issue(s) described in Recommendations (t) and (v) including, but not limited to, external legal counsel and fiscal agents;
 - ii) That the General Manager, Finance and Corporate Services, is authorized and directed, on behalf of the City of Hamilton, to enter into and / or execute, all agreements and necessary ancillary documents to secure the terms and issuance of the debenture issue(s) described in Recommendations (t) and (u) and conditional upon the by-law being enacted as described in Recommendation (v) to Report FCS24055, on terms and conditions satisfactory to the General Manager, Finance and Corporate Services, and in a form satisfactory to the City Solicitor;
- (v) That staff be authorized and directed to prepare all necessary By-Law(s), for Council’s consideration, for the purpose of authorizing debenture issue(s) described in Recommendation (t) to Report FCS24055; and

- (w) That the City of Hamilton continue to appeal to the Provincial Government of Ontario and the Federal Government of Canada for financial assistance in addressing the infrastructure deficit in the water, wastewater and storm programs.

EXECUTIVE SUMMARY

The 2025 Preliminary Water, Wastewater and Stormwater (Rate) Budget is submitted for Council’s consideration. In alignment with the Mayoral Directive to Staff (MDI-2024-03), the 2025 Rate Budget balances the need to invest in environmental infrastructure upgrades and changing trends in demand for water and growth in users in consideration of affordability and the financial burden on residential properties given the current economic environment.

A needs-based approach has been used to develop the 2025 Rate Budget. This approach ensures that all resources that are required to deliver the desired service levels are included in the proposed budget. This is particularly important to the City of Hamilton as the City aims to eliminate the infrastructure deficit identified through the Waterworks Asset Management Plan by the end of the 10-year forecast. When developing a needs-based budget, staff continues to thoroughly review the budget to ensure that redundancies and efficiencies have been identified and addressed and that program lines are assessed for ongoing public benefit.

The preliminary budget, if approved, would result in an average residential water / wastewater / stormwater bill of \$1,061.50 based on 200 m³ of consumption representing an increase of 9.95%, or \$96.10 per household, over 2024.

The preliminary 2025 Rate Budget strategy is consistent with the strategy approved by Council, in principle, for 2024 representing a combined rate increase of 9.95% in 2025 and an annual average rate increase of 10% from 2026 – 2033 before returning to historic inflationary figures in 2034. Charts 1 and 2 illustrate the annual impacts of this strategy.

**Chart 1
2025 - 2034 Financing Strategy Average
Residential Increase**

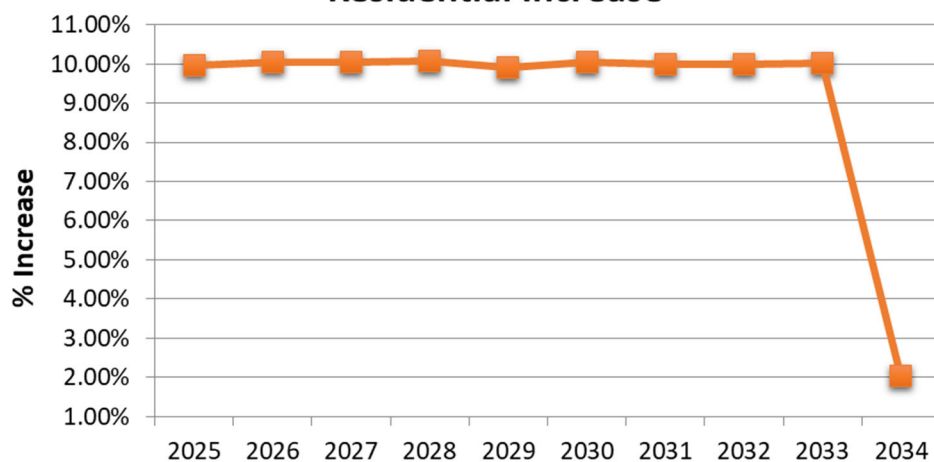
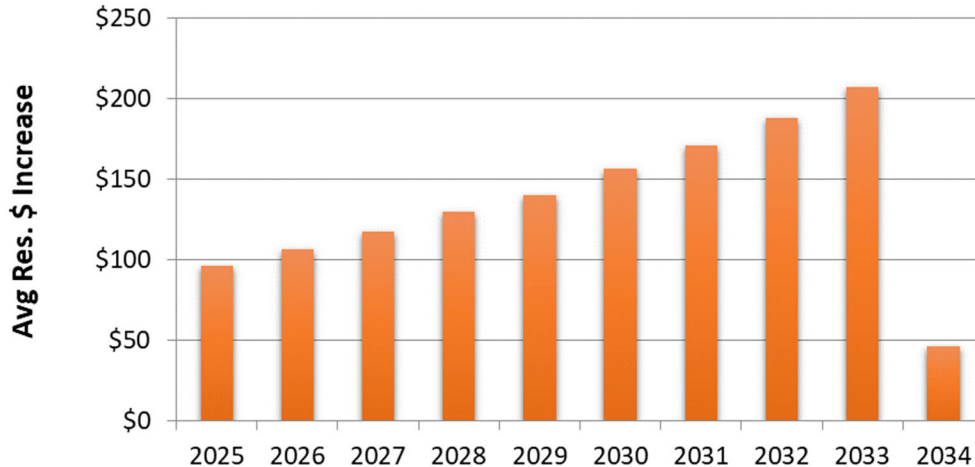


Chart 2
2025 - 2034 Financing Strategy Average Residential Increase



In alignment with the Mayoral Direction (MDI-2024-03), the proposed Financing Plan leverages the City’s current financial position through the issuance of additional debt and reserve contributions in order to maintain stability in the water / wastewater / stormwater user fees, while holding in check the financial risks.

In general, the goal of the financing strategy has been to support the water, wastewater and storm programs with the level of funding required to provide safe and reliable drinking water, protect homes and the environment, maintain assets in a state of good repair in accordance with the Waterworks Asset Management Plan for water, wastewater and storm assets and to support Council’s priorities of sustainable economic and ecological development, safe and thriving neighbourhoods and responsiveness and transparency. The following business cases support these priorities.

Sustainable Economic & Ecologic Development

- Plant Operations – Senior Plant Process Engineer to provide regulatory and operational process support to engineering design teams and coordinating throughout construction for major water and wastewater plant upgrades. The 2025 net financial impact is \$129 K.
- Lab Services – Lab Technician to provide full-time support in metals and organics analysis to handle the increased sample load and reduce reliance on students and overtime. The 2025 net financial impact is \$89 K.
- Capital Delivery – Asset Management Technologist to enhance Hamilton Water's vertical asset management program by advancing database content, refining reporting capabilities, supporting field inspections and implementing new procedures to improve

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asset data quality, risk assessments and capital planning. The position is fully funded through the Rate Supported Capital Budget.

- Systems Planning – Project Manager to support the development and maintenance of real-time water, wastewater, and stormwater models to manage capacity, facilitate growth and intensification, improve regulatory compliance and reduce reliance on external consultants. The 2025 net financial impact is \$58 K.
- Systems Planning – Technologist to manage hydrometric and system-wide monitoring data to support real-time water, wastewater, and stormwater models, facilitating growth, intensification, and regulatory compliance while reducing reliance on external consultants. The 2025 net financial impact is \$45 K.

Safe and Thriving Neighbourhoods

- Light Rail Transit (LRT) – One Senior Project Manager, Water & Wastewater Planning to assist with the implementation of the LRT Project. The net financial impact for 2025 is \$0, as it is fully recovered from Metrolinx.

Responsiveness and Transparency

- Plant Maintenance and Technical Services – Maintenance Supervisor to provide technical and field support for mechanical, electrical and instrumentation aspects of Water Treatment Plant Capital Projects, as well as, support for the Woodward Wastewater Treatment Plant and Dundas Wastewater Treatment Plant projects. The 2025 net financial impact is \$109 K.
- Plant Maintenance and Technical Services – Maintenance Supervisor to oversee and support automation and Supervisory Control and Data Acquisition (SCADA) tasks throughout the design, construction, training and commissioning phases of Water Treatment Plant Capital Projects, as well as, the Woodward Wastewater Treatment Plant and Dundas Wastewater Treatment Plant. The 2025 net financial impact is \$96 K.
- Plant Maintenance and Technical Services – Project Manager to focus on enhancing cybersecurity measures, performing risk assessments and managing incident responses to protect critical infrastructure, following a recent cyberattack on the City of Hamilton. The 2025 net financial impact is \$96 K.

The preliminary 2025 Rate Supported Financing Strategy supports the identified capital investment needs, rate of growth, through stable rate increases. The 2025 Rate Supported Financing Strategy links forecast water demand and estimated wastewater discharge with a staged approach to necessary capital investments in the water, wastewater and stormwater systems. As outlined in Chart 9, the current strategy calls for capital funding in 2025 of approximately \$314.9 M and \$4.52 B for the 2025 – 2034 timeframe, which represents an increase of \$0.38 B from last year's 10-year forecast.

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This increase is mostly attributable to the additional works required to eliminate the infrastructure deficit identified in the Waterworks Asset Management Plan for water, wastewater and storm assets, as well as, a \$112 M budget increase for the Dundas Wastewater Treatment Plant (WTP) Upgrades (2025 – 2034) as approved through Report PW24059. Other major projects include the Woodward Wastewater Treatment Plant expansion (2025 – 2030), work associated with the Flooding and Drainage Improvement Framework (2025 – 2031) and Phase 2A (2025 – 2032) and 2B (2030 – 2034) of the Woodward WTP upgrades. All major projects except for Phase 2B of the Woodward WTP upgrades (design scheduled to begin in 2030) are already underway and are included in the forecast beginning in 2025.

Report FCS24055 identifies risks related to a variety of conditions which may impact ratepayers and, in combination, may place significant financial pressures on ratepayers. These risk factors detailed in later sections of Report FCS24055 include increased operating and capital investment requirements. Staff pursued a variety of measures to control the impact of the risks to maintain a safe and reliable service by leveraging the City's financial position and balancing rate affordability.

Alternatives for Consideration – See Page 42

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: As per Recommendation (m) of Report FCS24055, approval of the 2025 Water, Wastewater and Stormwater Rate Supported Operating Budget will support operating and capital financing expenditures of \$327,779,491 for 2025. With non-rate revenues of \$3.2 M, rate revenues of \$324.6 M are required to meet operating expenditures. As per Recommendation (o) of Report FCS24055, approval of the 2025 Water, Wastewater and Stormwater Rate Supported Capital Budget and Financing Plan will support capital expenditures of \$314,899,750 for 2025. The approval of the 2025 Water, Wastewater and Stormwater Rate Supported Operating and Capital Budget will result in a 9.95% rate increase.

As per Recommendation (t), in order to accommodate capital spending requirements, \$101.9 M has been allocated to debt financing in the 2025 Rate Supported Capital Budget. This amount includes \$51.9 M in Rate Supported municipal debt and \$50.0 M in Development Charges Rate Supported municipal debt.

Staffing: The 2025 Rate Supported staffing complement reflects a recommended increase of 9.0 FTE as reflected in Appendix "F" to Report FCS24055.

Legal: Recommendation (q) of Report FCS24055 relates to By-laws requiring Council approval, respecting the implementation of 2025 water and wastewater user fees and charges set out in the Recommendations (a) through (k) of Report FCS24055.

HISTORICAL BACKGROUND

The 2024 Rate Budget (FCS23100) approved, in principle, had included average rate increases of 10% per year over the 2024 – 2033 time period. The approved, in principle, increase for the 2025 budget was 9.95%.

Upon receiving Mayoral Directive (MDI-2024-03) on October, 2024, staff ensured that the preliminary financing strategy utilized debt and reserves to reduce the 2025 average increase for water and wastewater fees to 9.95% and maintain the average rate increase of 10% over the 2025-2033 planning period.

On November 6, 2024, through Report FCS24041, the General Issues Committee received the 2025 Budget Outlook. The financing strategy recommended in Report FCS24041 remains unchanged from what was presented in the outlook report.

The Rate Capital Budget was prepared in accordance with the City of Hamilton's Strategic Asset Management Policy. The Ministry of Infrastructure filed Ontario Regulation 588/17 – Asset Management Planning for Municipal Infrastructure under Bill 6, *Infrastructure for Jobs and Prosperity Act* ("Act") on December 27, 2017. Regulation 588/17 went into force on January 1, 2018 and applies to all infrastructure assets directly owned by a municipality or consolidated on the municipality's financial statements.

Through Report PW22048, the City of Hamilton's Asset Management Plans for core assets was approved by the General Issues Committee on June 15, 2022. Core assets include transportation (roads and engineered structures), water works (water, wastewater, storm) and the costs to maintain the City's current level of service.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The recommended options support the principle of a user-pay water and wastewater / storm system. The Rate Reserve Policy has guided staff's recommended use of rate reserves as a funding source in the 2025 - 2034 financing plan.

RELEVANT CONSULTATION

Public Works, Hamilton Water Division, provided operating / capital expenditure and non-rate revenue forecasts as reflected in Report FCS24055.

Members of the Senior Leadership Team (SLT) were consulted on the contents of Report FCS24055.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Appendix “A” to Report FCS24055 summarizes the 2025 Rate Budget expenditures (program and capital financing) and revenues of \$327.8 M compared to the 2024 restated budget of \$303.3 M.

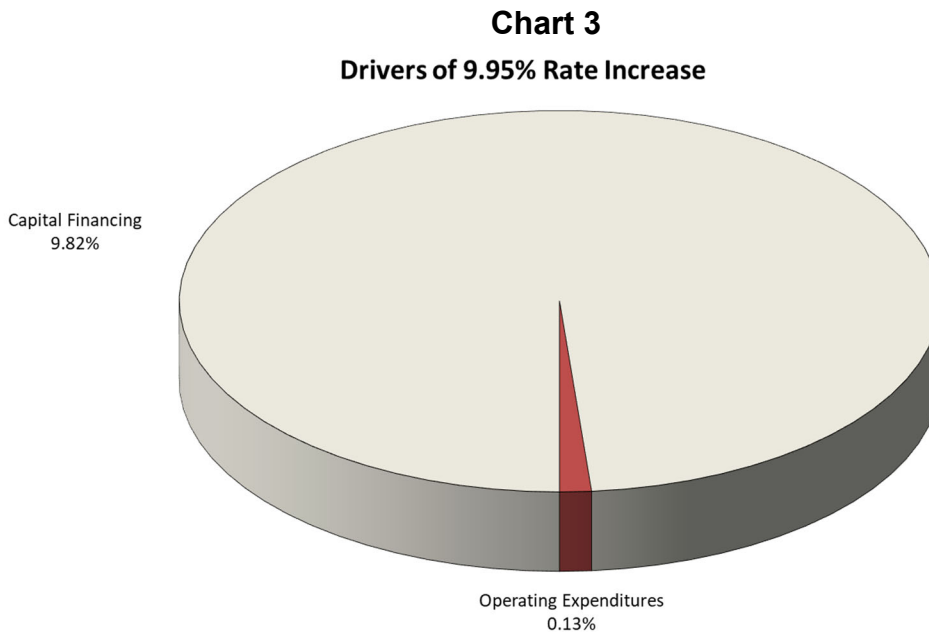
Table 1 summarizes the budget changes for the 2025 Preliminary Budget.

Table 1

Summary of the 2025 Budget				
(\$ millions)	2024 Restated Budget	2025 Preliminary Budget	2025 Preliminary / 2024 Restated Change	
Expenditures				
Program Expenditures	\$ 121.1	\$ 121.5	\$ 0.4	0.3%
Capital / Debt / Reserve Financing	\$ 182.2	\$ 206.3	\$ 24.1	13.2%
Total Expenditures	\$ 303.3	\$ 327.8	\$ 24.5	8.1%
Revenues				
Rate Revenue	\$ 295.7	\$ 324.6	\$ 28.9	9.8%
Non-Rate Revenue	\$ 7.7	\$ 3.2	\$ (4.5)	(58.4)%
Total Revenue	\$ 303.3	\$ 327.8	\$ 24.5	8.1%
Average Residential Water / Wastewater / Storm Bill	\$ 965.40	\$ 1,061.50	\$ 96.10	9.95%

Note: Anomalies due to rounding.

Chart 3 provides the breakdown of the proposed combined 9.95% rate increase between operating and capital financing expenditures in 2025. 9.82% of this increase is attributable investments into capital infrastructure.



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The preliminary 2025 Rate Supported Financing Strategy supports the identified capital investment needs, rate of growth, through stable rate increases. The 2025 Rate Supported Financing Strategy links forecast water demand and estimated wastewater discharge with a staged approach to necessary capital investments in the water, wastewater and stormwater systems. The current strategy calls for capital funding in 2025 of approximately \$314.90 M and \$4.52 B for the 2025 – 2034 timeframe. The financing strategy uses the combination of rate increases, existing reserves and additional debt to fund major capital items such as the Woodward WWTP expansion, the Dundas WWTP upgrade, Phase 2(A) and 2(B) of the Woodward WTP upgrades and infrastructure renewal programs.

The strategy also includes \$90.0 M in assumed grant funding from the federal and provincial governments with respect to the Woodward WWTP rehabilitation and upgrades and Dundas WWTP improvements. The 2025 Strategy also includes \$6.35 M of assumed federal grant funding through the Disaster Mitigation and Adaptation Fund (DMAF). Advocacy efforts with the Province of Ontario and the Federal Government of Canada for financial assistance are required to address the infrastructure deficit and the climate action goals in the water, wastewater and storm programs.

2025 Proposed Rate Increases

The proposed rate increases are approximately 10% in each year from 2025 through 2033 before returning to historic inflationary figures. These increases represent the funding required for both direct investment in infrastructure and servicing requirements for additional debt in order to fund the \$4.52 B in projected infrastructure requirements over the next 10 years. The year-over-year change (\$382.2 M) in infrastructure requirements is largely driven by water and wastewater system improvements, as well as, a \$112 M budget increase for the Dundas Wastewater Treatment Plant Upgrades.

The proposed rate impact for the average residential water, wastewater and storm annual bill would be \$96.10 (9.95%) in 2025. The preliminary 2025 increase remains the same as what was approved, in principle, for 2025 in Report FCS23100.

Table 2 identifies the proposed rate increase impact on the average residential customer.

Table 2

Impact of Preliminary 2025 Water and Wastewater / Storm Rate Increases on a Typical Residential Bill (Based on annual water consumption of 200 m ³)			
2024 Residential Bill	2025 Residential Bill	2025 Preliminary Change	
		\$	%
\$965.40	\$1,061.50	\$96.10	9.95%

Water and wastewater service user fees have been reviewed in accordance with the User Service Fee and Charges Policy which require identification of both the cost of the service and the fees / charges to recover such cost with the intent that full cost recovery is achieved. Some service fees are unchanged with full cost recovery currently being achieved with others undergoing varying fee increases to achieve full cost recovery. These user fees can be found in Appendix “G” of Report FCS24055.

Within Appendix “G” of Report FCS24055 a schedule of “Utility Billing Administration” fees has been added. These fees will begin to be applied once the City assumes utility billing responsibilities from our current billing agent, Alectra Utilities. These fees were established in accordance with the User Service Fee and Charges Policy. Similar fees from other municipalities were reviewed to determine the 2025 proposed fees. Staff will review these to ensure they reflect cost recovery in the future.

The impact of the 2025 preliminary rate increases on the water and wastewater / storm fixed charges, as well as, the water consumption and wastewater / storm treatment charges are identified in Table 3.

**Table 3
Impact of Preliminary Rate Increases on
Water and Wastewater / Storm Rates**

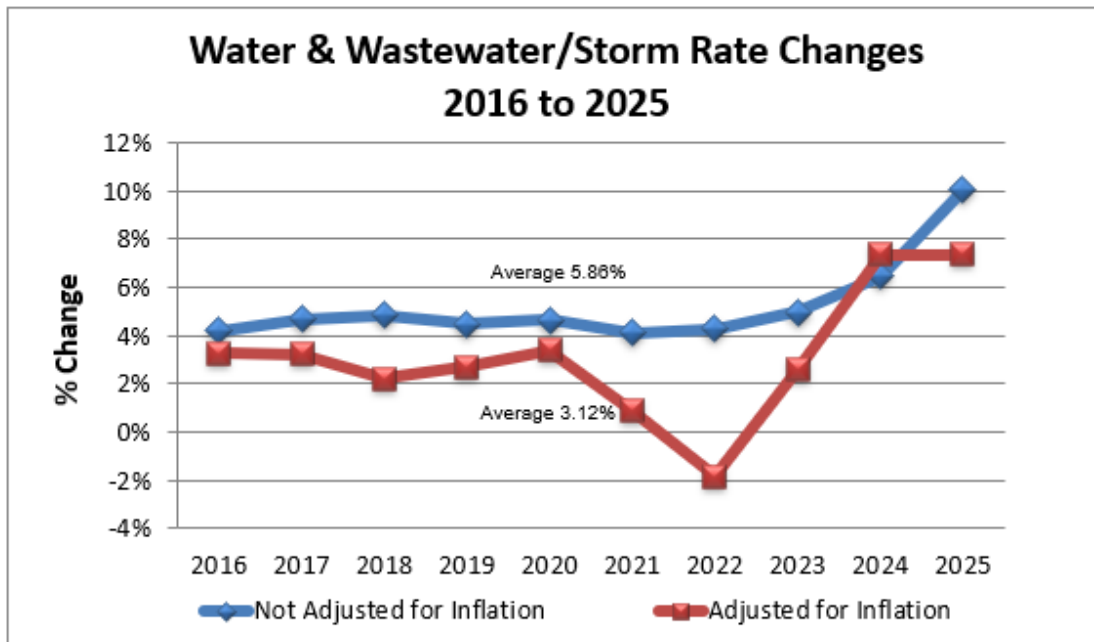
	2024	2025	Increase
Water			
Fixed Charge (daily) ¹	\$0.48	\$0.53	\$0.05
Consumption Charge Block 1 (0-10 cubic metres / month)	\$1.07	\$1.17	\$0.10
Consumption Charge Block 2 (>10 cubic metres / month)	\$2.13	\$2.34	\$0.21
Wastewater / Storm			
Fixed Charge (daily) ¹	\$0.52	\$0.57	\$0.10
Treatment Charge Block 1 (0-10 cubic metres / month)	\$1.08	\$1.19	\$0.05
Treatment Charge Block 2 (>10 cubic metres / month)	\$2.15	\$2.37	\$0.11

¹ Rate for a 15-21 mm meter which is installed in most residential homes.

Trends in Combined Rate Changes 2016-2025

Hamilton’s overall average annual combined water and wastewater / storm rate increase is 5.86% before adjusting for inflation during the 10-year period from 2016 to 2025. Accounting for inflation results in the overall average, the annual rate increase over the same period would be 3.12%. Chart 4 shows the trend in Hamilton’s combined water and wastewater / storm rates for the period 2016 to 2025.

Chart 4



Comparative Rates

Per the BMA Management Consulting’s 2023 Municipal Survey, the City of Hamilton’s water and wastewater / storm rates have remained competitive, inclusive of the fact that annual rate increases over the past decade have averaged 5.86% before adjusting for inflation.

Over the past decade, Hamilton’s ability to maintain competitive water and wastewater / storm rates, given the magnitude of the rate increases approved over this same period, reflects the fact that, like Hamilton, other municipalities are addressing many of the same investment requirements as previously identified.

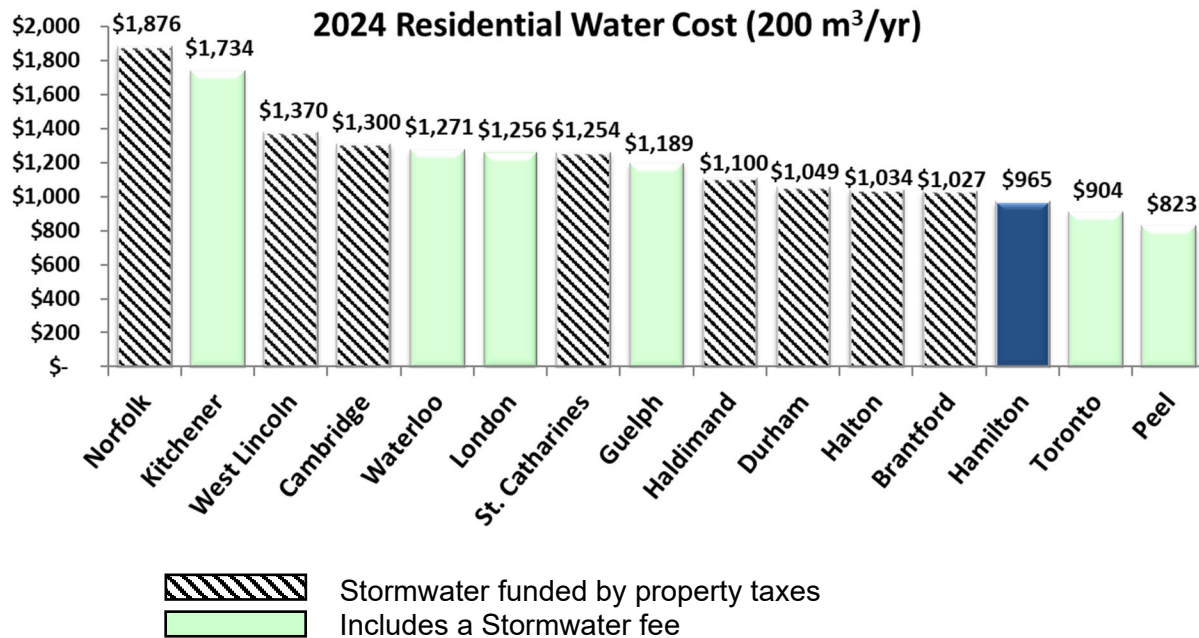
In 2024, Hamilton’s residential annual water and wastewater / storm bill continued to be one of the lowest within its local municipal comparator group. Though Hamilton currently largely funds its stormwater management program through its wastewater / storm fee, it still has been able to maintain competitive rates as reflected in Chart 5.

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Chart 5



Affordability

Staff continues to assess ratepayers’ ability to pay current water and wastewater / storm billings. Ability-to-pay is primarily a function of income related to the cost of living. Fixed costs, such as housing, property taxes, utilities and other necessities take a smaller share of household income for households with higher income levels.

A review of BMA Management Consulting’s 2023 Municipal Survey (participation by 121 Ontario municipalities) indicates that Hamilton’s average household income of \$111,188 is below the survey average of \$121,388. Hamilton’s average residential water and wastewater annual bill of \$1,061 represents 0.9% of 2024 estimated household income (\$113,412) that compares favourably to the survey average of 1.1%. With the forecasted average annual increases of 10% from 2025 to 2033, it is expected that the residential water bill will increase to approximately 1.7% of estimated household income by 2033, assuming incomes will increase at the Bank of Canada projected rate of inflation over that time period. Table 4 compares Hamilton’s 2023 average residential water and wastewater annual bill as a percentage of household income against its local municipal comparator group. In 2023, Hamilton was tied for fifth lowest within its local municipal comparator group.

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Table 4

Municipality / Region	Waterbill as a % of Household Income
Norfolk	1.7%
St. Catharines	1.2%
Cambridge	1.1%
Kitchener	1.1%
Brantford	1.0%
West Lincoln	1.0%
Haldimand	1.0%
London	1.0%
Guelph	0.9%
Hamilton	0.8%
Waterloo	0.8%
Durham	0.7%
Toronto	0.7%
Halton	0.6%
Peel	0.5%

Another measure of affordability may be to review water bill delinquency rates. Per the City's Arrears Policy, unpaid water and wastewater / storm arrears that remain unpaid 60 days past the invoice due date are transferred to the property's tax roll. Alectra reports this metric within their annual service activity report (for details refer to Report FCS24056).

From 2020 to 2024, the number of unpaid arrears tax roll transfers has increased over 30% over the five-year period from approximately 21,100 transfers to 27,800 transfers. With respect to transferred arrears amounts, about \$4.1 M was transferred in 2020 and a forecasted amount of \$6.4 M in 2024 (approximately 55% increase). For 2024, this equates to roughly 1.4% of invoices sent transferring to the tax roll.

In January 2022, the minimum arrears threshold amount for an active account was increased to \$125 from \$100 in an attempt to provide more time for outstanding lower arrears amounts to be addressed before tax roll transfers occur. However, the expected reduction in the number of arrears transfers was not realized as the number of transfers increased by 13% in 2023.

The minimum arrears threshold amount for an active account will be increased to \$150 as of January 1, 2025. As of September 2024, the year-to-date total number of arrears are up by

34% compared to 2023. The year-to-date transferred dollar amount has increased to a similar extent, approximately \$1.2 M or 31% higher than 2023. Again, relative to all accounts. The increased threshold change has only postponed the tax roll transfer if the arrears remain unpaid. It should be noted that an administrative fee is applied for each arrears tax roll transfer occurrence (for 2024, the fee is \$44.95 inclusive of H.S.T.). Staff will continue to monitor water bill delinquency rates on an ongoing basis to gauge the impact of increasing water bills.

Of note, one factor that may be contributing to increasing tax roll transfers and payment arrangements is, unlike with some other utilities (natural gas and electricity), service disconnection is not utilized to address unpaid water bills in Hamilton. A number of neighbouring water utilities employ service disconnection within their collection policies.

Rate Operating Budget

The 2025 Rate Operating Budget program expenditures of \$121.5 M reflects an increase of \$0.4 M or 0.3% over the 2024 Rate Budget. The majority of costs are fixed, in nature, including employee-related expenses, materials and corporate allocations. Variable costs tied to production volumes include utilities, chemicals and the biosolids contract. The maintenance operating budget pressures were offset by savings and efficiencies such as the internal Locates Office in 2025. Table 5 details the Rate Operating Budget increase for 2025.

Table 5

Details of the 2025 Operating Budget Increases (\$000s)				
Budget Pressure	Health and Safety	Inflationary	Service Level Enhancements	TOTAL \$ Increase
Employee Related Costs [Cost of Living Adjustment]		\$1,571		\$1,571
Facility Pressures [Hydro, Natural Gas, Property Taxes and HVAC R&M]		\$802	\$175	\$977
Material and Supply Pressures [Fluids and Chemicals]		\$520		\$520
Contractual Pressures [Biosolids Contract, Computer Maintenance Contract and Binbrook Odour Control]	\$330	\$199		\$529
Consulting Pressures [ERP, OHS, Compliance and Internal Auditing]			\$50	\$50
Internal charges Corporate Cost Allocation Pressures [Vehicle Charges & Recoveries, Office Rent, Human Resources, Accounting Services, Legal Services, Call Centre, etc.]		\$655		\$655
Additional Staffing – 3 FTEs [PW22078(a) Woodward WTP Phase 2]			\$334	\$334
Additional Staffing 6 FTEs [* Net of Capital Recoveries]			\$288	\$301
Tax Levy Funded Staffing 3 FTEs [* FTE Impact within Levy Budget]			\$134	\$134
Budget Efficiencies, Redundancies & Realignment			(\$4,671)	(\$4,684)
TOTAL	\$330	\$3,747	(\$3,690)	\$387

Capital financing costs, including reserve transfers, in the 2025 Preliminary Budget of \$206.3 M reflects an increase of \$24.1 M over the 2024 Budget. With non-rate revenues of \$3.2 M, rate revenues of \$324.6 M are required to meet operating (program and capital financing) expenditures.

Chart 6 provides a breakdown of the 2025 Rate Operating Budget totalling \$121.5 M, by the three major program areas: water, wastewater and storm. Of this amount, \$59.3 M (49%) is for water, \$50.9 (42%) is for wastewater and \$11.3 M (9%) is for storm.

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Chart 6

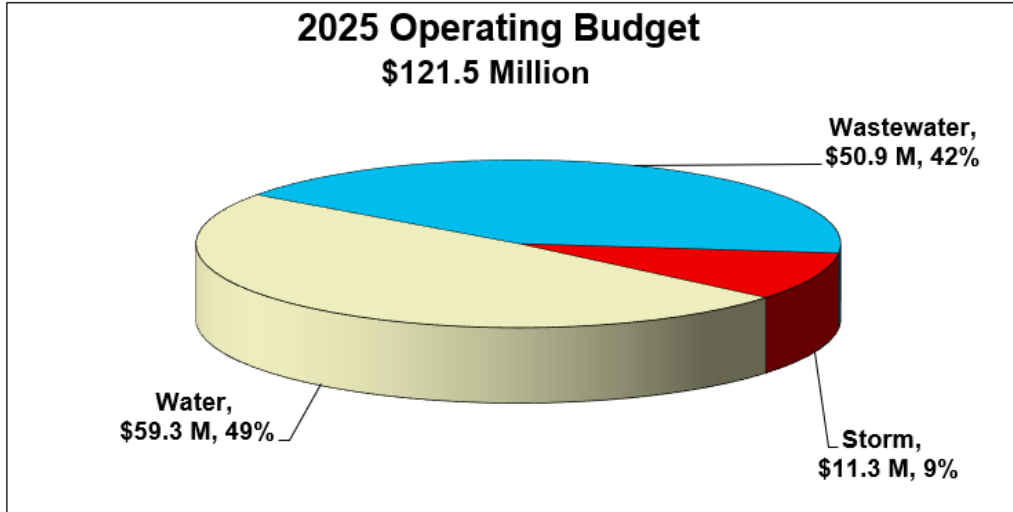
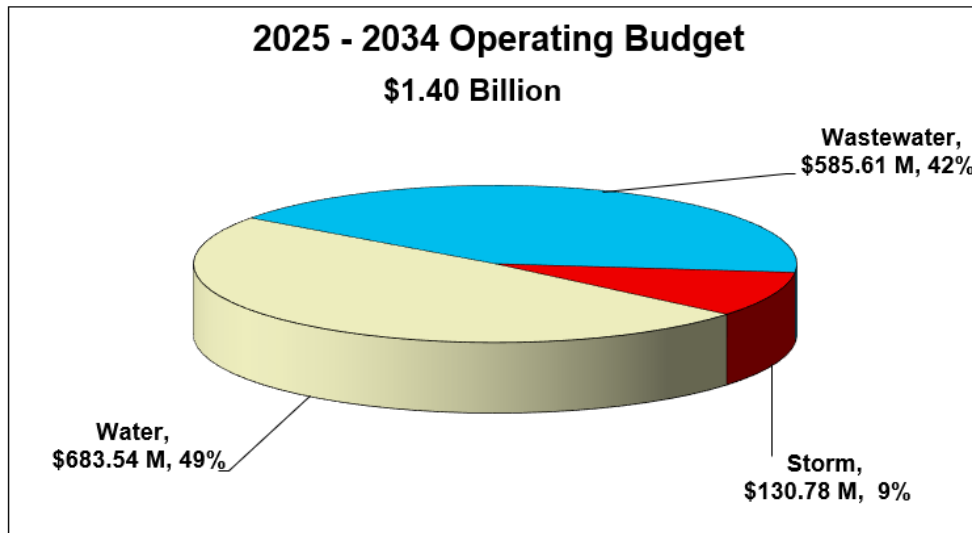


Chart 7 illustrates the \$1.40 B operating program for the 2025–2034 water, wastewater and storm capital budget.

Chart 7



Program Changes – Staffing

The 2025 Rate Operating Budget expenditures contain the request for nine (9) new full-time equivalent (FTE) employees. The 2025 net operating cost of the request is approximately \$622 K. The FTE requests address critical operating program support for capital rehabilitation / replacement programs, service level enhancements and efficiencies that increase program value. For the full FTE request details, please refer to the business cases in Appendix “F” to Report FCS24055.

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2025 – 2034 Rate Supported Capital Budget

Chart 8 provides a breakdown of the 2025 Rate Capital Program totalling \$314.9 M, by the three major program areas: water, wastewater and storm. Of this amount, \$132.5 M (42%) is for water, \$107.8 (34%) is for wastewater and \$74.6 M (24%) is for storm. Compared to the 2024 program, storm’s proportion of the total capital program has increased from 18% to 23%, while wastewater’s proportion has reduced from 37% to 33%.

Chart 8

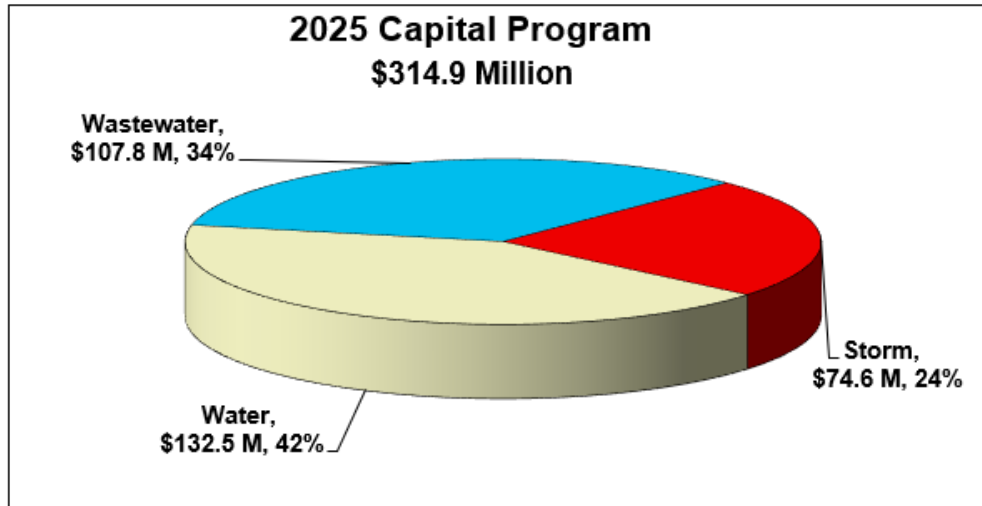
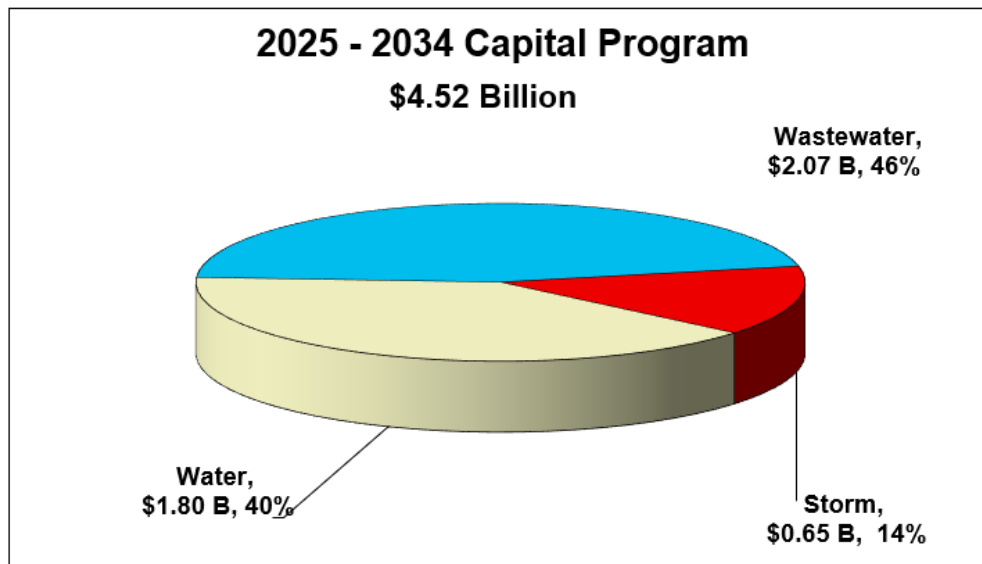


Chart 9 illustrates the \$4.52 B capital program for the 2025–2034 water, wastewater and storm capital budget.

Chart 9



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Chart 10 provides the sources of capital financing for the 2025 – 2034 forecast period. The growth-related infrastructure investment included in the 2025 – 2034 forecast to accommodate for growth is \$1.02 B, including \$854 M from Development Charge (DC) funded external debt and \$167 M from DCs. Debt charges associated with DC funded debt will be recovered from DCs over the terms of issuance.

The Capital Plan for the 2025 – 2034 water, wastewater and storm capital program requires a net draw from reserves of \$15.9 M, helping to mitigate reliance on rate supported debt for the delivery of capital works. The reserve contributions required to fund the DC exemptions phase-in are not included in this amount.

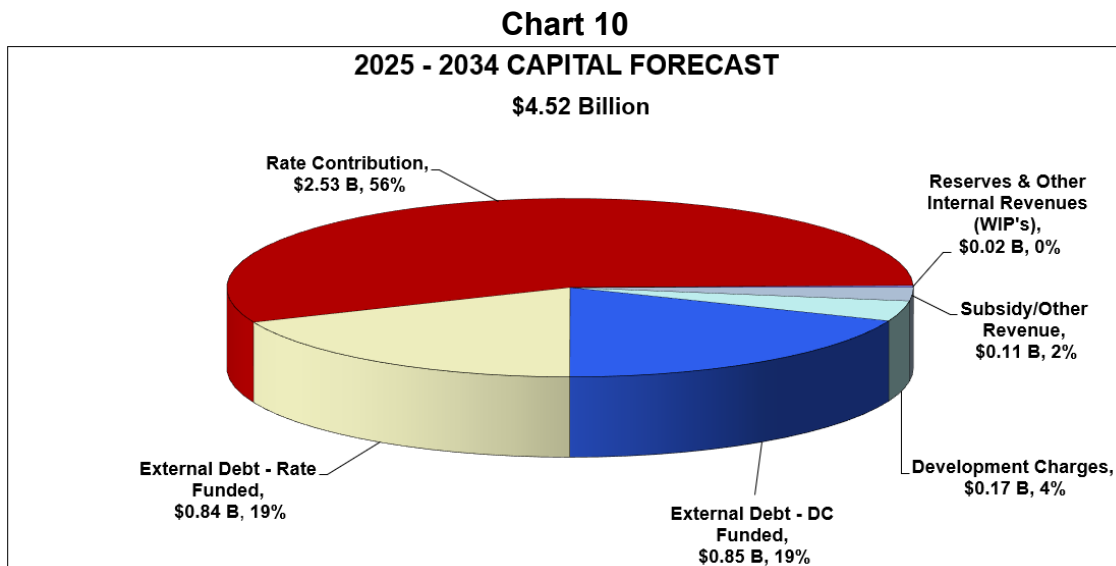


Table 6 and Appendices “H”, “J”, “M” and “P” to Report FCS24055 summarize the \$4.52 B capital program and the financing requirements for the 2025 – 2034 water, wastewater and storm capital budget. A total of \$1.31 B or 29% of the 10-year capital program is required in the first three years (2025 to 2027). Significant projects include the Woodward WWTP Phase 2 Upgrade and Expansion, Woodward Water Treatment Plant Phase 2A and 2B Upgrade and Expansion, Dundas WWTP Replacement, Parkdale Avenue Wastewater Pumping Station Upgrades and the Flooding and Drainage Improvement Framework Capital. Appendices “L”, “O” and “R” provide a listing of all capital projects within the Water, Wastewater and Storm programs.

SUBJECT: 2025 Preliminary Water, Wastewater and Stormwater Rate Supported Budget (FCS24055) (City Wide) – Page 21 of 43

Table 6

**SOURCE OF CAPITAL FINANCING
2025 to 2034 RATE PROGRAM CAPITAL BUDGET
\$(000'S)**

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025 to 2034
WATER											
Capital Program	132,524	154,511	213,132	248,267	186,697	175,931	189,196	186,390	171,107	142,905	1,800,659
<u>Source of Funding</u>											
Subsidy/Other Revenue	496	3,942	-	583	-	-	-	-	-	-	5,021
Development Charges	43,778	44,039	46,260	31,315	8,068	11,562	9,192	45,471	87,914	61,769	389,368
Reserves & Other Internal Sources	-	-	-	-	-	-	-	-	-	-	-
Contribution from Operating	68,250	71,530	72,871	97,953	90,517	126,029	160,160	140,919	83,193	81,137	992,559
External Debt	20,000	35,000	94,000	118,415	88,112	38,340	19,844	-	-	-	413,711
Total	132,524	154,511	213,132	248,267	186,697	175,931	189,196	186,390	171,107	142,905	1,800,659
WASTEWATER											
Capital Program	107,796	198,168	323,084	304,482	294,717	183,117	105,700	135,051	232,146	185,292	2,069,553
<u>Source of Funding</u>											
Subsidy/Other Revenue	1,890	9,684	21,623	12,568	10,498	11,098	10,648	9,028	4,937	101	92,072
Development Charges	13,564	80,145	132,818	126,069	122,750	68,628	2,520	2,362	7,860	4,839	561,554
Reserves & Other Internal Sources	-	4,250	5,250	5,250	1,150	-	-	-	-	-	15,900
Contribution from Operating	66,360	70,831	69,799	60,596	82,319	83,391	82,032	123,660	219,349	180,353	1,038,690
External Debt	25,983	33,259	93,595	100,000	78,000	20,000	10,500	-	-	-	361,337
Total	107,796	198,168	323,084	304,482	294,717	183,117	105,700	135,051	232,146	185,292	2,069,553
STORM SEWERS											
Capital Program	74,580	48,618	56,523	63,375	54,419	49,235	54,952	73,471	78,251	96,018	649,442
<u>Source of Funding</u>											
Subsidy/Other Revenue	233	1,762	3,475	2,647	2,035	2,235	75	75	75	75	12,687
Development Charges	36,934	4,950	248	12,720	1,056	4,000	660	4,000	-	5,232	69,800
Reserves & Other Internal Sources	-	-	-	-	-	-	-	-	-	-	-
Contribution from Operating	31,471	31,906	37,704	34,904	39,214	37,876	49,082	69,396	78,176	90,711	500,440
External Debt	5,942	10,000	15,096	13,105	12,114	5,124	5,135	-	-	-	66,515
Total	74,580	48,618	56,523	63,375	54,419	49,235	54,952	73,471	78,251	96,018	649,442
TOTAL RATE PROGRAM											
Capital Program	314,900	401,298	592,739	616,124	535,833	408,282	349,848	394,912	481,503	424,216	4,519,654
<u>Source of Funding</u>											
Subsidy/Other Revenue	2,619	15,388	25,098	15,798	12,533	13,333	10,723	9,103	5,012	176	109,781
Development Charges	94,275	129,134	179,326	170,104	131,874	84,190	12,372	51,834	95,774	71,840	1,020,722
Reserves & Other Internal Sources	-	4,250	5,250	5,250	1,150	-	-	-	-	-	15,900
Contribution from Operating	166,080	174,268	180,374	193,452	212,051	247,296	291,275	333,975	380,717	352,201	2,531,689
External Debt	51,925	78,259	202,692	231,519	178,226	63,464	35,478	-	-	-	841,562
Total	314,900	401,298	592,739	616,124	535,833	408,282	349,848	394,912	481,503	424,216	4,519,654

The capital program includes \$1.14 B in gross costs for projects supporting growth infrastructure, of which, \$1.02 B will be funded from Development Charges. As a result of legislative changes through the *More Homes Built Faster Act, 2022*, a significant portion of growth-related infrastructure will need to be funded through water, wastewater and stormwater revenues. Combined with previous legislation for statutory DC exemptions and Council approved discretionary exemptions provided through the City's DC By-law, growth-related development is anticipated to be subsidized by ratepayers for a 10-year total of \$462 M in DC exemptions. If the City chose not to replace the lost DC revenues through exemptions, the impact would be significantly delayed growth plans as there would be insufficient funding to provide the infrastructure within the same timeline.

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In order to reduce the immediate burden on ratepayers, a three-year, phase-in strategy was approved through the 2024 Rate Budget (FCS23100). This strategy utilized the City’s discretionary rate reserves in alignment with the Mayoral Directive to Staff (MDI-2023-02). As the 2024 Mayoral Directive to Staff (MDI-2024-03) continues to emphasize the importance of affordability and the prudent utilization of reserves, the 2025 Rate budget continues to proceed with this phase-in strategy.

Table 7 summarizes the remaining two years of the Development Charge phase-in strategy. As a result, the City will leverage existing rate reserves in an effort to maintain affordability. While this helps the City to absorb the impact of Bill 23, it does limit the City’s financial flexibility in responding to emergency or unplanned expenditures in the future.

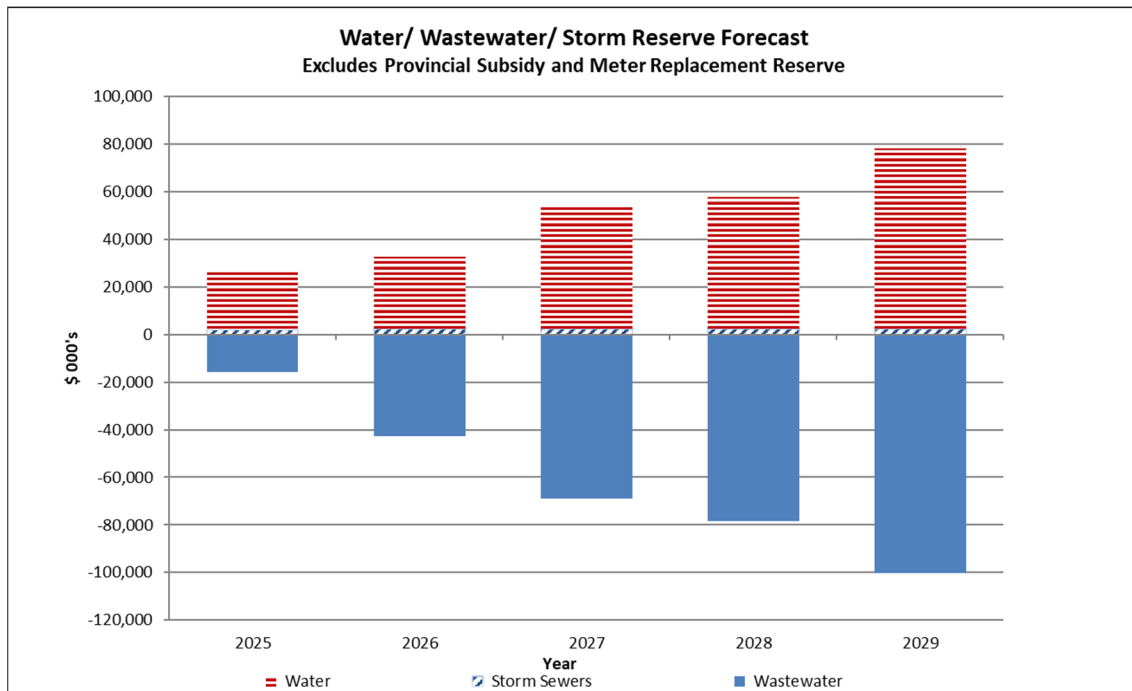
Table 7

Development Charge Exemptions Phase In Strategy			
(\$000's)			
	2025	2026	2027
Gross Development Charge Exemptions	34,633	34,979	35,325
Reserve Funding	(17,316)	(8,745)	
Net Development Charge Exemptions	17,316	26,234	35,325

Rate Reserves

Chart 10 provides the projected reserve balances for the Water, Wastewater and Storm programs. The 2025 Budget Forecast reflects utilizing \$17.3 M in reserve funds for development charge exemptions phase in strategy. It should be noted, the reserve forecast below does not include the Provincial Wastewater Improvement Subsidy Reserve (\$100 M Provincial subsidy dedicated for the WWTP Clean Harbour project or the Meter Replacement Reserve) because the funds held in this reserve are required to be spent on specific initiatives. Chart 10 does not account for the impacts of the new stormwater funding model which is outlined on page 35 of Report FCS24055.

Chart 10



Reserves are essential to assist the City in mitigating unanticipated events, such as, consumption fluctuations, response to emergencies, unforeseen increase in capital costs and potentially to provide rate stability or to decrease future debt needs. The proposed Financial Plan leverages the available capacity in the water, wastewater and storm reserves and draws down the wastewater and storm reserves below their minimum required balances until 2034. The wastewater reserve reaches a negative balance in 2026 which is partially offset by the balances in the water and storm reserves. The combined forecasted balance of these reserves is negative \$16.5 M in 2029.

By drawing these reserves below the minimum balance, it limits the City’s financial flexibility to respond to emergencies or unplanned events. In the event where emergency funds are needed, it may require the need for additional external debt in the case of eligible capital requirements or internal borrowing from discretionary tax supported reserves in the case of operating pressures. This financial strategy aligns with the Mayoral Directive to Staff (MDI-2024-03) to Staff to prioritize the prudent utilization of debt and reserves while seeking to maintain the City’s AAA credit rating.

The wastewater reserve is projected to decline to a negative balance in 2025 as a means of supporting the pace of infrastructure investments, while maintaining the recommended rate increase in line with last year’s projection. As the City of Hamilton doesn’t currently have a dedicated stormwater fee, the wastewater fee is used to support stormwater operations. Through Report FCS22043(c), Council approved a new stormwater funding model that will be implemented in April 2026.

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The City will no longer use revenues collected through water and wastewater bills and property taxes to fund stormwater management. Instead, Council has approved a dedicated stormwater fee, where properties will be charged based on the load (or use) they place on the stormwater system. Stormwater operations will then be funded through its own revenue source and the wastewater reserve is projected to return to a positive balance in 2027 and onward. As a result, the wastewater portion of the average residential tax bill will be decreased. The decrease will be offset by the new stormwater fee. The stormwater fee will be assessed to ensure the rate is sufficient to sustain stormwater operations moving forward.

The combined reserve balances are forecast to decrease from \$59 M at the end of 2024 to negative \$17 M in 2031 but increase over the remaining years in the 2032 – 2034 forecast under the proposed Capital Financing Plan. This decrease is a result of insufficient fees to fund storm operations, \$26.1 M in reserve contributions to fund the DC exemptions phase-in strategy and \$15.9 M in reserve contributions to fund the Chedoke Creek – Cootes Paradise Workplan. The wastewater and storm reserves are below their target range relative to the Rate Reserve Policy approved by Council in June 2016, whereas, the water reserve is within the target range. The combined reserve balances are forecast to return to target levels by the end of the 2025 – 2034 forecast, at which time the combined balances are estimated to be \$100 M.

Projected Water / Wastewater / Storm Debt

The 2025 Water, Wastewater and Storm Budget incorporates a significant reliance on both rate-supported debt and growth-related debt supported from DCs over the 10-year forecast period. The forecasted rate supported debt financing for the 10-year period 2025 – 2034 has decreased by \$113 M from the 2024 Rate Budget.

The forecasted DC supported debt financing has increased by approximately \$169 M over the same period, resulting in an overall net increase in forecasted debt financing of \$56 M from the forecast in the 2024 Rate Budget. The increase in reliance on rate supported debt is attributable to the increased capital requirements detailed above.

The rate supported debt is projected to peak at \$997 M in 2029, compared with the 2024 budget forecasted debt peak of \$929 M in 2029. The debt funded from DC's is projected to peak at \$1.01 B in 2030, whereas, the 2024 budget peaked at \$837 M in 2030.

Table 8 provides the multi-year debt forecast compared to the 2024 Budget forecast. The graph illustrates the lower debt requirements for 2025 and 2026 when compared to the prior year budget forecast. The decrease in debt is due to deferral of issuing debt in previous years and the deferral of capital projects from 2025 and 2026 to later years in the forecast. The higher debt levels in the later years can be attributed an increase in infrastructure requirements, as well as, a \$112 M budget increase for the Dundas Wastewater Treatment Plant Upgrades.

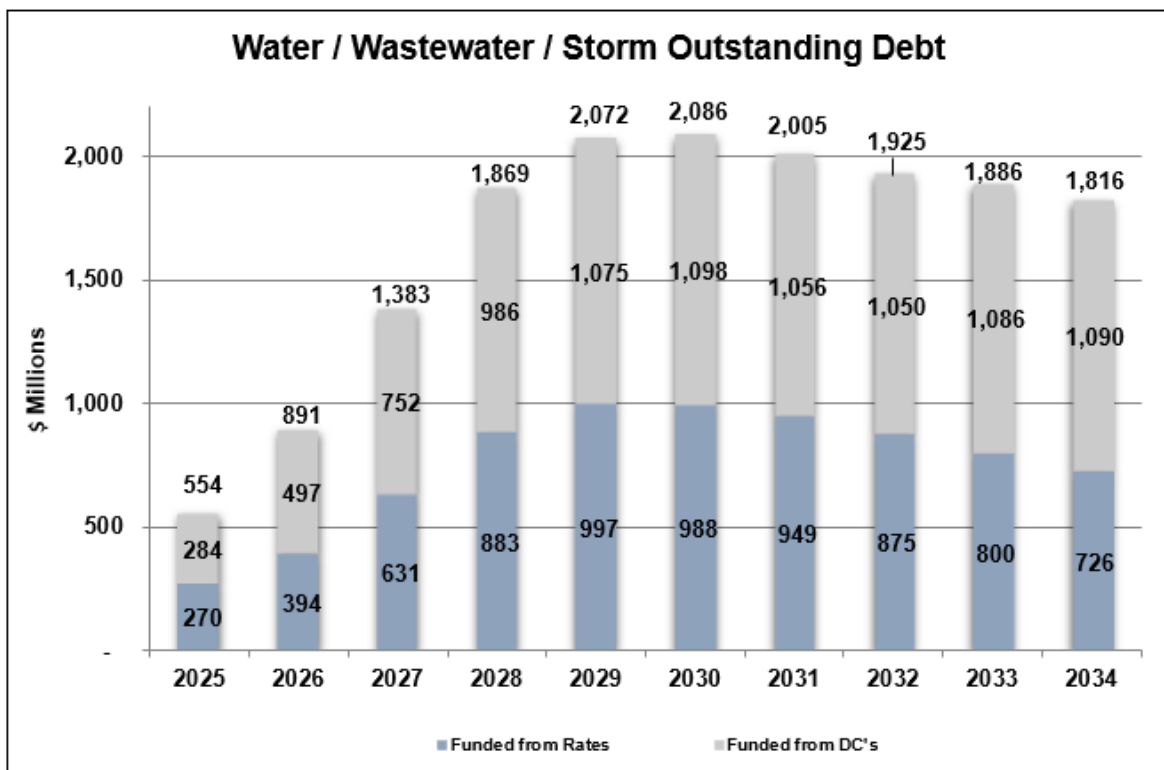
Table 8

Projected Rate & DC Supported Outstanding Debt											
(\$ Millions)											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
2024 Rate Budget											
Funded from Rates	196	334	475	677	819	929	928	900	827	746	664
Funded from DC's	141	289	479	688	768	831	837	798	795	834	782
Total	337	623	954	1,365	1,587	1,760	1,765	1,698	1,622	1,580	1,446
2025 Rate Budget											
Funded from Rates	166	270	394	631	883	997	988	949	875	800	726
Funded from DC's	120	284	497	752	986	1,075	1,098	1,056	1,050	1,086	1,090
Total	286	554	891	1,383	1,869	2,072	2,086	2,005	1,925	1,886	1,816
Increase (Decrease)	- 51	- 69	- 63	18	282	312	321	307	303	306	370

Consistent with the 2024 Rate Budget and to more accurately forecast debt levels and the associated debt charges, the major multi-year Dundas and Woodward Wastewater Treatment Plant projects are budgeted based on the projected cash flow of expenditures for the 2024 Rate Capital Budget versus full commitment-based budgeting.

Chart 11 illustrates the projected outstanding debt for the 10-year period (2025 – 2034) and the funding source of the associated debt charges.

Chart 11



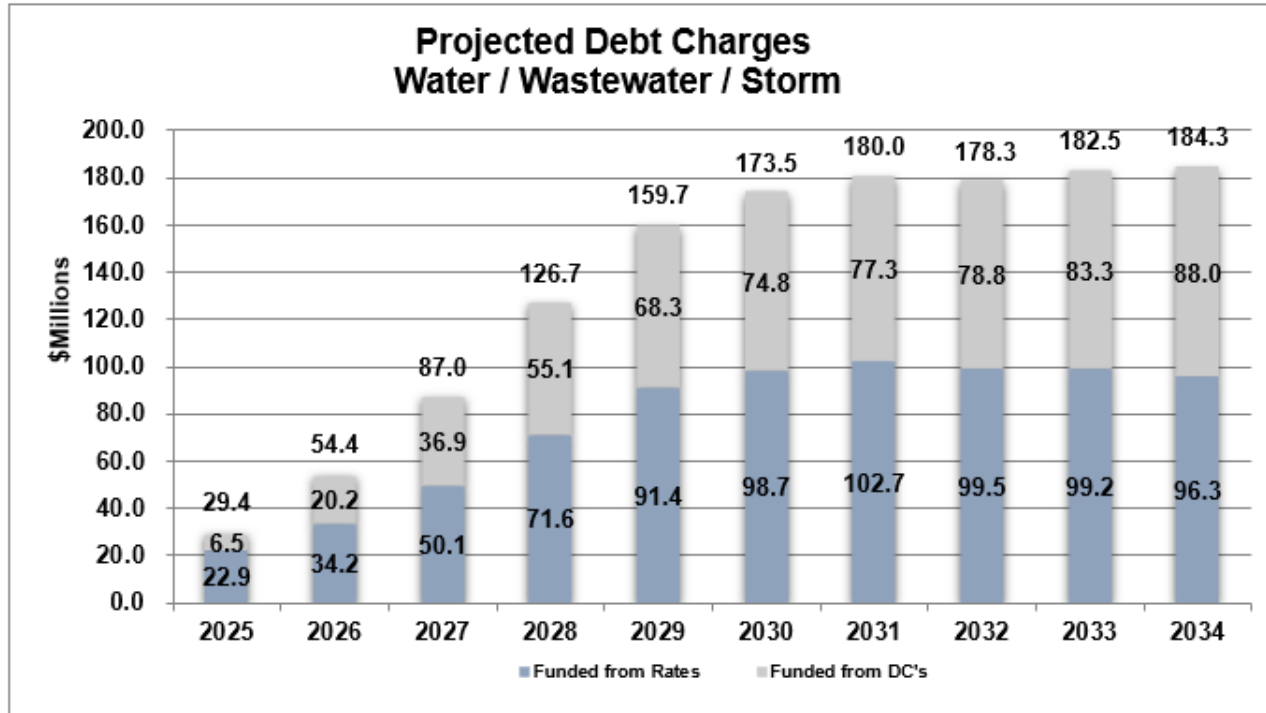
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Chart 12 shows the forecasted debt charges funded by water / wastewater rates and by DCs. In the upcoming years, staff in Corporate Services (Financial Planning, Administration and Policy) and in conjunction with staff in Public Works (Hamilton Water) will monitor the forecasted DC Debt charges in comparison to DC Revenue, to mitigate potential risks to the ratepayer. Much of this risk lies with the implementation plan of the Woodward WWTP expansion project, currently forecasted for construction in years 2027 – 2032.

Chart 12



Impact of Capital Budget on Operating Budget

As summarized in Table 9, the 2024 Rate Budget incorporates \$223.6 M in capital financing costs which is an increase of \$28.4 M from the 2024 Rate budget.

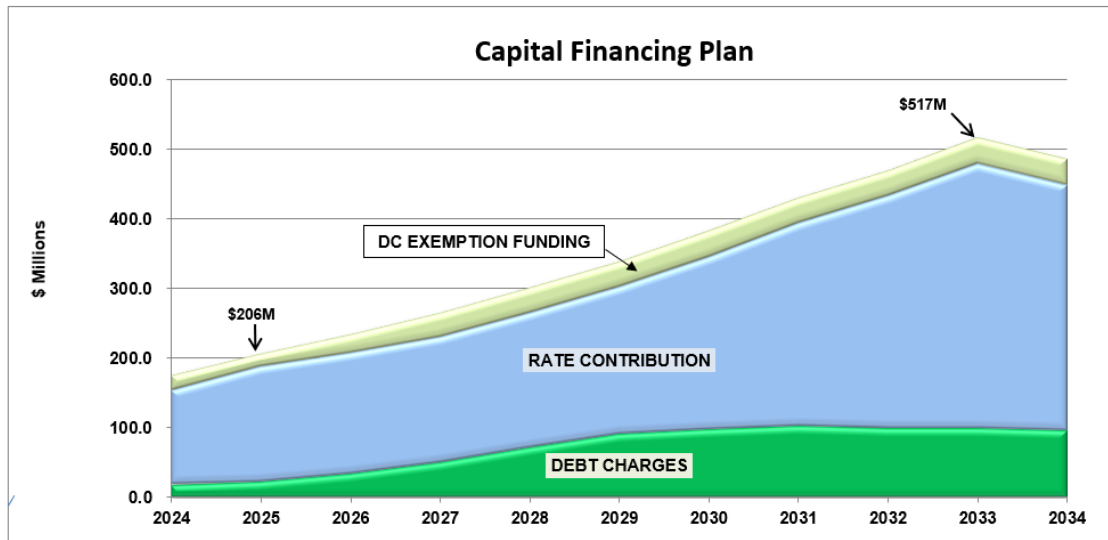
DC Exemption Funding is proposed to decrease by 8.2% in 2025. This is largely attributable to elimination of the mandatory five-year phase-in through Bill 185, as well as, the City of Hamilton’s 2024 DC By-law Policy change to phase out the Downtown CIPA DC Exemption.

Table 9

WATER, WASTEWATER & STORM IMPACT OF CAPITAL ON OPERATING BUDGET					
(000's)					
	2024 APPROVED	2025 PROPOSED	CHANGE		2025-2034 FORECAST
			\$	%	
Debt to be Issued	39,869	51,925	12,056	30.2%	841,562
Debt Charges (Net of DCs)	22,611	22,884	273	1.2%	766,486
Contribution to Capital	134,870	166,080	31,210	23.1%	2,531,689
DC Exemption Funding	37,745	34,633	(3,112)	-8.2%	361,920
Impact on Operating Budget	195,226	223,597	28,371	14.5%	3,660,095

Chart 13 highlights the impact on the operating budget from the Rate Supported Capital Program. These impacts are projected to increase from \$206 M in 2025 to \$517 M in 2033. Rate supported debt charges are expected to increase from 5.4% of total revenues in 2025 to 17.4% in 2030 and then decline to 13.9% in 2034.

Chart 13



Debt Management

According to Ontario Regulation 403/02, Council shall, before giving authorization for capital work that would require a long-term debt or financial obligation, have the City Treasurer calculate an updated Annual Repayment Limit (ARL) using the most recent Annual Repayment Limit determined by the Ministry. The most recent ARL, determined and sent in writing by the Ministry to the City Treasurer, is the 2024 ARL in the amount of \$329,652,655 and is based on 2022 Financial Information Returns.

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Using this 2024 ARL, the City Treasurer has calculated an updated ARL of \$206,028,022 shown in Appendix “T” to Report FCS24055. The 2024 ARL was adjusted for possible debt service charges of \$197,505,249 corresponding to approximately \$1.36 B of debt (including CityHousing Hamilton), which has been approved by Council in 2024 and prior years but not yet issued. Further adjustments were made to reflect debt service charges for prior issued debt discharged since 2022.

According to this calculation, the updated ARL of \$206,028,022 represents a maximum annual amount that the City has available to commit to payments related to debt and financial obligations before the statutory limit is breached and corresponds to approximately \$2.1 B of additional borrowing which the City could undertake (assuming a 15-year term and 5.5% interest rate). The related tax and rate impacts would be considered before approving debt within these limits.

In addition, City Council has approved a total combined tax and rate-supported debt limit of 60% of City own-source revenues, unless otherwise approved by Council and a DC supported debt limit of 25% of total DC eligible costs for the forecast period of the latest DC Background Study, unless otherwise approved by Council. The City’s current debt ratio is forecasted to be 11.7% in 2024 and 12.9% in 2025 related to the approved tax and rate supported upset limit of 60% and 0.7% in 2024 and 1.6% in 2025 for DC supported debt relative to the upset limit of 25%.

However, over \$1.26 B in capital works-in-progress have been approved for debt funding that has not yet been issued due to timing of completion and cash flow requirements. Given the amount of debt that has been previously approved and the reliance on debt financing for infrastructure improvements needed in the 10-year Rate Financing Plan, Financial Planning, Administration and Policy staff will need to closely monitor cash flow requirements and only issue debt when needed in order to ensure compliance with the City’s debt policy and to maintain the City’s AAA credit rating.

CONSUMPTION AND RATE-GENERATED REVENUES

Metered Water Consumption

Currently, the City has nearly 160,000 metered water accounts. Residential users account for 93.2% of total metered accounts (Chart 14) and approximately 49.4% of total water consumption (Chart 15). While Industrial Commercial Institutional (ICI) and multi residential (multi-res) accounts only make up 6.8% of total metered accounts, ICI and multi-res water consumption comprises 50.6% of total consumption.

Chart 14

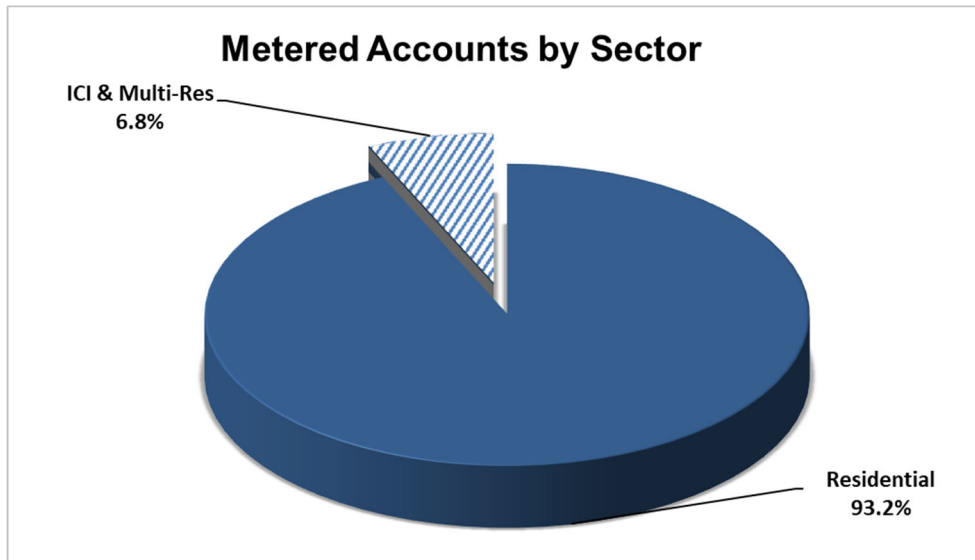
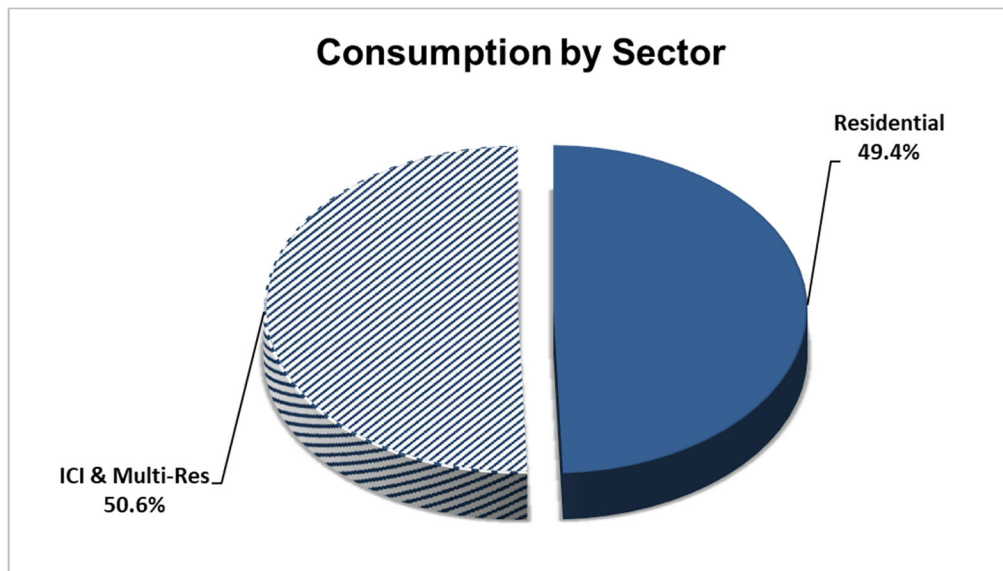


Chart 15

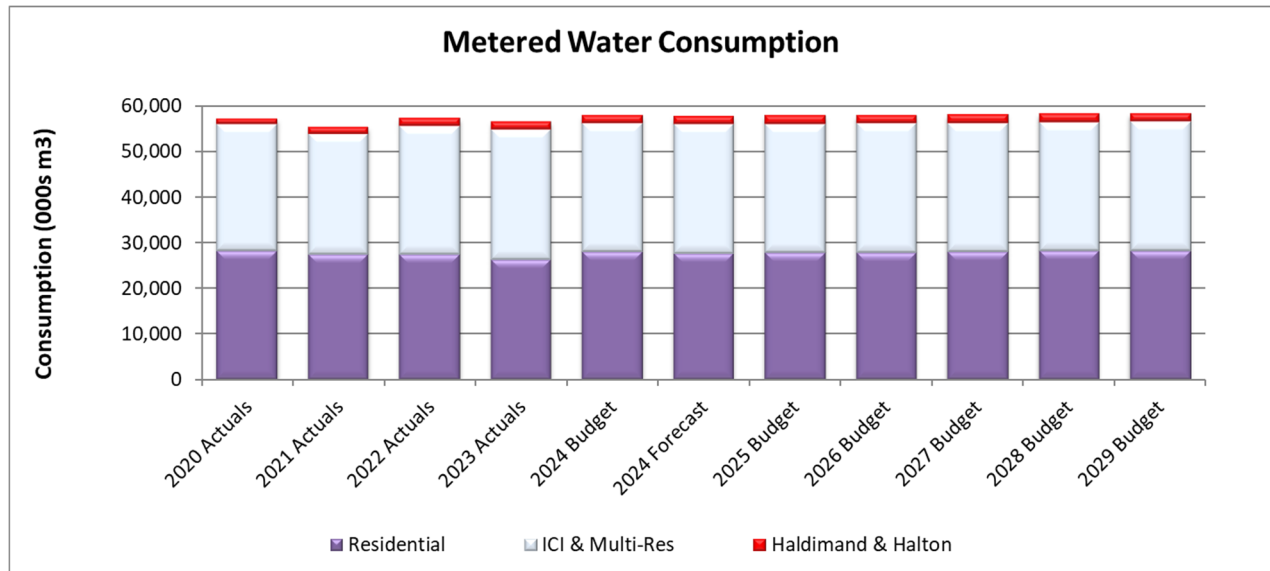


Total Consumption – 2025 Budget \$307.7 M

Revenues associated with consumption of \$307.7 M represents approximately 92% of the total 2025 Rate Budget revenues of \$ 327.8 M.

Since 2018, Hamilton’s total metered annual water consumption has remained at approximately 57 million cubic metres as shown in Chart 16. The 2024 projected total consumption is just under 58 million cubic metres. The 2025 Budget of 57.8 million cubic metres remains consistent with the consumption in the 2024 Budget.

Chart 16



Total water consumption forecast over the 10-year period (2025 to 2034) reflects relatively flat consumption demand. This relatively conservative forecast mirrors that, although there continues to be growth, there is not a significant change in consumption year-over-year.

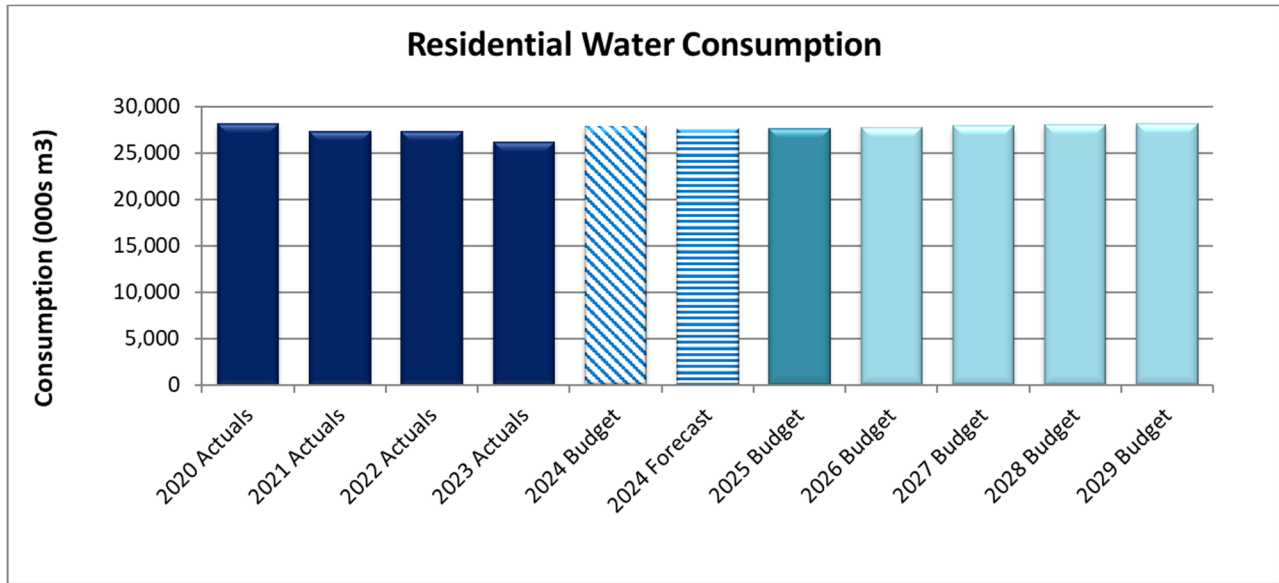
Staff will continue to monitor consumption across all sectors and take efforts to ensure that the City is maximizing its full potential with respect to metered water and wastewater / storm revenues. Similarly, staff will be monitoring changes in consumption on an ongoing basis identifying trends and related financial impacts through the Operating Budget Variance Reports provided to Council.

Residential Consumption – 2025 Budget \$147.0 M

Chart 17 illustrates residential consumption since 2020. Residential consumption has remained relatively unchanged, reflecting an observation that new customers’ consumption has been offset by reduced consumption resulting from existing customers’ ongoing conservation efforts associated with fixture / appliance obsolescence such as the installation of water efficient toilets and washing machines. For 2025, staff is recommending that the forecast for average residential consumption remain at 200 m3 to reflect the past several years of consumption for a total estimate of 27.7 million cubic metres for the residential sector.

It is not clear how much further average residential consumption can decline, but there exists the potential for further declines, principally due to conservation efforts and associated regulations.

Chart 17



Industrial / Commercial / Institutional and Multi-Res Consumption – 2025 Budget \$155.3 M

Despite continuing growth, particularly in the multi-residential sector, there continues to be ongoing conservation efforts that offset any demand growth associated with new customers. Many existing larger multi-residential customers are implementing water conservation projects.

In sharp contrast to many neighbouring communities, Hamilton is unique in that a significant portion of consumption and, in turn, revenues come from industrial and institutional customers. The top users of the ICI / Multi-res sector representing some 40 customers account for nearly a quarter of total consumption. This reliance on a relatively small number of large water users does pose a risk to revenue stability when these customers undertake water conservation projects or experience a change in business processes as noted above.

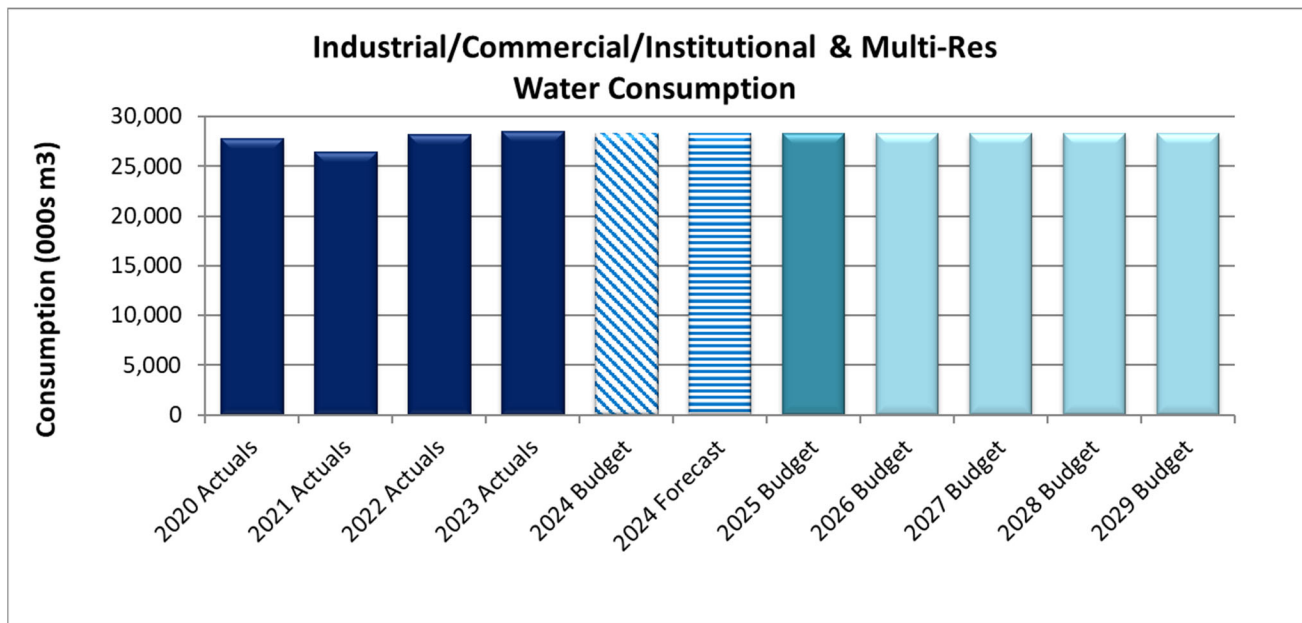
As reflected in Chart 18, water consumption demand is forecast to remain relatively flat for the ICI / Multi-res sector at 28.3 million cubic metres for the 2025 Budget.

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Chart 18



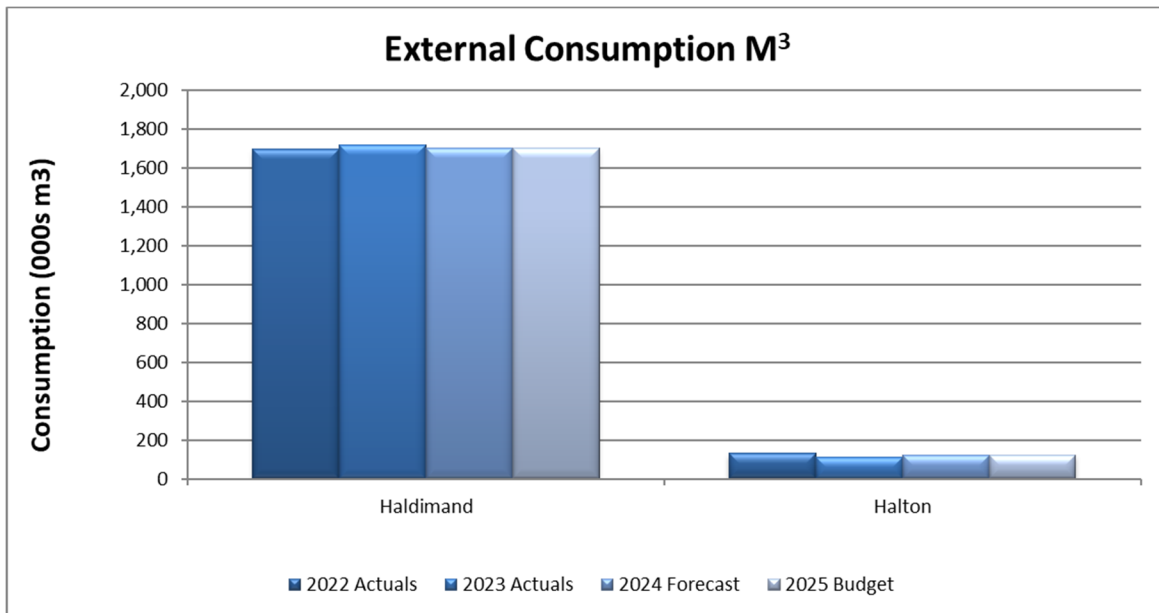
External Consumption – 2025 Budget \$5.3 M

Under long-term arrangements, Hamilton supplies Haldimand County and Halton Region with potable water but does not provide wastewater / storm services to either community. Chart 19 illustrates Haldimand County and Halton Region’s respective external consumption since 2022.

A renewed water supply agreement with Haldimand was executed in 2014 for an initial 20-year period with Hamilton supplying water to the communities of Caledonia and Cayuga.

The current water supply agreement for Halton was executed in 2011 for an initial 10-year period with Hamilton supplying water to the Aldershot and Snake Road communities. In September 2019, a renewal agreement was executed that will conclude on November 16, 2031. The 2025 Budget has increased from 1.6 million cubic metres to 1.8 million cubic metres to reflect the growing communities in both the Haldimand and Halton regions and to be more in line with the historic actuals seen over the last several years.

Chart 19



ONGOING INITIATIVES

Lead Water Service Replacement Loan Program

The City’s Lead Water Service Replacement Loan Program (Loan Program) was approved by Council in October 2008. The purpose of the Loan Program is to provide homeowners with the continued opportunity to access funding, through an interest-bearing loan from the City, for the purpose of assisting homeowners to reduce their potential risk of exposure to lead in tap water that could be coming from their lead water service line. It should be noted that for qualified low-income property owners, the loan would be provided interest-free. The City’s goal remains to replace the City’s service stub (located on City property) in conjunction with the property owner replacing the service extension (located on private property), subject to the availability of funds.

The Loan Program enables eligible residential property owners that meet the program requirements to borrow a loan amount up to \$3 K to assist in repaying the cost of lead water service replacements. The loan amount is added to the homeowner’s monthly water bill and is required to be repaid over a period of up to 10 years. The Loan Program is forecasting to provide 65 loans to residents in 2024 for a total of \$195 K. The Program has seen a decrease from the COVID-19 pandemic period but has issued over 2,700 loans with approximately \$5.9 M in financing since its inception.

Low Income Seniors Utility Rebate Program

The Low Income Seniors Utility Rebate Program was introduced in 2024. The Program provides a rebate amount of approximately 15% of the average residential water and

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wastewater / storm annual bill amount with the rebate amount being identified during each Rate Supported budget cycle. For example, 2025 recipients would receive \$160 in assistance. The annual utility rebate is provided as a credit to qualified applicants on their June property tax bill for ease of administration and is clearly identified as the Low Income Seniors Utility Rebate. In 2024, the rebate was applied to nearly 2,700 residents for a total of approximately \$389 K in utility relief.

Utility Billing Transition

On August 6, 2021, the City was advised that Alectra's Board of Directors, at its meeting of May 21, 2021, approving an Alectra staff recommendation to discontinue utility billing services as of December 31, 2024 (for details refer to Report FCS21082). It should be noted that Alectra similarly provided notice of termination to the municipalities of Guelph, Markham and Vaughan. All four municipalities have executed extension agreements with Alectra to continue providing utility billing services up to December 31, 2025.

The City is moving forward with a Hybrid Billing Model which requires the City to acquire a billing software solution referred to as a Customer Information System. The successful preferred vendor is SpryPoint a leading provider of cloud-based solutions for the utility sector based in Charlottetown, Prince Edward Island. Staff will proceed to procure Contact Centre, Customer Portal, Bill Print and Meter Reading services and establish an in-house Back Office (billing and collections) unit (refer to Report FCS21082(e) for details).

As per Report FCS21082(g), the revised completion timing of the billing transition program is Q4 2025.

Stormwater Funding Model

A new stormwater funding model has been approved by Council and will be implemented in April 2026. The City will no longer use revenues collected through water and wastewater bills and property taxes to fund stormwater management. Instead, Council has approved a dedicated stormwater fee, where properties will be charged based on the load (or use) they place on the stormwater system. Residential properties will pay based on the type of dwelling (e.g., single-family detached dwellings, duplexes / townhomes and multiplexes). Non-residential and large multi-residential properties will pay based on their measured imperviousness (the amount of hard surface on their property). Refer to FCS22043(b) for further details.

When this new funding model is implemented, wastewater rates will be reduced as they will no longer be used to fund stormwater management activities and the stormwater fee will be broken out as a separate line item on utility bills.

The Waterworks Asset Management Plan (2022) identified a significant infrastructure deficit, specifically within the stormwater program. In order to eliminate this deficit by 2034, the 10-year stormwater capital program has increased from \$441 M in 2023 to \$650 M in 2025. Staff has developed the recommended single family unit (SFU) rate by considering the 2026

forecasted operating and capital expense for the City's stormwater management program, the costs that would be transferred from the Tax Levy (Conservation Authorities and Road Maintenance), the cost to administer the storm fee and the cost of the incentive programs, which is described below. The result of this review resulted in an annual SFU rate of \$270.10.

Staff is recommending a daily SFU rate of \$0.74 (\$270.10 annually) for April 2026 implementation be approved, in principle, with recommendation (I) to Report FCS24055. This will allow residents to be better informed of the future cost impact by utilizing the Stormwater Fee Estimator inquiry tool (under development) throughout 2025. This will allow residents and businesses to budget for the new fee.

Like other municipalities who have implemented similar stormwater funding models (Ottawa, Mississauga, Kitchener and Guelph, to name a few), Council approved an incentive program in June 2024 (refer to FCS22043(c) for further details). This unique "made in Hamilton" incentive program includes a multi-stream credit program for industrial, commercial, institutional, agricultural and multi-residential properties with greater than six units. The incentive program encourages property owners to implement on-site measures to reduce the amount and / or improve the quality of stormwater runoff from their property. The application process for the incentive program is planned to open in April 2025, in advance of the April 2026 stormwater fee implementation date. This will allow businesses to plan for investments and prepare a business case for potential upgrades or retrofits to qualify for a stormwater credit and reduce their base fee.

Subsidized programs to support better on-site stormwater management for single-family residential and multi-residential properties with six or fewer units will be administered by Green Venture. The program will begin in 2025. An incentive program will not only help some property owners to reduce stormwater fees, but it will also encourage and support on-site stormwater management that better supports the natural water balance and protects the natural environment.

DETAILS OF MAJOR CAPITAL PROJECTS

Woodward Wastewater Treatment Expansion Project

The Phase One program for improvements at the Woodward WWTP was for asset renewal, electrical system upgrades and treated effluent quality enhancements, with the final project reaching substantial performance in April 2024. Phase Two of the WWTP improvements is for asset renewal and the expansion of the WWTP capacity to accommodate growth. The total Phase Two program budget is \$535.4 M, with the DC Eligible component being \$353.8 M. Construction for Phase Two related to expansion is proposed to start in approximately 2028 and be completed in 2032.

As outlined in Table 10, the gross budget for the WWTP upgrade and expansion has increased by \$10.0 M compared to the 2024 Budget forecast. The increase can be attributed to minor scope updates (\$1.5 M) and the inclusion of non-recoverable HST into the budget (\$9.43 M).

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The levels of debt supported by DCs represent a significant risk if future growth does not materialize as planned. Staff will continue to monitor growth forecasts and DC Revenues over the next four years (2025 – 2028) and adjust the WWTP expansion project and associated financing plan to align with growth requirements. Staff in both Corporate Services (Financial Planning, Administration and Policy) and Public Works (Hamilton Water) will closely monitor the need for WWTP expansion, as well as, the forecasted DC Revenue streams needed to pay for such an expansion to mitigate the risk to the ratepayer.

Table 10

Woodward Wastewater Treatment Plant Project - Gross Capital Forecasts (\$ Millions)												
	Total	pre										
		2025	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
2025 Budget												
Woodward WWTP - Expansion	487.5	27.6	8.4	59.2	111.1	111.1	111.1	59.2	-	-	-	-
Woodward WWTP - North Digester Complex Rehabilitation	47.9	6.7	1.7	20.0	19.5	-	-	-	-	-	-	-
Total WWTP	535.4	34.3	10.1	79.2	130.6	111.1	111.1	59.2	-	-	-	-
2024 Budget												
Woodward WWTP - Expansion	477.2	27.6	7.6	57.9	108.7	108.7	108.7	57.9	-	-	-	-
Woodward WWTP - North Digester Complex Rehabilitation	48.2	6.7	20.8	20.8	-	-	-	-	-	-	-	-
Total WWTP	525.4	34.3	28.3	78.7	108.7	108.7	108.7	57.9	-	-	-	-
Increase (Decrease)												
Woodward WWTP - Expansion	10.3	-	0.8	1.2	2.3	2.3	2.3	1.2	-	-	-	-
Woodward WWTP - North Digester Complex Rehabilitation	(0.3)	-	(19.1)	(0.8)	19.5	-	-	-	-	-	-	-
Total WWTP	10.0	-	(18.2)	0.5	21.8	2.3	2.3	1.2	-	-	-	-

Chedoke Creek – Cootes Paradise Workplan

In 2018, the City discovered that one of its combined sewer overflow tanks was discharging combined sewage into Chedoke Creek. The City immediately stopped the discharge, began clean-up activities in the area and contacted the Provincial Spills Action Centre. As a result of the overflow discharge, the City was served an Order by the Ministry of Environment, Conservation and Parks (MECP) outlining several actions required by the City.

The first part of the Order required the City to develop the Chedoke Creek Workplan, which was approved by the Ministry of the Environment, Conservation and Parks on June 11, 2021 and identified the remedial strategy for targeted dredging in Chedoke Creek. The targeted dredging project was completed at the end of 2023 within budget and in compliance with the Order deadlines.

The second part of the Order required the City to develop the Cootes Paradise Workplan. This Workplan proposed remediation and mitigation works to offset the impacts associated with the added nutrient loading to Cootes Paradise and the Western Hamilton Harbour Area that could not be recovered by dredging Chedoke Creek. This part of the Order has no deadlines, but work began in 2021 by collaborating with the Royal Botanical Gardens to review potential remedial solutions.

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It was determined early in the process that Municipal Class Environmental Assessments would be required to consider the most impactful remedial alternatives for Cootes Paradise. There are currently three Environmental Assessments tied to the Order:

- Ainslie Woods Sewer Separation Environmental Assessment
- Lower Chedoke Creek Combined Environmental Assessment
- Chedoke Watershed Stormwater Retrofit Environmental Assessment

Table 11 details the capital investment that has been included in the 2025 – 2034 Rate Supported Capital Forecast to meet the requirements of the initial Chedoke Creek and Cootes Paradise Workplans. The entirety of the workplan has been funded by reserves.

Table 11

Chedoke Creek - Cootes Paradise Workplan (\$000's)							
	Total	Pre-2025	2025	2026	2027	2028	2029-2034
Chedoke Creek Water Quality Improvements (CASH FLOWED)	12,450	12,450		-	-	-	-
Lower Chedoke Combined EA Study	7,230	1,930		1,100	2,100	2,100	-
Chedoke Watershed Stormwater Retrofit EA Study	11,980	1,380	-	3,150	3,150	3,150	1,150
Total	31,660	15,760	-	4,250	5,250	5,250	1,150

Woodward Water Treatment Plant

The Woodward Water Treatment Plant (WTP) is a conventional drinking water treatment plant with a rated capacity of 909 million litres per day, providing potable drinking water and fire protection to the Hamilton community. It is the only Water Treatment Plant servicing the City’s greater urban area and, as a result, it provides potable drinking water for close to 570,000 residents, industrial, commercial and institutional properties and there are also service connections to limited areas of Halton Region and Haldimand County. The plant was originally constructed in 1931 and expanded in the late 1950s with various improvements occurring over the decades. The treatment process includes intake chlorination (for zebra mussel control and pathogen inactivation), screening, pre-chlorination (for pathogen inactivation), coagulation, flocculation, conventional gravity sedimentation, granular activated carbon filtration, post-filter chlorination / ammoniation, followed by fluoridation (for the reduction of dental caries) and ortho-phosphate addition (for corrosion control).

Over the last several years, Public Works (Hamilton Water) completed a Best Available Technologies and Feasibility Study (CH2M Hill 2016) and a Conceptual Design (AECOM 2022) for the WTP Phase 2 Process Upgrades. Concurrently, Hamilton Water completed the WTP Phase 1 Process Upgrades through a construction project that involved \$25 M in large capital maintenance upgrades. The upcoming WTP Phase 2 Process Upgrades are largely focused on increasing capacity output of select processes within the WTP along with critical process and water quality improvements.

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In 2024, Hamilton Water completed a Third-Party Review Assignment that included key areas that are deemed critical to the success of the Water Treatment Plant Phase 2 Upgrades with a focus on reviewing the Phase 2 Conceptual Design components developed in 2022. The Review Assignment considered whether certain portions of the work could be deferred as a future phase to reduce project scope or to defer capital expenditures. The Review Assignment concluded that the Water Treatment Plant Phase 2 Capital Program should be split into Phases 2A and 2B which will provide project staff the ability to prioritize key process upgrades that protect public health ahead of a capacity expansion to support Hamilton’s growth and development.

In the 2025 Budget, Phase 2 has been split up into Phase 2A and Phase 2B as the growth-related upgrades were delayed until years which the capacity requirements are required to accommodate growth. Phase 2A is the non-growth component of the upgrades which is currently planned to commence a full design assignment in 2025 and a subsequent construction tender from 2028 through 2032. Phase 2B is the growth component of the upgrades which is currently planned to commence a design assignment in 2029 with construction beginning in 2032 and target completion by 2035. Eligible expenses of Phase 2B are 100% funded by DC Debt.

The Waterworks Asset Management Plan identified that the condition of the Water Treatment Plant is rated as Poor, largely due to the deficiencies that will be addressed by the Water Treatment Plant Phase 2 Capital Program. The key goals of this capital program are to address the poor asset condition, resolve process capacity restrictions, provide a resilient water treatment system and robust production process, while utilizing best available technologies. As summarized in Table 12, the estimated capital cost for the Water Treatment Plant Phase 2A and 2B Projects is \$340.9 M and \$211.9 M, respectively, including engineering, construction contingency and inflation.

Table 12

Woodward Water Treatment Plant Workplan (\$000's)							
	Total	Pre-2025	2025	2026	2027	2028	2029-2034
2025 Budget							
Woodward Water Treatment Plant - Phase 2A	340,916	11,354	5,182	5,182	28,382	51,112	239,704
Woodward Water Treatment Plant - Phase 2B	211,867	-	-	-	-	-	211,867
Total Phase 2	552,783	11,354	5,182	5,182	28,382	51,112	451,571
2024 Budget							
Woodward Water Treatment Plant - Phase 2A	337,940	11,354	4,810	4,810	28,010	50,740	238,216
Woodward Water Treatment Plant - Phase 2B	210,007	-	-	-	-	-	210,007
Total Phase 2	547,947	4,544	6,810	4,810	4,810	28,010	498,963
Increase (Decrease)							
Woodward Water Treatment Plant - Phase 2A	2,976	-	372	372	372	372	1,488
Woodward Water Treatment Plant - Phase 2B	1,860	-	-	-	-	-	1,860
Total Phase 2	4,836	-	372	372	372	372	3,348

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Dundas Wastewater Treatment Plant (WWTP)

The Dundas Wastewater Treatment Plant is a conventional activated sludge facility established in 1962 that received a major upgrade in 1977 and a second major upgrade (the addition of a tertiary filtration process) in 1988. The facility provides a rated capacity of 18,200 m³/d. It discharges treated final effluent to Cootes Paradise via the Desjardin's Canal. The Waterworks Asset Management Plan identified that the condition of the Dundas Wastewater Treatment Plant is rated as Poor due to significant deterioration, as well as, major parts of the plant processes and structures reaching the end of their normal service life.

Over the last several years, Public Works (Hamilton Water) developed a comprehensive capital upgrade plan for the Dundas Wastewater Treatment Plant. These upgrades will fully restore the facility to a condition rating of Good, while supporting the community of Dundas for future generations and meeting the City's commitment to environmental stewardship and the Hamilton Harbour Remedial Action Plan. This effort is being undertaken with careful consideration of various critical factors including existing site constraints, treated final effluent criteria and life cycle costs.

In 2024, Hamilton Water completed a conceptual design for the wastewater treatment plant in collaboration with various City divisions. This work included a thorough technology screening and evaluation process targeting Best Available Technology that can achieve proposed treated final effluent criteria and the development of a constructability and sequencing approach to the wastewater treatment plant upgrade.

The estimated capital cost for the Dundas Wastewater Treatment Plant upgrade project is \$254 M, including inflation, engineering, construction and contingency. The project design is anticipated to commence in 2025 with construction starting in 2028 and completion by 2033.

A 10-year cash flow forecast for the Dundas Wastewater Treatment Plant upgrades was initially set at \$142 M in the 2023 Water, Wastewater and Storm Rate Budget. However, recent updates from the Conceptual Design phase have revised this estimate to approximately \$254 M which is now reflected in the 2025 Water, Wastewater, and Storm Rate Budget.

This increase was reported to Public Works Committee on September 30, 2024 through Report PW 24059. As outlined in Table 13, the estimated increase of \$112 M is the result of the 2024 Conceptual Design which also assessed current market conditions and inflation-related factors. It is noted in the Water and Wastewater Master Plan (2006) that growth potential in the community of Dundas is limited and there is no opportunity for DC revenues to fund this upgrade.

Table 13

Dundas WWTP Improvements Workplan (\$000's)							
	Total	Pre-2025	2025	2026	2027	2028	2029-2034
2025 Budget	254,320	5,710	2,881	3,381	46,093	41,893	154,362
2024 Budget	142,010	5,710	1,650	2,150	26,750	22,550	83,200
Increase (Decrease)	112,310	-	1,231	1,231	19,343	19,343	71,162

Flooding and Draining Improvement Framework

On August 10, 2022, the Public Works Committee received Report PW22071. This Report provided a roadmap that guides the City of Hamilton toward improved drainage system performance to mitigate community flooding and Combined Sewer Overflows. The completed assessment recommended a significant capital investment and infrastructure program that carries an estimated 10-year cost of \$367 M, 10 to 20-year cost of \$258 M and a 20+ year cost of \$404 M, for a total program value exceeding \$1.0 B.

Due to increased urbanization, growth intensification and increases in the frequency and intensity of rainfall events due to climate change, the original design capacity of the City’s legacy Combined Sewer System has become strained, resulting in the Combined Sewer System capacity being overloaded more frequently during higher volume rain events. These pressures, along with a lack of major overland flow routes, have resulted in both overland and basement flooding issues throughout the Combined Sewer System.

Recommended strategies are focused on Managed Sewer Separation, an effort to build separated storm sewer infrastructure within the Combined Sewer System where it does not currently exist today. Beyond managed sewer separation, additional recommendations are made to provide support for increased levels of sewer system service to the community in the form of potential for new solutions including underground storage, major system conveyance improvements, inlet controls, green infrastructure and private property measures. The 2025 – 2034 capital program includes unspecified works projects totalling \$118.4 M for flooding and drainage improvement framework projects. This budget will be allocated to specific projects following the completion of four significant Environmental Assessments and an upcoming Wet Weather Masterplan for the City’s combined sewer system that will evaluate shorter term opportunities to reduce Combined Sewer Overflows to Hamilton Harbour. The 10-year program cost, 10 to 20-year program cost and 20+ year program cost will also be refined based on the results of these major studies.

Watershed Action Plan

The Watershed Action Plan is a strategic framework to protect and enhance Hamilton’s watersheds, building on the City’s Clean Harbour Program. Heavily focused on collaboration with water partners and the community, it aims to reduce pollutants, improve stormwater

management, promote green infrastructure and engage the community in sustainable practices. The ultimate goal is improving Hamilton Harbour's health, enhancing natural habitats, and fostering a resilient watershed within an environmentally responsible community.

Implementation:

- **91 Actions:** 55 are already in practice or underway with established funding. The remaining 36 are pending and prioritized based on a scoring matrix developed with community partners.
- **Implementation Strategy:** The first phase focuses on 10 prioritized actions over the next three years.

Funding:

- **Total Cost:** Estimated at \$40 M to complete all 36 actions.
- **Initial Funding Request:** \$2.65 M over 10 years from the Water, Wastewater, and Stormwater Rate Budget. The remainder will be budgeted from the project lead, which could include the Rate budget or the Levy budget depending on which department is responsible for the action.
- **Additional Funding Sources:** Sought from federal and provincial grants and a portion of the City's stormwater fee starting in April 2026.

Asset Management

There is currently \$379.3 M in the 2025 – 2034 Capital Program for Asset Management projects related to water and wastewater outstation upgrades and inspections. In addition to this, unspecified works totalling \$337.5 M are included in the Capital Program from 2031 – 2034. Unspecified works are used to budget for an anticipated level of spending required to maintain current levels but the exact projects that these funds will go to is currently unknown.

Provincial / Federal Subsidy Programs

The City of Hamilton will be required to pursue future Provincial and Federal intake programs as they become available to address the infrastructure gap. The 2025 Water, Wastewater and Storm Budget includes \$0.3 M in Provincial and Federal Subsidy Revenues from various sources. The 2025 – 2034 capital forecast period includes the following confirmed Provincial and Federal Subsidy Revenues: \$4.2 M from the Housing-Enabling Water Systems Fund, \$0.1 M from Metrolinx and \$6.0 M from the Disaster Mitigation and Adaptation Fund. In addition to these confirmed revenues, \$95.9 M in anticipated subsidy revenues from Provincial and Federal subsidy programs has been included in the 2025 – 2024 capital forecast.

Although the City of Hamilton anticipates future subsidy revenues, there are currently no active Federal or Provincial programs and continued advocacy will be required to secure subsidy funding. It is assumed that funding programs will be available for the Woodward WWTP – North Digester Complex Rehabilitation in 2026 and 2027 and the Dundas WWTP

Improvements in years 2026 – 2032. In addition to this, the 2025 – 2034 capital forecast period includes \$6.3 M in Federal Subsidy Revenues from Infrastructure Canada’s Disaster Mitigation and Adaptation Fund (DMAF). Five projects were submitted to Infrastructure Canada for consideration. The City of Hamilton has been notified of one successful application to date for the SERG – Parkside and Kipling Stormwater Infrastructure project. Currently, it is unknown if the remaining applications will be successful as no response has been received to date. Further details can be found in Report FCS21090(b).

ALTERNATIVES FOR CONSIDERATION

Beyond the recommended rate increase, Council can direct staff to submit for Council consideration changes to this budget submission that would require a review of the 2025 Capital and Operating Budget submissions.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS24055 – 2025 Hamilton Water, Wastewater and Storm Operating Budget – Combined Water, Wastewater and Storm

Appendix “B” to Report FCS24055 – 2025 Hamilton Water Operating Budget – Water

Appendix “C” to Report FCS24055 – 2025 Hamilton Wastewater and Storm Operating Budget – Combined Wastewater and Storm

Appendix “D” to Report FCS24055 – 2025 Hamilton Wastewater and Storm Operating Budget – Wastewater

Appendix “E” to Report FCS24055 – 2025 Hamilton Wastewater and Storm Operating Budget – Storm

Appendix “F” to Report FCS24055 – Hamilton Water – 2025 Rate Supported Staffing Summary and 2024 Rate Budget – Business Case Summary – Public Works

Appendix “G” to Report FCS24055 – 2025 Water and Wastewater / Storm Fees and Charges, Effective January 1, 2025 – 2025 Private Fire Line Rates – 2025 Proposed User Fees and Charges

Appendix “H” to Report FCS24055 – Source of Capital Financing – 2025 to 2034 Rate Program Capital Budget

Appendix “I” to Report FCS24055 – 2025 to 2034 Water / Wastewater / Storm Capital Financing Plan

Appendix “J” to Report FCS24055 – Source of Capital Financing – 2025 to 2034 Rate Program Capital Budget – Water

Appendix “K” to Report FCS24055 – Water System – 2025 Capital Budget Project List

Appendix “L” to Report FCS24055 – Water System – 2025 to 2034 Capital Budget List

Appendix “M” to Report FCS24055 – Source of Capital Financing – 2025 to 2034 Rate Program Capital Budget – Wastewater

Appendix “N” to Report FCS24055 – Wastewater System – 2025 Capital Budget Project List

Appendix “O” to Report FCS24055 – Wastewater System – 2025 to 2034 Capital Budget List

Appendix “P” to Report FCS24055 – Source of Capital Financing – 2025 to 2034 Rate Program Capital Budget – Storm Sewers

Appendix “Q” to Report FCS24055 – Storm Water Management – 2025 Capital Budget Project List

Appendix “R” to Report FCS24055 – Storm Water Management – 2025 to 2034 Capital Budget List

Appendix “S” to Report FCS24055 – 2025 Rate Program Capital Budget Summary

Appendix “T” to Report FCS24055 – City of Hamilton Treasurer’s Updated 2024 Annual Repayment Limit