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Date: March 3, 2020
To: Mayor and Council
Author: Ryan McLeod, CPA, CA
RE: 2020 Water & Wastewater Rates
Report No.: FS-2020-06

AIM

To increase municipal water and wastewater rates to ensure sufficient revenue is available to finance the current and long-term needs of the Town's water distribution and wastewater processing systems.

BACKGROUND

Water

The Town's current water rate structure consists of 3 components; a wholesale rate, a distribution rate, and a quarterly capital charge. The wholesale rate is intended to cover the cost of water supplied by the Union Water Supply System (UWSS). The distribution rate funds the municipal water department's operating expenses. The quarterly capital charge is intended to fund future capital projects such as water main replacements.

Wastewater

The Town's wastewater rate structure is currently comprised of a flat rate charge for residential homes and a volume based charge for multi-residential, commercial and industrial customers. Separate rates are established for each sewage service area based on the operating and capital costs associated with each area. As the Kingsville and Lakeshore West (KLW) facilities are integrated, these service areas share common rates.

The flat rate and volume based wastewater charges include an allocation for future capital costs. Based on the current sewage rate by-law, 25% of sewage revenue is to be allocated to reserves for future capital expenditures. The balance of the rates are intended to fund operating expenditures.

DISCUSSION

Water

Administration is proposing the following amendments to the Town's current water rates.

	Current	Proposed	Increase
Wholesale Rate (UWSS)	\$0.62 / m3	\$0.65 / m3	\$0.03 / m3
Distribution Rate	\$0.35 / m3	\$0.35 / m3	\$0.00 / m3
Total	\$0.97 / m3	\$1.00 / m3	\$0.03 / m3
Quarterly Capital Charge	\$20.25 / Quarter	\$21.55 / Quarter	\$1.30 / Quarter

The increase to the wholesale rate is necessary to keep pace with the rates established by the UWSS. On December 18, 2019, the UWSS Board increased their water rates to \$0.6458 per cubic metre, effective January 1, 2020.

The increase to the quarterly capital charge is necessary to ensure sufficient funds are available to replace the Town's existing infrastructure as required.

The proposed rates are consistent with the Water and Wastewater Rate Study presented to Council on March 25, 2019.

Based on a median household consumption of 15 m3 per month, the proposed rates would increase the average household's water bill by \$0.88 per month.

Wastewater

On August 12, 2019, Council approved a new wastewater rate structure which provides residents with the ability to have some control over their wastewater charges. Over the past few years, many residents had expressed frustration with the flat rate structure, particularly those who live alone and use a minimal amount of water and those who only live in Kingsville on a seasonal basis. As steady increases to the base charges would be required over the next decade, the flat rate structure may have also become an affordability issue for some residents. The new rate structure, which include as combination of fixed and volume based charges, will encourage and reward residents who make efforts to conserve water.

The rates approved on August 12, 2019 are as follows:

- A minimum base charge of \$60 / quarter for each residential unit.
- Volume charges of \$0.60 / m3 for Kingsville / Lakeshore West and \$0.65 / m3 for Cottam.
- A maximum wastewater charge or "cap" of \$120 / quarter per residential unit.

These rates were to become effective on April 1st, 2020, however, after further consideration of the implementation of this new rate structure, Administration is now recommending that these rates go into effect at the start of each billing period, as follows:

- Sewage Area 1 Rates (Cottam Facility) – effective April 15, 2020.
- Sewage Area 2 Rates (Lakeshore West Facility) – effective June 15, 2020
- Sewage Area 3 Rates (Kingsville Facility) – effective May 15, 2020

By aligning the implementation of the new rates with the start of each areas billing period it will ensure the capping mechanism is working properly and will make it easier for residents to understand their wastewater charges.

Based on a median household consumption of 15 m³ per month, the proposed changes to the Town’s wastewater rates would have virtually no impact on the average household’s wastewater bills. That being said, as water volumes tend to fluctuate seasonally, some households may notice greater seasonal fluctuations to their bills.

The following changes are being proposed to non-residential wastewater rates:

TYPE OF BUILDING	AREA 1: COTTAM FACILITY		AREAS 2 & 3: KINGSVILLE / LAKESHORE WEST FACILITY	
	Current	Proposed	Current	Proposed
Multi-Residential, Commercial, Industrial	130% of total water charges	\$1.35 per m ³ of water volume	130% of total water charges	\$1.35 per m ³ of water volume
Greenhouse	\$1.29 per m ³ of sewage discharge	\$1.35 per m ³ of sewage discharge	\$1.29 per m ³ of sewage discharge	\$1.35 per m ³ of sewage discharge
Foreign Worker Housing	Occupant Load / 3.2 x \$89.00 per quarter	\$20 per Occupant + \$0.65 per m ³ of water volume	Occupant Load / 3.2 x \$87.00 per quarter	\$20 per Occupant + \$0.65 per m ³ of water volume

All significant changes to the Water and Sewage Rate by-law have been discussed above. Please refer to the Draft By-law 26-2020 attached to this report for full details on all proposed changes.

LINK TO STRATEGIC PLAN

Effectively manage corporate resources and maximize performance in day-to-day operations.

To become a leader in sustainable infrastructure renewal and development.

FINANCIAL CONSIDERATIONS

The proposed fees are consistent with the Water and Wastewater Rate Study presented to Council in March of 2019. These fee changes will help ensure the long-term financial sustainability of the Town's Water and Wastewater systems.

CONSULTATIONS

Tiffany Hong, Manager of Financial Services
Watson & Associates Economists Ltd.

RECOMMENDATION

That Council adopts By-law 26-2020, being a by-law to impose a water rate and sewage rates.

Ryan McLeod

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Director of Financial Services