



Date: February 13, 2023

To: Mayor and Council

Author: Margaret Schroeder, Manager of Financial Services

RE: 2023 Water and Wastewater Rates

Report No.: FS-2023-05

RECOMMENDED ACTION

1. That **By-law 7-2023** being a by-law to impose Water and Sewage rates, be taken as having been read three times and finally passed and the Mayor and Clerk **BE AUTHORIZED** to sign same.

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 residential wastewater rate structure is a combination of fixed and volume charges. The volume of sewage charged is based on the units of water consumed by the residential property. This allows a resident to limit their charges based on their efforts to conserve water. The total charge is set so that it will not exceed a maximum amount per quarter.

The non-residential wastewater rate structure comprises of 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.

Wastewater charges include an allocation for future capital costs. Based on the current sewage rate by-law, 25% of all 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.

Type	Current	Proposed	Increase
Wholesale Rate (UWSS)	\$0.70 per m3	\$0.73 per m3	\$0.03 per m3
Distribution Rate	\$0.37 per m3	\$0.42 per m3	\$0.05 per m3
Total	\$1.07 per m3	\$1.15 per m3	\$0.08 per m3
Quarterly Capital Charge	\$24.33 per Quarter	\$27.81 per Quarter	\$3.48 per Quarter

The increase to the wholesale rate is necessary to keep pace with the rates established by UWSS. The UWSS Board have confirmed water rates will increase to \$0.7125 per cubic meter, effective January 1, 2023. The proposed rate of \$0.73 per m3 will provide the Town with some protection from system losses over the amount paid to UWSS.

The increase to the distribution rate in 2023 is required to fund increases to the annual operating budget.

The increase to the quarterly capital charge is necessary to help close the Town's Infrastructure funding deficit. As discussed during budget deliberations, the Town is only currently funding 42% of its Annual Replacement Cost for water infrastructure. 'Annual Replacement Cost' refers to the amount of money that should be set aside each year to replace an asset at the end its useful life.

	Annual Replacement Cost	Current Level of Funding (2022 Rates)	Annual Deficit	Funding Level
Water	2,140,311	904,000	1,236,311	42%

Steady increases to the quarter capital charge will be required to close this infrastructure funding deficit over the next 10-15 years.

Based on a median household consumption of 15 m3 per month, the proposed rates would increase the average household's water bill by \$2.36 per month (\$1.20 volume + \$1.16 in capital charges).

Wastewater

Administration is proposing the following changes the Town's wastewater rates:

Sewage Area 1 Rates Cottam Facility	Effective March 1, 2022	PROPOSED March 1, 2023
Residential	<ul style="list-style-type: none"> Base Charge - \$62.40 per quarter per residential unit, plus Volume Charge - \$0.68 per m3 of water volume Maximum sewage charges - \$124.80 per quarter per residential unit	<ul style="list-style-type: none"> Base Charge - \$66.14 per quarter per residential unit, plus Volume Charge - \$0.72 per m3 of water volume Maximum sewage charges - \$132.29 per quarter per residential unit
Multi-Residential, Commercial, Industrial	\$1.58 per m3 of water volume	\$1.67 per m3 of water volume
Metered Discharge Greenhouse	\$1.58 per m3 of sewage discharge	\$1.67 per m3 of sewage discharge
Boarding, lodging, and rooming houses Worker Housing	If metered: <ul style="list-style-type: none"> Base Charge - \$20.80 per quarter per occupant (based on maximum occupant load), plus Volume Charge - \$0.68 per m3 of water volume If not metered: \$28.96 per occupant	If metered: <ul style="list-style-type: none"> Base Charge - \$22.05 per quarter per occupant (based on maximum occupant load), plus Volume Charge - \$0.72 per m3 of water volume If not metered: \$30.70 per occupant

Sewage Area 2 & 3 Rates Kingsville / Lakeshore West Facility	Effective March 1, 2022	PROPOSED March 1, 2023
Residential	<ul style="list-style-type: none"> Base Charge - \$62.40 per quarter per residential unit, plus 	<ul style="list-style-type: none"> Base Charge - \$66.14 per quarter per residential unit, plus

Sewage Area 2 & 3 Rates Kingsville / Lakeshore West Facility	Effective March 1, 2022	PROPOSED March 1, 2023
	<ul style="list-style-type: none"> Volume Charge - \$0.62 per m3 of water volume Maximum sewage charges - \$124.80 per quarter per residential unit 	<ul style="list-style-type: none"> Volume Charge - \$0.66 per m3 of water volume Maximum sewage charges - \$132.29 per quarter per residential unit
Multi-Residential, Commercial, Industrial	\$1.47 per m3 of water volume	\$1.56 per m3 of water volume
Metered Discharge Greenhouse	\$1.47 per m3 of sewage discharge	\$1.56 per m3 of sewage discharge
Boarding, lodging, and rooming houses Worker Housing	If metered: <ul style="list-style-type: none"> Base Charge - \$20.80 per quarter per occupant (based on maximum occupant load), plus Volume Charge - \$0.62 per m3 of water volume If not metered: \$28.29 per occupant	If metered: <ul style="list-style-type: none"> Base Charge - \$22.05 per quarter per occupant (based on maximum occupant load), plus Volume Charge - \$0.66 per m3 of water volume If not metered: \$29.99 per occupant

The proposed rate increases are necessary to keep pace with rising operating costs and to address the existing infrastructure funding deficit for Wastewater services.

The Town of Kingsville is currently only funding 37% of its Annual Replacement Cost of wastewater assets.

	Annual Replacement Cost	Current Level of Funding (2022 Rates)	Annual Deficit	Funding Level
Wastewater	1,846,973	674,250	1,172,723	37%

The proposed fee increases for the average household, consuming 15 m3 of water per month, would equate to \$1.81 per month.

All significant changes to the Water and Sewage Rate by-law have been discussed above. Please refer to the Draft By-law 7-2023 attached to this report for full details on all proposed changes.

FINANCIAL CONSIDERATIONS

Appendix A illustrates a comparison of water and wastewater charges for a residential home using 15m³/mo in 2022. Kingsville continues to have the lowest fees amongst Essex County.

The proposed fee changes will help ensure the long-term financial sustainability of the Town's Water and Wastewater systems.

ENVIRONMENTAL CONSIDERATIONS

None

CONSULTATIONS

Senior Management Team

PREPARED BY:



Margaret Schroeder, CPA, CGA
Manager of Financial Services

REVIEWED BY:



Ryan McLeod, CPA, CA
Director of Financial Services & Information Technology Services