



Date: November 20, 2023
To: Committee Members
Author: Margaret Schroeder, Manager of Financial Services
RE: 2024 Water and Sewer Rates
Report No.: FS-2023-15

COMMITTEE OF THE WHOLE

RECOMMENDED ACTION

That the Committee of the Whole recommends to Council that By-law 67-2023 being a by-law to impose Water and Sewage rates, be approved.

BACKGROUND

Water

Historically, the Town's water rate structure consisted 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 rates are based on the amount of water used by the property. This allows a resident to limit their wastewater charges based on their efforts to conserve water. The volume charge is also 'capped' at a set maximum amount per quarter to prevent residents from receiving excessive wastewater bills for filling swimming pools or watering lawns.

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)	\$0.73 per m3	N/A	N/A
Distribution Rate	\$0.42 per m3	\$0.49 per m3	\$0.07 per m3
Total	\$1.15 per m3	\$0.49 per m3	
Quarterly Capital Charge	\$27.81 per Quarter	\$33.81 per Quarter	\$6.00 per Quarter

Wholesale Rate

The removal of the wholesale rate is the result of the incorporation of The Union Water Supply System Inc. (UWSS) which was created on February 24, 2023 as a Municipal Services Corporation under Ontario Regulation 599/06 of the Municipal Act, 2001. To maintain a Government Business Entity (GBE) designation and to transition to a fully incorporated entity, UWSS Inc. is required to have a direct connection to their end customers. This means, that the UWSS rate will no longer be part of the Town of Kingsville’s Water and Wastewater By-law. The UWSS Board have confirmed water rates will increase to \$0.7339 per cubic meter, effective January 1, 2024.

Even though the UWSS rate is no longer incorporated into the Town’s bylaw, UWSS Inc.’s charges will continue to be billed to residents by the Town of Kingsville. Internally, administration is working with UWSS Inc. to capture and remit billed consumption through a separate accounts receivable ledger.

Distribution Rate

The increase to the distribution rate in 2024 is required to fund the following;

- 1) **Operational Costs** – part of the proposed increase is \$0.0335 per m3 which has been identified to cover net operational expenses such as inflation, repairs & maintenance and programming support cost allocation. The department is requesting the addition of one staff to ensure continued compliance with Drinking Water Quality Management Standards (DWQMS).
- 2) **SouthWest Watermain Expansion** – part of the proposed increase (\$0.0365 per m3) is to fund the non-growth component of a new water main on the Town’s west side. The South West Water main project is estimated to cost \$20 million and to be 75% funded through Development Charges. The remaining 25% of the capital cost (\$5 million) will require funding through rates.

Quarterly Capital Charge

Administration is proposing a \$6.00 increase to the quarterly capital charge to help close the Town’s Infrastructure funding deficit.

- 1) \$3.00 rate increase - As discussed in Report Number FS-2023-13 in September 25, 2023’s Council meeting, the Town is only currently funding 64% of its Annual Replacement Cost for water infrastructure based on the Asset Management Plan for Core Assets prepared by Watson & Associates Economists Ltd. ‘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. The proposed reserve strategy provided to Council is to increase the annual lifecycle reserves by \$125,000 over the next 10 years.
- 2) \$3.00 rate increase - In order to be financially prudent, Administration is recommending to increase the quarterly capital charge to fund future waterline expansion. As growth continues and the uncertainty of funding growth Administration is taking a proactive approach to increasing reserves for future expansion.

	Annual Replacement Cost	Current Level of Funding (2023 Rates)	Annual Deficit	Funding Level
Water	1,504,000	961,000	543,000	64%

Overall Impact

Based on a median household consumption of 15 m3 per month, the proposed rates would increase the average household’s water bill by \$3.05 per month (\$1.05 volume + \$2.00 in capital charges).

Including the UWSS Inc. rate increase, the average household’s water bill will increase by a total \$3.16 per month (\$3.05 Town of Kingsville + \$0.11 UWSS).

Wastewater

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

Sewage Area 1 Rates Cottam Facility	Effective March 1, 2023	PROPOSED January 1, 2024
Residential	<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 	<ul style="list-style-type: none"> • Base Charge - \$73.42 per quarter per residential unit, plus • Volume Charge - \$0.80 per m3 of water volume Maximum sewage charges - \$146.84 per quarter per residential unit
Multi-Residential, Commercial, Industrial	\$1.67 per m3 of water volume	\$1.85 per m3 of water volume
Metered Discharge	\$1.67 per m3 of sewage discharge	\$1.85 per m3 of sewage discharge
Boarding, lodging, and rooming houses	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 	If metered: <ul style="list-style-type: none"> • Base Charge - \$24.48 per quarter per occupant (based on maximum occupant load), plus • Volume Charge - \$0.80 per m3 of water volume. If not metered: \$34.08 per occupant

Sewage Area 2 & 3 Rates Kingsville / Lakeshore West Facility	Effective March 1, 2023	PROPOSED January 1, 2024
Residential	<ul style="list-style-type: none"> • Base Charge - \$66.14 per quarter per residential unit, plus • Volume Charge - \$0.66 per m3 of water volume Maximum sewage charges - \$132.29 per quarter per residential unit	<ul style="list-style-type: none"> • Base Charge - \$73.42 per quarter per residential unit, plus • Volume Charge - \$0.73 per m3 of water volume Maximum sewage charges - \$146.84 per quarter per residential unit
Multi-Residential, Commercial, Industrial	\$1.56 per m3 of water volume	\$1.73 per m3 of water volume
Metered Discharge	\$1.56 per m3 of sewage discharge	\$1.73 per m3 of sewage discharge
Boarding, lodging, and rooming houses	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 not metered: \$29.99 per occupant	If metered: <ul style="list-style-type: none"> • Base Charge - \$24.48 per quarter per occupant (based on maximum occupant load), plus • Volume Charge - \$0.74 per m3 of water volume. If not metered: \$33.29 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. As discussed in Report Number FS-2023-13 on September 25, 2023's Council meeting, the Town is only currently funding 37% of its Annual Replacement Cost for wastewater infrastructure based on the Asset Management Plan for Core Assets. The proposed reserve strategy provided to Council was to increase the annual lifecycle reserves by \$205,000 over the next 10 years

	Annual Replacement Cost	Current Level of Funding (2023 Rates)	Annual Deficit	Funding Level
Wastewater	2,016,000	740,000	1,276,000	37%

The proposed fee increases for the average household, consuming 15 m3 of water per month, would equate to \$3.63 per month.

All significant changes to the Water and Sewage Rate by-law have been discussed above. Please refer to the Draft By-law 67-2023 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 2023. 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.

CONSULTATIONS

Senior Management Team



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REVIEWED BY:



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