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Date: February 6, 2018
To: Mayor and Council
Author: Ryan McLeod, CPA, CA
RE: 2018 Wastewater Rates
Report No.: FS-2018-07

AIM

To increase wastewater rates to ensure the Town generates sufficient revenue to finance the current and long-term obligations associated with its wastewater collection and treatment systems.

BACKGROUND

The Town's wastewater rate structure is comprised of a flat rate charge for residential homes and a consumption 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 of the area. As the Kingsville and Lakeshore West (KLW) facilities are integrated, these service areas share common rates.

Proportionately, the Cottam Facility services the fewest people when compared to the number of people serviced by the KLW Facilities. Due to economies of scale, the individual cost to customers in the Cottam service area is typically higher than those charged to customers serviced by the other two facilities.

The flat rate and consumption based charges include an allocation for future capital costs. Based on the current sewage rate by-law, 16.5% of sewage revenue is to be allocated to reserves for capital expenditures. The balance of this levy is intended to fund operating expenditures.

The Town's current sewage rates are as follows;

BUILDING	AREA 1: COTTAM FACILITY	AREAS 2 & 3: KINGSVILLE / LAKESHORE WEST FACILITY	
Residential	\$82.00	\$80.00	per quarter per residential unit
Multi-Residential, Commercial, Industrial	130%	130%	of total water charges
Greenhouse	\$1.20	\$1.20	per m3 of sewage discharge
Foreign Worker Housing	Occupant Load / 3.2 x \$82	Occupant Load / 3.2 x \$80	per quarter

DISCUSSION

After adjusting for approximately \$60,000 in non-recurring revenue, the Kingsville / Lakeshore West Sewage Facility is expected to generate an operating surplus of approx. \$100,000 in 2017. Administration considers a nominal rate increase necessary to address inflation and to help finance the significant capital expenditures that will be required at treatment plant over the next 5-year period. Administration will recommend applying any future operating surpluses to the KLV capital reserves.

The Cottam Facility continues to generate annual operating surpluses of approximately \$95,000 per year, however, in addition to the \$68,000 in capital expenditures forecasted by OCWA in the 2018 budget, the facility has significant deficits from prior year capital projects which need to be repaid.

Based on 2018 budget and future capital replacement needs, administration is proposing the following wastewater rates to be implemented as of April 1, 2018;

BUILDING	AREA 1: COTTAM FACILITY	AREAS 2 & 3: KINGSVILLE / LAKESHORE WEST FACILITY	
Residential	\$85.00	\$83.00	per quarter per residential unit
Multi-Residential, Commercial, Industrial	130%	130%	of total water charges
Greenhouse	\$1.24	\$1.24	per m3 of sewage discharge
Foreign Worker Housing	Occupant Load / 3.2 x \$85.00	Occupant Load / 3.2 x \$83.00	per quarter

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 fee increases will result in an additional \$1 per month for residential households in all sewage service areas.

Despite these increases, the average Kingsville household (consuming 27 m3 of water per month) will continue to enjoy the lowest sewage rates in the county. See appendix A for a comparison of local municipal water and sewage rates.

CONSULTATIONS

Andrew Plancke, Civil Eng.Tech (Env), Director of Municipal Services

RECOMMENDATION

Council to approve the wastewater rates as proposed, effective April 1, 2018

Ryan McLeod

Ryan McLeod, CPA, CA
Director of Financial Services

Peggy Van Mierlo-West

Peggy Van Mierlo-West, C.E.T.
Chief Administrative Officer