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Date: February 6, 2018
To: Mayor and Council
Author: Ryan McLeod, CPA, CA
RE: 2018 Water Rates
Report No.: FS-2018-06

AIM

To increase municipal water rates to ensure the Town generates sufficient revenue to finance the current and long-term obligations associated with its water distribution system.

BACKGROUND

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.

DISCUSSION

Based on our average sales volumes, current operating expenditures and long-term asset replacement obligations, Administration is proposing the following increase to our water rates;

	Current	Proposed	Increase
Wholesale Rate (UWSS)	\$0.60 / m ³	\$0.61 / m ³	\$0.01 / m ³
Distribution Rate	\$0.32 / m ³	\$0.34 / m ³	\$0.02 / m ³
Total	\$0.92 / m³	\$0.95 / m³	\$0.03 / m³
Quarterly Capital Charge	\$18.00 / Quarter	\$19.00 / Quarter	\$1 / Quarter

The increase to the wholesale rate is necessary to keep pace with the rates established by the UWSS. On December 20, 2017, the UWSS Board approved a recommendation to increase their water rates to \$0.6088 per cubic metre, effective April 1, 2018.

The increase to the distribution rate is necessary to keep pace with rising operating costs and to protect the municipality from unexpected fluctuations in sales volumes, water losses or maintenance expenses.

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

Overall, the proposed rates for 2018 are in line with the recommendations set out in the 2010 water rate study.

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

According to the 2010 water rate study, the average household uses 27 m³ of water / month. Based on this consumption volume, the proposed fee increase would equate to an additional \$1.14 / month in water charges.

Despite this increase, the average Kingsville resident will continue to enjoy the lowest annual water charges in the County. See appendix A for a comparison of local municipal water rates.

CONSULTATIONS

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

RECOMMENDATION

That Council approve the 2018 water 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