

November 8, 2017

Report To: Mayor & Council

From: Travis Rob, Manager Operations & Facilities

RE: Report No. 2 Establishing 2018 Water & Sewer Rates

This report represents updated figures from the September/October billing cycle for the 2017 sewer and water revenue.

For the 2018 water rates Administration has brought the information forward with the user fees for the Operations and Facilities Division. As outlined in the Long Range Financial plan, an additional \$131,684.00 in revenue is forecasted to be collected in 2018 from water and sewer rates which translates to a 2.6% increase over 2017. Please find and review page 14 of the Long Term Financial Plan prepared by BMA Management Consultants.

In 2017 \$ 5,134,134.60 in revenue was forecasted to be collected from water and sanitary sewer user fees where the actual amount collected as of September 30, 2017 projected to December 31, 2017 was \$ 5,102,320.50 thus a shortfall in actual revenue of \$31,814.10 from the sale of drinking water. In 2018 the forecasted revenue will increase by \$131,684.00 to a total revenue of \$5,262,808 which correlates to a 2.6 % increase in the 2018 rates over the 2017 rates.

There are some significant items that should be considered prior to establishing the 2018 water and sewer rates;

- 1) The following rate adjustments were adopted in 2017;
 - 2.5% rate increase for flat rate residential customers - from \$909.20. per year in 2016 to \$931.93 in 2017 or an increase of \$22.73 per year or \$1.89 per month. Non-residential customer's volumetric rate increased by 2.5 % or from \$5.21 per cu. meter in 2016 to \$5.34 per cu. meter in 2017.
 - Volumetric rate set at \$3.03 per cu. meter or 3.24% increase for the I/C class and \$3.49 per cu. meter or 3.24% increase for the institutional customers.
 - 3.24% increase to ICI minimum monthly rate from \$1,224.38 per year in 2016 to \$1,263.99 per year in 2017 for an increase of \$39.61 per year or \$3.30 per month.
 - 3.24% increase to fire hydrants & sprinklers
 - An additional **\$152,384.30** in revenue is to be collected compared to the 2016 forecasted revenue which equals the targeted revenue of \$5,131,124. (including private hydrant and sprinkler revenue)
 - See Spreadsheet No. 1

2) The Inflow & Infiltration (I&I) Investigation study indicates that 5.703 kilometres of sanitary sewer lines need to be addressed within the sanitary sewer system in the next five (5) years based on the substandard condition of the existing piping. The cost to complete this work is estimated at \$ 32 million dollars where affordability for the community will be a major obstacle.

4) Spreadsheet No. 2 shows the 2017 ICI water meter consumption and revenue data.

5) Spreadsheet No. 3 shows both the forecasted and actual revenue based on usage and forecasted revenue based approved rates. Also, the residential usage per account per year was 210.7 cu. meters or 17.56 cu. meters per month on average in 2016.

6) Sewage Treatment Plant – Change out of Bio-solids Dewatering Equipment in 2016– the exact cost of this project is still unknown as the final aspects are scheduled to be completed by the end of 2017.

7) Are any rate adjustments between the ICI and residential rate classes going to be considered in 2018 to address the built-in inequities?

To facilitate the discussion of the rates three rate scenarios have been completed and can be seen on spreadsheet number 1. These scenarios can be summarized as follows:

- 1) Scenario No. 1 - Using a rate increase to all 2017 rates to meet the required revenue as outlined in the financial report - See Scenario No 1 in spreadsheet No. 1 highlighted in “light green” – columns 31 to 35;
 - 2.57% rate increase for flat rate residential customers - from \$931.93 per year in 2017 to \$955.89 in 2018 or an increase of \$23.96 per year or \$2.00 per month.
 - Non-residential customer’s volumetric rate increased by 2.57 % or from \$5.34 per cu. meter in 2017 to \$5.48 per cu. meter in 2018.
 - Volumetric rate set at \$3.11 per cu. meter or 2.57 % increase for the I/C class and \$3.58 per cu. meter or 2.57% increase for the institutional customers.
 - 2.57% increase to ICI minimum monthly rate from \$1,263.99 per year in 2017 to \$1296.49 per year in 2018 for an increase of \$32.50 per year or \$2.71 per month
 - 2.57% increase to fire hydrants & sprinklers
 - An additional **\$108,116.41** in revenue is to be collected compared to the 2017 forecasted revenue which would align with the revenue in the Financial Plan given the forecasted 2018 consumption.
- 2) Scenario No. 2 - Using 2.6% rate increase to all 2016 rates - See Scenario No 2 in spreadsheet No. 1 highlighted in “light blue” – columns 36 to 40;

- 2.6% rate increase for flat rate residential customers - from \$931.93 per year in 2017 to \$956.16 in 2018 or an increase of \$24.23 per year or \$2.02 per month.
- Non-residential customer's volumetric rate increased by 2.6 % or from \$5.34 per cu. meter in 2017 to \$5.48 per cu. meter in 2018.
- Volumetric rate set at \$3.11 per cu. meter or 2.6 % increase for the I/C class and \$3.58 per cu. meter or 2.6% increase for the institutional customers.
- 2.6% increase to ICI minimum monthly rate from \$1,263.99 per year in 2017 to \$1296.86 per year in 2018 for an increase of \$32.87 per year or \$2.74 per month.
- 2.6% increase to fire hydrants & sprinklers
- An additional **\$109,604.21** in revenue is to be collected compared to the 2017 forecasted revenue which results in a surplus of \$1478.80 from the forecasted revenue of \$5,262,808 given the forecasted 2018 consumption.

3) Scenario No. 3 – 2.6% for residential and non-residential with all ICI rates increased to match the revenue of scenario 1. Scenario No 3 in spreadsheet No. 1 highlighted in “orange” – columns 36 to 40;

- 2.6% rate increase for flat rate residential customers - from \$931.93 per year in 2017 to \$956.16 in 2018 or an increase of \$24.23 per year or \$2.02 per month.
- Non-residential customer's volumetric rate increased by 2.6% or from \$5.34 per cu. meter in 2017 to \$5.48 per cu. meter in 2018.
- Volumetric rate set at \$3.11 per cu. meter or 2.47% increase for the I/C class and \$3.57 per cu. meter or 2.47% increase for the institutional customers.
- 2.47% increase to ICI minimum monthly rate from \$1,263.99 per year in 2017 to \$1,295.17 per year in 2018 for an increase of \$31.18 per year or \$2.60 per month.
- 2.47% increase to fire hydrants & sprinklers
- An additional **\$108,116.41** in revenue is to be collected compared to the 2017 forecasted revenue which equals the targeted revenue of 5,262,808 given the forecasted 2018 consumption.

At this time some direction is required whether the presented scenarios are sufficient for setting the 2018 water rates, or if there are other rate scenarios that would like to be discussed.

At the November 22, 2017 meeting of the Operations and Facilities Executive Committee, the above rate scenarios were discussed in detail where Scenario #2 on spreadsheet #1 was selected for the 2018 Water and Waste Water Rates. The rates are summarized below:

5.0	Water & Sewer User Rates - Effective January 1, 2018				
5.1	Water User Rates - Monthly				
	5.1.1	Flat Residential including Churches & Places of Worship (un-metered)	41.25		

	5.1.2	Metered Non-Residential		2.85	Cu Meter
	5.1.3	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or		55.90	
		Minimum Bill for metered ICI accounts			
		5.1.3.1	10 cu. meters included in the minimum monthly bill for ICI		
	5.1.4	Metered - Industry/Commercial		1.56	Cu Meter
	5.1.5	Metered - Institutional		1.80	Cu Meter
	5.1.6	Private (Re: Dedicated) Hydrants		54.75	Per Unit
	5.1.7	Private Sprinkler System		17.15	Per Unit
	5.1.8	Sale of Water from Fire Hydrant		26.55	Cu Meter
	5.1.9	Water Meter Replacement			
		5.1.9.1	¾ inch or 20 mm diameter water meter	3.00	Per meter
		5.1.9.2	1 inch or 25.4 mm diameter water meter	3.25	Per meter
		5.1.9.3	1.5 inch or 38.1 mm diameter water meter	5.00	Per meter
		5.1.9.4	2 inch or 50.8 mm diameter water meter	15.00	Per meter
		5.1.9.5	3 inch or 76.2 mm diameter water meter	17.00	Per meter
		5.1.9.6	4 inch or 101.6 mm diameter water meter	22.50	Per meter
		5.1.9.7	6 inch or 152.4 mm diameter water meter	42.00	Per meter
		5.1.9.8	10 inch or 254 mm diameter water meter	70.00	Per meter
5.2	Sewer User Rates - Monthly				
	5.2.1	Flat Residential including Churches & Places of Worship (un-metered)		38.45	
	5.2.2	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or		38.45	
		Minimum Bill for metered ICI accounts		52.20	
		5.2.2.1	10 cu. meters included in the minimum monthly bill for ICI		

	5.2.3	Metered Non-Resident	2.64	Cu meter
	5.2.5	Metered - Industry/Commercial	1.55	Cu meter
	5.2.6	Metered - Institutional	1.78	Cu meter
5.3	Minimum Rate to Unplug Blockage in Sanitary Sewer Line			
	5.3.1	During regular business hours (7:30 a.m. to 4:00 p.m. Monday thru Friday)	25.50	
	5.3.2	Overtime Hours	38.00	
	5.3.3	Statutory Holiday	50.50	

Respectfully submitted,
Operations & Facilities Division



Travis Rob, EIT.
Operations & Facilities Manager

Council approval of this report will ensure that scenario #2 on Spreadsheet #1 is accepted as the rates for water and sewer for the 2018 year as summarized in the report.