

November 18, 2020

Report To: Mayor and Council

From: Travis Rob, Manager of Operations and Facilities

RE: Report #2 – Establishing 2021 Water and Sewer Rates

As outlined in the Long-Range Financial plan, an additional \$149,585 in revenue is forecasted to be collected in 2021 from water and sewer rates which translates to a 2.7% increase over 2020. Please find and review page 14 of the Long-Term Financial Plan prepared by BMA Management Consultants.

In 2020 \$ 5,547,948 in revenue was forecasted to be collected from water and sanitary sewer user fees where the actual amount collected as of October 31, 2019 was \$3,497,023.39, forecast to be \$5,143,229.57 by the end of the year. This equates to a forecasted shortfall in actual revenue of \$388,153.34 from the sale of drinking water. This shortfall is not surprising due to the impacts of the ongoing COVID pandemic and related impacts on hotels, restaurants and other businesses throughout the Town.

There are some significant items that should be considered prior to establishing the 2021 water and sewer rates;

The following rate adjustments were adopted in 2020;

- 2.8% rate increase for flat rate residential customers - from \$992.48 per year in 2019 to \$1020.27 in 2020 or an increase of \$27.79 per year or \$2.32 per month.
 - Non-residential customer's volumetric rate increased by 2.8% or from \$5.69 per cu. meter in 2019 to \$5.85 per cu. meter in 2020.
 - Volumetric rate set at \$3.33 per cu. meter or 3.22% increase for the I/C class and \$3.83 per cu. meter or 3.22% increase for the institutional customers.
 - 3.22% increase to ICI minimum monthly rate from \$1,346.12 per year in 2019 to \$1,389.49 per year in 2020 for an increase of \$43.38 per year or \$3.61 per month.
 - 3.22% increase to fire hydrants & sprinklers
 - An additional **\$144,848.00** in revenue is to be collected compared to the 2019 forecasted revenue which equals the targeted revenue of \$5,547,948.00 given the forecasted 2020 consumption.
 - See Spreadsheet Number 1 for the Rate Summary for 2020.
1. How will COVID-19 impacts continue to affect the sale of water in the Town of Fort Frances?
 2. The Town's Asset Management Plan identifies 30.768km of sanitary sewer main that is in poor or worse condition with an estimated replacement cost of \$29,532,023.53.
 3. The Town's Asset Management Plan identifies 40.56km of water main that is in poor or worse condition with an estimated replacement cost of \$22,229,198.04
 4. Sewage Treatment Plant – the Ministry of the Environment is pushing the Town towards having in place an emergency standby generator to operate the plant during power outages and pushing us away from being able to chlorinate effluent during by-pass events. The costs for this, at this time, is unknown but design works are underway.
 5. Are any additional rate adjustments between the ICI and residential rate classes going to be considered in 2020 to address the built-in inequities?

Spreadsheet No. 2 shows the 2020 ICI water meter consumption and revenue data including forecasted revenue to December 31, 2020.

To facilitate the discussion of the rates three rate scenarios have been completed and can be seen on spreadsheet number 1, rates are rounded to the nearest \$0.05 where applicable. These scenarios can be summarized as follows:

1. Scenario No. 1 - Using 2.7% rate increase to all 2020 rates - See Scenario No 1 in spreadsheet No. 1 highlighted in "red" – columns 10 to 13;
 - 2.7% rate increase for flat rate residential customers - from \$1020.27 per year in 2020 to \$1047.82 in 2021 or an increase of \$27.55 per year or \$2.30 per month.
 - Non-residential customer's volumetric rate increased by 2.7% or from \$5.85 per cu. meter in 2020 to \$6.01 per cu. meter in 2021.
 - Volumetric rate set at \$3.42 per cu. meter or 2.7% increase for the I/C class and \$3.94 per cu. meter or 2.7% increase for the institutional customers.
 - 2.7% increase to ICI minimum monthly rate from \$1389.49 per year in 2020 to \$1,427.01 per year in 2021 for an increase of \$37.52 per year or \$3.13 per month.
 - 2.7% increase to fire hydrants & sprinklers
 - An loss of **\$78,841.41** in revenue is to be collected compared to the 2020 forecasted revenue which results in a shortfall of \$228,427.41 from the forecasted revenue of \$5,697,534 given the forecasted 2021 consumption.
2. Scenario No. 2 - Using a rate increase to all 2020 rates to meet the required revenue as outlined in the financial report - See Scenario No 2 in spreadsheet No. 1 highlighted in "green" – columns 15 to 18;
 - 6.99% rate increase for flat rate residential customers - from \$1020.27 per year in 2020 to \$1091.58 in 2021 or an increase of \$71.31 per year or \$5.94 per month.
 - Non-residential customer's volumetric rate increased by 6.99% or from \$5.85 per cu. meter in 2020 to \$6.26 per cu. meter in 2021.
 - Volumetric rate set at \$3.56 per cu. meter or 6.99% increase for the I/C class and \$4.10 per cu. meter or 6.99% increase for the institutional customers.
 - 6.99% increase to ICI minimum monthly rate from \$1,389.49 per year in 2020 to \$1,486.61 per year in 2021 for an increase of \$97.12 per year or \$8.09 per month.
 - 6.99% increase to fire hydrants & sprinklers
 - An additional **\$149,586.00** in revenue is to be collected compared to the 2020 forecasted revenue which equals the targeted revenue of 5,697,534 given the forecasted 2021 consumption.
3. REVISED Scenario No. 3 – 2.7% for residential, non-residential and institutional with Industrial and Commercial rates increased by 2.00% from the 2020 rates. Scenario No 3 in spreadsheet No. 1 highlighted in "blue" – columns 20 to 23;
 - 2.7% rate increase for flat rate residential customers - from \$1020.27 per year in 2020 to \$1048.20 in 2021 or an increase of \$27.93 per year or \$2.33 per month.
 - Non-residential customer's volumetric rate increased by 2.7% or from \$5.85 per cu. meter in 2020 to \$6.01 per cu. meter in 2021.
 - Volumetric rate set at \$3.40 per cu. meter or 2.00% increase for the I/C class and \$3.94 per cu. meter or 2.70% increase for the institutional customers.
 - 2.00% increase to I/C minimum monthly rate from \$1,389.49 per year in 2020 to \$1417.20 per year in 2021 for an increase of \$27.71 per year or \$2.31 per month.
 - 2.00% increase to fire hydrants & sprinklers

- An loss of **\$81,969.48** in revenue is to be collected compared to the 2020 forecasted revenue which results in a shortfall of \$231,555.48 given the forecasted 2021 consumption.

To better understand the impacts that COVID-19 has had on our water system, the three above scenarios have been ran again using 2019 consumption as the base assumption for calculating revenues. These rate scenarios can be found in Spreadsheet 4 for review.

At the November 18th meeting of the Operations and Facilities Executive Committee, the three above scenarios were presented as well as numerous other scenarios sampled with an aim to balance rate increase across the different classes considering the impacts of COVID and trying to achieve the total revenue required to operate the system on a go forward basis. From these scenarios, a revised scenario 3 was chosen to be the most suitable rate scenario to achieve these goals.

It is the recommendation of the Operations and Facilities Executive Committee that Revised Scenario 3 on Spreadsheet 1 be the preferred scenario and that the following 2021 rates be approved:

5.0	Water & Sewer User Rates - Effective January 1, 2020				
5.1	Water User Rates - Monthly				
	5.1.1	Flat Residential (un-metered)		45.20	
	5.1.2	Metered Non-Residential		3.12	Cu Meter
	5.1.3	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts		61.05	
		5.1.3.1	10 cu. meters included in the minimum monthly bill for ICI		
	5.1.4	Metered - Industry/Commercial		1.70	Cu Meter
	5.1.5	Metered - Institutional		1.98	Cu Meter
	5.1.6	Private (Re: Dedicated) Hydrants		59.85	Per Unit
	5.1.7	Private Sprinkler System		18.75	Per Unit
	5.1.8	Sale of Water from Fire Hydrant		29.22	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 (un-metered)		42.15	
	5.2.2	Metered Non-Residential		2.90	Cu meter
	5.2.3	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts		57.05	
		5.2.3.1	10 cu. meters included in the minimum monthly bill for ICI		
	5.2.4	Metered - Industry/Commercial		1.69	Cu meter
	5.2.5	Metered - Institutional		1.96	Cu meter

5.4	Disposal of External Sewage into Town Collection System		20.28	Cu meter

Respectfully Submitted



Travis Rob, P.Eng
Manager of Operations and Facilities

Council approval of this report will agree with the recommendation of the Operations and Facilities Executive Committee to adopt Revised Scenario 3 on Spreadsheet Number 1 as the water and sewer rates for 2021 as further outlined in the report.

Spreadsheet No. 1 - 2020 Water and Sewer Rates Scenarios
Updated November 13, 2020

	Budgeted	Forecasted	Forecasted
	2020	2020	2021
Water	# of units	# of units	
Flat Residential (un-metered)	3660	3644	3664
Churches	13	14	13
Flat Commercial General (un-metered)	2	3	3
Metered - Couchiching First Nation	116072	89731	102902
Metered - Commercial -245	131187	101176	116182
Metered - Institutional -59	119377	91784	105581
Private Hydrants	16	16	16
Private Sprinklers	24	24	24
Metered Non-Resident (7 accounts)	2753	3470	3112
2-Nanicost, 1-FF Tribal Area Health, 1-Treaty 3 Police			
1-Myer's Hanger 1-Friesen Apartments Alberton			
1- Seven Generations Education Institute			
Sewer			
Flat Residential (un-metered)	3591	3634	3639
Churches	14	14	13
Flat Commercial General (un-metered)	2	3	3
Metered -Couchiching First Nation	111866	89731	102902
Metered - Commercial -244	131187	100310	116182
Metered - Institutional -59	119377	91,784	105581
Metered Non-Resident (6 accounts)	2223	3470	2847

2020 Water Rates - Scenario No. 3			
5	6	7	8
Scenario No. 3 - Residential and non-residential 2.80% , Flat ICI , I/C volumetric & I volumetric increased to meet revenue in financial plan. Volumetric minimum remaining at 10 cu. meters/month			
2020 Proposal Rates	2019 to 2020 % increase	2020 Annual Rate	2020 Forecasted Revenue
\$43.99	2.80%	\$527.89	\$1,932,071.79
\$43.99	2.80%	\$527.89	\$6,862.55
\$59.87	3.22%	\$718.45	\$2,155.36
\$3.03	2.80%		\$326,016.02
\$1.67	3.22%		\$320,473.98
\$1.93	3.22%		\$236,448.79
\$58.68	3.22%	\$704.15	\$11,266.32
\$18.40	3.22%	\$220.78	\$5,298.76
\$3.04	2.80%		\$13,653.76
		Subtotal	\$2,854,247.32
\$41.03	2.80%	\$492.38	\$1,791,776.34
\$41.03	2.80%	\$492.38	\$6,400.96
\$55.92	3.22%	\$671.04	\$2,013.13
\$2.82	2.80%		\$303,617.97
\$1.66	3.22%		\$329,630.38
\$1.91	3.22%		\$248,345.59
\$2.82	2.80%		\$11,916.32

Scenario No. 1			
10	11	12	13
Scenario No. 1 - Residential and non-residential 2.70% , Flat ICI , I/C volumetric & I volumetric at 2.70% above 2020 rates. Volumetric minimum remaining at 10 cu. meters/month			
2021 Proposal Rates	2020 to 2021 % increase	2021 Annual Rate	2021 Forecasted Revenue
\$45.20	2.70%	\$542.40	\$1,987,353.60
\$45.20	2.70%	\$542.40	\$7,051.20
\$61.50	2.70%	\$738.00	\$2,214.00
\$3.11	2.70%		\$320,026.55
\$1.72	2.70%		\$272,343.77
\$1.98	2.70%		\$204,474.74
\$60.25	2.70%	\$723.00	\$11,568.00
\$18.90	2.70%	\$226.80	\$5,443.20
\$3.12	2.70%		\$9,717.23
		Subtotal	\$2,820,192.29
\$42.15	2.70%	\$505.80	\$1,840,606.20
\$42.15	2.70%	\$505.80	\$6,575.40
\$57.45	2.70%	\$689.40	\$2,068.20
\$2.90	2.70%		\$298,039.99
\$1.70	2.70%		\$280,125.02
\$1.96	2.70%		\$214,762.78
\$2.90	2.70%		\$8,245.07

Scenario No. 2			
15	16	17	18
Scenario No. 2 - Residential and non-residential, Flat ICI , I/C volumetric & I volumetric increased to achieve revenue from financial plan. Volumetric minimum remaining at 10 cu. meters/month			
2021 Proposal Rates	2020 to 2021 % increase	2021 Annual Rate	2021 Forecasted Revenue
\$47.05	6.99%	\$564.60	\$2,068,694.40
\$47.05	6.99%	\$564.60	\$7,339.80
\$64.05	6.99%	\$768.60	\$2,305.80
\$3.24	6.99%		\$333,393.05
\$1.79	6.99%		\$283,696.24
\$2.06	6.99%		\$213,008.52
\$62.80	6.99%	\$753.60	\$12,057.60
\$19.70	6.99%	\$236.40	\$5,673.60
\$3.25	6.99%		\$10,123.09
		Subtotal	\$2,936,292.10
\$43.90	6.99%	\$526.80	\$1,917,025.20
\$43.90	6.99%	\$526.80	\$6,848.40
\$59.85	6.99%	\$718.20	\$2,154.60
\$3.02	6.99%		\$310,488.18
\$1.78	6.99%		\$291,801.85
\$2.04	6.99%		\$223,725.93
\$3.02	6.99%		\$8,589.44

Revised - Scenario No. 3			
20	21	22	23
Scenario No. 3 - Residential and non-residential 2.70% , Institutional volumetric increased 2.7% and Flat ICI , I/C volumetric increased to 2.00% above 2020 rates. Volumetric minimum remaining at 10 cu. meters/month			
2021 Proposal Rates	2020 to 2021 % increase	2021 Annual Rate	2021 Forecasted Revenue
\$45.20	2.70%	\$542.40	\$1,987,353.60
\$45.20	2.70%	\$542.40	\$7,051.20
\$61.05	2.00%	\$732.60	\$2,197.80
\$3.11	2.70%		\$320,026.55
\$1.70	2.00%		\$270,439.17
\$1.98	2.70%		\$204,171.28
\$59.85	2.00%	\$718.20	\$11,491.20
\$18.75	2.00%	\$225.00	\$5,400.00
\$3.12	2.70%		\$9,717.23
		Subtotal	\$2,817,848.02
\$42.15	2.70%	\$505.80	\$1,840,606.20
\$42.15	2.70%	\$505.80	\$6,575.40
\$57.05	2.00%	\$684.60	\$2,053.80
\$2.90	2.70%		\$298,039.99
\$1.69	2.00%		\$278,166.00
\$1.96	2.70%		\$214,444.05
\$2.90	2.70%		\$8,245.07

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