

January 23, 2019

Report To: Mayor & Council

From: Travis Rob, Manager Operations & Facilities

**RE: Report No. 1 Establishing 2019 Water & Sewer Rates**

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As outlined in the Long-Range Financial plan, an additional \$140,291.00 in revenue is forecasted to be collected in 2019 from water and sewer rates which translates to a 2.7% increase over 2018. Please find and review page 14 of the Long-Term Financial Plan prepared by BMA Management Consultants.

In 2018 \$ 5,295,320.35 in revenue was forecasted to be collected from water and sanitary sewer user fees where the actual amount collected as of December 31, 2018 was \$5,122,294.26 thus a shortfall in actual revenue of \$173,026.09 from the sale of drinking water.

There are some significant items that should be considered prior to establishing the 2019 water and sewer rates;

The following rate adjustments were adopted in 2018;

- 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.
- 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 2018 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 229.2 cu. meters or 19.10 cu. meters per month on average in 2018.

6) 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.

7) Are any rate adjustments between the ICI and residential rate classes going to be considered in 2019 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 2.7% rate increase to all 2018 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 \$956.16 per year in 2018 to \$981.98 in 2019 or an increase of \$25.82 per year or \$2.15 per month.
  - Non-residential customer’s volumetric rate increased by 2.7% or from \$5.48 per cu. meter in 2018 to \$5.63 per cu. meter in 2019.
  - Volumetric rate set at \$3.19 per cu. meter or 2.7% increase for the I/C class and \$3.67 per cu. meter or 2.7% increase for the institutional customers.
  - 2.7% increase to ICI minimum monthly rate from \$1,296.86 per year in 2018 to \$1,331.87 per year in 2019 for an increase of \$35.01 per year or \$2.92 per month.
  - 2.7% increase to fire hydrants & sprinklers
  - An additional **\$14,215.21** in revenue is to be collected compared to the 2018 forecasted revenue which results in a shortfall of \$124,589.00 from the forecasted revenue of \$5,403,100 given the forecasted 2018 consumption.
2. Scenario No. 2 - Using a rate increase to all 2018 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;
  - 5.12% rate increase for flat rate residential customers - from \$956.16 per year in 2018 to \$1,005.16 in 2019 or an increase of \$49.00 per year or \$4.08 per month.
  - Non-residential customer’s volumetric rate increased by 5.12% or from \$5.48 per cu. meter in 2018 to \$5.76 per cu. meter in 2019.
  - Volumetric rate set at \$3.27 per cu. meter or 5.12% increase for the I/C class and \$3.76 per cu. meter or 5.12% increase for the institutional customers.

- 5.12% increase to ICI minimum monthly rate from \$1,296.86 per year in 2018 to \$1,363.31 per year in 2019 for an increase of \$66.45 per year or \$5.54 per month.
  - 5.12% increase to fire hydrants & sprinklers
  - An additional **\$138,804.20** in revenue is to be collected compared to the 2018 forecasted revenue which equals the targeted revenue of 5,403,100 given the forecasted 2019 consumption.
3. Scenario No. 3 – 2.7% for residential and non-residential with all ICI rates increased to match the revenue of Scenario 2. Scenario No 3 in spreadsheet No. 1 highlighted in “blue” – columns 20 to 23;
- 2.7% rate increase for flat rate residential customers - from \$956.16 per year in 2018 to \$981.98 in 2019 or an increase of \$25.82 per year or \$2.15 per month.
  - Non-residential customer’s volumetric rate increased by 2.7% or from \$5.48 per cu. meter in 2018 to \$5.63 per cu. meter in 2019.
  - Volumetric rate set at \$3.57 per cu. meter or 14.69% increase for the I/C class and \$4.10 per cu. meter or 14.69% increase for the institutional customers.
  - 14.69% increase to ICI minimum monthly rate from \$1,296.86 per year in 2018 to \$1,487.41 per year in 2019 for an increase of \$190.55 per year or \$15.88 per month.
  - 14.69% increase to fire hydrants & sprinklers
  - An additional **\$138,804.20** in revenue is to be collected compared to the 2018 forecasted revenue which equals the targeted revenue of 5,403,100 given the forecasted 2019 consumption.

At this time some direction is required whether the presented scenarios are sufficient for setting the 2019 water rates, or if there are other rate scenarios that would like to be discussed. It is suggested that the information contained in report be discussed in detail at the next Operations & Facilities Executive Committee meeting scheduled for Wednesday, January 23, 2019.

Respectfully submitted,  
Operations & Facilities Division



Travis Rob, P.Eng.  
Operations & Facilities Manager

<b>This report is provided to Council as information only. No action required at this time.</b>
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