

December 4, 2019

Report To: Mayor & Council

From: Travis Rob, Manager Operations & Facilities

RE: Report No. 1 Establishing 2020 Water & Sewer Rates

As outlined in the Long-Range Financial plan, an additional \$144,849 in revenue is forecasted to be collected in 2020 from water and sewer rates which translates to a 2.7% increase over 2019. Please find and review page 14 of the Long-Term Financial Plan prepared by BMA Management Consultants.

In 2019 \$ 5,403,100 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 \$3,544,345.07, forecast to be \$5,316,517.61 by the end of the year. This equates to a forecasted shortfall in actual revenue of \$86,582.40 from the sale of drinking water.

There are some significant items that should be considered prior to establishing the 2020 water and sewer rates;

The following rate adjustments were adopted in 2019;

- 3.80% rate increase for flat rate residential customers - from \$956.16 per year in 2018 to \$992.48 in 2019 or an increase of \$36.32 per year or \$3.03 per month.
- Non-residential customer's volumetric rate increased by 3.80% or from \$5.48 per cu. meter in 2018 to \$5.69 per cu. meter in 2019.
- Volumetric rate set at \$3.23 per cu. meter or 3.80% increase for the I/C class and \$3.71 per cu. meter or 3.80% increase for the institutional customers.
- 3.80% increase to ICI minimum monthly rate from \$1,296.86 per year in 2018 to \$1,346.12 per year in 2019 for an increase of \$49.26 per year or \$4.11 per month.
- 3.80% 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.
- See Spreadsheet No. 1

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) Spreadsheet No. 2 shows the 2019 ICI water meter consumption and revenue data.

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 2019 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 \$992.48 per year in 2019 to \$1019.28 in 2020 or an increase of \$26.80 per year or \$2.23 per month.
 - Non-residential customer’s volumetric rate increased by 2.7% or from \$5.69 per cu. meter in 2019 to \$5.84 per cu. meter in 2020.
 - Volumetric rate set at \$3.31 per cu. meter or 2.7% increase for the I/C class and \$3.81 per cu. meter or 2.7% increase for the institutional customers.
 - 2.7% increase to ICI minimum monthly rate from \$1346.12 per year in 2019 to \$1,382.46 per year in 2020 for an increase of \$36.35 per year or \$3.03 per month.
 - 2.7% increase to fire hydrants & sprinklers
 - An additional **\$101,269.15** in revenue is to be collected compared to the 2019 forecasted revenue which results in a shortfall of \$10,546.78 from the forecasted revenue of \$5,547,948 given the forecasted 2020 consumption.
2. Scenario No. 2 - Using a rate increase to all 2019 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;
 - 2.90% rate increase for flat rate residential customers - from \$992.48 per year in 2019 to \$1021.22 in 2020 or an increase of \$28.74 per year or \$2.39 per month.
 - Non-residential customer’s volumetric rate increased by 2.90% or from \$5.69 per cu. meter in 2019 to \$5.85 per cu. meter in 2020.
 - Volumetric rate set at \$3.32 per cu. meter or 2.90% increase for the I/C class and \$3.82 per cu. meter or 2.90% increase for the institutional customers.
 - 2.90% increase to ICI minimum monthly rate from \$1,346.12 per year in 2019 to \$1,385.09 per year in 2020 for an increase of \$38.98 per year or \$3.253.25 per month.
 - 2.90% 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 given the forecasted 2020 consumption.
3. Scenario No. 3 as revised – 2.8% 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;
- 2.8% 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.

At the December 4th 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 and achieving 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 2020 rates be approved:

Respectfully submitted,
Operations & Facilities Division



Travis Rob, P.Eng.
Operations & Facilities Manager

Council approval of this report will agree to the recommendation of the Operations and Facilities Executive Committee that Revised Scenario 3 on Spreadsheet 1 be the preferred scenario and that the following 2020 rates be approved:

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|-----|---|--|--|-------|-----------|
| 5.0 | Water & Sewer User Rates - Effective January 1, 2020 | | | | |
| 5.1 | Water User Rates - Monthly | | | | |
| | 5.1.1 | Flat Residential (un-metered) | | 44.00 | |
| | 5.1.2 | Metered Non-Residential | | 3.03 | Cu Meter |
| | 5.1.3 | Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts | | 59.85 | |
| | | 5.1.3.1 | 10 cu. meters included in the minimum monthly bill for ICI | | |
| | 5.1.4 | Metered - Industry/Commercial | | 1.67 | Cu Meter |
| | 5.1.5 | Metered - Institutional | | 1.93 | Cu Meter |
| | 5.1.6 | Private (Re: Dedicated) Hydrants | | 58.70 | Per Unit |
| | 5.1.7 | Private Sprinkler System | | 18.40 | Per Unit |
| | 5.1.8 | Sale of Water from Fire Hydrant | | 28.45 | 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) | | 41.05 | |
| | 5.2.2 | Metered Non-Residential | | 2.82 | Cu meter |
| | 5.2.3 | Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts | | 54.15 | |
| | | 5.2.3.1 | 10 cu. meters included in the minimum monthly bill for ICI | | |
| | 5.2.4 | Metered - Industry/Commercial | | 1.66 | Cu meter |
| | 5.2.5 | Metered - Institutional | | 1.91 | Cu meter |
| | | | | | |
| 5.4 | Disposal of External Sewage into Town Collection System | | | 19.75 | |