

November 17, 2021

Report To: Mayor and Council

From: Travis Rob, Manager of Operations and Facilities

**RE: Report #1 – Establishing 2022 Water and Sewer Rates**

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As outlined in the Long-Range Financial plan, an additional \$183,608 in revenue is forecasted to be collected in 2022 from water and sewer rates which translates to a 3.4% increase over 2021. Please find and review page 22 of the Long-Term Financial Plan prepared by BMA Management Consultants.

In 2021 \$ 5,465,978.52 in revenue was forecasted to be collected from water and sanitary sewer user fees where the actual amount collected as of October 31, 2021 was \$4,652,792.14, forecast to be \$5,563,357.25 by the end of the year. This equates to a forecasted surplus in actual revenue of \$97,378.73 from the sale of drinking water.

There are some significant items that should be considered prior to establishing the 2022 water and sewer rates;

The following rate adjustments were adopted in 2021;

- 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
  - A 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.
  - See Spreadsheet Number 1 for the Rate Summary for 2021.
1. How will COVID-19 impacts continue to affect the sale of sewer and water in the Town of Fort Frances?
  2. The Town's Asset Management Plan identifies 30.649km of sanitary sewer main that is in poor or worse condition with an estimated replacement cost of \$29,488,243.45.
  3. The Town's Asset Management Plan identifies 40.417km of water main that is in poor or worse condition with an estimated replacement cost of \$22,150,468.47.
  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 the stand by power portion alone is forecasted to be \$625,800.
  5. The Fort Frances Water Treatment Plant and Wastewater lift stations are reaching an age where major internal components will need updating in the coming years to maintain their levels of service.
  6. Are any additional rate adjustments between the ICI and residential rate classes going to be considered in 2020 to address the built-in inequities?

7. The Town of Fort Frances Council adopted a moratorium on residential water meters in early 2021.

Spreadsheet No. 2 shows the 2021 ICI water meter consumption and revenue data including forecasted revenue to December 31, 2021.

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 3.4% rate increase to all 2021 rates - See Scenario No 1 in spreadsheet No. 1 highlighted in "red" – columns 11 to 15;
  - 3.4% rate increase for flat rate residential customers - from \$1048.20 per year in 2021 to \$1084.20 in 2022 or an increase of \$36.00 per year or \$3.00 per month.
  - Non-residential customer's volumetric rate increased by 3.4% or from \$6.01 per cu. meter in 2021 to \$6.21 per cu. meter in 2022.
  - Volumetric rate set at \$3.51 per cu. meter or 3.8% increase for the I/C class and \$4.07 per cu. meter or 3.4% increase for the institutional customers.
  - 3.4% increase to ICI minimum monthly rate from \$1417.20 per year in 2021 to \$1,465.80 per year in 2022 for an increase of \$48.60 per year or \$4.05 per month.
  - 3.4% increase to fire hydrants & sprinklers
  - An increase of **\$293,728.37** in revenue is to be collected compared to the 2021 forecasted revenue which results in a surplus of \$110,120.89 from the forecasted revenue of \$5,649,586 given the forecasted 2022 consumption.
2. Scenario No. 2 - Using a rate increase to all 2021 rates to meet the required revenue as outlined in the financial report - See Scenario No 2 in spreadsheet No. 1 highlighted in "green" – columns 16 to 20;
  - 1.48% rate increase for flat rate residential customers - from \$1048.20 per year in 2021 to \$1063.20 in 2022 or an increase of \$15.00 per year or \$1.25 per month.
  - Non-residential customer's volumetric rate increased by 1.48% or from \$6.01 per cu. meter in 2021 to \$6.10 per cu. meter in 2022.
  - Volumetric rate set at \$3.45 per cu. meter or 1.48% increase for the I/C class and \$4.00 per cu. meter or 1.48% increase for the institutional customers.
  - 1.48% increase to ICI minimum monthly rate from \$1417.20 per year in 2021 to \$1,438.20 per year in 2022 for an increase of \$21.00 per year or \$1.75 per month.
  - 1.48% increase to fire hydrants & sprinklers
  - An additional **\$183,607.48** in revenue is to be collected compared to the 2021 forecasted revenue which equals the targeted revenue of \$5,649,586.00 given the forecasted 2022 consumption.
3. Scenario No. 3 – Using 2.0% rate increase to all 2021 rates – See Scenario No 3 in spreadsheet No. 1 highlighted in "blue" – columns 21 to 25;
  - 2.0% rate increase for flat rate residential customers - from \$1048.20 per year in 2021 to \$1069.20 in 2022 or an increase of \$21.00 per year or \$1.75 per month.
  - Non-residential customer's volumetric rate increased by 2.0% or from \$6.01 per cu. meter in 2021 to \$6.13 per cu. meter in 2022.

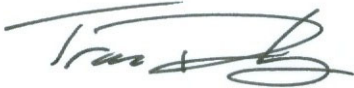
- Volumetric rate set at \$3.47 per cu. meter or 2.00% increase for the I/C class and \$4.02 per cu. meter or 2.00% increase for the institutional customers.
- 2.00% increase to ICI minimum monthly rate from \$1417.20 per year in 2021 to \$1445.40 per year in 2022 for an increase of \$28.20 per year or \$2.35 per month.
- 2.00% increase to fire hydrants & sprinklers
- An additional **\$214,413.72** in revenue is to be collected compared to the 2021 forecasted revenue which results in a surplus of \$30,806.24 from the forecasted revenue of \$5,649,586.00 given the forecasted 2022 consumption.

At the November 17, 2021 Operations and Facilities Executive Committee meeting a fulsome discussion was had on the rates going into 2022 and the challenges with setting the rates with 2 years of consumption data that is abnormal with COVID impacts and drought conditions in 2020 and 2021 respectively. The three rate scenarios were presented and discussed as well as the Financial Plan prepared by BMA Group which forms the basis of the rate calculations. The Operations and Facilities Executive Committee recommends that Scenario 3 on Spreadsheet 1 be the preferred rate scenario and that the following rates be approved:

<b>5.0</b>	<b>Water &amp; Sewer User Rates - Effective January 1, 2022</b>				
<b>5.1</b>	<b>Water User Rates - Monthly</b>				
	5.1.1	Flat Residential (un-metered)		46.10	
	5.1.2	Metered Non-Residential		3.17	Cu Meter
	5.1.3	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts		62.25	
		5.1.3.1	10 cu. meters included in the minimum monthly bill for ICI		
	5.1.4	Metered - Industry/Commercial		1.74	Cu Meter
	5.1.5	Metered - Institutional		2.02	Cu Meter
	5.1.6	Private (Re: Dedicated) Hydrants		61.05	Per Unit
	5.1.7	Private Sprinkler System		19.15	Per Unit
	5.1.8	Sale of Water from Fire Hydrant		29.80	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
<b>5.2</b>					
	<b>Sewer User Rates - Monthly</b>				
	5.2.1	Flat Residential (un-metered)		43.00	
	5.2.2	Metered Non-Residential		2.95	Cu meter
	5.2.3	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts		58.20	
		5.2.3.1	10 cu. meters included in the minimum monthly bill for ICI		
	5.2.4	Metered - Industry/Commercial		1.73	Cu meter
	5.2.5	Metered - Institutional		2.00	Cu meter

5.4	<b>Disposal of External Sewage into Town Collection System</b>		20.68	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 Scenario 3 on Spreadsheet Number 1 as the water and sewer rates for 2022 as further outlined in the report.**