

February 6, 2019

Report To: Mayor and Council

From Travis Rob, Manager of Operations and Facilities

RE: Report No 2 – Establishing 2019 Water & Sewer Rates

At the January 23, 2019 meeting of the Operations and Facilities Executive Committee three rate scenarios were presented to the committee. From those initial three scenarios, several iterations were suggested and reviewed during the meeting whereby a fourth scenario was decided on. Scenario 4 would see a 3.5% increase to residential and commercial customers where institutional customers would see an 8% increase while maintaining a 10 cubic meter per month minimum. Scenario 4 is detailed in 'purple' on the attached spreadsheet 1. Scenario 4 results in a forecasted shortfall of \$68,883.49 in revenue to meet the required revenue in the Town's Water and Sewer Financial Plan. At the February 6, 2019 meeting of the Operations and Facilities Executive Committee a 5th Scenario was discussed where flat rate residential customers would be increased by 3.54%, flat rate and metered industrial, commercial and institutional customers would be increased by 4.66% while decreasing the volumetric minimum from 10m³ to 8m³ per month. Scenario 5 is detailed in 'orange' on the attached spreadsheet 1. Scenario 5 results in a forecasted shortfall of \$46,139.18 in revenue to meet the required revenue in the Town's Water and Sewer Financial Plan.

Further the committee wanted to see how the Town's residential rate compared to other communities in the north. Below is a table outlining the rates of other northern communities. It should be clearly noted that all of these communities have water meters for all of their customers, so the annual cost is based on 15m³ per month per meter estimation, so some customers will see higher and lower costs.

Community	Annual Residential Cost	Rate Year	2019 Increase	Rate Scenario
Kenora	\$1,611.12	2019	5.5%	
Dryden	\$1,505.70	2019	5%	
Thunder Bay	\$1,186.30	2019	3%	
Fort Frances	\$956.16	2018	TBD	
Fort Frances	\$981.98	Proposed	2.7%	1 and 3
Fort Frances	\$1005.16	Proposed	5.12%	2
Fort Frances	\$989.63	Proposed	3.5%	4
Fort Frances	\$990.00	Proposed	3.54%	5

Affordability was also discussed at the Operations and Facilities Executive Committee Meeting regarding residential rates. The City of Thunder Bay recently evaluated their rates against the median household income as reported in the latest census and for that city their rates were 1.3% of the median income. When that calculation is completed for the Town of Fort Frances, the 2018 rate is 1.52% of the median income of \$62,928.00. Industry standard for water/sewer utility bills being affordable is 4% of the median income or \$2248.52 per year, a 135.16% increase from 2018 rates.

Attached to this report is revised spreadsheet number one including scenario 4 and scenario 5, spreadsheet number 2 outlining the metered consumer impacts from rate scenarios 1 to 5 and revised spreadsheet 4 with more current year end data for consideration.

A key driver to the increase in rates to match as closely as possible the financial plan is the large infrastructure deficit that is facing the Town of Fort Frances. Determined through the update of the

Town's Asset Management Plan, the current infrastructure deficit, in water and sewer only, totals \$14,150,957.23 with an additional requirement of \$9,628,096.31 of capital work required to the Sanitary Sewer network alone in the year 2034. This deficit requires sound financial strategies to be in place to couple this work with the rehabilitation of the roadway and storm sewer infrastructure and leverage funding to offset costs.

To summarize the following rate scenarios have been presented:

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.

4. Scenario No. 4 – 3.5% for residential, non-residential Industrial and Commercial. Institutional rates increased by 8%. Scenario No 4 in spreadsheet No. 1 highlighted in “purple” – columns 25 to 28;
 - 3.5% rate increase for flat rate residential customers - from \$956.16 per year in 2018 to \$989.63 in 2019 or an increase of \$33.47 per year or \$2.79 per month.
 - Non-residential customer’s volumetric rate increased by 3.5% or from \$5.48 per cu. meter in 2018 to \$5.67 per cu. meter in 2019.
 - Volumetric rate set at \$3.22 per cu. meter or 3.50% increase for the I/C class and \$3.86 per cu. meter or 8% increase for the institutional customers.
 - 3.50% increase to IC minimum monthly rate from \$1,296.86 per year in 2018 to \$1,342.25 per year in 2019 for an increase of \$45.39 per year or \$3.78 per month.
 - 3.50% increase to fire hydrants & sprinklers.

An additional **\$69,920.71** in revenue is to be collected compared to the 2018 forecasted revenue which equates to a funding shortfall of \$68,883.49 from the required \$5,403,100 given the forecasted 2019 consumption.

5. Scenario No. 5 – 3.54% for residential and non-residential with all ICI rates increased by 4.66% and the monthly minimum reduced from 10m³ to 8m³. Scenario No 5 in spreadsheet No. 1 highlighted in “orange” – columns 30 to 33;
 - 3.54% rate increase for flat rate residential customers - from \$956.16 per year in 2018 to \$990.00 in 2019 or an increase of \$33.84 per year or \$2.82 per month. This works out to a rate that is 1.59% of the median household income.
 - Non-residential customer’s volumetric rate increased by 3.54% or from \$5.48 per cu. meter in 2018 to \$5.67 per cu. meter in 2019.
 - Volumetric rate set at \$3.25 per cu. meter or 4.66% increase for the I/C class and \$3.75 per cu. meter or 4.66% increase for the institutional customers.
 - 4.66% increase to ICI minimum monthly rate from \$1,296.86 per year in 2018 to \$1,357.29 per year in 2019 for an increase of \$60.43 per year or \$5.04 per month.
 - 4.66% increase to fire hydrants & sprinklers.
 - Reduction in the monthly minimum from 10m³ to 8m³.

An additional **\$92,665.02** in revenue is to be collected compared to the 2018 forecasted revenue which equates to a funding shortfall of \$46,139.18 from the required \$5,403,100 given the forecasted 2019 consumption.

The Operations and Facilities Executive Committee Recommends that Scenario 5 on Spreadsheet 1 be the preferred scenario and that the following 2019 rates be approved:

5.0	Water & Sewer User Rates - Effective January 1, 2019				
5.1	Water User Rates - Monthly				
	5.1.1	Flat Residential (un-metered)	42.69		
	5.1.2	Metered Non-Residential	2.94	Cu Meter	

	5.1.3	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts		58.48	
		5.1.3.1	8 cu. meters included in the minimum monthly bill for ICI		
	5.1.4	Metered - Industry/Commercial		1.63	Cu Meter
	5.1.5	Metered - Institutional		1.88	Cu Meter
	5.1.6	Private (Re: Dedicated) Hydrants		57.30	Per Unit
	5.1.7	Private Sprinkler System		17.95	Per Unit
	5.1.8	Sale of Water from Fire Hydrant		27.40	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)		39.81	
	5.2.2	Metered Non-Residential		2.74	Cu meter
	5.2.3	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts		54.61	
		5.2.3.1	8 cu. meters included in the minimum monthly bill for ICI		
	5.2.4	Metered - Industry/Commercial		1.62	Cu meter
	5.2.5	Metered - Institutional		1.86	Cu meter

Respectfully Submitted

A handwritten signature in black ink, appearing to read 'Travis Rob', with a stylized flourish at the end.

Travis Rob, P.Eng
Manager of Operations and Facilities

Council approval of this report will agree to the recommendation of the Operations and Facilities Executive Committee that Scenario 5 on Spreadsheet 1 be the preferred scenario and that the following 2019 rates be approved:

5.0	Water & Sewer User Rates - Effective January 1, 2019				
5.1	Water User Rates - Monthly				
	5.1.1	Flat Residential (un-metered)		42.69	
	5.1.2	Metered Non-Residential		2.94	Cu Meter
	5.1.3	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts		58.48	
		5.1.3.1	8 cu. meters included in the minimum monthly bill for ICI		
	5.1.4	Metered - Industry/Commercial		1.63	Cu Meter
	5.1.5	Metered - Institutional		1.88	Cu Meter
	5.1.6	Private (Re: Dedicated) Hydrants		57.30	Per Unit
	5.1.7	Private Sprinkler System		17.95	Per Unit
	5.1.8	Sale of Water from Fire Hydrant		27.40	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)		39.81	
	5.2.2	Metered Non-Residential		2.74	Cu meter
	5.2.3	Flat Industry/Commercial/Institutional (ICI) (un-metered) and/or Minimum Bill for metered ICI accounts		54.61	
		5.2.3.1	8 cu. meters included in the minimum monthly bill for ICI		
	5.2.4	Metered - Industry/Commercial		1.62	Cu meter
	5.2.5	Metered - Institutional		1.86	Cu meter