



# FORMAL REPORT

<b>To:</b>	Mayor Strathdee and Members of Council
<b>Prepared by:</b>	Dave Blake, Environmental Services Supervisor
<b>Date of Meeting:</b>	28 November 2017
<b>Subject:</b>	<b>PW 64-2017 WATER AND WASTEWATER RATES</b>

## PURPOSE

This report presents information to Council regarding the review and evaluation of water and wastewater rates for the Town of St. Marys, as well as staff recommendations for rates, commencing January 1, 2018.

## RECOMMENDATION

THAT Council receive report PW 64-2017 Water and Wastewater Rates; and,

THAT Council approve By-Law 100-2017 authorizing water and wastewater rates and charges within the Town of St. Marys with an effective date of the first billing cycle of 2018 to the last billing cycle of 2018 and amending By-Law 46-2014.

## BACKGROUND

On November 21, 2017, Staff presented report ***PW 59-2017 Water and Wastewater Rate Evaluations*** to the Strategic Priorities Committee (SPC) for discussion. The Report presented multiple options for the committee to consider in regards to both water and wastewater rates ranging from 0% - 10% annual increases. The report presented full financial projections based on each individual rate option to facilitate discussion from the Committee.

In discussions between SPC and Town Staff, it was recommended that rates should be reviewed and approved annually and that rates should increase at a rate of 3% for water and 5% for wastewater with an effective date of January 2018.

This Report presents final financial projections based on the recommendations from the Committee in regards to water and wastewater rates.

## REPORT

Following discussions around water and wastewater rates at the SPC meeting on November 21, 2017, Staff have reviewed budget projections and estimates as well as accounted for direction from the Committee on recommending rates for the water and wastewater systems to help meet the financial requirements for each system moving forward. The information below is provided in response to direction received from the SPC.

Both water and wastewater within the Town have individual rate structures and represent different departments. As such, rates for both water and wastewater need to be reviewed and subsequently approved by Council.

### Water Rates:

In 2014, the Town was required to update the financial plan for the water system as per Ontario Regulation 453/07. The drinking water financial plan was completed by B.M. Ross and Associates

Limited (B.M. Ross) which covered a 10-year period from 2014 through 2024. The financial plan identified rate increases over the period of the financial plan to move towards full system sustainability. The financial plan identified rate increases of 3% from 2014 through 2017 / 2018 and then 2% annually thereafter. Through discussion with SPC and Staff, as well as in consultation with the current water system financial plan, a 3% increase to water rates was recommended for adoption. As such, an increase of this nature in 2018 is in keeping with prior projections, will continue to see the system move in the right direction, while allowing reserve funds to increase towards a level of full system sustainability.

The water system financial plan should be reviewed and updated in 2018 in accordance with O. Reg. 453/07 which will identify current and future financial needs to continue to assist in rate projections moving forward.

Please refer to Attachment No. 1 for a full financial assessment related to the water system.

#### Wastewater Rates:

In 2016 and 2017, the Town completed several assessments related to the wastewater system aimed at developing a long term financial and capital plan which could assist in guiding major maintenance or replacement programs, capital needs as well as financial requirements and rate projections for the system moving forward. In review of the financial requirements over the planning period as well as future projections, a 5% increase to wastewater rates was recommended for adoption. Increase of this nature in 2018 is in keeping with previous years projections, will see the system improve reserve contributions and enhance the system's ability to not only rate finance capital replacement or improvement needs but also the system's ability to cover debenture financing, if and when required.

#### Impacts to Users:

The above detailed rate increases would represent an approximate combined increase of 4% across all three tiers. Residential and commercial customers whom typically fall in Tier 1 would see an approximate increase of \$2.74 per month to their water and wastewater bills. Light industrial users whom typically fall within Tier II would see an approximate increase of \$46.23 per month and large Tier III users would see an approximate increase of \$186.01 per month on average.

#### Municipal Comparisons:

In Report PW 59-2017 which was provided to SPC on November 21, 2017, various municipal comparisons were provided to assist the committee in evaluating how the Towns current, and potential rates compared to neighbouring municipalities. One of the comments received at SPC was that questioning the value, or merit of providing such comparisons. Concerns raised surrounding the comparisons were; different rate structures, billing cycles and infrastructure needs or services and the impact these may have on providing meaningful data for use as a comparison.

Although utilizing the information as a direct comparator may be difficult, it is a useful tool in gauging Town charges to others when considering rate increases.

Based on the rate increases recommended at 3% for the water system and 5% for the wastewater system, Tier I charges for the Town would be approximately average for those reviewed with water charges being slightly higher than average and wastewater charges being slightly lower than average. Due to the Towns declining block structure for water and wastewater rates, Tiers II and III charges for water and wastewater are all below average when evaluated against the comparison group.

## **SUMMARY**

Based on the information detailed within this report, Staff recommends that Council approve By-Law 100-2017 authorizing a 3% increase to water rates and a 5% increase to wastewater rates for the Town of St. Marys with an effective date of January 1, 2018. Rate increases of this nature will allow for planned and future capital expenditures for both water and wastewater while effectively managing increases to end users of the system.

## **FINANCIAL IMPLICATIONS**

The recommended rate increases will assist in ensuring that both the water system and the wastewater system for the Town of St. Marys are self-sufficient by being in a position to fund or carry borrowing costs to ensure long term viability of the systems.

A combination of rate financed capital projects as well as debenture financing has been identified for both the water and wastewater systems. Repayment of borrowing costs have been accounted for within the enclosed projections as part of annual operating costs, including interest. Please refer to Attachment No. 1 and 2 for a complete financial assessment of the water and wastewater systems.

Water and Wastewater rates should be reviewed annually to assess the annual financial position for each system as well as verify future needs and projected rates moving forward.

## **STRATEGIC PLAN**

This initiative is supported by the following priorities, outcomes, and tactics in the Plan.

- Pillar #1 – Infrastructure, Developing a Comprehensive and Progressive Infrastructure Plan:
  - Outcome: St. Marys is committed to developing a progressive and sustainable infrastructure plan that meets the infrastructure needs of today and tomorrow. This will require a balance between building and regular maintenance.
  - Tactic(s): When developing the annual capital plan, have regard for the infrastructure needs identified in the asset management plan before considering new builds or renovations that present significant service level improvements.
  - Tactic(s): To support the asset management plan, complete a financial analysis of the Town's ability to pay to establish a minimum capital budget threshold to be budgeted each year (either in actual spending, or put into reserve).
- Pillar #1 – Infrastructure, Water Reservoir Storage:
  - Outcome: If the goal is to achieve a population target of 8,000 residents by 2026/2027, (annual growth rate of 1.5%, doubling current rate), both access to potable water and fire protection needs would be best served by addressing this issue.
  - Tactic(s): Plan for an updated reservoir. Include its development in the community's capital and financial plan. As an interim measure, promote effective water conservation.
  - Tactic(s): Commence work on an updated water reservoir to meet provincial standards.
- Pillar #1 – Infrastructure, Granting Readiness:
  - Outcome: With a change in the federal government, which has signaled a desire to fund infrastructure projects, it will be vital that the Town be in a state of readiness to compete for much needed infrastructure funding.
  - Tactic(s): Establish a nimble foresight approach to capital initiatives that creates a project inventory and plans to meet new grant opportunities. Assign a lead staff person for this task.
- Pillar #5 – Economic Development, Industrial Strategy:
  - Outcome: Industry has played, and continues to play a key role in the life of the Town in providing employment and economic stability. Seeking new opportunities to attract small, medium and large industry is in the Town's best interest as part of its growth strategy.
  - Tactic(s): Build a retention plan, identify elements needed to ensure business stay and grow in the community.

## OTHERS CONSULTED

Strategic Priorities Committee

Jed Kelly, Director of Public Works – Town of St. Marys

Jim Brown, Director of Finance – Town of St. Marys

Morgan Dykstra, Public Works Coordinator – Town of St. Marys

## ATTACHMENTS

Attachment No. 1 - Financial Assessment, Water

Attachment No. 2 - Financial Assessment, Wastewater

## REVIEWED BY

### Recommended by the Department



Dave Blake, C.E.T.

Environmental Services Supervisor



Jed Kelly

Director of Public Works

### Recommended by the CAO



Brent Kittmer

CAO / Clerk