



A Natural Attraction

**STAFF REPORT
17-159CFS**

DATE: November 27, 2017

TO: Mayor Harrison and
Members of Council

FROM: David Clazie
Director of Corporate & Financial Services

SUBJECT: 2018 Water & Sewer Capital Budget & Revised Rate Structure

Recommendation:

That Staff Report 17-159CFS be received as information.

Background:

Over the past few years the City's Water and Sewer rates have been steadily increasing to ensure that we have sufficient funds to do all of the necessary upgrades and repairs to our systems to ensure we meet and exceed ministry guidelines and provide the highest quality of water to our residents. Back in 2010 a 10 year capital plan and rate structure was put in place to ensure we have sufficient funding in place. Over time the needs have been adjusted and some of the projects that we had forecasted to be completed in the later part of the plan can now be pushed out even further.

Proposed Revised Rate Structure:

Staff has done a complete review of the 10 year forecast for 2018 onwards and as part of the capital plan submission to Council suggested that a revised rate structure (which is lower than the old one) be considered to be put in place for 2018 and onwards.



The following chart outlines the proposed rate structure:

Year	Proposed Water Base Charge	Previously Approved Water Base Charge	Proposed Sewer Base Charge	Previously Approved Sewer Base Charge
2017	\$20.50	\$20.50	\$34.50	\$34.50
2018	\$20.50	\$25.00	\$35.00	\$38.50
2019	\$21.00	\$27.50	\$35.00	\$46.50
2020	\$22.00	\$32.75	\$35.00	\$52.50
2021	\$23.00	\$32.75	\$36.00	\$52.50
2022	\$24.00	\$32.75	\$37.00	\$52.50
2023	\$25.00	\$32.75	\$38.00	\$52.50
2024	\$25.00	\$32.75	\$39.00	\$52.50
2025	\$25.00	\$32.75	\$40.00	\$52.50
2026	\$25.00	\$32.75	\$41.00	\$52.50
2027	\$25.00	\$32.75	\$42.00	\$52.50

Year	Proposed Water Cubic Metre Charge	Previously Approved Water cubic metre Charge	Proposed Sewer Cubic Metre Charge	Previously Approved Sewer Cubic Metre Charge
2017	\$1.17	\$1.17	\$1.02	\$1.02
2018	\$1.20	\$1.22	\$1.20	\$1.02
2019	\$1.23	\$1.23	\$1.40	\$1.03
2020	\$1.26	\$1.23	\$1.60	\$1.07
2021	\$1.29	\$1.23	\$1.80	\$1.07
2022	\$1.31	\$1.23	\$2.00	\$1.07
2023	\$1.34	\$1.23	\$2.10	\$1.07
2024	\$1.37	\$1.23	\$2.20	\$1.07
2025	\$1.41	\$1.23	\$2.30	\$1.07
2026	\$1.44	\$1.23	\$2.40	\$1.07
2027	\$1.47	\$1.23	\$2.50	\$1.07

The new proposed structure is better aligned to the principle that the base charges pay for the ongoing capital requirements of the system (basically regardless of how much is used we need a system in place to respond at a moment's notice) and the usage charge should pay for the ongoing treatment of the water that is being used. Basically the premise of the more water you use the more you pay.

The rate structure outlined above has reduced the almost 10% increase each year for the next 3 years under the current plan to an increase closer to 5% and then a more reasonable 2% - 3% inflationary increase over the remainder of the 10 years. The following chart outlines what an average monthly bill will be based on a yearly consumption of 250 cubic metres per year:

Year	Proposed Rates	Previous Approved
2017	\$100.65	\$100.65
2018	\$105.58	\$110.16
2019	\$110.86	\$121.08
2020	\$116.53	\$133.16
2021	\$123.42	\$137.15
2022	\$130.19	\$141.27
2023	\$134.94	\$145.51
2024	\$138.78	\$149.87
2025	\$142.25	\$154.37
2026	\$146.05	\$159.00
2027	\$149.70	\$163.77

The above amounts under previously approved assumed a 3% inflationary increase per year after 2020.

The following chart outlines how our new proposed rates compare to our neighbours:

2018

Municipality	Water		Sewer		Total Bill (250 m3)
	Base Charge	Rate/ m3	Base Charge	Rate/ m3	
Quinte West	\$20.50	\$1.20	\$35.00	\$1.20	\$105.50
Belleville	\$28.52	\$1.73	\$21.39	\$1.30	\$112.98
PEC	\$29.30	\$2.28	\$41.19	\$3.10	\$182.57
Port Hope	\$10.56	\$1.83	\$12.38	\$2.29	\$108.57

Belleville's numbers are their 2017 rates. They have not approved rates for 2018 as of yet.

2019

Municipality	Water		Sewer		Total Bill (250 m3)
	Base Charge	Rate/ m3	Base Charge	Rate/ m3	
Quinte West	\$21.00	\$1.23	\$35.00	\$1.40	\$110.79
Belleville	\$28.52	\$1.73	\$21.39	\$1.30	\$112.98
PEC	\$30.26	\$2.44	\$42.05	\$3.37	\$193.35
Port Hope	\$11.61	\$1.86	\$14.72	\$2.37	\$114.25

Belleville's numbers are their 2017 rates. They have not approved rates for 2018 as of yet.

2020

Municipality	Water		Sewer		Total Bill (250 m3)
	Base Charge	Rate/m3	Base Charge	Rate/m3	
Quinte West	\$22.00	\$1.26	\$35.00	\$1.60	\$116.58
Belleville	\$28.52	\$1.73	\$21.39	\$1.30	\$112.98
PEC	\$31.26	\$2.61	\$42.94	\$3.58	\$203.16
Port Hope	\$12.75	\$1.89	\$17.50	\$2.42	\$120.04

Belleville's numbers are their 2017 rates. They have not approved rates for 2018 as of yet.

As you can see from the comparisons above our new rate structure is in line with our neighbours and as Belleville continues to have yearly increases they will likely be at least equal to if not higher than your new proposed rates.

In the past we have received a number of concerns under the current structure that the base charges are increasing significantly and therefore even if our users conserved water they could not reduce their bills. This new structure ensures we have enough funds on an ongoing basis for capital and allows our users the option of conserving water to help them reduce or at least keep their monthly bills from increasing.

In order to ensure additional conservation by our users does not adversely affect our rate structure moving forward staff has included a conservation factor into our consumption data to ensure we have allowed for this moving forward.

In addition to the above proposed structure staff is proposing that while a new by-law be approved for the next 10 years that these rates be reviewed at least once every 5 years in conjunction with the City's provincial licencing renewals which

are required every 5 years. In order for the licences to be renewed the City must provide a 5 and 10 year capital, operating and rate forecast to the province that must be approved by Council.

Staff is therefore recommending that when this is done Council also reviews and potentially adopts a revised rate structure at that time. This will ensure that our rate structure will keep up with any changes (up or down) as we move forward.

2018 Proposed Capital plan:

The following section outlines the proposed capital projects for 2018 for the City's water and sewer areas.

Water:

Staff has proposed water related projects totaling \$2,175,465. These projects include equipment upgrades at the plants and fleet. In addition, the replacement of a number of old and deteriorating pipes in Trenton as well as the looping of the watermain on Parry drive and the continuation of the city's water metre automation project.

In total the full \$2,175,465 can be funding through various water capital reserves, therefore eliminating the need to take on any debt financing in the water area in 2018.

Wastewater:

Total projects being proposed for wastewater totals \$5,797,857 million. As with water these projects include upgrades to the fleet and facilities and continuing inspections of sewer lines throughout the City. The budget includes \$4,000,000 for the first phase of the twinning of the forcemain across the Trent River, twinning of the main through Centennial Park and the upgrades to the Dundas Pumping station. This \$4 million will be debt financed as part of our long term financing plan.

In addition other projects include work on Creswell and MacLellan Street and a new equipment storage building at the wastewater treatment plant in Trenton.

All of the projects except the \$4 million for the river crossing will be funded from our capital reserves.

Summary:

As outlined above staff have completely revisited and rebuilt the water and sewer 10 year capital plan based on the needs of today and as such have been able to propose a revised rate structure which will still cover our needs with only limited use of debt and still allow our residents the ability to conserve water to help them reduce their monthly water bills.

In addition in order to allow enough time for staff to send notices to residents of these revised increases staff are proposing that the 2018 rates take affect March 1st and then we revert back to a January 1st adjustment for future years.