



## STAFF REPORT TREASURY DEPARTMENT

**Prepared for Council:** December 11<sup>th</sup>, 2013

**Agenda Date:** December 17<sup>th</sup>, 2013

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**SUBJECT:**

Sydenham Water Works – Rates and Capital Replacement

**ANALYSIS:**

At the December 10<sup>th</sup> Committee of the Whole meeting, Council directed staff to update the presented premium paid for non-users of the system to reflect 2014 to 2016 increasing premiums from \$20 to \$30.

Further, attached is the power point presentation including all slides for Council's review.

**RECOMMENDATION:**

That council receive this report for information and direct staff to schedule an open house on Tuesday, February 11<sup>th</sup>, from 6-7 pm. The date and time of the meeting will be communicated to all water account owners through the December billing as well as newspaper, website and signage advertising.

**Submitted/approved by:**  
Louise Fragnito, Treasurer

**Prepared by:**  
Louise Fragnito, Treasurer

# Sydenham Water Rates

Background and where we are today.

## Background

- In July 2006, the Sydenham water plant was put into operation.
- The cost of the original plant was \$7,763,593.

This was funded through:

Ontario Government	2,520,106
Federal Government	2,394,993
Limestone School Board	695,000
Residents	1,386,890
Future Growth Liability	543,000
Municipal Share	123,604

## Background (continued)

- At that time, monthly rates were set, and remain, as follows per dwelling unit equivalent:

Base rate for non-exempt	\$ 41.76
Base rate for exempt (3 properties)	37.26
Consumption rate/m <sup>3</sup>	0.25

## Background (continued)

- In 2009, there was an upgrade to the Sydenham Water plant totalling \$1,435,002. This was funded through:

Ontario Government	473,333
Federal Government	473,333
Municipal Share	488,336

- The municipal share was funded through the Township Working Fund reserve.

## Legislation

- Originally the Sustainable Water and Sewage Act required municipalities that provide water to the public to implement a full cost accounting and full cost recovery including operating, replacement and improvement costs.
- This legislation has since been replaced with Water Opportunities Act 2010 which requires municipalities to develop sustainability plans.
- The Safe Drinking Water Act, regulation 453/07 also requires municipalities to provide financial plans covering a minimum of 6 years with the renewal of their license. The Township will be required to do so in the spring of 2014.
- This combined legislation seeks to introduce the principle that having the consumer pay the full cost of providing water will promote greater awareness of water protection and water conservation.

## Current Financials

- For the majority of the last few years, the Township has had to draw from reserves for the operations of the plant to breakeven.
- As a result, funds are not being set aside for the future capital requirements of the plant and the existing reserves are being depleted to cover increasing operational costs.

## Review of Rates

- Through several meetings with Council, rates scenarios were discussed to bring the plant to a sustainable level while being aware of affordability.
- The rates were reviewed under 3 components
  - Capital costs
  - Fixed operational costs
  - Volumetric operational costs

## Review of Rates (continued)

- Capital costs were set to match the current depreciation on the Water Plant. This provides a good indication of the minimum funds that should be set aside for the future capital requirements of the plant.
- Fixed operational costs include communication, insurance and contracted services (Utilities Kingston)
- Volumetric operational costs consist largely of hydro cost.

## Review of Rates (continued)

- Direction received from council spoke to:
  - Phasing increases over 3 years
  - Differentiating consumption rates between the classes of users
- There are two classes of users:
  - Residential including multi-residential units
  - Industrial, Commercial and Institutional

## Proposed Rates

- The proposed rates take the volumetric costs and shift the consumption rate by applying 25% of the costs to residential and 75% to the commercial/institutional/industrial class.
- The base rate includes 18m<sup>3</sup> before any further charges are added for consumption
- Additional consumption beyond the 18m<sup>3</sup> would be billed at 0.40/m<sup>3</sup> for residential and 1.50/m<sup>3</sup> for commercial/institutional/industrial
- A yearly 2% inflation on rates has been applied within the fixed and volumetric operating as well as the consumption rate. By 2017, a 2% inflation rate is also applied to the capital component.

## Proposed Rates (continued)

- Under this mechanism, monthly rates per DUE would be as follows for residential:

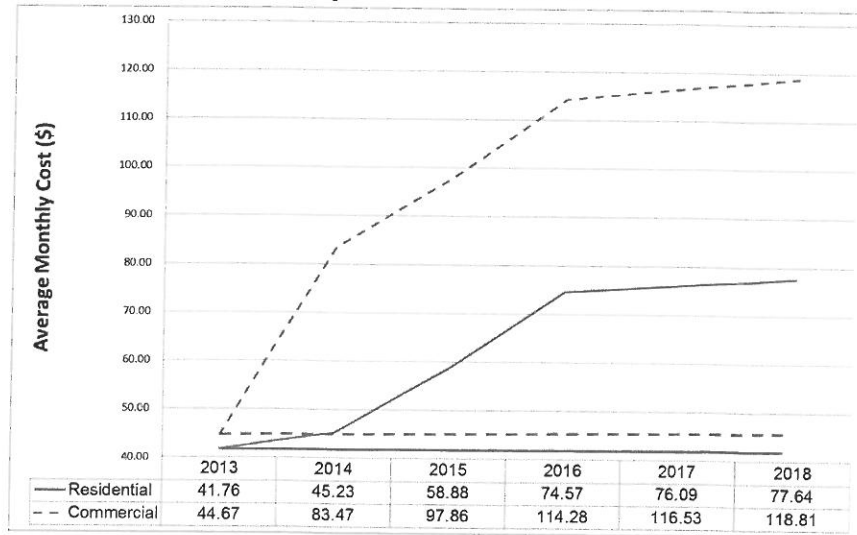
	2013	2014	2015	2016	2017	2018
<b>Component</b>						
Capital	4.69	7.00	16.00	31.00	31.65	32.28
Operating costs	37.07	38.23	42.88	43.57	44.44	45.36
Total base rate	41.76	45.23	58.88	74.57	76.09	77.64
Volumetric rate/m <sup>3</sup>	0.25	0.40	0.41	0.42	0.43	0.44
Volumetric cost based on average consumption	0.00	0.00	0.00	0.00	0.00	0.00
Total average monthly costs	41.76	45.23	58.88	74.57	76.09	77.64

## Proposed Rates (continued)

- Under this mechanism, monthly rates per DUE would be as follows for Commercial/Institutional/Industrial:

Component	2013	2014	2015	2016	2017	2018
Capital	4.69	7.00	16.00	31.00	31.65	32.28
Operating costs	32.57	58.01	63.04	64.09	65.32	66.60
Total base rate	41.76	65.01	79.04	95.09	96.97	98.88
Volumetric rate/m <sup>3</sup>	0.25	1.50	1.53	1.56	1.59	1.62
Volumetric cost based on average consumption	2.91	18.46	18.82	19.19	19.56	19.93
Total average monthly costs	44.67	83.47	97.86	114.28	116.53	118.81

## Proposed Rates



## Financial Forecast

	Forecasted					
	2013	2014	2015	2016	2017	2018
Rate revenues	187,105	234,278	293,362	361,132	368,389	375,775
Rent	2,600	2,400	2,400	2,400	2,400	2,400
Miscellaneous revenues	1,776	1,500	1,500	1,500	1,500	1,500
Transfer from Reserve	0	0	0	0	0	0
<b>Total Revenues</b>	<b>191,481</b>	<b>238,178</b>	<b>297,262</b>	<b>365,032</b>	<b>372,289</b>	<b>379,675</b>
Materials/Supplies	600	612	624	637	649	662
Communications	7,729	7,961	8,200	8,446	8,700	8,961
Utilities	31,292	32,074	32,876	33,698	34,540	35,404
Professional and Consulting	6,329	6,456	6,585	6,716	6,851	6,988
Contracted Services	127,500	130,050	132,651	135,304	138,010	140,770
Insurance	25,275	25,781	26,296	26,822	27,359	27,906
Capital Expenses	0	3,500	7,700	26,300	31,680	11,860
<b>Total Expenses</b>	<b>198,725</b>	<b>202,934</b>	<b>207,232</b>	<b>211,623</b>	<b>216,109</b>	<b>220,691</b>
Annual Surplus/(Deficit) to/from reserve	-7,245	35,244	90,030	153,409	156,181	158,985
Reserve Balance	321,822	357,066	447,096	600,505	756,686	915,670
Accumulated Depreciation	963,945	1,129,368	1,294,791	1,460,214	1,625,637	1,791,060



## Proposed Rates-non usage

- Currently there are 101 out of 282 accounts that either have no meter or no consumption on a monthly basis
- Council's direction is to implement an additional premium per DUE for non-usage unless the property has been exempted. The premium would be as follows:

2014	2015	2016
\$20	\$25	\$30

- The amount of increased users as well the associated costs and revenues will be reviewed on an annual basis.
- The monthly base rate on these accounts would be:

	2014	2015	2016
Residential	65.23	83.88	104.57
Commercial/Industrial/Institutional	103.47	122.86	144.28

- The revenue forecast does not factor in this additional premium.

## Future Reviews

- A yearly review of rates will be undertaken during budget
- A formal review will take place in late summer or early fall every 3 years, with a presentation to Council.