

The Corporation of the Town of



SPECIAL COUNCIL MEETING AGENDA

Held on Tuesday, April 28, 2020 at **1:00 PM**

Via Teleconference Toll Free: 1-833-311-4101

Access Code: 791 638 716

1	Call Meeting to Order
2	Disclosure of Pecuniary Interest & General Nature Thereof
3	Public Question / Comment (Only Addressing Reports on the Agenda)
4	Presentations
	1. DFA Infrastructure International Inc. – Water and Wastewater Rate Review Principles and Rate Structure Workshop
5	Staff Report
	Melanie Kirkby, Treasurer
	Council-FIN-2020-11 – Water Rate Study Interim Report
6	Confirmation By-law
	By-law No. 2020-050 – Confirm the proceedings of Council for the Special Meeting held on Tuesday, April 28, 2020 (3 Readings)
7	Questions from the Media
8	Next Meeting – Tuesday, May 5, 2020
9	Adjournment

Town of Gananoque

Water and Wastewater Rate Review Principles and Rate Structure Workshop

Presentation to Council

April 28, 2020



DFA Infrastructure International Inc.

Agenda

- Part 1 – Review of Rate Principles and Structures
- Part 2 – Review Current Rate Structure
- Part 3 - Review of Costs and Cost Recovery Options
- Part 4 – Evaluate Options and Customer Impacts
- Part 5 – Next Step/Questions

Purpose of Water & Wastewater User Rate Review

DFA Infrastructure International Inc. was retained by the Town to:

- Identify the full costs of Town's W&WW systems
- Present W&WW cost recovery/rate structure options available to the Town, including the current method of cost recovery
- Develop W&WW rates to achieve and sustain full cost recovery, and assess and evaluate rate structure options
- Solicit direction from Council on preferred rate structure option and rates

Purpose of Workshop

- Present principles and potential rate structures for discussion
- Identify/confirm structure to be considered in user rate review
- Review costs, rates and customer impacts
- Discuss next steps/including timelines

Current Situation

- Unorthodox Rate Structure employed by the Town
- Limited financing resources available to fund necessary infrastructure renewal
- No predictable source of new funding for infrastructure
- Current structure requires significant administration



PART 1

Review of Rate Principles and Structures

Guiding Principles

- **Full Cost Recovery**
 - recover all system costs (life cycle)
- **Promote Conservation**
 - reduce wasteful uses/encourage water conservation
- **Fair & Equitable**
 - does not unduly favour one class of ratepayer over another
- **Ease of Administration**
 - easy to understand/minimize administrative effort & costs

Guiding Principles

- **Rate/Revenue Stability**
 - minimize swings in the rates from year to year
 - maximize revenue predictability
- **Affordable/Minimize Shifts in Burden**
 - should consider impact on various ratepayers
 - phase in changes to minimize impact
- **Defensible**
 - must be transparent and defensible
- **Support Economic Development**
 - promote commercial/industrial growth

NOTE: Trade offs will be required

Rate Structure Options


Structure	Description
Fixed Fee	A single flat fee that applies to all customers
Uniform Charge	Constant volumetric charge that applies to all customers
Uniform (with Base Charge)	Constant volumetric charge and base charge (the most common in Ontario)
Declining Block	Volumetric charge that decreases as water use increases
Increasing Block	Volumetric charge that increases as water use increases

Evaluation of Rate Structures

Principles Rate Structures	Flat Fee	Uniform Charge	Uniform (with Base Charge)	Declining Block	Increasing Block
Full Cost Recovery	✓	✓	✓	✓	✓
Promote Conservation	✗	✓	✓	✗	✓
Fair & Equitable	✗	✓	✓	✗	✗
Ease of Administration	✓	✓	✓	✗	✗
Rate/Revenue Stability	✓	✗	✓	✓	✗
Affordable/Minimize Shifts in Burden	✗	✓	✓	✓	✓
Defensible	✗	✗	✓	✗	✗
Support Economic Development	✗	✗	✓	✓	✗

Discussion of Principles and Structures

- There is no single rate setting approach or rate structure employed by municipalities in Ontario
- The adoption of any rate setting approach or rate structure should be based on sound policies and principles
- The right balance needs to be struck to meet the priorities of Council



PART 2
Review of Current Rate Structure

2020 Rates and Charges

Meter Size	Meter Ratio	Water Charge (Quarterly)	Wastewater Charge (Quarterly)
5/8"	1.00	\$ 14.60	\$ 0.75
3/4"	1.10	\$ 16.06	\$ 0.83
1"	1.60	\$ 23.36	\$ 1.20
1 1/2"	2.80	\$ 40.88	\$ 2.10
2"	4.60	\$ 67.16	\$ 3.45
3"	4.80	\$ 70.08	\$ 3.60
4"	13.20	\$ 192.72	\$ 9.90
Rural		\$ 29.20	\$ 1.50
Additional unmetered units		\$ 14.60	\$ 0.75
Outside area consumer charge		\$ 385.44	\$ 19.80
Volumetric Charge (per Cubic Metre)		\$ 1.60	\$ 1.60

Capital Replacement Fixed Charge (Quarterly)	Water & Wastewater
Annual Consumption less than 1,000 cubic metres	\$ 197.56
Annual Consumption greater than 1,000 cubic metres	\$ 395.11
Additional unmetered units	\$ 197.56

Current Rate Structure

- Capital Replacement Fixed Charge dedicated to funding Capital Needs (amount based on whether consumption exceeds 1,000 cubic meters per year)
- Volumetric Rates and Base Charges dedicated to funding Operating Needs (Base charge is based on meter size)
- Current structure requires significant administration



PART 3

Review of Costs and Cost Recovery Options

Current Customers

2020 Projected Customers and Consumption		
Meter Size	Customers	Consumption
5/8	2,095	255,651
3/4	54	14,774
1	40	23,385
1 1/2	35	59,358
2	18	46,493
3	4	39,015
4	1	1,250
Additional Unmetered Units	114	-
Total	2,361	439,926

Water System (Full Cost)

Cost Component	2020 Budget
Net Operating	\$ 852,904
Capital	\$ 470,516
Total	\$ 1,323,420

Wastewater System (Full Cost)

Cost Component	2020 Budget
Net Operating	\$ 711,307
Capital	\$ 1,426,009
Total	\$ 2,137,316

Cost Recovery Options to be Considered

- Base Option – Current Method (Operating costs recovered from Volumetric Rates and Base Charges, with capital costs being recovered from Capital Charges)
- Option 1 – Elimination of the Capital Charge, with Operating costs now being recovered from Volumetric Rates only, and capital costs now being recovered from Base Charges
- Option 2 – Same as Option 1, except AWWA* recommended meter ratios will replace the current meter ratios used by the Town to allocate capital costs

* American Water Works Association – Internationally recognized experts in water and wastewater systems management and operations



PART 4

Evaluate Options and Customer Impacts

Observations of Rate Options

NOTE: All Options will generate the same level of total rate revenues from customers, with only a reallocation of costs recovery among customers

- Options 1 and 2 will see a greater increase in the Volumetric rate as the Base Charge will no longer be used in funding operating needs under these Options
- Due to the elimination of the Capital Charge in Options 1 and 2, these Options will see a significant increase in the Base Charges
- Customers with larger meters will see a higher Base Charge under Option 2 than Option 1 (AWWA meter ratios are larger than those currently used by the Town)

Meter Ratios

Meter Size	Current Meter Ratios	AWWA Recommended Meter Ratios
5/8"	1.00	1.00
3/4"	1.10	1.50
1"	1.60	2.50
1 1/2"	2.80	5.00
2"	4.60	8.00
3'	4.80	9.00
4"	13.20	30.00

Projected Water Rates

Water Base Charge Rates (Quarterly)			
Meter Size	Base Option 2020	Option 1 2020	Option 2 2020
5/8	\$ 14.60	\$ 46.21	\$ 42.39
3/4	\$ 16.06	\$ 50.83	\$ 63.58
1	\$ 23.36	\$ 73.93	\$ 105.97
1 1/2	\$ 40.88	\$ 129.38	\$ 211.94
2	\$ 67.16	\$ 212.56	\$ 339.11
3	\$ 70.08	\$ 221.80	\$ 381.50
4	\$ 192.72	\$ 609.96	\$ 1,271.66
rural	\$ 29.20	\$ 92.42	\$ 84.78
additional unmetered units	\$ 14.60	\$ 46.21	\$ 42.39

Water Consumption Charge Rates			
Rate	Base Option 2020	Option 1 2020	Option 2 2020
Per cubic metre	\$ 1.60	\$ 1.95	\$ 1.95

Water Capital Charge Rates (Quarterly)			
Customer	Base Option 2020	Option 1 2020	Option 2 2020
Users of Annual Consumption greater than 1,000 m3	\$ 98.78	\$ -	\$ -
Users of Annual Consumption less than 1,000 m3	\$ 49.39	\$ -	\$ -
additional unmetered units	\$ 49.39	\$ -	\$ -

Projected Wastewater Rates

Wastewater Base Charge Rates (Quarterly)			
Meter Size	Base Option 2020	Option 1 2020	Option 2 2020
5/8	\$ 0.75	\$ 140.05	\$ 128.47
3/4	\$ 0.83	\$ 154.05	\$ 192.70
1	\$ 1.20	\$ 224.07	\$ 321.17
1 1/2	\$ 2.10	\$ 392.13	\$ 642.35
2	\$ 3.45	\$ 644.21	\$ 1,027.75
3	\$ 3.60	\$ 672.22	\$ 1,156.22
4	\$ 9.90	\$ 1,848.61	\$ 3,854.08
rural	\$ 1.50	\$ 280.09	\$ 256.94
additional unmetered units	\$ 0.75	\$ 140.05	\$ 128.47

Wastewater Consumption Charge Rates			
Rate	Base Option 2020	Option 1 2020	Option 2 2020
Per cubic metre	\$ 1.60	\$ 1.63	\$ 1.63

Wastewater Capital Charge Rates (Quarterly)			
Customer	Base Option 2020	Option 1 2020	Option 2 2020
Users of Annual Consumption greater than 1,000 m3	\$ 297.09	\$ -	\$ -
Users of Annual Consumption less than 1,000 m3	\$ 198.06	\$ -	\$ -
additional unmetered units	\$ 148.55	\$ -	\$ -

Customer Impacts

2020 Customer Charge			Impact on Customers			
			2020 Option 1		2020 Option 2	
Rate Category	Annual Volumes (M3)	Base Option Annual Charge	Option 1 Annual Charge	% Change over Base Option	Option 2 Annual Charge	% Change over Base Option
5/8" Meter (low volume residential)	60	\$ 1,045	\$ 960	-8.2%	\$ 898	-14.1%
5/8" Meter (average volume residential)	120	\$ 1,237	\$ 1,174	-5.1%	\$ 1,113	-10.1%
5/8" Meter (high volume residential)	240	\$ 1,621	\$ 1,603	-1.1%	\$ 1,542	-4.9%
2" commercial	2500	\$ 9,866	\$ 12,368	25.4%	\$ 14,408	46.0%
3" commercial	5000	\$ 17,878	\$ 21,457	20.0%	\$ 24,032	34.4%



PART 5
Next Steps and Questions



G NANOQUE
Council Report – FIN-2020-11

Date: April 28, 2020

IN CAMERA

Subject: Water Rate Study Interim Report

Author: Melanie Kirkby, Treasurer

OPEN SESSION

RECOMMENDATION:

BE IT RESOLVED THAT THE COUNCIL OF THE TOWN OF GANANOQUE APPROVE OPTION _____, REGARDING THE 2021 CAPITAL RATE FEE, AS PRESENTED IN COUNCIL REPORT FIN-2020-11.

RECOMMENDATION:

BE IT RESOLVED THAT THE COUNCIL OF THE TOWN OF GANANOQUE APPROVE OPTION _____, REGARDING THE 2021 WATER / WASTEWATER METER RATIOS, AS PRESENTED IN COUNCIL REPORT FIN-2020-11.

STRATEGIC PLAN COMMENTS:

Sector 2 – Infrastructure / Environment – Strategic Initiative #1 – Assess the Town’s current infrastructure to ensure sufficient capacity exists to support future growth.

Sector 3 – Financial Sustainability – Strategic Initiative #1 – Ensure that Gananoque is and remains an affordable place to do business and raise a family.

BACKGROUND:

For several years during the annual budget deliberations Councils have questioned the Water / Wastewater Rates, the billing methodology and how to adequately fund the Water & Wastewater System.

The Town Auditors have been recommending undertaking an updated Water Rate Study. There was a study commissioned in 2012, but the recommendations were not implemented and the projected revenues were not realized.

In the 2019 Capital Budget, Council approved \$50,000 to hire a consulting firm to undertake a Water / Wastewater Rate Study.

RFP UTIL-2019-02 for a Water / Wastewater study closed on October 7, 2019 and the proposal was awarded to DFA Infrastructure International.

INFORMATION/DISCUSSION:

Since the contract was awarded to DFA, staff has held virtual meetings with the consultants. The Consultants have reviewed the current rate methodology, the operating costs, the 10-year Capital forecast, current and forecasted customer statistics.

At this point in the project, DFA are looking for guidance from Council as to which routes Council would prefer to achieve appropriate funding levels. DFA staff have prepared a presentation for Council to review. The feedback from Council will be incorporated in the Final Study Report.

The 2 primary questions that Staff / DFA are asking are;

1. Whether to continue with separate operating and capital charges or fund operating from consumption and capital from a flat fee?
2. Whether to continue with the current meter ratios or move toward or implement AWWA ratios?

The results of the Rate Study will be the foundation of the Water / Wastewater Rates and Revenue Budgets for 2021 - 2025.

The Town of Gananoque must apply for the Provincial License to Provide Municipal Drinking Water by February 2021. The application is required on a 5 year cycle, and must be accompanied by a Financial Plan that demonstrates that the Water System is Financially Sustainable.

The first issue where Staff / DFA are looking for a consensus is the capital flat rate fee.

In 2016, the flat rate fee for capital was separated from the operating flat rate fee. Staff and Council felt that it was a more transparent fee system, similar to Hydro, as it allowed the customer to see what percentage of the bill funds operating vs capital.

The Manager of Public Works at that time, recommended that the capital fee be charged at rate levels, 1 for users of less than 1000m³ per year and double that rate for consumers of more than 1000 m³ per year. The capital rate each year is calculated by dividing the capital requirement by the weighted number of customers.

Currently the Operating expenses are funded by consumption fees and flat rate operating fees. Capital is funded through flat rate fees.

DFA are recommending that going forward, the operating expenses be funded through consumption fees and capital expenses be funded through flat rate fees. This decision is also impacted by the meter ratio decision, because the capital rate fees would no longer be based on consumption, but by meter ratio.

Council consensus regarding operating and capital funding methodology is required:

Option 1 – Continue to fund through consumption fees, operating flat rate fees and capital flat rate fees.

Option 2 – Fund operating expenses through consumption fees and capital expenses from meter ratio flat rate fees.

The second issue where staff / DFA are looking for a consensus is the Utility Billing Methodology.

There are many drastically different methodologies used to allocate Water / Wastewater System Costs.

Some Municipalities use flat rate charges, which simply divides the cost by the number of customers. This eliminates the need for water meters and reading, however there is no incentive to conserve water.

Some Municipalities charge different rates for residential vs commercial or industrial customers. Which customer is subsidized depends on that Council's priorities. Some may prefer to subsidize residential customers by charging higher rates to commercial / industrial. Some prefer to encourage economic development by offering reduced rates for higher use, i.e. commercial and residential customers, to the cost of residential customers.

Some municipalities allow a set amount of water consumption, which is included in the flat rate fees and only bill for consumption above the allotment.

The current Town meter size ratios have been in effect for many years. Staff have not been able to find any documentation regarding how they were initially calculated; they have just been standard practice.

DFA has discussed with staff that the majority of Water systems in North America use ratios described as AWWA, (American Water Works Association). As detailed in the presentation, the AWWA ratios are significantly higher than those currently adopted in Gananoque. AWWA ratios would shift a greater portion of the system costs to the larger meters, which are usually commercial. As these shifts are radical, staff are recommending that the shift be phased in over a 5-year timeframe.

Council consensus regarding meter ratios is required:

Option 1 – Keep the existing ratios.

Option 2 – Phase in the AWWA ratios over a 5 year timeframe (Recommended).

Option 3 – Adopt the AWWA ratios in 2021.

APPLICABLE POLICY/LEGISLATION:

Sustainable Water and Sewage Systems Act, 2002
Safe Drinking Water Act, 2002 (Ont Reg 453/07)

FINANCIAL CONSIDERATIONS:

As described

CONSULTATIONS:

Don Richards, Superintendent of Utilities
Paul McMunn, Manager of Public Works

ATTACHMENTS:

None.

<p>APPROVAL</p>	<p>_____</p> <p>Melanie Kirkby, Treasurer</p> <p>Certifies that unless otherwise provided for in this report the funds are contained within the approved Budgets and that the financial transactions are in compliance with Council's own policies and guidelines and the <i>Municipal Act</i> and regulations.</p> <p>_____</p> <p>Shellee Fournier, CAO</p>
------------------------	---



MOTION / RESOLUTION OF COUNCIL

Date: April 28, 2020	
Subject: Confirming By-law – April 28, 2020	
Moved By:	
Seconded By:	
<p>BE IT RESOLVED THAT THE COUNCIL OF THE TOWN OF GANANOQUE PASS BY-LAW NO. 2020-050, BEING A BY-LAW TO CONFIRM THE PROCEEDINGS OF COUNCIL AT ITS SPECIAL MEETING HELD ON APRIL 28TH, 2020, BE READ THREE TIMES AND FINALLY PASSED THIS 28TH DAY OF APRIL 2020.</p>	

Ayes _____ Nays _____

Carried: _____

Defeated: _____

Tabled/Postponed: _____

Ted Lojko, Mayor

MA s. 246 - When a recorded vote is requested, the Clerk will call for each Councillors vote (Aye or Nay), mark the recorded vote as indicated by the member, and announce whether the motion is carried or defeated. The Mayor will then sign the motion.

RECORDED VOTE:	Aye	Nay
Anderson, D.		
Haird, A.		
Harper, M.		
Kench, M.		
O'Connor, D.		
Osmond, D.		
Lojko, T.		
TOTALS		