



Subject: 2022 Rates Setting

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2021-312

Meeting Date: December 6, 2021

Recommendation:

That Corporate Services Department Report 2021-312, **BE RECEIVED**;

That Council approve a 0% increase to the 2022 Water and Wastewater Rates; and

That the 2022 Storm Sewer Rates as outlined on page 5 of Corporate Services Department Report 2021-312, **BE APPROVED**.

Purpose:

The purpose of this report is to present the proposed 2022 water, wastewater and storm sewer rates to the Budget Committee of the Whole.

A separate report has been prepared and presented to the Committee of the Whole – Budget entitled, 2022 Rates Budget Report 2021-311, to establish water, wastewater and storm sewer budgets.

Background:

The City of Port Colborne (the “City”) water and wastewater system is operated under a two-tier municipal governance model. The Niagara Region is responsible for cleaning and providing drinking water and treating all wastewater. The City is responsible for water distribution and wastewater collection. The City is also responsible for billing, retains all collection risk and, except for some shared volume risk with water, is responsible for the risk associated with volume under or over usage from budget.

The Niagara Region bills the municipality for all water that leaves their water plant and for all wastewater that enters the treatment plant. As noted in the report, 2022 Rate Budgets, Report 2021-311, water billed in 2021 is projected at 68.4% suggesting a

31.6% water loss rate. Directionally this figure should be closer to 15%. In the same report it can be identified the amount of wastewater that is sent to the Niagara Region treatment plants is approximately double the amount of clean drinking water purchased. These figures identify the current linear assets (the pipes) transporting water and wastewater are in need of significant investment. These issues, coupled with the capital investment required, are the most significant drivers of the water and wastewater rates within the City.

In 2019, Council approved a Storm Sewer fee that applies to all properties in the Urban Storm Sewer boundary. This boundary was adjusted retroactively at the November 22, 2021 Council meeting by way of a report titled, Proposed Adjustment to the Urban Storm Sewer Boundary, Report 2021-302.

The City storm sewers alleviate storm water from the City. An effective storm sewer system can help reduce inflow and infiltration (I&I) in the wastewater system.

Discussion:

The 2022 Rates Budget, Report 2021-311 translates into the following impacts on rates.

Rate Budget Impact

Water and Wastewater

If the proposed 2022 Rates Budget and 2022 Rates Setting reports are approved as presented, the water and wastewater impact to a single-family property will be:

	\$ Change	% Change
Water	Zero	Zero
Wastewater	Zero	Zero
Blended/Combined	Zero	Zero

Storm Sewer

If the proposed 2022 Rates Budget is approved as presented, the storm sewer impact to a single-family property is \$11.55 which represents a 10% increase over the prior year.

Water and Wastewater

In 2021 a number of changes to the water and wastewater billing process occurred:

- Monthly billing was introduced.
- A \$25 credit for signing up for Pre-Authorized Payment was introduced.
- Ability to pay on-line by credit card was introduced.
- A guaranteed income supplement grant of \$244 was implemented for wastewater charges.

- Residential wastewater charges were moved to a fixed access charge vs. a fixed plus water usage charge.
- Introduced new information to help explain water and wastewater in the City of Port Colborne. The information can be found on the City's website at the following link: [Water and Wastewater - City of Port Colborne](https://www.portcolborne.ca/en/living-here/water-and-wastewater.aspx) (<https://www.portcolborne.ca/en/living-here/water-and-wastewater.aspx>).

In 2022, staff propose the following additional changes:

- Apply the annual fixed charges of water and wastewater on a prorated monthly basis instead of a prorated daily basis. This will result in the same fixed charge each month instead of the fixed charges changing month to month based on the number of days in a month. This change will occur on the December 2021 billing that will be received by water and wastewater users in January 2022.
- As identified in the 2022 Rates Budget report staff are proposing a \$25 incentive for users to move their City billings online rather than receiving a mailed bill. In the same report, staff have proposed maintaining the \$25 credit for new Pre-Authorized Payment enrolments.

The proposed rates are the same as the prior year and are as follows:

Variable			
			Rate per m3
Water (all meter types)			1.3074
Wastewater (5/8 to 3/4 residential meters)			0.0000
Wastewater (all non - 5/8 to 3/4 residential meter types)			1.8860
			3.1934
Fixed Rate			
Meter	Water	Wastewater	Combined
N 5/8 to 3/4 - Residential	\$ 379.72	\$ 1,002.38	\$ 1,382.09
N 5/8 to 3/4 - Non-Residential	\$ 379.72	\$ 738.03	\$ 1,117.74
N 1	\$ 531.60	\$ 1,033.24	\$ 1,564.84
N 1 1/2	\$ 683.49	\$ 1,328.44	\$ 2,011.94
N 2	\$ 1,101.18	\$ 2,140.28	\$ 3,241.46
N 3	\$ 4,176.88	\$ 8,118.29	\$ 12,295.17
N 4	\$ 5,316.03	\$ 10,332.36	\$ 15,648.40
N 6	\$ 7,974.05	\$ 15,498.55	\$ 23,472.59
N 8	\$ 11,011.78	\$ 21,402.75	\$ 32,414.53
N 10	\$ 15,188.66	\$ 29,521.04	\$ 44,709.70

The rates above will result in the average residential user with a 5/8 to 3/4 meter that uses 150 cubic meters of water per year paying \$131.52 per month. This compares to an average local area municipality rate of \$86.69 per month. This difference is primarily the result of inflow and infiltration in the wastewater system.

The chart below breaks down the monthly charge between water and wastewater:

	City of Port Colborne	Local Area Municipality Average
Water	\$47.98	\$37.64
Wastewater	\$83.53	\$49.05
Total	\$131.52	\$86.69

As identified above the monthly charge for wastewater is almost equal to the combined water and wastewater charge for the average local area municipality.

The primary reason for this is the inflow and infiltration in the wastewater system. The City is built on rock and along the lake and canal. When there is a weather event the wastewater system captures a significant amount of that water and sends it to the Niagara Region wastewater treatment plant to be cleaned. A salient fact is for every 1 litre of clean water individuals and business use in the City, the wastewater system collects and sends back to the Niagara Region 2.63 litres to be treated (based on the three-year average). The Niagara Region bills local area municipalities for treating that wastewater by taking the Niagara Region's total cost for the whole wastewater system and allocating those costs to each local area municipality based on the amount of wastewater each local area municipality sends to the Niagara Region treatment plants.

In 2021, the City of Port Colborne three-year average wastewater flow to Niagara Region wastewater facilities was 5.9% of all local area municipality wastewater flows. This is despite the fact the 2016 census shows that the City of Port Colborne has only 4.1% of the Niagara Region population. In making this comparison staff recognize not all individuals within the City and other cities within the Niagara Region are water and wastewater users. This comparison also does not factor in the impacts of different commercial and industrial activities within different cities. The comparison does directionally indicate the City's portion of Niagara Region wastewater charges are high compared to other municipalities. As identified in the 2022 Rates Budget report, the Niagara Region portion of the wastewater bill represents 70.94% of the total wastewater charge.

In response to the inflow and infiltration experienced in the wastewater system, Council directed staff to develop a long-term solution to water and wastewater rates. To do this staff are working to:

- Complete and update the City's asset management plan by June 2022 to meet Provincial planning and reporting obligations, including an infrastructure needs assessment of all linear assets.

- Based on the completion of the Infrastructure Needs Study, develop a five (5) year linear capital projects plan that incorporates all linear assets such as water, wastewater and storm sewer for recommended reconstruction and upgrades.

In addition to upgrading the infrastructure, growth within the City of Port Colborne, whether it be residential, commercial, or industrial can also be very impactful as it shares the cost of the system over more users.

Storm Sewer

As identified during the 2022 Capital and Related Project budget process a 10% increase to the storm sewer charge of a single-family property was forecasted and has been recommended in this report. This equals an \$11.55 year over year increase. During the same process it was identified staff were looking at the multiplier rates of other properties. The chart below shows proposed new multipliers and their related fees for non-single-family properties:

Bylaw Code	Property Type	Multiplier		Flat Fee Per Year (\$)	
		2021	2022	2021	2022
SS01	Single Family Properties	1	1	\$ 115.50	\$ 127.05
SS02	Multi-Residential 2 to 5 Units	1.75	3	\$ 202.13	\$ 381.15
SS03	Multi-Residential 6 to 10 Units	2.25	10	\$ 259.88	\$ 1,270.50
SS05	Institutional/Multi Res > 10 units	2.75	20	\$ 317.63	\$ 2,541.00
SS05 A	112 Charlotte St Condo 23 units	SS05 / Units	90% SS01	\$ 13.81	\$ 114.35
SS05 B	112 Sugarloaf St Condo 22 Units	SS05 / Units	90% SS01	\$ 14.44	\$ 114.35
SS05 C	72 Main St E Condo 31 Units	SS05 / Units	90% SS01	\$ 10.25	\$ 114.35
SS06	Small Commercial	1.75	5	\$ 202.13	\$ 635.25
SS07	Medium Commercial	2.25	10	\$ 259.88	\$ 1,270.50
SS08	Large Commercial	2.75	20	\$ 317.63	\$ 2,541.00
SS09	Light Industrial	3.75	10	\$ 433.13	\$ 1,270.50
SS10	Heavy Industrial	4.75	40	\$ 548.63	\$ 5,082.00
SS12	CNPI Owned	2.25	20	\$ 259.88	\$ 2,541.00
SS13	Hydro One Owned	2.25	20	\$ 258.88	\$ 2,541.00
SS15	Niagara Region	2.75	20	\$ 259.88	\$ 2,541.00

Council and users of this report will identify multipliers from an identified base exist in other municipal billing models such as property tax and water and wastewater. In the

storm sewer charge the multiplier base charge is a single-family property. Multipliers exist for a variety of reasons, some of which may include to:

- Account for usage, causation, impact and/or benefit.
- Acknowledge ability to pay and/or promote a degree of social equity.
- Encourage or discourage certain types of actions and/or activity.
- Acknowledge and/or normalize for other related or unrelated benefits or disadvantages.

During the 2021 rates setting discussion staff took direction to review multipliers recognizing that there was a perceived inequity in what a single-family property paid compared to other properties. Further, the general agreement that in order to fix storm water concerns and wastewater inflow and infiltration within the urban storm sewer boundary, capital funding is required to improve the storm sewer system.

In proposing the new multipliers staff looked to be consistent in the original approach of multiplier types and maintain the current groupings to maintain simplicity in the storm sewer billing model. This goal of simplicity was established at the outset of developing the Storm Sewer fee.

A range of multipliers being 5, 10, 20 are proposed for categories which could be considered along the lines of small, medium and large. These multipliers were derived using a multiplication factor for multi-residential properties that is equal to the highest number of units within a category up to a maximum of 20.

Ultimately, density in multi-residential developments is something staff recommends be encouraged and for that reason the proposed multiplier was capped at 20 for residential properties.

In making this recommendation staff acknowledge certain properties may have less than the maximum number of units within a category. As identified above multipliers can account for a variety of factors that can be rationalized separately and differently.

This said, in proposing this methodology staff do propose discounting the 2 to 5 multi-residential unit category back down to 3 from 5 (for example), recognizing the majority of properties in that category are anticipated to be duplex and/or triplex properties.

These small, medium and larger multipliers of 5, 10 and 20 have also been applied against commercial, other non-standard properties and industrial, the exception being that the industrial multiplier is recommended at twice the small and larger values of residential/commercial.

In the event a multi-residential building is organized as a condo with each unit having their own property tax bill, the methodology is recommended to be adjusted to 90% of a single-family property. This recommendation recognizes that everyone in the urban storm sewer boundary benefits from the storm sewer system although there may be some differential between a single-family property and condo owner. As in the

wastewater system, where a case was made (and approved) to move to a more access-based system, staff recommend a similar rationale here.

To support affordable housing within the City of Port Colborne, this report recommends exempting the following affordable housing units on a go forward basis that were previously charged a storm sewer fee:

- Niagara Region Housing
- Non-Profit Housing providers of Niagara Region Housing. A list of current providers includes:
 - Gilead Manor (303 Elgin Street, Port Colborne)
 - Port Colborne Co-operative Homes Inc. (10 Saturn Crescent, Port Colborne)
 - South Niagara Gateway Family Homes Corporation Inc. (340, 350, 372, 376, 380, 384 Wellington Street, Port Colborne)

To streamline the administration of the storm water fees, staff recommended the following properties also be exempt:

- City-owned properties, as the charge and payment are all within the same budget.
- Ministry of Transportation and Transport Canada properties subsequent to on-going billing and related partnership discussions.

Council and users of this report may endeavour to calculate the percentage changes in some of these categories. The number of properties impacted by a change in multiplier represent around 16%-17% of properties within the urban storm sewer boundary. While these percentage changes in insolation may appear large, for the majority of these properties this increase in absolute dollars represents less than the a given year's tax increase in absolute dollars.

Looking Forward

As identified on many occasions, "everyday is budget day" in a municipality. Corporate Services continues to identify continuous improvement is a process. Looking forward to 2022, staff identify the following activities, in addition to those identified during the 2022 Levy and Rates Budget processes, that will help determine the financial outcomes of the City going into the 2023 budget process:

- Review water and wastewater fixed charge equity between single family properties and other property classifications.
 - Review properties with significant and specified water, wastewater and storm sewer usage and discharge rights and associated fees regarding those rights.
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Internal Consultations:

As stated, Financial Services would like to thank Public Works for their leadership and support in setting the 2022 water, wastewater, and storm sewer rates.

Financial Implications:

Financial Services identifies the proposed 2022 water, wastewater, and storm sewer rates are a staff recommendation that Council can adjust, if required.

Public Engagement:

The timeline for the 2022 Rates Setting report was approved at the June 28, 2021 Council meeting. The 2022 Rates Setting report was published on the City's website on November 26, 2021 through the agenda process. The 2022 Rates Setting report will be considered by the Committee of the Whole – Budget on December 6, 2021. If approved by the Committee of the Whole – Budget, the 2022 Rates Setting report will be considered by Council on December 13, 2021.

Following the budget process, staff will continue to review service levels and operations. Should changed be requested or sought, staff will seek input and where necessary approval from Council.

Strategic Plan Alignment:

The initiatives contained within this report supports the following pillar(s) of the strategic plan:

- Service and Simplicity - Quality and Innovative Delivery of Customer Services
 - Attracting Business Investment and Tourists to Port Colborne
 - City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
 - Value: Financial Management to Achieve Financial Sustainability
 - People: Supporting and Investing in Human Capital
 - Governance: Communications, Engagement, and Decision-Making
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Conclusion:

Staff recommend Council approve the 2022 water, wastewater, and storm sewer rates identified in this report.

As there is no recommended change in the 2022 water and wastewater rates an update to the bylaw is not required. The storm sewer rates will be updated by way of the 2022 Property Tax Rates bylaw once tax policy decisions are finalized by the Niagara Region in early 2022.

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.