



**Subject: 2023 Rates Setting**

**To: Committee of the Whole - Budget**

**From: Corporate Services Department**

Report Number: 2022-247

Meeting Date: December 7, 2022

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**Recommendation:**

That the Committee of the Whole recommend to Council:

That Corporate Services Department Report 2022-247, **BE RECEIVED**;

That the 2023 Water and Wastewater Rates as outlined on page 3 of Corporate Services Department Report 2022-247, **BE APPROVED**; and

That the 2023 Storm Sewer Rates as outlined on page 5 of Corporate Services Department Report 2022-247, **BE APPROVED**; and

That the draft by-law attached as Appendix A of Corporate Services Report 2022-247 be brought forward to Council for consideration.

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**Purpose:**

The purpose of this report is to present the proposed 2023 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, 2023 Rates Budget Report 2022-246, to establish water, wastewater, and storm sewer budgets.

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**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, 2023 Rate Budgets, Report 2022-246, water billed in 2022 is projected at 64.0% suggesting a 36.0% 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.

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.

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## Discussion:

The 2023 Rates Budget, Report 2022-246 translates into the following impacts on rates.

### Rate Budget Impact

#### Water and Wastewater

If the proposed 2023 Rates Budget and 2023 Rates Setting reports are approved as presented, the water and wastewater impact to a single-family property will be:

	\$ Change	% Change
<b>Water</b>	\$46.07	8.00%
<b>Wastewater</b>	Zero	Zero
<b>Blended/Combined</b>	\$46.07	2.92%

#### Storm Sewer

If the proposed 2023 Rates Budget is approved as presented, the storm sewer impact to a single-family property is \$12.71 which represents a 10% increase over the prior year.

### Water and Wastewater

In 2022, a number of changes to the water and wastewater billing process occurred:

- The annual fixed charges of water and wastewater were applied on a prorated monthly basis instead of a prorated daily basis. This resulted 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.

- A \$25 incentive was issued to users who moved their City billings online rather than receiving a mailed bill.
- A \$25 credit was issued to new users who enrolled in Pre-Authorized Payments.

In 2023, staff is proposing to continue offering the \$25 incentives for users that move their City billings online rather than receiving bills and for new users that enroll in Pre-Authorized Payments.

As identified during the 2023 Rates Budget, an 8% increase to the 2023 Water Rates and a 0% increase to the Wastewater Rates was forecasted and has been recommended in this report. The chart below shows the proposed rates for 2023:

Variable			
			Rate per m3
Water (all meter types)			1.4120
Wastewater (5/8 tp 3/4 residential meters)			0.0000
Wastewater (all non-5/8 to 3/4 residential meter types)			1.8860
			3.2980
Fixed			
Meter	Water	Wastewater	Combined
N 5/8 to 3/4 - Residential	\$ 410.10	\$ 1,002.38	\$ 1,412.48
N 5/8 to 3/4 - Non-Residential	\$ 410.10	\$ 738.03	\$ 1,148.13
N 1	\$ 574.13	\$ 1,033.24	\$ 1,607.37
N 1 1/2	\$ 738.17	\$ 1,328.44	\$ 2,066.61
N 2	\$ 1,189.27	\$ 2,140.28	\$ 3,329.55
N 3	\$ 4,511.03	\$ 8,118.29	\$ 12,629.32
N 4	\$ 5,741.31	\$ 10,332.36	\$ 16,073.67
N 6	\$ 8,611.97	\$ 15,498.55	\$ 24,110.52
N 8	\$ 11,892.72	\$ 21,402.75	\$ 33,295.47
N 10	\$ 16,403.75	\$ 29,521.04	\$ 45,924.79

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 \$135.36 per month.

While the 2023 rates of other local area municipalities are not available at the time of writing this report, the chart below breaks down the 2022 monthly charge between water and wastewater:

	City of Port Colborne	Local Area Municipality Average
<b>Water</b>	\$47.99	\$38.86
<b>Wastewater</b>	\$83.53	\$51.03
<b>Total</b>	\$131.52	\$89.89

As identified above the monthly charge for wastewater in 2022 is approximately 93% of 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 2.67 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 2022, 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 2021 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 2023 Rates Budget report, the Niagara Region portion of the wastewater bill represents 70.0% 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 have/are working to:

- Completed and updated the City's asset management plan in 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 2023 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 a \$12.71 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 (\$)	
		2022	2023	2022	2023
SS01	Single Family Properties	1	1	\$ 127.05	\$ 139.76
SS02	Multi-Residential 2 to 5 Units	5	5	\$ 635.25	\$ 698.78
SS03	Multi-Residential 6 to 9 Units	10	10	\$1,270.50	\$ 1,397.55
SS05	Institutional/Multi Res > 10 units	20	20	\$2,541.00	\$ 2,795.10
SS05A	112 Charlotte St Condo 23 units	90% SS01	90% SS01	\$ 114.35	\$ 125.78
SS05B	112 Sugarloaf St Condo 22 Units	90% SS01	90% SS01	\$ 114.35	\$ 125.78
SS05C	72 Main St E Condo 31 Units	90% SS01	90% SS01	\$ 114.35	\$ 125.78
SS06	Small Commercial	5	5	\$ 635.25	\$ 698.78
SS07	Medium Commercial	10	10	\$1,270.50	\$ 1,397.55
SS08	Large Commercial	20	20	\$2,541.00	\$ 2,795.10
SS09	Light Industrial	10	10	\$1,270.50	\$ 1,397.55
SS10	Heavy Industrial	40	40	\$5,082.00	\$ 5,590.20
SS12	CNPI Owned	20	20	\$2,541.00	\$ 2,795.10
SS13	Hydro One Owned	20	20	\$2,541.00	\$ 2,795.10
SS15	Niagara Region	20	20	\$2,541.00	\$ 2,795.10

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.

## 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 2023, staff identify the following activities, in addition to those identified during the 2023 Levy and Rates Budget processes, that will help determine the financial outcomes of the City going into the 2024 budget process:

- Continue the review of water and wastewater fixed charge equity between single family properties and other property classifications.
  - Continue the review of 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 2023 water, wastewater, and storm sewer rates.

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### **Financial Implications:**

Financial Services identifies the proposed 2023 water, wastewater, and storm sewer rates are a staff recommendation that Council can adjust, if required.

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### **Public Engagement:**

The 2023 Rates Setting report was published on the City's website on November 28, 2022 through the agenda process. The 2023 Rates Setting report will be considered by the Committee of the Whole – Budget on December 7, 2022. If approved by the Committee of the Whole – Budget, the 2023 Rates Setting report will be considered by Council on December 13, 2022.

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

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### **Strategic Plan Alignment:**

The initiative 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

## **Conclusion:**

Staff recommend Council approve the 2023 water, wastewater, and storm sewer rates identified in this report.

The storm sewer rates will be updated by way of the 2023 Property Tax Rates by-law once tax policy decisions are finalized by the Niagara Region in early 2023.

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## **Appendices:**

- a. Draft By-Law – 2023 Water and Wastewater Rates

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.