



Regular Council Meeting

To:	Mayor and Council
Date:	November 16, 2020
From:	Kimberley Pope, Finance Department and Wayne Hancock, Public Works Department
Report Number:	Finance 2020-21
Subject:	2020 Water & Wastewater Rate Study and the Water & Wastewater User Fees and Charges

Recommendations:

1. That Council receives the 2020 Water & Wastewater Rate Study as presented by Watson & Associates Ltd.; and
2. That Council selects one of the three scenarios as provided in the W&WW Rate Study to set the associated five-year Water and Wastewater rates;
Scenario 1 (2% annual increases 2021-2025),
Scenario 2 (0% increase for 2021 then 2.25% annual increases 2022-2025), or
Scenario 3 (0% increase for 2021, then due to Covid19 pandemic, a volume flow review and September 2021 presentation to Council for Council's consideration of the future annual increases for 2022-2025); and
3. That Council approves By-law No. 2020-66 being a by-law to Impose & Consolidate Water & Wastewater User Fees and Charges; and
4. That Council approves the use of the Water & Wastewater Rate Study in the preparation of the Water and Wastewater Financial Plan O.Reg. 453/07 for submission to the province.

Overview:

The purpose of this report is to provide Council with the 2020 Water & Wastewater Rate Study, prepared by Watson & Associates, and to seek Council's approval of By-law No. 2020-66 to Impose & Consolidate Water & Wastewater User Fees and Charges.

Finance Report 2020-09 was approved by Council, on May 4, 2020, which authorized staff to retain the services of Watson and Associates Economists Ltd. to complete an updated Water & Wastewater Financial Plan and an updated Water & Wastewater Rate Study for the Millbrook Water and Wastewater System satisfying the requirements of Ontario Regulation 453/07.

The 2015 Water & Wastewater Rate Study and Financial Plan was completed by Watson and Associates, submitted and adopted by Council in November 2015 per By-law No. 2015-78 to Impose & Consolidate Water & Wastewater User Fees and Charges (2016-2020) with the use of the Water & Wastewater Rate Study in the preparation of the Water and Wastewater Financial Plan (#136-301) O.Reg. 453/07 as submitted to the province on January 26, 2016.

As per Finance Report 2017-16, the Issuance of Debentures with Ontario Infrastructure and Lands Corporation (OILC) was approved by By-laws No. 2017-81, 2017-82 and 2017-83 towards the cost of the Millbrook Water & Wastewater Capital Infrastructure project with the total principal amount of \$8,242,769 funded as follows;

- \$3,395,510 funded through Water & Wastewater user rates and
- \$4,847,259 funded through Development Charges.

Therefore, the total \$507,000 annual loan repayment in the Water & Wastewater Operating Budget are funded as follows;

- \$180,000 funded through Water & Wastewater user rates (\$128K non-growth related + \$52K growth related) and
- \$327,000 (all growth related) funded through Development Charges.

The Water & Wastewater User Fees and Charges have been further reviewed since 2015, in consultation with Watson & Associates, to provide Council with updated information on infrastructure, rates or valuation impacts to ensure that the user fees remained current and recoverable, as per the following historical summary;

- **Finance Report 2018-11** (July 3, 2018)
Council approved Scenario 2 with inflationary increases of the Water and Wastewater rates for two years, with an annual inflation of 2% in 2019 and 2020. Watson & Associates reviewed the 2015 Water & Wastewater Rate Study to update the 2018 actual operating and capital expenditures as well as update the growth and consumption estimates up to and including 2025 as adopted by Council per By-law No. 2018-44.
- **Finance Report 2018-13** (December 6, 2018)
Council was advised that Municipal Property Assessment Corporation (MPAC) significantly increased the current value assessment (CVA) on the water and wastewater infrastructure with supplemental billings backdated to June 30, 2016 including a change to the Realty Tax Class (RTC) code of Commercial General (CG), which is exempt from the education levy, to a Commercial Full (CF) code which resulted in taxation that included both a municipal and education portion on the above property.
- **Finance Report 2019-01** (February 4, 2019)
Council approved a Municipal Public Utility Grant Program to exercise general grant powers to forego the municipal portion of payment in lieu of tax (PIL's, property taxation) for water and wastewater facilities (as public utility properties under section 27 of the Assessment Act), against the municipality's tax levy revenues and therefore mitigated a future increase to the current water and wastewater rates.
- **Finance Report 2019-07** (March 18, 2019)
Watson & Associates, re-presented to Council the 2018 Water and Wastewater Rate Review from July 3, 2018 and provided the opportunity for Council to have further discussion directly with the consultant during the Council meeting.

Over the past several months both staff and Watson & Associates consultants have spent a considerable amount of time reviewing past financial reports, infrastructure, growth and documentation with regards to Water & Wastewater Infrastructure and Operations.

Amendments to the user fees align with the Strategic Plan as per the mission statement, that “the Township of Cavan Monaghan is committed to delivering responsive and cost effective services that provide for the economic, social and environmental well-being of our ratepayers now and into the future”. Water & Wastewater services are fully funded through the user fees and do not affect the municipal tax rate.

Financial Impact:

The proposed changes to existing Water & Wastewater User Fees will adjust the base and volume rates dependent upon the scenario selected by Council. Scenario 1 includes a 2% annual increase each year from 2021-2025. Scenario 2 maintains rates (0% / no adjustment) for 2021 then includes a 2.25% annual increase each year from 2022-2025. The rate adjustments are applied to the first Water and Wastewater billing cycle of each calendar year.

Attachments:

1. Cavan Monaghan Water & Wastewater Rate Study – Watson & Associates Ltd.
2. By-law No. 2020-66 Water & Wastewater User Fees & Charges
3. Schedule A - Water & Wastewater User Fees & Charges, By-law No. 2020-66
4. Schedule A - Water & Wastewater User Fees & Charges By-law No. 2018-44 (prior)

Respectfully Submitted by,

Kimberley Pope
Director of Finance/Treasurer

Wayne Hancock
Director of Public Works

Reviewed by,

Yvette Hurley
Chief Administrative Officer