



Subject: 2024 Water, Wastewater and Stormwater Study

Department: Corporate Services

Division: Finance

Report #: CPS-2024-075

Meeting Date: 2024-11-18

Recommendations

That report CPS-2024-075, 2025 Water, Wastewater and Stormwater Study, be received; and

That Council approve the Water and Wastewater Rates as per the 2024 Water and Wastewater Rate Study, with the requested amendments to the non-compliant non-metered accounts flat fee; and

That Council request that staff report back in 2025 to provide a recommendation to Council on implementation of the Stormwater Rates as per the 2024 Stormwater Rate Study.

Overview

This report provides a summary of the findings and recommendations identified through Watson & Associates Economists Ltd. review of The Town of Orangeville's rate structure and billing model for Water, Wastewater and Stormwater Services.

Background

The Town of Orangeville's last Water and Wastewater Rate Study was conducted in 2020 and by-law 2020-009 was approved on February 10, 2020. During the Summer and Fall of 2024, various Town staff worked with Watson & Associates Economists Ltd. to review the anticipated Capital and Operating expenditures over the next 10 years related to Water, Wastewater and Stormwater Services and to determine the new rate structure and billing model for each service. Rates and Rate Structures may be influenced by changes to regulations, legislation, costs escalation, capital and operating requirements, and consumption trends.

The Town does not currently impose rates for Stormwater Services, but rather includes operating and capital costs within the property tax supported budget.

The Rate Studies included analysis and recommendations on the cost of delivering water, wastewater and stormwater services, cost recovery through water, wastewater and stormwater rates, and water, wastewater and stormwater rate structures.

Analysis/Current Situation

Water and Wastewater Rate Study

There are approximately 9,971 water customers and 9,949 wastewater customers using the Town's municipal water and wastewater systems. The treatment, storage and distribution/collection of water and wastewater are the responsibility of the Town. Metered customers are charged a base monthly charged and are billed on a block rate structure for consumption which vary by meter size and development type (i.e. residential). Unmetered customers are charged a flat fee which varies based on whether they are compliant (unable to install a meter) or non-compliant (able to install a meter but elect not to).

The study outlines the steps taken in carrying out the assignment. In summary the steps taken were:

1. Update current demand assumptions and estimate future demand
2. Identify all current and future capital needs and build a program that blends lifecycle needs and specific needs
3. Identify potential cost recoveries (i.e. development charges, grants)
4. Forecast annual operating expenditures and rate-based funding requirements
5. Develop a long-term rate forecast

The rate study summaries all anticipated current and future capital needs related to the Water and Wastewater Systems over the next 10 years. It also identifies the anticipated capital replacements beyond the 10-year forecast to ensure the Town is putting sufficient funding into reserves to cover future Water and Wastewater replacement costs.

Total capital expenditure anticipated for the Water Systems is approximately \$124,605,000. This expenditure is anticipated to be funded/financed through grants (\$2.39M), development charge reserves (\$15.92M), development charge debt (\$22.4M), water reserve (\$41.64M), and water debt (\$39.4M).

Total capital expenditures anticipated for the Wastewater Systems totals \$46,999,000. The expenditure is anticipated to be funded/financed through grants (\$6.27M), development charge reserves (\$3.31M), development charge debt (\$2.4M), wastewater reserve (\$22.60), and wastewater debt (\$11.35M).

The rate study also summarizes all anticipated current and future operating needs related to the Water and Wastewater Systems over the next 10 years. The study outlines all cost adjustments such as anticipated utility, fuels, chemicals, etc. increases per year.

Gross operating expenditure for water services is expected to increase from \$8.45 million in 2024 to \$17.47 million in 2034. Similarly, for wastewater services, annual gross expenditure is forecast to increase from \$7.94 million to \$14.95 million in 2034.

Many of the Town’s Water and Wastewater Services costs are fixed costs that do not vary with the rate of water consumption. Therefore, staff and the Consultant recommend an annual increase of 15% to the base charge to guarantee a higher proportion of revenue that will offset fixed costs. The volume charges per m³ are being recommended to increase between 2% and 10% over the 10-year forecast period.

As detailed further on Page 8-5 of the 2024 Water and Wastewater Rate study, staff recommend, the following water and wastewater rate increases for the average annual residential customer based on a 5/8” meter and 180 m³ of volume over the next 10 years:

Water	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Annual Bill	\$628	\$677	\$731	\$786	\$842	\$904	\$968	\$1,041	\$1,123	\$1,216
% increase - base rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
% increase - volume rate	10.0%	5.0%	5.0%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%
% Increase - total annual bill	11.4%	7.8%	8.0%	7.5%	7.1%	7.4%	7.1%	7.5%	7.9%	8.3%

Wastewater	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Annual Bill	\$557	\$602	\$648	\$694	\$747	\$805	\$871	\$945	\$1,029	\$1,123
% increase - base rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
% increase - volume rate	5.0%	5.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
% Increase - total annual bill	7.9%	8.1%	7.6%	7.2%	7.5%	7.9%	8.2%	8.5%	8.8%	9.2%

Water and Wastewater	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Combined	\$1,185	\$1,279	\$1,379	\$1,480	\$1,589	\$1,709	\$1,839	\$1,986	\$2,152	\$2,339
% increase - overall	10.0%	8.0%	8.0%	7.0%	7.0%	8.0%	8.0%	8.0%	8.0%	8.0%

For context, the proposed rate increases will result in estimated daily costs for water and wastewater services to the average residential customer going from \$3.25 per day in 2025 to \$6.41 per day in 2034.

The Water and Wastewater Rate Study recommended a combined flat fee of \$1,552.34 for compliant non-metered accounts and a combined flat fee of \$4,657.03 for non-metered accounts (compliant fee + a 200% surcharge). As per by-law 2024-029 and Council Report INS-2024-019, Council approved a compliant fee + a 300% surcharge for non-compliant non-metered accounts. Staff are recommending we continue with the Council approved surcharge of 300%, as compliance is necessary in order to realize the

full benefits offered by the meter upgrades and new technology. With this surcharge the non-compliant flat fee would be a combined total of \$6,209.36.

It is recommended that Council approve the Water and Wastewater Rates as per the 2024 Water and Wastewater Rate Study, with the requested change to the non-compliant non-metered account flat fee as described above. A by-law is included on the agenda for Council consideration to implement Water and Wastewater Rates for 2025.

Stormwater Rate Study

Stormwater, which includes all forms of precipitation, is managed by the Town of Orangeville to prevent flooding and related issues through drains, streams, rivers, creeks, or municipal infrastructure. The Town of Orangeville maintains 124kms of storm sewers, 32 stormwater management ponds, 14kms of ditches and 284 culverts. Currently stormwater management is a property tax levied service. There are approximately 3,083 acres of land designated for various types of residential and non-residential development that would be eligible for a stormwater rate.

Town staff and Watson Associates and Economists Ltd. conducted a Stormwater Rate Study to develop possible rate structure alternatives to recover the capital and operating costs of Stormwater Services through a rate system rather than through property taxes.

The study outlines the steps taken in carrying out the assignment. In summary the steps taken were:

1. Identify current and future capital needs
2. Identify possible methods of cost recoveries
3. Identify current and future operating needs
4. Develop multiple rate structure alternatives and undertake rate calculations

The rate study summaries all anticipated current and future capital needs related to the Stormwater System over the next 10 years. It also identifies the anticipated capital replacements outside of the 10-year forecast to ensure the Town is putting sufficient funding into reserves to cover future Stormwater replacement costs.

Total capital expenditure anticipated for the Stormwater System is approximately \$40,791,000. This expenditure is anticipated to be funded through grants (\$3.91M), development charge reserves (\$5.27M), development charge debt (\$1.9M), stormwater reserve (\$18.31M), and stormwater debt (\$13.30M).

The rate study also summarizes all anticipated current and future operating needs related to the Stormwater System over the next 10 years. The study outlines all cost adjustments such as anticipated utility, fuels, chemicals, etc. increases per year. Total operating expenditure will increase from \$1.28 million to \$3.15 million representing an average annual rate increase of 9%.

There are many different rate structure alternatives that range in levels of equity, complexity, and cost. The rate study outlines various rate structures that could be considered. Due to limited data and complexity of certain rate structures, the consultants limited the full analysis to two rate structures – flat rate per property (option 1) and flat rate that varies by property size and type (option 2). Option one is much less complex, however, it could be viewed as less equitable. Option two slightly more complex, requiring that each property be categorized into differing rate thresholds, but it appears more equitable than Option 1. Option 1 estimates an annual flat rate of \$157.07 per property in 2025 increasing to \$278.48 by 2034. Option 2 estimates an annual range of \$63.97-\$3,523.29 per property in 2025 increasing to a range of \$125.65-\$6,920.89 per property by 2034.

At this time, Staff recommend that Council direct staff to undertake further review during 2025 of transitioning stormwater services to a user rate model and report back to Council on the preferred approach in advance of the 2026 budget process, including consideration of impacts on residents, staffing models and financial plans.

Water and Wastewater Miscellaneous Charges

Included in this report are Water and Wastewater Miscellaneous Charges for items such late payment fees, the disconnection and subsequent reconnection of water services, tampering with Water Meter Charges, etc. These fees have not been updated since 2020 and costs have significantly increased since that time. The proposed updated costs are more reflective of staff time and cost to perform the service. These miscellaneous charges are included in the recommended by-law for 2025 water and wastewater rates.

Corporate Implications

Should Council approve the Water and Wastewater Rates as outlined in the 2024 Water and Wastewater Rate Study, revenues for water services would increase approximately \$808K or 11% in 2025 and revenues for wastewater services would increase approximately \$485K or 8% in 2025. The 2025 draft budget includes a similar forecast for expenditures (some timing may be different) and the recommendations included in the rate studies.

Staff will determine, over the next several months, a recommended approach to the stormwater rate study and report back to Council on the corporate implications at that time.

Conclusion

By-law passage of the proposed 2025 rates for Water and Wastewater Services will ensure that the Town of Orangeville is on its way to being financially sustainable and

flexible and ensure that the Water and Wastewater Services are fully funded by those that utilize those services.

The Stormwater Rate Study has been instrumental in determining the true cost of Stormwater services for the Town and will greatly assist staff in determining the right approach for funding those services. Staff will report back to Council in the near future on further discussions and recommendations surrounding this new potential rate model.

Strategic Alignment

Strategic Plan

Strategic Goal: Future-Readiness

Objective: SUSTAINABILITY – Secure the financial viability of the municipality

Sustainable Neighbourhood Action Plan

Theme: Corporate and Fiscal

Strategy: encouraging and supporting inter-departmental collaboration and communication to facilitate the adoption of sustainable practices

Notice Provisions

A public meeting was held on October 28th. Notice of the Public Meeting was posted on the Town's website and in the Orangeville Citizen the week of October 14th and 21st.

Respectfully submitted,

Antonietta Minichillo, MES
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- Attachment(s):**
1. 2024 Water and Wastewater Rate Study
 2. 2024 Stormwater Rate Study
 3. 2025 Water and Wastewater Miscellaneous Charges