REPORT TO: Mayor and Members of Council

PREPARED BY: Jonathon Graham, CAO/Director of Operations

DEPARTMENT: Infrastructure & Operations

DIVISION: Water & Wastewater Rates

MEETING DATE: Wednesday, July-14-21

SUBJECT: Public Submission regarding Water Rates in North Middlesex Response(s) Report

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RECOMMENDATION

That Council receive and file this report via the Public Submission regarding Water Rates in North Middlesex Response(s) as information.

EXECUTIVE SUMMARY

On June 2nd, 2021 regular Council meeting, Council was presented with communication (attached) under Correspondence as it relates to the North Middlesex's most recent Water & Wastewater increases **By-Law #80 of 2020**.

Through consideration/receiving of said communication, the following response has been prepared under the **DISCUSSION** section of this report.

LINK TO STRATEGIC PRIORITIES

Leads: To create a positive, open organizational culture that builds a stronger Municipal organization Provide high quality public services

BACKGROUND

In late 2019 Council was presented with a new Water, Waste, and Stormwater Rate Study undertaken by Watson & Associates (attached to report). This report updated Council on the Municipalities' current capital and operating forecasts, lifecycle cost requirements, current volumes and customer profiles. The study showed that North Middlesex is facing large expenditure requirements due to required capital works INCLUDING significant lifecycle replacement costs and a high rate of water loss. The report provided two billing/user rate options:

- **Option 1** is a base charge and volume rate of 90% (inclusive of an "infrastructure charge") and a 10% consumption rate.
- **Option 2** is a flat rate charge where all revenues are recovered through a "flat rate structure."

Ultimately Council implemented **Option 2.** Option 2 being a flat rate charge where the base amount will be billed quarterly over the first 3 billing cycles. An analysis of the actual volume used will be done on the final meter reading of the year where the final bill will reflect any overages used in the fiscal year and be recoiled. This final analysis will be needed in order for the municipality to follow GAAP (general accepted accounting principles) analysis where staff must match the expense of water purchased to the revenue of water used. This analysis will also provide us with the next year "billing category" needed in order to implement the most accurate rate structure.

Furthermore, in early 2020 staff presented the Water & Wastewater operating and capital budgets to Council. These budgets incorporated current and future costs and demonstrated the current operating spending needed to repair and maintain the water and wastewater infrastructure as well as provide the water and wastewater service to our residents. The future costs portion was the transfer to reserves for future capital spending that will be needed over the next few years in order to meet legislation and provide safety to our residents in operating our Water/Wastewater systems. At a future Council meeting, staff will bring forward the 2022 operating budget in the same manner as previously tabled (i.e. yearly examination of the water/ wastewater budget where future 2022 rates reflect the proposed budget). This type of budgeting will allow Council to have a snapshot of the costs needed for the water, wastewater and storm infrastructure operations and maintenance.

Please note that due to the then emerging COVID-19 pandemic that the presented and tabled 2020 water/wastewater rates were deferred to take effect in January 2021.

DISCUSSION

Through the June 2nd, 2021 presented correspondence, 26 items have provided a response to the following effect:

Question 1: Is Water infrastructure not partially funded/covered through taxes?

Answer 1: Services provided as per water and wastewater are considered "Public Utility" under the *Municipal Act*. This means that water and wastewater expenses are funded by the users that consume said service(s). As such, taxes and their levy are not typically utilized to fund water and wastewater expenses where a user-based system provides for the "fairest" approach

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Question 2: Where have the funds from Ailsa Craig infrastructure charges been allocated and used?

Answer 2: Historically, North Middlesex's infrastructure charge(s) where contributing towards operational cost of the water and wastewater systems.

Question 3: **What has changed in regards to provincial legislation that no longer allows infrastructure to be partially funded through taxes?**

Answer 3: See Answer 1 above. Additionally, please note that there are exceptions to this application; however, not all contributing taxpayers consume and/or require water/wastewater (i.e. vacant farm lot, etc…).

Question 4: What are the plans to correct the 52% water loss/leak we have in the municipality that is the cause of much of the increased costs? Has it been assessed where the water loss is occurring and how this can be remedied? Who is responsible for finding and fixing the leaks?

Answer 4: The municipality continually assess the water system for leaks and is working towards identifying and correcting said leaks (i.e. meter pit program, district-metering operations, flowmeter telog data recorders on Parkhill and AC boundary meters, field acoustical leak detection equipment, etc…). This undertaking is large and will be an ongoing process for the municipality for many years to come when considering our 475km of watermain.

The municipality has had great success in the Ailsa Craig District Metering Area (DMA) program bringing our minimum nighttime flows from 11.5l/s to 2.5l/s over the past 3 years. Furthermore, through our Parkhill DMA staff along with OCWA were able to delineate that Parkhill had very few leaks when we assessed every main, valve and public side of services. This information has been critical in further moving our program to West Williams and starting to separate that system into smaller DMA's whereby assisting in determining other losses.

Question 5: There should be an incentive to reduce water consumption as it's a limited resource that should be protected. Flat rates should start at 0 to 49, 50 to 99, 100 to 149, etc. This would ensure it was a fair system for those who conserve water out of circumstance.

Answer 5: The municipality/Council will be considering alternative rate structures in the near future where there is a clear indication that a flat infrastructure rate with a combined consumption rate seems to be the public's preference.

Please note that in both these instances (and as presented to Council previously) the "flat rates" and the combined "infrastructure and consumption rates" that the fee structure was very similar in overall cost.

Question 6: **What is our relationship with OWCA? What part of infrastructure maintenance are they responsible for? What services are they providing to the community?**

Answer 6: OCWA has provided the municipality with wastewater treatment and collection operational services dating back to 1982 when it was a subsidiary of the Ministry of the Environment (MOE). In 1993 when OCWA restructured, they continued to operate and maintain our wastewater systems through to today. When Nairn came online (2006) and began pumping/conveying its wastewater to the Ailsa Craig plant it also fell under OCWAs operations.

Water operations and maintenance services were provided by OCWA until 1993, again under the MOE. In 1993 when the water system(s) where "downloaded" to the local lower tier municipalities by the Province of Ontario, North Middlesex decided to run its own water distribution system. This occurred until 2014 when the municipality decided to once again contract OCWA to operate and maintain its water distribution system. The municipality through this arrangement, owns the systems and as presented previously has had a long running arrangement with OCWA as is the case with many Ontario single-tier, lower-tier, and regional municipalities.

Operations and maintenance of water, wastewater systems and facilities are highly regulated and therefore require very specific licensing and skill sets, ranging from chemistry, to electrical works, to pump maintenance and installation, to the more apparent services like watermain repair, sewer flushing, locates and constant sampling. This is by no means intended to be an exhaustive list of daily duties but more to provide a spectrum to our operator's skill sets and varying tasks as per our arrangement with OCWA.

Finally, we may consider that these operators has a skilled trades person like an electrician and/or plumber that must follow similar protocol as education requirement, testing and in-field experience to graduate through the classes of water & wastewater licensing as per the applicable Ontario Regulations.

Question 7: **We ask the council to consider how these flat rates may affect overall water consumption. Will people not be less cautious with their water consumption? And further posit that charging users for overages above their 3 year average (as presented in the water rates does not allow for growing or changing families)**

Answer 7: See Answer 5 above.

Question 8: **Since smart meters were installed at cost to the municipality, can these not be used to meter water and then bill usage accordingly?**

Answer 8: The municipality is still reading meters whereby assessing leaks and calibrating the flat rate "brackets." The flat rates are still based on a residences consumption. The

municipality reads the meters on a quarterly basis and provides the previous and current readings on the bills as well as indication of irregular water movement (continuous leak, 1-2 days', leak 22-34 days leaks etc.).

Additionally see Answer 5 above.

Question 9: Has reallocation of Municipal budgets been looked at? Are there efficiencies being looked at for staffing during the pandemic or overhead costs, etc. where some funds could be reallocated?

Answer 9: This examination is inclusive of the Watson & Associates Water, Waste, and Stormwater Rate Study and a most recently the line-by-line audit by BMA – Line-by-Line Review of the Municipal Budget (attached to this report).

Question 10: Is it possible to raise the rate per cubic meter slightly and have smaller flat rate starting points? 0-25, 26-49, etc.

Answer 10: See Answer 5 above

Question 11: Water pressure in our homes and businesses has been continuously reduced due to the loss of water. Are there plans to stem the water loss so that water pressure could be increased?

Answer 11: A number of issues can cause irregular pressure. Water loss is a factor in pressure reduction but so is improper sized mains, private plumbing issues, lack of pumping and elevated storage facilities and specifically the elevation of specific residence in comparison to the nearest pump or elevated storage facility.

If you are concerned about water pressure, please reach out to municipal staff to have the issue investigated.

Question 12: Has council approached the county? Has the county approached the province? The water rates have become an issue in many of our neighbouring communities as well. Has North Middlesex looked to other communities to see how this issue was handled there?

Answer 12: Yes, the municipality continually identifies funding opportunities available and consults with neighbouring municipalities in this regard. The municipality has approached the province, outside of available funding, to discuss the North Middlesex issue.

Question 13: With new developments opening up is there opportunity to find some extra infrastructure funds through development fees?

Answer 13: The municipality is currently updating our Development Charges and is engaged in discussion of financing with the development community on whole.

Growth provides more users on the system in general and provides efficiencies in the system. Additionally, higher density development provides for increased efficiencies.

Question 14: What provincial and federal grants are available to address these enormous costs? What has been explored? (NOTE See appendix B)

Answer 14: The municipality always explores all options to mitigate expenses through grants. Ultimately, grants are only available when upper levels of government make them available where grants are typically significantly over subscribed by municipalities thereafter. Please note that grants are not typically awarded without the municipality competing engineering and design.

Staff are continuously monitoring and engaging funding frameworks. In addition, staff are identifying projects and moving them to a "shovel-ready" status to improve these chances of receiving funding.

Question 15: Where do citizens access information about council decisions? How were residents made aware of these changes and this proposed plans? Does council feel adequate time was allotted for feedback on this issue, especially considering a pandemic ongoing?

Answer 15: See Answer 22 below. The water rate information flyer was sent out twice in every water/wastewater bill. The original communication for meeting was abandoned due to COVID-19. The information was also made available on the municipal website and social media channels.

Question 16: How much does the leakage cost the community per quarter and per year?

Answer 16: Water loss can come from a number of factors. Old inaccurate meters, physical leaks in the system, theft, firefighting etc.

Water loss or more accurately "non-revenue" water costs the municipality anywhere from "$250,000 a year to $300,000 a year on average. This calculation is based on the water we pay for from our 9 boundary meters' vs the water that is consumed by the residents. It is a range due to the amount of water that is consumed, if new leaks persist, or if we drive down the losses through water loss programs the municipality will mitigate cost.

Question 17: Why were past community reserves not used to address this problem? What reserves remain that might be able to help address these costs?

Answer 17: Historically, reserves where not set aside and therefore could not be utilized. Consumption based and infrastructure rates collected were simply paying for operational costs on a yearly basis.

Additionally see Answer 5 above.

Question 18: The rate structure outline will still not cover any where near the costs of the infrastructure repairs needed, yet ratepayers are being asked to pay exorbitant fees for a basic resource. How did council come to this decision? Where will the additional funds be found to cover the additional costs?

Answer 18: The Watson & Associates Water, Waste, and Stormwater Rate Study identifies the allocation of funds and their program development within the scheduled and appendix sections of the study. But when looking at the forecasted costs and dates of the replacements required to maintain the existing system you are correct about water. As long as projected wastewater rates increase as per the Watson's report we do cover our wastewater system, it can become self-sustaining.

The caveat to this is current and future growth and greater densities within defined boundaries where growth can occur namely (Parkhill, Ailsa Craig and Nairn); this will inevitably help to spread the burden of the user rates over more people on less infrastructure (i.e. residential growth helps, etc…).

Question 19: Where are the funds from these increased rates being allocated? Are we paying for the leakage? Are we paying to help replace the old infrastructure? Are we paying for the water tower in Ailsa Craig or the pumping station Parkhill?

Answer 19: See Answer 18 above.

Question 20: Can the water and sewer charges be broken down? What exactly are ratepayers paying for and where does the money go?

Answer 20: See Answer 18 above.

Question 21: Why are rural properties being forbidden to drill a well?

Answer 21: Rural properties are not forbidden to drill wells; however, under the Ontario Building Code (OBC) in conjunction with the Safe Drinking Water Act, residential units i.e. homes (rural or urban) if fronting watermain **must** maintain and remain connected.

Furthermore, the OBC stipulates that if an "active well" is located on a property that has municipal water additional measures to ensure there are no cross connections must be in place and maintained (i.e. backflow preventer, etc…).

Question 22: Why wasn't there a public referendum/announcement before these prohibitive measures were introduced? Is it my responsibility to be on the lookout for rate increases or to be aware of items on the agenda for council meetings? How does council and municipal staff make citizens aware aside from the municipal website?

Answer 22: Council has been deliberating and discussing the water and wastewater rates since 2019. Various forms of public information have been provided through this period. Two direct to user through water billing, website, social media

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Question 23: How was it decided that tiers should be based on an average over the past 3 years? Was it considered/mitigated if the rate pay or had a leak during that time that would have upped their usage? How was this factored into the calculations? How often are these tiers being reevaluated?

Answer 23: Rate structures where discussed through the analysis of the Watson & Associates background study, furthermore the intention is to evaluate the municipality's rates every year moving forward to ensure the best financial program is in place.

In regards to the 3 years and not 1 or 2, it was intended for exactly what you mention above. We did not want to create a flat rates based on too small of a data set. If someone did have a leak in the previous quarter or year and having only based the flat rate on that timeframe would have put them in a higher bracket. The 3 years was used to smooth the anomalies or spike a user may have seen in a given year and allow the consumption to be spread over a longer time horizon which blends the consumption and ultimately brings it down and in line with more typical use.

Additionally, please see Answer 5 above

Question 24: The rate increase presented at the public meeting in 2020 was a 35% increase. Myself and many of my neighbours have seen closer to 80% plus increase. Why the discrepancy? (Another resident was informed by their ward councilor that council approved a 52% increase, yet most people have seen closer to 80-100% increase in water charges.

Answer 24: For the purposes of the year over year comparison 180m^3 was the used/delineated as a comparison which is the average single family household rate of consumption over a given year. The municipality understands that there is a set amount of users that fall below this average; however, we must consider this answer in conjunction with Answer 5 above.

Question 25: In general, homeowners and rate payers would like clarification and more information about what infrastructure problems and specific expenses are that have caused the immense increase in water bills, what the plan is to repair the current infrastructure concerns, how monies will be allocated for future infrastructure, and why, when grants exist, the current public plan only accounts for rate pay or contributions to the problem.

Answer 25: Please refer to Answer 18 above.

Question 26: SEE APPENDIX B FOR specific questions regarding funding opportunities.

Answer 26: Please refer to Answer 14 above.

FINANCIAL

Not Applicable

ATTACHMENTS

- *June 2nd, 2021 - Public Submission regarding Water Rates in North Middlesex*
- 2021 Water/Wastewater/Stormwater Rate Flyer

ATTACHMENTS BY HYPERLINK

- BMA – Line-by-Line Review of the Municipal Budget
- Dillon Consulting – Asset Management Plan – Linear (2014)
- GM BluePlan – Comprehensive Asset Management Plan (2016)
- Watson & Associates – Water, Waste, and Stormwater Rate Study

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