

Response to public comment on November 12, 2019

How does the proposed change in rate structure impact rates overall?

Current rates are calculated based on projected costs, number of customers, and consumption levels in order to recover 60% of required user revenue from fixed charges, and 40% of required revenue from consumption charges. Depending on where your consumption falls, your bill would have a higher fixed component if you're a lower user, and a high consumption component if you're a high user.

The proposed change will transition the rates so that required revenue will be raised 40% from fixed charges and 60% from consumption charges by 2029. In 2020, this transition begins at 50:50, which is why the fixed rate in the model is projected to remain constant until 2024 to offset inflationary costs, and the consumption rate will continue to increase until the 40:60 fixed/consumption ratio is achieved. This method would further assist lower volume users. Furthermore, commercial and industrial's fixed charges are based on consumption of an equivalent residential unit to spread the fixed proportion of costs more evenly between user groups. Multi-residential's fixed charges will follow that model starting in 2020.

Revenue that must be raised to operate and maintain the water and sewer systems remains constant regardless of what rate structure is chosen, therefore the proportion of decrease and increase in fixed and consumption charges respectively represent the projected consumption patterns and number of customers. These individual rate changes do not translate directly to your bill.

The rates itself do not increase as more consumption is used. The rates are constant. The more consumption used, the higher your bill.

Do the proposed rates mean residential user bills will increase by a minimum of 6%?

No. If you use less than or equal to 27 m³ bimonthly, you will see between a 16% decrease (if you consume little to nothing) and a 7% increase in your bill. Based on current consumption levels measured in the Township, approximately 70% of customers will see a 7% or less increase, or even a decrease in their bill. The remaining 30% currently using more than 27 m³ bimonthly will see over a 7% increase in their bill. If Council decided to keep the rate structure at status quo, all users would have seen a 6% increase regardless of usage calculated as a scenario for consideration by Hemson Consulting Ltd.

Why doesn't the Township implement a consumption-only charge with no fixed charge?

Further to the rate structure explained above, the consumption charge alone does not represent the total cost to provide water and sewer. As is the case in billing structures used by most utilities services, a rate that includes a fixed component ensures all service addresses that have access to municipal water are charged to some extent to alleviate the burden to other users. Furthermore, up to 90% of water and sewer system costs are fixed. If the Township adopted a consumption-only charge and no fixed rate, the projected per m³ rate would be approximately \$4.84 for water and \$4.07 for sewer, therefore almost doubling the consumption rates. This would result in an increase to a medium user's bill (27 m³ bimonthly) by 12%, and a high user's bill (50 m³ bimonthly) by 54%, compared to what is proposed.

A rate structure that solely relies on consumption would increase revenue instability as revenues would be directly tied to consumption, which can fluctuate from year-to-year. Each year the Township would need to budget for a certain revenue level based on estimated consumption in order to fully recover costs. If the actual consumption declines, a revenue shortfall is created that must be recovered in the following year, in addition to recovering regular annual cost increases in that year. For example, some municipalities such as Ottawa, which had a rate structure solely dependent on consumption have now moved towards incorporating a fixed fee component to help manage and increase stability.

Why are we reviewing water and sewer rates currently?

It is common for municipalities to review water and sewer rates every 3 to 5 years and to have it align with the water financial plan that must be submitted to Provincial Government. Over time, growth projections and cost forecasts may change. For example, the non-residential construction price index had an annual increase of 6.8% from 2017 to 2018, resulting in significant increases in capital costs to maintain and replace utilities infrastructure. This index is prescribed in Legislation. If growth and consumption patterns change over time in relation to the initial study, rates should be adjusted accordingly. The last rate study occurred in 2014 which increased rates beginning in January 2015.

How did the township inform rate payers of the water and sewer rate review process underway in 2019?

Refer to the attached public engagement process detail at the end of this report.

Has Loyalist looked at ways to improve efficiencies and decrease costs for operating and maintaining our water and sewer systems?

Procurement of services and equipment is in accordance with the Township's procurement policy and procedures: an open and competitive process. The cost of energy and chemicals is out of the Township's control; however staff constantly make adjustments to the operation of these facilities to optimize energy consumption and chemical use while producing water that is safe to consume and treated sewage that will not adversely affect the environment. Recent operational changes at one treatment plant has shown a reduction of 40% in hydro charges. Often the type of equipment and chemical is dictated by the treatment system that has been selected as a whole and procurement cannot necessarily be done competitively. Most treatment equipment and spare parts are considered proprietary. A full cost benefit analysis is required by provincial law whenever a new treatment system is considered, where capital, operating and life cycle costs are evaluated. Standardization of equipment is common practice in this municipality to take advantage of purchasing volume discounts and decrease the number of spares required. The hiring of maintenance staff has significantly reduced the need to contract maintenance work and the amount of after-hour calls to operations staff.

Why are new staff projected to be added to the utilities services when consumption per household is projected to decline over time?

Salaries have increased by approximately 3.8% on average annually between 2017 and 2019. These increases are in accordance with CUPE agreements and the non-union compensation review that was approved by Council in 2018. To a certain degree, staffing level is not directly related to consumption levels as once the facilities and underground infrastructure are in place, they must be operated and maintained. The Township is developing a comprehensive asset management program complimenting an already effective preventive maintenance program to ensure that the initial investment made in its facilities and equipment is protected and the life of the equipment is extended as much as possible. An apprenticeship program for the maintenance technicians is one of the positions proposed in this rate study to ensure the program is maintained albeit upcoming staff retirement. The download of regulatory work from the Province to the municipality has been ongoing over the past 15 years. Upcoming changes are expected to overload the one compliance position in the municipality. One of the positions proposed is to augment compliance staff. A thorough review of operating staffing level versus increased regulated requirements and expected service level was undertaken in 2016. The review identified that operational staff should be increased by two operators. Only one was hired based on available budget, with the expectation that staffing level would be reviewed as part of the rate study. The timing to add all these positions is dictated by the budget process and priorities.

Why aren't developers paying a larger share of the costs of operating and maintaining existing utilities infrastructure?

Under Legislation, Loyalist can pass by-laws to collect charges from developers towards the construction of infrastructure, including utilities assets, required to service new growth in the municipality. For costs related to existing operations and maintenance, rates are set for each type of customer to fairly reflect what it costs to service them.

Why does Loyalist want to have an internal target of 4% of infrastructure replacement cost in Reserve Funds by 2024?

The 4% target is not an annual contribution to reserve funds of 4%. Through annual contributions to and withdrawals from Reserve Funds between 2020 and 2024, the draft plans project that Reserve Fund balances will reach approximate 3.7% of projected replacement cost of existing water and sewer infrastructure by 2024. The Township has a sophisticated asset management database that allows for both manual and automated functions. This database generates an annual requirement based on each asset's projected useful life to determine how much should be transferred to reserve funds annually in order to eventually fund the replacement, better manage assets and adhere to the Ontario Regulation 588/17. This annual contribution is well over \$3 million, in which the Township is nowhere near reaching as useful lives may change due to various factors. Condition assessments are routinely completed by staff and third-party evaluators, where applicable, in order to defer any projects that have an extended useful life and risk of failure has been mitigated. The Township does not automatically replace assets based on the database alone but overall assists in tracking asset inventory and overall condition and risk.

This target wasn't necessarily used as the Township's target for the purposes of the rate study. The reserve funds need to be monitored over time and should be revaluated at the next study.

Hemson Consulting Ltd. has compared other municipalities, such as Guelph, that have 2% to 3% targets, while the Region of York targets 20% based on the asset replacement value. Many municipalities, such as Guelph, also incorporate rate stabilization reserve fund contributions, which Loyalist is not including in the rate calculations. The reserve fund is used to fund capital as well as provide stabilization for any unanticipated operational expenditures or revenue shortfall as a result of lower than anticipated consumption (which the Township is more at risk of now with the change in structure to a more volumetric based approach).

How are rates for our bulk water haulers set?

in 2012, Council granted water haulers a 23% discount from the average consumption rate in recognition of the lower reliance on distribution assets to deliver this water. Since 2012, the rate has increased similarly to other user rates while maintaining the 23% discount. The bulk water rate is proposed to be \$3.58 for 2020 at the 23% discount Level. Any further reduction in rates for water haulers would increase the rate to other users as this projected revenue source offsets revenue to be funded from all user rates. An average truck load is 10 m³, which means the water hauler pays \$35.80 for the water being delivered.

What efforts are being made to encourage conservation of Loyalists water resources?

The Township currently provides indoor and outdoor tips to conserve water on its website. Additionally, a seasonal outdoor water usage restriction is in place from May 1 to September 30 according to property address. Staff Report-1200 in the October 28 agenda further discusses future options for the Township to encourage conservation.

The transition to a higher volumetric rate structure is a step forward in encouraging conservation. If users can reduce consumption whether by habit or installation of high-efficiency appliances, their bill will continually decrease more-so than the current rate structure. This will assist in managing peak flows and deferring the need for future plant expansions.

For more information, please refer to the user rate presentation prepared by Hemson Consulting Ltd. at <http://www.loyalisttownship.ca/index.cfm/residents/public-consultation/>

If you have any further questions, or would like to know how it will affect your bill in correlation with your current consumption levels, please call 613-386-7351 ext. 154 or email info@loyalist.ca

Public Engagement Process

Water and Sewer Rate Review

14 Social Media Posts - 13,450 impressions

Social Media		
Date	Outlet	Impressions/reach
Aug. 16	Twitter	486
Sept. 5	Twitter	527
Sept. 13	Twitter	599
Sept. 17	Facebook	2270
Sept. 21	Twitter	481
Sept. 23	Twitter	372
Oct. 15	Twitter	342
Oct. 28	Twitter	379
Nov. 1	Twitter	629
Nov. 1	Facebook	1588
Nov. 5	Facebook	2663
Nov. 5	Twitter	741
Nov 13	Facebook	1982
Nov. 13	Twitter	391

2059 Total website views*

Website	
Webpage	Total Visits
Public Consultation	512
News: Public Consultation	181
Notice: Public Open House	61
Notice: Public Meeting Connection Charges	49
Water & Sewer Billing and Information	985
Utilities Water Information	271

Approx. 5300 total printed utility newsletter inserts. Additional copies via e-billing.

Utility Inserts		
Date	Outlet	Impressions/Reach
August 2019	Township Newsletter – Bill Insert	Bath WTP Customers 1500 Hard Copies and PDF to e-billing customers.
September 2019	Township Newsletter – Bill Insert	Fairfield WTP Customers 2300 Hard Copies and PDF to e-billing
October 2019	Township Newsletter – Bill Insert	Bath WTP Customers 1500 Hard Copies and PDF to e-billing customers.

**Does not include Civicweb statistics*

Two newspaper ads with total delivery of 6918 per occurrence

Newspaper				
Date	Outlet	Reach/Impressions		
		Area	FSA	Total Qty
September 19	Napanee Guide	Bath	K0H	1581
		Odessa	K0H	1170
September 19	Kingston This Week	Amherstview/Collins Bay	K7N	3305
		Nicholson Point	K0H	85
		Loyalist Township Rural	K0H	598
		Stella	K0H	179
November 7	Napanee Guide	Bath	K0H	1581
		Odessa	K0H	1170
November 7	Kingston This Week	Amherstview/Collins Bay	K7N	3305
		Nicholson Point	K0H	85
		Loyalist Township Rural	K0H	598
		Stella	K0H	179

705 total email newsletters deliveries

Medium	Dates	Approx. Reach
August Newsletter – Email	Aug 14	233
September Newsletter- Email	Sep 13	236
October Newsletter - Email	Oct. 18	236
Newsletters on office literature rack	Monthly	N/A