

# Staff Report



Financial Services Department

[www.kitchener.ca](http://www.kitchener.ca)

**REPORT TO:** Finance and Corporate Services Committee

**DATE OF MEETING:** December 12, 2022

**SUBMITTED BY:** Ryan Hagey, Director of Financial Planning, 519-741-2200 ext. 7353

**PREPARED BY:** Ryan Hagey, Director of Financial Planning, 519-741-2200 ext. 7353

**WARD(S) INVOLVED:** All

**DATE OF REPORT:** November 21, 2022

**REPORT NO.:** FIN-2022-488

**SUBJECT:** 2023 Water Utilities Rates

---

## **RECOMMENDATION:**

**THAT the proposed rates contained in the 2022 Water Utilities Rates schedule attached to Financial Services Department Report FIN-2022-488 be approved.**

## **REPORT HIGHLIGHTS:**

- The combined Water Utilities rate increase is 4.5% and comes into effect January 1<sup>st</sup>
- Water supply and sewage processing costs from the Region of Waterloo make up nearly half of the expenses in the City's water and sanitary budgets.
- An increase in stormwater is required to leverage nearly \$50M of grant funding through the Disaster Mitigation and Adaptation Fund (DMAF)
- This report supports the delivery of core services.

## **BACKGROUND:**

The rates for the City's Water Utilities (water, sanitary, and stormwater) are set annually by Council. A comprehensive, multi-year rate forecast was prepared in 2017 as part of the Water Infrastructure Program (WIP). The WIP report provided information about the infrastructure in each of the utilities and provided Council with investment options for both capital replacement and maintenance spending. Council's consensus from the WIP discussion provided staff with direction for future investments and rate increases which have been reflected in previous budgets and is being used to inform the proposed 2023 rate increase. Staff will be updating the WIP analysis in 2023 to inform future budget years.

## **REPORT:**

Water utility rates support maintenance, operations and capital upgrades to ensure Kitchener's water, sanitary and stormwater utilities deliver critical services to Kitchener residents and ensure the safe and reliable provision of drinking water, wastewater collection, and water quality and quantity control of stormwater runoff to prevent property damage and protect the natural environment. These services are highly regulated to ensure the proper management and decision making that supports this critical service delivery. Federal and provincial legislation include the Canadian Environmental Protection Act, Safe Drinking Water Act, Clean

Water Act, Environmental Assessment Act, Canadian Fisheries Act, Ontario Water Resources Act, as well as requirements specified within other regulations, such as developing and updating asset management plans.

The proposed combined rate increases for the Water Utilities is 4.5% and will come into effect on January 1<sup>st</sup>. The table below summarizes the rate increase by utility with a more detailed schedule attached to the report.

#### **Summary of Water Utilities Rate Changes**

<b>Utility</b>	<b>Rate Change</b>
<b>Water</b>	3.2%
<b>Sanitary</b>	2.0%
<b>Stormwater</b>	8.0%
<b>Combined</b>	<b>4.5%</b>

Rate changes in these utilities are a function of four factors:

- 1) *Regional rate changes (Water & Sanitary only)*  
Roughly half of the expenses for City's water & sanitary utilities are paying the Region for supplying clean water and processes sewage.
- 2) *Capital impacts*  
Funding needed for capital projects that create/replace assets that will serve the community for long periods of time. This includes replacing the underground infrastructure during a full road reconstruction project (e.g. watermains and sewers for sanitary and stormwater) as well as replacing water meters, sewage pumping stations, and naturalizing creeks. The replacement of infrastructure is critical to ensure that disruption of service is minimized to the maximum extent possible and the City meets the goals of safe, reliable water, sanitary and stormwater services.
- 3) *Operating impacts*  
Funding needed for day-to-day costs to operate and maintain the capital investments made by the utilities and to meet regulatory requirements to operate these systems. This includes drinking water testing, maintaining shutoff valves so water can be turned off during a main break, maintaining pumping stations so sewage can get to the treatment plant, and removing pollutants from stormwater catch basins prior to entering the natural water system.
- 4) *Other impacts*  
Other impacts include items like changes in amount of water sold, changes in transfers from reserves, or one-time items.

The proposed combined rate increase of 4.5% is in line with the forecast rate increase from the original WIP discussion as shown in the table below. The original WIP forecast only went out to 2022, but has been extended by one year as an update was delayed by the COVID pandemic. This one-year extension was indicated to Council through the 2022 budget process.

### History of Combined Water Utilities Rate Increases

	2018	2019	2020	2021	2022	2023
Rate Increase Projection from WIP	6.5%	6.5%	4.5%	4.5%	4.5%	4.5%
Revised/Proposed Rate Increase	6.5%	6.5%	4.4%	0.9%	2.2%	4.5%
	✓	✓	✓	✓	✓	

In 2021 & 2022, recognizing the pandemic related hardships to ratepayers, the City was able to achieve lower than forecasted rate increases by only passing on the Regional water and sanitary rate increases and not advancing important capital and maintenance investments on City infrastructure. This is not possible for 2023 as the impacts of inflation are significant on operating and capital expenses for each of the utilities and reserves (funds saved up in prior years to offset higher costs in future years) are projected to be completely used up within the 5-year forecast window.

Regarding stormwater, an 8% rate increase is required to continue to fund the City's 10-year commitment which is significantly funded (approximately \$50M) by other levels of government through the Disaster Mitigation and Adaptation Fund (DMAF). Failure to keep up with the commitment would mean the City would forfeit a large amount of grant funding and not address underlying issues of potential flooding within the city. A significant portion (75%) of urban areas in the city lack adequate stormwater management. The DMAF funding will implement important stormwater management initiatives that will help mitigate the impacts of climate change by reducing the severity of local flooding that can impact drinking water quality, downstream environments and public and private properties. It is estimated that for every dollar spent by Kitchener ratepayers, they receive a projected return of \$18 in prevented damage costs.

### STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

### FINANCIAL IMPLICATIONS:

The total annual impact of the proposed rate changes is \$42 (or 4.5%) as noted in the table below.

Impact on Homeowner				
	2022	2023	\$ Change	% Change
<b>Water</b>	\$422	\$446	\$14	3.2%
<b>Sanitary</b>	\$545	\$556	\$11	2.0%
<b>Stormwater</b>	\$197	\$225	\$17	8.0%
<b>TOTAL</b>	<b>\$1,174</b>	<b>\$1,227</b>	<b>\$42</b>	<b>4.5%</b>

### Assumptions:

- Water & Sanitary: water consumption of 170m<sup>3</sup> annually
- Stormwater: Residential Single Detached Medium

### COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

**PREVIOUS REPORTS/AUTHORITIES:**

There are no previous reports/authorities related to this matter.

**APPROVED BY:** Jonathan Lautenbach, Chief Financial Officer, Financial Services

**ATTACHMENTS:**

Attachment A – 2023 Water Utilities Rates

## Attachment A - 2023 Water Utilities Rates

	2022 Rate	2023 Rate	\$ Change	% Change
Sanitary (per cubic metre)	\$ 3.2051	\$ 3.2692	\$ 0.0641	2.00%
Water (per cubic metre)	\$ 2.5396	\$ 2.6209	\$ 0.0813	3.20%
Stormwater (monthly charge)				
Residential Single Detached Small	\$ 10.41	\$ 11.24	\$ 0.83	8.00%
Residential Single Detached Medium	\$ 17.37	\$ 18.76	\$ 1.39	8.00%
Residential Single Detached Large	\$ 22.83	\$ 24.66	\$ 1.83	8.00%
Residential Townhouse/Semi-Detached	\$ 12.40	\$ 13.39	\$ 0.99	8.00%
Residential Condominium	\$ 6.91	\$ 7.46	\$ 0.55	8.00%
Multi-Residential duplex	\$ 13.90	\$ 15.01	\$ 1.11	8.00%
Multi-Residential triplex	\$ 20.89	\$ 22.56	\$ 1.67	8.00%
Multi-Residential four-plex	\$ 27.77	\$ 29.99	\$ 2.22	8.00%
Multi-Residential five-plex	\$ 34.76	\$ 37.54	\$ 2.78	8.00%
Multi-Residential (>5 units)	\$ 3.49	\$ 3.77	\$ 0.28	8.00%
Non-Residential Smallest	\$ 33.22	\$ 35.88	\$ 2.66	8.00%
Non-Residential Small	\$ 88.84	\$ 95.95	\$ 7.11	8.00%
Non-Residential Medium-Low	\$ 232.78	\$ 251.40	\$ 18.62	8.00%
Non-Residential Medium-High	\$ 679.50	\$ 733.86	\$ 54.36	8.00%
Non-Residential Large	\$ 1,646.86	\$ 1,778.61	\$ 131.75	8.00%
Non-Residential Largest	\$ 3,535.45	\$ 3,818.29	\$ 282.84	8.00%

The minimum charge for water and sanitary sewer is calculated as 1/10 m3 per day

The flat rate sewer charge for properties not connected to the municipal water system is based on the average annual residential consumption of 170 m3 at the current approved sanitary sewer rate and is billed monthly