

Council Information Session Water and Wastewater Rate Study



TOWN OF GEORGINA

August 14, 2024



Discussion Topics

- Background and Rate Setting Approach
- Overview of Analysis:
 - Projection of Billed Water
 - Operating and Capital Cost Projections
 - Asset Management Contributions
 - Calculated water and wastewater rates
 - Reserve Fund management
- Benchmarking and Next steps

Study Background

- The last Water and Wastewater Rate Study was completed in 2020 with the view of updating the study in 5 years.
- Town has initiated an updated study prior to the 5 years mark to respond to increasing costs, a revised asset management plan and a more robust non-growth related capital plan to maintain system operations
- A Water Financial Plan is required to maintain the Town's drinking water licence
- A 10-year projection of water and wastewater rates will underpin the Financial Plans.

Existing Water and Wastewater Rate and Rate Structure

2024 Water Rates (April 1st)

Fixed Charge per month	\$4.94 per month
Variable Rate (Residential & Non-Residential)	\$3.10 per m ³

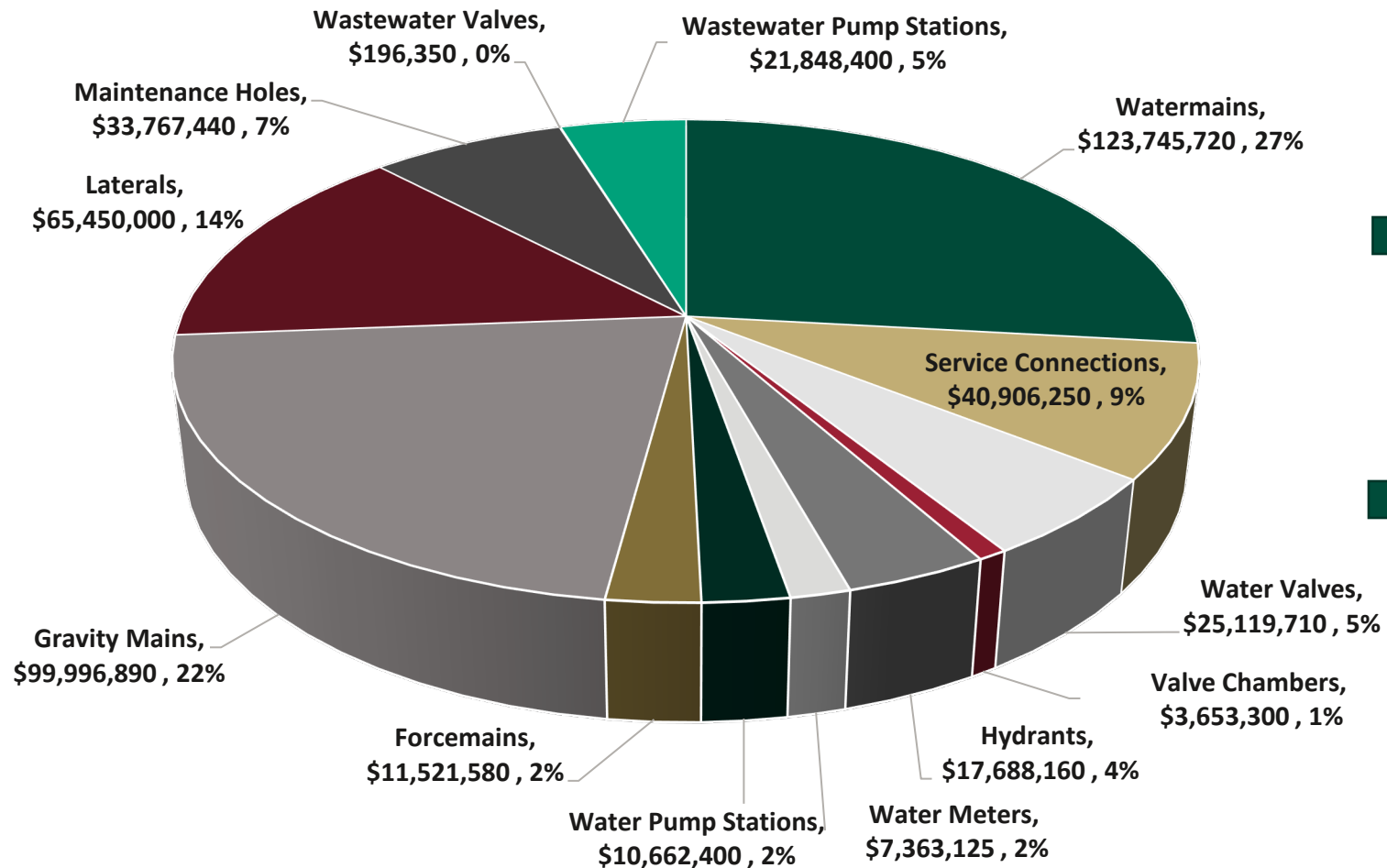
2024 Wastewater Rates (April 1st)

Fixed Charge per month	\$4.87 per month
Variable Rate (Residential & Non-Residential)	\$3.39 per m ³

General Rate Observations:

- Rate structure consistent with many communities across the province
- High share of total costs are recovered from the variable rate
- Town has been increasing the fixed charge at a greater rate than the variable charge to increase revenue stability while promoting conservation
 - Assumed to continue in this analysis
- Town offers an early payment discount which lowers the rates to qualifying customers
 - Base analysis tests the discontinuance of the early payment discount

Asset Replacement Value = \$462 Million

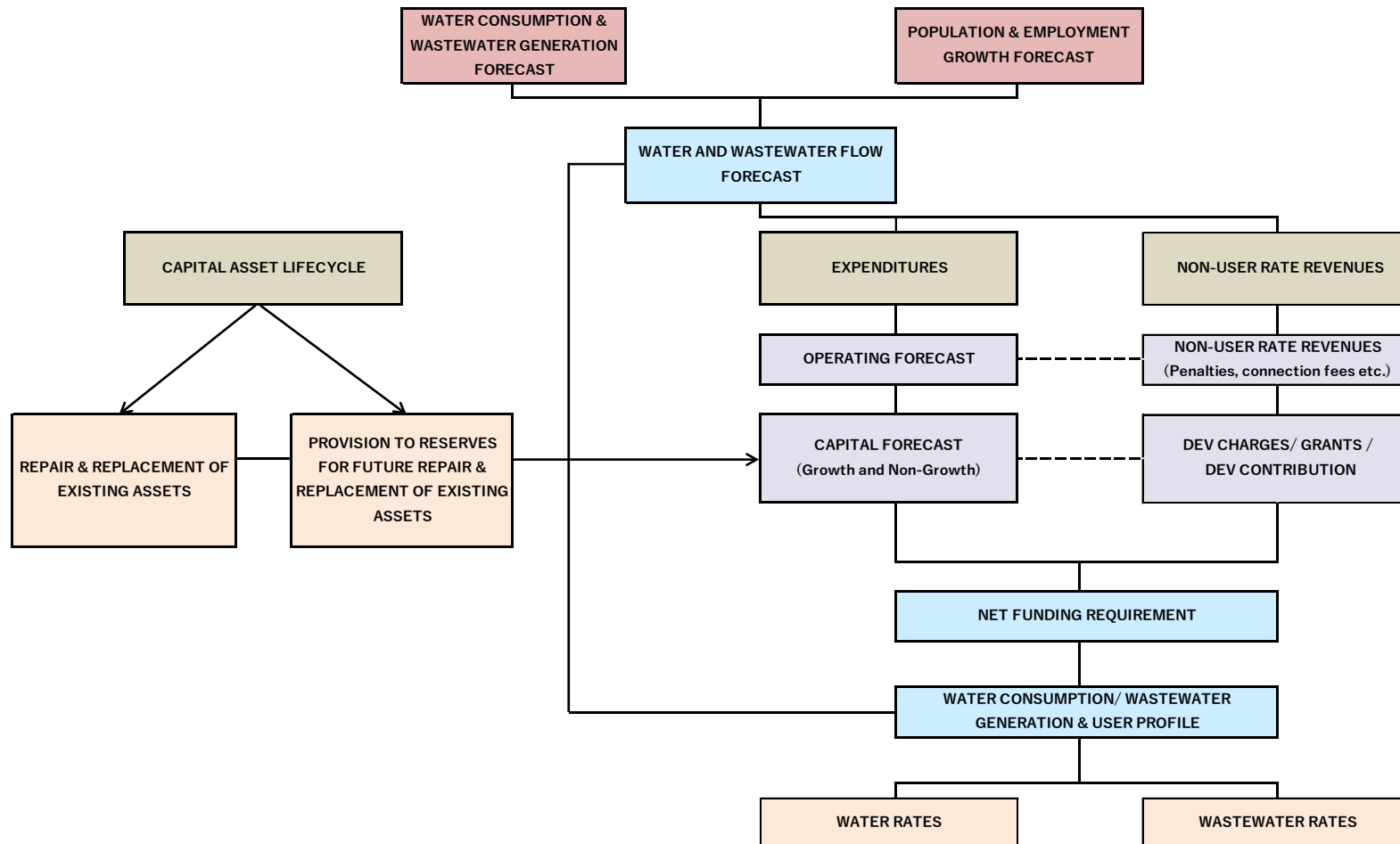


- Water = \$229 M
- Sewer = \$233 M
- Annual Capital Asset Replacement provision estimated at **\$7.1 million** per year

Source: 2022 Core AMP and adjusted for inflation to 2024\$ using the NRCPI.

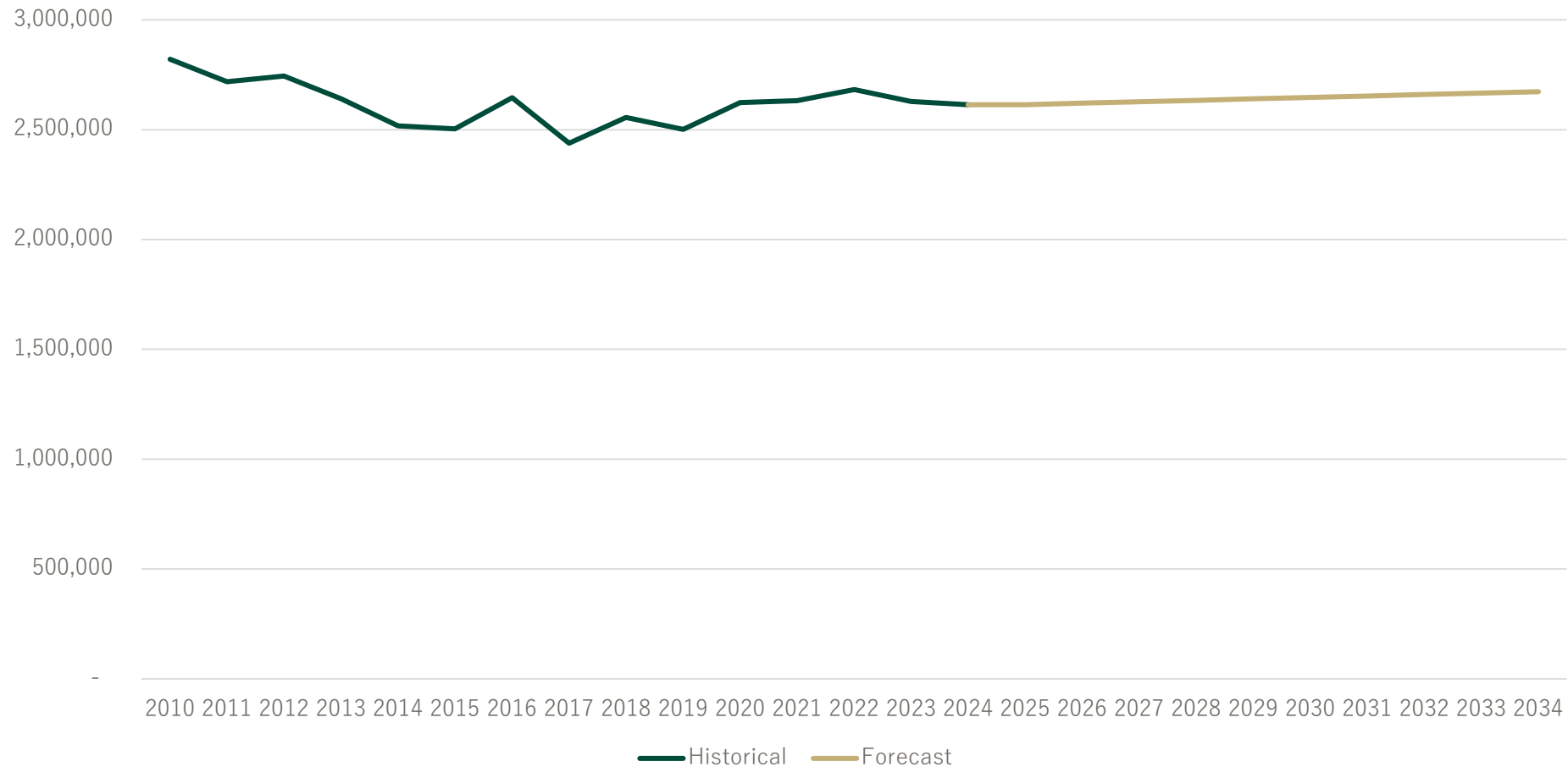


Water and Wastewater Rate Setting Approach



1. Full recovery of operating costs
2. Full recovery of annual capital needs
3. Contribution to Reserve for future asset replacement

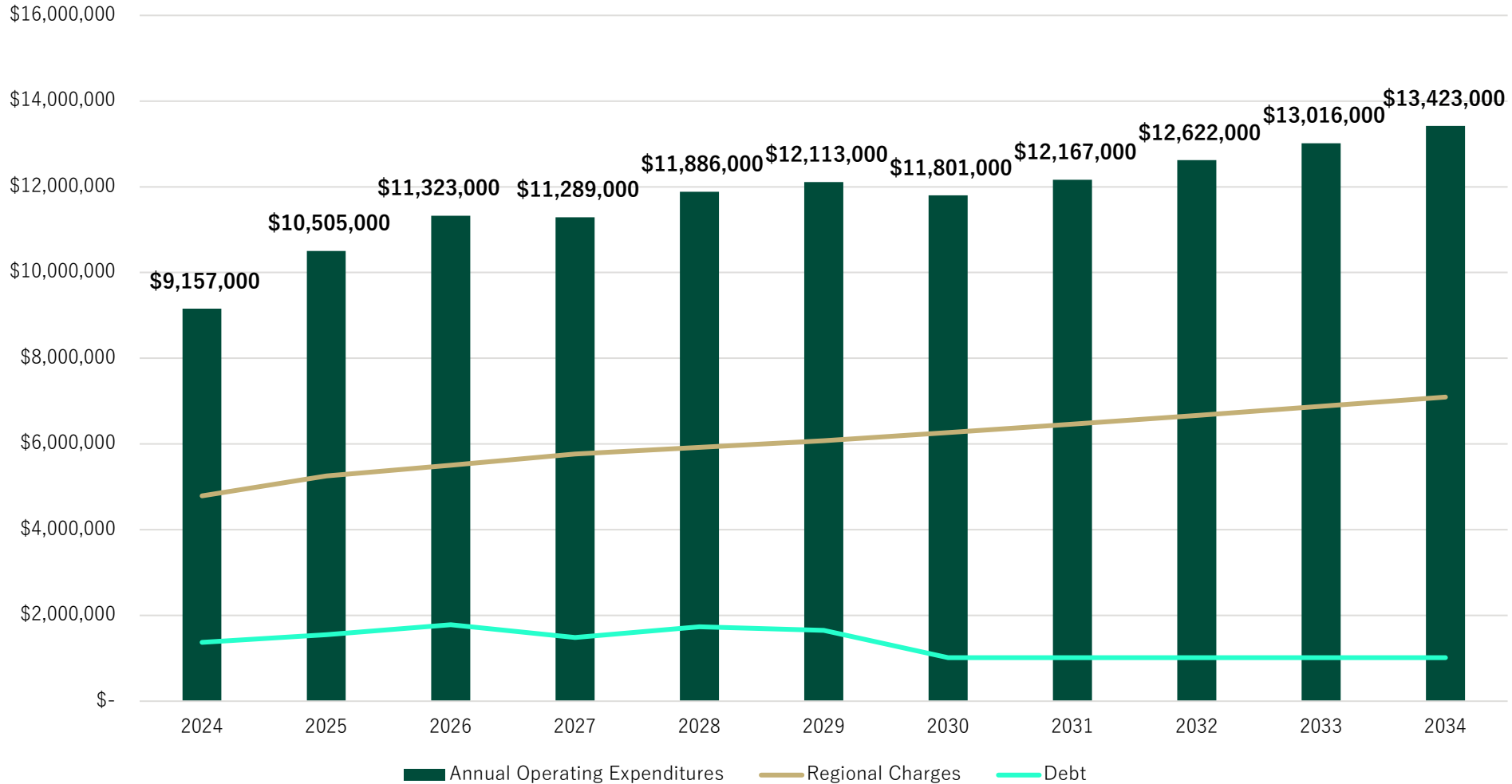
Summary of Billed Water Consumption (m³)



- General decline in billable flow since 2010
- Uptick in flow during the pandemic
- Billable flows in short-term are expected to moderate (from pandemic levels) and increase modestly over the planning period

Source: Town data based on historical metered consumption

Operating Budget Forecast – Water (1)(2)



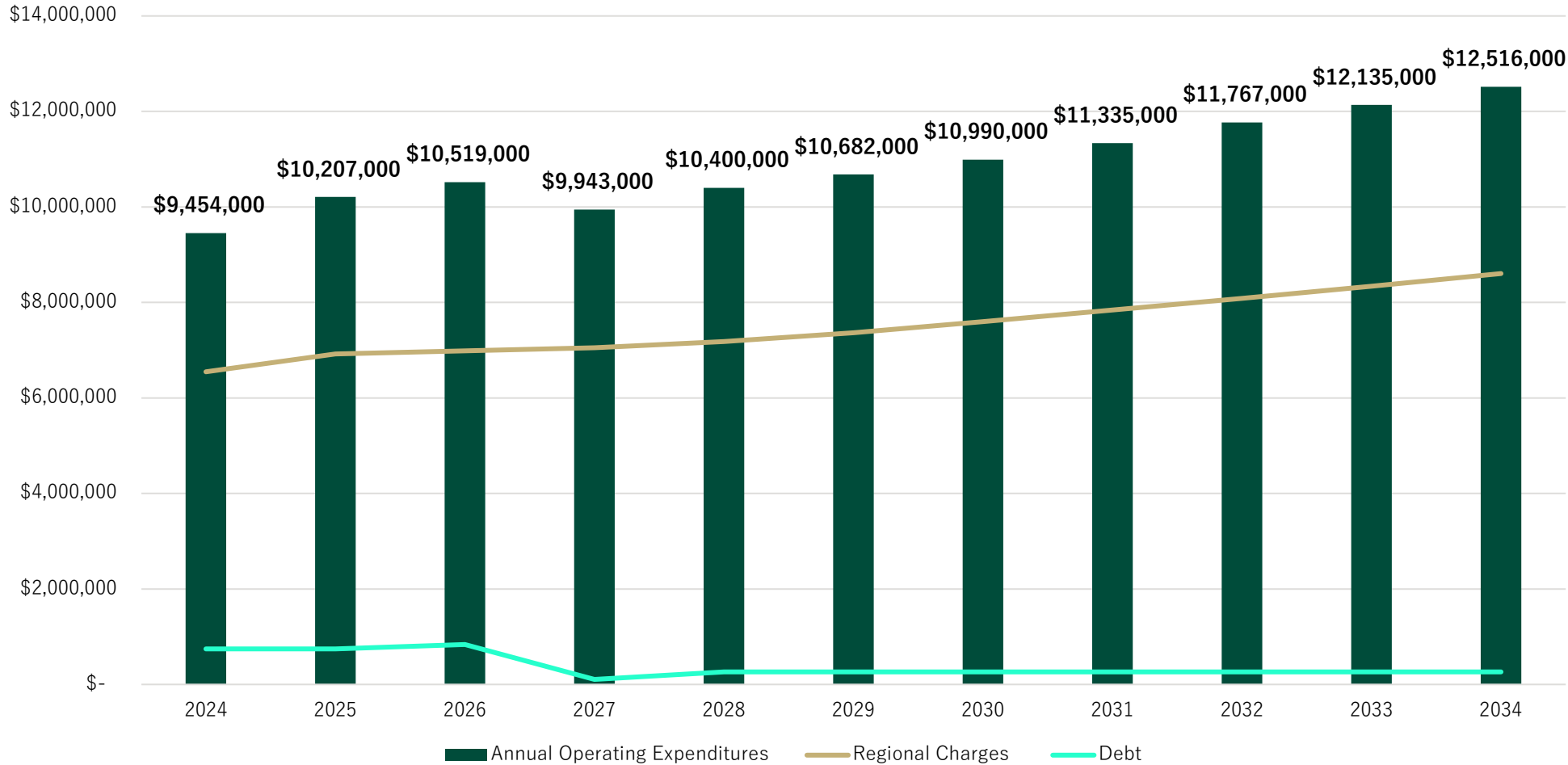
- Forecast based on 2024 budget and preliminary 2025 budget inputs
- Key drivers for increases:
 - YR Purchasing Costs
 - Salary and contractual service cost increases
 - New debt
 - Operational initiatives

Note 1: Represents gross operating costs.

7 Note 2: Existing debt related to the willow beach debenture would receive connection charge revenues to offset the debt. Those revenues are not reflected on this chart



Operating Budget Forecast – Wastewater (1)(2)



- Forecast based on 2024 budget and preliminary 2025 budget inputs

- Key Drivers for increases:
 - YR Treatment Costs
 - Salary and contractual service cost increases
 - New debt
 - Operational initiatives

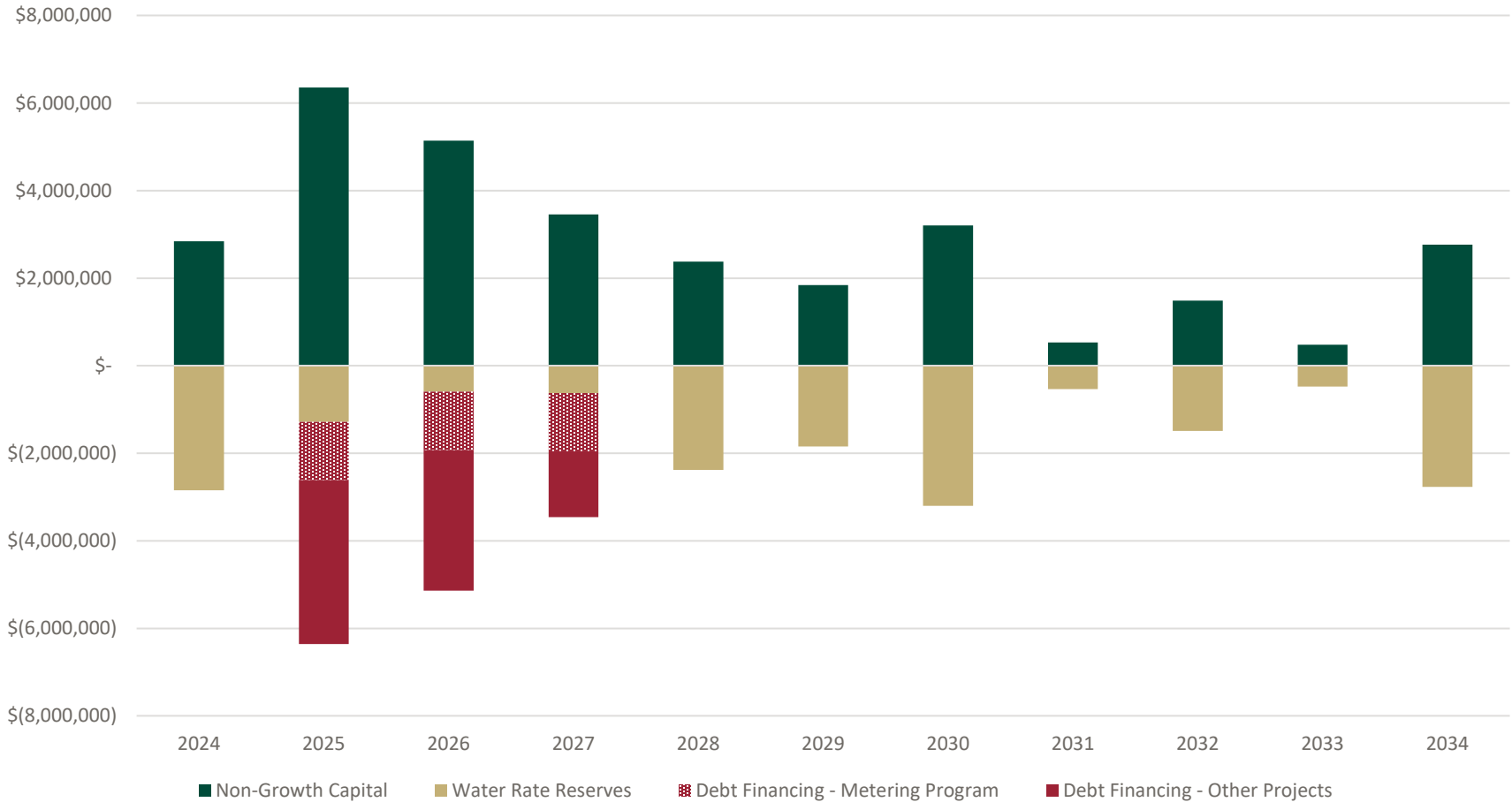
Note 1: Represents gross operating costs.

Note 2: Existing debt related to the willow beach debenture would receive connection charge revenues to offset the debt.

8 Those revenues are not reflected on this chart



Non-Growth Related Capital Forecast Water: Totals \$27.7 million to 2034

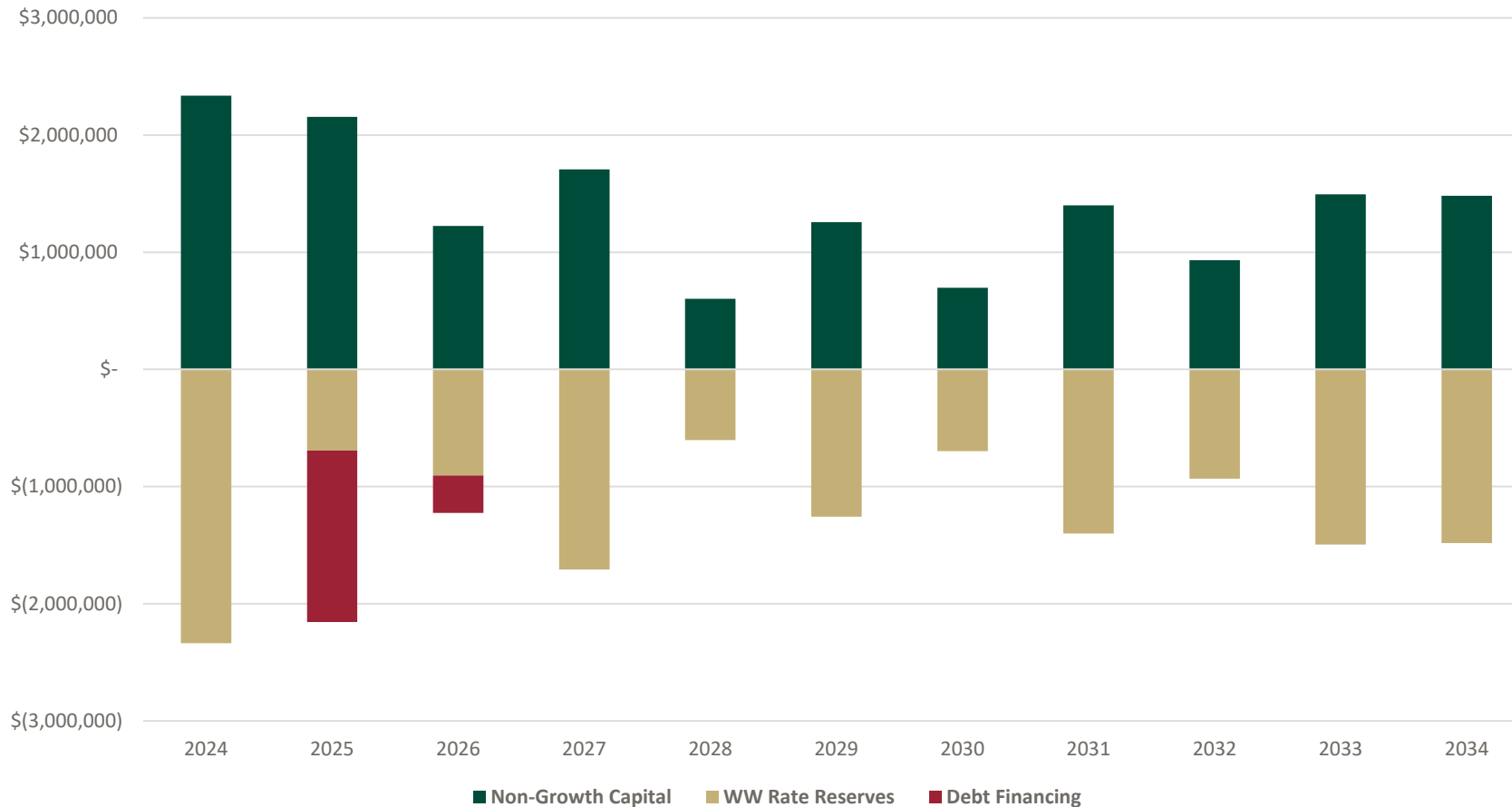


- Significant expenditures in the short-term
 - \$8.3 Million (2024\$) in debt financing to help offset capital
- Advanced Meter Replacement Program included (\$4.0M over 3 years starting in 2025)
 - Assumed to be debt financed and in addition to the debt required for other new projects
- Additional capital initiatives included
 - \$850k over the period

Note 1: Capital Forecast is inflated to the \$ year in which the work is being undertaken
 Note 2: Includes the non-growth share of growth-related capital infrastructure requirements
 Note 3: 10-year capital plan supplemented with additional capital initiatives



Non-Growth Related Capital Forecast Wastewater: Totals \$13.0 million to 2034



- Overall, steady level of annual capital expenditure over the planning period
- About \$1.7 million in debt financing is required to help smooth reserves in 2025/2026
- Additional capital initiatives included
 - \$1.2M over the period

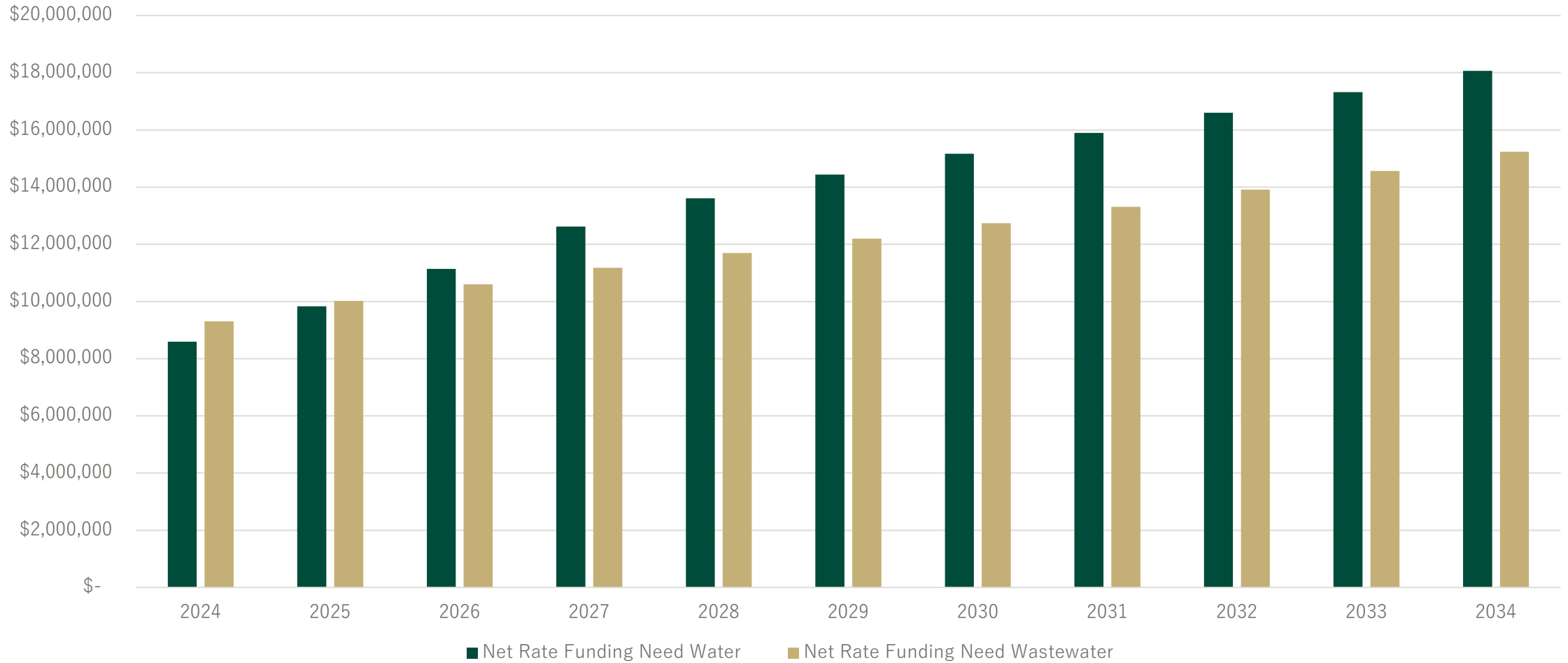
Note 1: Capital Forecast is inflated to the \$ year in which the work is being undertaken

Note 2: Includes the non-growth share of growth-related capital infrastructure requirements

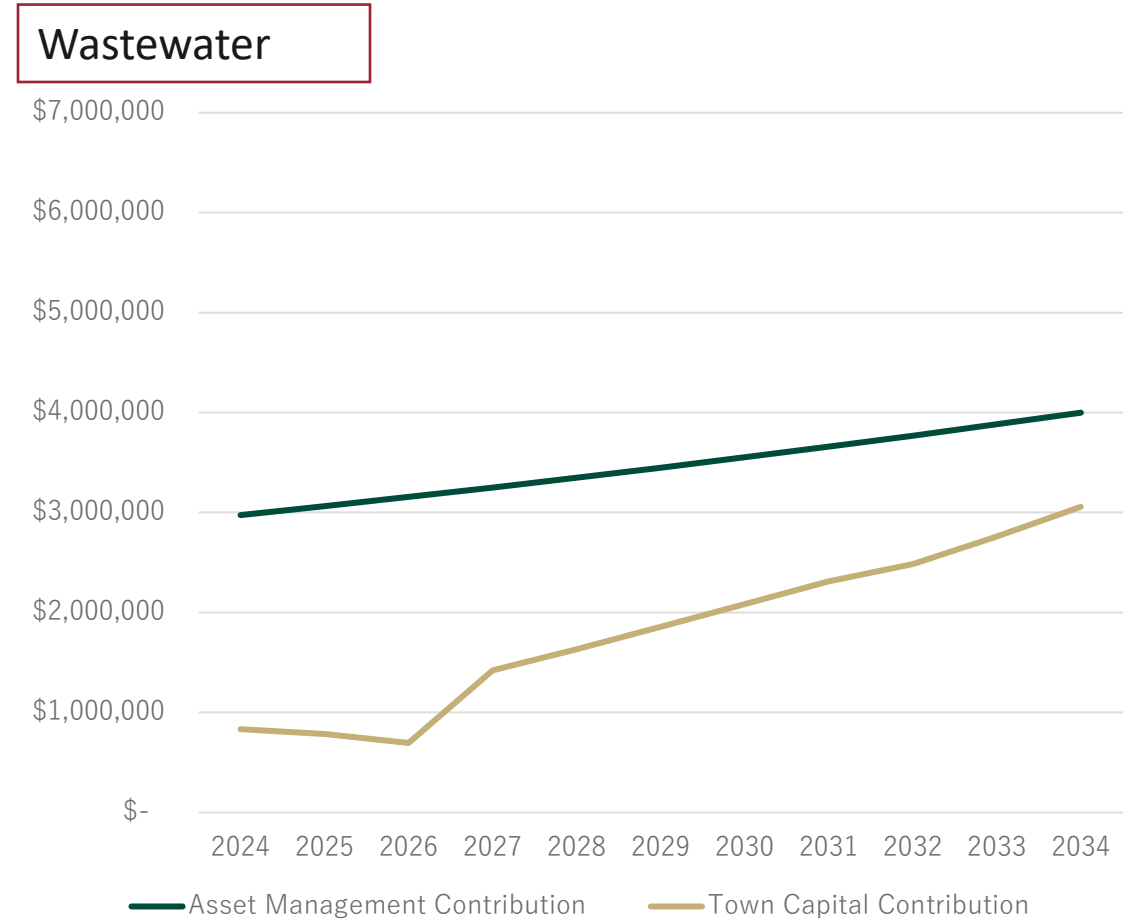
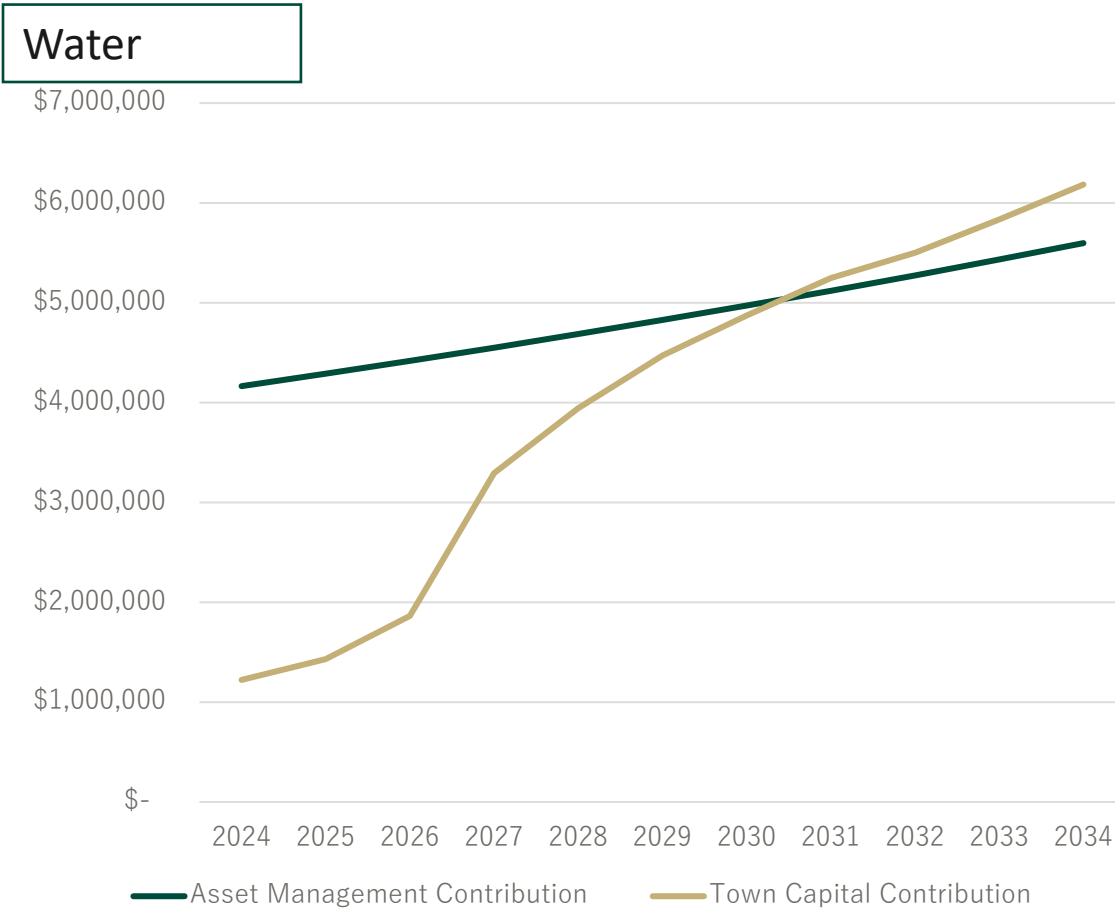
10 Note 3: 10-year capital plan supplemented with additional capital initiatives



Net Rate Funding Need

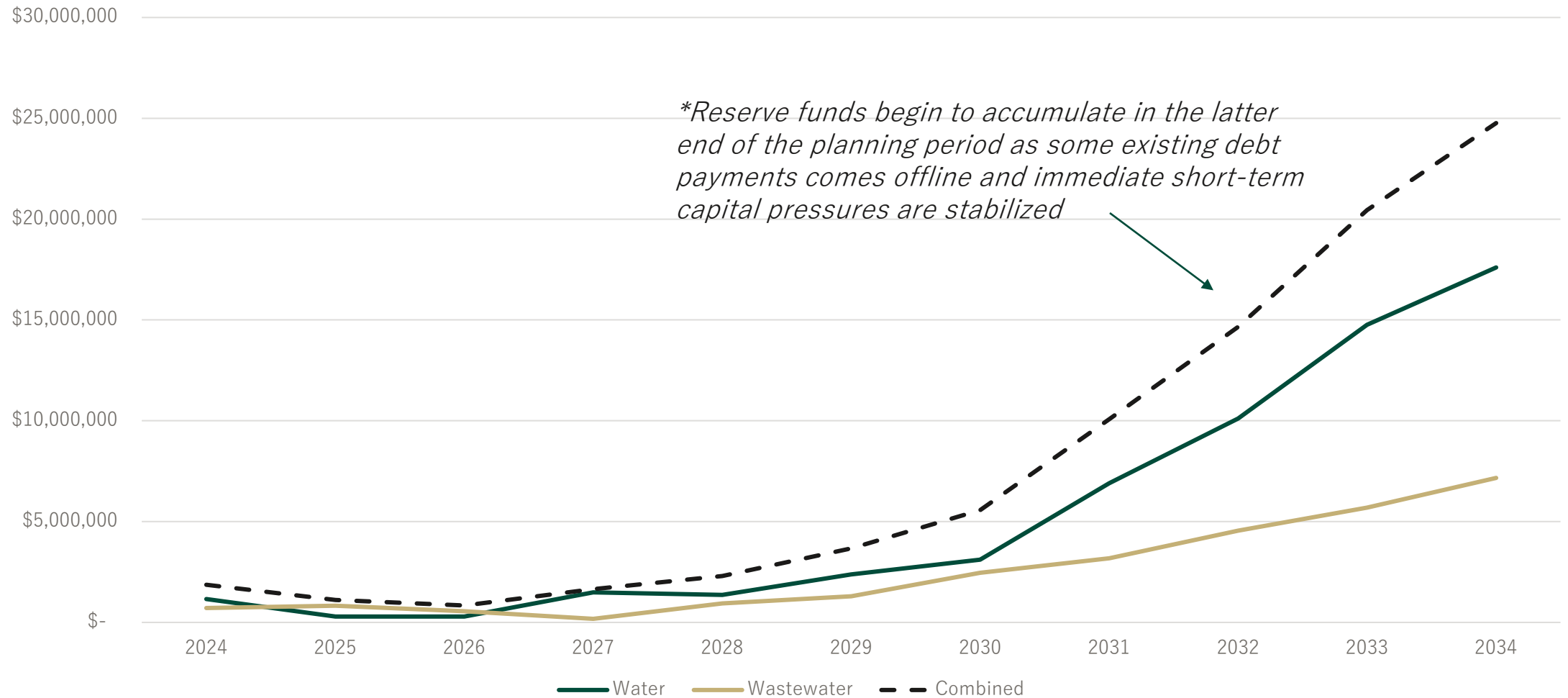


Reserve Fund Contributions vs. Asset Management Needs

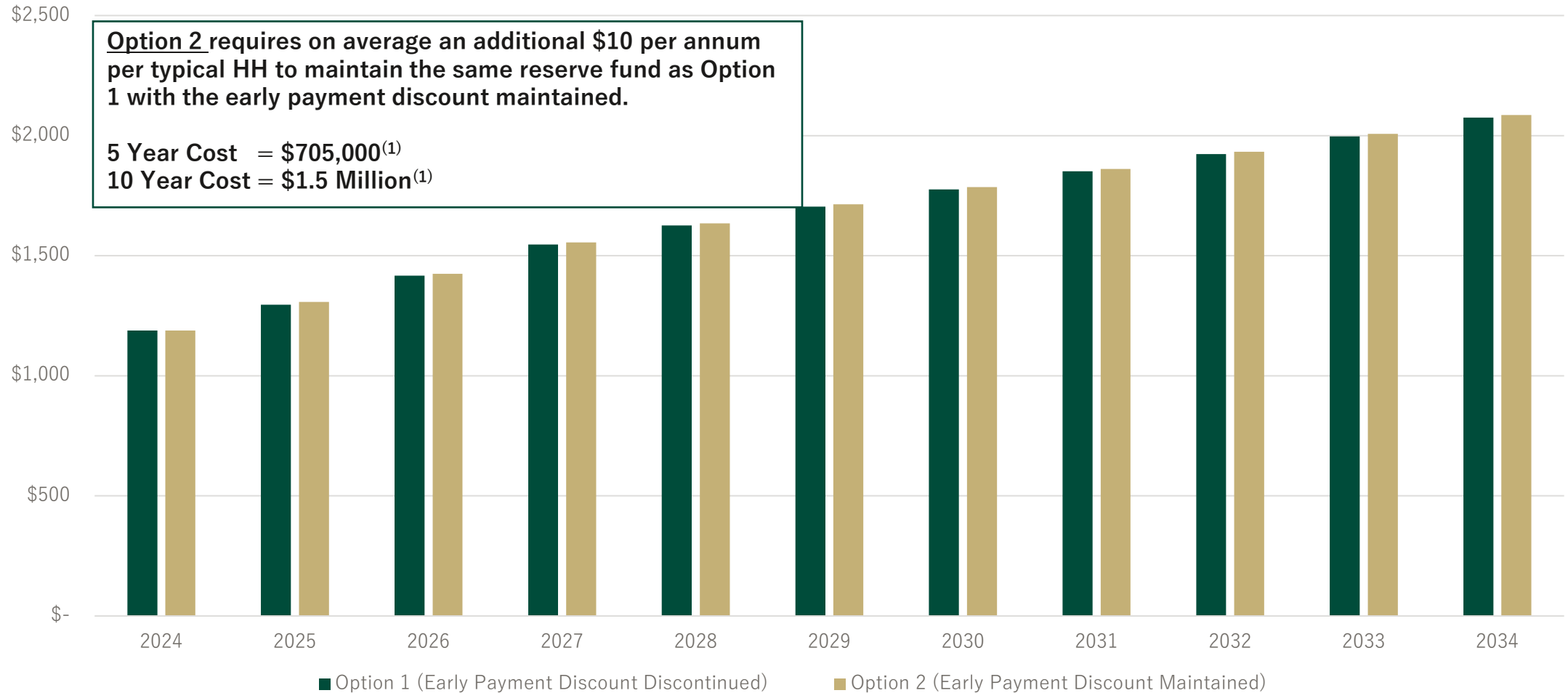


Note: Asset Management contribution based on 2022 Core AMP and adjusted for inflation to 2024\$ using the NRCPI. 3% annual inflation adjustment thereafter

Year-End Reserve Fund Balances

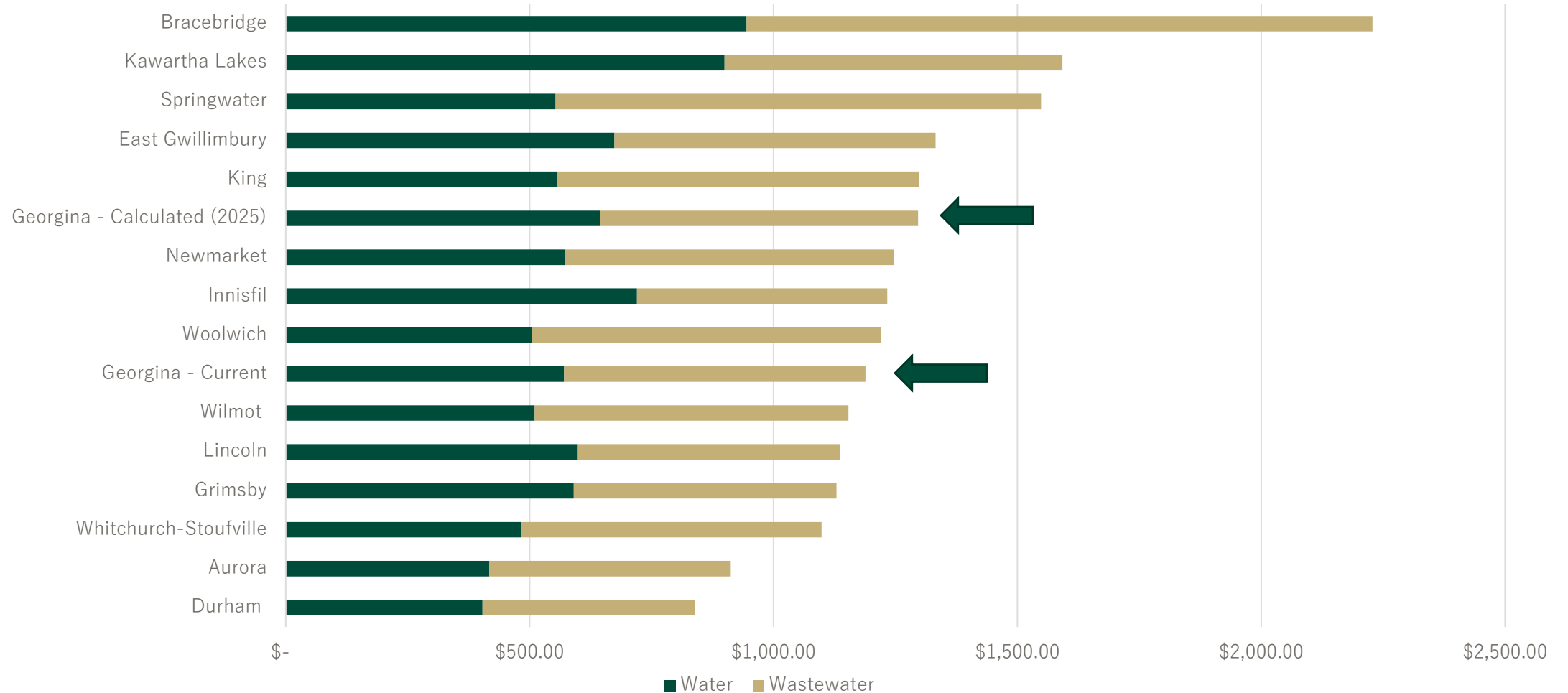


Annual Impact per Typical Metered Household Option Comparison



Note 1: Estimated based on 2024 budget plus inflation each year

Household Bill Rate Comparison (165m³ per year)⁽¹⁾



Source: Based on survey of municipal websites.

Note 1: Rates in force as of January 1st 2024 and includes both water and wastewater services (excludes dedicated stormwater fees)

Concluding Comments

- Annual increases to the utility rates are needed to support capital needs and operating costs of the system
- Extensive capital works required over the planning period
 - Debt financing measures and use of reserves need to be carefully monitored to ensure sustainable reserve levels and self imposed (or provincially mandated) debt limitations are not exceeded
- In an effort to manage cost pressures, the Town can consider the discontinuation of the early payment discount
- Rates remain competitive with surrounding municipalities