



## THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

**Subject:** Hemson Water Rates

**Report Number:** Public Works-2020-03

**Meeting Date:** Monday, March 2, 2020

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**Recommendation:** THAT Council adopt option 2 the harmonized water rate model for all Municipal water systems contained within report Public Works-2020-03 as proposed by Hemson Consulting Ltd.

**Date to be considered by Council:** Monday, March 9, 2020

**Report Summary:**

The financial plans for drinking water and wastewater are due to be updated for renewal of our licensing. Hemson Consulting was hired on approval of Council to propose 2 options for the updated financial plans. Option 1 is Status Quo: Maintain separate rates for Kincardine and Tiverton Water Systems. Option 2 is a Harmonized Water Structure that combines Kincardine and Tiverton into one blended water rate. Staff are recommending that Council impose Option 2 the Harmonized Water Structure. Merging the systems financially does not mean the Tiverton water system will be physically connected to the Kincardine pipeline. A report will be brought to Council at a later date to explore the options of connecting vs not connecting and the benefits or challenges operationally.

**Origin:** Provincial regulations (O.Reg. 453/07) require updated water system financial plans every five years and are due for renewal in May 2020.

**Existing Policy:** 2015 Hemson Financial Plan

**Background/Analysis:** Financial Plans are a mandated requirement under Provincial regulations for Owners of water systems. The Municipality's plans are due for renewal in 2020 and must be completed prior to our submission of our system Licence/Permit renewals which are due by May 12, 2020.

Under the current model Tiverton's reserve funds are inadequate to maintain the system in both the short and long term and will require a significant increase in user fees to maintain a separate system financially. Currently the Tiverton Water

Capital Reserve Fund 24 has ~ \$227K but will be depleted after standpipe pump upgrades occur this year. In the next 5 years there are significant system upgrades required to maintain the system including a new well and possible arsenic treatment equipment.

Staff recommend imposing the new harmonized rate structure within the 2021 rates and fees as the fees are set for the 2020 budget year. The harmonized model is more sustainable for the Tiverton system with only a modest impact to the other rate payers. Maintaining a standalone funding model requires significant rate increases to the Tiverton users to maintain the supply and distribution system. Currently we have adopted and embraced this structure for the other water systems in Underwood, Scott's Point, and Armow. These smaller well systems are pooled with the Kincardine system. Overall, a harmonized rate structure would provide sustainability of the water systems across the Municipality.

The two options are described in more detail in the Hemson presentation.

**Community Plan and Integrated Community Sustainability Plan (ICSP) Considerations:** Our community will be water efficient and waste conservative minimizing our impacts on the natural environment.

**Financial Implications:** Under the proposed new harmonized rate structure, a rate increase of 2.75% (fixed and variable) would be required for all water system users (Tiverton and Kincardine). If the status quo option is maintained, Tiverton water rates will require an annual increase of 8.5% (fixed and variable) over the next 5 years, while Kincardine water rates would increase by 2% annually.

**Attachments: Hemson Powerpoint**