



The Corporation of the Town of Tecumseh

Public Works & Engineering Services

To: Mayor and Members of Council

From: Phil Bartnik, Director Public Works & Engineering Services

Date to Council: November 26, 2024

Report Number: PWES-2024-58

Subject: Water and Wastewater Rates for 2025

Recommendations

It is recommended:

That Report PWES-2024-58 Water and Wastewater Rates for 2025, **be received;**

And that By-law 2024-100 be considered for first, second, third and final reading, **to adopt** the water and wastewater rates for 2025, based on the recommendation of the 2023 Town of Tecumseh Water and Wastewater Rate Study.

Background

The purpose of the Town of Tecumseh Water and Wastewater Rate Study (Rate Study) is to update water and wastewater rates and charges to ensure a full cost recovery of these services and to guide annual water and wastewater rate increases during the Town's annual budget process for the active period of the study. Full cost recovery is the generation of sufficient revenues to cover the cost of providing water and wastewater services to Town of Tecumseh customers. These services include operations, capital works and the appropriate reserve contributions necessary for asset lifecycle replacement and growth.

The Town's Financial Services Department last updated the Rate Study in April 2024.

The Town purchases bulk water from the City of Windsor, which is operated by the Windsor Utilities Commission, via a 50-year agreement signed in 2004. In 2018, Windsor Utilities Commission applied a rate adjustment of 9% to the water rate effective January 1, 2017 through to December 31, 2026. This rate adjustment is discussed in further detail in Financial Services Report No. [FS-2018-14](#). Terms of the 50-year agreement allow for annual rate adjustments equal to Consumer Price Index (CPI) and periodic rate adjustments to be considered at each 10-year anniversary of the agreement.

Wastewater treatment services are provided by the City of Windsor at both the Little River Pollution Control Plant (LRPCP) and Lou Romano Water Reclamation Plant (LRWRP) based on a perpetual agreement between the City and the Town first initiated in 1970 with several amending agreements since.

The agreement provides the Town with a share of treatment capacity at both treatment plants and provides for proportionate payment of the operating and maintenance costs, including replacement costs, of the plants on an ongoing basis.

Wastewater treatment rates are calculated by the City based on prior year actual operating and capital costs of each plant on a per volume basis.

Future water and wastewater rate increases are reviewed by Council on an annual basis. Typically, rate increases are based on the recommendations found in the last updated Rate Study, the Bulk Water Mediation Agreement and discussions with the Windsor Utilities Commission and City of Windsor. It is customary for rate adjustments to occur in conjunction with the Town's annual budget process.

Annual adjustments to the rates are given public notice. Each year a notice is published on the Town's website and social media platforms to inform the public of Council's intention to give consideration to a by-law to establish water and wastewater rates for the given year.

Comments

The Town's Water and Wastewater Rate structure, as established within the 2023 Rate Study, includes a combination of a Fixed Charge Rate and a Volumetric Charge Rate for both water and wastewater.

The Volumetric Charge Rate for water includes a Decreasing Block Rate that provides for a volumetric rate that decreases in steps as consumption increases. The Volumetric Charge rate for wastewater includes a discounted rate for Nortera Foods. The Rate Study recommends annual rate adjustments for the period of the study.

2025 Water and Wastewater Volumetric Charge Rates

The proposed 2025 water rates:

1. Maintain the declining block rate structure for large (over 10,200 cubic meters per month) volume water usage;
2. Include a 3% rate increase as recommended in the Rate Study.

2025 Water Rates (per cubic metre)

Usage in cubic meters	2025 Proposed	2024 Actual	\$ Change	% Change
Less than 10,200	\$ 1.3523	\$ 1.3129	\$ 0.0394	3 %
Greater than 10,200	\$ 0.9775	\$ 0.9490	\$ 0.0285	3 %

The proposed 2025 wastewater rates:

1. Maintain the reduction in the sewer charge for Nortera Foods at 2/3 of the wastewater rate charged to residential consumers. A discounted rate for Nortera is provided on the wastewater volume charge to recognize the high proportion of water which is used in their processing that does not go back into the wastewater system;
2. Include a 5% rate increase as compared to the 3% increase recommended in the Rate Study.

Administration recommends a greater increase to Wastewater fixed and volumetric rates due to significant increases to treatment rates imposed by the City of Windsor.

Treatment rates at the Little River Pollution Control Plant have increased 94% since 2021 as compared to 24% at the Lou Romano Water Reclamation Plant over that same period. Approximately 95% of the Town's total wastewater flows are treated at the Little River Plant.

The Town has projected an unfavourable variance of approximately \$600,000 related to wastewater treatment costs for 2024. The proposed 5% increase should generate approximately \$100,000 in additional revenue as compared to revenue generated from a 3% increase and will help to offset some of the increase to treatment costs. Similar annual increases will likely be required throughout the balance of the Rate Study period to reconcile wastewater revenues to expenditures.

2025 Wastewater Rates (per cubic metre)

User	2025	2024 Actual	\$ Change	% Change
General	\$ 1.4444	\$ 1.3756	\$ 0.0688	5 %
Nortera Foods	\$ 0.9627	\$ 0.9169	\$ 0.0458	5 %

These recommended rates are part of a long-term plan for financial sustainability of the Town of Tecumseh’s water and wastewater system, which have a replacement cost of \$163 million and \$169 million respectively (per the 2023 Rate Study). Revised long-term projected consumption rates to 2032 are shown on Attachment 1.

Fixed Charge Rates

The Town’s Charge Rate is a fixed monthly charge to all customers based on the size of the meter servicing the property. This charge ensures a contribution to the water and wastewater system regardless of consumption levels. The proposed Fixed Charge Rates for 2025 represent a 3% increase for water and a 5% increase for wastewater over the 2024 levels. The chart below depicts the 2024 monthly rates as well as the proposed 2025 monthly rates for each of water and wastewater and service connections.

Meter Size	2025 (Water)	2025 (Wastewater)	2024
5/8" & 3/4"	\$ 20.14	\$ 20.53	\$ 19.55
1"	\$ 34.94	\$ 35.62	\$ 33.92
1.5"	\$ 68.59	\$ 69.92	\$ 66.59
2"	\$ 102.19	\$ 104.17	\$ 99.21
3"	\$ 171.56	\$ 174.89	\$ 166.56
4"	\$ 276.92	\$ 282.29	\$ 268.85
6"	\$ 492.45	\$ 502.02	\$ 478.11

Other Charges

The Town has previously applied a regular annual increase to a number of charges within the Water and Wastewater Rates By-law.

The 2025 water rate for the **Oasis Water Filling Station** is recommended to be increased by 5%, or \$0.12, to \$2.60 per cubic meter (\$2.48 in 2024). An increase greater than CPI (2.1%) is recommended to offset increased operating costs related to system upgrades recently implemented that include touchless fill station equipment and electronic payment processing.

Rates for unmetered users are based on a monthly consumption of 330 cubic meters, as well as the fixed rate charges, and reflect the updated metered rates proposed. It is therefore recommended that the **flat rate un-metered wastewater collection and treatment charge** be established at \$60.25 (2024 - \$57.38) per month and the **flat rate water un-metered consumption charge** be established at \$57.32 (2024 - \$55.65) per month for 2025.

Consultations

Financial Services
Legislative Services & Clerk

Financial Implications

The recommended water and wastewater rates for 2025 will recover the Town's operating and capital servicing costs including an allowance for lifecycle replacement of capital infrastructure.

Projected Transfers to Wastewater Reserve Funds to support lifecycle replacement will likely be less than called for in the 2023 Rate Study for 2025 due to significant wastewater treatment rate increases at LRPCP. The reserve fund shortfall will be funded through use of the Town's Wastewater Rate Stabilization Reserve Fund and future increases to Wastewater Rates.

The impact of the proposed rate increases would increase the annual cost to a homeowner using 240 cubic meters from \$1,114.44 (2024) to \$1,159.25 (2025), an increase of \$44.81 or 4%.

Link to Strategic Priorities

Applicable	2023-2026 Strategic Priorities
<input checked="" type="checkbox"/>	Sustainable Growth: Achieve prosperity and a livable community through sustainable growth.
<input type="checkbox"/>	Community Health and Inclusion: Integrate community health and inclusion into our places and spaces and everything we do.
<input type="checkbox"/>	Service Experience: Enhance the experience of Team Tecumseh and our citizens through responsive and respectful service.

Communications

Not applicable

Website Social Media News Release Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Dana Reid
Public Works & Engineering Services Assistant

Reviewed by:

Brad Dupuis, C. Tech.
Manager Water Services

Reviewed by:

Robert Auger, LL.B.
Director Legislative Services & Clerk

Reviewed by:

Tom Kitsos, CPA, CMA, BComm
Director Financial Services & Chief Financial Officer

Reviewed by:

Phil Bartnik, P.Eng.
Director Public Works & Engineering Services

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
1	Water and Wastewater Recommended Charges per the 2023 Water and Wastewater Rate Study