

**Report from** Financial Management Services, Billing

**Date of Report:** June 5, 2017

**Date of Meeting:** June 19, 2017

**Report Number:** FMS-B023-2017

**File:** 10.57.12, 68.81.5

**Subject:** Cost of Bulk Water

## **Recommendation**

That the Budget Standing Committee (BSC) receives this report for information and consideration.

## **Summary**

At the public meeting held March 27, 2017 for the 2017 Water and Wastewater Budget, Councillor Siscoe put for the following motion;

That Council approve the 2017 Water and Wastewater Budget in Appendix 1 of the report from Financial Management Services, Accounting, dated February 28, 2017; and

That Council direct staff to hold the rate of bulk water usage for 2017; and

That Council direct staff to prepare a report on the cost of bulk water usage, and comparator cities, and refer to the Budget Standing Committee; and

Further, that the City Solicitor be directed to prepare the necessary by-laws.  
FORTHWITH

## **Background**

In order to make water more conveniently available to customers with water hauling trucks, a Bulk Water Station was constructed to meet this demand. A new station was built and went into service in late 2006.

The City of St Catharines bulk water station is located in the west end of the City on Burbank Dr. This station enables water haulers to obtain potable water for delivery to rural customers, as well as for the use in construction, street sweeping and landscaping operations year round, 24 hours per day, 7 days a week.

This facility was designed with the safety of the water customers connected to local distribution system in mind. A backflow prevention device has been installed to ensure the safety of customers.

The bulk water station is controlled by an automated Attendant. The Attendant is a fluid management system that provides secure, 24/7 access to authorized customers of the Bulk Water Station. The Attendant is managed by a software program called WinFuel. WinFuel controls all aspects of the Attendant including customer access, PIN number assignment, customer credit limits as well as reporting of all water usage and customer transactions at the Bulk Water Station.

Bulk water stations dispense high volumes of water over a short period of time. The intended use is to supply large quantities of water. Customers can also fill smaller tank ups along with larger water haulers. The easy access terminal provides security and ease of use.

An account must be set up in advance and are mainly used for customers needing larger, frequent water volumes. Water purchases are made using the assigned Truck and PIN number and invoiced monthly. Customers are required to complete and submit an Account Application.

## **Report**

Staff was directed to prepare a report on the cost of bulk water usage and the comparator municipalities and refer back to the BSC. As the City's bulk water rate was not adjusted for 2017, it remains at \$2.398 and has not increased since 2012. If the rate methodology of two times the consumption rate was continued, the 2017 rate would have been \$2.414 (two times the 2017 consumption rate of \$1.207). Council directed staff to hold the rate of bulk water usage for 2017 until a report could be brought back to the BSC with the requested information.

When determining a water rate for the bulk water dispensing station, staff considered current rates within the area as well rates at other bulk water dispensing facilities in our municipal comparators. The cost to deliver this water is higher than that of residential customers on the system due to the capital and operating costs of the facility itself.

The current bulk water rate structure of two times the City's consumption rate was implemented in 2012. The bulk water rate of \$2.398 has not increased since 2012 as there has been no increase in the City's water consumption rate since that year. The reason for the rate difference is that the water consumption rate does not include a fixed cost component and there were costs incurred by the City to acquire the bulk water infrastructure and to maintain and upkeep the bulk water station. There is no sewer amount charged as it is assumed to be picked up by regular customer billing.

Table 1 below has the bulk water rates for our approved comparator municipalities.

TABLE 1 - Municipal Comparators							
Single Tier	Rate M3	Monthly Charges	Other Charges	Lower Tier	Rate M3	Monthly Charges	Other Charges
Barrie	\$3.846	N/A		Cambridge	\$1.934	N/A	\$50 Lost Card Charge
Guelph	\$3.260	N/A	\$250 Key Deposit/\$100 for Additional Key	Kitchener	\$2.170	N/A	15% Admin Fee Applied To Billing
Kingston	\$1.800	N/A	1st Card Free \$25.00 Additional	Niagara Falls	\$1.200	N/A	\$15.00 Key Deposit
Thunder Bay	\$3.630	N/A	\$25.00 Lost Card Charge	Oshawa	\$2.840	\$49.60	\$206.00 Key Deposit / \$121.00 Yearly Admin Fee
Windsor	\$1.960	N/A		Waterloo	\$1.020	N/A	

The average comparator cost for bulk water is \$ 2.366. By holding the City's bulk water rate at the 2016 rate of \$2.398, it is very close to the average of our comparator municipalities.

Lower Tier Region	Rate M3	Monthly Charges	Other Charges
West Lincoln	\$1.560	N/A	\$250.00 Deposit
Pelham	\$1.486	\$50.61	
Lincoln	\$2.102	N/A	\$100.00 Deposit
Fort Erie	\$1.400	N/A	1 <sup>st</sup> Key Fob Free and Replacement costs \$25.00
Welland	\$1.220	\$60.00	\$150.00 Deposit
St Catharines	\$2.398	N/A	One Time Admin Fee \$30.00

The City's bulk water rate is higher than the other Niagara municipalities, with the average being \$1.694. With the exception of Fort Erie, the other municipalities either charge a monthly account fee or a significant deposit amount. St. Catharines does not charge either of these fees and charges a smaller one time account set up fee. Therefore, the current rate structure of two times the water consumption rate is a reasonable charge for this service.

The City currently has 111 active bulk water users. The total consumption purchased in 2016 was 89,592 m<sup>3</sup> or \$214,841.62. The City bulk water rate is within a few cents of the average comparator rates. The increase in water rates has not deterred the bulk water companies from utilizing the station as we have seen an increase in sales since 2013.

Bulk Water Sales Consumption in Cubic Meters					
2012	2013	2014	2015	2016	Average
64,913	49,337	54,810	74,075	89,592	66,545

## Financial Implications

The bulk water station was built in 2006 at a cost of \$138,184 which included the permanent bulk water station along with four (4) mobile bulk filling stations. In 2013, the City budgeted for improvements at the station. The cost to complete these was \$51,108.

### Annual Maintenance Costs

2012	2013	2014	2015	2016	2017 to date
\$140.00	\$603.00	\$3,828.00	\$6,977.00	\$854.00	\$2,000.00

There was a software update completed in August 2014 at a cost of approximately \$3,700. In 2015, we had some major repairs undertaken to correct an under-reporting issue. The cost to fix this issue was approximately \$2,900. Also in 2015, the backflow preventer was replaced at a cost of approximately \$2,700.

Recently, we encountered a problem with pulse register on the meter. Unfortunately, this particular register has not been made since 2011 and is no longer available and the current registers are not compatible with our installed meter. As a result, the water meter and pulse register have to both be replaced. The Act-Pak unit (that converts the pulses from the register into cubic meters) also needed to be rebuilt and reconfigured to work with the new register. The estimated cost of this repair will be around the \$2,000.

Therefore to date the City has spent approximately \$206,000 on its bulk filling station. These costs are recovered by charging users two times the City's consumption water rate.

# Relationship to Strategic Plan

## GOAL:

2. Be an affordable city for young people, families and retired older adults.

## Actions:

- 2.6 Work towards achieving a budgetary tax rate increase at or below the rate of inflation by 2018.

## Conclusion

Staff recommends that the bulk water rate remain at two times the rate for water consumption charges. That this rate methodology resume with the 2018 water and wastewater budget. The water consumption rate does not include a fixed cost rate and there are additional costs incurred by the City to acquire the bulk water infrastructure, maintain and upkeep the bulk water station. The City has not introduced a monthly charge or other charges to the water rate by-law to recoup the costs to operate the bulk water station.

## Notification

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