

Subject: Hauled Sewage Rate Review - Comment Period Responses

Report to: Public Works Committee

Report date: Tuesday, December 3, 2024

Recommendations

1. That Report PW 38-2024 **BE RECEIVED** for information.

Key Facts

- PW 26-2024 Update: On September 10, 2024, staff proposed updated 2025 hauled sewage rates to ensure fairness, reasonableness, and full cost recovery, in response to concerns raised by the Public Works Committee about the current rate and revenue versus treatment costs.
- Proposed Rates: The proposed rates are \$71 per 1000 imperial gallons for Low Concentration Sources (residential, greenhouses, low-strength winery/brewery waste) and \$165 for High Concentration Sources (commercial, industrial, high-strength winery/brewery waste). These rates would ensure full cost recovery while remaining below the average rates of other municipalities.
- Stakeholder Consultation Process: From mid-September to end of November, 2024, consultation occurred via email, a project webpage, meetings, an online survey, social media, and signage at sewage disposal locations. Virtual meetings with wineries were held on October 9, 11, and November 28, and an in-person meeting with sewage haulers took place on November 28.
- Feedback from Wine Industry: The wine industry highlighted their significant economic contributions and high Provincial and Federal taxes, expressing concerns about the impact of a sudden rate increase.
- Feedback from Sewage Haulers: Haulers suggested keeping a single rate with inflationary adjustments and expressed concerns that a sharp rate increase could impact their customers' ability to pay.
- Rate Structure Options: Several alternatives were considered, including a 2-Tier rate, a single blended rate, maintaining the status quo, phasing in the 2-Tier rate, or introducing the low-strength rate immediately while gradually implementing the high-strength rate. All options, except the status quo, would achieve full cost recovery within a few years.

Financial Considerations

The draft hauled sewage rates were included in the 2025 Water and Wastewater Operating Budget (CSD 48-2024), presented on November 7, 2024. The implementation of these rates is contingent upon Council's approval of the Fees and Charges By-law, which will be considered by the Budget Review Committee of the Whole on December 5, 2024. If the proposed fees in PW 26-2024 are not approved, the revenue deficit will be mitigated throughout 2025 either through savings or with funds from the reserve.

Analysis

In response to questions raised at the Public Works Committee regarding the suitability of the current hauled sewage rate, the Region has conducted a review to assess how the revenue collected aligns with the true costs of treating hauled sewage.

The proposed hauled sewage rate calculation is based on a thorough review of best practices, industry standards, and the practices of other municipalities.

A consultant's review of 2022 data explored four methodologies for rate calculation, all of which resulted in higher rates than initially anticipated by staff. Operations and maintenance rates ranged from \$71.60 per 1000 gallons to as high as \$270 per 1000 gallons for higher strength wastes.

Building on this report, an additional financial review was conducted. The results of this review averaged costs over a 3-year period and led to the proposed multi-rate fee structure of \$71 for low-strength and \$165 for high-strength sewage types. The purpose of the review was to ensure accurate cost recovery for the treatment of hauled sewage,

A detailed explanation of the methodology including financials was provided in the October 21, 2024 memo that was shared to all interested parties and included in CWCD 2024-177 Hauled Sewage Rate Update – Supplementary Information dated October 25, 2024.

Stakeholder Consultation ran from mid-September to end of November

A variety of communication methods were used to engage the community—including residents, businesses, sewage haulers, local municipalities, wineries/breweries, industrial/commercial users, the Ministry of the Environment, Conservation and Parks (local office), and other stakeholders—about the proposed rate changes. The goal was

to ensure transparency, gather feedback to inform Council's decision, and facilitate a smooth transition for any rate change.

Public engagement began with the creation of a dedicated project webpage on the Region's website. This webpage provided detailed information on the proposed hauled sewage rate update and invited feedback in many forms. The link to the project page, along with an invitation to provide feedback, was shared via social media, posters at all Niagara Region hauled sewage locations, and direct email communication to over 100 interested parties, including local municipalities, large-volume sewage generators, all registered sewage haulers, and many local wineries.

The project webpage was regularly updated based on inquiries, requests for clarification, and new information. Interested parties were notified by email whenever updates were posted. The initial consultation period was set for 30 days to allow sufficient time for review. This period was extended twice, with the final extension being made until November 30.

A detailed chronology of the rate review consultation is provided in Appendix 1.

Niagara Region engaged with sewage generators, including wineries, as part of the consultation process for the hauled sewage rate update.

During the consultation period, Niagara wineries, as significant generators, met with staff to discuss the proposed rate changes. Two virtual meetings were held: one on October 9 with Ontario Craft Wineries, and another on October 11 with the Grape Growers of Ontario and larger wineries. These meetings provided an opportunity to share information on the rationale and methodology behind the low and high concentration rates, as well as to address any questions from the generators.

As a result of these discussions, the review period was extended to accommodate the grape harvest season. Additional information and responses were provided throughout the consultation period, and a further virtual meeting was held on November 28 with members of the Niagara winery community.

Feedback from sewage generators, particularly wineries, indicated a preference for a slower rate increase or a blended single rate.

A summary of the feedback received is as follows:

- Wineries contribute significantly to the economic benefit of the Niagara Region.

- Wineries are already heavily taxed at the provincial and federal levels.
- The proposed rate increase is too high to implement all at once, with a preference for phasing in the rates over 3 to 5 years.
- A preference for a blended single rate, rather than separate low and high concentration rates.
- A suggestion to apply the wastewater operating budget increase to the existing rates.
- A request to maintain the status quo, with no changes to the current rate.

Sewage haulers were also engaged to provide feedback on the hauled sewage rate update.

A total of 33 registered sewage hauling companies were included in the consultation process. These companies had opportunities to learn more and provide feedback through project page updates, email communications, inquiries, and responses to staff questions. Additionally, individual meetings were offered, and an in-person meeting for haulers was held on November 28, with 14 total hauler representatives from eight (8) hauling companies in attendance.

Feedback from sewage haulers suggested maintaining the existing single rate or to apply incremental increases, such as inflation.

A summary of the feedback received is as follows:

- Preference for a single rate, rather than two separate rates (concerns about knowing which rate to charge, getting stuck with extra costs, and having to carry additional costs).
- Suggestion to apply an inflationary increase to the existing rate.
- Proposal to apply the wastewater operating budget increase to the existing rate.
- Request to maintain the status quo and keep the existing rate.
- Suggestion for Niagara Region to invoice all sewage generators directly, rather than having haulers pay for deliveries, due to concerns about carrying costs and non-payment.
- Request to consider alternative rate calculation methods.
- Suggestion to remove the growth component from the proposed rates.

Alternatives Reviewed

1. Two-Tier Rate, full cost recover (originally proposed)

Staff have proposed new hauled sewage rates of \$71 per 1,000 gallons for low-concentration sewage and \$165 per 1,000 gallons for high-concentration sewage. This adjustment aims to ensure fairness, reasonableness, and full cost recovery, in response to concerns raised by the Public Works Committee regarding the current rates and the need ensure fees reflect treatment cost.

2. Single Blended Rate vs. Multi-rate

Some commercial sewage generators suggested a blended rate of \$89 per 1000 gallons, with a phased implementation over time. The advantage of this approach is the administration of the fees, both for generators, haulers and the Region is much easier, and the outcome results in full cost recovery. However, this approach would have residential low-strength generators subsidizing high-strength commercial generators. While a single rate is the simplest option and cost neutral, a multi-rate structure is more equitable due to the significant differences in pollutant loading between low and high concentration waste sources.

3. Maintain Status Quo – Single Rate of \$46/1000 gallons

All generators expressed support for maintaining the existing single hauled sewage rate. While this approach would reduce the cost of hauled sewage services for residents on septic systems, greenhouses, industrial businesses, commercial operations, and wineries, it would shift the financial burden to ratepayers, who would be required to subsidize the hauled sewage generators. These costs would be distributed through the rate and allocated to local area municipalities for billing to customers. This approach creates an advantage for Niagara's wine industry (and other hauled sewage generators), but may lead to a need for reduced service levels due to the existing pressures on the rate.

4. Increase the current rate by the same percentage as the water and wastewater rate increase.

It was suggested that the current single rate be increased by the same percentage applied to water and wastewater ratepayers. The 2025 approved budget increase includes a 12.27% increase, which would raise the hauled sewage rate to \$52/1000 gallons. While this represents an advantage to hauled sewage generators, it would not achieve full cost recovery for the Hauled Sewage Program.

5. Three-year Phase in of the Multi-rate Structure

Feedback from commercial generators indicated a preference for a phased-in approach to the proposed rate structure. Allowing businesses more time to adjust to adjust to the new rates and modify haulage contracts accordingly. This strategy would achieve full cost recovery over a three-year period.

6. Implement Low-Concentration Rate of \$71 per 1000 imperial Gallons Now, and Phase-In Multi-rate Structure over Three Years.

Moving to the \$71 rate represents a \$25 increase for residential properties to have their septic tanks pumped. This adjustment helps support cost recovery, particularly for low concentration waste. Additionally, the phased implementation of the higher concentration rate will provide businesses with more time to adjust, as previously noted.

Relationship to Council Strategic Priorities

By updating the hauled sewage rates, we are supporting an 'Effective Region' by ensuring a fair approach for all and promoting fiscally responsible, sustainable services. Public consultation on the draft Sewer Use By-law and communication with external parties also supports an 'Equitable Region,' providing an opportunity to listen to and address community needs.

Other Pertinent Reports

Other pertinent reports are provided in Appendix 2.

Prepared by:

Phill Lambert, P.Eng.,
Director, Water and Wastewater
Services
Public Works Department

Recommended by:

Terry Ricketts, P.Eng.
Commissioner of Public Works
Public Works Department

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

Appendices

- Appendix 1 Chronology of Rate Review Consultation
- Appendix 2 Other Pertinent Reports