Township of
ELIZABETHTOWN-KITLEY

STAFF REPORT
Administration

Report Number: A-25-78
Date: 2025-12-08

To: **Mayor Burrow and Council**
From: **Rob Nolan, Chief Administrative Officer**

Subject: **Township of Elizabethtown-Kitley Water System – Area Rating Charge**

RECOMMENDATION

THAT Council receive staff report A-25-78 – Township of Elizabethtown-Kitley Water System – Area Rating Charge;

AND THAT Council provide direction to staff on the proposed area rating charge to be applied to the annual water bill for all properties connected to the Township water network;

AND THAT Council direct staff to inform affected residents of the proposed area rating charge before the end of 2025;

AND THAT Council direct staff to hold a public meeting in January 2026 for affected residents, prior to agreeing to a final area rating charge.

BACKGROUND

In the early to mid 1990's, the Ministry of Transportation (MTO) received numerous complaints in relation to elevated chlorides present in the groundwater from residents along Highway No. 2, Brockmere Cliff Drive, and the Butternut Bay area, west of the City of Brockville. Council and staff of the day, as well as local area residents, petitioned MTO to take responsibility for their actions and develop a solution for these properties to ensure access to safe drinking water.

In 1997, an accelerated Class Environmental Assessment (EA) was carried out by the Ministry of Transportation to determine a long-term solution to the water quality problems experienced by Township residents living along this corridor. At the conclusion of the Class EA, the Ministry of Transportation, through a procured contractor commenced construction of a water supply system to supply Township residents, who had salt contamination problems, with water from the Brockville water supply system. MTO was responsible for all costs associated with the construction and at project conclusion, all required agencies had signed off on the system.

The Elizabethtown-Kitley water network supplies water to approximately 300 residences located in the township via 16.23 kms of 250- and 300- mm diameter PVC and high-density polyethylene watermain. The watermain passes through a meter chamber located at the west boundary between the City and Township and has a booster station located at Lily Bay.

When the network was completed the Township, as the owner of the system, entered into a Memorandum of Understanding (By-law No. 99-29) with Brockville Public Utilities Commission (PUC) to have the PUC operate the system on behalf of the Township. In 2022, the Township and City of Brockville negotiated a new Water Services Agreement and a Wastewater Services Agreement (covering lands to the east of the city). The City manages the water and wastewater systems on behalf of the Township, including establishing the water and wastewater rates being charged; annually reviewing the 10-year capital plan; and charging for any capital improvements required in the Township's network. Nothing in the agreement prevents the Township from imposing an area rating charge on users within the Township, in addition to those being levies by the City.

On September 8, 2025, Committee of the Whole considered staff report A-25-53 – Township of Elizabethtown-Kitley Water System. This report provided background to the Township owned water and wastewater systems and the Agreements between the City and Township for management of the system. The report also provided Council with an updated (from August 15, 2025) 10-year capital plan for the water system. This plan identified future capital replacement costs for each of the Township's assets from 2026 to 2035. In total the plan identified $144,000 of capital replacement costs over the 10 years of the plan.

The report also identified that since the system has been constructed the Township has had no plan in place for capital replacement when the system comes to the end of its useful life. Staff recommended that Council implement an area rating charge to ensure that there are sufficient funds to cover the capital maintenance and capital replacement. Staff were directed to bring back this report identifying an area rating charge to be applied to the users of the Township's water system and wastewater users.

On November 3, 2025, Committee of the Whole received report F-25-24 – 2025 Draft Asset Management Plan, with recommendations to be approved through the 2026 budget process. Section 5 of the 2025 draft Asset Management Plan relates specifically to the capital assets in the Township's water network.

DISCUSSION

It is important to note that legislation requires that the cost of maintaining, upgrading and operating of water and wastewater systems must come from the users of these systems. To ensure that the Township has sufficient funds to meet the capital maintenance and capital replacement costs it is prudent for the Township to consider an

additional charge to the user. The agreements with the City permit the Township to "impose area rating charges on users within the Township, in addition to those levied by the City."

For the purposes of this report only water services will be considered. Wastewater services are provided to six (6) properties, primarily to the east of the City of Brockville. Staff will bring a separate report to Council regarding wastewater services, including the wastewater services at Oxford Acres which has have recently been inspected and a condition report prepared.

2025 Draft Asset Management Plan

The Township's 2025 draft Asset Management Plan (Section 5 – see Attachment 1) identifies the Township's water network as consisting of the following type of assets: hydrants, valves, water mains, booster station, meter chamber, meters, and flush sample station.

The plan identifies the quantity of each asset, the method used to estimate the replacement cost and total replacement cost of each asset segment in the Township's Water Network inventory. In total the replacement cost of these assets (in 2025 dollars) is **$8,997,300.** The table below includes the quantity, replacement cost method and total replacement cost of each asset segment.

Asset Segment	Quantity	Replacement Cost Method	Total Replacement Cost
Hydrants	19	User-Defined	$123,500
Valves	60	User-Defined	$108,000
Water Mains	16.23 kms	Cost/Unit	$8,655,800
Booster Station		User-Defined	$25,000
Meter Chamber		User Defined	$25,000
Flush Sample Station		User-Defined	$10,000
Meters		Cost/unit	$50,000
			$8,997,300

The Plan also identifies the current average condition and source of available condition data for each asset segment. The Average Condition (%) is a weighted value based on replacement cost. The table below identifies the average condition for each asset segment.

Asset Segment	Average Condition (%)	Average Condition Rating	Condition Source
Hydrants	46%	Fair	Age-Based
Valves	63%	Good	Age-based
Water Mains	63%	Good	Age-Based
Booster Station	0	Poor	Age-Based
Flush Sample Station	0	Poor	Age-based
Meter Chamber	0	Poor	Age-Based
Metering	27%	Poor	Age-Based
	57%	**Good**	**Age-Based**

The report identifies 3 assets that are in very poor condition, the meter chamber at Country Club Place, the booster station at Lily Bay and flush sample station at Happy Green Acres. The meter chamber was replaced in 2025 and the Lily Bay booster station is planned to be replaced in 2026, with the flush sample station to be completed in 2027.

The plan recommends that to ensure the Township's water network continues to provide an acceptable level of service, the Township should monitor the average condition of all assets. If the average condition declines, staff should re-evaluate their lifecycle management strategy to determine what combination of maintenance, rehabilitation and replacement activities is required to increase the overall condition of the Water Network.

Accurate and reliable condition data allows staff to determine the remaining service life of assets and identify the most cost-effective approach to managing assets more confidently. The municipality's current approach to the condition assessment of the Water Network includes:

- Staff primarily rely on the age and material of watermains to determine the projected overall condition of watermains.
- There are no formal internal condition assessment programs in place for the Water Network.
- Regular inspections are completed by the City of Brockville.

The plan also identifies the estimated useful life for each of the water network assets, which has been assigned according to a combination of established industry standards and staff knowledge. The average age of each asset is based on the number of years

each asset has been in-service. Finally, the average service life remaining represents the difference between the estimated useful life and the average age, except when an asset has been assigned an assessed condition rating. Assessed condition may increase or decrease the average service life remaining. Below are the current estimates for each of the asset segments.

Asset Segment	Estimated Useful Life (Years)	Average Age (Years)	Average Service Life Remaining (Years)
Hydrants	50	27.0	23.0
Valves	72	27.0	45.0
Water Mains	72	27.0	45.0
Booster Station	10	21	0
Flush Sample Station	10	11	0
Meter Chamber	10	21	0
Metering	15	11	4
		26.1	**38.9**

This table identifies that the booster station, flush sample station and meter chamber are all past their useful life. These are all scheduled to be replaced within the next two years, it should be noted however that the estimated useful life of these assets is 10 years and they will need to be scheduled to be replaced again in future years. The City is also scheduled to begin a meter replacement program in 2030 with 10% or 30 meters/year being replaced. The other main assets (hydrants, valves and water mains) have between 23 years, and 45 years estimated to be remaining in their useful life. The average service life remaining for all the assets is 38.9 years.

Water and Wastewater Rates

The City of Brockville operates the Township's water distribution system and wastewater users and bills residences for their water and wastewater usage. Rates are established by the City and are set to ensure that the cost of the system is borne by those who use it.

Since 2023 the following rates have been established and charged to user of the Township's water and wastewater systems.

	2023	2024	2025
5/8" meter including 9m^3	$19.97	$16.38	$18.83
Per m^3 over minimum	$1.12	$0.92	$1.063

Since 2023 the average residential quarterly bill for water and wastewater has been:

	2023	2024	2025
Flat Charge	$59.91	$49.13	$56.50
Consumption (avg 35m^3)	$8.96	$7.35	$8.45
Total Quarterly Water Charge	**$68.87**	**$56.47**	**$64.94**
Total Annual Water Bill	**$275.48**	**$225.88**	**$259.76**

Estimating an Area Rating Charge

The 2025 Asset Management Plan estimated replacement cost of the Township's water network is $8,997,300 and the average life expectancy of 38.9 year. However, the primary assets, the water main and valves have a remaining life expectancy of 45 years. The Township should be planning for a full replacement of the water network in 45 years and should be saving towards this timeline. There are several assets that have lower estimated useful life and will need to be replaced several times during this 45 year period, specifically the booster station, meter chamber, flush sample stations and the meters. The table below estimates (in 2025 dollars) the funds required to be saved over the 45 years for each of the asset segments.

Asset Segment	Total Replacement Cost	Estimated Useful Life (Years)	Average Age (Years)	Average Service Life Remaining (Years)	Replacement over 45 years	Total Replacement Cost over 45 Years
Hydrants	$123,500	50	27	23	1	$123,500
Valves	$108,000	72	27	45	1	$108,000
Water Mains	$8,655,800	72	27	45	1	$8,655,800
Booster Station	$25,000	10	21	0	4.5	$112,500
Meter Chamber	$25,000	10	21	0	4.5	$112,500
Flush Sample Station	$10,000	10	11	0	4.5	$45,000
Meters	$50,000	15	11	4	3	$150,000
	$8,997,300					$9,307,300

Over the 45 years remaining on the water networks useful life there are capital requirements of $9,307,300. This equates to a requirement for $206,828.89 per year (in 2025 dollars). For the 301 properties that are connected to the township water network this equates to an area rating charge of $687.14 per year (in 2025 dollars).

This area rating charge would need to be an annual fee charged to water users and staff are recommending that the established rate be increased by CPI each year to account for the inflation to the replacement of the assets.

All revenue generated through the area rating charge would be put into the Water Reserve for any future capital expenditures.

If Council establish an area rating charge, staff are recommending that the water network assets in the Asset Management Plan be reviewed regularly to ensure that the funds in the reserve account are keeping pace with estimated costs and life expectancy of assets.

OPTIONS

Staff have identified several options for Council to consider with respect to an area rating charge for residents connected to the Township's water network.

Option 1 – Council could impose a $687.14 area rating charge annually on all residents connected to the Township's water system, starting in 2026 with this rate being increased annually by CPI. (Recommended)

Based on the average residential quarterly bill for water and wastewater, using the 2025 rates for comparison purposes, inclusion of the area rating charge under this option would result in a quarterly/annual billing for water and wastewater as follows:

	2025 No ARC	**2025 With ARC**
Flat Charge	$56.50	$56.50
Consumption (avg 35m^3)	$8.45	$8.45
Quarterly Water Charge	$64.94	$64.94
Quarterly Area Rating Charge	--	$171.79
Total Quarterly Bill	**$64.94**	**$236.73**
Total Annual Bill	**$259.76**	**$946.92**

Option 2 – Council could impose a lower area rating charge which would build up a reserve but may not cover the full replacement cost, with the shortfall in future capital replacement costs being financed through debt, with the users of the system being fully responsible for the debt and all interest.

Option 3 – Council could choose to not impose an area rating charge and finance any future capital replacement cost through debt, with the users of the system being fully responsible for the debt and all the interest.

FINANCIAL IMPLICATIONS

The proposed are rate charge would generate $206,828.88 in revenue to be placed into the water reserve for future capital maintenance and capital replacement needs.

The City of Brockville would need to include an annual $687.14 ($171.79 per quarter) area rating charge on all properties connected to the Township's water network.

LINK TO STRATEGIC PLAN

The Township's Strategic Plan's second priority is Financial Plan. This priority states that "The Township of Elizabethtown-Kitley will support sustainable growth and actively work to attract and retain a diverse range of business, creating employment opportunities for residents and a balanced tax base" and that "We will strive to be fiscally sustainable through prudent and future focused financial management."

OTHERS CONSULTED

Charles Dowdall, Director of Finance

ATTACHMENTS

Attachment 1 – 2025 draft Asset Management Plan – Section 5. Water Network