



City of North Bay Report to Council

Report No: CORP-2024-003

Date: December 27, 2023

Originator: Margaret Karpenko

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2024 Preliminary Water and Wastewater Calculated Rates

Closed Session: yes no

Recommendation

1. That Council receive Report to Council CORP 2024 - 003, 2024 Preliminary Water and Wastewater Calculated Rates dated December 27, 2023 from Margaret Karpenko; and
2. That Report to Council CORP 2024-003 be referred to a Special Committee Meeting to be held on January 8th, 2024; and
3. That Council hold a public meeting on January 15, 2024 with respect to Water and Wastewater calculated Rates as per Appendix A to Report to Council CORP 2024-003.

Background

User rates are calculated on a full cost recovery model based on consumption and meter size. The 2024 rates are based on the expenditures contained within the preliminary 2024 Water and Wastewater Operating Budget as per Report to Council CORP 2024-002. Should changes occur to the preliminary Water and Wastewater Operating Budget during budget deliberations, then the preliminary rates outlined in Appendix A will need to be updated accordingly.

Financial/Legal Implications

Full cost recovery principles used to calculate rates is consistent with Provincial legislation and formed the basis of the City's Water Financial Plan that was endorsed by Council Resolution No. 2020-338 in November 2020 to

meet the requirements of the City's water operating license.

The City's water and wastewater systems are driven by demand placed on the systems by its consumers. The following are key highlights of the systems:

- In 2024 it is anticipated that the City will bill 16,894 connections for water services.
- Not all users connected to the municipal Water System receive wastewater services; therefore, the number of wastewater customers is marginally lower at 16,756 connections.
- The water and wastewater general operation and maintenance costs used in the rate calculations are based on the 2024 Water & Wastewater Operating Budget as submitted in Report to Council CORP 2024-002. The total net budget for the Water System is projected to be approximately \$13.3 million and the total net budget for the Wastewater System is approximately \$12.9 million.
- Average residential consumption remained in the range of 13 to 14 cubic meters per month during 2023. On average, since the inception of the metered system, household consumption has been in the 14 to 15 cubic meters range. Changes in weather during the early to late summer months in particular (May to August) continue to have the greatest impact on residential consumption fluctuations. The attached 2024 rates have been calculated using residential consumption over the last 4 years of 2.6 million cubic meters.
- ICI (Industrial, Commercial and Institutional) operations were impacted by COVID-19 restrictions during the last 4 years; therefore the rates have been calculated using a projected total consumption cumulative average of 1.9 million cubic meters reflecting an average of the 2023 forecasted consumption and 2022 actual consumption.
- According to the 2023 BMA Study, North Bay ranks 4th lowest in total residential water/wastewater rate costs among the 11 northern municipalities that participated. The yearly residential water/wastewater costs for the consumption of 200 cubic meters (m³) of water in North Bay was \$1,173. This was \$284 less than the average for northern communities and \$129 less than the Ontario average. Below is a table outlining the 2023 BMA study for the five large Northern Municipalities.

City	Annual Water & Wastewater Cost (200 m³ annual consumption)
Greater Sudbury	\$1,533
Thunder Bay	\$1,354
North Bay	\$1,173

Timmins	\$1,076
Sault St. Marie	\$1,010

- At the time of writing this report, \$53,505 has been applied as credits to various accounts from the \$50.00 rebates issued for the replacement of older fixtures with WaterSense low-flow toilets. Administration is recommending that the program continue until the initial reserve transfer of \$100,000 is fully applied and is also recommending that the limit be maintained at two low-flow toilets per account. This program assists customers with conservation and helps to prevent unexpected high water bills.
- In accordance with the 2024 Budget Schedule as outlined in Report to Council CORP 2023-159, the 2024 Water and Wastewater Rates are proposed to be approved in January and come into effect on January 1, 2024 so that no annualization of rates is required.

Corporate Strategic Plan

- Natural North and Near
- Affordable Balanced Growth
- Responsible and Responsive Government
- Economic Prosperity
- Spirited Safe Community

Specific Objectives

- Provide smart, cost effective services and programs to residents and businesses.
- Ensure that Council and staff have a shared perception of goals.

Options Analysis

The rate structure for variable and fixed components is currently billed at 50% fixed / 50% variable. During the 2023 budget deliberations Council provided direction to prepare the 2024 calculated rates with options to shift the fixed /variable closer to 40% fixed and 60% variable. As such, for comparative purposes Appendix A has the preliminary calculated rates with a 50% fixed /50% variable, as well as a 45% fixed /55% variable. The calculated rates under each scenario are contained within Appendix A. The impact to a residential customer with average monthly consumption of 14 m³ is \$3.86 a month increase if 50% fixed /50% variable is maintained or \$2.45 a month increase, if 45% fixed /55% variable is recommended. Also included in Appendix B is the impact to a 1 inch ICI customer.

The Water and Wastewater operating reserves are below the range of the City's reserve target policy (before any 2023 year-end transfers) as explained in Report to Council CORP 2024-002. Increasing the variable component would put more risk on the City should either consumption behaviours change,

or weather conditions continue to vary significantly.

Recommended Option

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2. That Report to Council CORP 2024-003 be referred to a Special Committee Meeting to be held on January 8th, 2024; and
3. That Council hold a public meeting on January 15, 2024 with respect to Water and Wastewater calculated Rates as per Appendix A to Report to Council CORP 2024-003.

Respectfully submitted,

Name: Margaret Karpenko, CPA, CMA
Title: Chief Financial Officer /Treasurer

I concur with this report and recommendation

Name: Alan Korell, P.Eng.
Title: City Engineer – Infrastructure and Operations

Name: John Severino, P.Eng., MBA
Title: Chief Administrative Officer

Personnel designated for continuance:
Name: Dan Robinson
Title: Manager, Revenues & Taxation

Attachments: Appendix A 2024 Preliminary Water & Wastewater Rates
Appendix B Residential and ICI Sample Invoice