

City of North Bay Report to Council

Report No: CORP-2021-112

Date: October 8, 2021

Originator: Marc A. Gauthier

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2022 Preliminary Water and Wastewater Calculated Rates

Closed Session: yes ☐ no ☒

Recommendation

That Council:

1. receive and refer Report to Council CORP 2021 -112 from Marc Gauthier dated October 8, 2021 re: 2022 Preliminary Water and Wastewater Calculated Rates to the Special Committee Meeting on October 25th, 2021; and
2. hold a public meeting on November 3rd, 2021 with respect to the calculated rates for Water, Wastewater Surcharge and Water Filtration Charges as per Appendix A to Report to Council CORP 2021-112.

Background

User rates are calculated on a full cost recovery model based on consumption and meter size. The 2022 rates are based on the expenditures contained within the preliminary 2022 Water and Wastewater Operating Budget as per Report to Council No. CORP 2021-114. 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 2022 it is anticipated that the City will bill 16,721 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 16,585 connections.
- The water and wastewater general operation and maintenance costs used in the rate calculations are based on the 2022 Water & Wastewater Operating Budget as submitted in Report to Council CORP 2021-114. The total net budget for the Water System is projected to be approximately \$12.67 million and the total net budget for the Wastewater System is approximately \$11.58 million.
- Average residential consumption remained in the range of 15 to 15.5 cubic meters per month during 2021. 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 2022 rates have been calculated using the total cumulative average residential consumption over the last 4 years of 2.5 million cubic meters.
- In 2021 ICI (Industrial, Commercial, and Institutional) customers continued to be impacted by COVID-19 re-opening restrictions during the first half of 2021. The rates have been calculated using a projected total consumption cumulative average of 1.9 million cubic meters.
- According to the 2020 BMA Study, North Bay ranks 4th lowest in total water/wastewater rate costs among the 10 northern municipalities that participated. The yearly residential water/wastewater costs for the consumption of 200 cubic meters of water (16^{m3} per month) in North Bay was \$1082. This was \$167 less than the average for northern communities and \$75 less than the Ontario average. Below is a table outlining the 2020 BMA study for the five large Northern Municipalities.

Municipality	Water Costs (Yearly)	WasteWater Costs (Yearly)	Total (Yearly)
SS Marie	\$ 543.00	\$ 337.00	\$ 880.00
Timmins	\$ 445.00	\$ 502.00	\$ 947.00
North Bay	\$ 598.00	\$ 484.00	\$ 1,082.00
Thunder Bay	\$ 650.00	\$ 585.00	\$ 1,235.00
Sudbury	\$ 632.00	\$ 707.00	\$ 1,339.00
Northern Average	\$ 618.00	\$ 631.00	\$ 1,249.00
Ontario Average	\$ 555.00	\$ 602.00	\$ 1,157.00

- At the time of writing this report, \$78,740 has been applied as credits to various accounts from \$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 2022 Budget Timelines as per Report to Council CORP 2021-99, the 2022 Water and Wastewater Rates are proposed to be approved in November and come into effect on January 1, 2022 so that no annualization is required.

Corporate Strategic Plan

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

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

Since 2017 the rate structure for variable and fixed components has been billed at 50% fixed / 50% variable. A sensitivity analysis of a 1% shift between fixed and variable demonstrated that by increasing the variable component and placing more emphasis on consumption, every percentage increase in the variable rate would result in an approximate impact of a \$0.03 reduction per cubic meter in the variable rate and a \$0.50 increase in the fixed rate for residential customers.

The higher consumption trends in the ICI sector result in considerably greater impacts from a 1% shift. Every one percent (1%) increase in the variable

billing component would result in an increase of approximately \$20 per month for the average commercial consumer, \$85 per month for larger operations and \$160 per month for some of our significant community partners.

Sectors such as tourism providers, commercial operations, non-for profit and community partners are still attempting to regain their footing lost due to COVID-19 related restrictions and changes in consumer behaviour. As such, a shift in the variable rate will have an even larger impact to their overall operations. It is also important to note that these sectors represent some of the City's largest consumers.

The Water Operating Reserve balance is under the 10-15% reserve benchmark as explained in Report to Council No. CORP 2021-114. Increasing the variable component would put more risk on the City should either consumption behaviours change or weather conditions continue to vary significantly. Therefore, staff is recommending that the fixed / variable weighting remains with the 50% / 50% model.

Recommended Option

1. That Report to Council CORP 2021 -112 2022 Preliminary Water and Wastewater Calculated Rates be received and referred to the Special Committee Meeting – 2022 Water and Wastewater Operating Budget and Water Rates on October 25th , 2021; and
2. That Council hold a public meeting on November 3rd, 2021 with respect to the calculated rates for Water, Wastewater Surcharge and Water Filtration Charges as per Appendix A to Report to Council CORP 2021-112.

Respectfully submitted,

Name: Marc A. Gauthier, CPA, CMA
Title: Manager, Revenues & Taxation

We concur with this report and recommendation

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

Name Domenic Schiavone
Title: Director Public Works and Parks

Name David Euler, P.Eng., PMP
Title: Chief Administrative Officer

Personnel designated for continuance:
Marc A. Gauthier, CPA, CMA
Manager, Revenues & Taxation