

City of North Bay Report to Council

Report No: CORP-2025-034

Date: April 15, 2025

Originator: Laura Boissonneault

Business Unit: Corporate Services

Department: Financial Services Department

Subject: 2024 Water and Wastewater Year-end

Closed Session: yes ☐ no ☒

Recommendation

That Council:

1. authorize the Chief Financial Officer to complete the 2024 reserve transfers as outlined in Appendix A attached to Report to Council CORP 2025-034 dated April 15, 2025, from Laura Boissonneault; and
2. receive and file the City of North Bay's 2024 Water and Wastewater Year-end Financial Report as set out in Report to Council CORP 2025-034 dated April 15, 2025, from Laura Boissonneault.

Background

Pending any final year-end entries or external audit adjustments, the City of North Bay's Water and Wastewater operations will end the 2024 fiscal year with a surplus of \$25,108.

A total of \$825,000 in combined reserve funding was approved as part of the 2024 Water and Wastewater Operating Budget as a means of supporting ratepayers given the economic conditions at that time. Accordingly, Water operations required reserve transfers in the amount of \$321,318 (budget \$375,000) to balance year-end activities. Wastewater operations realized operational savings throughout the year and in turn no reserves are required to balance the division at year-end. Water and Wastewater operations are recorded and reported separately, and associated reserves are allocated accordingly.

Corporate Strategic Plan

- | | |
|---|--|
| <input checked="" type="checkbox"/> Natural North and Near | <input type="checkbox"/> Economic Prosperity |
| <input checked="" type="checkbox"/> Affordable Balanced Growth | <input type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> 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.

Financial/Legal Implications

A departmental summary of year-end actual results and associated budgets is attached to this report as Appendix B and Appendix C. A summary of the year-end results is as follows:

- **Sanitary Sewer Distribution** and **Sanitary Sewer Plant** operations are reporting to end the year with a surplus of \$25,108 resulting from lower personnel, fuel, utilities, and contract costs; partially offset with higher repair and maintenance costs, along with no offsetting reserve transfers.
- **Water Distribution** and **Water Plant** operations are reporting to end the year on budget resulting from lower personnel, fuel, and higher revenues; offset with higher contracts, repair and maintenance costs, along with lower offsetting reserve transfers.

Year-end Variances by Category – The following highlights some of the key areas contributing to the overall Water and Wastewater year-end variance:

- **Revenue Fluctuations** – As predicted in the September 30th Year-end Financial Projection, Report to Council No. CORP 2024-091, actual 2024 consumption was higher than budgeted. Accordingly, the City ended the year with a Water and Wastewater rates-based revenue surplus of \$335,169. Annual consumption forecasts are based on a typical year using historical trends; however, it is important to acknowledge that actual revenues collected are directly influenced by user consumption volumes. The City will continue to experience revenue variances due to seasonal trends, changing weather patterns and conservation initiatives undertaken by customers.
- **Utility Costs** - Utilities are slightly over budget by \$18,984. Historical trends and future expectations are used to project utility costs; however, many variables can influence actual utility costs and there is always a risk that variances will be realized between budget and actual costs.
- **Insurance** – Actual insurance costs are slightly over budget by \$22,241. At the time of establishing the 2024 budget, insurance costs were estimated to increase by 10% upon renewal. The City's insurance period is from May to April. Therefore, the first 4 months of 2024 were known, and the increase was applicable to the remaining 8 months.
- **Unforeseen Issues/Repairs/Emergencies Related to Necessary Services** - Due to the nature of the department, any Water and Wastewater issues / repairs / emergencies, including severe weather events that arise must be dealt with in a timely manner to maintain necessary services to residents. It is impossible to predict the frequency of these occurrences. Individual events can vary in size and cost.
- **Fuel** - The fuel budget was set based on expected usage at an estimated weighted average rate of \$1.62 per litre. The year-end weighted average fuel rate is \$1.38 per litre. Under the terms of the current contract, the City pays pricing based on the Ultramar Daily Toronto Rack Rate. Realized fuel savings are \$33,728 at year-end.
- **Personnel** - Several vacancies continue to be the result of recruitment issues and gapping. The labour market is experiencing a shortage in many areas, especially in skilled trades. With this shortage comes increased competition as employers are choosing from a smaller pool of candidates. The City has experienced challenges in recruiting employees that meet qualifications. Net personnel savings for 2024 are \$396,070. Realized savings are considered one-time and not sustainable as full complement is required to deliver budgeted municipal services. Overtime costs have occurred due to vacancies as well as emergency situations (i.e. infrastructure breaks).
- **Reserves** - The Water and Wastewater Operating Reserves represent funds available to mitigate ongoing operational risks, including risks associated with operating a metered billing system or any unforeseen circumstances. Water and Wastewater

Operating Reserve balances as at the date of this report (including final year-end transfers outlined in this report) are as follows:

- Water Operating Reserve Fund (#99576R) - \$945,143
- Sanitary Sewer Operating Reserve Fund (#99577R) - \$1,523,671

As per the City's Reserve Policy, the Water and Wastewater Stabilization Reserve target is 10% to 15% of budgeted expenditures. Accordingly, with 2024 gross Water operating budgeted expenditures of \$15.1 million, the Water operating reserve should ideally be in the range of approximately \$1.5 million to \$2.3 million. Based on 2024 gross Wastewater operating budgeted expenditures of approximately \$14.2 million, the Sanitary Sewer Operating Reserve should be in the range of \$1.4 million to \$2.1 million. At the date of this report, Water reserves are below the City's reserve target policy.

A separate reserve, 'Water Treatment Surcharge', Reserve No. 99580R, is being used on an annual basis to pay the ongoing principal and interest on debt issued. A reserve transfer in the amount of \$493,318 was budgeted within the 2024 Water and Wastewater Operating Budget. The balance in this Reserve as at the date of this report is \$1,690,898, including the 2024 transfer to operating.

Recommended Option

That Council:

1. authorize the Chief Financial Officer to complete the 2024 reserve transfers as outlined in Appendix A attached to Report to Council CORP 2025-034 dated April 15, 2025, from Laura Boissonneault; and
2. receive and file the City of North Bay's 2024 Water and Wastewater Year-end Financial Report as set out in Report to Council CORP 2025-034 dated April 15, 2025, from Laura Boissonneault.

Respectfully submitted,

Name: Laura Boissonneault, CPA, CGA

Title: Director, Financial Services / Deputy Treasurer

I concur with this report and recommendation

Name Alan Korell

Title: City Engineer – Infrastructure and Operations

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name John Severino, P.Eng., MBA

Title: Chief Administrative Officer

Personnel designated for continuance:

Margaret Karpenko, CPA, CMA

Chief Financial Officer /Treasurer