



City of North Bay Report to Council

Report No: CORP-2023-009

Date: December 15, 2022

Originator: Margaret Karpenko

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2023 Preliminary Water and Wastewater Calculated Rates

Closed Session: yes no

Recommendation

1. That Council receive Report to Council CORP 2023 -009, 2023 Preliminary Water and Wastewater Calculated Rates dated December 15, 2022 from Margaret Karpenko; and
2. That Council hold a public meeting on January 10, 2023 with respect to Water and, Wastewater calculated Rates as per Appendix A to Report to Council CORP 2023-009.

Background

User rates are calculated on a full cost recovery model based on consumption and meter size. The 2023 rates are based on the expenditures contained within the preliminary 2023 Water and Wastewater Operating Budget as per Report to Council No. CORP 2023-012. 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 2023 it is anticipated that the City will bill 16,783 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 16,643 connections.
- The water and wastewater general operation and maintenance costs used in the rate calculations are based on the 2023 Water & Wastewater Operating Budget as submitted in Report to Council CORP 2023-012. The total net budget for the Water System is projected to be approximately \$13.1 million and the total net budget for the Wastewater System is approximately \$12.5 million.
- Average residential consumption remained in the range of 13 to 14 cubic meters per month during 2022. 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 2023 rates have been calculated using residential consumption over the last 4 years of 2.6 million cubic meters.
- ICI (Industrial, Commercial, and Institutional) customers continued to be impacted by COVID-19 re-opening restrictions during January of 2022. The rates have been calculated using a projected total consumption cumulative average of 1.8 million cubic meters.
- According to the 2022 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 (m³) of water (16^{m³} per month) in North Bay was \$1,135. This was \$201 less than the average for northern communities and \$102 less than the Ontario average. Below is a table outlining the 2020 BMA study for the five large Northern Municipalities.

City	Annual Water & Wastewater Cost (200 m³ annual consumption)
Greater Sudbury	\$1,470
Thunder Bay	\$1,315
North Bay	\$1,135
Timmins	\$1,032
Sault St. Marie	\$957

- At the time of writing this report, \$89,330 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 2023 Budget Timelines as per Report to Council CORP 2022-117, the 2023 Water and Wastewater Rates are proposed to be approved in January and come into effect on January 1, 2023 so that no annualization is required.

Further changes to the by-law are recommended:

Currently the by-law provides for a Property Owner to make applications that notice of the account shall be given to a tenant of the Property Owner. Challenges occur when the tenant does not pay the water bills and they are transferred to taxes. Although Landlords are notified of non-payment, this process is inefficient. The recommendation is to grandfather any applications currently in place and not enter into any further arrangements.

Corporate Strategic Plan

- | | |
|---|--|
| <input 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.

Options Analysis

The rate structure for variable and fixed components is billed at 50% fixed / 50% variable. A sensitivity analysis of a 1% shift between fixed and variable demonstrates that a percentage increase in the variable rate would result in an approximate impact of a \$0.03 increase per cubic meter in the variable rate and a \$0.52 decrease in the fixed rate for residential customers. The fixed rate reduction will increase for larger meters. Generally, the sensitivity analysis reveals that sectors such as tourism providers, commercial operations, non-for profit and community partners are still attempting to recover from COVID-19 related restrictions and shifting economy which is affecting consumer behaviour. As such, a shift in the fixed/variable split 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 and Wastewater reserves are within range of the City's reserve

target policy (before any 2022 year-end transfers) as explained in Report to Council No. CORP 2023-012. 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 Council receive Report to Council CORP 2023 -009, 2023 Preliminary Water and Wastewater Calculated Rates dated December 15, 2022 from Margaret Karpenko; and
2. That Council hold a public meeting on January 10, 2023 with respect to the calculated rates for Water, Wastewater Rates as per Appendix A to Report to Council CORP 2023-009.

Respectfully submitted,

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

We concur with this report and recommendation

Name Domenic Schiavone
Title: Director Public Works and Parks

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

Personnel designated for continuance:
Margaret Karpenko
Chief Financial Officer / Treasurer

Attachments: Appendix A 2023 Preliminary Water & Wastewater Rates
Appendix B Sample Invoice