



City of North Bay Report to Council

Report No: 2019-135

Date: October 11, 2019

Originator: Marc A. Gauthier

Business Unit:

Corporate Services

Department:

Financial Services Department

Subject:

2020 Preliminary Water and Wastewater Calculated Rates

Closed Session: yes no

Recommendation

1. That Report to Council CORP 2019-135 2020 Preliminary Water and Wastewater Calculated Rates be received and referred to the Special Committee Meeting – 2020 Water and Wastewater Operating Budget and Water Rates on October 23rd, 2019;
2. That Council hold a public meeting on November 18th, 2019 with respect to the calculated rates for Water, Wastewater Surcharge and Water Filtration Charges as per Appendix A to Report to Council CORP 2019-135; and
3. That City Council continue to support the residential low-flow toilet replacement rebate program, and maintain the per account limit at two (2) toilets until such time as the \$100,000 initial program funding is spent.

Background

User rates are calculated on a full cost recovery model based on consumption and meter size. The 2020 rates are based on the expenditures contained within the preliminary 2020 Water and Wastewater Operating Budget as per Report to Council No. CORP 2019-123. 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

See Options/Analysis for Financial 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. 2016-46 in January 2016 to meet the requirements of the City's water operating license.

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 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 2020 it is anticipated that the City will bill 16,618 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 16,478 connections.
- The water and wastewater general operation and maintenance costs used in the rate calculations are based on the 2020 Water & Wastewater Operating Budget as submitted in Report to Council CORP 2019-123. The total net budget for the Water System is projected to be approximately \$12.4 million and the total net budget for the Wastewater System is approximately \$10.36 million. The calculated rates also include the full cost of the service level changes proposed as part of the 2020 Operating Budget. These service level changes are subject to Council approval.
- Monthly average household consumption has remained in the range of 14 to 15 cubic meters since inception of the metered system despite fluctuations experienced on a yearly basis due to changes in weather conditions. The attached 2020 rates have been calculated using the average residential consumption of

2017 and 2018 of 2.53 million cubic meters since these two years represent two opposite peaks in residential consumption behavior.

- In 2019 ICI (Industrial, Commercial, and Institutional) customers continued to demonstrate consistent consumption and as such the rates have been calculated using a projected consumption of 2 million cubic meters.
- Since 2017 the rate structure for variable and fixed components has been billed at 50% fixed / 50% variable. Due to the fact that our consumption forecasts are currently based on limited historical trending data, and that the Water Operating Reserve balance is currently well below the 10-15% reserve benchmark as explained in Report to Council No. CORP 2019-123; staff is recommending that the fixed / variable weighting remains with the 50% / 50% model.
- Effective January 1, 2016 Council approved a Residential Low-flow Toilet Replacement Rebate Program. The rebate of \$50.00 per replacement of a WaterSense low-flow toilet or efficiency toilet is available to residential units located within the City of North Bay that are connected to the municipal water system. A limit of one rebate per account was also implemented with the rebate being in the form of a credit on the water account. Council approved a reserve transfer of up to \$100,000 to support this initiative. This program was continued in 2018, and increased the limit to two rebates per account. At the time of the writing this report, \$60,625 has been applied as credits to various accounts. Administration is recommending that the program continue until the \$100,000 is applied and is also recommending that the per account limit be maintained at two low-flow toilets. This program assists customers with conservation and helps to prevent unexpected high water bills.
- In accordance with the 2020 Budget Timelines as per Report to Council CORP 2019-110, the goal is to have the 2020 Water and Wastewater Rates approved in November and come into effect on January 1, 2020 so that no annualization is required.

Recommendation

1. That Report to Council CORP 2019-135 2020 Preliminary Water and Wastewater Calculated Rates be received and referred to the Special Committee Meeting – 2020 Water and Wastewater Operating Budget and Water Rates on October 23rd, 2019;
2. That Council hold a public meeting on November 18th, 2019 with respect to the calculated rates for Water, Wastewater Surcharge and Water Filtration Charges as per Appendix A to Report to Council CORP 2019-135; and
3. That City Council continue to support the residential low-flow toilet replacement rebate program, and maintain the per account limit at two (2) toilets until such time as the \$100,000 initial program funding is spent.

Respectfully submitted,

Marc A. Gauthier, CPA, CMA
Manager of Revenues and Taxation

Margaret Karpenko, CPA, CMA
Chief Financial Officer

John Severino, P.Eng., MBA
City Engineer, Infrastructure &
Operations

I concur with this report and recommendation.

David Euler, P.Eng., PMP
Chief Administrative Officer

Attachment: Appendix A - 2020 Water and Wastewater Rates 50% Fixed / 50% Variable
Appendix B - Sample invoice projections