

City of North Bay Report to Council

Report No: CORP 2020 – 103

Date: October 14, 2020

Originator: Marc A. Gauthier

Business Unit: Corporate Services

Department: Financial Services

Subject: 2021 Preliminary Water and Wastewater Calculated Rates

Closed Session: yes no

Recommendation

1. That Report to Council CORP 2020 -103 2021 Preliminary Water and Wastewater Calculated Rates be received and referred to the Special Committee Meeting – 2021 Water and Wastewater Operating Budget and Water Rates on October 28th, 2020; and
2. That Council hold a public meeting on November 23rd, 2020 with respect to the calculated rates for Water, Wastewater Surcharge and Water Filtration Charges as per Appendix A to Report to Council CORP 2020-103; 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 2021 rates are based on the expenditures contained within the preliminary 2021 Water and Wastewater Operating Budget as per Report to Council No. CORP 2020-95. 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 2021 it is anticipated that the City will bill 16,646 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 16,506 connections.
- The water and wastewater general operation and maintenance costs used in the rate calculations are based on the 2021 Water & Wastewater Operating Budget as submitted in Report to Council CORP 2020-95. The total net budget for the Water System is projected to be approximately \$12.63 million and the total net budget for the Wastewater System is approximately \$11.39 million.
- The monthly average household consumption was slightly impacted in 2020 – likely due to COVID-19 temporary restrictions on travel, recreation and workplace limits compounded by a warm May and June. Average consumption increased slightly to a range of 15 to 16 cubic meters. Since the inception of the metered system the average household consumption has been in the 14 to 15 cubic meters range despite fluctuations experienced on a yearly basis due to changes in weather conditions. The attached 2021 rates have been calculated using the average total residential consumption of 2017 and 2018 of 2.53 million cubic meters. We have used the average of those two years since they represent two opposite peaks in residential consumption behaviour as well, the average is consistent with 2019 consumption.
- In 2020 ICI (Industrial, Commercial, and Institutional) customers were also impacted by COVID-19 temporary restrictions; however to a lesser degree. These sectors have demonstrated consistent consumption and as such the rates have been calculated using a projected total consumption rate of 2 million cubic meters.
- According to the 2019 BMA Study, North Bay ranks 4th 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 \$1067. This was \$130 less than the average for northern communities and \$49 less than the Ontario average. Below is a table outlining the 2019 BMA study for the five large Northern Municipalities.

Municipality	Water Costs (Yearly)	WasteWater Costs (Yearly)	Total (Yearly)
SS Marie	\$ 505.00	\$ 313.00	\$ 818.00
Timmins	\$ 426.00	\$ 482.00	\$ 908.00
North Bay	\$ 593.00	\$ 474.00	\$ 1,067.00
Thunder Bay	\$ 624.00	\$ 562.00	\$ 1,186.00
Sudbury	\$ 603.00	\$ 674.00	\$ 1,277.00
Northern Average	\$ 593.00	\$ 603.00	\$ 1,196.00
Ontario Average	\$ 539.00	\$ 577.00	\$ 1,116.00

The most recent comparable data available is as of 2019. Should any new information become available, staff will bring it forward at committee.

- Since 2017 the rate structure for variable and fixed components has been billed at 50% fixed / 50% variable. Our consumption forecasts are currently based on limited historical trending data. This coupled with the fact that the Water Operating Reserve balance is slightly under the 10-15% reserve benchmark as explained in Report to Council No. CORP 2020-95; 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, 2019 and 2020. As well, in 2018 the limit was increased to two rebates per account for the low-flow toilet rebates. At the time of the writing this report, \$68,845 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 2021 Budget Timelines as per Report to Council CORP 2020-79, the goal is to have the 2021 Water and Wastewater Rates approved in November and come into effect on January 1, 2021 so that no annualization is required.

Recommendation

1. That Report to Council CORP 2020-103 2021 Preliminary Water and Wastewater Calculated Rates be received and referred to the Special Committee Meeting – 2021 Water and Wastewater Operating Budget and Water Rates on October 28th, 2020;
2. That Council hold a public meeting on November 23rd, 2020 with respect to the calculated rates for Water, Wastewater Surcharge and Water Filtration Charges as per Appendix A to Report to Council CORP 2020-103; 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 Financial Services

We concur in this report and recommendation.

Margaret Karpenko, CPA, CMA
Chief Financial Officer / Treasurer

Domenic Schiavone
Director, Public Works & Parks

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

Attachments: Appendix A – 2021 Water and Wastewater Rates 50% Fixed / 50% Variable
Appendix B – Sample Invoice projections