

## Staff Report

---

**Report To:** Operations Committee  
**Report From:** Kate Allan, Director of Corporate Services  
**Meeting Date:** April 17, 2025  
**Report Code:** CR-25-043  
**Subject:** 2025 Water Rate and Sewer Surcharge Update

---

### Recommendations:

THAT in consideration of Staff Report CR-25-043 respecting 2025 Water Rate and Sewer Surcharge Update, the Operations Committee recommends that City Council:

1. Approve the financial plan as presented;
2. Direct staff to bring forward an amendment to the Fees and Charges By-law which includes:
  - a. A five percent (5%) increase to water rates in the 2025 Fees and Charges By-law, effective July 1, 2025; and
  - b. Maintaining the wastewater surcharge at 124% of the water rate; and
3. Direct staff to provide notice of the water rate increase and continued wastewater surcharge in accordance with the City's notice provisions.

### Highlights:

- The rate adjustment supports the continued delivery of safe, reliable, and high-quality drinking water and wastewater treatment for Owen Sound residents and businesses, including critical capital projects.
- By addressing aging infrastructure vulnerabilities, the investment enabled by this rate increase helps make Owen Sound's water and wastewater systems more resilient to climate impacts.

- Staff continue to prioritize gradual predictable increases to minimize the impact of volatile changes in external markets and annual investment requirements.
- The update ensures that the system continues to operate under a full-cost recovery model, meeting regulatory requirements and maintaining healthy reserves to smooth future rate adjustments, reduce reliance on debt and protect the system from unexpected capital or operating pressures.

### **Strategic Plan Alignment:**

[Strategic Plan](#) Priority: Green City.

### **Climate and Environmental Implications:**

This supports the objectives of the City's Corporate Climate Change Adaptation Plan by strengthening the resiliency of City infrastructure or services.

### **Previous Report/Authority:**

N/A.

### **Background:**

Water treatment and distribution and wastewater collection and treatment services are essential to the health and safety of Owen Sound residents and businesses. The City is responsible for maintaining a significant municipal water and wastewater network with an estimated replacement value of \$971 million.

These services are funded entirely through user fees, not property taxes. This user-pay model ensures that only system users pay for the services they receive, consistent with provincial legislation under the Safe Drinking Water Act, 2002 and Ontario Regulation 453/07.

To ensure long-term sustainability, the City engaged Hemson Consulting Ltd. to prepare a full Water and Wastewater Rate Study. The study, included as an attachment to this report, provides a financial model and full-cost recovery rates to guide the City's utility funding strategy over the next five years.

## **Analysis:**

### **Input Data:**

The recommended rates are informed by several key inputs:

#### **1. Capital Plan**

The City's water and wastewater capital plans are approved annually as part of the comprehensive capital update in June. Capital plans identify necessary investments to maintain, rehabilitate, and expand the system. These plans will be reviewed again on June 23, 2025, as part of the full capital review, and are attached for Council's reference.

Major Projects include:

- The City-wide water meter replacement project
- Watermain and pumping station rehabilitation
- Water treatment infrastructure
- Wastewater collection and treatment system improvements

#### **2. Operating Budgets**

Operating budgets for water and wastewater were presented to Council during the 2025 levy-setting process but received limited discussion as they are fully funded by user fees. These budgets are attached for Council's information and can be reviewed at this time.

Key Points:

- The water and wastewater divisions are staffed by 20 full time employees fully funded from user fees.
- Oversight is provided by the Director of Public Works and Engineering.
- Insurance savings of approximately \$230,000 have been realized following a change in providers.
- Any annual surplus after operating and capital costs is directed to reserves to offset future capital needs and stabilize future rate increases.

#### **3. Usage Data**

The rate model is also informed by current and projected usage data including:

- The number of users (equivalent connections)
- Historical and forecasted water consumption

- Anticipated changes due to conservation and efficiency trends
- Expected accuracy improvements from the upcoming water meter replacement project

## **Rationale for Rate Adjustment:**

### **1. Why User Fees?**

User fees:

- Fund 100% of water and wastewater operations.
- Ensure equity by charging users directly based on consumption and connection.
- Comply with Provincial requirements to achieve full cost recovery.

### **2. Why a Mixed Rate Structure?**

The City uses a two-part rate:

- A **fixed charge** based on meter size, reflecting system availability and infrastructure.
- A **variable charge** based on consumption, encouraging responsible water use.

This structure balances fairness, conservation, and revenue stability.

### **3. Why a 5% Water Rate Increase and 124% Surcharge?**

The Hemson Rate Study recommends a **5%** increase to both fixed and consumption-based water charges to:

- Support operating costs.
- Address significant capital investment needs.
- Contribute to reserves to offset future capital costs.

Staff recommend maintaining the **124% wastewater surcharge**, consistent with prior years.

## **Financial Implications:**

For a typical residential customer using **200 m<sup>3</sup>** of water annually:

- The combined water and wastewater bill will increase by approximately **5%**.
- This equals an additional **\$6.70 per month** or **\$80 per year**.

This adjustment supports continued system maintenance, regulatory compliance, capital renewal, and reserve contributions while avoiding sharp, unplanned rate spikes in the future.

### **Communication Strategy:**

Public notice in accordance with City's notice provision.

Water rate tables are available on the City's website.

The water financial plan will be posted to Plans and Studies on the City's website.

### **Consultation:**

Staff in water distribution, treatment and revenue collection.

Hemson Consultants

### **Attachments:**

1. Draft 2025 Hemson Rate Study
2. 2025 Water and Wastewater Operating Budgets
3. 10-Year Water Capital Plan
4. 10-Year Wastewater Capital Plan
5. 10-Year Water and Wastewater Combined Infrastructure Capital Plan

### **Recommended by:**

Kate Allan, Director of Corporate Services

### **Submission approved by:**

Tim Simmonds, City Manager

For more information on this report, please contact Natalie Stephens at [nstephens@owensound.ca](mailto:nstephens@owensound.ca) or (519) 376-4440 ext. 1243.