

**DRAFT REPORT**

PREPARED BY HEMSON FOR THE CITY OF OWEN SOUND

# CITY OF OWEN SOUND WATER AND WASTEWATER RATE STUDY

March 28, 2025



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# EXECUTIVE SUMMARY

The City of Owen Sound's water and wastewater systems provide service to municipal residents and the non-residential customer base through an extensive municipal network valued at \$971 million (2025\$). The City of Owen Sound is responsible for the costs of distribution, maintenance, and general operations of maintaining the system and charges utility rates to the end-users directly based on the principles of full-cost recovery.

The City has initiated this Water and Wastewater Rate Study as part of its 5-year review of the water and wastewater rate forecast. The scope of the assignment is to deliver a long-term water and wastewater financial recovery plan to fund current and future operations (direct and indirect), growth related capital expansion (and associated financing costs), and the rehabilitation and eventual replacement of existing infrastructure. Furthermore, the analysis will ensure that the water and wastewater rate structure will allow the City to meet its financial obligations and ensure long-term sustainability.

In undertaking the analysis, a long-term financial planning model covering a ten-year period from 2026 to 2035 was developed, with 2025 as a budget base year. As the City moves forward and cost and revenue assumptions are expected to change, it is recommended that the City review the rate study every five years as details surrounding growth and costs become more refined. Although this analysis includes the ten-year period, City staff and Council should consider the immediate three-to-five years for rate setting purposes. The analysis was prepared using 2025 budget information to inform new utility rates for July 1, 2025, as the July 1, 2024, to June 30, 2025, rates were already approved by City Council prior to initiating the study. The study recommends that utility rates increase to fund operating costs, the non-growth capital program and also makes a provision to reserves for future asset repair and replacement.

The key proposed changes include:

- For establishing July 1<sup>st</sup>, 2025, rates, the water fixed and consumptive charges are proposed to increase by 5.0%, and this increase is proposed for the entire planning period.
- For wastewater, the surcharge (as a percentage of the total water charge) is proposed to decrease from 124% down to 100% by the end of the period.
- Section 6 and Appendix A provide a detailed breakdown of changes in fixed and consumption charges for water and wastewater over the next 5 years.
- No changes to the City's rate structure are proposed in this update.

Taking into consideration the key changes above, the full cost recovery rate analysis reveals:

- The required user rate revenue in 2026 is forecast to be about \$7.2 million for water and \$8.0 million for wastewater. This is the amount of revenue that must be collected through the sale of water to fully recover the operating, capital, rehabilitation and replacement costs of the water and wastewater systems.
- Over the long-term, the net rate funding requirements for both the City's water and wastewater systems are expected to increase. The cost increases can largely be attributed to carrying out the capital asset repair and replacement program, increasing operational costs, as well as increased capital asset management contributions. The water and wastewater net rate funding requirements are projected to increase to about \$11.4 million and \$10.3 million respectively by 2035.

In order for the City to recover the costs associated with providing these services, necessary adjustments to the utility rates are required. The table below provides a snapshot of the calculated utility rates required over the immediate 5-year calculation period (post 2025). A few important findings and considerations:

- On average, the typical bill increases for a household consuming 200 m<sup>3</sup> would be approximately 4.4% per annum over the immediate 5-year period from 2025-2029. The City maintains sufficient reserves over the planning period to manage expenses. By 2035, the analysis estimates the reserve balances to be approximately \$19.2 million and \$30.9 million for water and wastewater, respectively. That being said, due to the significant capital requirements in the short-term and continued cost pressures on the operating budget, the water reserves are maintained at stable and near current levels for the next few years with much of the reserves accumulating towards the end of the planning period. The balances may be reduced if any rate-funded capital projects are added to the 10-year capital plan above what has been identified.

Calculated Utility Rates, July 1 <sup>st</sup> (5-Year Projection)					
All Accounts	2025	2026	2027	2028	2029
<b>Fixed Charge: \$/Month</b>					
15 mm	\$ 31.90	\$ 33.49	\$ 35.17	\$ 36.93	\$ 38.77
18 mm	\$ 38.85	\$ 40.80	\$ 42.84	\$ 44.98	\$ 47.23
25 mm	\$ 50.26	\$ 52.78	\$ 55.42	\$ 58.19	\$ 61.10
38 mm	\$ 73.38	\$ 77.05	\$ 80.90	\$ 84.95	\$ 89.20
50 mm	\$ 143.00	\$ 150.15	\$ 157.65	\$ 165.54	\$ 173.81
75 mm	\$ 234.99	\$ 246.74	\$ 259.07	\$ 272.03	\$ 285.63
100 mm	\$ 350.38	\$ 367.90	\$ 386.29	\$ 405.61	\$ 425.89
150 mm	\$ 465.76	\$ 489.05	\$ 513.50	\$ 539.18	\$ 566.13
200 mm	\$ 696.54	\$ 731.37	\$ 767.94	\$ 806.34	\$ 846.65
<b>Consumption Charge: \$/m<sup>3</sup></b>					
Tier 1: 0-110 m <sup>3</sup> /month	\$ 1.80	\$ 1.89	\$ 1.98	\$ 2.08	\$ 2.18
Tier 2: >110 m <sup>3</sup> /month	\$ 2.02	\$ 2.12	\$ 2.22	\$ 2.33	\$ 2.45
<b>Wastewater Surcharge (% of Water Bill)</b>	124%	124%	122%	120%	118%
<b>Rural Area Charges:</b>	<i>Twice the Urban Rates Above</i>				

Staff have been provided with the utility rate setting full-cost model to monitor costs and revenues and assist with future rate updates. It is recommended the City undertake a comprehensive review every three to five years to ensure that a nexus between costs and revenues is maintained over time and that rates remain competitive with surrounding municipalities.

# 1. BACKGROUND AND STUDY OBJECTIVE

## A. BACKGROUND

The City of Owen Sound provides potable water and distribution services to residents while also providing wastewater collection and treatment services. As of 2024, Owen Sound provides water services to approximately 7,475 customers. The City's water runs through a network consisting of one water treatment plant, two pump stations, as well as distribution infrastructure including hydrants, valves, and linear pipelines. The City's wastewater collection system consists of 8 pump stations and wastewater linear assets that transfers collected wastewater to the City's Wastewater Treatment Plant. The City is responsible for all monitoring, quality assurance, quality control, reporting, inspecting, collection and maintenance of the water and wastewater networks. The water and wastewater infrastructure is extensive, valued at \$971.9 million (2025\$).

The City's water and wastewater systems are built and maintained to meet all regulatory standards of quality. Maintaining these systems to regulatory standards requires significant operating and capital investment on an ongoing basis. Therefore, the City funds its water and wastewater costs through user fees charged to its customers on the basis of a full cost recovery system. The fee structure for water and wastewater services in the City includes a fixed charge which is differentiated by meter size, and volumetric based charge for each cubic metre of water consumed. For the consumption-based charge, the City employs a two-tier consumption block structure for monthly use below 110m<sup>3</sup> and above this threshold). Water bills are issued quarterly for all properties.

Consistent with the requirements of the *Safe Drinking Water Act, 2002* (the SDWA) and its associated regulation *Ontario Regulation 453/07* (O. Reg. 453/07), the City completed its last Water and Wastewater Rate Study and Financial Plan in 2020. Therefore, this Water and Wastewater Rate Study is a major update to the work completed in prior years and calculates full cost recovery water and wastewater rates to maintain both systems in a sustainable way. Water Financial Plans consistent with *Ontario Regulation 453/07* are informed by the information developed through this rate study and available under separate cover.

## B. STUDY OBJECTIVE

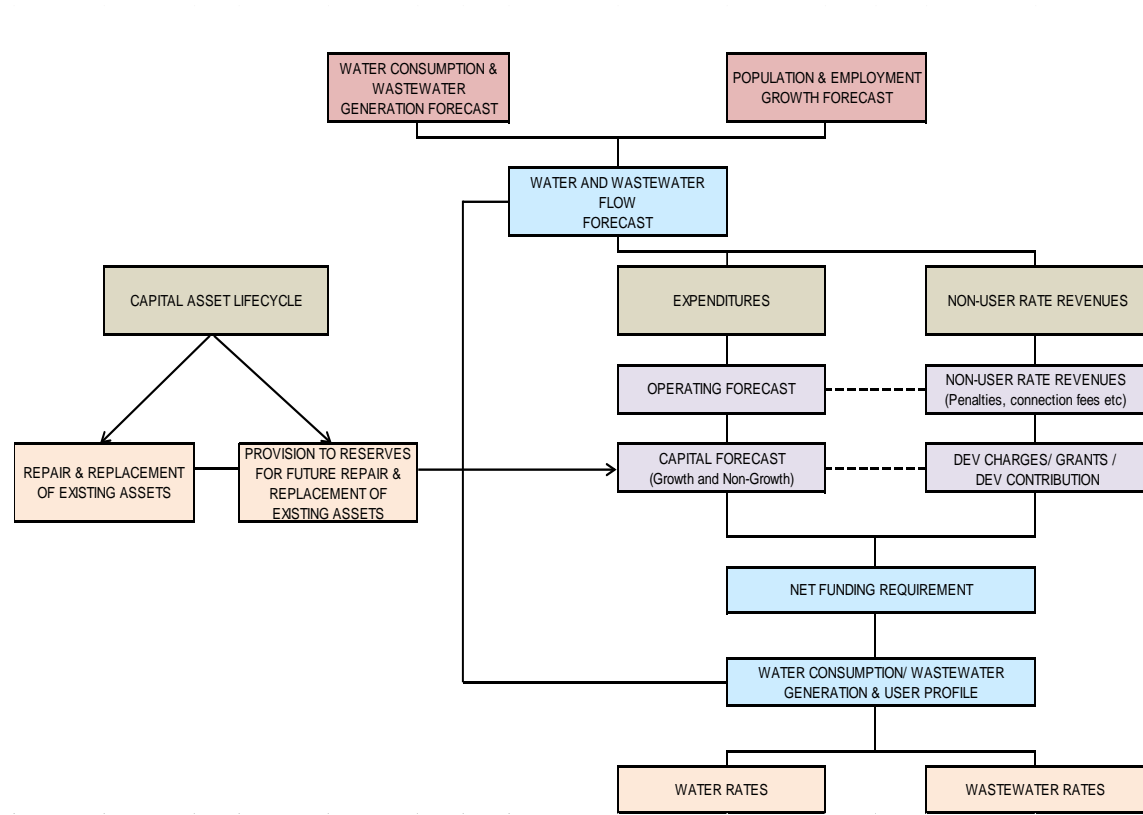
The objective of this study is to review the existing rate structure and calculate full cost recovery rates consistent with the City's overall cost recovery policies. The utility rates are expected to be

brought forward annually for formal approval through the City's regular water and wastewater rate approval process.

The first step in the study is to establish a forecast of new users as this is the basis for determining anticipated water consumption and wastewater generation levels. The study examines the forecast period from 2026 through 2035. The study and analysis were prepared using 2025 budget information and uses 2025 as a base year. Following the demographic analysis, the current water and wastewater rates, reserves and annual operating and capital budgets are analyzed. Based on this analysis, the financial position of the City's water and wastewater systems is determined. The next step in the study process is to examine the existing rate structure and calculate full cost recovery rates. The final step in the process is to evaluate the impacts of implementing the full cost recovery rates to the residents of the City.

In undertaking this analysis, an Excel financial model was developed and serves as a dynamic rate setting tool. Using the model, the City is able to perform sensitivity analyses of the water and wastewater rates. The model calculates future capital expenditure requirements and projects future operating and maintenance costs. It also calculates the water and wastewater rates necessary to recover the full costs of the water and wastewater systems. The following diagram (Figure 1) illustrates the overall approach.

Figure 1: Utility Rate Setting Model



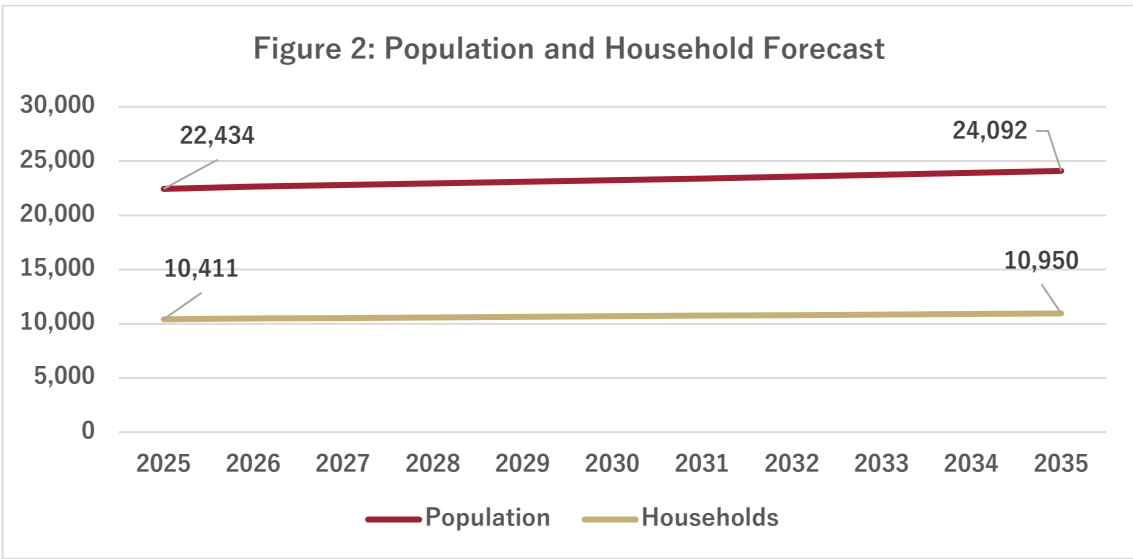


## 2. DEMAND ANALYSIS

Demand from water consumers will primarily drive future costs of the City’s water and wastewater systems. Therefore, a forecast of future demand has been developed to inform this analysis.

### A. GROWTH FORECAST

The population and employment projections used in this study were based on the City’s 2023 Development Charges Background Study. The City’s current estimated census population of approximately 22,400 persons is expected to increase to about 24,100 persons by 2035. The total number of households is expected to increase from about 10,400 to 10,950 over the same period. Figure 2 below illustrates the projected growth in population and households over the planning period.



*Note: Population reflects census population. Estimates are based on the City’s 2023 Development Charges Background Study.*

### B. PROJECTION OF NEW CONNECTIONS

The consumption and connection data from the previous five years (2020-2024), combined with the Population and Household Forecast contained in the DC Study along with discussions with City staff regarding future development activity, helped inform the forecast of new connections contained in this study.

It is estimated the City will have about 8,340 equivalent billable connections that are anticipated to receive water services in 2025. By the end of the planning period, in 2035, it is expected that the number of equivalent billable water connections will increase to about 9,200 which equates to an average increase of about 80 new equivalent water connections per year over the planning horizon.

## C. CONSUMPTION FORECAST

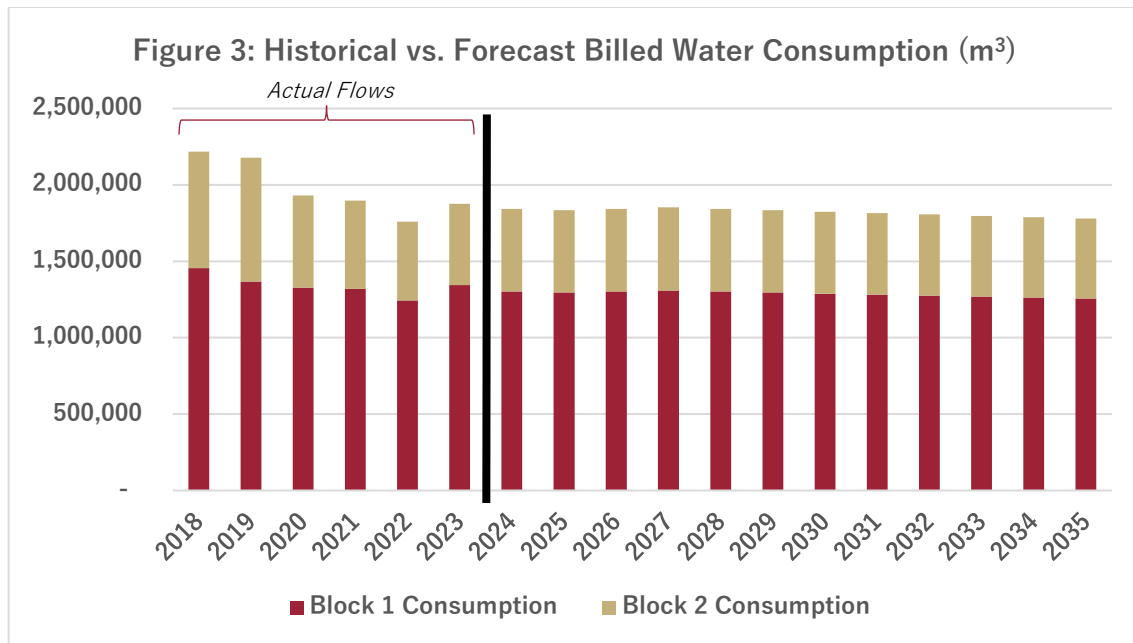
The water demand forecast over the planning period of 2025-2035 was developed using actual recent metered consumption data.

In our most recent water and wastewater rate studies, we have found that customer profiles have been changing over time: generally, water consumption patterns have been declining, even with the addition of new residential and non-residential units. This trend can be seen in the City and other jurisdictions across the province. The reduced level of water consumption can largely be related to:

- Demographic changes and household formation sizes – there are fewer people residing in each dwelling unit, ultimately reducing the water use in each household;
- Initiatives by industrial/commercial operations – non-residential users continue to adapt their business processes to be more efficient and environmentally friendly; and
- Efficiency improvements for household appliances – technological improvements have noticeably reduced demand; present-day dishwashers and washing machines are very economical in terms of water use.

Generally, water consumption is projected to decline slightly over the planning period by approximately 0.5% per year for both block 1 and block 2 consumption tiers. Figure 3 illustrates the historical pattern and forecast of metered water throughout the planning period to 2035. In 2025, the City is anticipated to bill approximately 1.30 million m<sup>3</sup> of water in the first tier, and another 540,000 m<sup>3</sup> in the second tier.

Notwithstanding the overall declining trend, a modest increase in billable water flow has been assumed in the first few years of the forecast following the completion of the water meter replacement program as the City could have a better read on water flows with the new equipment than the current readings with the existing infrastructure. Of relevance, the new water meter billings will be important to monitor and will help inform the consumption forecast in the next rate study.



Details regarding the connections and forecast of consumption for the water and wastewater systems are set out in the detailed rate calculations illustrated in Appendix A.

### 3. OPERATION AND MAINTENANCE COSTS

The City of Owen Sound incurs costs to ensure the utility systems are operated in accordance with Provincial legislation that guarantees safety and quality. Operating expenditures include salaries and benefits, materials, contracts, services, hydro, utility costs, debt-servicing costs and costs associated to water supply and wastewater collection.

#### A. OPERATING EXPENDITURES

Table 1 summarizes the total forecasted operating expenditures for water services. The total operating expenditures for the water system in 2025 were budgeted to be about \$9.2 million and anticipated to increase to \$13.4 million by 2035.

TABLE 1: FORECAST OF WATER OPERATING EXPENDITURES (\$000)					
Expense Category	Inflation Factor	2025 Budget	2026 Projected	2030 Projected	2035 Projected
Operating Expenditures	2.0% - 5.0%	\$4,043.9	\$4,158.2	\$4,652.6	\$5,364.9
Debt Payments	-	\$387.7	\$665.9	\$1,136.7	\$941.9
<b>Total</b>		<b>\$4,431.6</b>	<b>\$4,824.1</b>	<b>\$5,789.3</b>	<b>\$6,306.8</b>

Table 2 summarizes the total forecasted operating expenditures for wastewater services. The total operating expenditures for the wastewater system in 2024 is budgeted to be about \$5.3 million and are expected to increase to about \$6.1 million by 2034.

TABLE 2: FORECAST OF WASTEWATER OPERATING EXPENDITURES (\$000)					
Expense Category	Inflation Factor	2025 Budget	2026 Projected	2030 Projected	2035 Projected
Operating Expenditures	2.0% - 5.0%	\$3,849.2	\$3,950.3	\$4,384.7	\$5,002.1
Debt Payments	-	\$1,490.4	\$1,490.4	\$1,332.4	\$1,048.9
<b>Total</b>		<b>\$5,339.6</b>	<b>\$5,440.7</b>	<b>\$5,717.1</b>	<b>\$6,051.0</b>

The escalation in costs for both water and wastewater over the long-term can generally be attributed to:

- a general increase in operational expenditures due to inflation;

- an increase in water rate-funded debt payments over the short-term needed to undertake repair and replacement works and to maintain adequate reserve levels;

## **i. General Operating Expenditures**

Using the City's 2025 operating budget, operating expenditures are assumed to increase annually by an adjustment factor depending on the expense category. Salaries, employee benefits, are assumed to increase at an annual rate of 3%. Contracted services (including insurance) are assumed to increase at 4% per annum, while hydro and utility costs are assumed to increase at 5% per annum. All remaining operating costs are assumed to increase at 2% per annum.

## **ii. Debt - Principal and Interest Payments**

The City has existing rate funded debt obligations for both water and wastewater services. In 2025, the City will make principal and interest payments of about \$388,000 for water and \$1.49 million for wastewater. Some of the debt that comprises these blended payments will fully retired over the next ten years, however, some of the principal and interest payments will continue to extend beyond this planning period.

The rate calculation assumes that three water services projects will be fully financed with rate-funded debt, the terms of which are laid out below:

- 2025: Water Meters Replacement Project
  - o \$3,500,000 Debenture – 3.0% for 10 years
- 2026: 9th Ave E - Superior St to 10th St E Watermain Replacement
  - o \$2,276,000 Debenture – 3.0% for 10 years
- 2029: 9th Ave E - 32nd St E to Kenny Drain - Watermain Replacement, PRV Installation, Road Rehab
  - o \$1,290,000 Debenture – 3.0% for 10 years

A financing provision was included to offset those years (2025, 2026, and 2029) in which the planned capital expenditures were particularly high due to the projects listed above. The annual principal and interest payments associated with this debt have been included in the analysis and funded through the water rates. As a result, by 2035 the water rate-funded debt payments are forecast to increase to about \$942,000.

No additional debt has been forecast for wastewater services. Since some debt will be fully retired by the end of the planning period, the wastewater rate-funded debt payments are forecast to decrease to about \$1.0 million by 2035.

Further discussion on the need for debt financing in future years is discussed in Section 4.

## B. NON-USER RATE REVENUES

Non-rate revenues are budget items which decrease the net operating budget and are not recovered through the City's water or wastewater user rates.

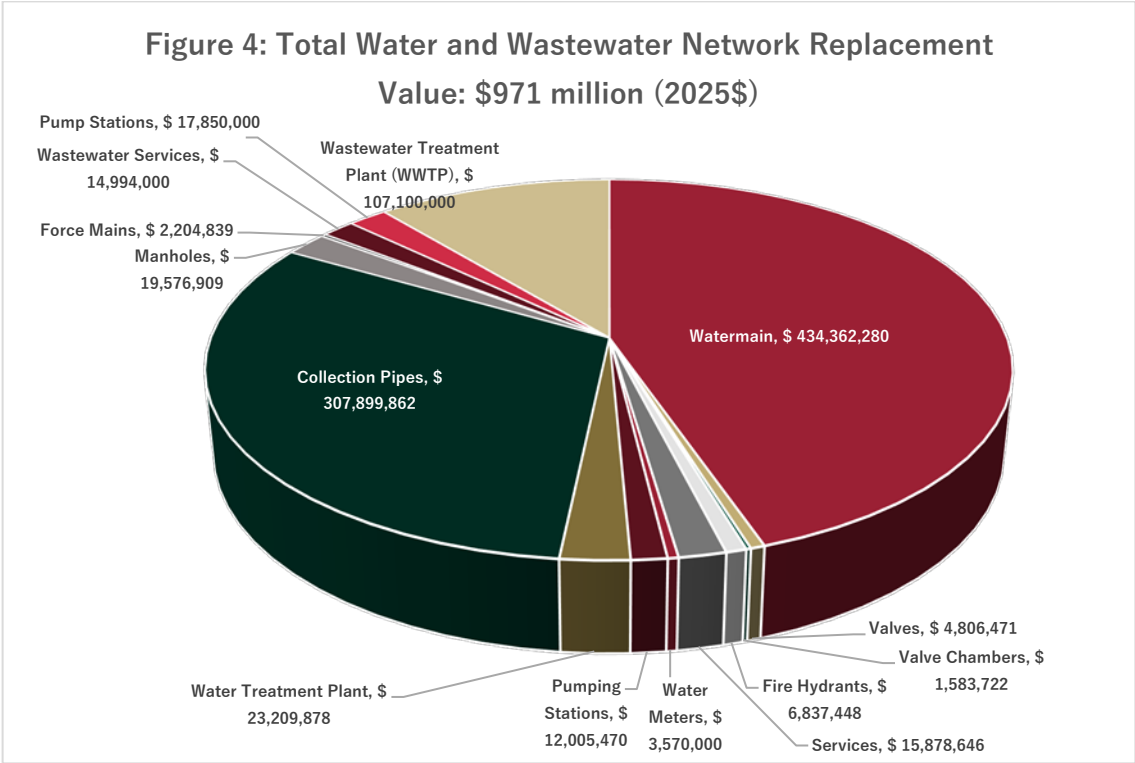
All budgeted non-user rate revenues were adjusted at a rate of 2% in the forecast period to account for inflation. Non-user rate revenues are set out in the detailed rate calculations illustrated in Appendix A.

Table 3 shows the City is expecting to recover approximately \$60,000 for water services through non-user rate revenues in 2025. By 2035, this amount is anticipated to represent approximately \$73,100 for water services. For wastewater, \$100,000 in DC revenues is assumed to be used to fund the existing growth-related debt payments included for in the analysis. No other non-user rate revenue was budgeted for wastewater services.

TABLE 3: PROJECTED NON-USER RATE REVENUES (\$000)				
System	2025 Budget	2026 Forecast	2030 Forecast	2035 Forecast
Water	\$60	\$61.2	\$66.2	\$73.1
Wastewater	\$ -	\$ 100	\$ 100	\$ 100
<b>Total</b>	<b>\$60</b>	<b>\$161.2</b>	<b>\$166.2</b>	<b>\$173.1</b>

# 4. INFRASTRUCTURE AND CAPITAL

The City’s water and wastewater infrastructure is extensive. The City’s entire water and wastewater system has a replacement value estimated at about \$971 million. Of this value, about \$502 million (51.7%) is related to water assets and \$470 million (48.3%) is associated to wastewater infrastructure<sup>1</sup>. Figure 4 below depicts breakdown of the total replacement value of water and wastewater infrastructure by asset category.



Over the next ten-year period (2026-2035), infrastructure investments will be required to support new growth in the City and maintain the existing infrastructure network. Infrastructure related to growth will receive funding through development charge revenues and other developer contributions. Capital improvements and financing costs related to non-growth related infrastructure are the responsibility of the City. These costs will need to be funded through the user rates. For this reason, this section outlines the capital requirements, and funding needs, over the period from 2026 to 2035.

<sup>1</sup> The information was obtained from the City’s existing 2022 Asset Management Plan and updated to reflect 2025 dollars.

## A. CAPITAL AND CONTRIBUTIONS TO RESERVES

The 2025 operating budget, the City's 10-year capital plan, and discussions with City staff formed the basis for preparing the 10-year capital forecast. In addition to the in-year capital requirements, Hemson has included annual contributions to reserves, which would allow the City to prepare for the future repair and replacement of existing infrastructure.

### i. Projected Non-Growth Capital Expenditures

The total rate funded (non-growth related) capital program for the City is summarized in Figure 5 below including the base budget year of 2025 for reference. Over the 2026-2035 period, about \$44.2 million in rate-funded capital projects is required to support both water and wastewater services. This is made up of:

- About \$29.7 million in rate-funded capital projects is required to support water services with about \$20.2 million funded from rates/reserves, \$5.4 million in grant funding, and about \$4.0 million requiring debt financing.<sup>2</sup>
- About \$14.5 million in rate-funded capital projects is required to support the wastewater services with about \$9.0 million funded from rates/reserves and about \$5.5 million in grant funding.

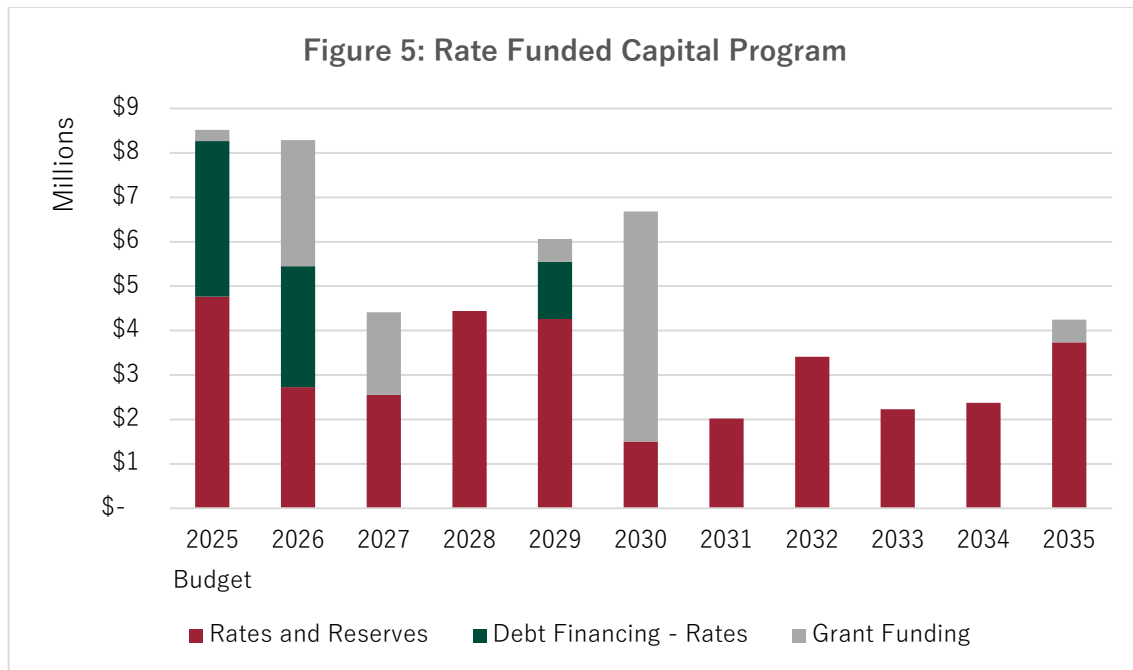
In all instances, water and wastewater rates/reserve funds are prioritized to be used to fund the in-year capital expenditure requirements. Instances in which in-year expenditures exceed the reserve fund balance in any year of the planning period, debt financing is assumed to ensure that the balances of both the water and wastewater reserve funds will remain in a healthy position to fund operations. There is anticipated need for debt financing for rate-funded water projects as shown in Figure 5. The City has the authority and ability to utilize debt to fund system costs and any financing costs would be funded through the utility rates going forward. The need for debt financing may be considered by Council on an annual basis through the budget process.

In addition to the known capital works, an annual contribution to reserves is included in the rate calculations to save for future repair and eventual replacement of existing assets while paying for the capital requirements identified in Figure 5.

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<sup>2</sup> New debt is assumed using interest rate of 3% over 10 years.





*Note: The capital costs represented in this figure are adjusted for inflation to reflect the cost of the works in the year in which the work is anticipated.*

## ii. Capital Contribution Requirements

The asset rehabilitation and replacement needs were developed using the City's existing 2022 Asset Management Plan and updated to reflect 2025 dollars.

The calculated full cost average annual contribution requirement amounts to \$25.0 million for water services and \$15.4 million for wastewater services by 2035. This calculation is based on the infrastructure needs outlined in the 2022 AMP, inflated at 3% per year. The annual contribution requirements have been identified in this analysis and detailed in Appendix A.

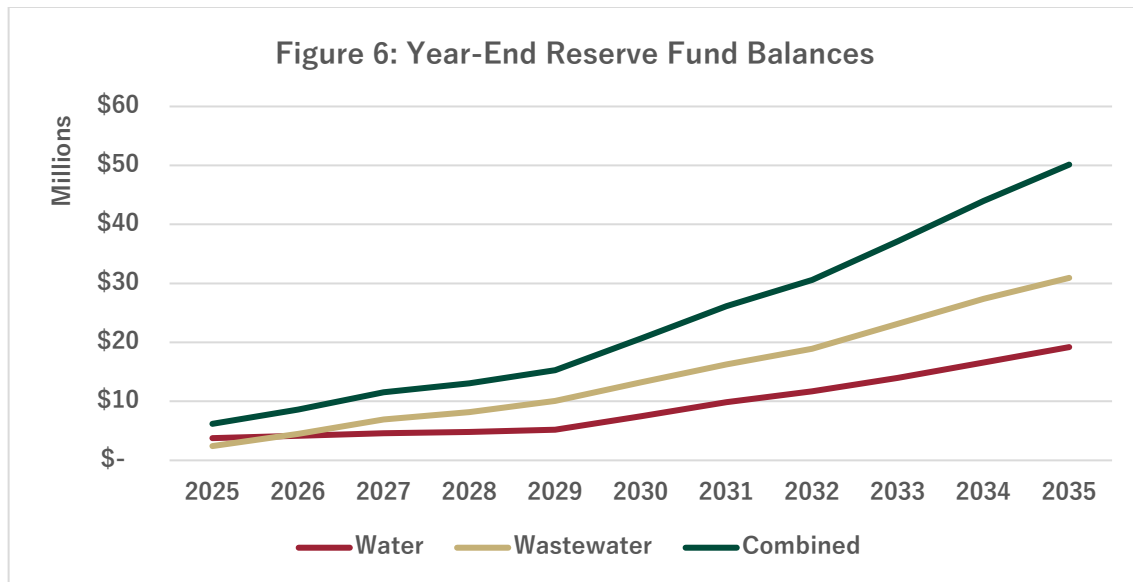
To mitigate an impractical increase of the user rates, reserve fund contributions are phased in gradually and managed in the context of the City's existing accumulated funds. Table 4 provides a snapshot of the rate funded capital contribution by 2034 relative to the calculated annual capital investment needed by service. As illustrated in the table, the City would be contributing at approximately 29% of the total annual calculated need by 2035. This represents a step towards achieving full cost recovery, without placing an immediate and excessive burden on the ratepayers to achieve full-cost recovery in the short-term. Additional details on reserve funds are discussed in the next section.

TABLE 4: RATE FUNDED CONTRIBUTION RELATIVE TO CALCULATED ANNUAL CAPITAL CONTRIBUTION (2035)		
System	Rate Funded Contribution <sup>1</sup>	Calculated Full Cost Contribution
Water	\$6,233,750 (25% of total Calculated)	\$24,965,000
Wastewater	\$5,367,500 (35% of total Calculated)	\$15,419,600
Total	<b>\$11,601,250</b> (29% of total Calculated)	<b>\$40,384,600</b>

Note 1: Includes rate funded debt payments for the share of non-growth-related capital expenditure.

### iii. Reserve Fund Balances

As the non-growth capital expenditures shown in Figure 5 are expected to be funded through the City's utility rate, it is important to ensure that sufficient funds are available to 2035. Figure 6 illustrates the cumulative water and wastewater reserve balances resulting from both the contributions to reserves and proposed capital program to 2035. The estimated year-end 2025 reserve fund balance is expected to be about \$3.8 million for water services and about \$2.4 million for wastewater services. The analysis estimates the 2035 reserve balances to be approximately \$19.2 million and \$30.9 million for water and wastewater, respectively (total of \$50.1 million for both services). It is important to note that although the reserve balances grow quickly towards the end of the planning period, the balances will be reduced if any rate-funded capital projects are added to the 10-year capital plan above what has been identified. Furthermore, the reserve balances assume that debt financing will be utilized for a portion of the capital program as previously discussed, to keep reserve levels stable over the period. Also of relevance, for context, while the reserves grow to \$50 million by 2035, this is still a relatively small share of the water and wastewater asset value, which by 2035 could be estimated to be in excess of \$1.3 billion.



#### iv. Projected Growth Capital Expenditures

The utility rate analysis only captures the non-growth-related shares of the City’s water and wastewater infrastructure. Infrastructure related to growth will receive funding through development charge revenues and other developer contributions and this capital is not funded from the water and wastewater rates in this study. Notably, this rate analysis does capture the non-growth-related shares of water and wastewater infrastructure outlined in the City’s 2021 DC Background Study as this infrastructure has been captured through the City’s 10-year capital plan.

## 5. RATE STRUCTURE ANALYSIS

Various water and wastewater rate structures are in place across Ontario municipalities. These include flat rates, constant rates, humpback block rates, declining block rates and inclining block rates. Rate structures often include fixed or minimum charges in addition to the consumption-based charges. The implementation of a particular rate structure depends on several aspects including administrative and financial factors. Emphasis should be placed on identifying a rate structure that satisfies changing water use patterns and demographic trends while being fiscally responsible and sustainable from a service delivery standpoint.

As shown in Table 5, the City of Owen Sound has a two-part rate structure in place:

- 1) A fixed charge that is levied relative to the meter size (and independent of use); and
- 2) A consumption-based charge that is applied to each cubic meter of water consumed. The consumption charge is based on a two-tier inclining block rate structure – under this structure the cost per cubic meter of water increases as more water is consumed beyond 110 m<sup>3</sup> per month.

The rates shown in Table 5 reflect the rates for urban servicing. Rural customers outside the City limits are charged twice the fixed and consumption water rates. Wastewater rates are calculated as a 124 percent surcharge of the water bill.

Table 5: In-Force Utility Rates (July 1 <sup>st</sup> , 2024 to June 30 <sup>th</sup> , 2025)		
All Accounts	Water	Wastewater (124% Surcharge)
<b>Fixed Charge: \$/Month</b>		
15 mm	\$ 30.38	\$ 37.67
18 mm	\$ 37.00	\$ 45.88
25 mm	\$ 47.87	\$ 59.36
38 mm	\$ 69.89	\$ 86.66
50 mm	\$ 136.19	\$ 168.87
75 mm	\$ 223.80	\$ 277.51
100 mm	\$ 333.69	\$ 413.78
150 mm	\$ 443.58	\$ 550.04
200 mm	\$ 663.37	\$ 822.58
<b>Consumption Charge: \$/m<sup>3</sup></b>		
Tier 1: 0-110 m <sup>3</sup> /month	\$ 1.71	\$ 2.12

Tier 2: >110 m <sup>3</sup> /month	\$ 1.92	\$ 2.28
<b>Rural Area Charges:</b>	<i>Twice the Urban Rates Above</i>	

*Note: Customers are billed quarterly.*

## **A. ISSUES TO CONSIDER**

### **i. Cost Recovery**

In determining water and wastewater rates, the full cost of providing services are recovered. The costs are to include, operation and maintenance, periodic rehabilitation and contributions to reserves for the eventual repair and ultimate replacement of water and wastewater infrastructure.

### **ii. Equity**

A 'user-pay' approach was used in selecting a rate structure and calculating water and wastewater rates.

### **iii. Conservation**

It is important to consider measures that promote water conservation when determining a rate structure. It is also important to recognize that not all users have the ability to change their levels of consumption and, as such, should not be penalized.

### **iv. Administration**

A rate structure should be transparent and easy to understand by both the users and service provider. Also, easing administrative requirements may reduce the overall administrative cost, which would ultimately provide for a reduction of rates.

### **v. Economic Development**

While recognizing the importance of the above objectives, it is also important to maintain the City's attractiveness to industries that may rely heavily on water and/or wastewater services. The rate structure must allow the City to continue to be competitive from an economic development perspective.

## **B. MOVING FORWARD**

After consultation with City staff and analysis of neighbouring municipalities and best practices, the recommendation is to maintain the current rate structure, however, the surcharge for wastewater services is recommended to decrease over time. Currently, the fixed charge generates about 50% of the total water and wastewater revenue, while the

variable rate funds the remaining 50% of expenses. From a fiscal sustainability standpoint, it is important that the City continues to ensure the fixed charge represents a reasonable share of total costs to secure sufficient revenues to properly run the system.

## 6. CALCULATED RATES

In calculating the water and wastewater rates, a number of assumptions were applied. The water and wastewater rates are calculated to fully recover the cost of operating the system and identified in-year capital needs (inclusive of any rate-funded debt servicing requirements). Furthermore, the rates continue to provide for contributions to asset replacement reserves. An immediate implementation of a rate that fully funded the calculated asset rehabilitation and replacement contributions would result in significant impacts to all users in the City. The analysis is based on providing for a gradual movement towards full rates. These contributions, when combined with the City's ongoing capital works, will demonstrate a significant movement to long-term full cost recovery rates.

Table 6 below provides a summary of the 2026 forecasted net rate funding requirement for each of the water and wastewater systems. The net rate funding need represents the amount of money that must be funded through the utility rates.

TABLE 6: CALCULATION OF THE 2026 NET RATE FUNDING REQUIREMENT (\$000)			
Ref	Category	Water	Wastewater
1	Operating Expenditures (including debt payments)	\$4,824.1	\$5,440.7
2	Rate funded in-year capital	\$2,053.2	\$670.3
3	Contribution To/(From) Reserves	\$353.8	\$2,026.7
4	<i>Less: Non-Rate Revenue</i>	<i>(\$61.2)</i>	<i>(\$100.0)</i>
<b>Total Net Rate Funding Need = (1+2+3+4)</b>		<b>\$7,169.9</b>	<b>\$8,037.7</b>

### i. Calculated 2025 Utility Rates

Based on the information from Table 6, the required water and wastewater user rate revenue in 2026 is forecast to be about \$7.2 million and \$8.0 million respectively. This is the amount of revenue which must be collected through the sale of water and collection of wastewater to fully recover the operating, capital, rehabilitation and replacement costs of the systems.

The calculated rates for July 1<sup>st</sup>, 2025 are outlined in Table 7 below and the detailed calculations of the water and wastewater rates are outlined in Appendix A for the entire period to 2035. For determining the rate to be introduced in July 2025, the water fixed and consumptive charges are proposed to increase by 5.0%. For wastewater, the surcharge (as a percentage of the total water bill) is proposed to remain at 124%.

TABLE 7: CALCULATED 2025-2026 UTILITY RATES		
All Accounts	Water	Wastewater <sup>3</sup>
<b>Fixed Charge: \$/month</b>		
15 mm	\$ 31.90	\$ 39.56
18 mm	\$ 38.85	\$ 48.17
25 mm	\$ 50.26	\$ 62.32
38 mm	\$ 73.38	\$ 90.99
50 mm	\$ 143.00	\$ 177.32
75 mm	\$ 234.99	\$ 291.39
100 mm	\$ 350.38	\$ 434.47
150 mm	\$ 465.76	\$ 577.54
200 mm	\$ 696.54	\$ 863.71
<b>Consumption Charge: \$/m<sup>3</sup></b>		
Tier 1: 0-110 m <sup>3</sup> /month	\$ 1.80	\$ 2.23
Tier 2: >110 m <sup>3</sup> /month	\$ 2.02	\$2.50
<b>Rural Area Charges:</b>	<i>Twice the Urban Rates Above</i>	

## ii. Utility Rate Projection

Over the long-term, the net rate funding requirements for both the water and wastewater system are expected to increase. The cost increases can largely be attributed to carrying out the capital program and operational related cost increases to manage inflationary impacts. These costs are required for the City to continue to adapt to ongoing maintenance requirements and customer demands. The water and wastewater net rate funding requirements are projected to increase to about \$11.4 million and \$10.3 million over the ten-year period. Figure 7 below provides a snapshot of the annual year-over-year projections to 2035.

<sup>3</sup> Wastewater rates shown represent a 124% surcharge on the proposed water rates.



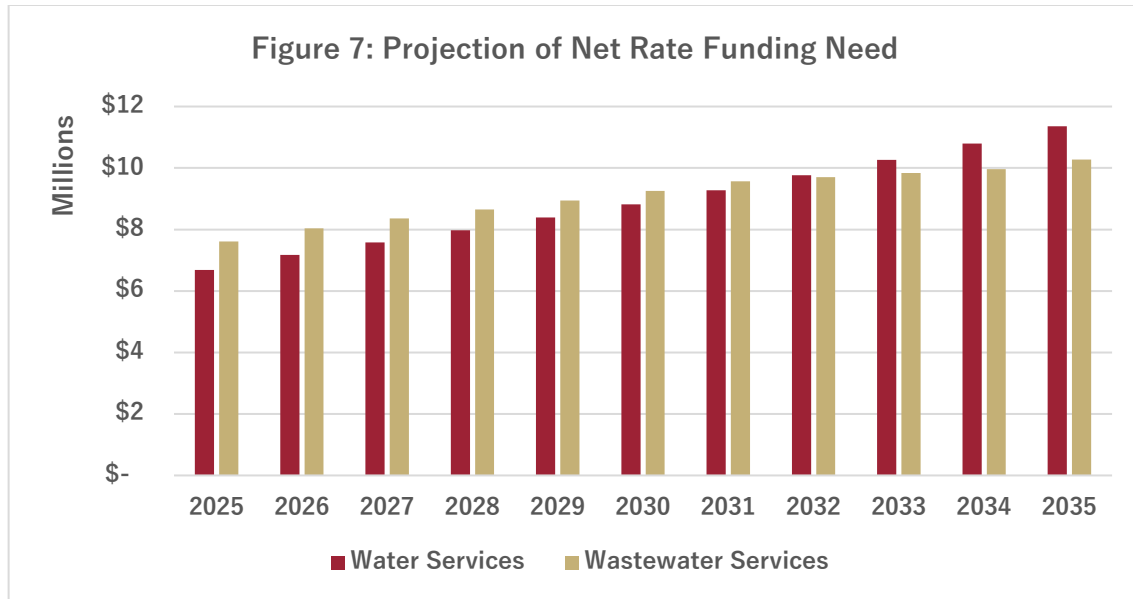


Table 8 below outlines the proposed utility rates required over the immediate 5-year period to support the system and the typical annual water and wastewater bill. A few important considerations:

- Water fixed monthly rates and are proposed to increase by 5.0% in each of the next 10 years.
- Water consumption monthly rates (for both tiers) and are proposed to increase by 5.0% in each of the next 10 years.
- Wastewater surcharge is proposed to remain at 124% for 2025 and 2026. The surcharge is then proposed to decrease by 2% per year from 2027-2031, followed by a 4% decrease in each year from 2032-2034. In 2035, the surcharge is proposed to be reduced a further 2% to achieve an equal charge for both water and wastewater in 2035.

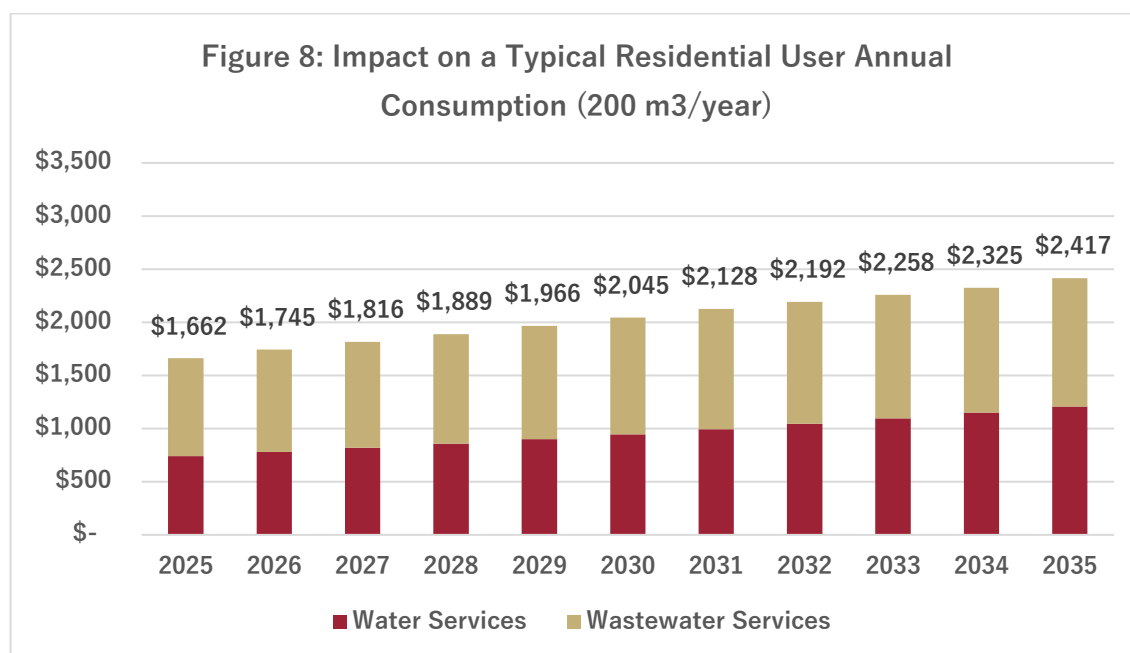
**TABLE 8: Calculated Utility Rates (5-Year Projection)**

All Accounts	2025	2026	2027	2028	2029
<b>Fixed Charge: \$/Month</b>					
15 mm	\$ 31.90	\$ 33.49	\$ 35.17	\$ 36.93	\$ 38.77
18 mm	\$ 38.85	\$ 40.80	\$ 42.84	\$ 44.98	\$ 47.23
25 mm	\$ 50.26	\$ 52.78	\$ 55.42	\$ 58.19	\$ 61.10
38 mm	\$ 73.38	\$ 77.05	\$ 80.90	\$ 84.95	\$ 89.20
50 mm	\$ 143.00	\$ 150.15	\$ 157.65	\$ 165.54	\$ 173.81
75 mm	\$ 234.99	\$ 246.74	\$ 259.07	\$ 272.03	\$ 285.63

**TABLE 8: Calculated Utility Rates (5-Year Projection)**

100 mm	\$ 350.38	\$ 367.90	\$ 386.29	\$ 405.61	\$ 425.89
150 mm	\$ 465.76	\$ 489.05	\$ 513.50	\$ 539.18	\$ 566.13
200 mm	\$ 696.54	\$ 731.37	\$ 767.94	\$ 806.34	\$ 846.65
<b>Consumption Charge: \$/m<sup>3</sup></b>					
Tier 1: 0-110 m <sup>3</sup> /month	\$ 1.80	\$ 1.89	\$ 1.98	\$ 2.08	\$ 2.18
Tier 2: >110 m <sup>3</sup> /month	\$ 2.02	\$ 2.12	\$ 2.22	\$ 2.33	\$ 2.45
<b>Wastewater Surcharge (% of Water Bill)</b>	124%	124%	122%	120%	118%
<b>Rural Area Charges:</b>	<i>Twice the Urban Rates Above</i>				

On average, the typical bill increases for a household consuming 200 m<sup>3</sup> would be an average of 4.4% per annum over the 5-year period shown above<sup>4</sup>. As shown in Figure 8, the total charge per typical household is expected to reach \$2,045 by 2030 and \$2,417 by 2035.



### iii. Impact on Reserve and Reserve Funds

It is important to consider the implications of the calculated user rates on the City's water and wastewater reserves. The City's projected 2025 ending water and wastewater reserves are about

<sup>4</sup> The average bill increases over the first three years would be at approximately 4.4% per annum before moderating at an average of 3.6% for the remaining 7 years.

\$3.8 million and \$2.4 million, respectively (excluding DC reserve funds). The City's reserves have been calculated over the 10-year period with the goal of ensuring the reserve balance maintains a positive position compared to a benchmarked "minimum balance" illustrated below in Figure 9<sup>5</sup>. For the purposes of this analysis, we will present two minimum balance targets.

In the conservative scenario, the minimum balance was determined to represent:

1. 4% of the City's water and wastewater asset replacement value; plus
2. 3 months of operational expenses.

In the lower-target scenario, the minimum balance was determined to represent:

1. 1.5% of the City's water and wastewater asset replacement value; plus
2. 3 months of operational expenses.

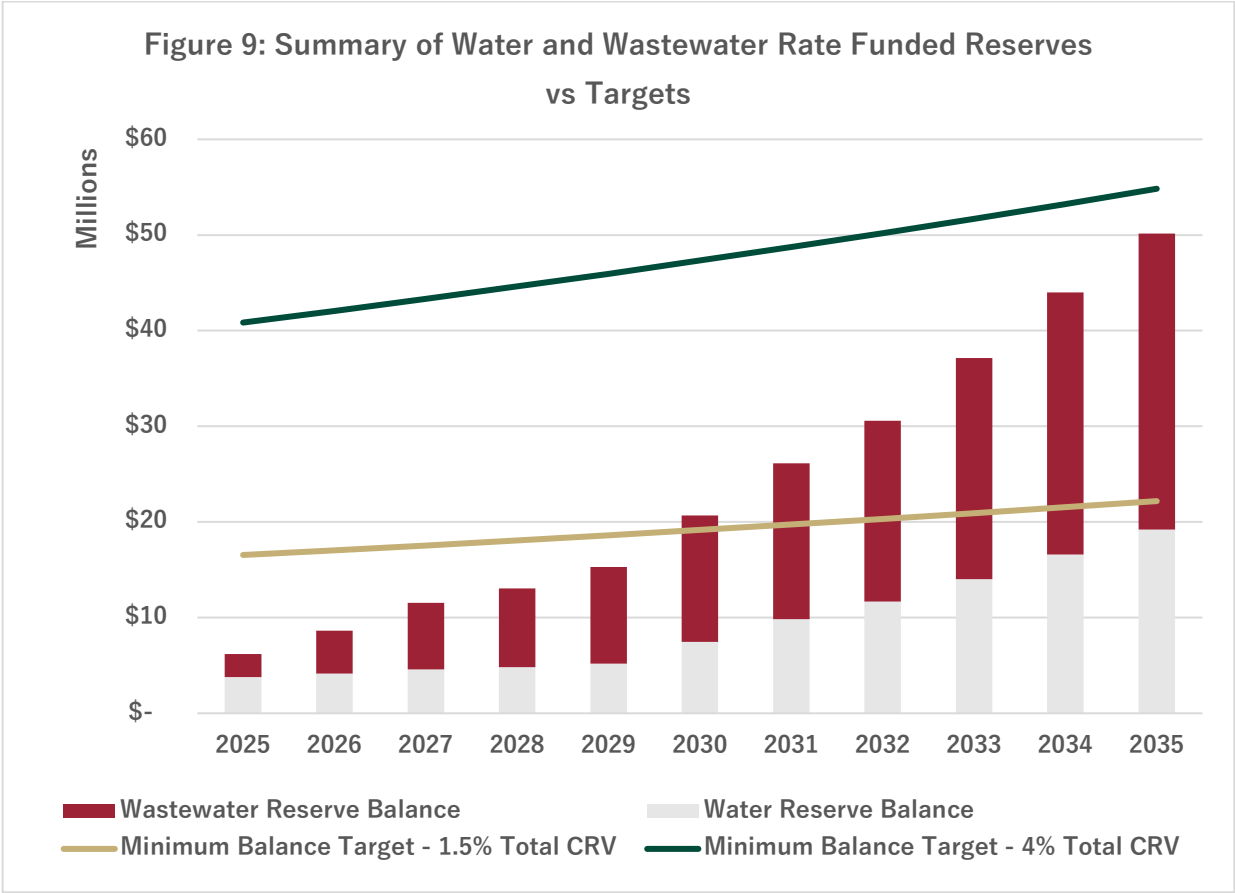
Figure 9 indicates that the City's water and wastewater reserves maintain a positive position throughout the period but remain below the identified conservative asset management threshold due to the drawing on these reserves to carry out the non-growth-related capital program. Debt financing is required over the next five years to carry out the program while ensuring the existing reserves remain stable and increase over the period. The debt financing needed to undertake the 10-year capital program is discussed in Section 4.

Maintaining adequate reserve balances ensures funds are available to manage unexpected capital expenditures or other operational variances, which may be experienced over the planning period (i.e. variations in annual billable consumption). Continued contributions to these reserves to 2035 will ensure that sufficient funds are available to undertake capital works beyond the planning period and that the City will be able to absorb unforeseen expenditures without impacting the utility rates. As indicated in the previous section, although the reserve balances grow towards the end of the planning period, the balances will be reduced if any rate-funded capital projects are added to the 10-year capital plan above what has been identified as the capital plan is matured toward the latter end of the period. Also of relevance, for context, while the reserves grow to \$50 million by 2035, this is still a relatively small share of the water and wastewater asset value, which by 2035 can be estimated to be more than \$1.3 billion.

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<sup>5</sup> The minimum balance is shown for illustrative purposes as a comparative tool, the "minimum" shown has not been endorsed by Council via a formal policy or by-law.

It is recommended that the City continue to monitor and contribute to both the water and wastewater reserve funds over the period to ensure they continue to be sufficient to cover operational and capital expenditures. It is expected that the quantum of the City’s reserve funds be reviewed again at the next rate review.



## 7. RECOMMENDATIONS AND FINDINGS

The calculated rates presented establish water and wastewater rates to all users of the City that are fair and equitable. The analysis included in this report ensures that the water and wastewater rates fully fund all of the City's anticipated annual costs including all operating costs, capital financing needs and debt repayment requirements. It is fiscally prudent that the City continues to contribute to reserves for the eventual repair and ultimate replacement of the water and wastewater infrastructure. The immediate implementation of a rate that fully funds the calculated asset rehabilitation and replacement contributions would result in significant impacts to all users in the City. As a result, the analysis establishes an annual contribution to reserves for asset rehabilitation and replacement that will ensure the City begins to build up its reserves for the long-term achieving close to 30% cost recovery by the end of the period. Importantly, despite the City's contributions growing towards total cost recovery by the end of the period, if the capital program becomes more intensive in the later years of the 10-year forecast, the reserve balances will be impacted. It is expected that the City will review this relationship at the next rate study.

The City is cognizant of the budgetary pressures and that rates need to be increased moving forward in order to maintain operations and to continue to operate a safe and sustainable system. As a result, the total utility bill for the typical user will increase at approximately 4.2% per annum on average over the next 5-years. The calculated utility rates show increases to both the fixed and variable rates each year over the period to manage costs and undertake the necessary capital investments.

The results of this study are in part, Hemson and City staff best estimates of what could transpire in the short-to-medium term using the data available. It is important that the City continue to monitor all consumption data on a monthly basis to identify usage trends and variance in the projections to ensure costs and revenues are managed accordingly. Lastly, it is very important that the City continues to monitor its level of debt especially in years where significant capital projects will need to be financed, and those projects be considered in conjunction with other non-rate related ongoing City capital needs. This will ensure debt levels are maintained within the limitations outlined by the City and provincial limit. It is recommended that this study be reviewed and updated in five years as details surrounding overall growth and costs become more refined.

# APPENDIX A

## DETAILED RATE CALCULATIONS

APPENDIX A - TABLE 1

CITY OF OWEN SOUND  
2025 WATER AND WASTEWATER RATE STUDY  
WATER RATE CALCULATIONS

Water Services	2025 Budget	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.	2031 Proj.	2032 Proj.	2033 Proj.	2034 Proj.	2035 Proj.
<b>1 OPERATING EXPENDITURES</b>											
Salaries and Benefits	\$ 1,567,002	\$ 1,614,012	\$ 1,662,433	\$ 1,712,306	\$ 1,763,675	\$ 1,816,585	\$ 1,871,083	\$ 1,927,215	\$ 1,985,032	\$ 2,044,583	\$ 2,105,920
Parts/Materials/Repairs	\$ 1,807,819	\$ 1,843,975	\$ 1,880,855	\$ 1,918,472	\$ 1,956,841	\$ 1,995,978	\$ 2,035,898	\$ 2,076,616	\$ 2,118,148	\$ 2,160,511	\$ 2,203,721
Contracted Services/Insurance	\$ 232,750	\$ 242,060	\$ 251,742	\$ 261,812	\$ 272,285	\$ 283,176	\$ 294,503	\$ 306,283	\$ 318,534	\$ 331,276	\$ 344,527
Hydro/Utilities	\$ 436,300	\$ 458,115	\$ 481,021	\$ 505,072	\$ 530,325	\$ 556,842	\$ 584,684	\$ 613,918	\$ 644,614	\$ 676,845	\$ 710,687
<b>Subtotal Operating Expenditures</b>	<b>\$ 4,043,871</b>	<b>\$ 4,158,163</b>	<b>\$ 4,276,051</b>	<b>\$ 4,397,662</b>	<b>\$ 4,523,126</b>	<b>\$ 4,652,581</b>	<b>\$ 4,786,167</b>	<b>\$ 4,924,032</b>	<b>\$ 5,066,328</b>	<b>\$ 5,213,214</b>	<b>\$ 5,364,855</b>
<b>2 DEBT PAYMENTS</b>											
Existing Water Debt - Principal and Interest	\$ 387,684	\$ 255,621	\$ 255,621	\$ 255,621	\$ 255,621	\$ 255,621	\$ 255,621	\$ 255,621	\$ 60,796	\$ 60,796	\$ 60,796
Future Water Debt - Principal and Interest	\$ -	\$ 410,307	\$ 729,877	\$ 729,877	\$ 729,877	\$ 881,104	\$ 881,104	\$ 881,104	\$ 881,104	\$ 881,104	\$ 881,104
<b>Subtotal Debt Payments</b>	<b>\$ 387,684</b>	<b>\$ 665,928</b>	<b>\$ 985,498</b>	<b>\$ 985,498</b>	<b>\$ 985,498</b>	<b>\$ 1,136,725</b>	<b>\$ 1,136,725</b>	<b>\$ 1,136,725</b>	<b>\$ 941,900</b>	<b>\$ 941,900</b>	<b>\$ 941,900</b>
<b>3 CAPITAL EXPENDITURES</b>											
Non-Growth Related Capital Works	\$ 5,493,000	\$ 4,779,200	\$ 1,995,765	\$ 2,447,648	\$ 3,916,740	\$ 879,329	\$ 1,128,425	\$ 2,023,186	\$ 2,121,890	\$ 2,252,085	\$ 2,703,727
Additional Capital	\$ 43,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Funded Capital Works	\$ 125,000	\$ 1,442,000	\$ 954,810	\$ -	\$ 270,120	\$ 2,782,320	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer from Reserves (for Capital)	\$ (43,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Debt Financing - non-growth	\$ (3,500,000)	\$ (2,726,000)	\$ -	\$ -	\$ (1,290,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Grant Capital Funding	\$ (125,000)	\$ (1,442,000)	\$ (954,810)	\$ -	\$ (270,120)	\$ (2,782,320)	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal Capital Expenditures</b>	<b>\$ 1,993,000</b>	<b>\$ 2,053,200</b>	<b>\$ 1,995,765</b>	<b>\$ 2,447,648</b>	<b>\$ 2,626,740</b>	<b>\$ 879,329</b>	<b>\$ 1,128,425</b>	<b>\$ 2,023,186</b>	<b>\$ 2,121,890</b>	<b>\$ 2,252,085</b>	<b>\$ 2,703,727</b>
<b>ANNUAL OPERATING EXPENSES</b>	<b>\$ 6,424,555</b>	<b>\$ 6,877,291</b>	<b>\$ 7,257,314</b>	<b>\$ 7,830,808</b>	<b>\$ 8,135,365</b>	<b>\$ 6,668,635</b>	<b>\$ 7,051,317</b>	<b>\$ 8,083,943</b>	<b>\$ 8,130,118</b>	<b>\$ 8,407,198</b>	<b>\$ 9,010,481</b>
<b>Asset Management Requirements - Reference Purpose Only</b>											
Calculated Annual Asset Management Contribution	\$ 18,576,359	\$ 19,133,650	\$ 19,707,659	\$ 20,298,889	\$ 20,907,856	\$ 21,535,091	\$ 22,181,144	\$ 22,846,578	\$ 23,531,976	\$ 24,237,935	\$ 24,965,073
<b>4 CONTRIBUTION TO/(FROM) RESERVES</b>	<b>\$ 314,472</b>	<b>\$ 353,781</b>	<b>\$ 385,049</b>	<b>\$ 205,690</b>	<b>\$ 315,739</b>	<b>\$ 2,218,611</b>	<b>\$ 2,294,733</b>	<b>\$ 1,744,755</b>	<b>\$ 2,206,314</b>	<b>\$ 2,463,365</b>	<b>\$ 2,421,986</b>
<b>5 TOTAL ANNUAL EXPENDITURES (1+2+3=4)</b>	<b>\$ 6,739,027</b>	<b>\$ 7,231,073</b>	<b>\$ 7,642,364</b>	<b>\$ 8,036,498</b>	<b>\$ 8,451,103</b>	<b>\$ 8,887,246</b>	<b>\$ 9,346,050</b>	<b>\$ 9,828,697</b>	<b>\$ 10,336,432</b>	<b>\$ 10,870,563</b>	<b>\$ 11,432,468</b>
<b>6 NON-RATE REVENUES</b>											
Non-User Rate Revenues	\$ (60,000)	\$ (61,200)	\$ (62,424)	\$ (63,672)	\$ (64,946)	\$ (66,245)	\$ (67,570)	\$ (68,921)	\$ (70,300)	\$ (71,706)	\$ (73,140)
<b>Subtotal Non-User Rate Revenues</b>	<b>\$ (60,000)</b>	<b>\$ (61,200)</b>	<b>\$ (62,424)</b>	<b>\$ (63,672)</b>	<b>\$ (64,946)</b>	<b>\$ (66,245)</b>	<b>\$ (67,570)</b>	<b>\$ (68,921)</b>	<b>\$ (70,300)</b>	<b>\$ (71,706)</b>	<b>\$ (73,140)</b>
<b>Net Rate Funding Need</b>	<b>\$ 6,679,027</b>	<b>\$ 7,169,873</b>	<b>\$ 7,579,940</b>	<b>\$ 7,972,826</b>	<b>\$ 8,386,157</b>	<b>\$ 8,821,001</b>	<b>\$ 9,278,480</b>	<b>\$ 9,759,776</b>	<b>\$ 10,266,132</b>	<b>\$ 10,798,857</b>	<b>\$ 11,359,328</b>

APPENDIX A - TABLE 1

CITY OF OWEN SOUND  
2025 WATER AND WASTEWATER RATE STUDY  
WATER RATE CALCULATIONS

User Rates	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>A) Fixed Monthly Charge per Metre</b>											
Monthly Fixed Fee per Equivalent Unit (Jan-June)	\$30.38	\$31.90	\$33.49	\$35.17	\$36.93	\$38.77	\$40.71	\$42.75	\$44.88	\$47.13	\$49.48
Increase (%)		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Monthly Fixed Fee per Equivalent Unit (July - Dec)	\$31.90	\$33.49	\$35.17	\$36.93	\$38.77	\$40.71	\$42.75	\$44.88	\$47.13	\$49.48	\$51.96
Increase (%)		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Number of Equivalent Metered Connections	8,340	8,419	8,498	8,577	8,656	8,735	8,814	8,893	8,972	9,051	9,130
<b>Total Annual Fixed Metered Revenue</b>	<b>\$ 3,116,277</b>	<b>\$ 3,303,086</b>	<b>\$ 3,500,784</b>	<b>\$ 3,709,995</b>	<b>\$ 3,931,375</b>	<b>\$ 4,165,618</b>	<b>\$ 4,413,456</b>	<b>\$ 4,675,665</b>	<b>\$ 4,953,061</b>	<b>\$ 5,246,507</b>	<b>\$ 5,556,915</b>
<b>Fixed Monthly Charge per Rural Metre</b>											
Monthly Fixed Fee per Equivalent Unit (Jan-June)	\$60.76	\$63.79	\$66.98	\$70.33	\$73.85	\$77.54	\$81.42	\$85.49	\$89.77	\$94.25	\$98.97
Monthly Fixed Fee per Equivalent Unit (July-Dec)	\$63.79	\$66.98	\$70.33	\$73.85	\$77.54	\$81.42	\$85.49	\$89.77	\$94.25	\$98.97	\$103.91
Number of Connections	262	262	262	262	262	262	262	262	262	262	262
<b>Total Annual Fixed Rural Metered Revenue</b>	<b>\$ 195,795</b>	<b>\$ 205,585</b>	<b>\$ 215,864</b>	<b>\$ 226,657</b>	<b>\$ 237,990</b>	<b>\$ 249,889</b>	<b>\$ 262,384</b>	<b>\$ 275,503</b>	<b>\$ 289,278</b>	<b>\$ 303,742</b>	<b>\$ 318,929</b>
<b>B) Block 1 Consumption Charge per cubic m</b>											
<b>City Consumption Revenue</b>	<b>\$ 2,201,281</b>	<b>\$ 2,322,786</b>	<b>\$ 2,450,998</b>	<b>\$ 2,560,680</b>	<b>\$ 2,675,271</b>	<b>\$ 2,794,989</b>	<b>\$ 2,920,065</b>	<b>\$ 3,050,738</b>	<b>\$ 3,187,258</b>	<b>\$ 3,329,888</b>	<b>\$ 3,478,901</b>
Total Annual Billed Consumption (m3)	1,255,901	1,262,118	1,268,365	1,262,024	1,255,714	1,249,435	1,243,188	1,236,972	1,230,787	1,224,633	1,218,510
Charge Per Cubic Metre (Jan-June)	\$1.71	\$1.80	\$1.89	\$1.98	\$2.08	\$2.18	\$2.29	\$2.41	\$2.53	\$2.65	\$2.79
Increase (%)		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Charge Per Cubic Metre (July-Dec)	\$1.80	\$1.89	\$1.98	\$2.08	\$2.18	\$2.29	\$2.41	\$2.53	\$2.65	\$2.79	\$2.92
Increase (%)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Rural Consumption Revenue</b>	<b>\$139,055</b>	<b>\$146,730</b>	<b>\$154,830</b>	<b>\$161,758</b>	<b>\$168,997</b>	<b>\$176,560</b>	<b>\$184,461</b>	<b>\$192,715</b>	<b>\$201,339</b>	<b>\$210,349</b>	<b>\$219,762</b>
Total Annual Billed Consumption (m3)	39,668	39,864	40,061	39,861	39,662	39,463	39,266	39,070	38,874	38,680	38,487
Charge Per Cubic Metre (Jan-June)	\$3.42	\$3.59	\$3.77	\$3.96	\$4.16	\$4.36	\$4.58	\$4.81	\$5.05	\$5.31	\$5.57
Charge Per Cubic Metre (July-Dec)	\$3.59	\$3.77	\$3.96	\$4.16	\$4.36	\$4.58	\$4.81	\$5.05	\$5.31	\$5.57	\$5.85
<b>C) Block 2 Consumption Charge per cubic m</b>											
<b>City Consumption Revenue</b>	<b>\$ 991,555</b>	<b>\$ 1,046,287</b>	<b>\$ 1,104,039</b>	<b>\$ 1,153,445</b>	<b>\$ 1,205,062</b>	<b>\$ 1,258,988</b>	<b>\$ 1,315,328</b>	<b>\$ 1,374,189</b>	<b>\$ 1,435,684</b>	<b>\$ 1,499,931</b>	<b>\$ 1,567,052</b>
Total Annual Billed Consumption (m3)	503,839	506,333	508,839	506,295	503,764	501,245	498,739	496,245	493,764	491,295	488,839
Charge Per Cubic Metre (Jan-June)	\$1.92	\$2.02	\$2.12	\$2.22	\$2.33	\$2.45	\$2.57	\$2.70	\$2.84	\$2.98	\$3.13
Increase (%)		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Charge Per Cubic Metre (July-Dec)	\$2.02	\$2.12	\$2.22	\$2.33	\$2.45	\$2.57	\$2.70	\$2.84	\$2.98	\$3.13	\$3.28
Increase (%)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Rural Consumption Revenue</b>	<b>\$137,793</b>	<b>\$145,399</b>	<b>\$153,425</b>	<b>\$160,290</b>	<b>\$167,463</b>	<b>\$174,957</b>	<b>\$182,787</b>	<b>\$190,966</b>	<b>\$199,512</b>	<b>\$208,440</b>	<b>\$217,768</b>
Total Annual Billed Consumption (m3)	35,008	35,182	35,356	35,179	35,003	34,828	34,654	34,481	34,308	34,137	33,966
Charge Per Cubic Metre (Jan-June)	\$3.84	\$4.03	\$4.23	\$4.45	\$4.67	\$4.90	\$5.15	\$5.40	\$5.67	\$5.96	\$6.25
Charge Per Cubic Metre (July-Dec)	\$4.03	\$4.23	\$4.45	\$4.67	\$4.90	\$5.15	\$5.40	\$5.67	\$5.96	\$6.25	\$6.57
<b>Total Revenue Generated</b>	<b>\$ 6,781,756</b>	<b>\$ 7,169,873</b>	<b>\$ 7,579,940</b>	<b>\$ 7,972,826</b>	<b>\$ 8,386,157</b>	<b>\$ 8,821,001</b>	<b>\$ 9,278,480</b>	<b>\$ 9,759,776</b>	<b>\$ 10,266,132</b>	<b>\$ 10,798,857</b>	<b>\$ 11,359,328</b>



APPENDIX A - TABLE 2

CITY OF OWEN SOUND  
2025 WATER AND WASTEWATER RATE STUDY  
WASTEWATER RATE SETTING

Water Services	2025 Budget	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.	2031 Proj.	2032 Proj.	2033 Proj.	2034 Proj.	2035 Proj.
<b>1 OPERATING EXPENDITURES</b>											
Salaries and Benefits	\$ 984,653	\$ 1,014,192	\$ 1,044,618	\$ 1,075,957	\$ 1,108,235	\$ 1,141,482	\$ 1,175,727	\$ 1,210,999	\$ 1,247,329	\$ 1,284,748	\$ 1,323,291
Parts/Materials/Repairs	\$ 2,156,818	\$ 2,199,954	\$ 2,243,953	\$ 2,288,832	\$ 2,334,609	\$ 2,381,301	\$ 2,428,927	\$ 2,477,505	\$ 2,527,055	\$ 2,577,597	\$ 2,629,149
Contracted Services/Insurance	\$ 694,250	\$ 722,020	\$ 750,901	\$ 780,937	\$ 812,174	\$ 844,661	\$ 878,448	\$ 913,586	\$ 950,129	\$ 988,134	\$ 1,027,660
Hydro/Utilities	\$ 13,500	\$ 14,175	\$ 14,884	\$ 15,628	\$ 16,409	\$ 17,230	\$ 18,091	\$ 18,996	\$ 19,946	\$ 20,943	\$ 21,990
<b>Subtotal Operating Expenditures</b>	<b>\$ 3,849,220</b>	<b>\$ 3,950,341</b>	<b>\$ 4,054,356</b>	<b>\$ 4,161,353</b>	<b>\$ 4,271,428</b>	<b>\$ 4,384,674</b>	<b>\$ 4,501,193</b>	<b>\$ 4,621,085</b>	<b>\$ 4,744,459</b>	<b>\$ 4,871,422</b>	<b>\$ 5,002,089</b>
<b>2 DEBT PAYMENTS</b>											
Existing Wastewater Debt - Principal and Interest	\$ 1,490,396	\$ 1,490,396	\$ 1,414,196	\$ 1,414,196	\$ 1,332,432	\$ 1,332,432	\$ 1,332,432	\$ 1,332,432	\$ 1,048,902	\$ 1,048,902	\$ 1,048,902
Future Wastewater Debt - Principal and Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal Debt Payments</b>	<b>\$ 1,490,396</b>	<b>\$ 1,490,396</b>	<b>\$ 1,414,196</b>	<b>\$ 1,414,196</b>	<b>\$ 1,332,432</b>	<b>\$ 1,332,432</b>	<b>\$ 1,332,432</b>	<b>\$ 1,332,432</b>	<b>\$ 1,048,902</b>	<b>\$ 1,048,902</b>	<b>\$ 1,048,902</b>
<b>3 CAPITAL EXPENDITURES</b>											
Non-Growth Related Capital Works	\$ 2,363,000	\$ 670,300	\$ 560,000	\$ 1,995,000	\$ 1,635,000	\$ 620,000	\$ 890,000	\$ 1,385,000	\$ 105,000	\$ 123,000	\$ 1,034,630
Additional Capital	\$ 370,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer from Reserves (for Capital)	\$ (370,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Funded Capital Works	\$ 125,000	\$ 1,400,000	\$ 900,000	\$ -	\$ 240,000	\$ 2,400,000	\$ -	\$ -	\$ -	\$ -	\$ 506,500
Less: Grant Capital Funding	\$ (125,000)	\$ (1,400,000)	\$ (900,000)	\$ -	\$ (240,000)	\$ (2,400,000)	\$ -	\$ -	\$ -	\$ -	\$ (506,500)
<b>Subtotal Capital Expenditures</b>	<b>\$ 2,363,000</b>	<b>\$ 670,300</b>	<b>\$ 560,000</b>	<b>\$ 1,995,000</b>	<b>\$ 1,635,000</b>	<b>\$ 620,000</b>	<b>\$ 890,000</b>	<b>\$ 1,385,000</b>	<b>\$ 105,000</b>	<b>\$ 123,000</b>	<b>\$ 1,034,630</b>
<b>ANNUAL OPERATING EXPENSES</b>	<b>\$ 7,702,616</b>	<b>\$ 6,111,037</b>	<b>\$ 6,028,551</b>	<b>\$ 7,570,549</b>	<b>\$ 7,238,859</b>	<b>\$ 6,337,106</b>	<b>\$ 6,723,624</b>	<b>\$ 7,338,517</b>	<b>\$ 5,898,361</b>	<b>\$ 6,043,325</b>	<b>\$ 7,085,622</b>
<b>Asset Management Requirements - Reference Purpose Only</b>											
Calculated Annual Asset Management Contribution	\$ 11,473,634	\$ 11,817,843	\$ 12,172,378	\$ 12,537,549	\$ 12,913,676	\$ 13,301,086	\$ 13,700,118	\$ 14,111,122	\$ 14,534,456	\$ 14,970,489	\$ 15,419,604
<b>4 CONTRIBUTION TO/(FROM) RESERVES</b>	<b>\$ (93,292)</b>	<b>\$ 2,026,695</b>	<b>\$ 2,431,827</b>	<b>\$ 1,179,008</b>	<b>\$ 1,807,481</b>	<b>\$ 3,013,629</b>	<b>\$ 2,939,110</b>	<b>\$ 2,467,318</b>	<b>\$ 4,039,781</b>	<b>\$ 4,014,818</b>	<b>\$ 3,283,966</b>
<b>5 TOTAL ANNUAL EXPENDITURES (1+2+3+4)</b>	<b>\$ 7,609,324</b>	<b>\$ 8,137,731</b>	<b>\$ 8,460,379</b>	<b>\$ 8,749,558</b>	<b>\$ 9,046,340</b>	<b>\$ 9,350,735</b>	<b>\$ 9,662,734</b>	<b>\$ 9,805,835</b>	<b>\$ 9,938,142</b>	<b>\$ 10,058,143</b>	<b>\$ 10,369,588</b>
<b>6 NON-RATE REVENUES</b>											
DC Receipt for debt payments	\$ -	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)
Non-User Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal Non-User Rate Revenues</b>	<b>\$ -</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>
<b>Net Rate Funding Need</b>	<b>\$ 7,609,324</b>	<b>\$ 8,037,731</b>	<b>\$ 8,360,379</b>	<b>\$ 8,649,558</b>	<b>\$ 8,946,340</b>	<b>\$ 9,250,735</b>	<b>\$ 9,562,734</b>	<b>\$ 9,705,835</b>	<b>\$ 9,838,142</b>	<b>\$ 9,958,143</b>	<b>\$ 10,269,588</b>
<b>User Rates</b>											
Water Service Rate Supported Expenditures	\$ 6,679,027	\$ 7,169,873	\$ 7,579,940	\$ 7,972,826	\$ 8,386,157	\$ 8,821,001	\$ 9,278,480	\$ 9,759,776	\$ 10,266,132	\$ 10,798,857	\$ 11,359,328
<b>Share of Water Expenditures Funded by Sewer Users <sup>(1)</sup></b>	<b>\$ 6,038,284</b>	<b>\$ 6,482,041</b>	<b>\$ 6,852,769</b>	<b>\$ 7,207,965</b>	<b>\$ 7,581,644</b>	<b>\$ 7,974,772</b>	<b>\$ 8,388,363</b>	<b>\$ 8,823,487</b>	<b>\$ 9,281,266</b>	<b>\$ 9,762,885</b>	<b>\$ 10,269,588</b>
Sewer Surcharge (Target)	124%	124%	122%	120%	118%	116%	114%	110%	106%	102%	100%
<b>Total Revenue Generated</b>	<b>\$ 7,487,473</b>	<b>\$ 8,037,731</b>	<b>\$ 8,360,379</b>	<b>\$ 8,649,558</b>	<b>\$ 8,946,340</b>	<b>\$ 9,250,735</b>	<b>\$ 9,562,734</b>	<b>\$ 9,705,835</b>	<b>\$ 9,838,142</b>	<b>\$ 9,958,143</b>	<b>\$ 10,269,588</b>