Water and Wastewater Rate Study: Council Presentation



CITY OF OWEN SOUND April 17, 2025



Discussion Topics

- Background and Rate Setting Approach
- Overview of Analysis:
 - Projection of Billed Water
 - Operating and Capital Cost Projections
 - Asset Management Contributions
 - Calculated Water and Wastewater Rates
 - Reserve Fund Management

Benchmarking and Next steps



Study Background

- The last Water and Wastewater Rate Study was completed in 2020 with the view of updating the study in 5 years.
- The City has initiated an updated study prior to the 5 years mark to respond to increasing costs, a revised asset management plan and a more robust nongrowth-related capital plan to maintain system operations
- A Water Financial Plan is required to maintain the City's drinking water licence
- A 10-year projection of water and wastewater rates will underpin the Water Financial Plan.



Existing Water and Wastewater Rate and Rate Structure

2024 Water Rates (July 1 st)	
Fixed Charge per month (15mm)	\$30.38 per month
Variable Rate (Block 1)	\$1.71 per m ³
Variable Rate (Block 2)	\$1.92 per m ³

2024 Wastewater Rates (July 1st)124% Surcharge of Water RatesFixed Charge per month (15mm)\$37.67 per monthVariable Rate (Block 1)\$2.12 per m³

Variable Rate (Block 2) \$2.38 per m³

General Rate Observations:

- Rate structure consistent with many communities across the province
- Increasing block structure: block 1 limit of 110m³ per month
- Approximately 50% of total costs are recovered from the variable rate



Evaluation of Existing Rate Structure





Asset Replacement Value = \$971 Million



Source: 2022 Core AMP and adjusted for inflation to 2025\$ using the NRCPI.



Water and Wastewater Rate Setting Approach



- 1. Full recovery of operating costs
- 2. Full recovery of annual capital needs
- 3. Contribution to Reserve for future asset replacement



Consumptions Forecast – Tier 1 and Tier 2 – Historical vs. Forecast (m³)



Note: billed consumption has been adjusted upwards by 1% in 2026 and a further 1% in 2027 to reflect anticipated increased billings following the metering replacement project (i.e. more accurate billings)



Operating Budget Forecast - Water



Operating costs only relate to: salaries and benefits; parts, materials, and repairs; contracted services and insurance; and hydro/utilities ,debt but excludes capital and transfer to reserves. Non-rate revenues are excluded from this graph



Operating Budget Forecast - Wastewater

\$7,000,000 \$5,339,600 \$5,440,700 \$5,468,600 \$5,575,500 \$5,603,900 \$5,717,100 \$5,833,600 \$5,953,500 \$5,793,400 \$5,920,300 -\$6,000,000 \$5,000,000 \$4,000,000 \$3,000,000 \$2,000,000 \$1,000,000 \$0 2027 2028 2029 2030 2031 2034 2025 2026 2032 2033 2035 Budget ------Rate Funded Debt Operating Costs

Forecast based 2025 budget						
Cost Centre	Assumed Year over Year Cost Increase					
Salaries and Benefits	3%					
Materials, Service, Repairs	2%					
Hydro/Utilities	5%					
Insurance, Contracted Services	4%					

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Capital Forecast Water 2026 – 2035: Totals \$29.7 million



Note: Capital Forecast is inflated to the \$ year in which the work is being undertaken



- Terms: 3.0% interest at 10 years
- All future debt assumed to be funded through water rates
- Non-growth capital in 2035 is assumed to be the average of the capital spend from 2025-2034



Capital Forecast Wastewater 2026 – 2035: Totals \$14.5 million



Note: Capital Forecast is inflated to the \$ year in which the work is being undertaken



Capital Investment vs. Asset Management Needs



Note: Asset Management Need is based on 2022 Core AMP and adjusted for inflation to 2025\$ using the NRCPI. 3% annual inflation adjustment thereafter.



Net Rate Funding Need





Annual Rate Impact per Typical Metered User (200 m³ per Annum)



		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
WATER	Fixed and Variable	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
SEWER	Surcharge on Water	124%	124%	122%	120%	118%	116%	114%	110%	106%	102%	100%

Note 1: A typical user for the purposes of this analysis has been assumed to use 200 cubic meters of water per year.

14 Note 2: Because of the declining sewer surcharge, we are displaying the % increase in a typical household bill as an average over the 10-year period.



Reserve Fund Policy Considerations





Note: Asset Management contribution based on 2022 Core AMP and adjusted for inflation to 2025\$ using the NRCPI. 3% annual inflation adjustment thereafter.



Current Rate Comparison



Rates shown are the expected annual water and wastewater bill for a residential household consuming 200 m³ per Annum.



Concluding Comments

- Annual increases to the utility rates are needed to support capital needs and operating costs of the system
- Extensive capital works required over the planning period
 - Debt financing measures and use of reserves need to be carefully monitored to ensure sustainable reserve levels, and self imposed (or provincially mandated) debt limitations are not exceeded
- Rates remain competitive with surrounding municipalities

