

REPORT TO COUNTY COUNCIL

2024 Water and Wastewater Rates

To: Warden and Members of County Council

From: Director of Corporate Services

RECOMMENDATIONS

1. That Report CS 2023-44 presenting preliminary 2024 water and wastewater rates for the County systems, be received;
2. And further, the Water and Wastewater Rates come into full force and effect as of January 1, 2024.

REPORT HIGHLIGHTS

- Preliminary 2024 Water and Wastewater Rates for implementation January 1, 2024, calculated based on the Draft 2024 Business Plan and Budget.
- Annual impact to the typical residential customer (150m³ per annum) is between \$16.08 and \$125.88.

IMPLEMENTATION POINTS

Upon Council's approval of the recommendations contained in this report, staff will bring the final rate proposal for Council consideration on December 13, 2023.

By-law 6274-2020, being a by-law to establish water and wastewater rates for various systems in Oxford County for the years 2021 to 2024, commencing January 1, 2021 would be amended effective January 1, 2024 to reflect the changes.

Financial Impact

The Proposed 2024 rates provide the required revenue based on operations and non-growth capital requirements for the 2024 County Budgets. Rates have been calculated based on Water and Wastewater Rates Policy 6.22, and the estimated revenue have been included in the Draft 2024 Oxford County Business Plan and Budget.

Table 1: Incremental 2024 Budget Rates Revenue by System

System	2023 Rates Projected Revenue	2024 Proposed Rates Revenue Increase	Total 2024 Budget Rates Revenue
Wastewater			
Woodstock	7,593,271	364,678	7,957,949
Tillsonburg	3,818,440	172,649	3,991,089
Ingersoll	4,091,737	42,831	4,134,568
Norwich	869,008	67,324	936,332
Tavistock	1,568,208	21,583	1,589,791
Plattsville	546,787	19,602	566,389
Thamesford	911,350	120,001	1,031,351
Drumbo	407,153	3,247	410,400
Mt. Elgin	259,928	1,497	261,425
Embro	314,387	6,507	320,894
Innerkip	390,997	11,171	402,168
	20,771,266	831,090	21,602,356
Water			
Woodstock	8,731,320	720,647	9,451,967
Tillsonburg	4,391,900	262,994	4,654,894
Ingersoll	3,050,190	449,595	3,499,785
Township	4,678,453	110,604	4,789,057
	20,851,863	1,543,840	22,395,703
Including In-year Growth	32,972,406	2,367,033	35,339,439

Communications

The draft rates will be shared on the [County's 2024 Business Plan and Budget webpage](#). As annual rates are approved they will be shared with water and wastewater users and our billing agents. The approved rates will be added to the [County's Water and Wastewater webpage](#).

2023-2026 STRATEGIC PLAN

Oxford County Council approved the [2023-2026 Strategic Plan](#) on September 13, 2023. The Plan outlines 39 goals across three strategic pillars that advance Council's vision of "Working together for a healthy, vibrant, and sustainable future." These pillars are: (1) *Promoting community vitality*, (2) *Enhancing environmental sustainability*, and (3) *Fostering progressive government*.

The recommendations in this report supports the following strategic goals.

Strategic Plan Pillars and Goals

PILLAR 1	PILLAR 2	PILLAR 3
		
Promoting community vitality	Enhancing environmental sustainability	Fostering progressive government
		Goal 3.4 – Financial sustainability

See: [Oxford County 2023-2026 Strategic Plan](#)

DISCUSSION

Background

The County is responsible for the provision of water and wastewater services; currently operating 17 water systems and 11 wastewater systems. The 17 water systems are grouped into four financial systems for rates: Woodstock, Tillsonburg, Ingersoll and Townships. Each of the four water financial systems is managed as a fiscally independent entity with unique rates, revenues, debts and operating expenses. The 11 wastewater financial systems are each managed as a fiscally independent entity with unique rates, revenues, debts and operating expenses.

Under Ontario Regulation 453/07, all municipalities are required to ensure that all municipal drinking water systems are financially viable. Ensuring a sustainable level of revenues ensure that water and wastewater remains a reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.

The current water and wastewater rate by-law set the rates for 2021 to 2024. On October 25, 2023, County Council approved *Water and Wastewater Rate Policy 6.22* and, on that basis, an annual report and related by-law will be brought to Council for approving water and wastewater rates for the coming fiscal/calendar year, occurring concurrently with the annual Business Plan and Budget process. Incorporating the water and wastewater rates setting process into the annual budget process ensures rates remain relevant while avoiding future significant fluctuations in the rates. The Policy sets out the basis of calculation for water and wastewater rates which incorporates current billing data, growth projections, draft budget operating expenditures and capital reserve contributions. The 2024 Water and Wastewater Rates will be the first year this policy came into effect which will require an amendment to the existing By-law 6274-2020 that established water and wastewater rates for 2021-2024. Considering all other provisions of the existing by-law remain relevant, staff will bring forward an amending by-law to

adjust the 2024 rates as approved. In future years, an annual by-law will be required to approve the rates as established, pursuant to the Water and Wastewater Rates Policy.

Comments

System Financial Analysis

Water and wastewater rates requirements were calculated separately for each of the County's 15 independent water and wastewater financial systems based on the Draft 2024 Business Plan and Budget using the Rates policy as the basis of the calculation. The fixed rate increase from each system is derived from the net budget requirements to meet the minimum capital contribution increase of 8.1%. Systems meeting the annual financial AMP target are recommended to have no fixed rate increases. Table 2 summarizes the financial impact per system, with Attachment 1 containing more detailed analysis of this impact.

Table 2: 2024 Revenue and Asset Management Plan Impact (\$ in millions)

System	Fixed Rate Change	AMP Target % ¹	2023-2033 Reserve Decrease	10-Year New Debt	Projected 2033 Reserve	Comments
Wastewater			\$	\$	\$	
Woodstock	11.2%	40.7%	14.83	11.85	0.03	System well under the AMP target; Significant capital investment expected 10-Year
Tillsonburg	6.9%	84.4%	(0.06)	0.00	16.30	Significant capital costs in the 10-year period which are funded by reserves.
Ingersoll	0.0%	101.2%	5.86	0.00	2.34	System expected to meet AMP target in 2024.
Norwich	10.6%	97.0%	(0.92)	0.00	4.37	System is close to closing AMP target balance.
Tavistock	0.0%	145.6%	(4.19)	0.00	8.98	Rebuilding of the reserve - significant debt in the past. Fixed rate to be revisited for 2025 Budget after 2024 AMP is updated.
Plattsville	3.9%	4.2%	0.06	0.00	1.68	Debt is fully paid in 2024, however system has been in operating deficit the last few years due to debt payments
Thamesford	17.0%	55.9%	1.62	2.21	2.08	Capital contribution increasing by 8.1%;

¹ Based on the 2022 Asset Management Plan which is expected to be updated July 2024. Contributions to meet the minimum capital renewable contribution include debt for the purposes of assessing fixed rate increases. However past debt does not fund future capital needs. This calculation excludes past debt payments.

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System	Fixed Rate Change	AMP Target % ¹	2023-2033 Reserve Decrease	10-Year New Debt	Projected 2033 Reserve	Comments
						Significant capital projects in the 10-year budget.
Drumbo	0.3%	31.7%	(1.08)	0.00	1.09	Capital contribution increasing by 8.1%; Small Fixed Rate increase recommended.
Mt Elgin	0.0%	27.9%	(0.77)	2.49	1.50	Capital contribution increasing by 34.2%; no Fixed Rate increase recommended.
Embro	1.8%	81.8%	(2.07)	0.00	2.92	Building the reserve - new system where costs are expected in the long term horizon as the system ages
Innerkip	3.0%	95.0%	0.21	5.84	0.80	Significant capital projects in the 10-year plan
			13.50	22.39	42.09	
Water						
Woodstock	15.0%	98.1%	19.71	0.00	3.09	System expected to close the AMP funding gap; Significant capital investment expected 10-year
Tillsonburg	8.4%	101.3%	2.81	1.83	3.11	System expected to meet AMP target in 2024; Significant capital investment expected 10-year
Ingersoll	23.8%	88.3%	5.94	14.12	0.23	Significant capital costs; change in large water customer demands has significantly impacted system revenues
Township	2.0%	53.2%	11.83	5.39	0.47	Significant capital costs
			40.29	21.33	6.91	
Water and Wastewater Totals			53.79	43.72	49.00	

The water and wastewater rates are established using a long-range forecast based on the asset management plan's planning horizon which is longer than the 10-year capital budget in the 2024 Business Plan and Budget. The asset management plan takes into account the lifecycle of assets over 100-year period, which is especially important for the long life of water and wastewater linear assets, which are prominently 70-90 years. By doing so, the rates take into consideration funding not only the current costs, but the future costs. In most systems, rates have not been funding the full asset lifecycle costs, which leads to increase in debt and decrease in reserves over the 10-year horizon. With the current rise in interest rates, this will be more costly. During the period of 2023 to 2033, water and wastewater reserve balances are

projected to decrease by \$53.8 million while adding \$43.7 million to system debt, which does not take into consideration any growth related debt.

Proposed Rate Increases

All customers are charged a monthly fixed service charge that is based on meter size in addition to a volumetric/consumption rate for both water and wastewater.

The county-wide volumetric rate is proposed to increase by 2.8%, with the individual fixed rate increases varying between 0% and 23.8%. In many systems, this is the first fixed rate increase in three years, during a period of high inflation, construction cost escalation, both industrial and commercial consumption changes, master plans and new initiatives. Further details on water and wastewater system rates can be found in Attachment 2.

Table 3: 2024 Rate Increases

System	2022	2023	2024
Water and Wastewater-CONSUMPTION-Charge per cubic meter			
All Systems	2.0%	2.0%	2.8%
Wastewater-FIXED CHARGE-Charge per month			
Woodstock	-	-	11.2%
Tillsonburg	-	-	6.9%
Ingersoll	-	-	-
Norwich	-	-	10.6%
Tavistock	-	-	-
Plattsville	-	-	3.9%
Thamesford	-	-	17.0%
Drumbo	-	-	0.3%
Mt. Elgin	-	-	-
Embro	-	-	1.8%
Innerkip	-	-	3.0%
Water-FIXED CHARGE-Charge per month			
Woodstock	-	-	15.0%
Tillsonburg	3.0%	3.0%	8.4%
Ingersoll	-	-	23.8%
Township	2.0%	2.0%	2.0%

Annual Impact to Typical Residential User

Table 4 summarizes the annual impact to the typical residential customer that consumes 150m³ per annum, with the impact varying between \$16.08 and \$125.88. Further details on each these impacts can be found in Attachment 2.

Table 4: Annual Impact to the Typical Residential User

	2023	2024	Change	%
Woodstock	\$608.94	\$658.38	\$49.44	8.1%
Tillsonburg	\$829.26	\$878.10	\$48.84	5.9%
Ingersoll	\$1,072.62	\$1,153.50	\$80.88	7.5%
Norwich	\$1,061.58	\$1,119.06	\$57.48	5.4%
Tavistock	\$1,307.46	\$1,323.54	\$16.08	1.2%
Plattsville	\$1,349.82	\$1,392.42	\$42.60	3.2%
Thamesford	\$1,317.30	\$1,443.18	\$125.88	9.6%
Drumbo	\$1,525.63	\$1,544.22	\$18.60	1.2%
Mt. Elgin	\$1,386.30	\$1,402.38	\$16.08	1.2%
Embro	\$1,278.42	\$1,305.42	\$27.00	2.1%
Innerkip	\$1,080.06	\$1,108.38	\$28.32	2.6%
Township – Water only	\$489.84	\$501.42	\$11.58	2.4%

Figures 1 and 2 compare the 2024 Oxford Rates to 2023 Approved Rates of our comparator municipalities. Therefore, it does not take into account any 2024 rate changes for comparator municipalities. Figures have been split between urban and rural municipalities based on the annual average typical residential consumption of 150 m³.

Figure 1: 2024 Oxford Urban Rates Comparison

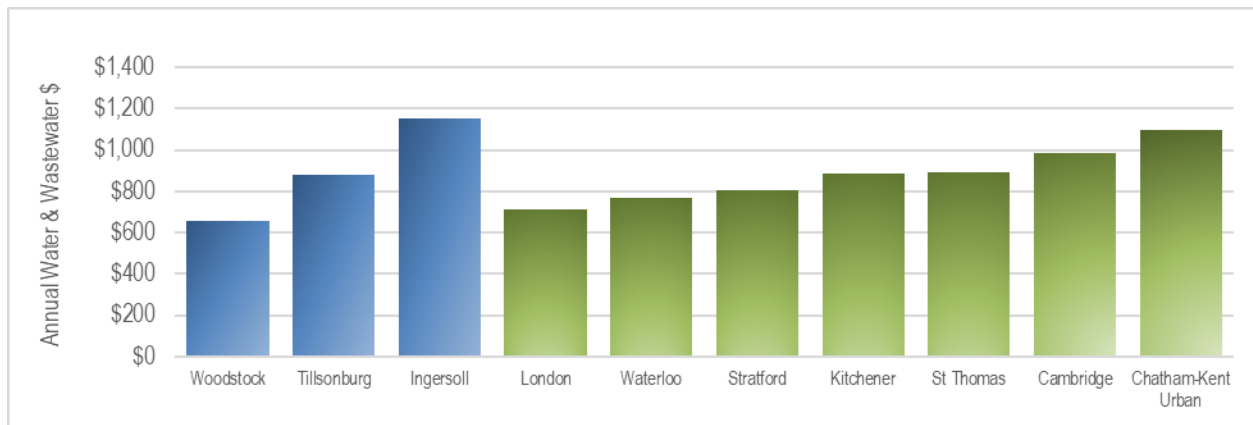
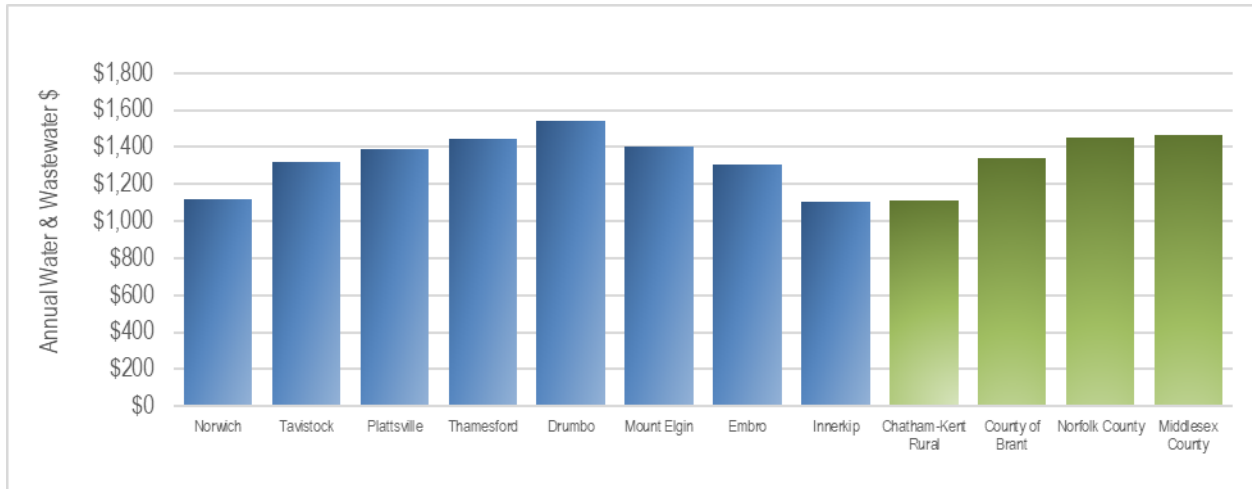


Figure 2: 2024 Oxford Rural Rates Comparison



CONCLUSIONS

The 2024 Water and Wastewater Rates are proposed to be fiscally responsible while ensuring the long-term financial sustainability of each water and wastewater financial system. Financial sustainability is needed to ensure that Oxford continues to enjoy clean and safe drinking water; that water and wastewater services are reliable in the long term; and that environmental protection is maintained.

As costs and growth continue to rise, it is important that rates are set to fund both ongoing net operating costs and annually contribute to long-term capital requirements. Incorporating the Asset Management Plan requirements in rate setting ensures that our infrastructure is funded in a long-term sustainable manner.

SIGNATURES

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ATTACHMENTS

Attachment 1 – Draft 2024 Budget System Reports
Attachment 2 – Individual Water and Wastewater Rate Reports