

REPORT TO COUNTY COUNCIL

2025 Water and Wastewater Rates

To: Warden and Members of County Council

From: Director of Corporate Services

RECOMMENDATIONS

1. That Report CS 2024-39 presenting preliminary 2025 water and wastewater rates for the County systems, be received and considered during 2025 budget deliberations;
2. And further, that the Water and Wastewater Rates Policy 6.22 as amended in Attachment 1 to Report CS 2024-39 be approved.

REPORT HIGHLIGHTS

- Water and Wastewater Policy – annual capital contributions provision amended for sustainability
- Preliminary 2025 Water and Wastewater Rates for implementation January 1, 2025 are calculated based on the Draft 2025 Business Plan and Budget.
- Annual impact to the typical residential customer (150m³ per annum) is between \$35.94 and \$127.98.

IMPLEMENTATION POINTS

Upon Council's approval of the recommendations contained in this report, staff will bring the final rate for Council consideration on December 11, 2024. After which, a by-law to establish water and wastewater rates for various systems in Oxford County, commencing January 1, 2025 would be brought forward to Council for approval on January 8, 2025.

Financial Impact

The preliminary 2025 rates provide the required revenue based on operations and non-growth capital requirements for the 2025 draft budget, calculated in accordance with the Water and Wastewater Rates Policy 6.22.

Table 1 compares the 2024 projected rates revenues to the 2025 draft budget revenue requirement, identifying the incremental change by each water and wastewater system.

Table 1: Incremental 2025 Budget Rates Revenue by System

System	2025 Rates Base Revenue (with growth) ¹	2025 Draft Rates Revenue Increase	Total 2025 Budget Rates Revenue	% Increase
Wastewater				
Woodstock	\$7,787,447	\$841,259	\$8,628,706	10.8%
Tillsonburg	3,948,682	543,772	4,492,454	13.8%
Ingersoll	4,152,512	50,312	4,202,824	1.2%
Norwich	974,498	22,693	997,191	2.3%
Tavistock	1,883,309	30,665	1,913,974	1.6%
Plattsville	581,340	56,632	637,972	9.7%
Thamesford	1,153,317	7,865	1,161,182	0.7%
Drumbo	401,893	25,150	427,043	6.3%
Mt. Elgin	285,199	8,170	293,369	2.9%
Embro	322,857	19,564	342,421	6.1%
Innerkip	395,261	49,885	445,146	12.6%
	\$21,886,315	\$1,655,967	\$23,542,282	7.6%
Water				
Woodstock	\$9,275,791	\$1,049,395	\$10,325,186	11.3%
Tillsonburg	4,636,913	338,106	4,975,019	7.3%
Ingersoll	3,470,385	247,672	3,718,057	7.1%
Township	4,989,655	314,812	5,304,467	6.3%
	\$22,372,744	\$1,949,985	\$24,322,729	8.7%
Including in-year growth	\$44,259,059	\$3,605,952	\$47,865,011	8.1%

¹ 2025 Base Revenue is 2025 revenue forecasted at the 2024 approved rates. Revenue reflects projected 2025 growth and customer/consumption changes over 2024.

Communications

The 2025 Draft Business Plan and Budget containing the preliminary water and wastewater rates will be posted to the [County's 2025 Business Plan and Budget webpage](#) on November 8. Annual rates will be shared through social media leading up to the end of the year and again in January; communicated through the water and wastewater billing process; and posted to the [County's Water and Wastewater webpage](#).

New in January 2025, Oxford County's Water and Wastewater Services will be piloting an annual newsletter for customer information which will include the annual rate changes.

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 goal.

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.

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.

Comments

Policy Amendments

Part of the annual review the Water and Wastewater Rates Policy, two minor amendments are being proposed as detailed in Attachment 1.

- **Setting a Minimum Fixed Rate Increase:** In an effort to close the infrastructure gap, any system with Capital Renewable Contribution at less than 75% of their Annual Capital Contribution requirement (or commonly referred to as Asset Management Plan Target AMP), then the system's fixed rate will increase by a minimum of CPI. This ensures that underfunded systems continue to make strides toward full financial sustainability.
- **Sewer Use By-Law Revenues:** Revenues from the Sewer Use By-Law are excluded from rates calculations as they are charged as a user fee to cover additional load on a system, beyond regular use.

System Financial Analysis

Water and wastewater rates requirements are calculated separately for each of the County's 15 independent water and wastewater financial systems based on the Draft 2025 Business Plan and Budget and the Rates policy as the basis for calculating the comprehensive rate comprised of fixed and variable rates.

The 2025 fixed rate calculation for each system is derived from the net budget requirements to meet the minimum capital contribution increase for 2025 of 4.8% (CPI construction rate increase as of June 2024). Systems meeting the annual financial AMP target are recommended to have no fixed rate increases, unless funding of the AMP is less than 75% of the system's annual capital contribution requirement. Table 2 summarizes the financial impact per system, with Attachment 2 containing more detailed analysis of this impact.

Table 2: 2025 Revenue and Asset Management Plan Impact (\$ in millions)

System	Fixed Rate Change	AMP Target % ¹	2024-2034 Reserve Inc (Dec)	10-Year New Debt	Projected 2034 Reserve	Comments
Wastewater			\$	\$	\$	
Woodstock	34.4%	45.1%	(10.27)	17.64	3.74	System well under the AMP target; Significant capital investment expected 10-Year.
Tillsonburg	27.2%	71.0%	5.78	0.00	20.52	Significant capital costs in the 10-year period which are funded by reserves.
Ingersoll	0.0%	100.9%	4.79	0.00	14.82	System expected to meet AMP target in 2025.
Norwich	1.9%	83.8%	(1.72)	0.00	1.83	System is close to closing AMP funding gap.
Tavistock	0.0%	96.7%	6.53	0.00	12.45	System is close to closing AMP funding gap.
Plattsville	12.2%	59.4%	2.25	0.00	4.08	Debt is fully paid in 2024, now contributing to and building up reserve balance.
Thamesford	0.0%	83.6%	(0.55)	0.00	2.88	Capital contribution increasing by 41.5%; Close to closing AMP funding gap.
Drumbo	7.3%	28.0%	0.64	2.47	0.64	AMP significantly underfunded. Capital investment funded by debt, while reserves build.
Mt Elgin	3.0%	21.3%	1.81	0.00	2.50	Capital contribution increasing by 7.5% (greater than min of 4.8%); recommending an increase of 3%, as AMP is significantly underfunded.
Embro	7.4%	49.4%	2.55	0.00	3.60	Building the reserve - new system where costs are expected in the long-term horizon as the system ages.
Innerkip	17.9%	47.3%	(0.13)	4.06	1.00	Significant capital projects in the 10-year plan.

¹ Based on the 2024 Asset Management Plan. Contributions to meet the minimum capital renewable contribution includes debt for the purposes of calculating fixed rate increases, excluding past debt payments as it does not fund future capital needs.

Subtotal			11.68	24.17	68.07	
Water						
Woodstock	21.0%	85.4%	(12.95)	0.00	10.95	System close to closing the AMP funding gap; significant capital investment expected 10-year.
Tillsonburg	10.3%	73.4%	7.26	0.00	14.06	Significant capital costs in the 10-year period which are funded by reserves.
Ingersoll	9.5%	69.8%	(3.75)	4.90	0.13	Significant capital costs; change in large water customer demands has significantly impacted system revenues.
Township	8.7%	45.3%	(11.09)	6.16	0.00	Significant capital costs.
Subtotal			(20.53)	11.06	25.15	
Water and Wastewater Totals			(8.85)	35.23	93.22	

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 2025 Business Plan and Budget. The asset management plan accounts for 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, while changes in debt related interest rates over the time horizon is difficult predict.

During the period of 2024 to 2034, water and wastewater reserve balances are projected to decrease by \$8.9 million, while adding \$35.2 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 3.0%, with the individual fixed rate increases varying between 0% and 34.4%. In many systems, this is only the second fixed rate increase in six years, reflecting 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 3, and a summary including comparison to rates for the prior three years presented in Table 3 below.

Table 3: 2022 - 2025 Rate Increases

System	2022	2023	2024	2025
Water and Wastewater-CONSUMPTION-Charge per cubic meter				
All Systems	2.0%	2.0%	2.8%	3.0%
Wastewater-FIXED CHARGE-Charge per month				
Woodstock	-	-	11.2%	34.4%
Tillsonburg	-	-	6.9%	27.2%
Ingersoll	-	-	-	-
Norwich	-	-	10.6%	1.9%
Tavistock	-	-	-	-
Plattsville	-	-	3.9%	12.2%
Thamesford	-	-	17.0%	-
Drumbo	-	-	0.3%	7.3%
Mt. Elgin	-	-	-	3.0%
Embros	-	-	1.8%	7.4%
Innerkip	-	-	3.0%	17.9%
Water-FIXED CHARGE-Charge per month				
Woodstock	-	-	15.0%	21.0%
Tillsonburg	3.0%	3.0%	8.4%	10.3%
Ingersoll	-	-	23.8%	9.5%
Township	2.0%	2.0%	2.0%	8.7%

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 \$35.94 and \$127.98. Further details on each of these impacts can be found in Attachment 3.

Table 4: Annual Impact to the Typical Residential User – 150m³/year

	2024	2025	Change	%
Woodstock	\$658.38	\$752.40	\$94.02	14.3%
Tillsonburg	\$878.10	\$983.28	\$105.18	12.0%
Ingersoll	\$1,153.50	\$1,199.52	\$46.02	4.0%
Norwich	\$1,119.06	\$1,169.16	\$50.10	4.5%
Tavistock	\$1,323.54	\$1,365.48	\$41.94	3.2%
Plattsville	\$1,392.42	\$1,520.40	\$127.98	9.2%
Thamesford	\$1,443.18	\$1,485.12	\$41.94	2.9%
Drumbo	\$1,544.22	\$1,648.68	\$104.46	6.8%
Mt. Elgin	\$1,402.38	\$1,465.80	\$63.42	4.5%
Embros	\$1,305.42	\$1,393.08	\$87.66	6.7%
Innerkip	\$1,108.38	\$1,225.68	\$117.30	10.6%

Township – Water only	\$501.42	\$537.36	\$35.94	7.2%
-----------------------	----------	----------	---------	------

Figures 1 and 2 compare the 2025 preliminary rates to 2024 approved rates of our municipal comparators' 2024 rates. Figures have been split between urban and rural municipalities with both based on the annual average typical residential consumption of 150 m³.

Figure 1: 2025 Oxford Urban Rates Comparison

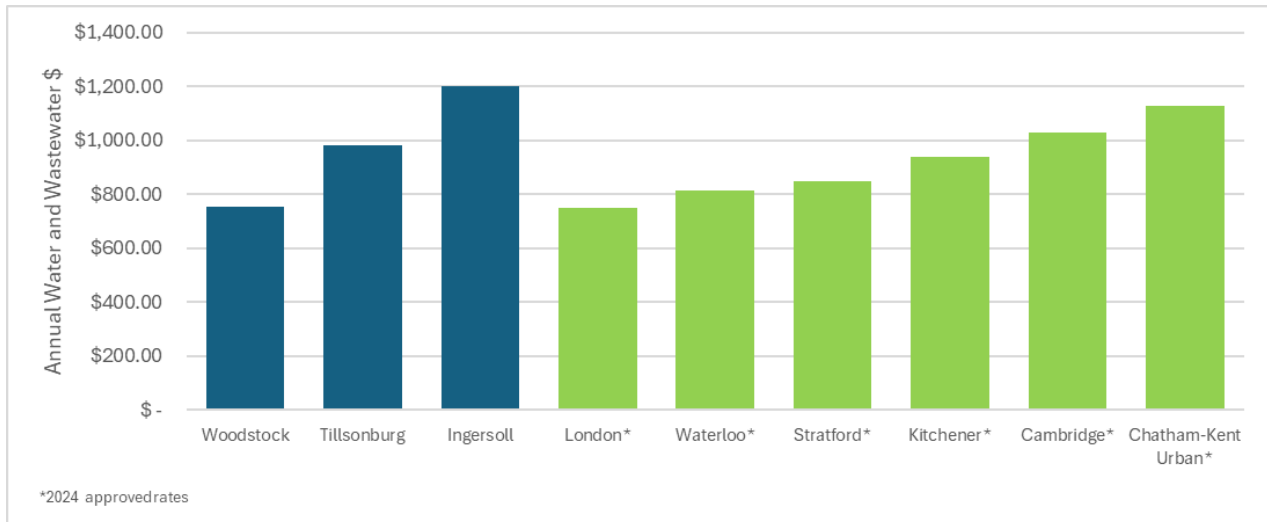
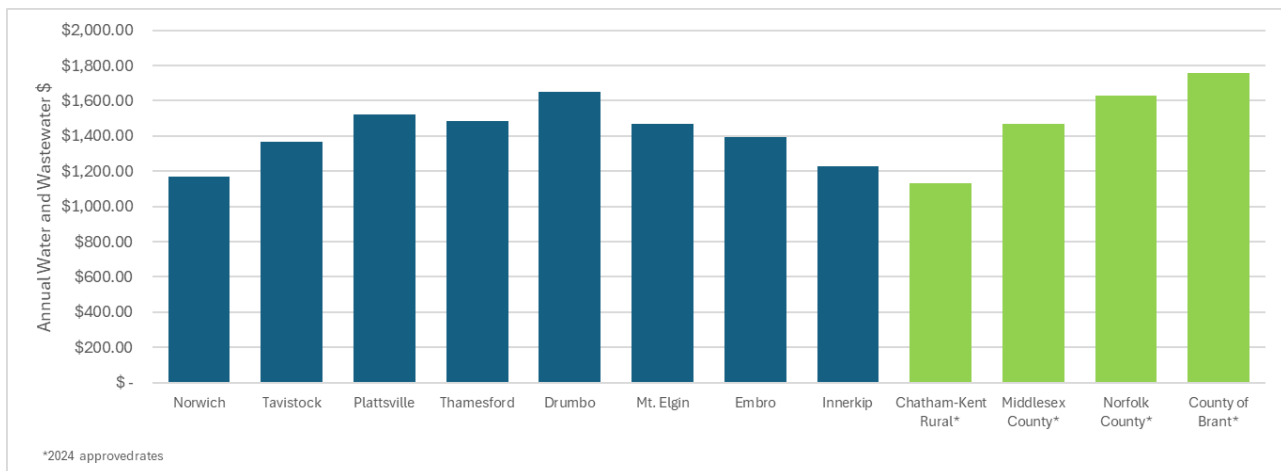


Figure 2: 2025 Oxford Rural Rates Comparison



CONCLUSIONS

The preliminary 2025 Water and Wastewater Rates are proposed to be fiscally responsible while ensuring 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

Report author:

Original signed by

Owen O'Reilly, CPA, CMA
Supervisor of Financial Services and Initiatives

Departmental approval:

Original signed by

Lynn S. Buchner, CPA, CGA
Director of Corporate Services

Approved for submission:

Original signed by

Benjamin R. Addley
Chief Administrative Officer

ATTACHMENTS

Attachment 1 – Water and Wastewater Rates Policy 6.22
Attachment 2 – Draft 2025 Budget System Reports
Attachment 3 – Draft Water and Wastewater Rates