

Water, Wastewater and Infrastructure Rates for 2024 & 2025

RECOMMENDATION

1. That the proposed 2024 and 2025 water and wastewater rate changes, as included in the 2024/2025 Preliminary Business Plan and Budget, be approved effective January 1 of each year;
2. That the 2024 and 2025 infrastructure rate change be approved effective January 1 of each year; and
3. That the City Solicitor be instructed to draft the appropriate amendments to Bylaw No. 7567, *The Waterworks Bylaw*, and Bylaw No. 9466, *The Sewer Use Bylaw*.

ISSUE

This is to request approval for the proposed 2024 and 2025 water, wastewater, and infrastructure levy rates. The request supports the long-term strategies to reduce the gap in funding required to rehabilitate and maintain City of Saskatoon (City) infrastructure under the Strategic Goal of Asset and Financial Sustainability.

BACKGROUND

Rate increases for water, wastewater, and the infrastructure levy are designed to cover all operating costs, fund current and future capital requirements, and provide a return on investment (ROI) to the City. Rates are designed using an inclining block strategy to promote conservation for residential customers and a uniform rate structure for commercial properties.

The rate structure consists of the following components:

- Water volumetric charges;
- Water service charge – fixed charge based on water meter size;
- Wastewater volumetric charges;
- Wastewater service charge – fixed charge based on water meter size;
- Wastewater volumetric surcharge – where applicable, commercial customers are surcharged for extra strength wastewater discharged to the collection system; and
- Infrastructure Levy – a volumetric charge for the capital replacement of the water distribution and wastewater collection systems.

DISCUSSION/ANALYSIS

In order to meet the current and future needs of the City and customers, an overall average rate increase of 4.6% is being requested in 2024 and 5.4% in 2025.

In 2024, there will be an estimated 78,000 water meters, of which, 92% are residential and 8% are commercial. Volumetric sales are expected to be 34.4 ML, an increase from prior years as increases realized from population growth are no longer offset by conservation. Revenues realized from the proposed rate increase will be used to offset increases in operating costs, to fund capital improvements and to support an ROI to the City. Capital budget requests for water and wastewater treatment are a combined \$127.7 million in the 2024 and 2025 budget years.

Revenues realized from the Infrastructure Levy support the proposed capital spending plan of \$73.2 million over the next two years for the water distribution and sewer

collection systems. ROI will be based upon 10% of metered revenues, including the Infrastructure Levy. Conservation orientated rates continue to be proposed for 2024 and 2025, originally introduced in 2007. The City’s rate structure for residential customers is an inclining block structure, which encourages conservation through higher rates with higher water usage. While conservation remains in the best interest of the City and its citizens, conservation does create a risk for the utility of not realizing sufficient revenue to adequately fund on-going operating requirements and capital programs. For commercial customers, a uniform rate structure continues to be proposed with each unit of water charged at the same rate, regardless of overall usage. The City fully transitioned to this rate structure in 2015. Industry standards do not favour the use of an inclining block structure for commercial customers so that customers are not penalized due to the nature of their business.

The proposed Infrastructure Levy rate is based on a uniform rate structure for both residential and commercial customers in both 2024 and 2025.

In 2024, a residential customer with a 15mm (5/8”) water meter and 25.5 cubic meters (900 cubic feet) consumption will see an increase of \$5.32 (4.0%) on their monthly bill. A residential customer with the same meter size and a water usage of 17.0 cubic meters (600 cubic feet), which is considered the top of the basic human needs tier, would realize a monthly increase of \$3.83 (4.0%).

Table 1 below shows a comparison of the residential volumetric increases:

Table 1: Residential Combined Volumetric Increase (\$/100 cubic feet/month)			
	2023	2024	Increase
First 17 m ³ (600 ft ³)	11.413	11.889	0.48
Next 17 m ³ (600 ft ³)	12.384	12.879	0.50
Over 34 m ³ (1200 ft ³)	15.105	15.655	0.55

Table 2 shows the commercial combined volumetric rate:

Table 2: Combined Water, Wastewater, and Infrastructure Commercial Volumetric Rate Structure (\$/100 cubic feet/month)		
	2023	2024
All Volumes	10.653	11.202

Table 3 below shows a comparison of utility bill with other comparable prairie cities:

Table 3: Bill Comparison with Other Cities			
Meter Size	5/8”(15mm)	3/4”(20mm)	3”(75mm)
Monthly Consumption	25.5 m ³ (900 ft ³)	85 m ³ (3,000 ft ³)	1416 m ³ (50,000 ft ³)
Customer Type	Residential	Commercial	Commercial
Calgary (2024)	\$119.54	\$368.17	\$4,927.47
Saskatoon (2024)	\$137.04	\$440.34	\$7,197.44
Winnipeg (2023)	\$145.83	\$436.20	\$7,010.76
Edmonton (2023)	\$157.83	\$427.09	\$6,335.08
Regina (2024)	\$158.53	\$428.29	\$6,834.32

At its meeting on October 28, 2019, City Council approved the creation of a new reseller rate for regional customers. The Administration’s report indicated that:

...the new reseller rate for 2020 and 2021 be 'frozen' at the rate paid by SaskWater in 2019. Following the completion of the 2020-21 rate cycle, the reseller rate will be re-evaluated and the next rate cycle will be recalculated for approval by Council.

It is important to note that the effect of a rate freeze does not result in a lower water rate for customers outside Saskatoon. In addition to the Saskatoon water costs, all other water customers must pay a local water rate to their municipality to cover the costs of distribution, a local connection cost, and also pay any applicable costs charged by SaskWater. In all municipalities outside Saskatoon, water customers will continue to have higher water rates than customers within Saskatoon.

The proposed reseller rate for 2024 and 2025 is included on page 9 (Table V).

Service Charges Wastewater Surcharge

The commercial volumetric wastewater charges are surcharged based on the wastewater strength in excess of the allowable loadings of biological oxygen demand, total suspended solids, grease, and phosphorous. Various budget cost components of the treatment process are applied to treating the extra strength wastewater, and the formula is adjusted periodically to ensure full cost recovery – see page 6 (Table II) and page 8 (Table IV).

In order for the surcharge to function as a cost recovery tool and to provide effective protection of the treatment process and the collection system, rates are designed to reflect increased costs of treatment.

Liquid Waste Hauler Charge

The liquid waste hauler charge is a direct charge per 1,000 gallons to companies that truck liquid wastes directly to the Marquis Waste Haulers Station. This charge is currently \$71.92 per 1,000 gallons. It is proposed the rate be increased to \$73.70 per 1,000 gallons in 2024, and \$75.51 per 1,000 gallons in 2025, to offset cost required to meet stringent regulations in disposal of grit material – see page 6 (Table II) and page 8 (Table IV). The rate increase will provide additional annual average cost recovery of 2.48% and 2.46% respectively each year.

Heavy Grit Facility Charge

The Heavy Grit Facility charge is also a direct charge per 1,000 gallons to companies that truck liquid wastes with heavy grit directly to the Heavy Grit Facility or Marquis Waste Haulers Station. This charge is currently \$102.99 per 1,000 gallons. It is proposed that the rate be increased to \$105.54 per 1,000 gallons for 2024 and \$108.14 per 1,000 gallons for 2025.

Service Charge Adjustments

The Water Meter Shop provides a variety of services related to meter installation, service connections, and meter testing, and Water and Sewer Operations provide services related to hydrant meters for construction purposes. Adjustments are required to ensure cost recovery – see page 9 (Table VII).

FINANCIAL IMPLICATIONS

The proposed rate increase to the water, wastewater, and infrastructure levy rates in 2024 and 2025 is expected to generate a revenue increase of \$8.79 million and \$10.29 million, respectively, to ensure the utility is fully cost recovered.

When setting rates, affordability of water and wastewater services is considered. The three tiers in the residential rate structure distinguish between basic human need consumption and discretionary spending consumption.

As reported at the August 31, 2023 Special GPC meeting, continued development of the water rate model has identified additional pressures which indicate a water rate increase higher than the rate included in the property tax supported budget was required. These pressures are identified below and are included with the Utilities water rate increase request. These additional pressures have a positive impact on the Mill Rate of \$171,900 in 2024 and \$431,000 in 2025, as revenue increases for the City's grant-in-lieu and return on investment formulas exceed the increasing water costs to the City.

Pressure 1: Inflationary pressures on the water and sewer asset preservation program account for 1.48% in 2024. This increase provides an additional Water and Sewer capital project funding of \$2.2 million to maintain the level of service of the system getting better slowly over time.

Pressure 2: An increase of 1.2% is required in 2025 for future funding requirements of the new Water Treatment Plant. This increase in rates is required to fund the project and reduces the Utilities' borrowing requirements by \$1.7782 million.

Pressure 3: The replacement of Nicholson Yards requires an estimated rate increase of 0.34% in 2025. This increase provides the Nicholson Yards replacement project an additional \$500,000.

There are two additional options that were previously provided to Council as part of the Special GPC meetings that were not recommended by Administration. These potential rate increases would be in addition to the recommended rate increases.

Option 1: Add an additional .89% increase which would provide an additional \$1.5 million to the Paved Roadways Reserve. This option would support growth and inflationary pressures as reported in the Corporate Governance and Finance Business Line report at the July 25, 2023, Special GPC meeting. It is also expected that an additional .89% rate increase would have a net positive impact on the Mill Rate of \$75,000.

Option 2: Add an additional increase of 1.14% which would increase the ROI provided to the City from 10% to 11%. This option would support the current funding gap for the Mill Rate, as reported in the Utilities Business Line report at the July 25, 2023, Special GPC meeting. It is estimated this would provide an additional \$2.0 million for the Mill rate but this increase would be passed on to many of the same property owners.

See below tables for the current and proposed rate charges as currently proposed.

Table I: Water Rates – 2024

Service Charges (\$/month)	RESIDENTIAL	
Meter Size	2023	2024
5/8" (15mm)	\$ 13.02	\$ 13.51
3/4" (20mm)	\$ 19.53	\$ 20.27
1" (25mm)	\$ 39.06	\$ 40.53
1 ½"(40mm)	\$ 78.12	\$ 81.06
2" (50mm)	\$130.20	\$ 135.10
Volumetric Charges (\$/month)	\$/100 ft³	\$/100 ft³
First 600 ft ³ / First 17 m ³	\$5.068	\$5.316
Next 600 ft ³ / Next 17 m ³	\$5.713	\$5.993
Greater than 1,200 ft ³ / Greater Than 34 m ³	\$7.521	\$7.890
Service Charges (\$/month)	COMMERCIAL	
Meter Size	2023	2024
5/8" (15mm)	\$ 33.43	\$ 34.69
3/4" (20mm)	\$ 50.15	\$ 52.04
1" (25mm)	\$ 100.29	\$ 104.07
1 ½"(40mm)	\$ 200.58	\$ 208.14
2" (50mm)	\$ 334.30	\$ 346.90
3" (75mm)	\$ 768.89	\$ 797.87
4" (100mm)	\$1,370.63	\$1,422.29
6" (150mm)	\$3,075.56	\$3,191.48
8" (200mm)	\$5,482.52	\$5,689.16
10" (250mm)	\$8,558.08	\$8,880.64
Volumetric Charges (\$/month)	\$/100 ft³	\$/100 ft³
All Volumes	\$4.244	\$4.452

Table II: Wastewater Rates – 2024

Service Charges (\$/month)	RESIDENTIAL	
Meter Size	2023	2024
5/8" (15mm)	\$ 13.02	\$ 13.51
3/4" (20mm)	\$ 19.53	\$ 20.27
1" (25mm)	\$ 39.06	\$ 40.53
1 ½"(40mm)	\$ 78.12	\$ 81.06
2" (50mm)	\$130.20	\$ 135.10
Volumetric Charges (\$/month)	\$/100 ft³	\$/100 ft³
First 17 m ³ (600 ft ³)	\$2.559	\$2.462
Next 17 m ³ (600 ft ³)	\$2.885	\$2.775
Greater than 34 m ³ (1200 ft ³)	\$3.798	\$3.654
Service Charges (\$/month)	COMMERCIAL	
Meter Size	2023	2024
5/8" (15mm)	\$ 33.43	\$ 34.69
3/4" (20mm)	\$ 50.15	\$ 52.04
1" (25mm)	\$ 100.29	\$ 104.07
1 ½"(40mm)	\$ 200.58	\$ 208.14
2" (50mm)	\$ 334.30	\$ 346.90
3" (75mm)	\$ 768.89	\$ 797.87
4" (100mm)	\$1,370.63	\$1,422.29
6" (150mm)	\$3,075.56	\$3,191.48
8" (200mm)	\$5,482.52	\$5,689.16
10" (250mm)	\$8,558.08	\$8,880.64
Volumetric Charges (\$/month)	\$/100 ft³	\$/100 ft³
All Volumes	\$3.311	\$3.386

WASTEWATER SURCHARGE (¢/100 ft³ water)	
Proposed Formula (2024)	
$25.1 \left(\frac{X}{300} \right) + 26.7 \left(\frac{Y}{300} \right) + 26.1 \left(\frac{Z}{100} \right) + 25.6 \left(\frac{P}{10} \right)$	
X	= BOD units greater than 300
Y	= Suspended Solids units greater than 300
Z	= Grease units greater than 100
P	= Phosphorous units greater than 10
LIQUID WASTE HAULER CHARGE	
Current (2023)	
Industrial/Commercial & Septic Wastes	\$71.92 per 1,000 gallons
Proposed (2024)	
Industrial, Commercial & Septic Wastes	\$73.70 per 1,000 gallons
HEAVY GRIT FACILITY HAULER CHARGE	
Current (2023)	
Industrial/Commercial & Septic Wastes	\$102.99 per 1,000 gallons
Proposed (2024)	
Industrial, Commercial & Septic Wastes	\$105.54 per 1,000 gallons

Table III: Water Rates – 2025

Service Charges (\$/month)	RESIDENTIAL		Commercial	
	2024	2025	2024	2025
Meter Size				
5/8" (15mm)	\$ 13.51	\$ 14.32	\$ 34.69	\$ 36.77
3/4" (20mm)	\$ 20.27	\$ 21.48	\$ 52.04	\$ 55.16
1" (25mm)	\$ 40.53	\$ 42.96	\$ 104.07	\$ 110.31
1 ½" (40mm)	\$ 81.06	\$ 85.92	\$ 208.14	\$ 220.62
2" (50mm)	\$ 135.10	\$ 143.20	\$ 346.90	\$ 367.70
3" (75mm)			\$ 797.87	\$ 845.71
4" (100mm)			\$1,422.29	\$1,507.57
6" (150mm)			\$3,191.48	\$3,382.84
8" (200mm)			\$5,689.16	\$6,030.28
10" (250mm)			\$8,880.64	\$9,413.12
Volumetric Charges (\$/100 ft³ /month)				
First 17 m ³ (600 ft ³)	\$5.316	\$5.854		
Next 17 m ³ (600 ft ³)	\$5.993	\$6.597		
Greater than 34 m ³ (1200 ft ³)	\$7.890	\$8.682		
All Volumes			\$4.069	\$4.986

Table IV: Wastewater Rates - 2025

Service Charges (\$/month)	RESIDENTIAL		COMMERCIAL	
	2024	2025	2024	2025
Meter Size				
5/8" (15mm)	\$ 13.51	\$ 14.32	\$ 34.69	\$ 36.77
3/4" (20mm)	\$ 20.27	\$ 21.48	\$ 52.04	\$ 55.16
1" (25mm)	\$ 40.53	\$ 42.96	\$ 104.07	\$ 110.31
1 1/2" (40mm)	\$ 81.06	\$ 85.92	\$ 208.14	\$ 220.62
2" (50mm)	\$ 135.10	\$ 143.20	\$ 346.90	\$ 367.70
3" (75mm)			\$ 797.87	\$ 845.71
4" (100mm)			\$1,422.29	\$1,507.57
6" (150mm)			\$3,191.48	\$3,382.84
8" (200mm)			\$5,689.16	\$6,030.28
10" (250mm)			\$8,880.64	\$9,413.12
Volumetric Charges (\$/100 ft³ /month)				
First 17 m ³ (600 ft ³)	\$2.462	\$2.462		
Next 17 m ³ (600 ft ³)	\$2.775	\$2.775		
Greater than 34 m ³ (1200 ft ³)	\$3.654	\$3.654		
All Volumes			\$3.386	\$3.311
WASTEWATER SURCHARGE (¢/100 ft³ water)				
Proposed Formula (2025)				
$25.7 \left(\frac{X}{300} \right) + 27.4 \left(\frac{Y}{300} \right) + 26.7 \left(\frac{Z}{100} \right) + 26.2 \left(\frac{P}{10} \right)$				
X	=	BOD units greater than 300		
Y	=	Suspended Solids units greater than 300		
Z	=	Grease units greater than 100		
P	=	Phosphorous units greater than 10		
LIQUID WASTE HAULER CHARGE				
Proposed (2024)				
Industrial, Commercial & Septic Wastes		\$73.70 per 1,000 gallons		
Proposed (2025)				
Industrial, Commercial & Septic Wastes		\$75.51 per 1,000 gallons		
HEAVY GRIT FACILITY HAULER CHARGE				
Proposed (2024)				
Industrial/Commercial & Septic Wastes		\$105.54 per 1,000 gallons		
Proposed (2025)				
Industrial, Commercial & Septic Wastes		\$108.14 per 1,000 gallons		

Table V: Water Reseller Rates

	\$/100 ft ³ /month		
	2023	2024	2025
All Volumes	\$7.943	\$8.332	\$8.782

Table VI: Infrastructure Rates 2024, 2025

Infrastructure Levy	Residential			Commercial		
	\$/100 ft ³ /month			\$/100 ft ³ /month		
	2023	2024	2025	2023	2024	2025
All Volumes	\$3.786	\$4.111	\$4.164	\$3.098	\$3.364	\$3.408

Table VII: Service Charge Adjustments 2024, 2025 (Part of Schedule C in the Bylaw)

Service Item	Meters	Current	2024 Proposed	2025 Proposed
Removal, re-installation, turn on or off of curb stop valve of Service Meters (Not for demolition of building)	15 mm to 25 mm (5/8" to 1") meter	\$88.00	\$90.00	\$92.00
	40 mm (1 1/2") and larger meter	\$132.00	\$135.00	\$138.00
Installation and Removal of Hydrant Meters for Construction Purposes	Initial installation	\$330.00	\$338.00	\$346.00
	Each additional location install	\$165.00	\$169.00	\$173.00
	Monthly rental (25 mm)	\$195.00	\$200.00	\$205.00
	Monthly rental (50 mm)	\$438.00	\$449.00	\$460.00

OTHER IMPLICATIONS

The revision of rates would require an amendment to Bylaw No. 7567, *The Waterworks Bylaw*, and Bylaw No. 9466, *The Sewer Use Bylaw*. There are no legal, social, or environmental implications identified.