

COMMON COUNCIL REPORT

M&C No.	2024-309
Report Date	November 19, 2024
Meeting Date	November 25, 2024
Service Area	Utilities and Infrastructure Services

Her Worship Mayor Donna Noade Reardon and Members of Common Council

SUBJECT: 2025 Utility Fund Operating Budget

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	Chief Administration Officer	Chair of the Finance Committee
<i>Craig Lavigne/Jodie Forgie</i>	<i>Ian Fogan</i>	<i>J. Brent McGovern</i>	<i>Gary Sullivan</i>

RECOMMENDATION

The Finance Committee recommends that Common Council approve the 2025 Utility Fund Operating Budget and proceed with first and second reading of the amendment to the Water and Sewerage By-Law, By-Law No. M-16.

The following resolutions are in order provided Council is supportive of the recommended attached budget.

It is recommended that Common Council:

1. **RESOLVE** that the estimated revenue for the Water and Sewerage Utility for the year 2025 in the amount of \$55,393,340 be adopted (Appendix "A"); and
2. **RESOLVE** that the estimate of expenses for the Water and Sewerage Utility for the year 2025 in the amount of \$55,393,340 be approved (Appendix "A").

EXECUTIVE SUMMARY

The 2025 Utility Fund Operating Budget will represent the seventh year in a row that will see no rate increase for ratepayers. These ratepayers include both flat rate customers which will see the annual cost remain the same at \$1,428 per year and metered customers will see no change in the cost per cubic meter and meter charges.

The budget also includes rates for the Industrial Raw Water customers. Rate stabilization has been achieved for rate payers for the past seven years despite

the Utility still experiencing stagnate revenues and increasing costs in several areas.

PREVIOUS RESOLUTION

Finance Committee Meeting – November 18, 2024 – *“It is recommended that the Finance Committee approve the proposed 2025 Utility Fund Operating Budget and forward to the next meeting of Common Council for approval of the first and second reading of Water and Sewerage Bylaw amendments.”*

REPORT

The 2025 Utility Fund Operating Budget will represent the seventh year in a row that will see no rate increase for ratepayers. These ratepayers include both flat rate customers which will see the annual cost remain the same at \$1,428 per year and metered customers will see no change in the cost per cubic meter and meter charges.

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Potable Revenue

Overall potable revenue for 2025 is budgeted at \$41,273,000 (2024- \$37,982,057). The Utility has experienced a reduction in flat rate accounts over the past several years with an additional reduction of approximately 257 customers specifically moving from flat rate to one meter account in January 2025 due to a transitioning of a mobile park home accounts.

Meter rate revenue is from metered customers and are largely commercial, manufacturing, malls, schools, restaurants, hotels, and apartment buildings. Meter revenues are anticipated to be \$19,389,500 for 2025 (2024- \$15,732,057) which is an increase of 23.25% and is a result of a general increase in consumption and an industrial customer will be supplied significant amounts of potable water over the next 5 years.

Other revenue increase largely attributed to interest revenues due to higher interest rates, this increase is considered nonrecurring and will be offset by increase in Capital from Operating for 2025.

Potable Expenditures

The Utility operating expenditures increased by \$3,407,241 over 2024 vs an increase in 2024 of \$1,311,713 over 2023.

The Utility still has a large amount of expenses that cannot be reduced further to provide water and sewer services. Costs such as annual payments for the water treatment plant capital and operating, cost of operating water and wastewater pump stations, sewer treatment plants, debt payments, electricity, property taxes, chemicals and insurance are just some examples of areas that need to be funded to provide services. These costs along are subject to the inflation pressures being felt due to the economic environment.

Debt charges have decreased by approximately \$600,000 due to debt retirement and no borrowing has occurred since 2017. There are several initiatives that will continue into 2025 year such as leak detection of entire East water distribution system, unidirectional flushing of the West water distribution system and increased funding in the trenchless technology programs

Industrial Raw Water

The Utility budget also includes the expenditures and revenues for the four customers who receive raw untreated water. The bylaw rates include.

- Operational cost to provide the service,
- Contributions to asset replacement/asset management,
- Rate stabilization reserves,
- New debt associated with the industrial system delivering the service,
- Previous debt associated with being a member of the water distribution system.

In summary, the City set the rates to cover all operating costs associated with providing raw water to each customer, recover past debt associated with each system and include a charge for future asset replacement. There is also a charge to some customers to cover the cost of assets currently being replaced, along with funding to a rate stabilization reserve for each customer.

Rates for each of the four customers are seeing various degrees of increases and decreases. Some of the increases are a result of lower consumption estimates or higher cost of service.

Overall, the consumption rates for each customer as note below.

	Customer	2025 Rate	2024 Rate
East Industrial	Irving Oil	0.2530	0.2974
	Irving Paper	0.1074	0.0947

West	Irving Pulp & Paper	0.0904	0.0835
Industrial	NB Power Coleson Cove	0.5143	0.9526

Conclusion

In addition, the budget includes an increase of \$2.5 million in pay as you go (capital from operating). The total Utility Fund Capital Budget had minor changes proposed and will have a total of approximately \$8.3 million from the operating budget and \$5.7 million coming from other sources.

The seventh straight rate freeze for 2025 is a positive note for potable ratepayers particularly with the current economic environment and inflationary pressures. The Utility has continued to focus on cost reductions, continuous improvement, finding efficiencies, and process improvements in 2023 and 2024, as well as debt management, leveraging of funds from other levels of Government and pay as you go (no borrowing) for all capital expenditures. The Utility will continue on these initiatives in 2025 to be as cost effective and efficient as possible.

The Utility will continue to focus on the various cost control initiatives. However, a major issue the Utility cannot control is its revenue base. As positive growth continues in the City, the Utility often bears a large cost for infrastructure related to growth, but will see very little revenue in comparison to the tax assessment the City receives. In addition holding rates is equivalent to a rate decrease when accounting for increases in expenses. The long term financial plan will incorporate the increase in infrastructure deficit based on draft 2024 SOTI report and will discuss potential rate increases and use of borrowing in future years.

STRATEGIC ALIGNMENT

The proposed 2025 Utility Fund Operating Budget is aligned with Council’s priorities demonstrated through the commitment to address infrastructure risk associated with climate change, focusing on its leak detection program that helps eliminate water waste. The Utility continues to find operational efficiencies through continuous improvement, focus on ensuring service objectives are being met and managing the finances of the Utility to achieve rate stabilization for rate payers.

SERVICE AND FINANCIAL OUTCOMES

See enclosed 2025 Utility Fund Operating Budget

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

The budget was established in collaboration with the City’s Finance team and was presented to the Finance Committee.

ATTACHMENTS

1. Appendix A – 2025 Utility Fund Operating Budget
2. Appendix C – Amendment to Water and Sewerage By-Law related to Industrial Raw Water Rates
3. Presentation