



SAINT JOHN



2022 Utility Fund Operating Budget

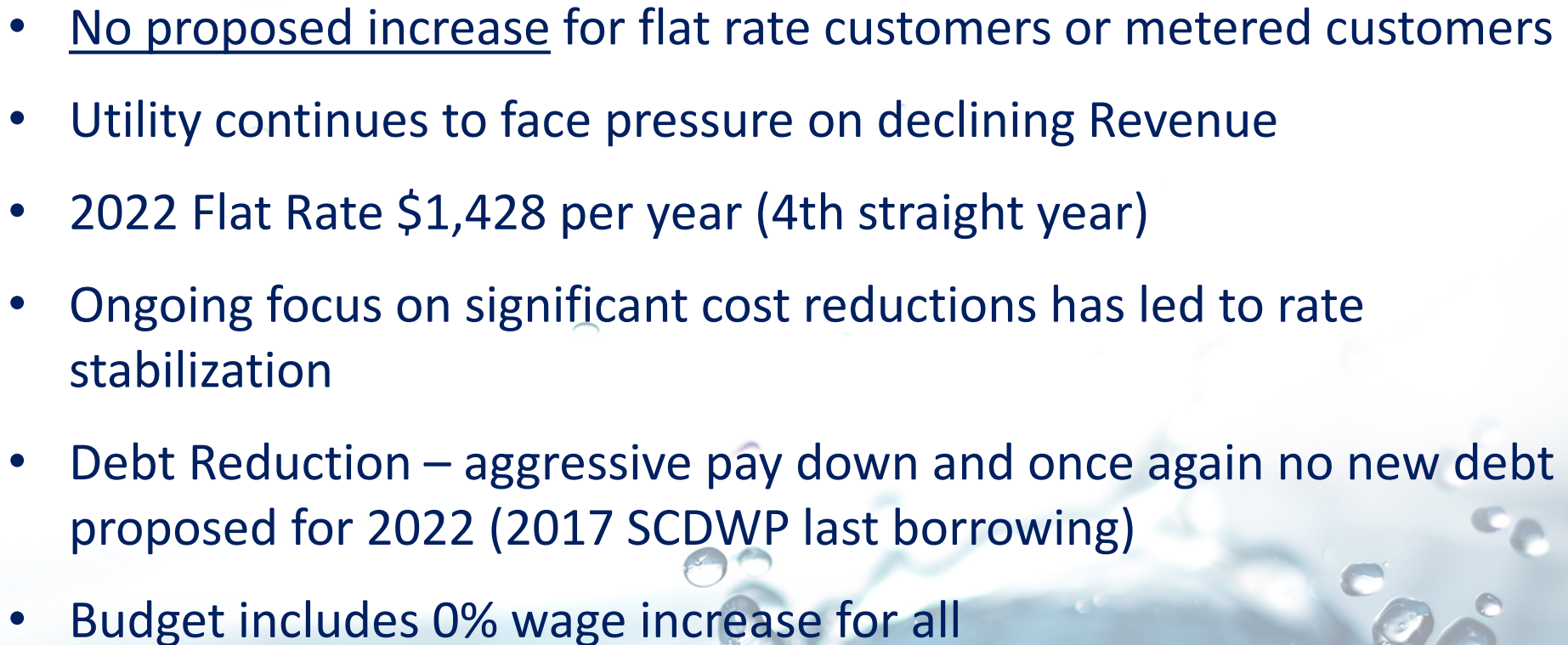
October 28, 2022

Finance Committee Meeting

2022 Utility Fund Budget Timeline

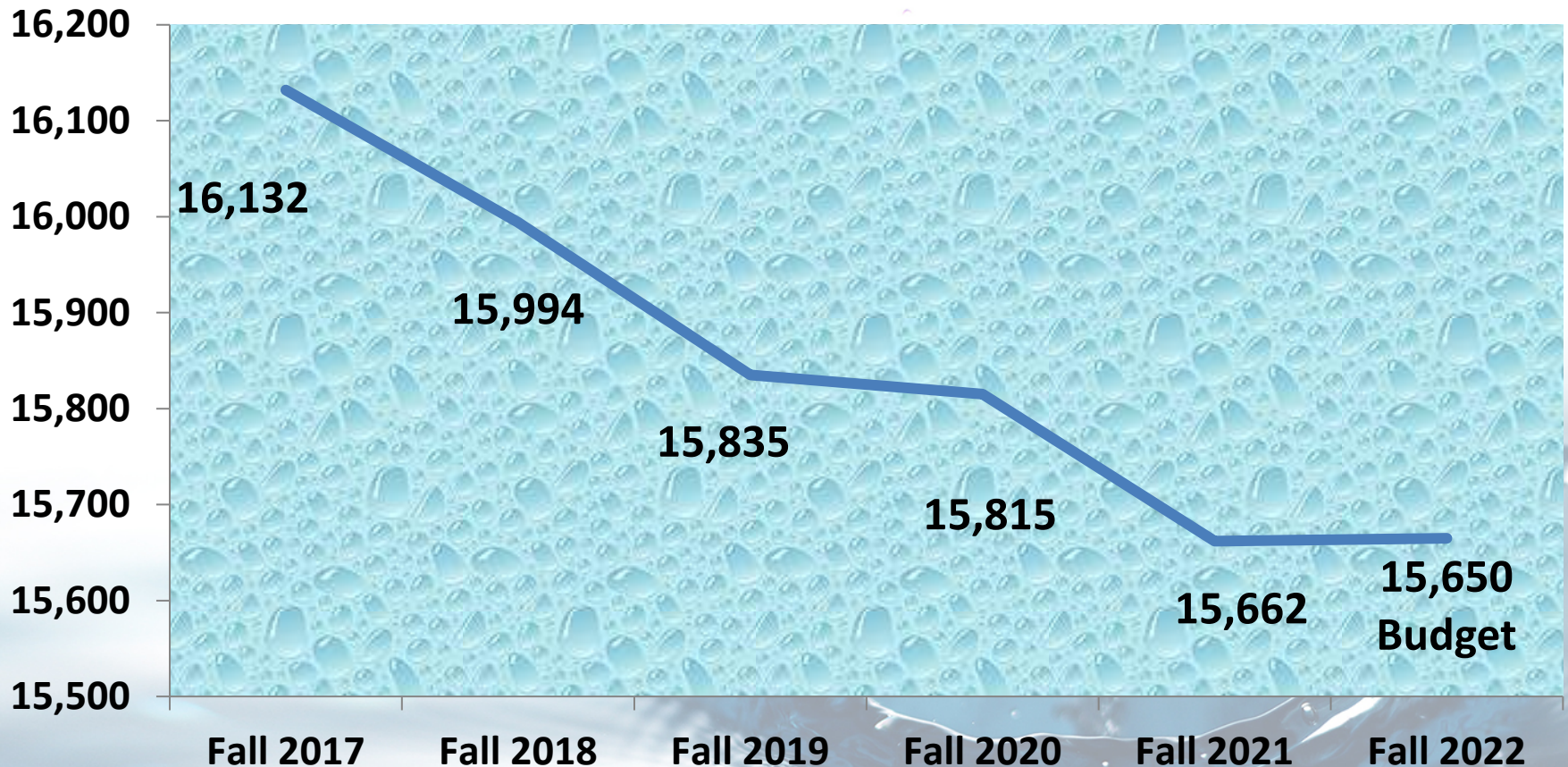
- October 28: Draft Utility Potable and Industrial Water Budget to Finance Committee with recommendation to receive and file.
 - November 24: Draft Utility Potable and Industrial Water Budget to Finance Committee with recommendation to approve and submit to Common Council.
 - November 29: Utility Potable Water and Industrial Water Budgets to Common Council for approval and for 1st and 2nd reading of By-Law amendments.
 - December 13: Draft Utility Budgets to Common Council for 3rd reading of By-law amendment.
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- A decorative graphic of a water splash is located in the bottom right corner of the slide. It features several clear water droplets in mid-air, creating a dynamic splash effect against a light blue background.

2022 Potable Utility Fund Budget Context

- No proposed increase for flat rate customers or metered customers
 - Utility continues to face pressure on declining Revenue
 - 2022 Flat Rate \$1,428 per year (4th straight year)
 - Ongoing focus on significant cost reductions has led to rate stabilization
 - Debt Reduction – aggressive pay down and once again no new debt proposed for 2022 (2017 SCDWP last borrowing)
 - Budget includes 0% wage increase for all
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- A background image showing a dynamic splash of water with several droplets in mid-air and ripples on the surface, set against a light blue gradient.

2022 Potable Flat Rate Units

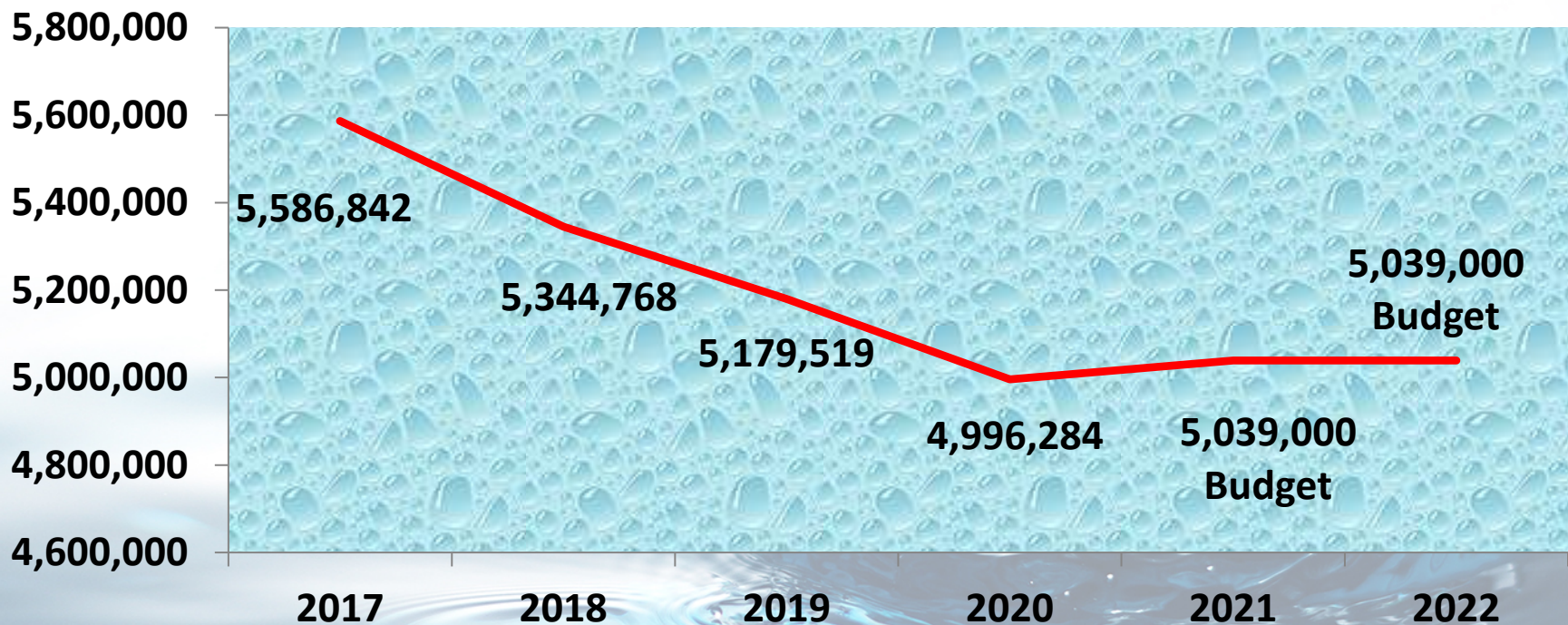
Flat Rate Billings by Units 2017-2022



2022 Potable Metered Consumption Budget

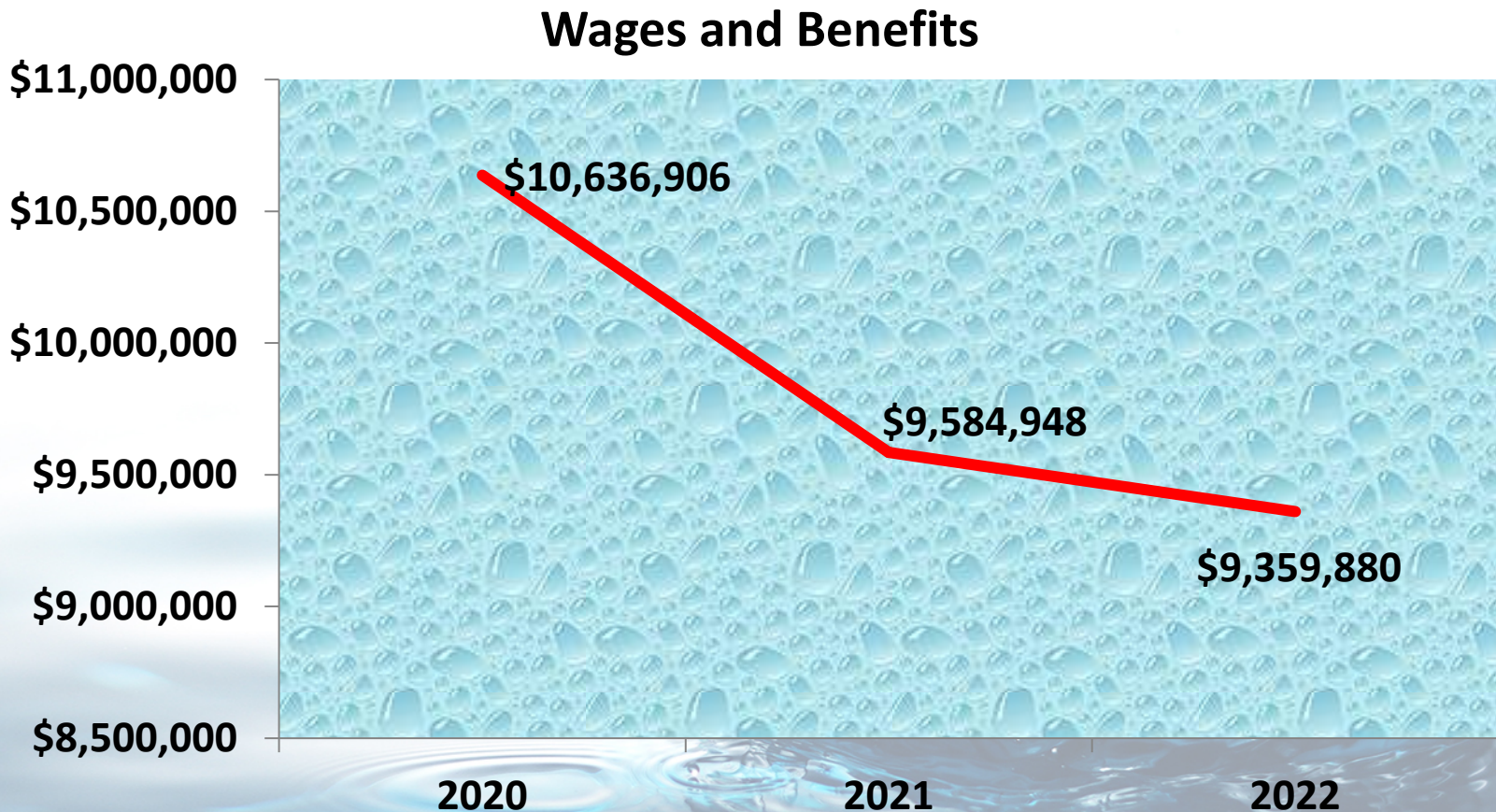
- No increase in meter rates – rate stability for Commercial users
- Metered consumption expected to continue to be impacted by COVID-19 and budgeted accordingly

Non Industrial - Meter Consumption



2022 Utility Fund Budget Wages & Benefits

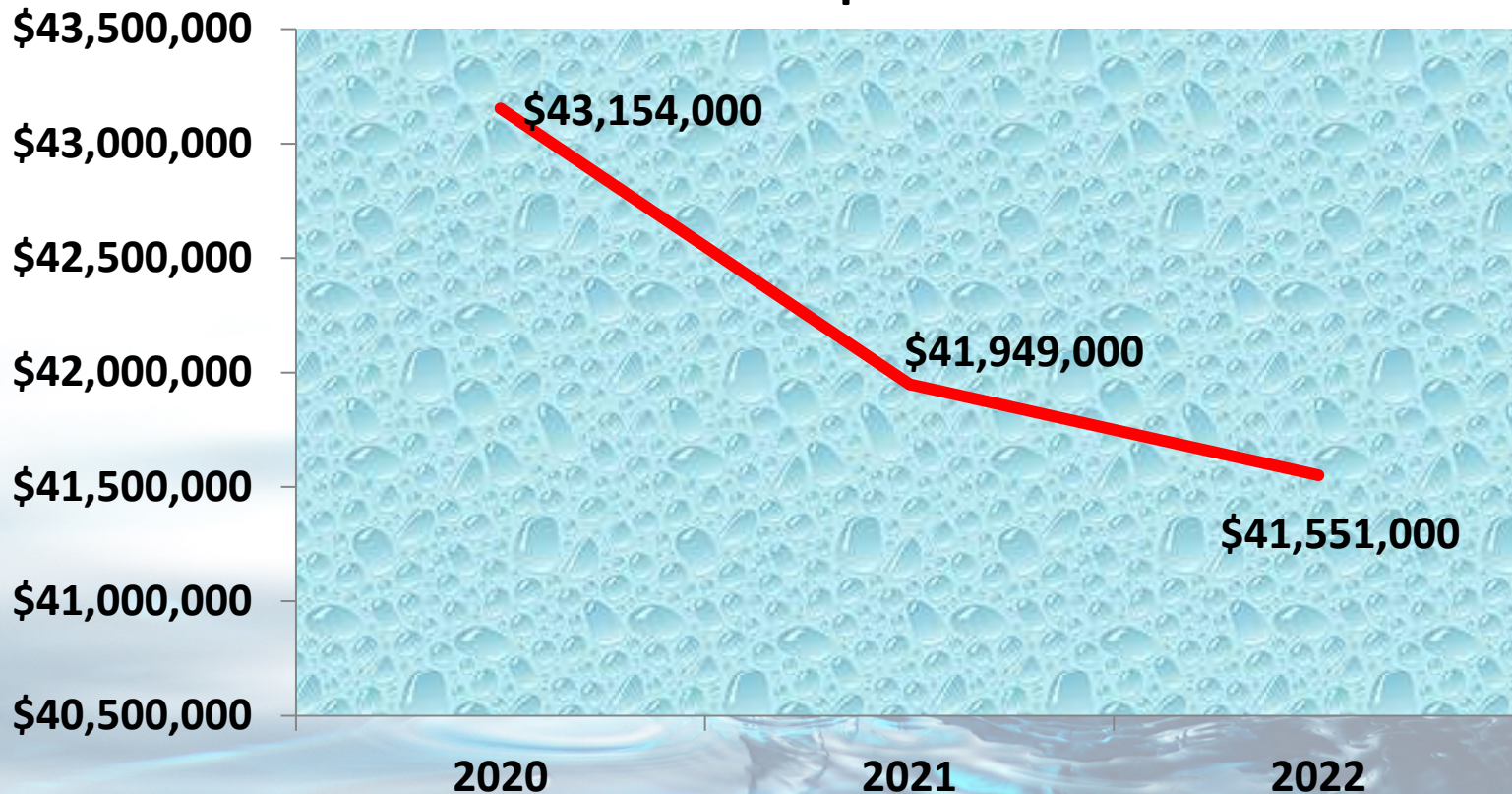
- Significant wage & benefit budget reductions over last 3 years
(-12% Reduction)



2022 Utility Fund Potable Budget Expenditures

- Expenditures have been declining to meet declining Revenue
- Overall rates held for past 4 years despite declining revenue and increasing costs in numerous areas

Total Potable Expenditures



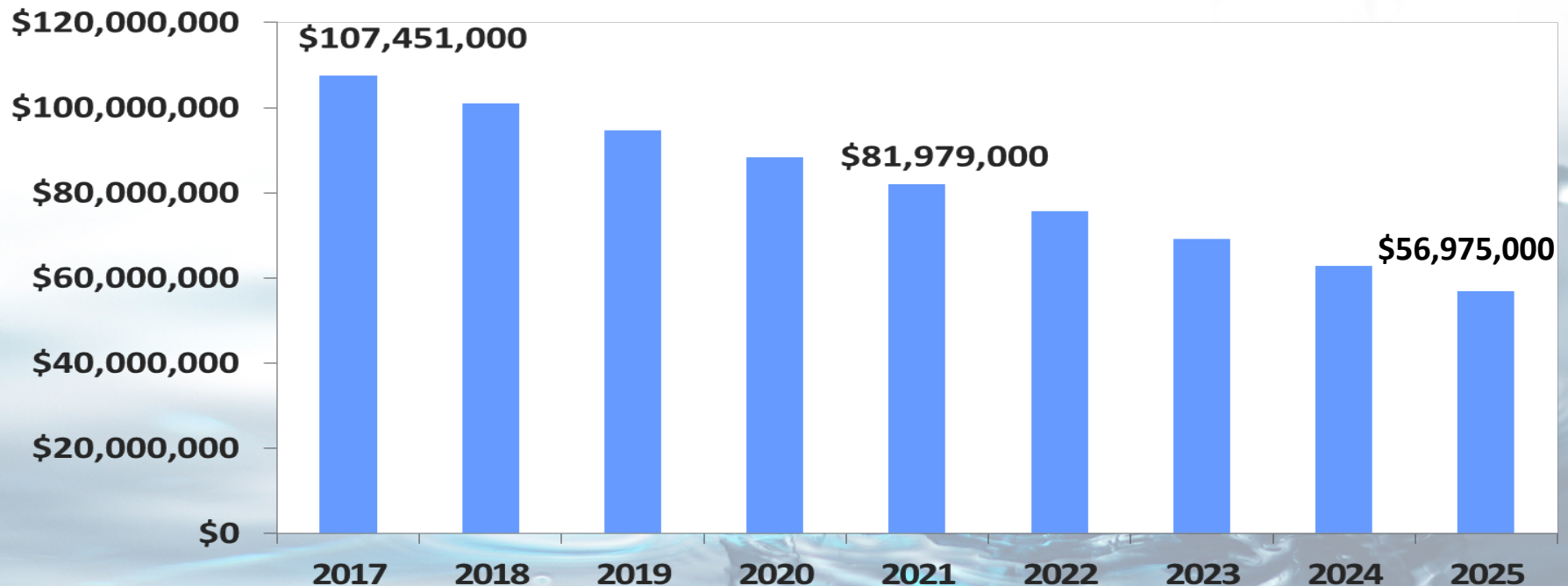
2022 Utility Fund Potable Revenue Changes

- New Tax Base Growth does not translate into same level of revenue for Utility
- Example – New Development – “ The Wentworth”
- Estimated New Annual Property Tax for the City – \$230,000 annually
- Estimated New Annual Water and Sewerage Revenue for Utility – \$30,000-\$32,000 annually
- Loss of commercial business such as Saputo in 2021 resulted in loss revenue of \$225K annually, revenue is very difficult to replace. (Equal to 157.5 flat rate accounts)



2022 Utility Fund Debt Reduction

- No new debt for 2022 – continued efforts to pay down debt
- Fund capital from operating budget - \$5,170,200
- Capital projects - secured funding from other levels of government
- Debt will be reduced by 29.6% by end of 2022 based on 2017 (\$31.84M debt paid down over 5 years)



2022 Utility Fund Potable Budget Initiatives

- Leak detection of entire East water distribution system, repair identified leaks to minimize water loss and improve water system efficiency and reliability
- Inspection of the thirty-six-inch watermain that travels through the City to supply many customers with drinking water
- Fire Hydrant Inspection & Painting Program (repaint approx. 25% and inspect approx. 33% of the 2,100 in inventory)
- Spare motor for South Bay Well Field pump to increase level of security of supply of potable drinking water



2022 Utility Fund Potable Budget Initiatives

Watershed Management

- Updating forest management plan for Loch Lomond Watershed
- Training for more dam inspections and evaluations
- Orthophotography of the Loch Lomond and Spruce Lake Watersheds



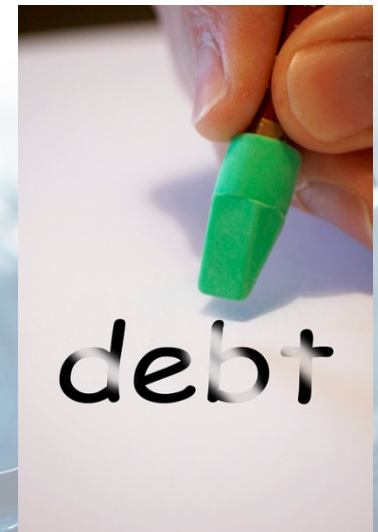
Wastewater Collection

- Increased funding in the trenchless technology programs to complete more sanitary pipe repairs through pipe patching. Reduces the need to excavate pipes, repair and reinstate asphalt.



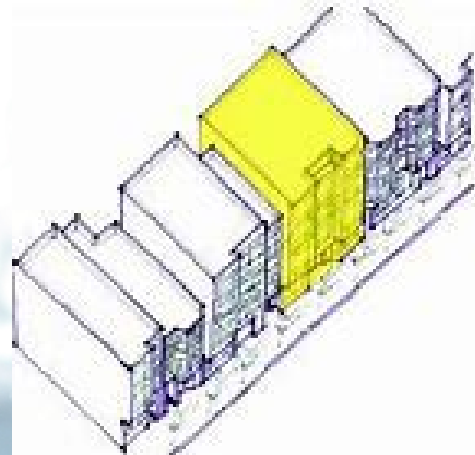
Rate Stabilization Actions

1. Holding or lowering a lot of costs (wage freeze, staffing reductions, CI projects, optimizing operational costs, etc)
2. Continuing to look for savings – Continuous Improvement initiatives ongoing
3. Not borrowing for Capital work
4. Focusing on asset replacement as opposed to new assets (i.e. reducing the infrastructure deficit)
5. Seeking to leverage every dollar (capital and operating budget) to get maximum benefit for ratepayers, funded under numerous programs
6. Tendering capital projects early



Rate Stabilization Actions

7. Asset Management - extending the life of existing assets (lining, repairing as opposed to replacing, enhancing preventative maintenance, etc)
8. Aggressively paying down existing debt
9. Focusing on increasing capital from operating contribution as debt retires
10. Need infill vacant lots to generate new revenue from existing infrastructure (without adding new expense or expanding infrastructure)
11. Looking for and actively pursuing revenue opportunities
12. In 2022 completing the long-term financial plan for the Utility





SAINT JOHN



2022 East & West Saint John Industrial Water Rates

Finance Committee Meeting

October 28, 2021

Background Industrial Water Rates



Full separation of the potable and industrial water supply was achieved with the completion of the Safe, Clean Drinking Water Project.

Background Industrial Water Rates

In 2019 Hemson Consulting Ltd. completed a raw water rate analysis for:

1. Irving Oil Ltd. & Irving Paper on the **East Saint John Industrial Water System**
2. Irving Pulp & Paper and the NB Power Generating Station (Coleson Cove) on the **West Saint John Industrial Water System**

Background Industrial Water Rates

For 2020, Industrial raw water rates were set by Common Council via by-law for each of the following:

1. East Industrial Raw Water Rate specific to Irving Oil Ltd.
2. East Industrial Raw Water Rate specific to Irving Paper
3. West Industrial Raw Water Rate specific to Irving Pulp & Paper
4. West Industrial Raw Water Rate specific to NB Power

Background Industrial Water Rates

In 2020, all industrial raw water customers were for the first time billed the full cost of delivering raw water via by-law rates set by Common Council.

By-law rates are updated annually through Common Council.

Industrial Raw Water By-law rates include the following:

1. Operational Cost to provide the service,
2. Contributions to asset replacement/asset management,
3. Rate stabilization reserves,
4. New debt associated with the industrial system delivering the service, and
5. Previous debt associated with being a member of the water distribution system.

Rate Setting Approach

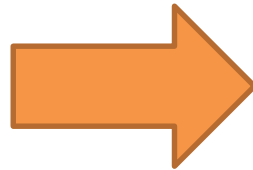
Rates calculated based on industry best practices:

1. Full recovery of operating costs
 - Based on the City's 2021 Council approved budget and draft 2022 budget
 - Costs have been allocated to each user based on consumption
 - Incorporates annual contributions to a rate stabilization reserve fund (2 months operational expenditures)
2. Fiscal Services (debt): recovery of annual capital needs
 - Annual debt payments of infrastructure identified to benefit industrial customers
 - Debt costs have been allocated to each user based on consumption
 - Recovery of west industrial renewal costs over 10 years (related to the Musquash Pumping Station and related infrastructure)
3. Provision for future asset replacement
 - Required to maintain assets in good repair
 - Share of assets which only benefit each industrial system (and customer) are incorporated into the calculations

Calculated Rates for 2022 compared to 2021 Rates East Industrial System

Irving Oil Ltd.

Current 2021 raw water by-law
rate \$0.2722/m³



Calculated 2022 raw water by-law
rate \$0.2755/m³

Irving Paper (Flume)

Current 2021 raw water by-law
rate \$0.0611/m³

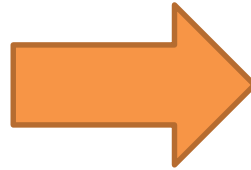


Calculated 2022 raw water by-law
rate \$0.0677/m³

Calculated Rates for 2022 compared to 2021 Rates West Industrial System

Irving Pulp & Paper

Current 2021 raw water by-law
rate \$0.0666/m³



Calculated 2022 raw water by-law
rate \$0.0704/m³

NB Power (Coleson Cove)

Current 2021 raw water by-law
rate \$0.3850/m³



Calculated 2022 raw water by-law
rate \$0.7145/m³

2022 Utility Fund Budget

Conclusion

- The Utility has continued to be aggressive in cutting costs, finding efficiencies and managing assets over the last 4 years.
- The cost cutting measures such as staff reduction, efficiency gains and optimization of operations has allowed for rates to be stabilized over the last 4 years.
- Utility faces risk around trying to balance revenue declines and increasing costs for goods and services with continued cost cutting measures without impacting the level of service.
- Revenue growth (through infills) is critical for the sustainability of rate stabilization.

2022 Utility Fund Budget Conclusion



Recommendation

“Finance Committee reflect upon the proposed 2022 Utility Fund Operating Budget appended here to and ask questions of staff until such time as staff returns to Finance Committee at its next meeting.”

