

### REPORT FROM THE DEPUTY TREASURER

Re: 2025 User Pay Budget (Water Wastewater)

### RECOMMENDATION

That Council approve the 2025 User Pay Budget as presented; and

That the necessary bylaw be adopted by Council.

### BACKGROUND

Based on provincial regulations User Pay Rates (for Water and Wastewater) are required to cover the full cost of consumption and disposal.

The purpose of this report is to present the 2025 User Pay Budget (Water Wastewater) for the City of Elliot Lake. The approach to this budget is a zero based budget model. This means that each budget line has been reviewed individually and justified. There are no automatic year-to-year percentage increases. Each position, line expenditure or operational cost has a rationale directly linked to City operations. The operational budget is an estimate of the income and expenditure for the department determined by service levels, actual expenses, and historical information.

### ANALYSIS

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#### WATER AND WASTEWATER FINANCIAL PLAN 2020 – 2029

In accordance with O.Reg. 453/07 the last Water and Wastewater Financial Plan (Appendix A) was completed in October 2021 and was subsequently presented to Council at the November 21, 2022 Ad-hoc budget committee meeting. The 2020 Water and Wastewater Financial Plan (often referred to as the Rate Study) provides a strategic plan to ensure that the City has sufficient funds to cover future water/wastewater system operating costs, and water/wastewater system asset renewal and replacement costs (Capital Projects).

This rate study consists of the following tasks:

- Compile the current and projected costs for the 2022-2029 period;
- Project capital renewal and replacement costs to 2029;
- Develop water and wastewater rates for 2022 to 2031, based on the above, utilizing best rate setting practices;

- Compare the current rates in Elliot Lake with those of nearby communities

Section 3.4 of the Water and Wastewater Financial Plan (Appendix A) sets the 2024-2031 projected rates for water and wastewater. These projections require a steady 7% year over year increase; in line with Council’s recent practices. Since 2016, Council has been applying a 7% increase to the user rates to build necessary reserves to fund the 10-year asset management plan (AMP). This was based on the capital requirement for replacing the underground infrastructure on road projects like the Valley/Hemlock project. In 2023, contracts approved for the Hillside Drive North renewal prove that the costs for infrastructure projects have increased significantly; creating additional pressures to reserve balances.

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#### 2025 WATER AND WASTE WATER RATES

The 2025 Budget provides a 6.52% year over year increase, with a User Pay billing increase of 6.75%. Schedule A: 2025 User Pay Water / Sewer Schedule and Service Rates details that billing will increase \$66.00 annually (\$5.50 monthly) in 2025.

Annual Rates	2025 Rate	2024 Rate	Variance
Commercial	\$1,050.00	\$984.00	\$66.00
Residential	\$1,050.00	\$984.00	\$66.00
Religious Institutions	\$525.00	\$492.00	\$33.00
Meter Rates Per Quarter	2025 Rate per m3	2024 Rate per m3	Variance
first 100 m3	\$1.40	\$1.31	\$0.09
next 250 m3	\$2.58	\$2.42	\$0.16
next 1,200 m3	\$1.86	\$1.75	\$0.11
Balance	\$1.13	\$1.06	\$0.07

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#### RESERVES

In line with the principles of zero based budgeting, the 2025 budget permits a 14.7% increased contribution to reserves, while holding the total increase to billing at 6.75%.

A shortfall in the Water Waste Water Reserve has been anticipated by Staff for sometime. The report of the Director of Finance & Treasurer presented March 5, 2024 – 2023 Reserves Report and Capital Forecast sites that the City is projecting to realize a deficit in Water/Wastewater reserves by the end of 2025. A presentation compassing all reserves will be provided later in the 2025 budget process.

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#### SALARIES & BENEFITS

In line with zero-based budgeting, wages has been based on the level of the incumbents at the time of budgeting and will be projected in the following year with accuracy related to the nearest next month that their classification changes.

The 2025 Wages and Benefits Budget includes a total of \$1,300,874 in wages and benefits for the plants administration and operations, exclusive of distributed wages from other public works departments.

	2025 employees	2025 Budget	2024 employees	2024 Budget	variance employees	variance Budget
Water & Sewer (User Pay)	14	\$1,300,874	14	\$1,239,519	0	\$61,354

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#### DISTRIBUTED WAGES & VEHICLE AND MACHINERY

A review of the methodology used for distribute both wage expenses and distributed vehicle and machinery related costs was preformed. The results of the review allowed for adjustment to be made which better reflected the actual resources required for each area within the organization. The table below provides a comparison of 2025 and 2024 budgeted amounts.

##### DISTRIBUTED WAGES

Function	2025 Budget	2024 Actual
Operations - Administration	\$89,281	\$0
PW Admin	\$183,813	\$0
Woodlands Cemetery	\$49,583	\$40,275
Plants Admin	\$116,990	\$134,680
Sanitary Sewer Connections	\$67,992	\$59,637
Water Mains	\$125,468	\$140,000
Plants Admin	(\$89,281)	\$0
Operations - Administration	(\$300,803)	(\$134,680)
Public Works-Operations	(\$243,043)	(\$239,912)

##### DISTRIBUTED VEHICLE & MACHINERY

Function	2025 Budget	2024 Actual
Woodlands Cemetery	\$15,533	\$13,154
Sanitary Sewer Connections	\$45,496	\$43,076
Water Mains	\$75,805	\$115,000
Public Works - Equipment Maintenance	(\$136,834)	(\$158,076)

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#### CONFERENCES, CONVENTIONS & TRAVEL

Decreases to travel expenses and registration fees is based on anticipated participation in conferences and conventions by Plants Administration staff.

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#### UTILITIES

A review of CPI for energy in the Province of Ontario shows that the rate is 5.0%; this CPI measurement includes gasoline and diesel. To that extent, the CPI used for the determination of the 2025 budget is 5.0%.

A review of the three-year average with respect to hydro consumption and natural gas provides the basis for the 2025 budget; and includes an increase of 5.0% increase for CPI. Unless other extenuating circumstances are known at the time of budgeting.

Normally, the boilers in use at the wastewater plant are capable of burning methane produced during processing as fuel. Since late 2022, the system that allows burning of methane has required maintenance. As such, the boilers have been burning natural gas as fuel, which has increased operating costs. The repair of this system has been included in the Johnson Controls Project Development Agreements. Until this project is finished, an increase to the operating budget is warranted.

City of Elliot Lake	2025 Budget	2024 Budget	Variance	2024 unaudited Actuals	Variance 2024 Budget to Unaudited	2023 Actual
HYDRO - Sewage Treatment Plant	\$174,242	\$165,945	\$8,297	\$165,945	\$0	\$168,047
HYDRO - Lift Stations	\$184,414	\$175,632	\$8,782	\$156,327	(\$19,305)	\$166,867
HYDRO - Water Treatment Plant	\$308,294	\$293,613	\$14,681	\$266,558	(\$27,055)	\$268,664
GAS - Sewage Treatment Plant	\$97,749	\$93,094	\$4,655	\$93,094	0	\$88,915
<b>Total</b>	<b>\$764,698</b>	<b>\$728,284</b>	<b>\$36,414</b>	<b>\$681,924</b>	<b>(\$46,360)</b>	<b>\$692,492</b>

#### INSURANCE

Per the December 31, 2024 renewal, insurance premiums have increased by 6.05%. Insurance is allocated between General Government, Municipal Airport, Public Library and the User Pay (Water/Waste Water Budget).

The distribution of insurance expense was revised in 2024 to include a 30% increase on all insurance lines within the User Pay budget. This was reduced to 20% in the 2025 Water/Wastewater Budget.

Insurance	2024 Actual	2025 Actual	% increase
General Government	\$876,420.97	\$897,016.60	2.35%
Airport	\$10,584.00	\$11,436.12	8.05%
Sewage	\$118,300.00	\$141,960.00	20.00%
Water Treatment Plant	\$118,300.00	\$141,960.00	20.00%
Library	\$13,218.75	\$13,219.00	0.00%
<b>Total</b>	<b>\$1,136,823.72</b>	<b>\$1,205,591.72</b>	<b>6.05%</b>

The following analysis pertains to a by cost centre review of notable changes contained in Schedule B (Summary) and Schedule C (Detail) Operating Budgets.

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#### PLANTS ADMINISTRATION

No significant variance to note

#### PLANTS OPERATIONS

Wages and benefits is seeing an increase due to negotiation wage increases and substantial increases in benefit premiums.

#### SEWAGE TREATMENT ADMINISTRATION

Notable is the increase in insurance premiums. Insurance premiums are distributed based on program costs as a percentage of total costs as well as an equalization factor.

#### SEWAGE TREATMENT OPERATIONS

A review of trending costs necessitated an increase to both equipment repairs and contracted services for Sewage Treatment Operations. These expenses will continue to be monitored for potential impact on operations and any resulting associated savings will be factored into future periods.

#### SANITARY SEWER CONNECTIONS

No significant variance to note

#### LIFT STATIONS

No significant variance to note.

#### WATER TREATMENT PLANT ADMINISTRATION

Hydro costs for 2025 is based on a three year average and has resulted in a 5% increase for 2025. Insurance premium increases affect these lines as previously discussed.

#### WATER TREATMENT PLANT OPERATIONS

No significant variance to note.

#### WATER TREATMENT PLANT TREATMENT

At the time of budget writing in 2025, cost estimates for chemicals are projected to see small increase. Prudent purchasing practices will continue to for these expenses as costs are known to fluctuate.

#### WATER BILLING & MISC. REVENUE

Water billing will increase 6.75% in 2025. A reduction in Penalty revenue is projected and reflected in the 2025 budget related to service charges (for additional services – see Schedule A) and for penalty (interest) charges. The increase related to reserve transfer is in this report.

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## WATER MAINS

After review of three-year average actuals, the budget for materials has been reduced accordingly.

### **FINANCIAL IMPACT**

Schedule A of the proposed bylaw details the 2025 billing to be \$1,050.00 for residential (flat annual rate) and commercial (metered) properties, and results in an annual increase of \$66.00 or a monthly increase of \$5.50. Cubic-metered rates have increased 6.87% over 2024. Schedule D provides the revenue estimate for 2025.

### **LINKS TO STRATEGIC PLAN**

The report is consistent with the commitment identified by Mayor and Council within the Strategic Plan focusing on “Continued Investment into Infrastructure”.

### **SUMMARY**

It is recommended that the 6.75% increase to water/waste water rates for 2025 be approved.

It is the recommendation of the Deputy Treasurer that the 2025 User Pay Budget be approved and that the necessary bylaw be forwarded to Council for adoption.