



## **STAFF REPORT**

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**Meeting Date: November 25, 2024**

**Title: 2025 Water and Sewer Rate Increase**

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**Department:** Finance

**Report Number: Finance-2024-038**

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### **Recommendation:**

**THAT Council provide direction related to 2025 water and sewer billing rates.**

### **Background:**

On November 12, 2024, a Staff Report was presented to Council recommending an increase of 6.3% to the water and sewer billing rates effective December 31, 2024.

Attached to that Staff Report was the 2020 Waterworks Long-Range Financial Plan, which was approved by Council in May 2020. The Waterworks Long-Range Financial Plan recommended a 6.3% fee increase annually for the next 6 years (2021-2026).

Highlights from the November 12, 2024 Staff Report:

- Since 2012, long range financial plans (O. Reg 453/07 Financial Plan and Asset Management Plans) have called for annual rate increases. However, since 2012, there have been only four years with rate increases; a 10% increase applied in 2014, a 5% increase applied in 2019, a 10% increase applied in 2022, and a 6.3% increase applied in 2024. The 2014 and 2019 increases were based on budgeted revenue shortfalls.
- Prior to 2021, the City needed to pool all revenue sources to address the financial impacts associated with the Dryden Mobility Expansion Project, so it did not make sense for the City to follow the long-range financial plans until such time that the City was in a financial position to have water and sewer rate revenues solely supporting water and sewer related Operating, Capital, and

Reserve allocations (no longer pooling those revenues for other Departmental use).

- Starting in 2021, with the Mobility debt paid off, the City no longer required the pooling of water and sewer rate revenues, and those revenues could then solely support the water and sewer distribution systems.
- Due to the impact of the COVID-19 pandemic on Dryden's residents, Council deferred a rate increase for 2021 but approved an increase in 2022 to better align the water and sewer rates with the approved Long-Range Financial Plan.
- In 2023, with the implementation of the Infrastructure Renewal Fee for Unconnected Lots, Council did not approve an increase to water and sewer rates.
- Aligning with the approved Long-Range Financial Plan, a 6.3% rate increase was approved in 2024.
- To continue to align with the approved Long-Range Financial Plan, a 6.3% rate increase is required in 2025. The 6.3% increase would enable the City to cover all water and sewer operational budget requirements, 2025 required water and sewer capital expenditures, and modest allocations to the Waterworks and Sewer/Wastewater Reserve Funds.
- The Waterworks Reserve Fund's estimated year-end balance is ~\$690,000, with a targeted level of \$2,600,000.
- The Sewer/Wastewater Reserve Fund's estimated year-end balance is ~\$40,000, with a targeted level of \$1,300,000.
- An option of changing the Multi-Residential water and sewer fixed rates (based on the number of units) was presented to Council as an alternative to an overall percentage increase.

During the discussion on November 12th, Council requested that the Finance Committee discuss the various options available and for Staff to bring forward another Staff Report for consideration/discussion on November 25, 2024.

### **Discussion:**

#### Option 1 – 6.3% increase to the water and sewer billing rates effective December 31, 2024

- Impacts all water/sewer utility users.
- No shift in fixed cost burden between property types.
- Aligns with the approved Long-Range Financial Plan.
- Enables the City to cover all water and sewer operational budget requirements, cover the required 2025 water and sewer capital expenditures, and make modest allocations to the Waterworks and Sewer/Wastewater Reserve Funds.

#### Option 2 – Implementation of a new multi-residential water and sewer fixed rate based on the number of units

- Impacts multi-residential property owners.

- Monthly fixed rate would be determined by 5/8" meter size rate multiplied by the number of units serviced at the property.
- Shifts the fixed cost burden between property types.
- Aligns with the approved Long-Range Financial Plan.
- Enables the City to cover all water and sewer operational budget requirements, cover the required 2025 water and sewer capital expenditures, and make modest allocations to the Waterworks and Sewer/Wastewater Reserve Funds.

Option 3 – Implementation of a new multi-residential water and sewer fixed rate based on the number of units, spreading the impact over two fiscal years, along with percentage increases to the water and sewer billing rates for 2025 and 2026

- Impacts all water/sewer utility users.
- Monthly fixed rate for multi-residential properties would be determined by 5/8" meter size rate multiplied by the number of units serviced at the property.
- Shifts the fixed cost burden between property types over a two-year period.
  - 2025 fixed rate for multi-residential properties would be determined by 50% of the 5/8" meter size rate multiplied by the number of units serviced at the property.
  - 2025 fixed rate for multi-residential properties would take effect June 28, 2025, allowing property owners and tenants time to plan for this change.
  - 2026 fixed rate for multi-residential properties would be determined by 100% of the 5/8" meter size rate multiplied by the number of units serviced at the property.
- Aligns with the approved Long-Range Financial Plan.
- Enables the City to cover all water and sewer operational budget requirements, cover the required 2025 water and sewer capital expenditures, and make modest allocations to the Waterworks and Sewer/Wastewater Reserve Funds.

Rate Increase Requirements:

<b>Options</b>	<b>2025 Rate Increase</b>	<b>2026 Rate Increase</b>
Option 1	6.30%	6.30%
Option 2	0.00%	6.30%
Option 3	4.75%	1.55%

The Finance Committee recommends Option 3.