

2023 Water and Sewer Proposed Budget

KEEPING YOUR WATER SAFE & CLEAN

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October 11, 2022



Fredericton

Background on the Water & Sewer Fund

- Self funded primarily through user pay (water/sewer bills)
 - Separate from property taxes
 - Annual balanced budget requirements
- Provides services to more than 95% of properties in the City
 - Over 99% of Customers have water meters to monitor consumption
- Main Functions of the Utility:
 - Based on Federal standards:
 - Provide safe, reliable, high-quality water
 - Remove and safely treat wastewater



Key Areas of Focus for Service Delivery

- Responsible for keeping the water safe and clean for our customers and the environment
- Focused on infrastructure renewal to decrease breaks in the system, avoid unplanned service/traffic disruptions and no City wide boil orders
- Additional funds are required to address the infrastructure deficit, maintain what we have and keep the water safe and clean
- Meet all guidelines despite our infrastructure deficit



Guiding Principles of the Long Term Financial Plan

- High quality, safe drinking water
- Environmentally sound
- Encourage conservation
- Sustainable and stable funding for infrastructure
- Equity for all users
- Predictable rates with other levels of government funding
- Maintain one of the lowest rates
- Find operational efficiencies



LTFP Targets to reduce Infrastructure Deficit

Measure	Target
Revenue Increase	5% annually
Other Levels of Government Funding	\$5 million annually + CCME Standards
PAYGo Renewal Ratio	90%
Rates Compared to other systems	Lowest



W&S 2023 Budget Highlights:

Revenue

- Fairly stable consumption, still downward trend
- No rate increase recommended
- Recommendation to follow Long Term Financial Plan

Operating Expenses

- In line with Council approved guidelines
- High inflationary costs for all areas of service delivery

Capital

- Generally, meets targets for infrastructure renewal with new funding agreements
- Focus on planning for construction in future years

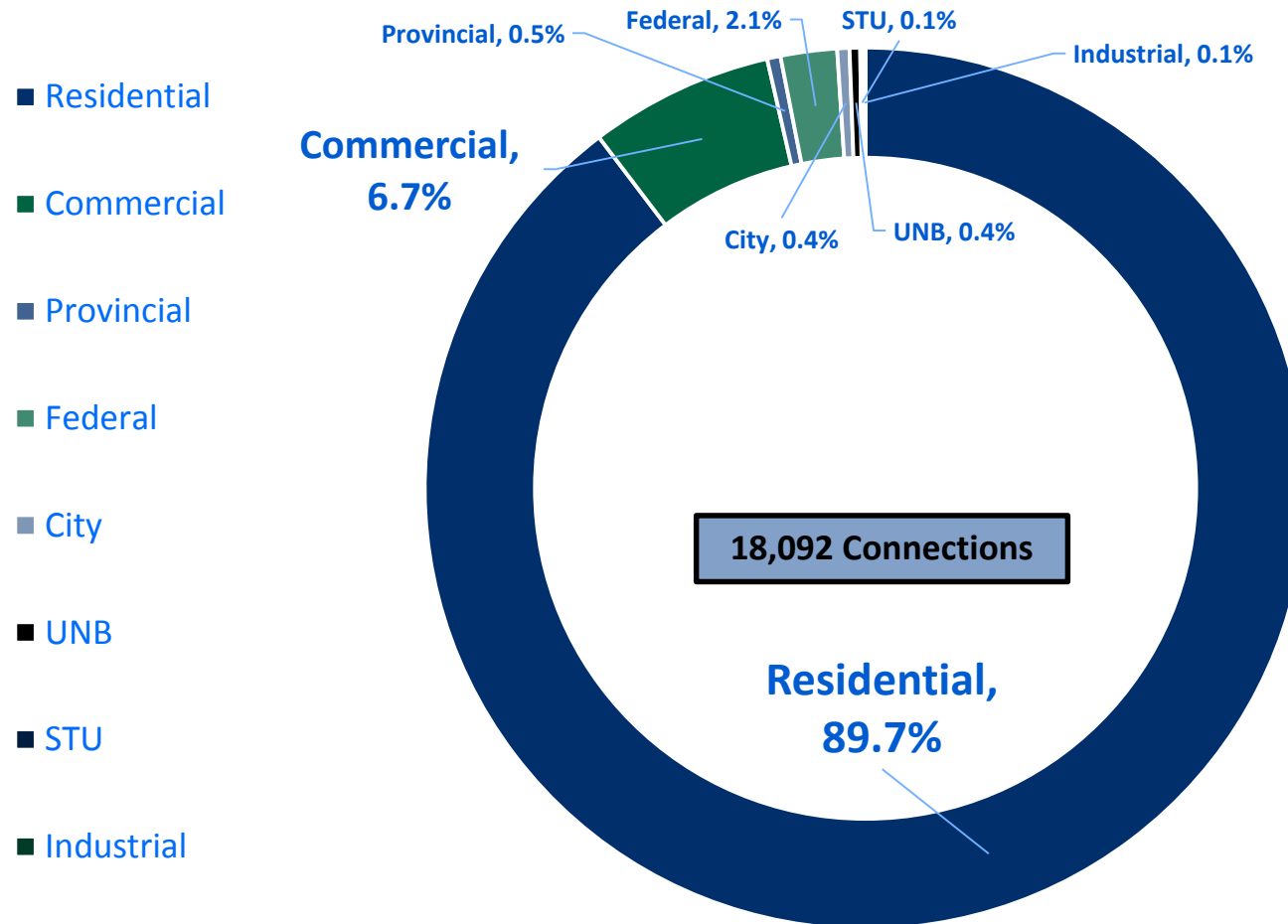


Agenda

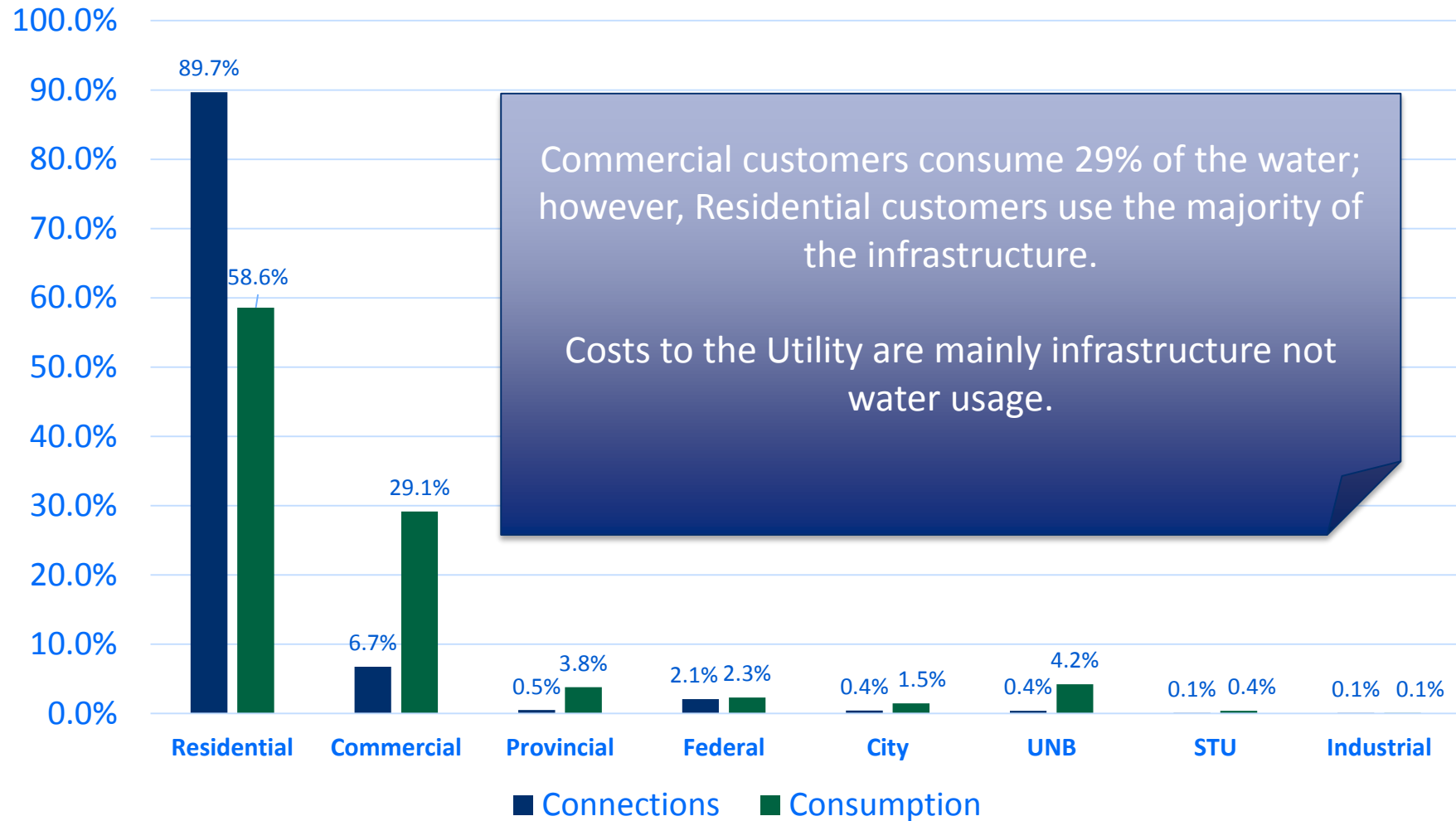
- Our Customers
- Opportunities
- Challenges
- Proposed Budget
 - Rate Recommendations
- Resolutions



City of Fredericton Water & Sewer Customers by Type



Connections vs. Consumption



Opportunities for Water & Sewer



City wells provide a great source of water

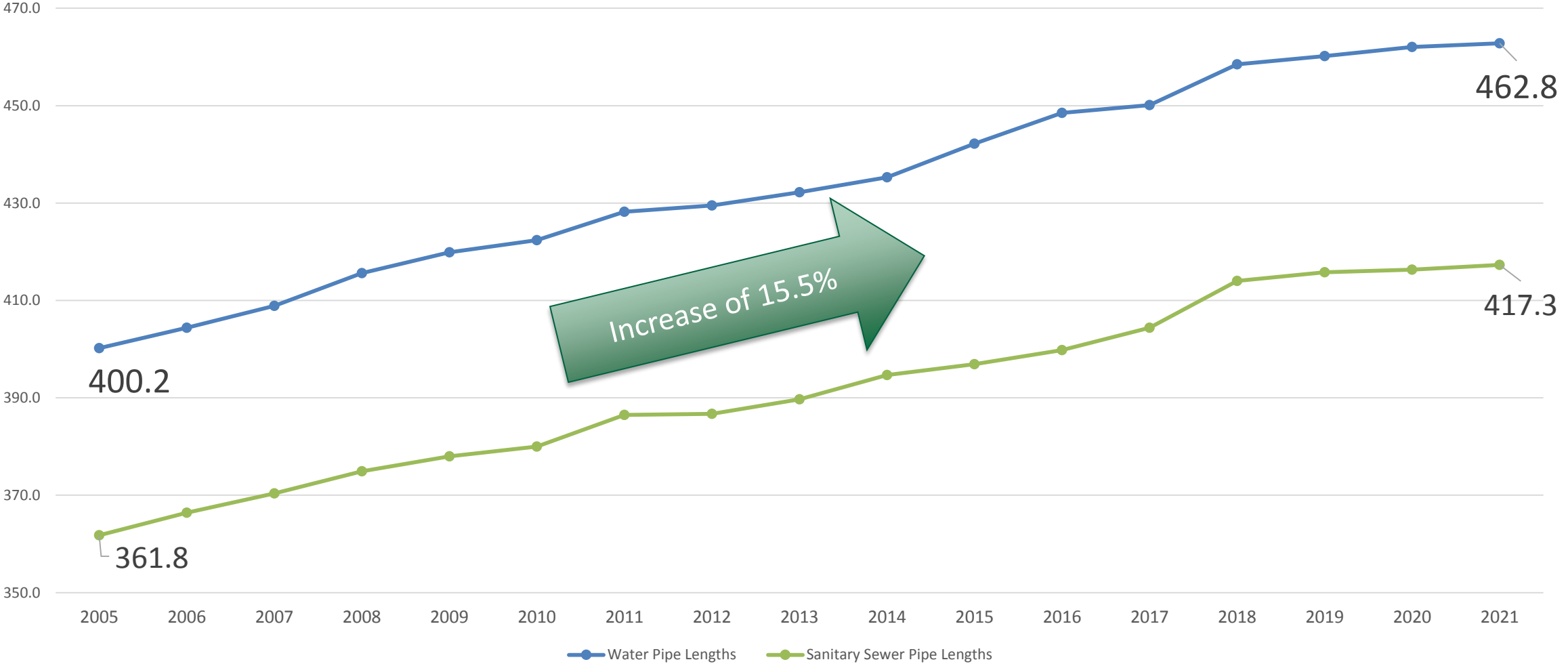
New concentrated growth strategy through
Imagine Fredericton/Municipal Plan

Exceed industry guidelines to allow for growth

Successful agreements for infrastructure renewal
funding from other levels of government

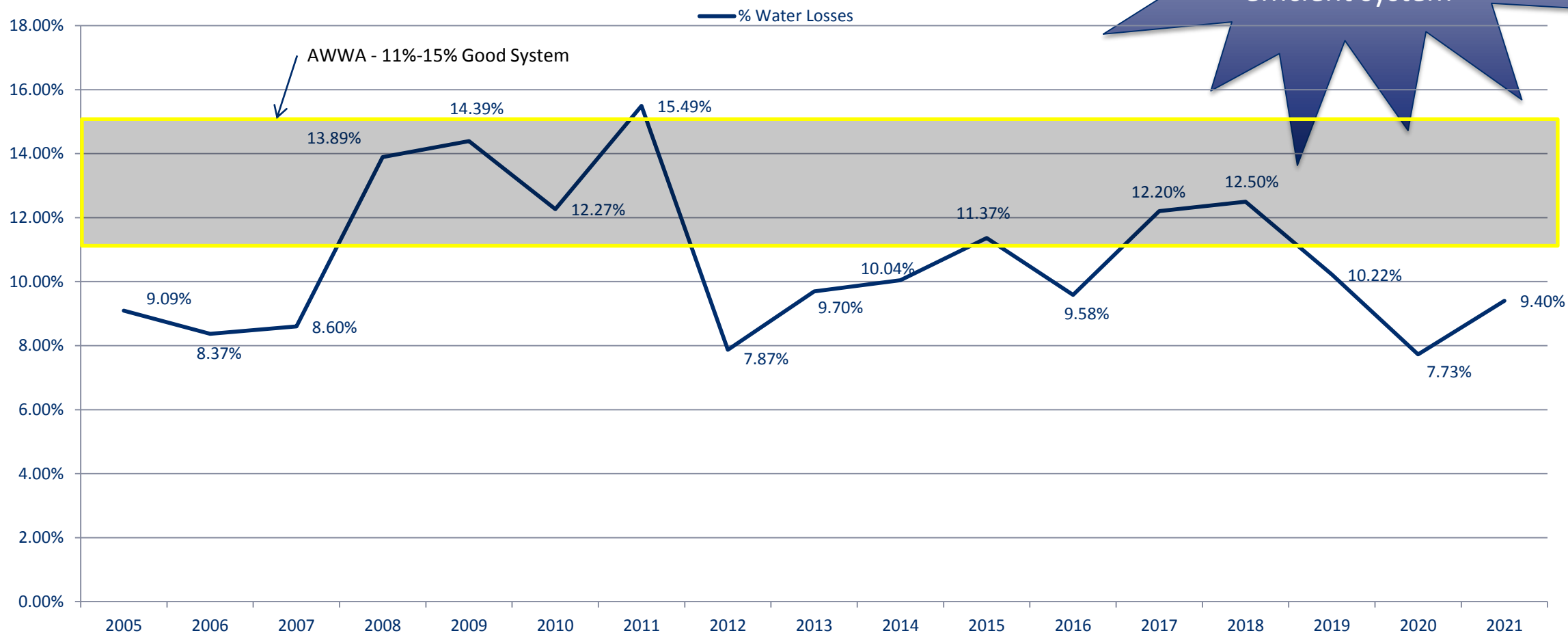
Continuous Improvement mindset

Length of Water & Sewer Pipe

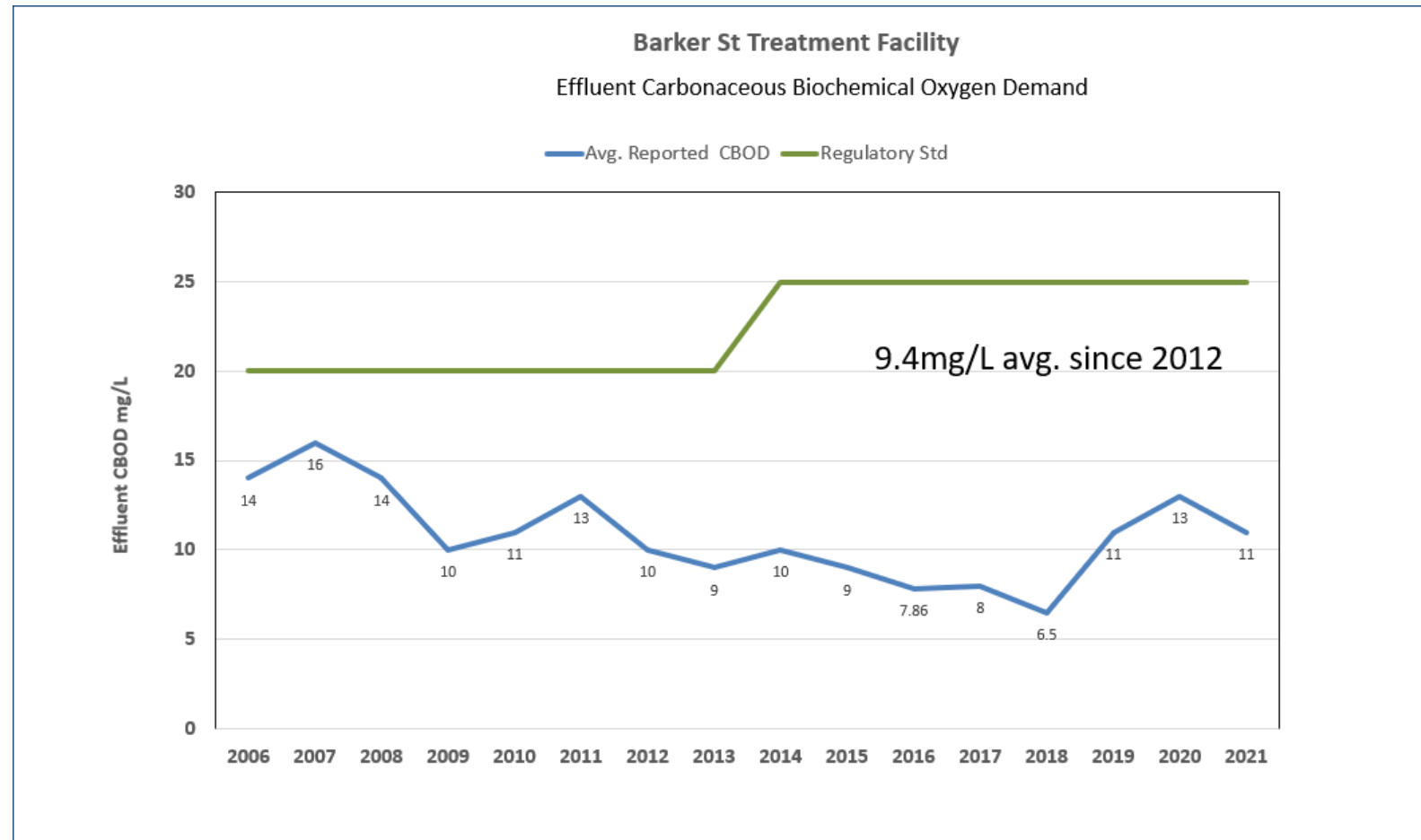


Annual Water Loss in the system

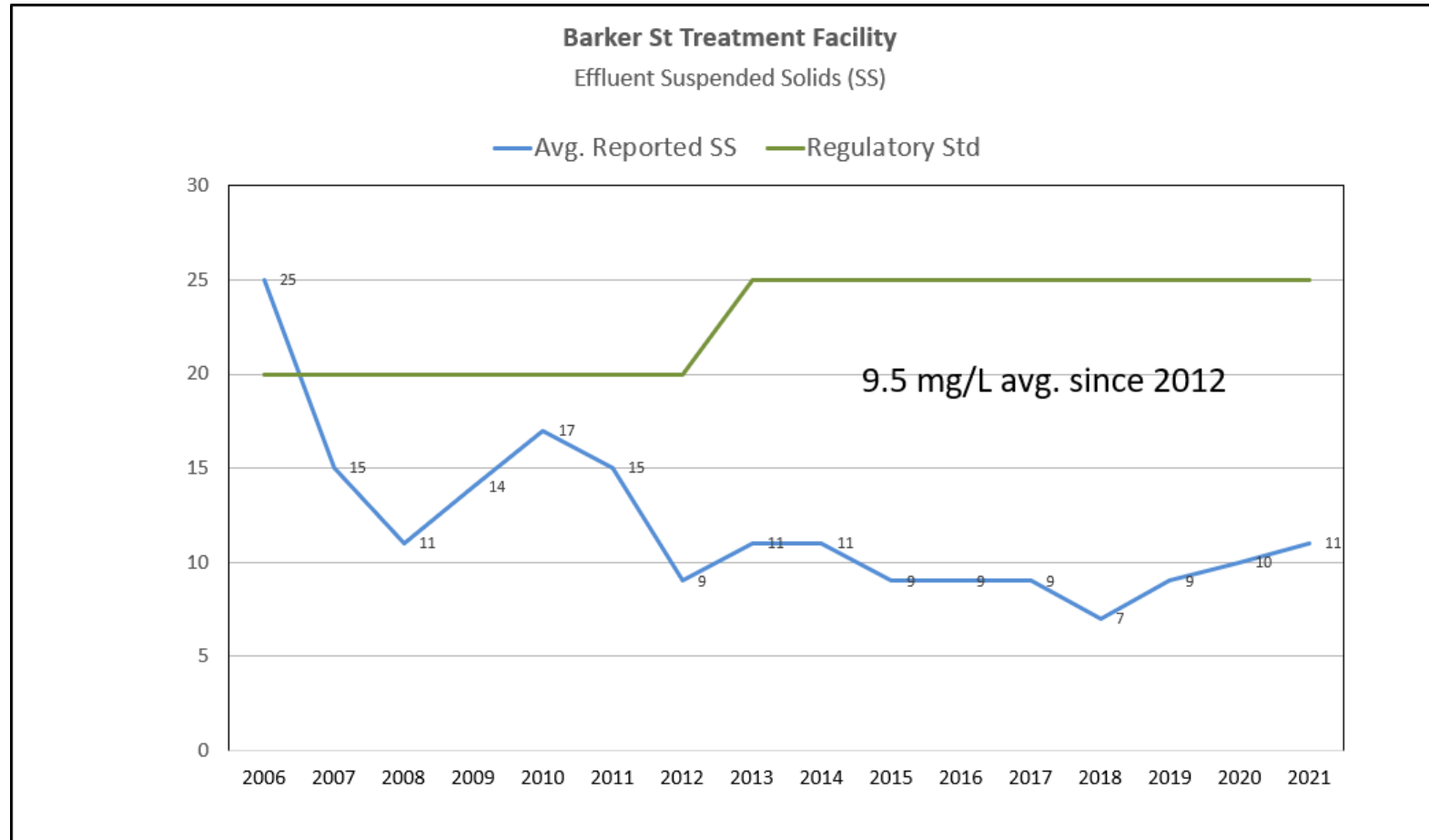
Non Revenue Water Losses



Customers are
paying for a very
efficient system



Facility Effluent Discharge Objectives: The wastewater treatment facility has to achieve an average monthly carbonaceous biochemical oxygen demand (CBOD) objective of 25 mg/L. This is affected daily by changes in the overall flow and concentrations of raw wastewater. This data is reported to the Federal and Provincial Regulators



Facility Effluent Discharge Objectives: The wastewater treatment facility has to achieve an average monthly suspended solids (SS) objective of 25 mg/L. This is affected daily by changes in the overall flow and concentrations of raw wastewater. This data is reported to the Federal and Provincial Regulators.

Challenges for Water & Sewer

- Inflationary pressure on operating and capital
- Rapidly aging infrastructure
- Not sufficient revenue to replace infrastructure as required
- Revenue is made up of disproportionate consumption and fixed service fees compared to expenses
- Reliance on Second Previous Years Surplus for capital
- Coordinating projects with General Fund for alignment and efficiency



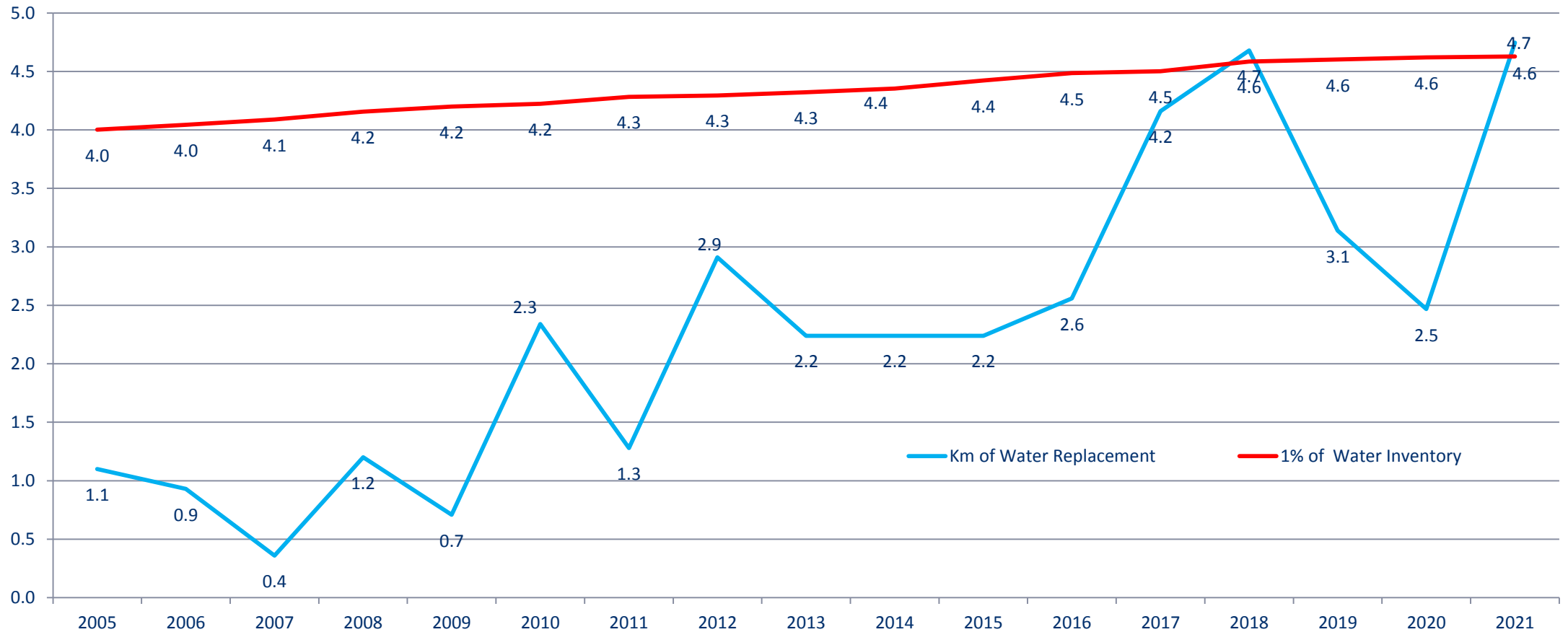
Not meeting Average Investment Required

Asset Type	Average Life Cycle	Replacement Cost	Annual Depreciation
Sewer Mains	80 years	\$281,900,000	\$3,544,000
Water Mains	69.2 years	\$388,700,000	\$6,018,000
Facilities	31.2 years	\$158,700,000	\$5,485,000
Machinery & Equipment	11.4 years	\$6,400,000	\$560,000
	Total	\$835,700,000	\$15,607,000

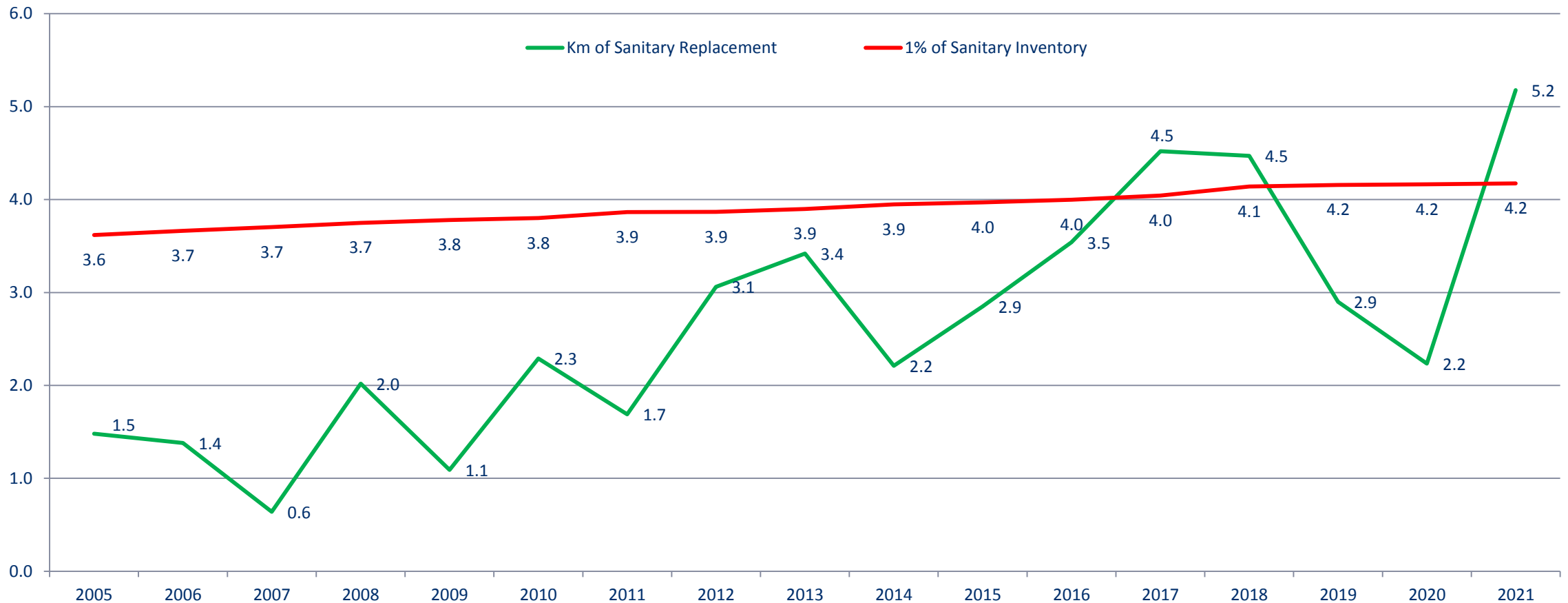
This would just address the annual depreciation and does not address infrastructure deficit backlog

2023 Renewal Budget =
\$10,648,362 = **STRUCTURAL
DEFICIT**

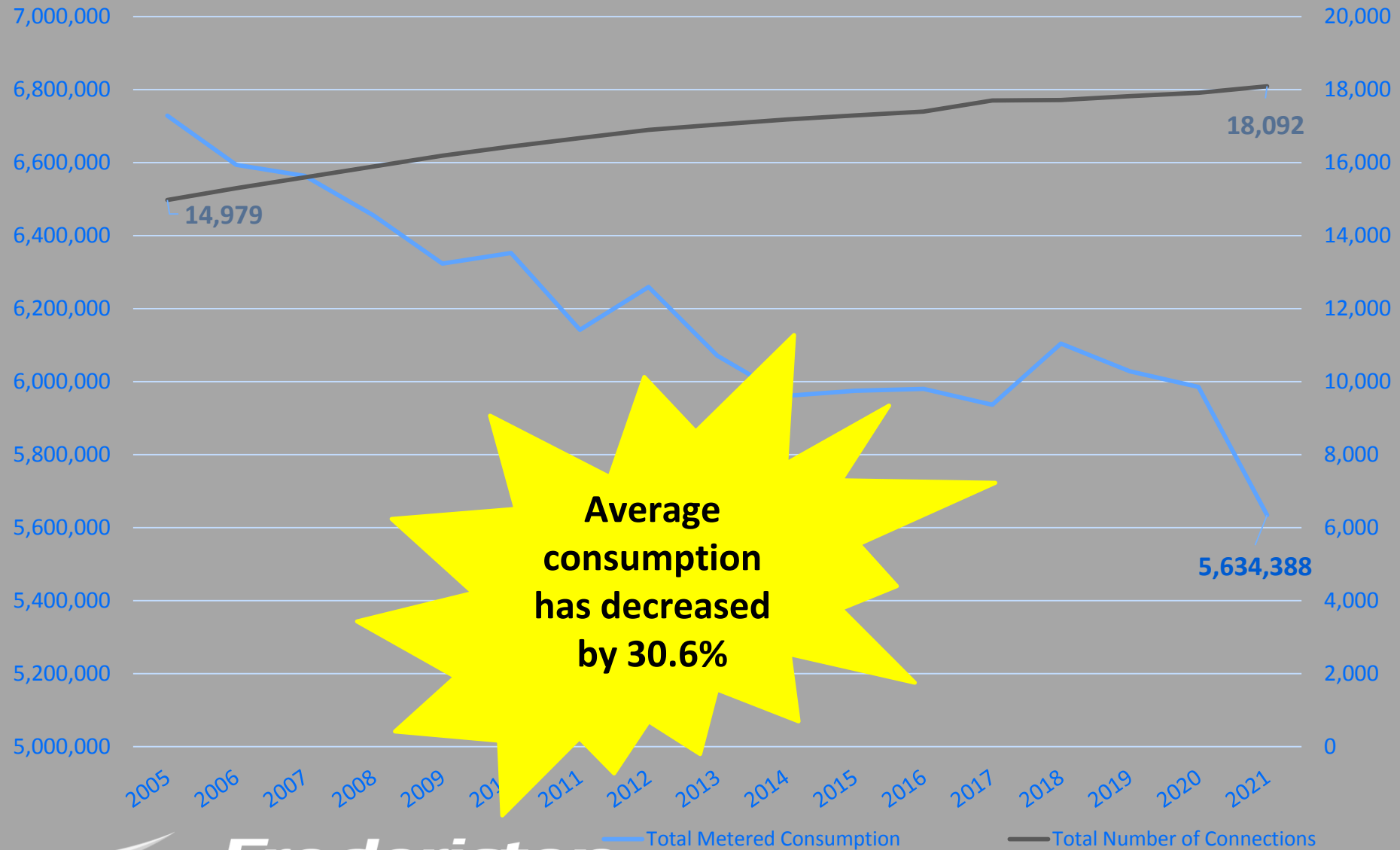
Actual Replacement of Water Mains vs Industry Recommendations



Actual Replacement of Sanitary Sewer Mains vs Industry Recommendations



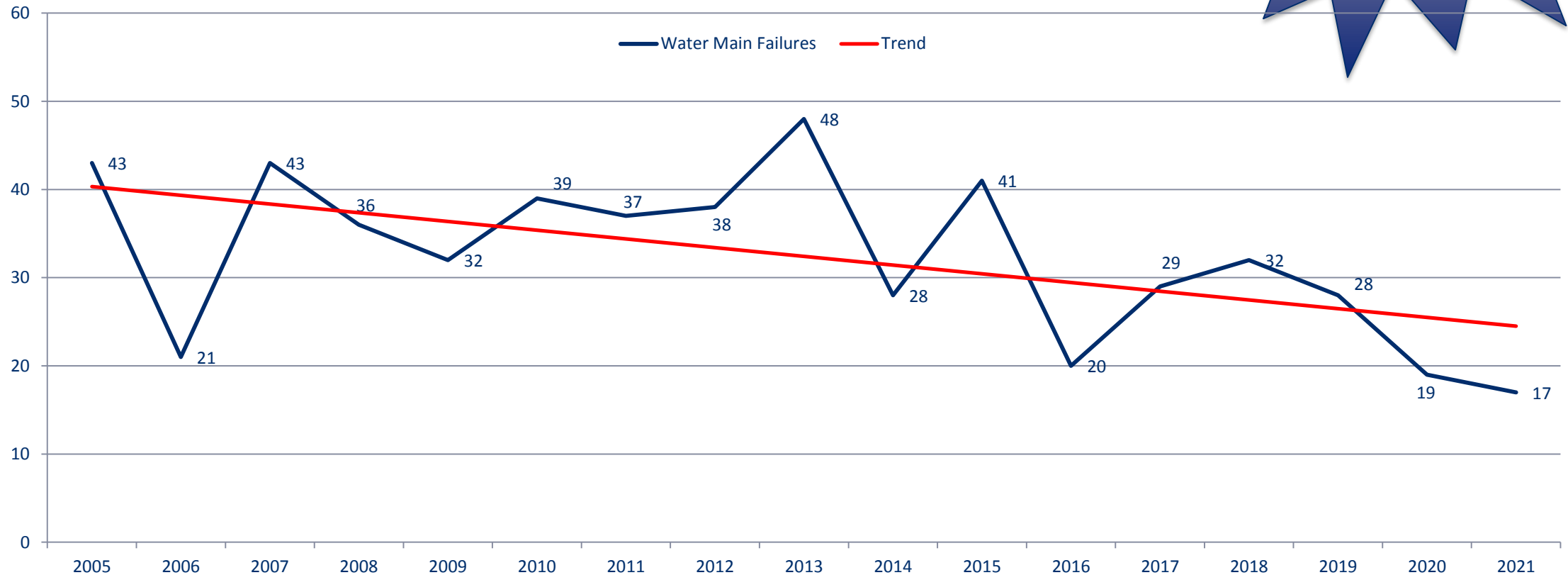
Consumption vs Total Connections



Water Main Breaks

No City wide boil orders

Water Main Failures



Water & Sewer Funding Summary

- User Fees
 - On-going operating, maintenance and infrastructure renewal
- Rate Increases
 - Infrastructure renewal
- Other Levels of Gov't Funding
 - Address infrastructure deficit
- Additional Funding from other levels of Gov't
 - Address Federal standards and large expansion projects – WWTP upgrades

Water and Sewer Fund

2023 Proposed Revenue

	Budget 2022	Proposed 2023	\$ Change	% Change
Residential	14,714,027	14,864,523	150,496	1.0%
Commercial & Industrial	3,941,504	3,884,120	(57,384)	-1.5%
Government & Institutional	1,599,629	1,631,507	31,878	2.0%
Connection & Private Hydrant Fees	209,030	215,620	6,590	3.2%
Water Supply (Fire Protection)	1,000,612	1,000,612	-	0.0%
Subtotal	21,464,802	21,596,382	131,580	0.6%
Surplus (2nd Previous Year)	1,718,130	2,074,658	356,528	
Grand Total	\$ 23,182,932	\$ 23,671,040	\$ 488,108	



2022 Water & Sewer Rate Comparison

For an average family of 4

<u>Municipality</u>	<u>2022 Yearly</u>
Fredericton	\$882
Moncton	\$923
Dieppe	\$948
New Maryland	\$1,266
Saint John	\$1,428



Fredericton

One-time rate freeze to
acknowledge inflationary
pressures on customers

Rates for our Typical User

	Current Rates
Water Rate (per m ³)	0.97
Sewer Rate (per m ³)	0.97
Water & Sewer Rate	1.94
Quarterly Service Charge	123.80
Quarterly Meter Rental	2.00
Quarterly Cost	220.38
Monthly Cost	\$73.46
Annual Cost	\$881.50

Household **pays
\$2.42 daily** for
safe, secure,
reliable water
and
environmentally
sound
wastewater
treatment.



Fredericton

*For a typical Fredericton household – usage 195 m³

** per m³

Budget Pressures

- Inflation (parts, fuel, contracts, materials, etc.)
- Property Taxes
- Insurance
- Biosolid tipping fees
- Repairs and Maintenance
- Funding agreements for capital require planning/design
- Focus shifting to allow to expansion of system to accommodate growth



2023 W & S Capital Budget Highlights

- Lian Reservoir (new)
- Royal Road Phase 1
- Regent Street Phase 2
- Maple Street Phase 3
- Canada Street Phase 3
- Rookwood Phase 3
- Riverside Drive
- Lincoln Road
- Continued focus on Infrastructure Renewal (various streets) with IBA Funding (Clarence, Jaffrey, Hargrove, Fairview/Mountain Drive)
- Various Lift Station Renewal, co-funded extensions, designs and system studies



Proposed 2023 Capital Budget

Infrastructure Renewal

Water Supply & Delivery	\$	4,888,310	
Waterwater Management		3,526,052	
Common Equipment		2,234,000	
	\$	10,648,362	71.3%

New

NTCA (Studies & Design)

	\$	2,936,200	
		1,356,977	
	\$	4,293,177	28.7%

Total Capital

	\$	14,941,539	
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Funding for Capital

Capital from Annual Operating Budget	\$	11,820,935	
Capital from Other Levels of Government		3,120,604	

Total Funding for Capital

	\$	14,941,539	
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2023 Water & Sewer Budget

Fredericton

BY PERSONNEL & NON-PERSONNEL COSTS

	2022 Budget	2023 Proposed	\$ Change	% Change
Water Supply and Delivery				
Revenue	\$ 11,450,424	\$ 11,468,004	\$ 17,580	0.2%
Surplus - 2nd Previous Year	859,065	1,037,329	178,264	20.8%
Personnel	(2,871,557)	(2,925,694)	(54,137)	1.9%
Non-personnel	(2,551,506)	(2,948,561)	(397,055)	15.6%
	\$ 6,886,426	\$ 6,631,078	\$ (255,348)	-3.7%
Wastewater Management				
Revenue	10,014,378	10,128,378	114,000	1.1%
Surplus - 2nd Previous Year	859,065	1,037,329	178,264	20.8%
Personnel	(3,300,454)	(3,377,379)	(76,925)	2.3%
Non-personnel	(2,740,222)	(2,598,471)	141,751	-5.2%
	\$ 4,832,767	\$ 5,189,857	\$ 357,090	7.4%
Capital	\$ (11,719,193)	\$ (11,820,935)	\$ (101,742)	0.9%
Net Balanced Budget	-	-	-	

In summary

- Our goal is to keep the water clean and safe for our customers
- We have a significant infrastructure deficit
 - Backlog of old infrastructure
 - Resulting in unplanned breaks, unplanned traffic and service disruptions
 - Working to secure adequate funding to maintain and replace what we have
 - Competing priorities to expand and deal with existing
- Due to inflationary pressures for our customers and overall tax burden, recommending maintaining same rates as 2022 (no increase)
 - We will still have one of the lowest rates in NB
 - Rate strategies will be closely monitored and there will likely be rate increases necessary in future years

Recommended Motions

1). WATER & SEWER REVENUE

Moved by _____, Seconded by _____ THAT the Council of the City of Fredericton hereby approves the amount of \$23,671,040 as the 2023 budget for Water & Sewer Revenue.

2). WATER & SEWER OPERATING BUDGET

Moved by _____, Seconded by _____ THAT the Council of the City of Fredericton hereby approves the amount of \$11,850,105 as the 2023 Water & Sewer operating budget.

3). WATER & SEWER CAPITAL BUDGET

Moved by _____, Seconded by _____
THAT the Council of the City of Fredericton hereby approves the amount of \$11,820,935 as the 2023 Water & Sewer capital budget funded through operating.