

MUNICIPALITY OF SOUTH HURON
Any questions,
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1-800-265-9799
ex. 243

Municipality of South Huron 2025 Water and Wastewater Rate Study

Council Meeting
February 11, 2025

Agenda



- Introduction
- Current Rates
- Projected Growth
- Capital Expenditure and Financing Summary
- Operating Budget Forecast
- Rate Forecasts and Projected Bill Impacts
 - Exeter-Hensall Debt Charge
 - Rate Forecast Scenarios
- Water Financial Plan
- Recommendations

Introduction



- The study includes two components:
 - Water and Wastewater Rate Study; and
 - Water Financial Plan as required under Ontario Regulation (O. Reg.) 453/07
- Rate Study will inform the updating of the Municipality's Water and Wastewater Rates and Charges By-law (By-law 66-2021)

Current Rates



2024/2025 Water and Wastewater Billing Rates			Exeter-Hensall Pipeline Debt - Water	
Quarterly Base Charge			Quarterly Debt Charge	
	Water	Wastewater	Exeter	Stephen
Residential:				
Apartment*	\$83.72	\$103.73	\$52.12	\$2.98
Other Residential	\$111.69	\$137.85	\$69.52	\$3.98
Non-Residential:				
5/8", 3/4", 1"	\$111.69	\$137.85	\$69.52	\$3.98
1 1/4"	\$118.87	\$146.72	\$74.00	\$4.23
1 1/2"	\$126.04	\$156.27	\$78.47	\$4.47
2"	\$138.56	\$171.28	\$86.26	\$4.89
4"	\$429.83	\$532.28	\$267.65	\$15.25
6"	\$664.81	\$822.99	\$413.82	\$23.62
8"	\$953.36	\$1,176.61	\$593.43	\$33.95
Volume Charge (per m³)				
up to 10,000 m ³ per month	\$1.85	\$1.81		
>10,000m ³ per month	\$1.11	\$1.81		
Quarterly Flat Rates (Wastewater Only Customers)				
Residential per Dwelling Unit	n/a	\$413.60		
Non-Residential per Property	n/a	\$413.60		

* Apartments include duplex, triplex, fourplex, and converted dwellings, combined with Commercial – mixed-use

Projected Growth



- Anticipated growth over the forecast period (to 2036) based on a number of sources, including:
 - Huron County Population and Housing Projections Study, Final Report, March 2024;
 - Draft 2025 development charges background study (on-going); with
 - Discussions with Municipal staff, based on approved applications in the development process.

Growth Forecast - Water



Water Volume Forecast (m³)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Block 1												
Existing	936,180	936,180	936,180	936,180	936,180	936,180	936,180	936,180	936,180	936,180	936,180	936,180
New	4,500	8,400	13,050	17,700	22,350	28,400	36,100	45,000	55,100	65,450	75,950	86,450
Sub-total - Block 1	940,680	944,580	949,230	953,880	958,530	964,580	972,280	981,180	991,280	1,001,630	1,012,130	1,022,630
Block 2 (>10,000 m³ per month)*												
Existing	31,638	31,638	31,638	31,638	31,638	31,638	31,638	31,638	31,638	31,638	31,638	31,638
New	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total - Block 2	31,638	31,638	31,638	31,638	31,638	31,638						
Total	972,318	976,218	980,868	985,518	990,168	996,218	1,003,918	1,012,818	1,022,918	1,033,268	1,043,768	1,054,268

* Applies to Industrial, Commercial, and Institutional properties only.

Growth Forecast - Wastewater



Wastewater Customer Forecast	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Existing	3,945	3,945	3,945	3,945	3,945	3,945	3,945	3,945	3,945	3,945	3,945	3,945
New - Growth - Apartment Units	-	3	9	15	21	29	40	51	62	74	86	98
New - Growth - Other Residential Units	30	54	81	108	135	170	214	266	326	387	449	511
Total	3,975	4,002	4,035	4,068	4,101	4,144	4,199	4,262	4,333	4,406	4,480	4,554

Wastewater Flows Forecast (m ³)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Existing	557,139	557,139	557,139	557,139	557,139	557,139	557,139	557,139	557,139	557,139	557,139	557,139
New	4,500	8,400	13,050	17,700	22,350	28,400	36,100	45,000	55,100	65,450	75,950	86,450
Total	561,639	565,539	570,189	574,839	579,489	585,539	593,239	602,139	612,239	622,589	633,089	643,589

Note: Above flows are water flows on which the wastewater billing will be calculated

Capital Forecast (Uninflated \$)



Water System

Description	2025	2026 - 2036
Expenditures		
Watermains	2,517,169	23,719,691
Meters	250,000	2,750,000
Equipment and Fleet	-	550,000
Facility-Related	125,000	3,952,600
Studies*	28,683	57,365
Growth-Related**	36,649	1,129,133
Total Expenditures	\$2,957,501	\$32,158,789

Wastewater System

Description	2025	2026 - 2036
Expenditures		
Wastewater mains	667,651	18,187,550
Equipment and Fleet	70,000	380,000
Facility-Related	175,000	7,993,958
Studies*	169,168	1,688,335
Growth-Related**	7,424,864	10,566,675
Total Expenditures	\$8,506,683	\$38,816,518

* Include non-tangible capital asset projects

** Growth-related projects may include the replacement/benefit to existing portions that are not funded from D.C.s.

Operating Budget Forecast



- The operating budget consists of:
 - Operating expenses e.g., salaries and wages, utilities and contracted services, insurance, etc.
 - Capital-related expenses e.g., debt (principal and interest) and reserve transfers.
- Operating expenses are forecasted to increase over the forecast period due to inflation.
- Capital-related expenses are dependent on capital financing decisions and annual lifecycle requirements for asset management, as well as the rate forecasts.

Rate Forecasts – Exeter-Hensall Pipeline Debt Charge



- Reductions to the Exeter-Hensall Pipeline debt charge for 2026 due to growth in the customer base since the completion of the 2019 Rate Study

Description	Current Charge		Recalculated (2026)	
	Exeter	Stephen	Exeter	Stephen
Residential:				
Apartment	\$52.12	\$2.98	\$42.50	\$2.43
Other Residential	\$69.52	\$3.98	\$56.69	\$3.25
Non-Residential:				
5/8", 3/4", 1"	\$69.52	\$3.98	\$56.69	\$3.25
1 1/4"	\$74.00	\$4.23	\$60.35	\$3.45
1 1/2"	\$78.47	\$4.47	\$63.99	\$3.65
2"	\$86.26	\$4.89	\$70.35	\$3.99
4"	\$267.65	\$15.25	\$218.27	\$12.44
6"	\$413.82	\$23.62	\$337.48	\$19.26
8"	\$593.43	\$33.95	\$483.95	\$27.69

- The debt charge is updated as part of each rate study, with the next update anticipated as part of the 2030 Rate Study
- Debt will be paid off in 2034

Rate Forecast Scenarios (2026-2036) – Capital Financing (Inflated \$)



Water

Description	2026 - 2036
Total Expenditures	\$40,649,166
Capital Financing	
Provincial/Federal Grants	-
Development Charges Reserve Fund	699,230
Non-Growth Related Debenture Requirements	-
Growth Related Debenture Requirements	-
Water Reserve	2,000,000
Water Capital Replacement Reserve	37,949,936
Total Capital Financing	\$40,649,166

Total New Debt - Water	\$0
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Wastewater

Description	2026 - 2036
Total Expenditures	\$51,033,673
Capital Financing	
Provincial/Federal Grants	3,511,618
Development Charges Reserve Fund	5,045,286
Non-Growth Related Debenture Requirements	4,598,469
Growth Related Debenture Requirements	6,587,819
Sewer Reserve	31,290,481
Total Capital Financing	\$51,033,673

Total New Debt - Water	\$11,186,288
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Rate Forecasts and Sample Bill Impact – Proposed



Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Water											
Base Charge	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Volumetric	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Wastewater											
Base Charge	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Volumetric	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%

Billing Impacts (Based on 150m³ of water usage, Other Residential Rate)

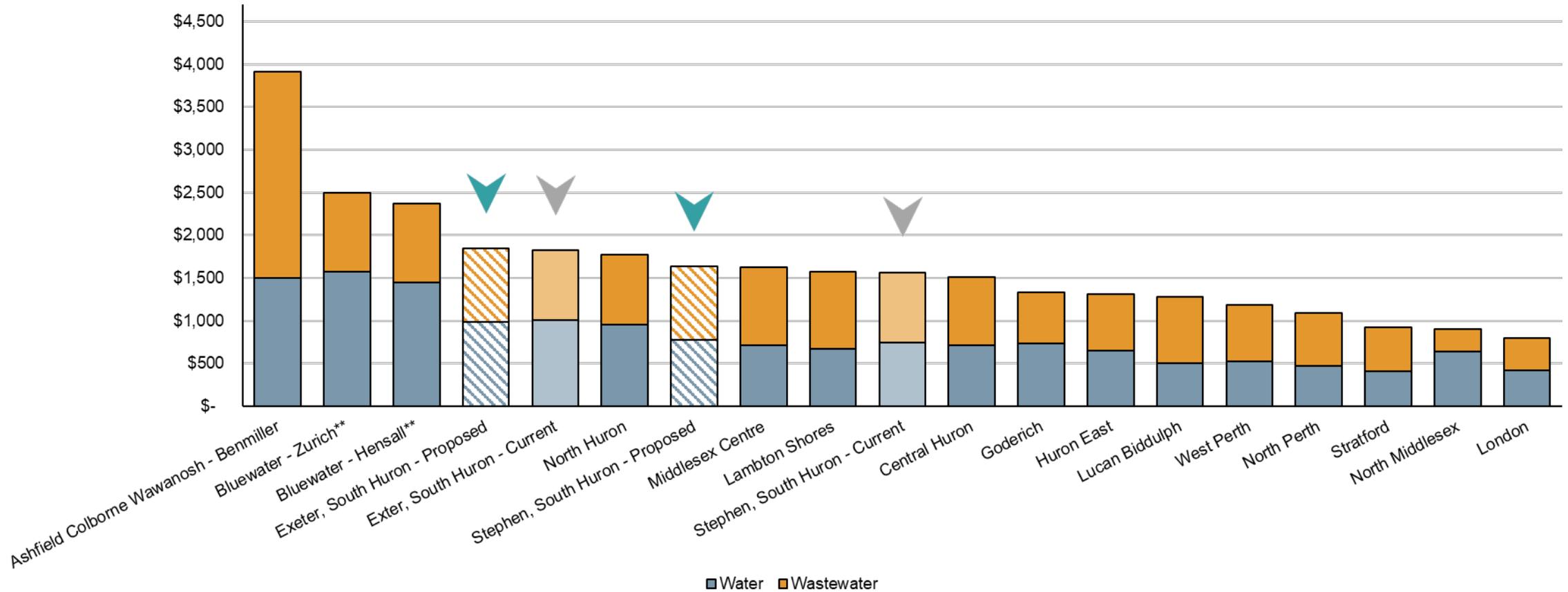
Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Exeter												
Total Annual Bill	\$1,825	\$1,847	\$1,924	\$2,005	\$2,091	\$2,181	\$2,268	\$2,369	\$2,476	\$2,580	\$2,489	\$2,615
Total Annual Bill Impact (\$)		\$22	\$77	\$81	\$86	\$90	\$87	\$101	\$107	\$104	-\$91	\$126
Average Monthly Bill Impact (\$)		\$2	\$6	\$7	\$7	\$8	\$7	\$8	\$9	\$9	-\$8	\$10
Increase - Total Annual Bill (%)		1%	4%	4%	4%	4%	4%	4%	4%	4%	-4%	5%
Stephen												
Total Annual Bill	\$1,563	\$1,633	\$1,710	\$1,791	\$1,877	\$1,967	\$2,062	\$2,163	\$2,270	\$2,382	\$2,489	\$2,615
Total Annual Bill Impact (\$)		\$70	\$77	\$81	\$86	\$90	\$95	\$101	\$107	\$112	\$107	\$126
Average Monthly Bill Impact (\$)		\$6	\$6	\$7	\$7	\$8	\$8	\$8	\$9	\$9	\$9	\$10
Increase - Total Annual Bill (%)		4%	5%	5%	5%	5%	5%	5%	5%	5%	4%	5%

Note that the Base Charge/Volumetric Rates do not include the Exeter/Hensall Debt charges, however, the total annual bill does include these costs.

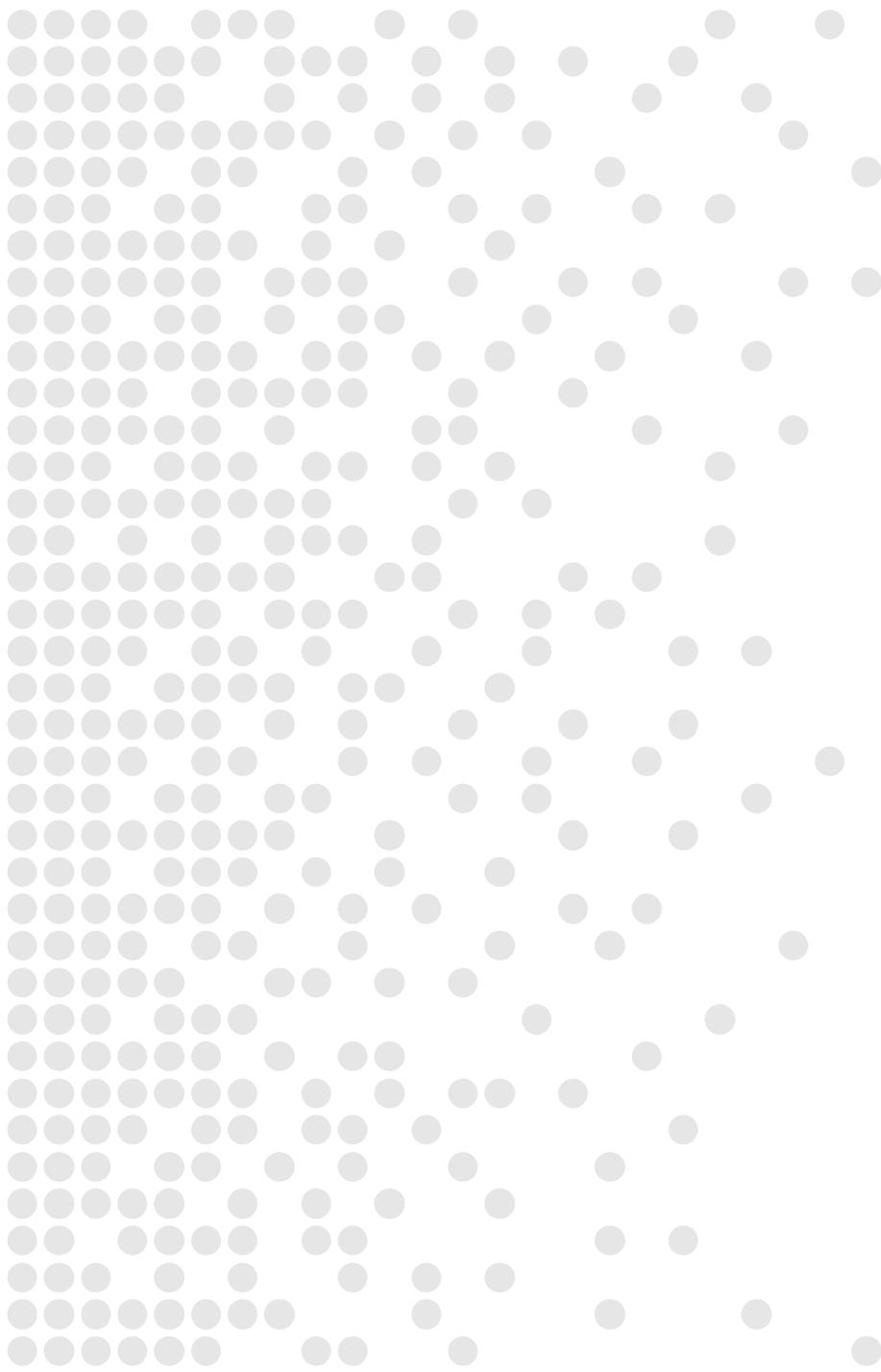
Municipal Comparison Survey



Survey of Annual Residential Water & Wastewater Bill - 150 m³ of Annual Consumption on 5/8" Meter



** Includes debt charges collected through the property tax bill.



Water Financial Plan

Municipality of South Huron

Ontario Regulation 453/07 Water Financial Plan



- All municipalities providing water services are required to be licensed to operate the water system(s)
- Part of the licensing requirement is for the municipality to submit a Financial Plan to the Province

Summary of O. Reg. 453/07 Requirements



A brief summary of key elements of O. Reg. 453/07 is provided below:

- The financial plan will represent one of the five key elements for obtaining your Municipal Drinking Water Licence.
- The plan is to be completed and included in the application for renewal of the drinking water licence.
- The financial plan shall be for a period of at least six years, with the first year being the year in which the current licence expires, but longer planning horizons are encouraged.
- As the regulation is under the *Safe Drinking Water Act, 2002*, the preparation of the plan is mandatory for water and encouraged for wastewater.

Summary of O. Reg. 453/07 Requirements



- The financial plan is considered a living document but will need to be undertaken at a minimum every five years.
- The plans are generally consistent with the "Watson" Approach in forecasting the capital, operating and reserve fund positions, providing detailed inventories, forecasting future volumes and calculation of the rates.
- The additional requirements include the PSAB information for each year of the forecast (i.e., total non-financial assets, tangible capital assets acquisitions, tangible capital asset construction, betterments, write downs, disposals, total liabilities and net debt).
- The financial plans must be made available upon request to the public (without charge) and on the Municipality's website.
 - The availability of this information must also be advertised.

What Does All of This Mean?



- Reporting is mandatory for Water and encouraged for Wastewater services
- The intent of the legislation is for:
 1. municipalities to project future activities for capital (including inventory renewal), operating, reserves and customers (and usage) and then
 2. report it to the Province in PSAB 3150 financial statement format (projected into the future)
- The Rate study provides the basis for projecting the financial information on which the Water Financial Plan was prepared

Rate Study vs. O. Reg. 453.07 Reporting Format



Significant Revision Areas	Rate Study/Budget	O.Reg 453.07 Financial Plan
Approach	“Modified Cash Basis”	“Full Accrual Basis”
Capital Requirements	Capital Forecast	Tangible Capital Assets
Previously Acquired Assets	Lifecycle Cost Analysis (Future Replacement)	Tangible Capital Assets (Historical Cost)
Debt Payments	Principal and Interest Expense	Interest Expense Principal: Debt reduction
Amortization	Not Applicable	Included in Operating Expenses
Reserve Transfers	Included as an Expense	Part of “Accumulated Surplus”
Development Charge Reserve Fund Balances	Reserve Fund Continuity Schedule	Deferred Revenue

Statement of Operations



Modified Cash Basis	Budget 2026	Adjustments		Full Accrual Budget 2026	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	2,405,328			2,405,328	Base Charge Revenue
Rate Based Revenue	1,820,026			1,820,026	Rate Based Revenue
Transfers from Reserves	84,520	84,520			
Other Revenue	1,499,999		79,329	79,329	Earned Development Charges Revenue
Total Revenues	5,809,873			5,804,682	Total Revenues
Expenditures					Expenses
Operating	2,243,867	-		2,243,867	Operating Expenses
Capital					
Transfers to Reserves	2,664,125		2,664,125		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	901,882		559,351	342,531	Interest on Debt
		718,625		718,625	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
Total Expenditures	5,809,874			3,305,023	Total Expenses
Net Expenditures	-			2,499,659	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			25,610,965	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	2,499,659	-	28,110,624	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		3,302,804	3,302,804		

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)

Statement of Financial Position



Modified Cash Basis	Budget 2026	Adjustments		Full Accrual Budget 2026	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	3,972,905			3,972,905	Cash
Accounts Receivable	706,877			706,877	Accounts Receivable
Total Financial Assets	4,679,782			4,679,782	Total Financial Assets
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	474,822			474,822	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	6,444,831			6,444,831	Debt (Principal only)
Deferred Revenue	-			-	Deferred Revenue
Bank Indebtedness	-			-	Bank Indebtedness
Other	-			-	Other
Total Liabilities	6,919,653			6,919,653	Total Liabilities
Net Assets/(Debt)	(2,239,871)			(2,239,871)	Net Financial Assets/(Debt)
		30,350,495	-	30,350,495	Non-Financial Assets
		-		-	Tangible Capital Assets
		-		-	Inventory of Supplies
					Prepaid Expenses
				30,350,495	Total Non-Financial Assets
Municipal Position					
Water Reserves	4,204,960	4,204,960	-		
Amounts to be Recovered	(6,444,831)	-	6,444,831		
Total Municipal Position	(2,239,871)		28,110,624	28,110,624	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		34,555,455	34,555,455		

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)

Recommendations/Next Steps



- That Council provide for the recovery of all water and wastewater service costs through full cost recovery rates and maintain reserve and reserve funds for water and wastewater services.
- The Council considers the capital plans for water and wastewater services, as well as the recommended capital financing plan, as outlined in the Rate Study report.
- That Council consider approval of the proposed 2026 to 2036 water and wastewater rates and direct staff to review the rates in five years.
- That Council considers approval of the Rate Study and Water Financial Plan provided under separate cover and direct staff to submit the Plan and Council resolution approving the Plan to the Province to renew the Town's Municipal Drinking Water Licence.
 - (Note: Council Resolution approving the financial plan is required to be submitted with the Financial Plan to the Ministry for licensing purposes.)

