

Utilities 2024-2025 Business Plan and Budget

ISSUE

City Council approval is required in order to set the Operating and Capital Business Plan and Budget for 2024 and 2025. The figures in this report are stated as 2024 and 2025 respectively, unless otherwise noted.

RECOMMENDATION

1. That the Utilities Business Line Operating Budget for 2024 totalling \$436,659,800 in expenditures and \$436,659,800 in revenues be approved, which includes adjustments made through the 2023 special budget meetings as outlined in Appendix 1; subject to adjustments under the Business Plan Options section of the agenda;
2. That the Utilities Business Line Operating Plan for 2025 totalling \$460,949,600 in expenditures and \$460,949,600 in revenues be approved, which includes adjustments made through the 2023 special budget meetings as outlined in Appendix 1; subject to adjustments under the Business Plan Options section of the agenda;
3. That the 2024 Capital Budget totalling \$114,512,600 be approved, subject to adjustments under the Business Plan Options section of the agenda;
4. That the 2025 Capital Plan totalling \$87,809,300 be approved, subject to adjustments under the Business Plan Options section of the agenda;
5. That the proposed 2024 and 2025 water and wastewater rate changes, as outlined in Appendix 3, and included in the 2024/2025 Preliminary Business Plan and Budget, be approved effective January 1 of each year;
6. That the 2024 and 2025 infrastructure rate change, as outlined in Appendix 3, be approved effective January 1 of each year;
7. That the City Solicitor be instructed to draft the appropriate amendments to Bylaw No. 7567, The Waterworks Bylaw, and Bylaw No. 9466, The Sewer Use Bylaw;
8. That the proposed 2024 and 2025 Waste Service Utility Rates, as outlined in Appendix 4, and included in the 2024/2025 Preliminary Business Plan and Budget, be approved;
9. That the 2025 cart exchange fee of \$30 per applicable exchange be approved effective January 1, 2025;
10. That the General Manager be granted authority within Bylaw No. 9844, The Waste Bylaw, 2022, to substitute roll-out carts at any dwelling unit where they deem the current cart size is of insufficient volume;
11. That section 1 of Schedule "E" of Bylaw No. 9844, The Waste Bylaw, 2022, be amended to exclude curbside residential garbage customers; and That the City Solicitor be instructed to draft the appropriate amendments to Bylaw No. 9844, The Waste Bylaw, 2022.

BACKGROUND

At the [July 25, 2023](#), [August 15, 2023](#) and [August 31, 2023](#) Governance and Priorities Committee (GPC) special budget meetings, GPC made numerous decisions that are now included in the 2024-2025 Preliminary Business Plan and Budget Document. The details of these decisions and previous adjustments that impact this business line are included in Appendix 1. Through approval of the recommendations in this report, the adjustments directed by City Council for this Business Line as part of the Special budget meetings will be confirmed and implemented as part of the 2024/2025 Business Plan and Budget. If City Council wishes to adjust any of the previously directed changes, direction through a resolution would be required.

The 2024-2025 Preliminary Business Plan and Budget was released on November 9, 2023.

DISCUSSION/ANALYSIS

Utilities Business Line Operating Budget

The Preliminary Budget includes a total of \$436,659,800 and \$460,949,600 in expenditures, in 2024 and 2025 respectively, for the Utilities Business Line. Increases of \$37,393,700 (9.4%) and \$24,289,800 (5.6%) are projected, mainly due to:

- Increases of \$15,326,100 and \$10,711,200 in Saskatoon Light & Power (SL&P) expenses. The largest portion of these expenditure increases are due to increased provisions to capital reserves, as well as growth and inflationary cost increases of power purchased based on an increase in budgeted volumetric sales.
- Storm Water Management increases of \$269,800 and \$113,100, largely related to expected population and storm network growth and inflationary increases that were added to support material cost increases and internal expenditures necessary to support operations.
- \$11,588,000 and \$916,500 increase in Waste Services, primarily attributed to \$7,300,300 in 2024 for the variable black cart utility, having moved from a property tax supported service to a new utility. Other increases include inflationary expense increases of \$1,267,300 in 2024 and \$700,100 in 2025 to account for increased costs for contracted collection and processing services, increased costs of collective agreements, and fuel prices. A base budget adjustment of \$1,962,500 is included in 2024 to account for a full year of operating expenses in the curbside organics program.
- \$2,664,000 and \$2,788,400 increase within the Wastewater Utility, mainly due an increase in staffing, maintenance, and utility costs as well as increased Return on Investments, Grants-in-Lieu, and an increase in debt related charges due to increased borrowing to support the capital plan.
- \$7,545,800 and \$9,760,600 increase for the Water Utility mainly due to increased staffing and inflationary increases in Return on Investment and Grant-in-lieu, as well as increased costs for electricity and chemicals, along with an increase in debt related charges due to increased borrowing to support the capital plan.

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This business line also includes an increase in non-tax revenues of \$37,393,700 and \$24,289,800 in 2024 and 2025 respectively. These increases are equivalent to the increases in expenditures, as this Business Line does not rely on the property tax for funding support. These increases are largely related to the increased demand of services due to population growth in the City, as well as increased rates which are partially offset by material cost increases and internal expenditures such as fuel and collective agreements, which are necessary to support operations, and the establishment of the City-wide variable black cart utility (which includes contracted collections costs).

Utilities Business Line Capital Budget

The 2024 and 2025 Utilities Business Line includes \$114,512,600 and \$87,809,300 in funded capital projects. A summary of the proposed investments in each utility is shown below:

Utility	2024 Capital Investment	2025 Capital Investment
Saskatoon Light & Power	\$ 23,178,000	\$ 22,852,000
Storm Water Management	\$ 18,535,600	\$ 17,352,300
Waste Services Utility	\$ 200,000	\$ 200,000
Wastewater Utility	\$ 23,853,000	\$ 16,812,000
Water Utility	\$ 48,746,000	\$ 30,593,000
Total	\$114,512,600	\$87,809,300

Fees and Rate Changes

Appendix 3 provides additional information for the Water, Wastewater, and Infrastructure Rates for 2024 and 2025. If the rates are approved as in Appendix 3, there will be a positive impact on the mill rate of \$171,900 in 2024 and \$431,000 in 2025 as revenue increases for the City's grant-in-lieu and return on investment formulas exceed the increasing water costs to the City that were originally forecasted in the 2024/2025 budget.

Appendix 4 provides additional information for the Waste Utility Rates for 2024 and 2025.

Additional Options

At the August 31, 2023 GPC special meeting the [Utilities Business Line](#) information was presented and is included as in Appendix 2. Within that report there were options for budget reductions, none of which were recommended by Administration. City Council prioritized the options and the results of that prioritization were presented within Appendix 1 of [the 2024 and 2025 Prioritized Budget Options](#) report at the September 13, 2023 GPC meeting.

These available options for Utilities Business Line that could still be considered are listed in Table 1 below and that table includes the number of votes for consideration from the September 13, 2023 meeting. Further information regarding each option can be found in Appendix 2.

Table 1 – Remaining Options

Option	2024 Reduction	2025 Reduction	Votes
1 - Eliminate New Street Lighting Investment	(150,000)	-	6
2 - Update Schedule of Fees Bylaw	(60,000)	-	6
3 - Change Non-Residential Water and Sewer Connection Boundaries	(300,000)	-	4
4B - Cost Recovery for Sewer Connections	(400,000)	-	3
6 - Create ROI from Storm Water Utility	(71,000)	-	3
4A - Eliminate Service of Auguring Customer Sewer Connections	(225,000)	-	2
5A - Revise Net Metering Incentive - Grandfathered Option prior to November 20	(40,000)	-	2
5B - Revise Net Metering Incentive - Grandfathered Option	(10,000)	-	1
7 - Increase Water and wastewater rates to increase ROI	(2,000,000)	-	0
8 - Extend repair time on watermain breaks	(45,000)	-	0

FINANCIAL IMPLICATIONS

The financial implications are included in this report.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

NEXT STEPS

Upon approval of the Preliminary Budget, the Administration will finalize the Approved Business Plan and Budget to be released in 2024.

APPENDICES

1. Previous GPC Decisions
2. Utilities Business Line Report – August 31, 2023
3. Water, Wastewater, and Infrastructure Rates for 2024/2025
4. Waste Utility Rates for 2024/2025

REPORT APPROVAL

Written by: Gillian Wrubleski, Financial Analyst
 Reviewed by: Kari Smith, Director of Finance
 Clae Hack, Chief Financial Officer
 Approved by: Jeff Jorgenson, City Manager