

Municipality of South Huron

Special Meeting of Council – 2025 Budget

October 28, 2024

Director, Regional Water

Lake Huron & Elgin Area Water Systems

Andrew Henry, P.Eng.

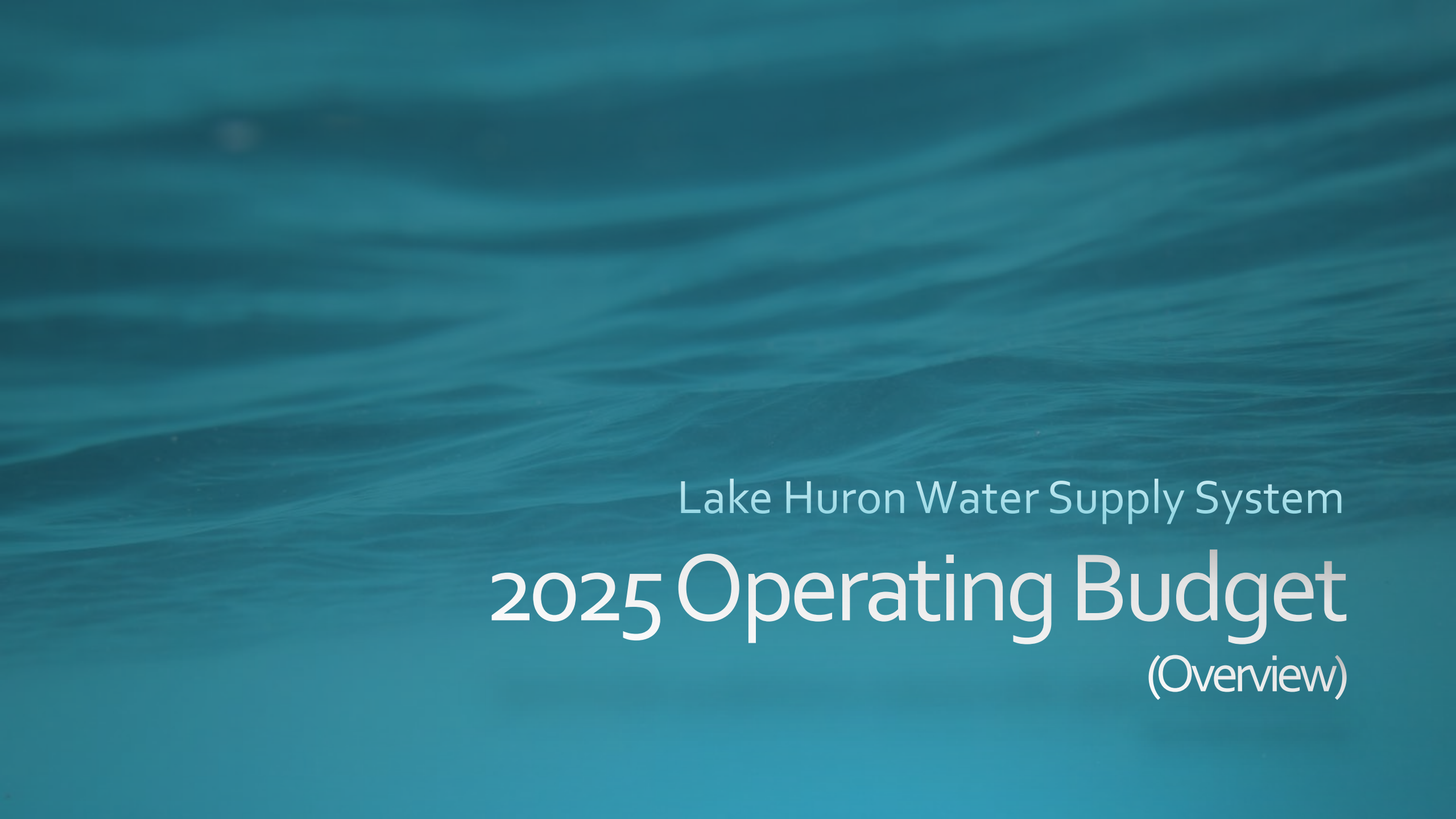
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<https://HuronElginWater.ca>

<https://www.facebook.com/RegionalWaterSupply>

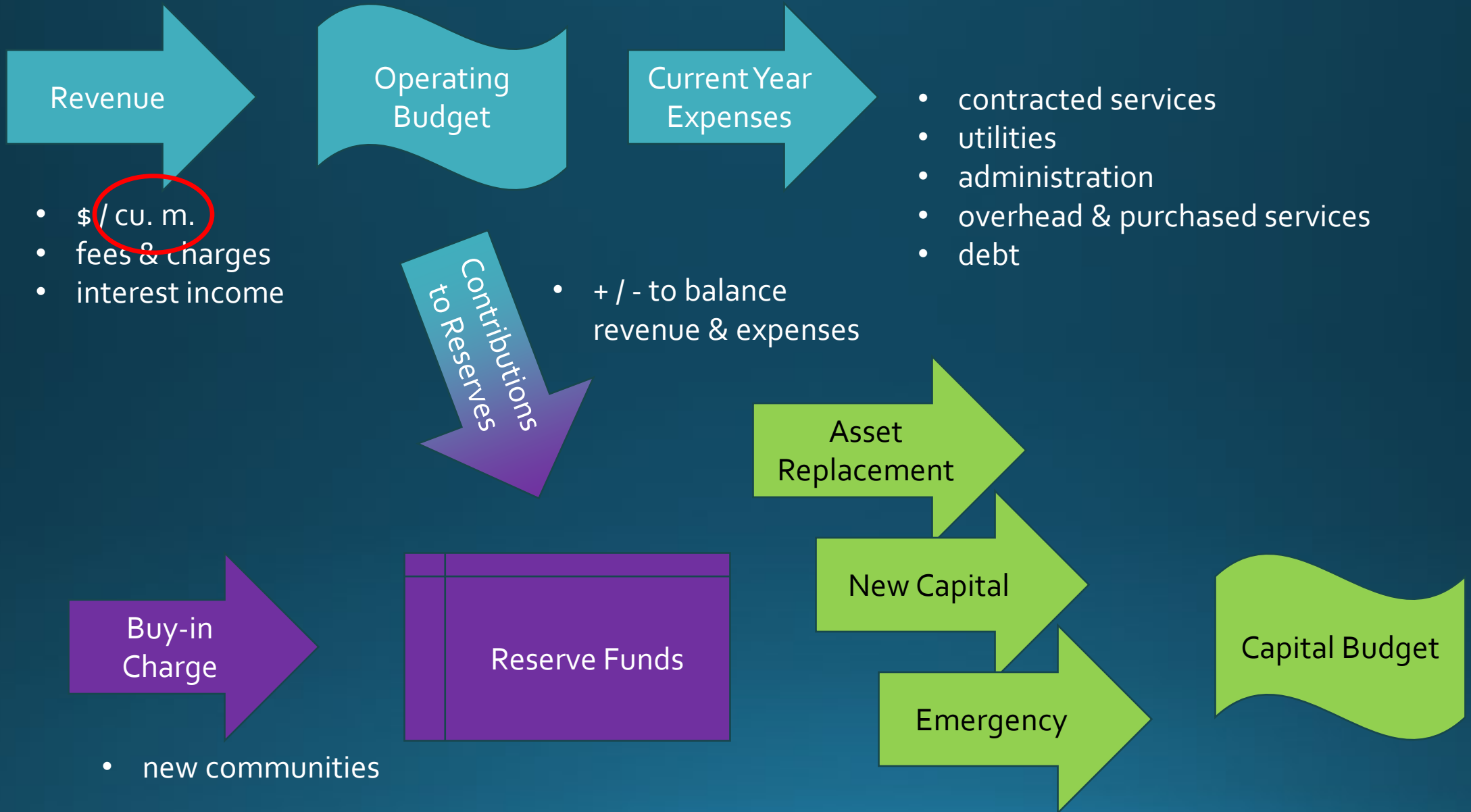




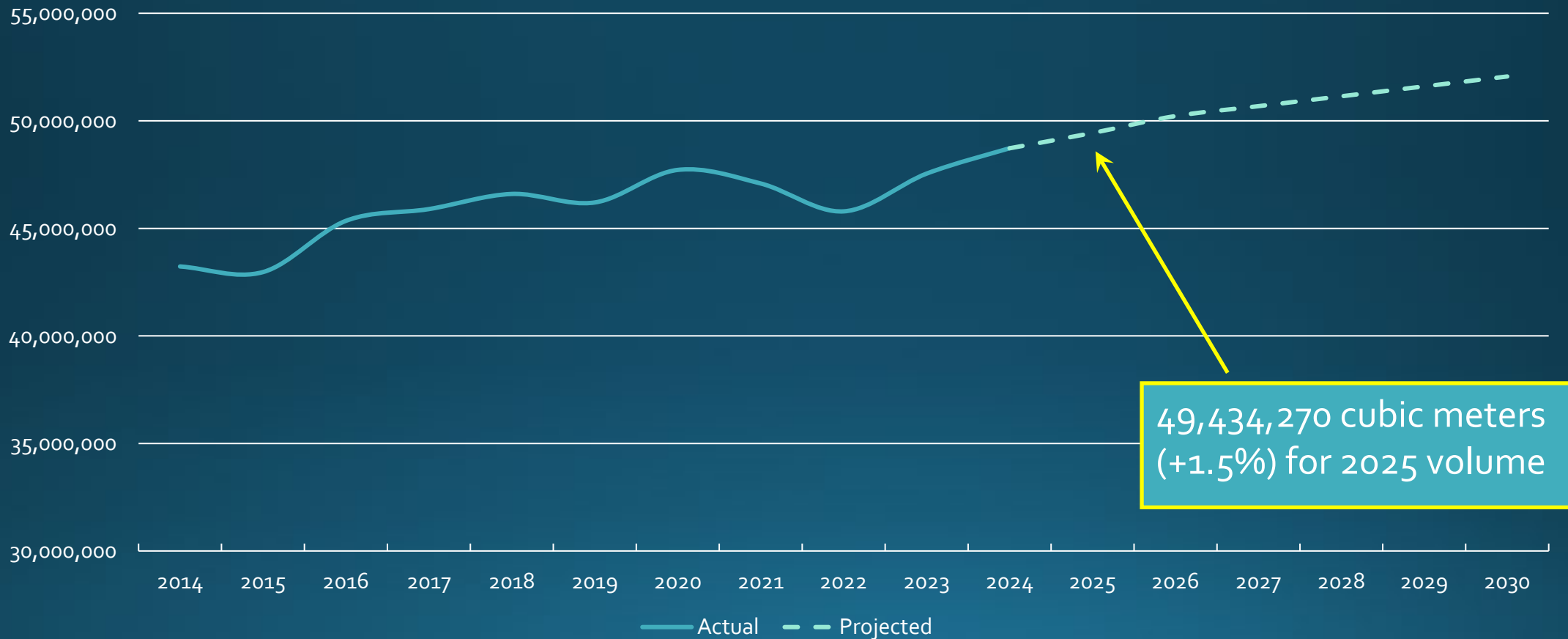
Lake Huron Water Supply System

2025 Operating Budget

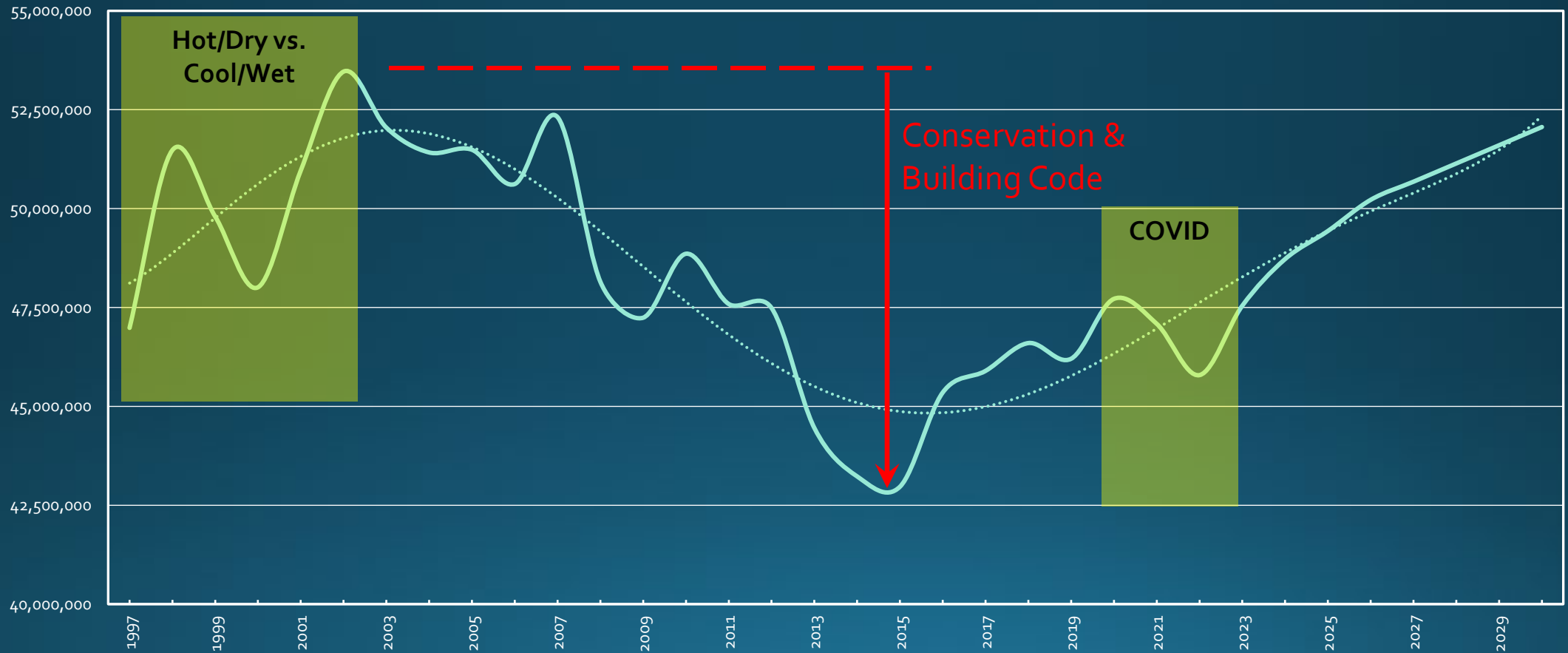
(Overview)



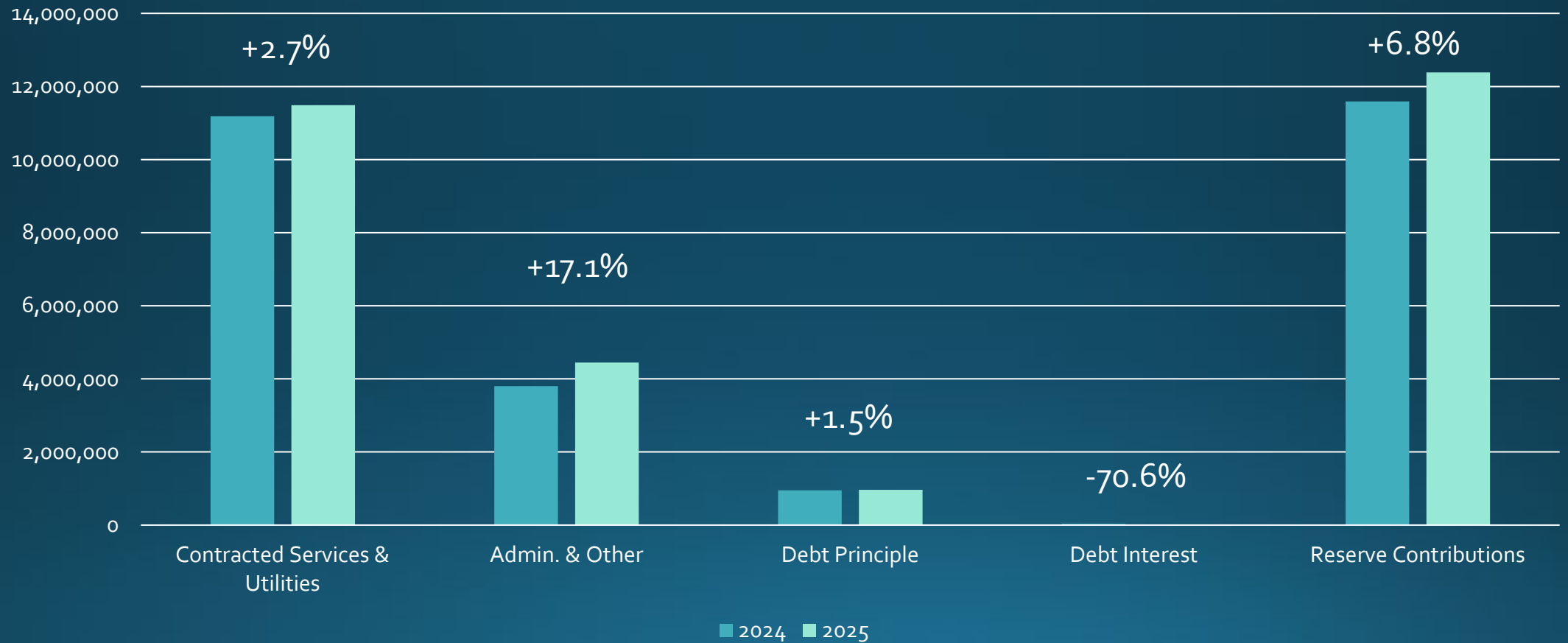
Projected Supply Volume



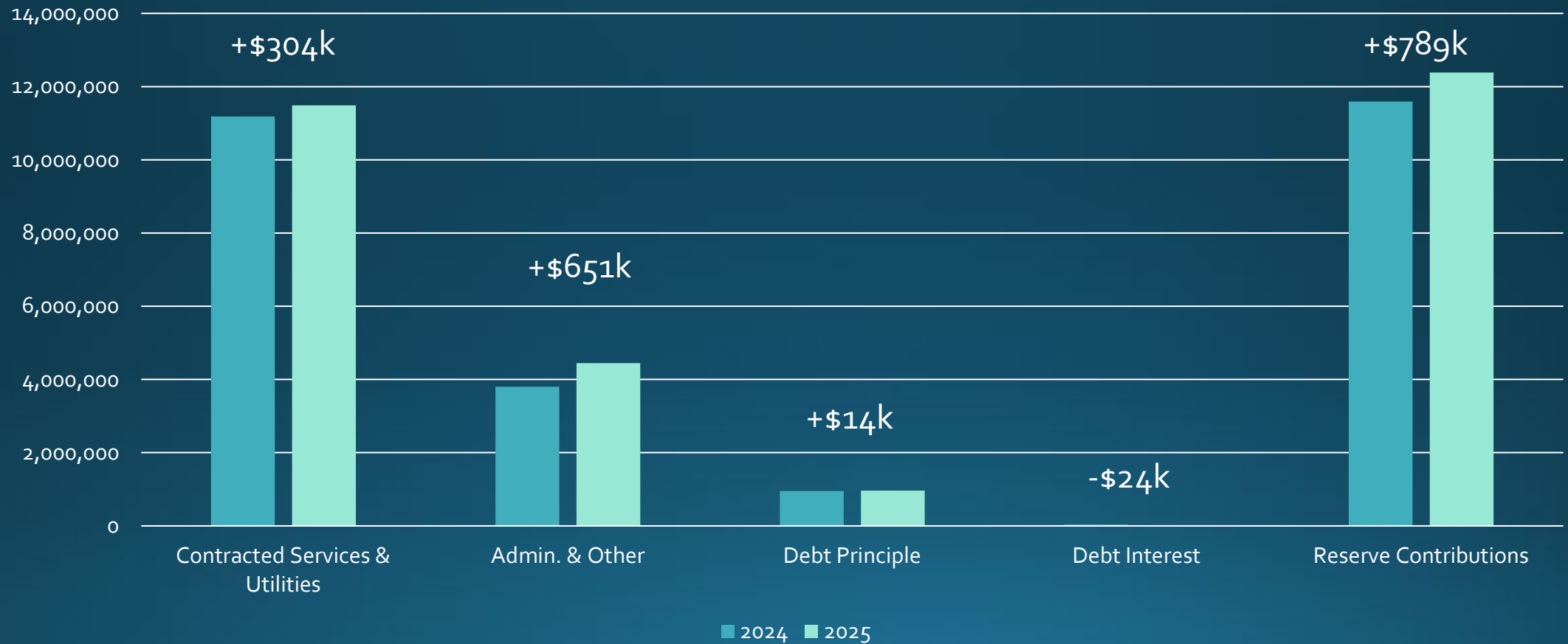
Historical Supply & Projections



Operating Budget (Summary)

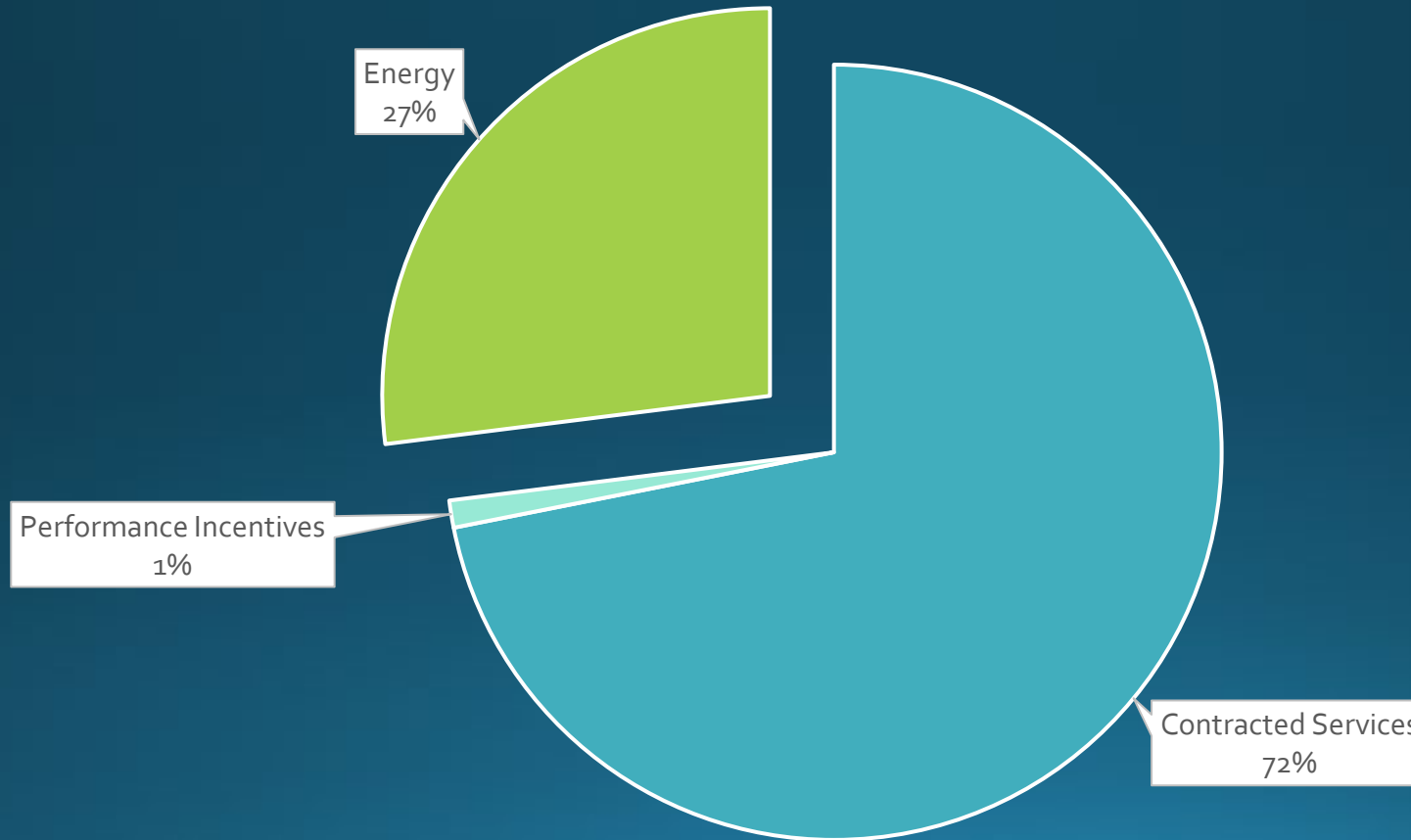


Operating Budget (Summary)



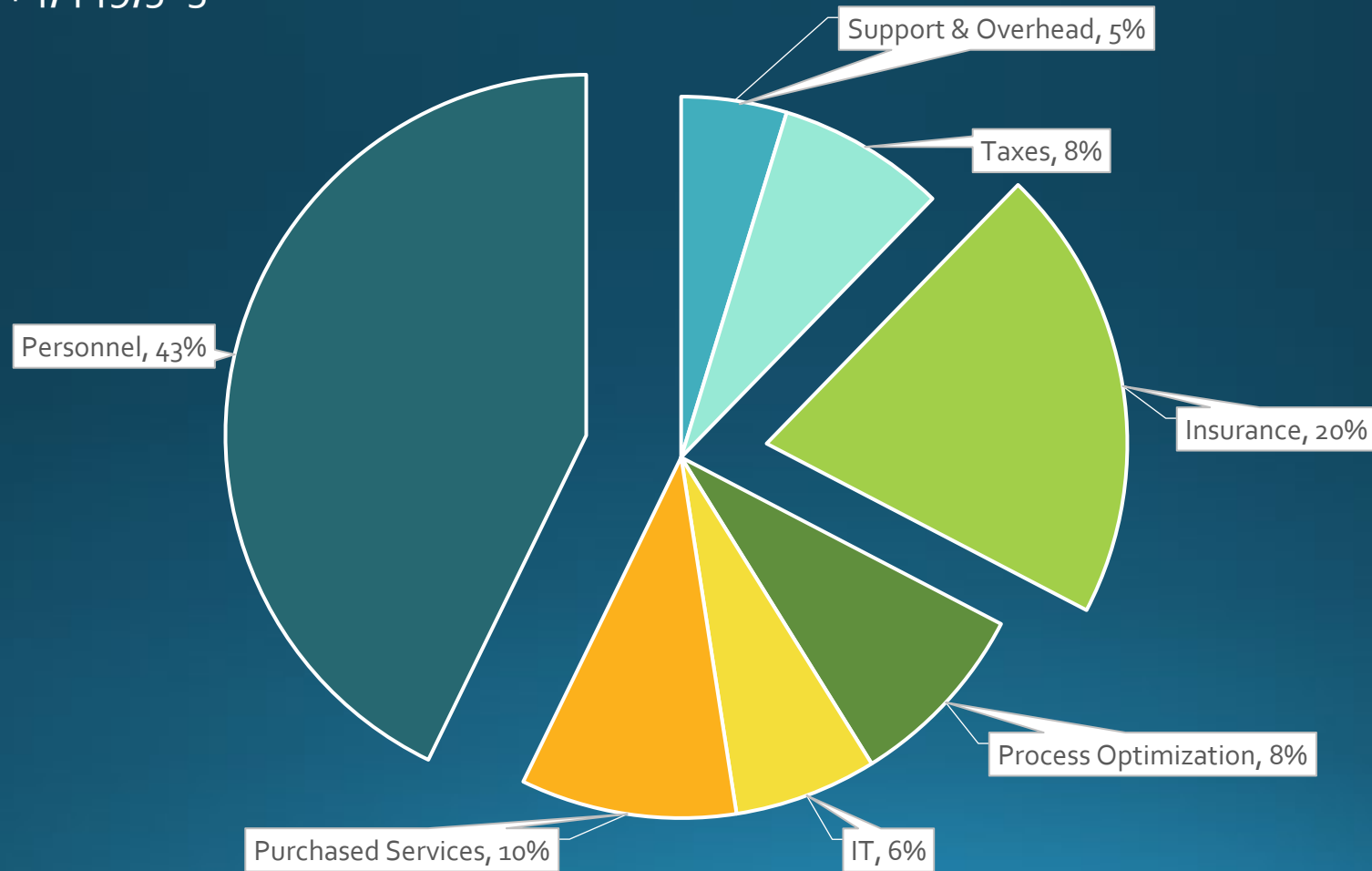
Contracted Services & Utilities

2025 Budget = \$11,486,824

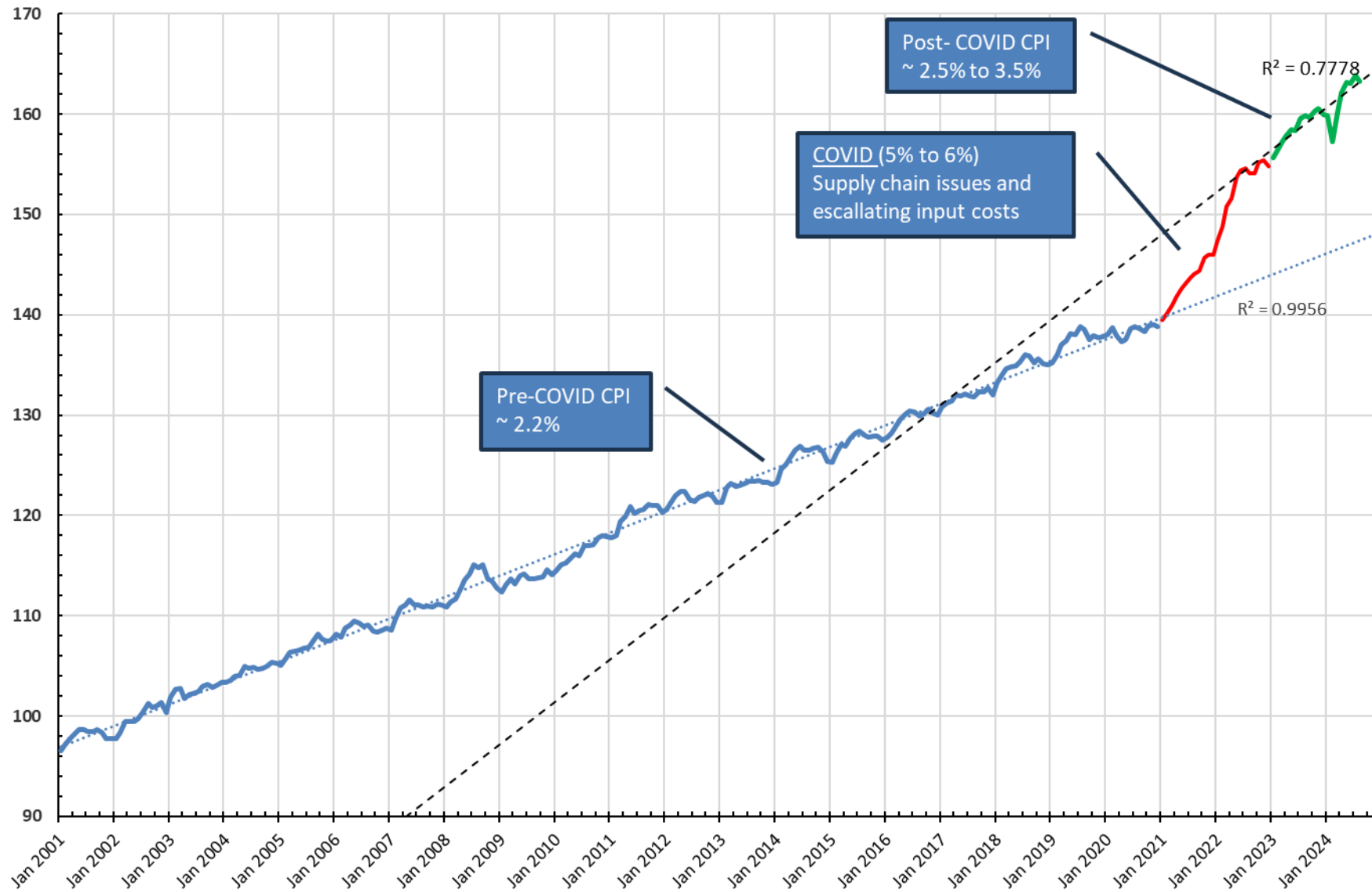


Admin. & Other Expenses

2025 Budget = \$4,449,523



**Consumer Price Index - Ontario
(Not Seasonally Adjusted)
CANSIM II: Table 18-10-0004-01 & 18-100-0007-01 (2002 = 100)**



Drivers on Operating Budget

- Increased cost of operating (energy, labour, chemicals, services)
 - inflation
 - mitigated by efficiency and optimization initiatives
- Additional personnel to address capital programs, health & safety, finance/procurement, IT/OT
- Service fees charged by City of London
- Insurance
- Cybersecurity and IT/OT operating costs
- Leased space

Flow & Financial Analysis Summary

(\$,000)

	Actual	Budget		Budget	Projected			
	2023	2024	2024 (Projected)	2025	2026	2027	2028	2029
Rate Increase	1.5%	5.0%		5.0%	5.0%	5.0%	5.0%	5.0%
Total Flow m ³	46,719,687	48,724,500	48,593,372	49,434,270	49,894,851	50,680,913	51,141,924	51,602,359
Water Rate \$/cu.m	0.5194	0.5454	0.5454	0.5726	0.6013	0.6313	0.6630	0.6962
Volume Revenues	24,266	26,573	26,501	28,308	30,000	31,997	33,907	35,926
Other Revenue	150	987	84	987	25	25	25	25
Total Revenue	\$ 24,416	\$ 27,560	\$ 26,585	\$ 29,295	\$ 30,025	\$ 32,022	\$ 33,932	\$ 35,951
Operating Expenses	10,689	11,183	11,007	11,487	11,897	12,622	12,697	12,799
Administrative & Overhead Expenses	3,513	3,799	3,598	4,450	4,696	4,835	4,964	5,101
Debt Servicing Costs	1,166	986	986	976	45	45	45	45
Total Operating & Administrative Expenses	\$ 15,368	\$ 15,968	\$ 15,591	\$ 16,913	\$ 16,638	\$ 17,502	\$ 17,706	\$ 17,945
Asset Replacement Reserve Fund Contributions	150	6,621	6,962	5,612	4,152	1,708	2,409	8,056
Capital Reserve Fund Contributions	8,747	4,972	4,032	6,770	9,236	12,811	13,816	9,950
Emergency Reserve Fund Contributions	150	-	-	-	-	-	-	-
Total Expenses	\$ 24,416	\$ 27,560	\$ 26,585	\$ 29,295	\$ 30,025	\$ 32,022	\$ 33,932	\$ 35,951

Objectives & Guidelines

- ✓ Assess both efficacy and efficiency of initiatives & operations (continual improvement)
- ✓ Consistency with approved Financial Plan (updated every 5 years)
- ✓ Validate and adjust assumptions annually:
 - Consumption & growth
 - Input unit costs, fees/charges, services
 - Zero-based budgeting
- ✓ Balance affordability, generational equity, capital re-investment, long-term growth, regulatory requirements, sustainability, etc.

Lake Huron Water Supply System

Reserve Fund

Continuity Schedules

Asset Replacement Reserve

(\$,000)

Asset Replacement Reserve Fund	Actual	Approved Budget	Projected				
	2023	2024	2025	2026	2027	2028	2029
Reserve Fund Opening Balance	20,386	13,997	6,245	7,582	7,520	7,519	7,594
Sources:							
Current Year Operating Contributions	150	6,000	5,612	4,152	1,708	2,409	8,056
Other Contributions		962	962				
Transfer from Capital Reserve Fund							
Net Interest Earnings	458	342	224	294	357	413	500
Total Sources	\$ 20,994	\$ 21,301	\$ 13,043	\$ 12,028	\$ 9,585	\$ 10,341	\$ 16,150
Uses:							
Total Lifecycle Capital Projects – Current	1,754	6,193	5,461	4,508	2,066	2,747	8,542
Less: Other Funding Sources	-	-	-	-	-	-	-
Less: Debenture Requirement	-	-	-	-	-	-	-
Net Current Year Fund Draws	1,754	6,193	5,461	4,508	2,066	2,747	8,542
Prior Years Capital Expenditures - Unspent	5,243	8,863					
Total Uses	\$ 6,997	\$ 15,056	\$ 5,461	\$ 4,508	\$ 2,066	\$ 2,747	\$ 8,542
Reserve Fund Ending Balance	\$ 13,997	\$ 6,245	\$ 7,582	\$ 7,520	\$ 7,519	\$ 7,594	\$ 7,608

New Capital Reserve

(\$,000)

Capital Reserve Fund	Actual	Approved Budget	Projected				
	2023	2024	2025	2026	2027	2028	2029
Reserve Fund Opening Balance	24,033	30,235	23,929	13,853	22,814	36,342	50,875
Sources:							
Current Year Operating Contributions	8,747	4,972	6,770	9,236	12,811	13,816	9,950
North Middlesex Loan	93	185	185	185	185	185	186
Net Interest Earnings ⁽²⁾	570	932	474	314	736	605	337
Total Sources	\$ 33,443	\$ 36,324	\$ 31,358	\$ 23,588	\$ 36,546	\$ 50,948	\$ 61,348
Uses:							
Total System Improvement & Growth Projects	1,324	5,213	17,505	775	204	73	199
Less: Other Funding Sources	-	-	-	-	-	-	-
Less: Debenture Requirement	-	-	-	-	-	-	-
Net Current Year Fund Draws ⁽³⁾	1,324	5,213	17,505	775	204	73	199
Prior Years Capital Expenditures ⁽³⁾	1,884	7,182	-	-	-	-	-
Total Uses	\$ 3,208	\$ 12,395	\$ 17,505	\$ 775	\$ 204	\$ 73	\$ 199
Reserve Fund Ending Balance	\$ 30,235	\$ 23,929	\$ 13,853	\$ 22,814	\$ 36,342	\$ 50,875	\$ 61,149

Emergency Reserve

(\$,000)

Emergency Reserve Fund	Actual	Approved Budget	Projected				
	2023	2024	2025	2026	2027	2028	2029
Reserve Fund Opening Balance	4,952	5,230	5,413	5,602	5,798	6,001	6,211
Sources:							
Current Year Operating Contributions	150	-	-	-	-	-	-
Net Interest Earnings ⁽²⁾	128	183	189	196	203	210	217
Total Sources	\$ 5,230	\$ 5,413	\$ 5,602	\$ 5,798	\$ 6,001	\$ 6,211	\$ 6,428
Uses:							
Current Year Capital Expenditures							
Prior Years Capital Expenditures							
Total Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Fund Ending Balance	\$ 5,230	\$ 5,413	\$ 5,602	\$ 5,798	\$ 6,001	\$ 6,211	\$ 6,428



Lake Huron Water Supply System
2025 Capital Budget
(Overview)

Capital Program Drivers

- 55 Huron projects currently being managed (~\$78.5 million)
- 2025 adds an additional 30 Huron projects (~\$23.0 million)
 - 21 projects – “Maintain LOS”
 - 9 projects – “Enhance LOS”, studies, new assets, and/or growth related

Resources: 2 Engineers, 2 Technologists, 1 Senior Technologist
(All FTE's shared with the Elgin Area water system)

