

 **Watson
& Associates**
ECONOMISTS LTD.

Municipality of South Huron 2025 Water and Wastewater Rate Study

Budget Meeting
December 17, 2025

Agenda



- Introduction
- Current Rates
- Projected Growth
- Capital Forecast
- Operating Budget Forecast
- Rate Forecasts
 - Exeter-Hensall Debt Charge
 - Rate Forecast Scenarios
 - Capital Financing
- Summary of Existing Water and Wastewater Debt
- Next Steps

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 Customer Forecast	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Existing	4,925	4,925	4,925	4,925	4,925	4,925	4,925	4,925	4,925	4,925	4,925	4,925
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	4,955	4,982	5,015	5,048	5,081	5,124	5,179	5,242	5,313	5,386	5,460	5,534

Water Volume Forecast (m ³)	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												
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	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

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



- Capital program consists of asset management/replacement and growth-related needs.
- If growth differs from projections, the timing and need for capital should be reassessed to ensure infrastructure is available when required. Otherwise, the municipality may need to cashflow costs from the water/wastewater rates and/or increase debt financing.
- The rate study assumes growth-related projects will be funded primarily from development charges (D.C.s) under the Municipality's current D.C. by-law.
- Additional D.C. revenue may become available if Council approves a new D.C. by-law, reducing the need for debt financing. If the new D.C. by-law does not embrace the calculated rates, there will be a need to cut or delay the capital program, which may result in areas that growth will not be able to proceed, or higher rate increases, or funding from other municipal sources to be utilized (i.e., taxes, other reserves, etc.).
- If projected growth does not occur, particularly in specific service areas, the growth-related projects may be deferred.

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	1,204,536	7,025,478
Studies*	169,168	1,688,335
Growth-Related**	7,363,808	10,566,675
Total Expenditures	\$9,475,163	\$37,848,038

* 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 Forecasts – Base and Volumetric Rates



- Two scenarios have been developed:
 - Scenario 1 – minimize external borrowing, higher rate impacts required in the first half of the forecast
 - Scenario 2 – smooth out rate increases over the forecast period to 2036

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



Water

Description	Scenario 1	Scenario 2
Total Expenditures	\$40,649,166	\$40,649,166
Capital Financing		
Provincial/Federal Grants	-	-
Development Charges Reserve Fund	699,230	699,230
Non-Growth Related Debenture Requirements	-	-
Growth Related Debenture Requirements	-	-
Water Reserve	1,000,000	1,000,000
Water Capital Replacement Reserve	38,949,936	38,949,936
Total Capital Financing	\$40,649,166	\$40,649,166
Total New Debt - Water	\$0	\$0

Wastewater

Description	Scenario 1	Scenario 2
Total Expenditures	\$50,272,717	\$50,272,717
Capital Financing		
Provincial/Federal Grants	-	-
Development Charges Reserve Fund	6,510,836	6,510,836
Non-Growth Related Debenture Requirements	4,200,000	7,400,000
Growth Related Debenture Requirements	6,424,000	6,424,000
Sewer Reserve	33,137,881	29,937,881
Total Capital Financing	\$50,272,717	\$50,272,717
Total New Debt - Wastewater	\$10,624,000	\$13,824,000

- Note: Municipality approved debt financing for the London Road South Trunk Sanitary Sewer project in 2025.

Summary of Existing Debt for Water and Wastewater Services



Debenture	Outstanding Principal (Jan. 1, 2026)	Maturity Date
Water		
Exeter-Hensall Pipeline	\$5,502,182	December 2034
Huron Park Water	\$1,068,513	December 2046
Total Existing - Water	\$6,570,695	
Wastewater		
Crediton/Centralia Sewers	\$1,022,104	August 2028
Huron Park Sewer	\$3,410,564	December 2046
Oakwood Sewer	\$519,059	July 2047
Grand Bend Sewage Treatment Facility and PS-2	\$1,651,137	December 2037
London Road South Trunk Sanitary Sewer	\$1,985,175	To be confirmed/issued
Total Existing - Wastewater	\$8,588,038	
Total Existing Water and Wastewater	\$15,158,733	

Rate Forecasts and Sample Bill Impact – Scenario 1



Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
Water												
Base Charge	10%	10%	10%	10%	5%	5%	5%	5%	3%	3%	3%	
Volumetric	1%	2%	2%	2%	1%	2%	1%	1%	1%	1%	1%	
Wastewater												
Base Charge	15%	15%	10%	5%	5%	3%	3%	3%	3%	3%	3%	
Volumetric	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
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	\$1,826	\$1,905	\$2,054	\$2,186	\$2,291	\$2,369	\$2,426	\$2,494	\$2,564	\$2,614	\$2,462	\$2,523
Total Annual Bill Impact (\$)		\$80	\$149	\$131	\$106	\$78	\$57	\$68	\$71	\$49	-\$151	\$61
Average Monthly Bill Impact (\$)		\$7	\$12	\$11	\$9	\$6	\$5	\$6	\$6	\$4	-\$13	\$5
Increase - Total Annual Bill (%)		4%	8%	6%	5%	3%	2%	3%	3%	2%	-6%	2%
Stephen												
Total Annual Bill	\$1,563	\$1,692	\$1,840	\$1,972	\$2,077	\$2,155	\$2,220	\$2,288	\$2,358	\$2,415	\$2,462	\$2,523
Total Annual Bill Impact (\$)		\$128	\$149	\$131	\$106	\$78	\$65	\$68	\$71	\$57	\$47	\$61
Average Monthly Bill Impact (\$)		\$11	\$12	\$11	\$9	\$6	\$5	\$6	\$6	\$5	\$4	\$5
Increase - Total Annual Bill (%)		8%	9%	7%	5%	4%	3%	3%	3%	2%	2%	2%

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

Rate Forecasts and Sample Bill Impact – Scenario 2



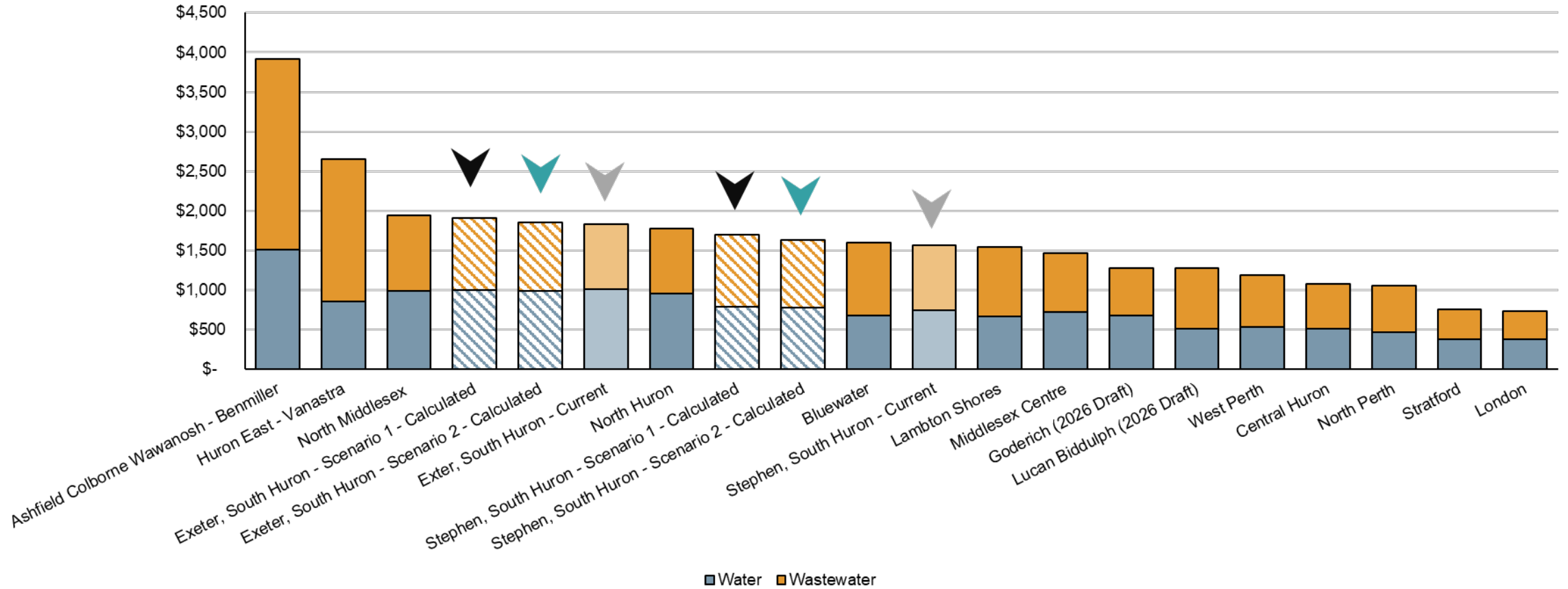
Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
Water												
Base Charge	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	
Volumetric	2.2%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	1.9%	2.3%	2.3%	2.2%	
Wastewater												
Base Charge	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	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	\$2,368	\$2,474	\$2,579	\$2,488	\$2,614
Total Annual Bill Impact (\$)		\$22	\$77	\$81	\$86	\$90	\$87	\$100	\$106	\$105	-\$91	\$126
Average Monthly Bill Impact (\$)		\$2	\$6	\$7	\$7	\$8	\$7	\$8	\$9	\$9	-\$8	\$11
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	\$2,162	\$2,268	\$2,381	\$2,488	\$2,614
Total Annual Bill Impact (\$)		\$70	\$77	\$81	\$86	\$90	\$95	\$100	\$106	\$113	\$107	\$126
Average Monthly Bill Impact (\$)		\$6	\$6	\$7	\$7	\$8	\$8	\$8	\$9	\$9	\$9	\$11
Increase - Total Annual Bill (%)		4%	5%	5%	5%	5%	5%	5%	5%	5%	5%	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



Next Steps



- Receive direction from Council on preferred rate forecast scenario
- Incorporate feedback from Council and finalize water and wastewater rate forecasts
- Prepare Water and Wastewater Rate Study report
- Present final report, including recommended rates, for Council approval
- Update rate by-law and prepare Water Financial Plan as required under Ontario Regulation 453/07 for Council adoption



Questions?