



# SAINT JOHN WATER | LONG-TERM FINANCIAL PLAN





# Table of Contents

Introduction	3	Financial Principles and Policies	13
About Saint John Water	3	Principles	13
Drinking (Potable) Water	3	Policies	14
Wastewater	3	Don't spend more money than you make (FAS-004)	14
Industrial Raw Water	3	Borrow wisely (FAS-006)	14
Infrastructure Management	3	Save your money for a rainy day (FAS-003)	15
About this Plan	4	Take good care of your property (FAS-001)	15
Financial Principles	4	Fix the roof before you buy new living room furniture (FAS-005)	15
Common Council's Goals for the Plan	4	Keep track of your money (FAS-021)	15
Alignment with other City Plans	4	Financial Targets and Growth Assumptions	17
Financial Discussion & Analysis	6	Targets	17
1. Rate Affordability	6	Full Cost Recovery Approach	18
2. Revenue Growth/Opportunities	6	Growth Assumptions Over the Planning Period	18
3. Large Infrastructure Deficit	7	Current State of the Utility	18
4. Long Term Debt	7	Conservative Household Growth Scenario	19
5. Size of the System	8	Alternative Growth Scenario Case	21
6. Flat Rate Billing	8	Implementation	24
Opportunities	10	Appendices	26
End of Shared Risk Pension Top-up Contributions	10	Appendix A: Saint John Water Infrastructure Inventory	26
Capacity of the System	10	Appendix B: Associated City Plans and Priorities	28
Catalytic Projects and Advocacy	10	Appendix C: Flat Rate for Non-metered Customers After Universal Metering Program Implementation (2024-2034)	29
Universal Metering	11		



# Introduction

## About Saint John Water

The first public water system in Canada, Saint John Water (the Utility), was established in 1837. The Utility is owned by the City of Saint John, funded by system users, and governed by Common Council.

The Utility provides:

- Drinking (potable) water
- Wastewater (sewerage) treatment
- Industrial raw water
- Infrastructure management.

The Utility provides services to 16,000 residential customers and 3,100 commercial and non-residential customers. It also provides four industrial customers with untreated water.

About 80% of customers pay a flat rate for their water and wastewater services. Council sets the rates in order to recover both the operating and capital costs of the Utility.

### Drinking (Potable) Water

Saint John Water uses source water from Loch Lomond/Latimer Lakes and the South Bay Well Field. Treated water is distributed through approximately 500 km of distribution and transmission pipes across the city.

In 2014 the City launched the *Safe Clean Drinking Water Project*, a \$225 million initiative to ensure that customers receive safe, clean, quality drinking water. The project included the construction of a 75 million litre per day water treatment plant, the renewal and installation of 26 km of water transmission/ distribution mains, the renewal of three dams and the

development of the new South Bay Well Field. Boil water orders and service interruptions – something that used to happen frequently – have been greatly reduced since the Loch Lomond Water Treatment Facility went into operation in 2018.

The project also included the separation of potable and raw water pipes for those customers that require raw water.

### Wastewater

The City of Saint John has one of the oldest municipal sewage systems in North America, dating back to the 1880s. In 1993, when the City developed its wastewater treatment strategy, only 40% of system users were serviced with wastewater treatment.

In 2009, a \$100 million project (*Harbour Clean-up*) was developed to ensure that 100% of wastewater would be treated. That project included a new wastewater treatment facility, 24 new lift stations, and the construction of force main and collector sewers.

### Industrial Raw Water

Four industrial customers receive untreated source water (raw water) to support their manufacturing operations.

### Infrastructure Management

Saint John Water operates and maintains assets with a current replacement value of \$4.01 billion.

**See Appendix A for list of Saint John Water Infrastructure Inventory.**



## About this Plan

The *Saint John Water Long Term Financial Plan* is a living document created to guide the Utility's financial and operating activities for the next ten years. It will ensure that Saint John Water operates as a "sustainable utility" – meaning it will meet the present and future economic, social needs of today's ratepayers without compromising the ability of future generations to meet their own needs.

This plan includes a discussion and analysis of the financial environment, identifies challenges and opportunities, details financial principles and policies, and defines financial strategies and targets for potable (drinking) water and wastewater services.

### Financial Principles

The City of Saint John Finance Committee has adopted four financial principles to guide the plan: long term sustainability, increased flexibility, reduced vulnerability, and environmental responsibility.

### Common Council's Goals for the Plan

As part of the City of Saint John's *10-year Strategic Plan*, Common Council identified the following objective for the Utility: "*Strengthen the competitiveness of the water utility in comparison to municipalities with similar service and infrastructure.*"

The *10-year Strategic Plan* sets out the following actions:

- Structure the capital budget to support strategic infrastructure investments.
- Seek external funding for future utility infrastructure investments.
- Undertake a feasibility study regarding universal metering for all residential customers.
- Seek legislative changes to implement a water service levy on vacant and serviced lots.

It should be noted that a major transformational action is the feasibility study regarding the move to universal metering. This project would see residential customers moving from a flat rate to consumption-based charges. The study would also address cost components, rate structure and affordability.

Several challenges or obstacles have been considered during the development of this plan, including:

1. Large infrastructure deficit
2. Rate affordability and billing structure
3. Size and geography of the system

### Alignment with other City Plans

In addition to the City's *10-year Strategic Plan*, the *Saint John Water Long-Term Financial Plan* aligns with *ActSJ: Pathway to Net Zero*, the *Asset Management Policy* and Common Council's Priorities. The Plan also uses policies as set out by the City of Saint John's *Ten Year Financial Plan*.

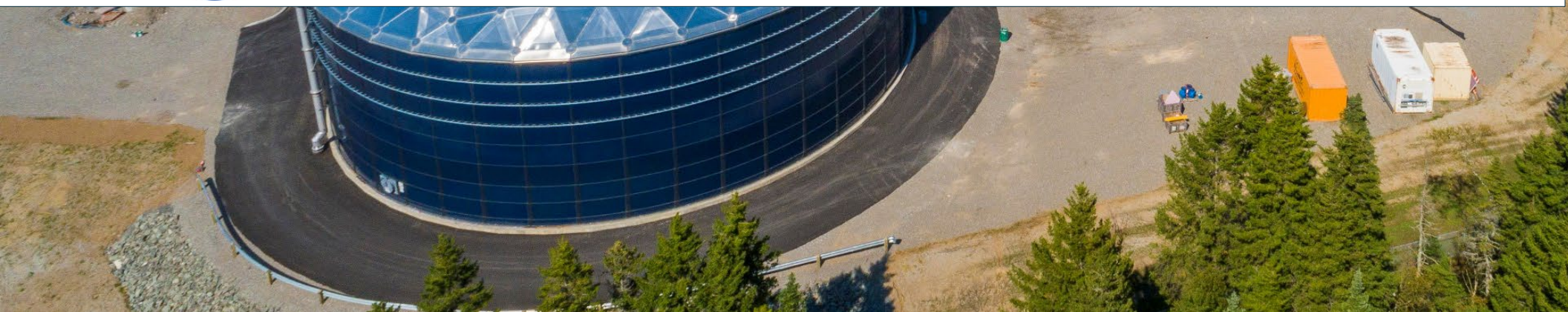
**See Appendix B for links to Associated City Plans.**

**Note:** Financial modelling for the plan was conducted by Hemson Consulting.





## FINANCIAL DISCUSSION AND ANALYSIS







## Financial Discussion & Analysis

### 1. Rate Affordability

Saint John Water has made significant investments in water and wastewater treatment over the past 15 years.

The *Safe Clean Drinking Water* and *Harbour Clean Up* projects led to approximately \$325 million in capital investments. Rate payers were responsible for approximately half of that cost; between 2008 and 2019, the flat rate for residential customers increased by 105% as a result of the large capital investments over the 10-year period of those projects.

Due to the geographical size and topography of Saint John, the amount of infrastructure needed to provide water and wastewater services is significantly greater than that in neighbouring municipalities with similar populations.

Ratepayers are also responsible for the annual costs of operating the Utility. However, the number of ratepayers is low given the physical size of the system. There are approximately 16,000 residential customers and 3,100 commercial customers. And the debt resulting from the *Safe Clean Drinking Water* and *Harbour Clean Up* projects peaked at over \$107 million, a significant burden for such a small customer base.

Since 2019, potable water rates have been held at \$1,428 annually for residential customers. Metered customers that have both water and sewerage service have also not seen an increase since then. To achieve this, since 2017 the utility has worked to reduce staff, find new revenue opportunities and further efficiencies, and avoid additional borrowing.

One of the key challenges is the current economic environment. In 2022, the Utility saw the highest inflation rates in over 20 years, and experienced major supply chain issues. The cost of materials and components has not decreased since. All these factors put additional pressure on the Utility; without an

increase in revenues, cost increases are making it more challenging to hold the line on rates.

That pressure to hold the rates also affects the number of capital projects the Utility needs to do. The significant infrastructure deficit and the amount of funding earmarked in the operating budget, which is typically \$5-5.5 million annually, represents approximately 1.44% of the infrastructure deficit.

### 2. Revenue Growth/Opportunities

Under the Province of New Brunswick's *Local Governance Act*, the Utility must be run as a cost recovery entity, meaning that rates for the users must cover only the cost of providing the service.

The Utility cannot be in deficit or surplus and cannot operate as a for profit entity. The Utility has seen a large reduction in flat rate billings over the past ten years. This is due to a variety of factors including population decline at the beginning of the last decade, customers switching over to meters in accordance with bylaw requirements, a loss of housing due to dilapidated buildings, and industrial events resulting in housing being demolished. Along with reductions in flat rate revenue, meter revenue has also declined over the past year due to business closures and reduced consumption resulting from conservation efforts.

The Utility carries a lot of risk with respect to revenue, particularly with respect to larger users for potable water. An example of the sensitivity of revenue is the closure of Saputo Dairy at the end of 2020, which resulted in a loss of approximately \$220 thousand in annual revenue. One-hundred and fifty-seven new residential homes would have to be built to replace that revenue loss. Revenue risk also arose during the COVID 19 pandemic, when many restaurants, hotels, schools, malls, sport venues and bars were closed or operated at reduced capacity, resulting in reduced consumption.

Without additional large commercial customers, particularly those that use water in manufacturing, any amount of new revenue generated is small compared to the Utility's annual investments in infrastructure.

For example, a newly built 83-unit apartment building in Saint John has an estimated annual property tax revenue of \$230 thousand per year versus \$21 thousand in new water and sewerage revenue. This also doesn't take into account the millions of dollars in infrastructure that the Utility needs in order to ensure that the City can handle any new growth in residential units.

### 3. Large Infrastructure Deficit

Infrastructure is the facilities, equipment and systems needed to collect, store treat and deliver water and wastewater services. As Canada's first incorporated city, the City of Saint John has a legacy of aging infrastructure. A strategic approach is needed to optimize City assets, improve environmental performance and drive growth. Outdated infrastructure is a barrier to realizing the City's growth objectives, which target density in the urban core and priority suburban growth areas to make those areas more sustainable and attractive for development.

Saint John Water is currently facing a \$370 million infrastructure deficit, based on the *2024 State of the Infrastructure (SOTI)* report. An infrastructure deficit is essentially the difference between the funding required for replacement, maintenance and repairs, and the money available. (The City's first extensive evaluation of its assets was the SOTI report was prepared in 2019.) The 2024 estimated replacement value of Saint John Water assets is \$4.01 billion.

Generally, 75% of assets are in *Very Good* to *Fair* condition; however, it is estimated that 11% are in poor to very poor condition. With current funding available of \$10-15 million per year, that deficit will not improve. Approximately \$35 million of funding per year is required to achieve sustainability. Compared to the current funding of \$10-\$15 million per year, there is a \$20-\$25 million gap in achieving sustainable funding.

The City has some of the oldest wastewater infrastructure in the country, including combined terra cotta sewers dating back to 1872 in the Central Peninsula (a key growth centre for the City).

The City of Saint John has a critical need to upgrade wastewater infrastructure in order to improve environmental performance, increase wastewater and storm capacity, and support efforts to drive fiscal sustainability and tax base growth.

With approximately 75 km of combined sewer lines in the overall sewerage system, renewal of this system to optimize environmental performance and growth opportunities would not be feasible without funding assistance from the federal and provincial governments. The cost of replacing combined sewers is estimated to be approximately \$6 million per lane kilometer.

### 4. Long Term Debt

In 2017 the Utility's debt was over \$107 million due to costs associated with the *Safe Clean Drinking Water* Project. There has been a focus on debt reduction, with no additional borrowing since 2017, and the balance for long-term debt is \$69,243,001 million for the year ending 2023. However, the debt balance is a significant burden for a utility with approximately 19,100 customers.

The challenge with the high debt and the focus on debt reduction has resulted in the large infrastructure deficit being funded strictly from the operating budget. The capital being funded through the operating budget is approximately \$5.2 million annually. There has also been additional funding secured from other levels of government over the last several years, but even with that funding the Utility is achieving very little reduction in its infrastructure deficit.



Due to the inability to borrow more money and limited funding, it is critical that the Utility continue to seek and secure funding from other levels of government. Major transformational initiatives such as universal metering will not be achievable without such funding.

## 5. Size of the System

When comparing Saint John to other cities like Fredericton and Moncton, critics generally focus on rates. Saint John is geographically a much larger city and the infrastructure in Saint John is significantly larger, older, and much more costly to operate and maintain than the infrastructure in those other cities.

In fact, Saint John (315.96 km<sup>2</sup>) is double the size of Fredericton (130.7 km<sup>2</sup>) and Moncton (141.2 km<sup>2</sup>). That difference means the size and cost of infrastructure is significantly larger than that of Fredericton and Moncton.

### **Wastewater Treatment**

Saint John currently has three large volume wastewater treatment plants. Fredericton and Moncton have one wastewater treatment plant each.

Saint John has 72 wastewater pumping stations, while Fredericton has 35 and Moncton has 13.

### **Drinking Water Treatment**

Saint John has 14 dams in its system and is served by two treatment plants. Moncton has three dams and one treatment plant. Fredericton has no dams and one water treatment plant.

### **Underground Infrastructure**

Saint John has 315.5 km of sanitary sewer, 50.4 km of forcemain, 75.4 km of combined sewer and 325.2 km of storm sewer. The Utility is endeavouring to separate combined sewers to address cost and environmental considerations.

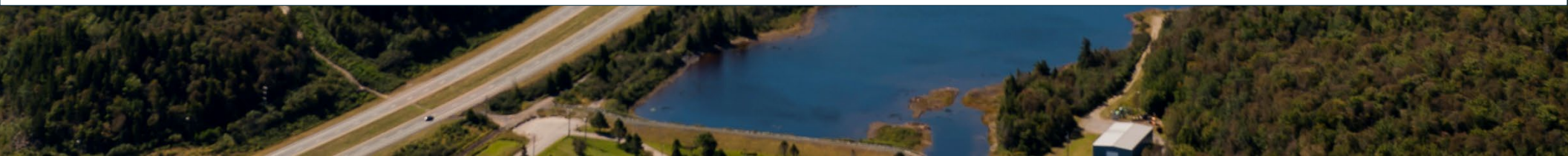
## 6. Flat Rate Billing

Currently, residential customers with fewer than three dwelling units in Saint John are charged for water and sewer services on a flat rate basis. Under a flat rate structure, the total bill is the same regardless of the amount of water consumed in each unit. Flat rate water bills are sent on a semi-annual basis. In contrast, non-residential customers have their water meters read every two months and are billed according to their water consumption.

Flat rate billing often results in excess water use and increased costs associated with water treatment, including maintenance, electricity and chemicals.



## OPPORTUNITIES





## Opportunities

A major obstacle for the Utility is revenue growth. While the financial environment may be challenging, there are opportunities available to Saint John Water.

Population growth and opportunities for education, recreation and business will benefit the Utility. These opportunities, if leveraged, will help address some of Saint John Water's financial challenges.

### End of Shared Risk Pension Top-up Contributions

On January 1, 2013 the City converted its pension plan to a shared risk model. The objective of this model was to attain a minimum funded ratio of 150% (as calculated under New Brunswick pension legislation). To achieve this ratio, the City is required to make additional contributions over and above its annual required contributions. As a result, the City has been required to make an additional 17% of earnings for a period of 15 years. This additional contribution is typically approximately \$1.25 million per year for the Utility. These payments end in 2028 and align with the potential implementation of the universal metering program.

### Capacity of the System

The Utility has potential to grow its customer base significantly without the need for additional significant infrastructure. The system covers a large portion of the city, and Saint John Water could add customers to the system without major cost outlays. There is also capacity to onboard new raw water customers.

As more customers are added to the system, revenues will increase without a significant accompanying increase in expenses.

This additional revenue would be key to maintaining rates as other expenses increase annually.

## Catalytic Projects and Advocacy

Common Council is committed to working across all sectors to unlock growth potential in the City and region. Council has identified four Catalytic Infrastructure Projects to address critical infrastructure and spur growth. It is important to note that these projects will be developed in areas serviced by existing Saint John Water infrastructure.

### Innovative Central Peninsula Learning Commons

This new school, located in the most densely populated part of Saint John, will also be a community hub to support and revitalize the central peninsula neighbourhood. Provincial funding was announced in December of 2023, with completion expected in 2026.

### Redevelopment of Fundy Quay

This mixed-used project is transforming Saint John's waterfront. Two thirds of the \$27.4 million project, or about \$18.4 million, has been funded by the federal and provincial governments, with the remainder funded by the City. The project has garnered over \$100 million of private investment.

### New Multipurpose Recreational Facility

A new facility has been prioritized to replace aging arenas that are close to 50 years old. It will provide modern, functional space for sports, recreation, and the arts. This will not only improve community wellness and service offerings for current residents it will boost the attractiveness of the region.

### Investment in Industrial Parks

The City is looking to expand lands and investments in its industrial parks to fuel economic growth by attracting new businesses and skilled workers in sectors such as green energy, advanced manufacturing and transportation and logistics.



## Universal Metering

Saint John is one of a few municipalities in the country that still uses a flat rate billing structure. That means all flat rate billing customers pay the same amount for their water services, regardless of how much they use.

The Utility's plan calls for the implementation of universal metering, starting in 2028, with conversion for most residential customers to meter rates by 2031. This transformational project will require at least 50% funding from other sources.

The move to universal metering will allow better distribution of costs between ratepayers, as charges will be based on water consumption (rather than having all ratepayers pay the same amount regardless of consumption).

Universal metering will also allow the Utility to implement changes within its rates to assist with the financial challenges being faced by many ratepayers. The Utility will investigate the implementation of a "lifeline rate" as its first rate block. (The first rate block is a discounted rate to ensure ratepayers can meet their basic water needs at a rate that is deemed to be affordable.)

A study will begin in 2026 to determine rates for the universal metering program.

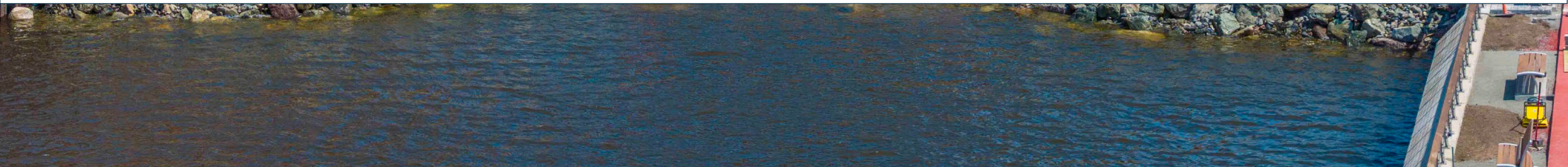
Water metering also promotes responsible water usage, helps detect leaks more quickly, and optimizes water distribution – leading to cost savings and improved conservation.

*ActSJ: Pathway to Net-Zero* identifies a 30% reduction in water consumption per capita by 2040 as a key strategy. A reduction in water consumption will result in reduced costs to treat and distribute water.





## FINANCIAL PRINCIPLES AND POLICIES







## Principles

The Utility has performed exceptionally well over the past number of years despite the absence of a long-term financial plan. A lack of new borrowing since 2017 has resulted in debt reduction. There has also been no rate increase for water and sewerage customers over the past five years, despite the current economic environment. And there has been a focused effort to reduce expenditures, find efficiencies and realize other revenues.

The only way to achieve continued long-term financial security is to diligently plan and to continue to execute over the long-term. The Finance Committee has identified four key financial principles to guide the plan: long term-sustainability, increased flexibility, reduced vulnerability, and environmental responsibility.

Principle	Description & Importance	Implementation
<b>Long-Term Sustainability</b>	<ul style="list-style-type: none"> <li>“Sustainability focuses on meeting the needs of the present and future economic, social and environmental needs to today’s ratepayers without compromising the ability of future generations to meet their needs.”<sup>2</sup></li> <li>A decision that may benefit the short-term may not necessarily be good for the long-term. This principle ensures that due care is taken to evaluate future considerations.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure goal congruence – operating and capital budgets, debt management and expenditures take into account the Utility’s long-term financial strategy.</li> <li>Evaluation of long-term impact of decisions. Dismissing options that are detrimental to long-term sustainability.</li> <li>Exercising fiscal responsibility as it pertains to affordability and debt management.</li> </ul>
<b>Increased Flexibility</b>	<ul style="list-style-type: none"> <li>Flexibility is the ability to cover expenditures while still having funds available for reserves, debt repayment, etc.</li> <li>It is important to maintain a structurally sound operating budget where operating revenues naturally exceed operating expenditures to ensure the ability to meet future spending needs.</li> </ul>	<ul style="list-style-type: none"> <li>Reducing debt load will reduce principal and interest payments</li> </ul>
<b>Reduced Vulnerability</b>	<ul style="list-style-type: none"> <li>The ability to grow revenue to cover required expenditures.</li> </ul>	<ul style="list-style-type: none"> <li>To eliminate the impacts on ratepayers if a change in the businesses of major potable water customers occurs.</li> </ul>
<b>Environmental Responsibility</b>	<ul style="list-style-type: none"> <li>Demonstrate environmental stewardship and lead by managing and protecting our natural environment and resources for current and future ratepayers.</li> </ul>	<ul style="list-style-type: none"> <li>Implementing universal metering will ensure conservation and protection of the Utility’s natural resources.</li> </ul>

<sup>2</sup> <https://www.investopedia.com/terms/s/sustainability.asp>



# Policies

The purpose of developing a long-term financial plan is to have a road map to achieve a defined set of goals.

This road map will ensure that Saint John Water operates as a “sustainable utility”, meaning it has the ability to meet the present and future economic and social needs of today’s ratepayers without compromising the ability of future generations to meet their own needs. It will also ensure that Council’s goals for the Utility are met.

A number of best practice policies have been adopted by Council to help achieve these goals by applying six key financial values:

## Don’t spend more money than you make (FAS-004)

If every year a person uses credit cards to pay for things that they need, but can’t afford, they will dig themselves a financial hole that will be very difficult to get out of. Every year, their debt levels will get higher and a larger portion of their money will go to funding their minimum payments. That is why it is important to only spend the money you have made, thereby living within your means. **The Operating Budget Policy (FAS-004)** was established to strengthen financial sustainability and reduce financial vulnerability. It is summarized as follows:

- Maintain a structurally balanced budget: Recurring operating expenses should be covered by recurring operating revenues
- Operating revenues above required expenditure be directed to operating and capital reserves
- One-time revenues should only be used for onetime expenses

## Borrow wisely (FAS-006)

While it would be great to be able to pay cash for everything, the reality is that at some point or another debt will become a fact of life, especially when it comes to large ticket items such as houses or cars. **The Debt Management Policy (FAS-006)** sets out the acceptable conditions for the use of debt in addition to debt limits, targets and capacity. It stipulates that long-term debt will only be issued to finance projects approved in the Capital Budget and the Capital Investment Plan – never to fund operating or maintenance costs. The other key limits and targets are as follows:

Key Performance Indicators of Debt Limits of The Utility Fund:

- The Debt Service Ratio shall not exceed 15% of the Operating Budget

Debt Service Target for the Utility

- Debt target by 2032 – \$45 million

**Note:** A revised Debt Management Policy as it applies to the Utility will be brought forward in 2025.

## Save your money for a rainy day (FAS-003)

Everyone knows that surprises happen. There will always be unforeseen expenses that will come up and sometimes the money to cover said expenses will not be available. In order to ensure The Utility remains in compliance with the Debt Management and Operating Budget policies, an **Operating and Capital Reserves Policy (FAS-003)** was created. This policy allows the Utility to set aside money to use for future operating expenses and capital expenditures. The following are stipulations.

Reserves are meant to provide for:

- Major unanticipated events
- Major capital renewal
- Future liabilities
- One-time operating expenses which are greater than \$100,000 that are not part of the operating budget
- Infrastructure deficits
- Investment growth opportunities

## Take good care of your property (FAS-001)

When you own a car, you know that routine maintenance such as changing the oil and rotating the tires will help extend the life of your vehicle as well as minimize the operating expenses in the long run. Also, once the car gets old, there is an optimal time to replace it before the maintenance charges become too high. City assets are very similar and for that reason, an **Asset Management Policy (FAS-001)** was created. The specific objectives of the Asset Management Policy are to:

- Improve the reliability of customer service by maintaining clearly defined levels of service by maintain assets in good condition
- Improve the decisions related to the management of the Utility's assets

- Improve the transparency and accountability of community investments in the management of the Utility's assets.
- Improve the management of the Utility's exposure to risks of reduced service delivery
- Facilitate the leveraging of partnerships and infrastructure funding from external sources.

## Fix the roof before you buy new living room furniture (FAS -005)

An updated **Capital Budget Policy (FAS-005)** will be brought forward for Council's consideration in 2025. A revised Capital Budget Policy will bring balance to Utility investments with regards to growth projects.

## Keep track of your money (FAS-021)

The **Budget Monitoring Policy (FAS-021)** is a policy that enhances accuracy, accountability, and control by ensuring budget allocations are managed and adhered to according to the policy. The policy enhances fiscal responsibility and financial flexibility by integrating budget monitoring practices with the Utility's reserve fund and debt management strategies.

The policy ensures personnel and non-personnel budgets are managed separately, annual operating revenues and expenditures match forecasts, financial controls to ensure resources are funded and spent in a fiscally prudent manner.





## FINANCIAL TARGETS AND GROWTH ASSUMPTIONS







## Financial Targets and Growth Assumptions

### Targets

As part of the first long-term financial plan for the Utility, The Finance Committee approved a number of key financial policies to guide decision making around long-term financial planning. Within these policies, the Finance Committee has set targets that served as the foundation of this financial plan.

Based on the Utility’s adopted principles and policies achieving the following financial targets have been identified as critical to sustainability.

Policy	Measure	Target	Due Date
Operating Budget Policy	Structural budget	Maintain a structurally balanced budget	Annual
Operating Budget Policy	Annual Rates*	Maintain lowest rate increase	Annual
Operating and Capital Reserves Policy	Operating fund balance	Maintain a minimum of \$1 million for unforeseen expenditures	On going
Asset Management Policy	Infrastructure Deficit	Maintain current deficit based on 2022 SOTI	On going
Debt Management Policy	Debt Balance	\$45 million	December 31, 2032
Various	Pay-as-you-Go	Assets in critical condition are prioritized	December 31, 2032

See Appendix C for the flat rate for non-metered customers after universal metering program implementation (2024-2034).

## Full Cost Recovery Approach

### 1. Full recovery of operating costs

- Based on the City's 2024 budget and adjusted to account for the effects of inflation
- Annual debt payments (existing and projected)
- Only drinking (potable) and wastewater debt considered in the calculations
- Pension expenses come offline in Q1 2028

### 2. Full recovery of annual capital needs

- Post 2024 is based on a similar level of activity to 2024 plus inflation.

### 3. Contribution to Reserve for future Asset Replacement

- SOTI Report = \$35 million per annum (2024) for 20-Year Asset Needs for potable system.

## Growth Assumptions Over the Planning Period

Modeling for the plan was developed using the current state of the Utility and two scenarios based on growth in Saint John.

### Current State of the Utility

- Saint John Water currently has approximately **15,700 billable** water users that pay a flat fixed charge (low-density residential)
- An additional 3,300 Industrial, Commercial, Institutional and multi-unit metered accounts are billed based on meter size
  - About 65% of meters are less than 1 inch
- An additional 2.1-2.2 million m<sup>3</sup> per year in potable consumption from industrial customers from 2024 to 2029

### Conservative Household Growth Scenario

- 25 new residential customers per year

### Alternate Household Growth Scenario

- Growth in line with City of Saint John 10-year Strategic Plan
- Billable residential fixed connections to increase by 2.14% or an average of \$378/year



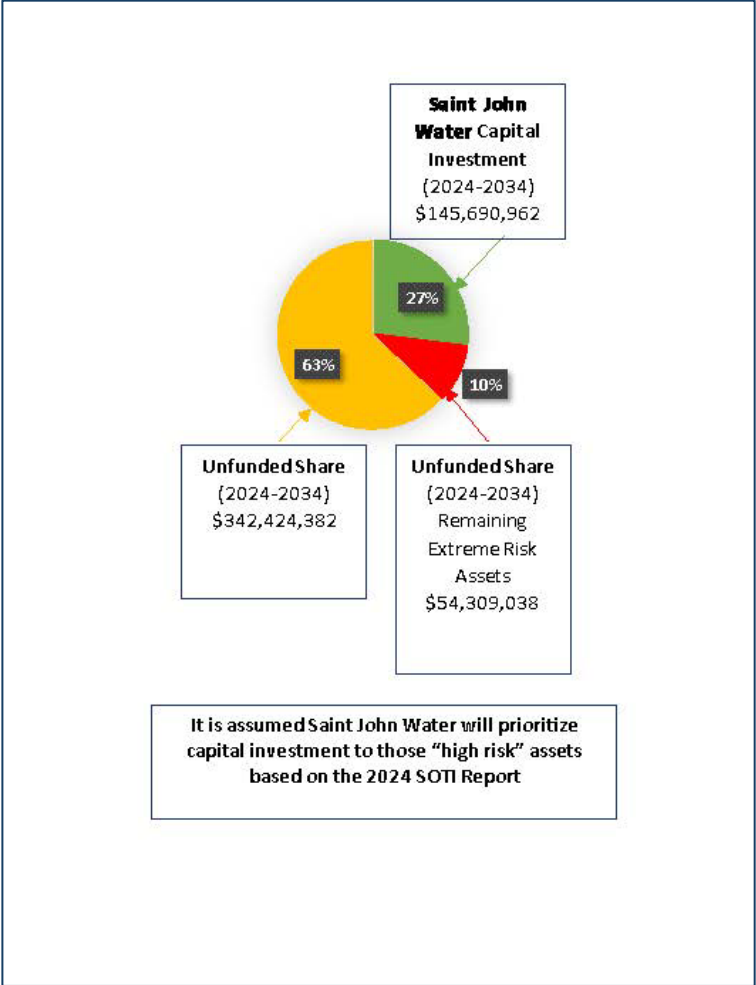
# Conservative Household Growth Scenario

## Assumption: 10% of Operating Cost to Debt Service

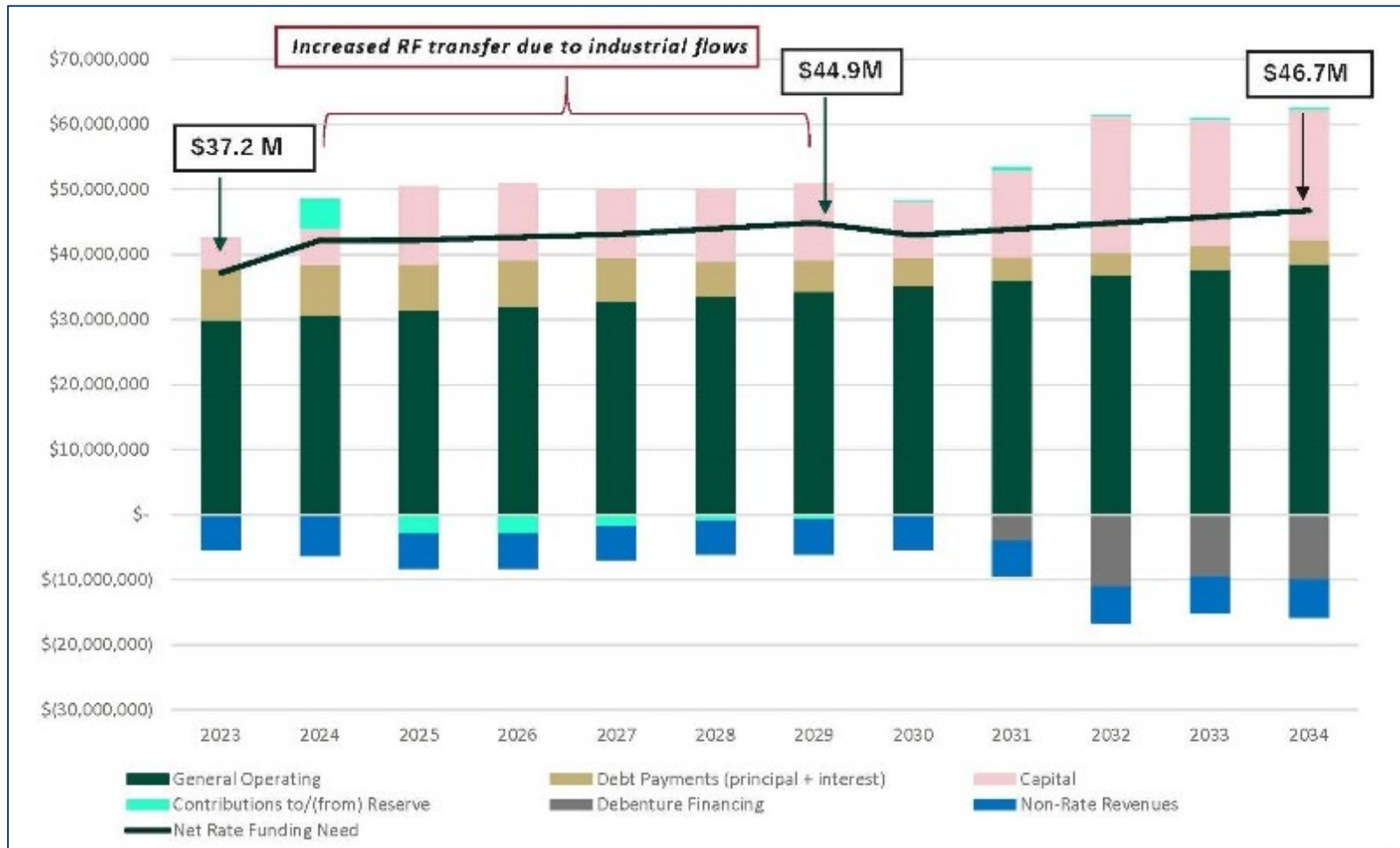
The Saint John Water 2023-2032 Long-Term Financial Plan focuses on opportunities that are credible and attainable for the Utility.

The following has been assumed within the conservative household growth scenario:

- 25 new residential customers per year
- Additional revenues over expenditure requirements directed to operating and capital reserves and pay as you go
- Inflation of goods and services of 2.30% in 2024, then 2.15% annually
- Flat rate to remain stable at \$1,428 per year until 2026. There will be gradual increases of 1% to 2% per year until new billing structure is introduced
- Wage and benefits to align with the General Fund
- Infrastructure deficit to remain stable during term of plan
- Universal metering implementation to start by 2028-2032
- Universal metering project assumes 50% funding from other sources
- 27% future infrastructure requirements funded by the Utility (\$146 million funded by the Utility)
- Unfunded share of remaining extreme risk assets is 10% (\$54 million)
- Unfunded share of all infrastructure renewal from 2024-2034 is 73% (\$397 million of funding from other levels of government)



## Conservative Household Growth Scenario



*Includes potable water and wastewater. Excludes industrial water. Non-rate revenues include: fire protection levy, carryover surplus, etc.*

*The 10-year conservative forecast meets all of the financial targets. Specifically, the budget is balanced, the total debt load has been reduced, and infrastructure deficit is maintained.*

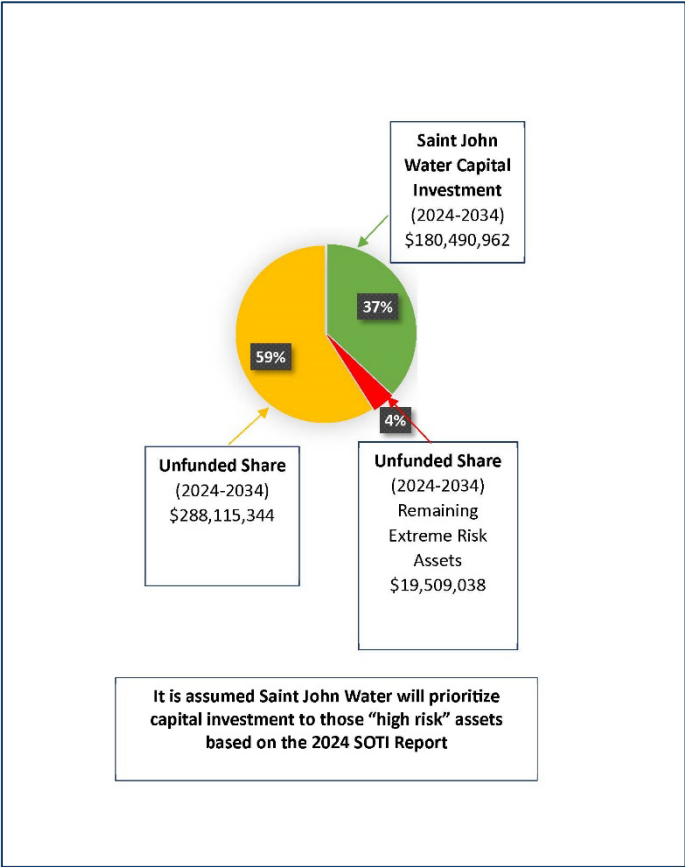


# Alternative Growth Scenario Case

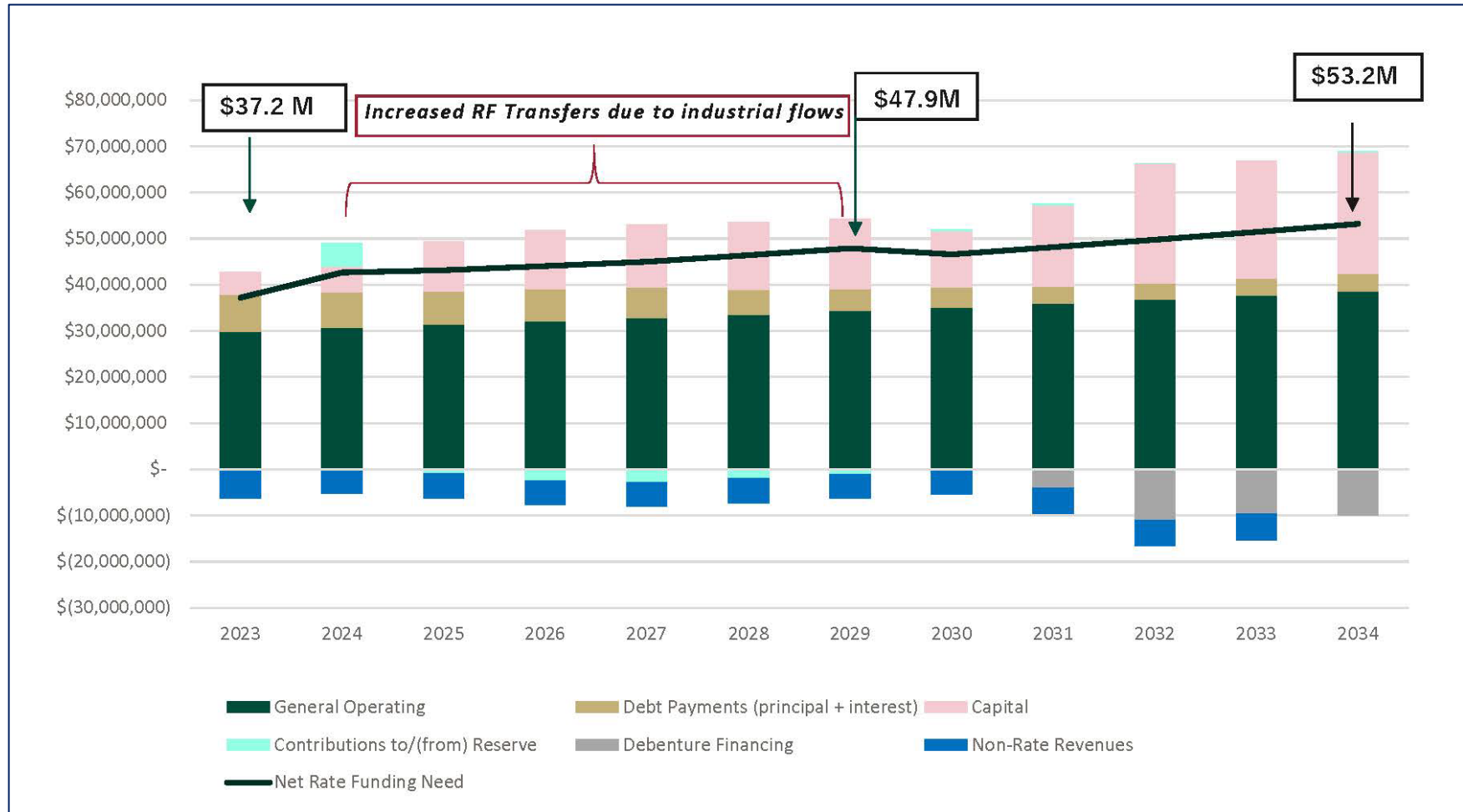
## Assumption: 10% of Operating Cost to Debt Service

The following has been assumed with growth in line with the City of Saint John 10-year Strategic Plan:

- 378 new residential customers per year
- Additional revenues over expenditure requirements directed to operating and capital reserves and pay as you go
- Inflation of goods and services of 2.30% in 2024, then 2.15% annually
- Flat rate to remain stable at \$1,428 per year until 2026. There will be gradual increases of 1% to 2% per year until new billing structure is introduced
- Wage and benefits to align with the General Fund
- Infrastructure deficit to remain stable during term of plan
- Universal metering implementation to start by 2028-2032
- Universal metering project assumes 50% funding from other sources
- 37% future infrastructure requirements funded by the Utility (\$180 million funded by the Utility)
- Unfunded share of remaining extreme risk assets is 4% (\$19.5 million)
- Unfunded share of all infrastructure renewal from 2024-2034 is 63% (\$308 million of funding from other levels of government)



## Alternative Growth Scenario Case



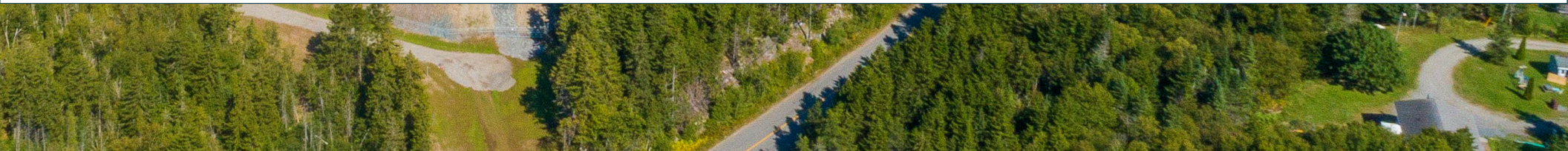
*Includes potable water and wastewater. Excludes industrial water. Non-rate revenues include: fire protection levy, carryover surplus, etc.*

*The 10-year alternate forecast in meets all of the financial targets. Specifically, the budget is balanced, the total debt load has been reduced, and unfunded infrastructure deficit declines.*





IMPLEMENTATION







## Implementation

The path to operating as a Sustainable Utility has been defined and the targets are set. Key to implementation is defining key dates and initiatives, tracking progress as it compares to the plan and making updates where necessary. Bi-annual monitoring will be performed by the Finance Committee for annual presentation to Council.

	2025	2026	2027	2028	2029	2030	2031	2032
<b>Long-term Financial Plan</b>	●							
<b>Asset Management Program Implementation</b>	●	●						
<b>Universal Meter Rate Study</b>		●	●					
<b>Flat increases (1%, 1.5%, 2%)</b>		●	●	●	●	●		
<b>Universal Metering Implementation</b>				●	●	●		
<b>Flat Rate Consumption-based Rate Implementation</b>							●	
<b>Enterprise Resource Program Implementation</b>		●	●					
<b>Asset Rehabilitation</b>	●	●	●	●	●	●	●	●
<b>Infrastructure Renewal</b>	●	●	●	●	●	●	●	●





## APPENDICES





## Appendices

### Appendix A: Saint John Water Infrastructure Inventory

<b>Primary Water System Assets</b>		
<i>Asset</i>	<i>Statistic</i>	<i>Description</i>
Water Transmission Main Length (km)	118.9 km	This includes watermain 400 mm and greater in diameter
Water Distribution Mains (km)	386.3 km	This includes watermain less than 400 mm in diameter
Fire Hydrants	2127	Fire Hydrants
Pressure Reducing Valves	27	Various pressure reducing valves throughout the city
Water System Valves	8419	These valves include: Gate Valves, Butterfly Valves, Air Valves, Back Flow Preventer, Blow Off Valves, Check Valves, Control Valves, Flushings, Hydrant Control Valves and Sluice Gates.
Water Service Valves	15126	Water Service Boxes (Mapped)
Water Storage Tanks	10	Churchill Heights Water Tank, Cottage Hill Water Tank, Lakewood Heights Water Tank, Lancaster Water Tank, Millidgeville Water Tank, Rockwood Park Water Tank, Spruce Lake Water Tank, 3 Water Tanks at the Eastern Water Treatment Facility
Water Meters	88	Meters
Water Pump Stations	14	Champlain Heights Pump Station, Golden Grove Road Pump Station Highland Road Pump Station, Lakewood Heights Pump Station, Musquash Pump Station, Parks Street Pump Station, Ocean Drive Pump Station and Well, Seaward Crescent Pump Station and Well, Somerset Street Pump Station, Spruce Lake Pump Station, University Avenue Pump Station Westmorland Pump Station, Thomas Avenue Booster Station, Riverview Avenue West Pump Station
Dams (Earth & Concrete)	16	Dry Lake Dam, Hunter Lake Dam and Fish Ladder, Latimer Lake South Dam (Earth), Latimer Lake Treatment Dam (Earth), Little River Reservoir Dam, McBrien Lake Southeast Dam, McBrien Lake Southwest Dam, Menzies Lake Concrete Dam, Menzies Lake Saddle Dyke 1, Menzies Lake Saddle Dyke 2, Menzies Lake Saddle Dyke 3, Robertson Lake Concrete Dam and Spillway, Robertson Lake Earth Dam, Spruce Lake Concrete Dam and Spillway, Spruce Lake Earth Dam, Terreo Lake Dam
Wells	5	South Bay Wellfield (3), Ocean Drive Well, Seaward Crescent Well
Water Treatment Facilities	2	Spruce Lake Water Treatment Facility, Loch Lomond Water Treatment Facility



## Saint John Water Infrastructure Inventory

<b>Primary Wastewater System Assets</b>		
<i>Asset</i>	<i>Statistic</i>	<i>Description</i>
Sanitary Sewer Length	318.3 <sup>S</sup> km	City Wide Sanitary Sewer Length
Sanitary Forcemain Sewer Length	49.9 km	City Wide Sanitary Forcemain Sewer Length
Combined Sewer Length	75.4 km	City Wide Combined Sewer Length
Manholes (Sanitary & Combined)	8546	Includes Both Sanitary & Combined Manholes
Wastewater Lift Stations	72	Wastewater Lift Stations Throughout The City
Wastewater Treatment Facilities (High Volume)	3	Eastern Wastewater Treatment Facility, Millidgeville Wastewater Treatment Facility, Lancaster Wastewater Treatment Facility
Wastewater Treatment Facilities (Low Volume)	2	Morna Heights Treatment Facility, Greenwood Treatment Facility
<b>Primary Storm System Assets</b>		
<i>Asset</i>	<i>Statistic</i>	<i>Description</i>
Storm Sewers Length	329.8 <sup>S</sup> km	City Wide Storm Sewers Length
Storm Manholes	5111	Storm Manholes
Catch Basins	9473	Type I & Type II Catch Basins

## Appendix B: Associated City Plans and Priorities

The Saint John Water Long-term Financial Plan was developed to align with and references the following City plans.

### 10-year Strategic Plan

*This plan serves as a management tool to improve the City's performance and align with existing plans, including the Long-term Financial Plan, PlanSJ, and MoveSJ.*

### ActSJ

*The City of Saint John's Community Energy Action Plan – ActSJ Pathway to Net-Zero, is the City's response to the climate crisis and its commitment to transition to net-zero emissions in the city by 2050.*

### City of Saint John Asset Management Policy

*The City of Saint John Asset Management Policy (FAS- 001) was adopted by Common Council in 2018. It confirms support for implementing asset management practices to ensure sustainable delivery of services, with the following statement: The City of Saint John shall adopt and apply recognized asset management practices in support of delivering services to its customers reflecting the vision presented in the City's Municipal Plan, PlanSJ, and related strategic plans.*

### Council Priorities

*Saint John Common Council priorities for 2021-2026 term. Grow, Green, Belong, Move, and Perform were developed through several workshop settings using input from an online public survey and guided by several municipal strategic plans including Plan SJ, Play SJ, Move SJ, and the Long-term Financial Plan.*

### The City of Saint John Long-Term Financial Plan

*Adopted by Common Council in December 2019, the plan includes a comprehensive financial assessment of the City's challenges and opportunities, a suite of best practice financial policies, the establishment of long-term financial targets, and a financial health scorecard that measures results and ensures strong fiscal management.*

## Appendix C: Flat Rate for Non-metered Customers After Universal Metering Program Implementation (2024-2034)

