Minutes – Executive Policy Committee – March 18, 2025

Report – Standing Policy Committee on Water, Waste and Environment – March 10, 2025

Item No. 2 2025 to 2027 Revised Sewer Volume Rates

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Water, Waste and Environment and submitted the following to Council:

1. That the proposed 2025 sewer volume rate, based on the amount of water used in cubic metres (m3), which includes an amount allocated to the Environmental Projects Reserve (EPR) be approved as follows, effective April 1, 2025:

Sewer	Recommended April 1, 2025
Rate (per m3)	$4.40
Allocated to EPR (per m3)	$0.60

2. That the Public Service be directed to continue to work constructively with its federal and provincial counterparts on additional cost-sharing agreements for the following:

   A. Project Two: Biosolids Facilities

   B. Project Three: Nutrient Removal Facilities, potentially including alternative debt management strategies, intergovernmental partnerships and/or other long-term offsets.

   and that additional funding sources and strategies be reflected in future rate reports.

3. That the annual dividend paid by the Water and Sewer Utility into the City of Winnipeg General Revenue Fund be capped at budgeted annual levels already approved in the 2024 to 2027 Multi-Year Budget, regardless of the additional funding committed to the projects.

4. That the Public Service be directed to report back to the Standing Policy Committee on Water, Waste and Environment by the third quarter of 2025 with an update on federal and provincial cost-sharing opportunities for Project Two and Project Three, as noted in Recommendation 2.

5. That the Winnipeg Public Service report back with recommendations on options to phase out the utility dividend payments from the Sewer and Water Utility to the City of Winnipeg Operating Budget over a ten-year period, starting in the 2028-2031 Multi-Year Budget cycle.

Report – Standing Policy Committee on Water, Waste and Environment – March 10, 2025

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

6. That the Winnipeg Public Service report back by the third quarter of 2025 with recommendations to complete both the St. Boniface Mission District and Jefferson District Combined Sewer Overflow work in accordance with the Scenario 1 timeframe outlined in the 2019 City of Winnipeg Combined Sewer Masterplan.

7. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

Report – Standing Policy Committee on Water, Waste and Environment – March 10, 2025

DECISION MAKING HISTORY:

Moved by Councillor Eadie,

That the recommendation of the Standing Policy Committee on Water, Waste and Environment be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On March 10, 2025, the Standing Policy Committee on Water, Waste and Environment passed the following motion:

WHEREAS Class 3 cost estimates for Project Two: Biosolids Facilities and Project Three: Nutrient Removal Facilities of the North End Water Pollution Control Centre (NEWPCC) upgrade have increased to $1.035 billion and $1.491 billion respectively, and proposed 2025 to 2027 sewer volume rates are modelled on the upwardly revised cost estimates;

AND WHEREAS the rate modelling used Investing in Canada Infrastructure Program (ICIP) federal and provincial cost-sharing formulas for Project Two, which were based on the initial Project Two cost estimate of $552.7 million;

AND WHEREAS the proposed rate modelling assumes no new, or additional, federal or provincial cost-sharing agreements for Project Two or Three;

AND WHEREAS the resulting rate model relies on sewer rates generating sufficient funding to cash-finance the balance of Projects Two and Three, and represent an unacceptably high financial burden on Winnipeg rate payers, with repeated annual increases several times higher than inflation;

AND WHEREAS the federal government announced an additional $166 million for Project Two through the provincial and territorial stream of the Canada Housing Infrastructure Fund, funds that Council has directed the Public Service to submit a funding application for Project Two once the application intake opens;

AND WHEREAS the Province has allocated $30 million of its 2024-25 Strategic Infrastructure Basket capital grant to Project Two;

Report – Standing Policy Committee on Water, Waste and Environment – March 10, 2025

DECISION MAKING HISTORY (continued):

STANDING COMMITTEE RECOMMENDATION (continued):

AND WHEREAS conversations are ongoing with the federal and provincial governments regarding additional cost-sharing opportunities for Project Two and Project Three are ongoing, recognizing that NEWPCC is critical housing-enabling and growth-enabling infrastructure for the City of Winnipeg;

AND WHEREAS water and sewer rates are reviewed and approved regularly by Council;

AND WHEREAS Council would like to maintain affordability for ratepayers;

THEREFORE BE IT RESOLVED that the recommendation of the Winnipeg Public Service be concurred in, with the following amendments:

- Delete Recommendation 1 in its entirety and replace with the following:

  "1. That the proposed 2025 sewer volume rate, based on the amount of water used in cubic metres (m3), which includes an amount allocated to the Environmental Projects Reserve (EPR) be approved as follows, effective April 1, 2025:

Sewer	Recommended April 1, 2025
Rate (per m3)	$4.40
Allocated to EPR (per m3)	$0.60

- Add the following new Recommendations and renumber the remaining recommendations accordingly:

  "2. That the Public Service be directed to continue to work constructively with its federal and provincial counterparts on additional cost-sharing agreements for the following:

  A. Project Two: Biosolids Facilities

  B. Project Three: Nutrient Removal Facilities, potentially including alternative debt management strategies, intergovernmental partnerships and/or other long-term offsets.

  and that additional funding sources and strategies be reflected in future rate reports.

Report – Standing Policy Committee on Water, Waste and Environment – March 10, 2025

DECISION MAKING HISTORY (continued):

STANDING COMMITTEE RECOMMENDATION (continued):

3. That the annual dividend paid by the Water and Sewer Utility into the City of Winnipeg General Revenue Fund be capped at budgeted annual levels already approved in the 2024 to 2027 Multi-Year Budget, regardless of the additional funding committed to the projects.

4. That the Public Service be directed to report back to the Standing Policy Committee on Water, Waste and Environment by the third quarter of 2025 with an update on federal and provincial cost-sharing opportunities for Project Two and Project Three, as noted in Recommendation 2.

5. That the Winnipeg Public Service report back with recommendations on options to phase out the utility dividend payments from the Sewer and Water Utility to the City of Winnipeg Operating Budget over a ten-year period, starting in the 2028-2031 Multi-Year Budget cycle.

6. That the Winnipeg Public Service report back by the third quarter of 2025 with recommendations to complete both the St. Boniface Mission District and Jefferson District Combined Sewer Overflow work in accordance with the Scenario 1 timeframe outlined in the 2019 City of Winnipeg Combined Sewer Masterplan."

and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: 2025 to 2027 Revised Sewer Volume Rates

Critical Path: Standing Policy Committee on Water, Waste and Environment – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
L. Szkwarek CPA, CGA Manager, Finance and Administration	T. W. Shanks, M. Eng., P. Eng. Director, Water and Waste Department	T. Graham	S. Armbruster, Interim CAO

EXECUTIVE SUMMARY

The Public Service is recommending approval of revised 2025 to 2027 sewer volume rates. There are no recommended changes to the water volume or the daily basic rates. Rate changes are needed due to:

- Addition of the NEWPCC Upgrade: Nutrient Removal Facilities project, that has a Class 3 cost estimate of $1.491 billion, with no funding agreements in place from other levels of government. This project is required in order to meet the nutrient discharge limits that are being mandated by the Province of Manitoba. Previously approved rates did not include full funding of this project. Procurement work begins in 2025 and a funding source is urgently required to avoid delay and further escalation of cost. Authorization of the revised capital budget will be sought in a separate report to Council.

- The previous rate report anticipated $279 million in additional funding from Manitoba and Canada for the full project cost, which has not occurred. The rate adjustment is needed for the shortfall as this project is underway.

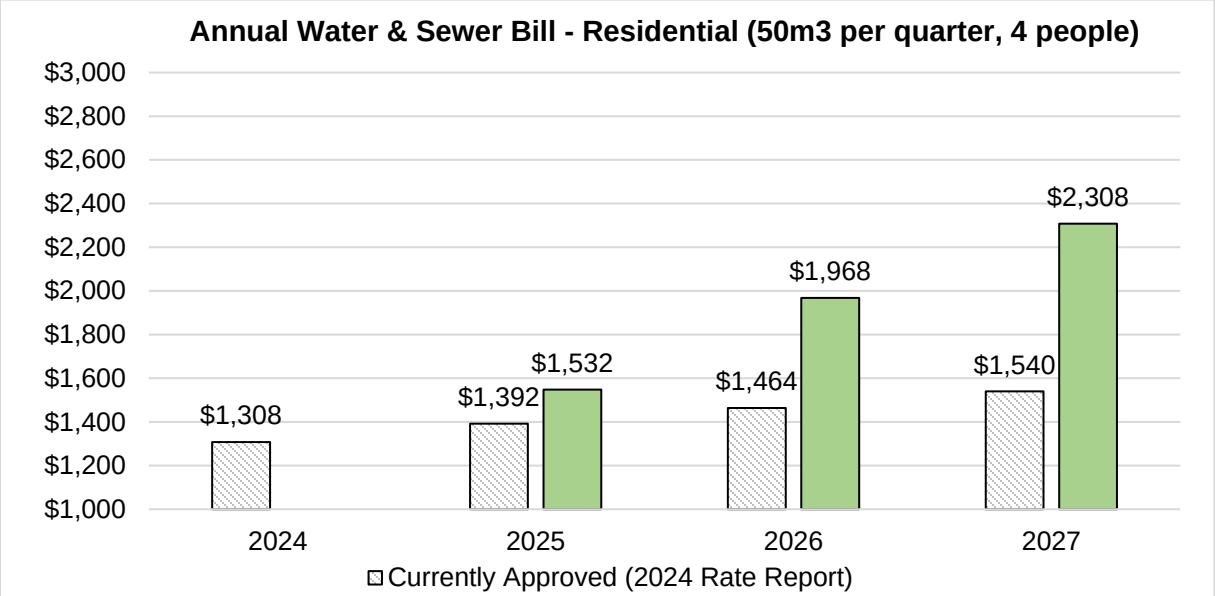
The proposed sewer volume rate increases on average by 35 percent over the three years compared to the currently approved rate schedule that averages eight percent.

Year	Currently approved Sewer Rate ($ per m3)	Annual % change	Proposed Sewer Rate ($ per m3)	Annual % change
2024	$3.21			
2025	$3.47	*8.1%*	$4.40	*37.1%*
2026	$3.74	*7.8%*	$6.26	*42.3%*
2027	$4.00	*7.0%*	$7.83	*25.1%*

For a typical residential customer (family of four and 50 cubic meters of water use per quarter), the new sewer rate charge combined with the previously approved water rate and daily basic charge ("DBC") results in an estimated quarterly and annual bill as shown below:

Residential Customer Quarterly Bill (50 m3 per quarter family of four)	2024	2025	2026	2027
Water	$102	$105	$108	$112
Sewer (with proposed new rate)	$157	**$208**	**$313**	**$392**
DBC	$68	$70	$71	$73
Total Quarterly Bill	$327	$383	$492	$577
Total Annual Bill	$1,308	$1,532	$1,968	$2,308
Annual increase - $		*$224*	*$436*	*$340*
Annual increase - %		*17.1%*	*28.5%*	*17.3%*

The annual bill difference for the typical residential customer between the current approved rate plan and the proposed new rate is show in the chart below.



In November 2024, the Manitoba government announced it is planning to increase its funding for the NEWPCC Upgrade: Biosolids Facilities project by $30 million, which could increase the total provincial commitment to $197.4 million. On December 16, 2024, the Federal government announced $150 million in funding for the NEWPCC Upgrade. At the time of this report, there are no funding agreements in place, so the $180 million in additional government funding is not yet reflected in the proposed rate model.

The water and sewer rates are reviewed each year. Changes in funding from other levels of government will impact the financial model. The Public Service will report back to Council with any recommended changes to rates.

RECOMMENDATIONS

1. That Council approve a three-year increase to the Sewer volume rate, based on the amount of water used in cubic metres (m^3), which includes an amount allocated to the Environmental Projects Reserve (EPR) effective April 1, 2025, January 1, 2026, and January 1, 2027, as follows:

Sewer	Recommended April 1, 2025	Recommended January 1, 2026	Recommended January 1, 2027
Rate (per m3)	$4.40	$6.26	$7.83
Allocated to EPR (per m3)	$0.60	$2.25	$3.50

2. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

REASON FOR THE REPORT

Increase in sewer volume rates above inflation requires Council approval.

With the completion of a Class 3 cost estimate for the NEWPCC Upgrade: Nutrient Removal Facilities project, a reduction in previously-estimated funding from provincial and federal governments for the cost of the NEWPCC Upgrade: Biosolids Facilities project, and no new funding agreements in place, an increase to the sewer volume rate is necessary to ensure financial stability of the utility.

IMPLICATIONS OF THE RECOMMENDATIONS

The Public Service has assessed the impact of increased capital costs associated with sewage treatment plant upgrades and concluded that Council approved sewer volume rates for years 2025, 2026 and 2027 would require an increase.

The City of Winnipeg understands that some customers may have difficulties paying their utility bill and offers the following options to assist:

- Payment arrangements are considered if more time is needed to pay utility bills.
- The Water Leak Credit Policy provides financial help to single-family residential and non-profit customers who receive a high utility bill for water and sewer services, as a result of water leak within their house or building.
- The H2O Help to Others program provides support to low income individuals and families who have difficulty paying their City of Winnipeg utility bill.

HISTORY/DISCUSSION

The Public Service employs industry best practices to establish water and sewer rates. The rates are designed to fund all costs of operations and capital projects related to water and sewer quality, city growth and regulatory requirements.

On September 29, 2023, Council approved an increase of $482 million, from $553 million to $1.035 billion for the NEWPCC Upgrade: Biosolids Facilities capital project.

On January 25, 2024, Council approved the 2024-2027 water and sewer rates. At that time, the Public Service identified two items would require a report back to Council for rate adjustments:

- If the City was unable to secure an increase in funding for the NEWPCC Upgrade: Biosolids Facilities
- When the Class 3 cost estimate is complete for the NEWPCC Upgrade: Nutrient Removal Facilities

In November 2024, the Manitoba government announced it is planning to increase its funding for the NEWPCC Upgrade: Biosolids Facilities project by $30 million, which could increase the total provincial commitment to $197.4 million. In December 2024, the Federal government announced $150 million in funding for the NEWPCC Upgrade. At the time of this report, there are no funding new agreements in place, so the $180 million in additional government funding is not yet reflected in the proposed rate model.

1. WHAT IS DRIVING THE RATE CHANGE

1.A. Capital Spending and Federal/Provincial Funding

The water and sewer financial plan is based on cash flows associated with The Public Service's asset management strategy and capital budget (Appendix A). Capital improvement programs are funded through a combination of debt, reserves, equity and other levels of government.

The NEWPCC Upgrade, the City's largest and most complex capital project, has limited government support. The City has also reached its debt capacity further restricting the use of financing options, leaving sewer volume rates to fund the difference.

NEWPCC Upgrade (in $millions)	**Total Cost**	**Government Funding**		**City Share of Costs**	**Funding Sources City Share**	
		Canada	**Manitoba**		**Debt**	**Sewer Rates**
Headworks/ Power Supply	$ 517.85	$ 116.10	$ 96.80	$ 304.95	$ 147.72	$ 157.23
Biosolids	$ 1,035.00	$ 200.87	$ 167.38	$ 666.75	$ 490.75	$ 176.00
Nutrient Removal	$ 1,491.03	$ -	$ -	$ 1,491.03	$ -	$ 1,491.03
Total	**$ 3,043.88**	**$ 316.97**	**$ 264.18**	**$ 2,462.73**	**$ 638.47**	**$ 1,824.26**

Summarized below are the key increases to capital costs which are impacting rates.

i. NEWPCC Upgrade: Nutrient Removal Facilities ($1.491 billion)

A Class 3 estimate for the Nutrient Removal project is now complete and its addition to the financial model is the main contributor for the proposed sewer volume rate increase. The Class 3 estimate is $1.491 billion. There are no cost sharing agreements in place for this project. The existing authorized project budget is $18 million, approved in 2023 to undertake preliminary design and cost estimates. Procurement work on this project begins in 2025 and a funding source must be identified. **Authorization of the revised capital budget will be sought in a separate report to Council.**

ii. NEWPCC Upgrade: Biosolids Facilities ($1.035 billion)

The previous rate report assumed new, anticipated government funding of $279 million, taking into consideration an estimated 1/3 contribution from each of federal and provincial sources to support the increase to the Class 3 capital cost of $1.035 billion. This report's proposed rates reflect only approved government cost sharing agreements totaling $368 million, which represents approximately 40 percent of the revised eligible costs (36 percent of the revised total project cost).

	Total Cost (millions)	Federal Share	Provincial Share	City Share
Initial ICIP	552.7	200.9	167.4	184.4
		36%	*30%*	*33.4%*
2023 revised cost	1035	200.9	167.4	666.7
		19%	*16%*	*64%*

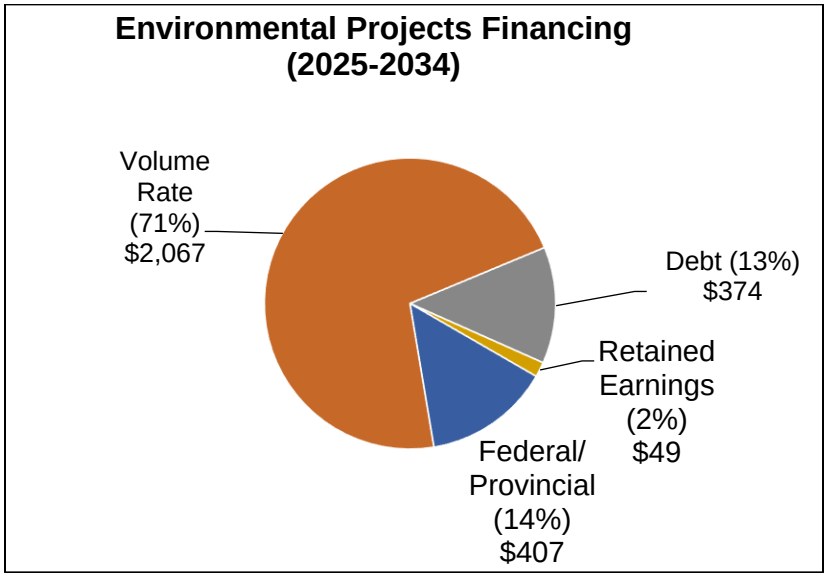
In November 2024 the Manitoba government announced it is planning to increase funding for the NEWPCC Upgrade: Biosolids Facilities project by $30 million, which would increase the total provincial commitment to $197.4 million. At the time of this report, there is no funding agreement in place. Once an agreement is formalized the additional funding will be integrated into future rate financial analyses.

1.B. Reserves

Environmental Projects Reserve (EPR)

The EPR supports the sewage treatment improvement program, as directed by the Province and set forth in the Department's asset management strategy. Capital projects consist of the major sewage treatment projects (power supply and headworks, biosolids management, nutrient removal, and upgrades at the sewage treatment plants), and combined sewer overflow mitigation, including basement flood relief.

The cost increase for the NEWPCC Upgrade projects have impacted the required contribution to the EPR, via the sewer volume rate, in order to provide adequate funding.



The 2025 revised 10-year financial plan incorporates funding from multiple sources including sewer volume rates, government, debt and retained earnings. The majority of funding is from the sewer volume rate, $2.067billion or 71 percent of $2.900 billion estimated ten-year total.

The Department continues to monitor reserve balances and adjust future contributions according to Council approved reserve practices, changes to licensing requirements or federal and provincial funding.

1.C. Financial Stability

Working capital is comprised of current assets (cash and accounts receivable) net of current liabilities (current accounts payable) – cash or near cash items that can respond quickly to unexpected fluctuations. The working capital target provides medium-term stability, adequate liquidity to sustain operations and the ability to absorb losses in any given year when consumption falls short of anticipated levels and/or unforeseen emergency funds are required.

Industry best practices recommend utilities maintain a minimum working capital target. The Water and Waste Department follows best practices and strives for a combined water and sewer working capital target of approximately eight percent or between 30 to 60 days cash and investments on hand.

Significant cost increases in Provincial licence driven capital, no new government cost sharing agreements, and restricted debt financing, have resulted in the necessity to increase sewer volume rates to meet the funding shortfall. The Public Service has lowered the projected working capital target in the peak construction periods of the NEWPCC Upgrade: Biosolids Facilities and Nutrient Removal Facilities projects in order to reduce the impact to the Utility customer. The Department will continue to monitor working capital and adjust future expenditures and rates to ensure the stability of the utility and affordability for customers.

The water and sewer funds adhere to a set of operating principles. (Appendix B).

2. WHAT ARE THE RECOMMENDED RATES

The proposed sewer volume rate increases would be effective April 1, 2025 and January 1, 2026 and January 1, 2027. There are no recommended changes to the approved water volume or daily basic rates.

Rate per cubic metre	2025	2026	2027
Previously Approved	$3.47	$3.74	$4.00
Recommended Revised	$4.40	$6.26	$7.83
Increase	$0.93	$2.52	$3.83

The volume sewer rate includes a consumption allocation to fund the transfer to the Environmental Projects Reserve.

The 10-year financial projections for Waterworks and Sewage Disposal Funds can be found in Appendix C.

3. DIVIDEND

Based on recommended sewer rate increases, the dividend is projected to increase by a total of $40.463 million over three-years as follows:

Total $ 000s	2025	2026	2027
Previously Approved	$ 42,531	$ 45,187	$ 48,184
Recommended Revised	$ 45,474	$ 59,775	$ 71,116
Increase	$ 2,943	$ 14,588	$ 22,932

4. CUSTOMER IMPACT

Considering an April 1, 2025, effective date and January 1 for years 2026 and 2027, a residential customer, family of four, with an estimated consumption of 50 cubic meters per quarter, can expect an increase over the three-year period as follows:

Residential Customer Quarterly Bi (50 m3 per quarter family of four)	2025 Revised	2026 Revised	2027 Revised
Water	$105	$108	$112
Sewer	$208	$313	$392
DBC	$70	$71	$73
Total Quarterly Bill	$383	$492	$577
Quarterly increase	*$35*	*$109*	*$85*
Total Annual Bill	$1,532	$1,968	$2,308
Annual increase - $	*$140*	*$436*	*$340*
Annual increase - %	*10.1%*	*28.5%*	*17.3%*

2025 rates in table above reflect the difference from 2025 approved to revised.

The City of Winnipeg understands that some customers may have difficulties paying their utility bill and offers the following options to assist:

- Payment arrangements are considered if more time is needed to pay utility bills.
- The Water Leak Credit Policy provides financial help to single-family residential and non-profit customers who receive a high utility bill for water and sewer services, as a result of water leak within their house or building.
- The H2O Help to Others program provides support to low income individuals and families who have difficulty paying their City of Winnipeg utility bill.

5. WHAT MAY INFLUENCE FUTURE RATES

Primary risks associated with the 10-year financial projections in the 2025-2027 water and sewer rate report are licencing requirements and government funding:

5.A. NEWPCC Upgrade Projects:

Major projects for the NEWPCC Upgrade: Power Supply and Headworks Facilities ($518 million); Biosolids Facilities ($1.035 billion); and Nutrient Removal Facilities ($1.491 billion) are currently active. Full licence compliance for the NEWPCC will only be achieved at the completion of all three projects. Successful completion of these projects without further impacts to rates, is dependent on their completion within approved scope, budget and timeline.

Total project costs for the NEWPCC Upgrade Biosolids and Nutrient Removal Facilities projects are $2.526 billion. Provincial funding agreements in place total $167.38 and Federal funding agreements total $200.87 million.

Additional cost sharing from provincial and federal governments could help reduce further sewer rate impacts for customers. Three scenarios are shown below to illustrate the impact of potential funding arrangements on the sewer rate.

- Scenario 1: Project 2 – Biosolids with current ICIP agreement funding and City funding the outstanding balance. No new funding for Project 3 - Nutrient Removal.
- Scenario 2: full three way cost funding between governments for Project 2 - Biosolids. No new funding for Project 3 - Nutirent Removal.
- Scenario 3: full three way cost funding between governments for both projects.

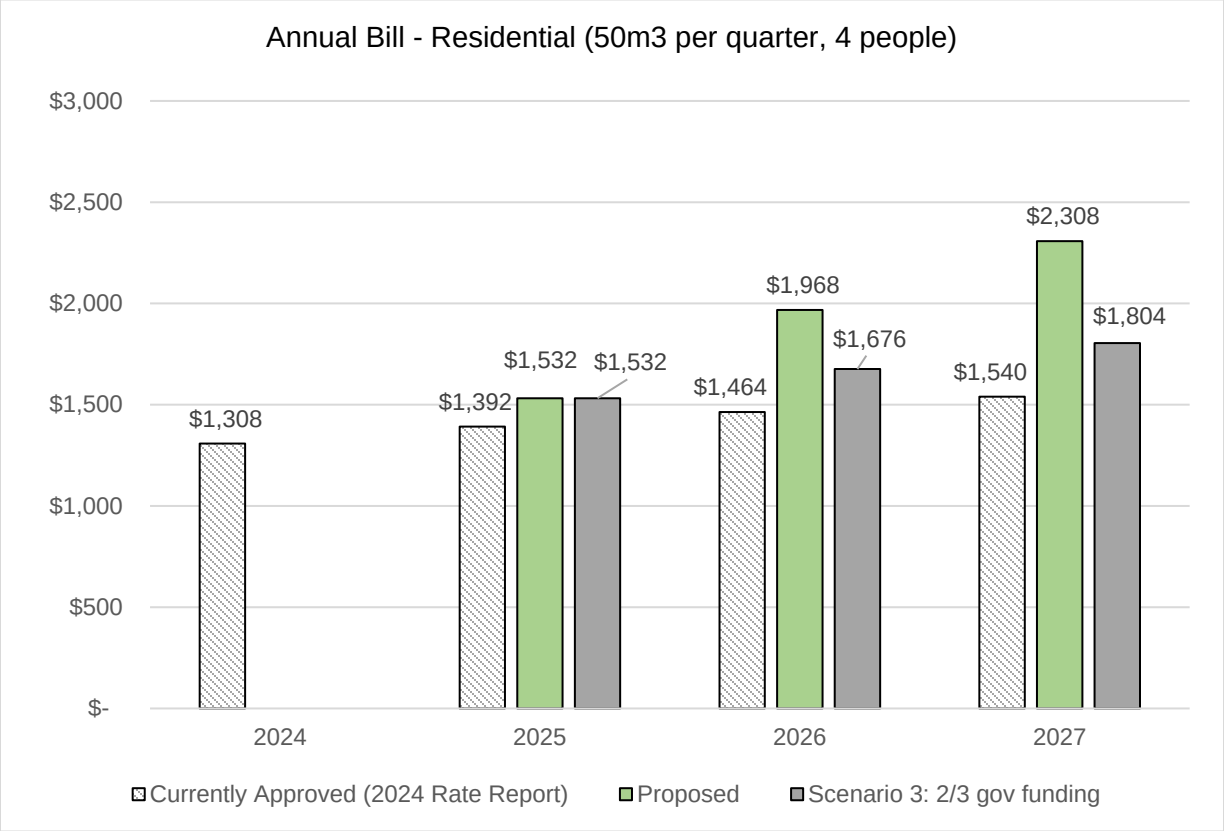
Sewer Rate – per cubic metre	**2025**	**2026**	**2027**
2024 Approved Rate Model	$3.47	$3.74	$4.00
Proposed 2025-27 Rate Model	$4.40	$6.26	$7.83
Base Rate Adjustment	$4.25	$4.30	$4.38
Scenario #1 - Biosolids with current ICIP agreement and balance by City	$4.35	$4.48	$4.69
Scenario #2 - Biosolids - Full Three-Way Cost Funding	$4.27	$4.35	$4.44
Scenario #3 – Biosolids and Nutrient Removal - Full Three-Way Cost Funding	$4.40	$4.80	$5.32

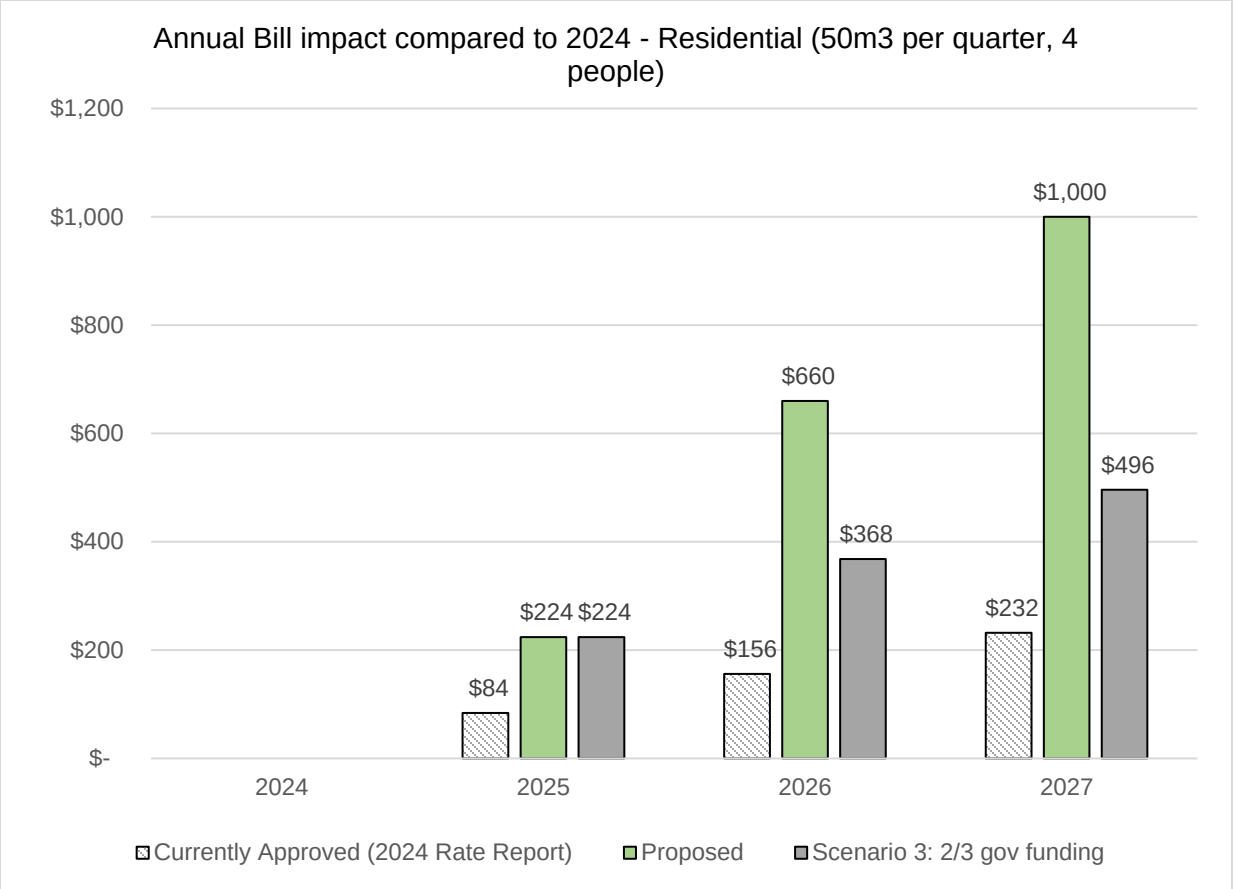
Total Annual Bill – estimated (50m3 per quarter family of 4)	**2025**	**2026**	**2027**
2024 Approved Rate Model	$1,392	$1,464	$1,540
Proposed 2025-27 Rate Model	$1,532	$1,968	$2,308
Base Rate Adjustment	$1,508	$1,576	$1,616
Scenario #1 – Biosolids with current ICIP agreement and balance by City	$1,524	$1,612	$1,680
Scenario #2 – Biosolids - Full Three-Way Cost Funding	$1,512	$1,588	$1,628
Scenario #3 – Biosolids and Nutrient Removal – Full Three-Way Cost Funding	$1,532	$1,676	$1,804

Total Annual Bill – difference from current approved rates 2025-7	2025	2026	2027
Proposed 2025-27 Rate Model	$140	$504	$768
Base Rate Adjustment	$116	$112	$76
Scenario #1 – Biosolids with current ICIP agreement and balance by City	$132	$148	$140
Scenario #2 – Biosolids – Full Three-Way Cost Funding	$120	$124	$88
Scenario #3 – Biosolids and Nutrient Removal – Full Three-Way Cost Funding	$140	$212	$264

If the recently-announced additional $30 million from the Province of Manitoba and the $150 million from the Federal Government is included in Scenario 1, the resulting sewer rate would be $4.30 in 2025, $4.38 in 2026, and $4.47 in 2027. The estimated annual bill for a typical customer would be $1,516 in 2025, $1,592 in 2026, and $1,636 in 2027.

The estimated impact on a typical single family residential customer annual bill for Scenario 3 (full three way cost sharing for Project 2 and 3) is shown in the following charts:





5.B. Combined Sewer Overflow (CSO) Mitigation:

Following approval of the 2019 CSO Master Plan, the provincial regulator directed the City to complete implementation of Control Option No. 1 (85 percent capture in a representative year) by 2045. The CSO Master Plan carries an AACE Class 5 (-50 percent +100 percent) planning level cost estimate of $1.15 billion, or from $575 million to 2.3 billion. Factoring in inflation escalation, the total cost could reach $3.7 billion. Successful completion by the 2045 target, without a significant impact to rates, is dependent on government funding.

5.C. Debt:

Should additional government funding for the NEWPCC Upgrade: Biosolids Facilities or the NEWPCC Upgrade: Nutrient Removal Facilities capital projects not materialize or be delayed, and the City continue to adhere to provincial licencing requirements, as well as Council-approved debt strategy limits, increased costs would be funded by volume rates alone.

5.D. New Legislation:

Environmental and public health concerns are driving more stringent standards in the water and sewage industry. The Environment Act Licences for the three sewage treatment plants have required large increases in capital and operating costs. Further introduction of new legislation or more stringent licences could cause an increase in rates.

5.E. Inflation:

Cost escalation caused by inflation, supply chain issues and market volatility are resulting in increases in expenditures in multiple areas (commodities, materials, chemicals, etc.). A significant portion of the operational budget are expenditures that are highly susceptible to these market fluctuations.

6. COMPETITIVENESS

Winnipeg's combined water and sewer rate remains competitive with other cities of similar size. In 2024, Winnipeg ranks third out of five cities for affordability for residential customers and second out of five cities for commercial customers. (Appendix D)

7. COMMUNICATION

Following Council approval, the Public Service will communicate the water and sewer rate changes to customers as follows:

Strategy	Timeline
MyUtility Website updated with new rates	March 2025
Message on utility bill	April 2025 to May 2025

The Public Service will communicate volume sewer rates to impacted municipalities as follows:

Strategy	Timeline
Notice to municipalities impacted by rates	March 2025

Requested Changes

At a briefing on January 8, 2025, an earlier draft of this administrative report was reviewed by Mayor's Office staff and the following revisions were requested:

- Add further information regarding the factors that influence future rates. Include multiple funding scenarios for the Biosolids and Nutrient Removal projects to show how rates would be impacted.

FINANCIAL IMPACT

Financial Impact Statement **Date:** February 11, 2025

Project Name:

2025 TO 2027 REVISED SEWER VOLUME RATES

COMMENTS:

The financial projections for water and sewer funds are contained in appendices to this report.

The proposed rate increases reflect cost of service recovery.

Lucy Szkwarek, CPA, CGA

Lucy Szkwarek, CPA, CGA
Manager Finance and Administration

CONSULTATION

This Report has been prepared in consultation with:

n/a

OURWINNIPEG POLICY ALIGNMENT

This report aligns with OurWinnipeg 2045, Policy 1.8 Accountable Revenue Generation, by generating revenue from behaviours that drive costs and/or compromise sustainable development goal outcomes. Objective: Establish and implement priority actions through evidence-informed decision-making processes.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

This report aligns with Winnipeg Climate Action Plan through Strategic Opportunity 7: Community Climate Resiliency

Key Directions:
7.1 Implement opportunities to improve Winnipeg's resilience and adaptability to the effects of a changing climate.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

The report aligns with the Winnipeg Poverty Reduction Strategy, Goal 4: Community Well-Being Supports for those in Greatest Need are Increased, Initiative 4.4: Access to services for basic needs, Action 5: Explore ways to expand supports to low-income residents who experience challenges in paying for water service (i.e. H2O Help to Others program, payment plans, subsidies, collaboration with social services etc.).

SUBMITTED BY

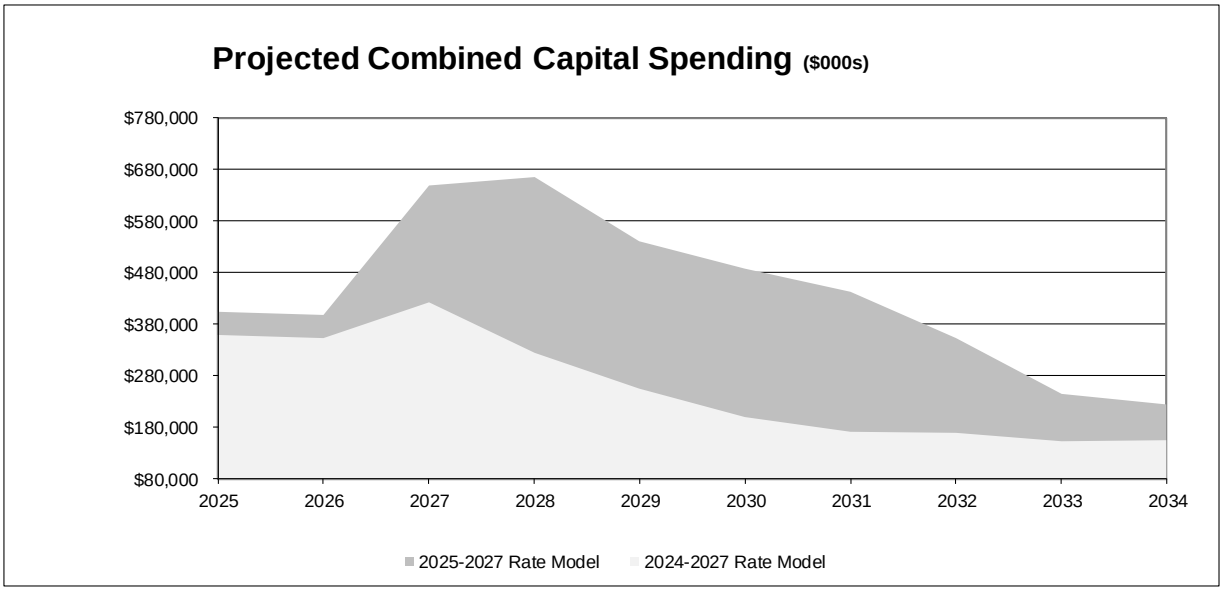
Department: Water and Waste
Division: Finance and Administration
Prepared by: Robert Isaac, CPA, CGA
Date: February 14, 2025
File No.: A-014

ATTACHMENTS:

APPENDIX A Capital Spending
APPENDIX B Water and Sewer Utility Principles of Operations
APPENDIX C Water Works and Sewage Disposal System Funds Financial Projections
APPENDIX D Competitiveness to Other Canadian Cities

APPENDIX A
CAPITAL SPENDING

Projected capital spending over the 10-year financial plan incorporates: water main renewal, sewer system rehabilitation, environmental projects, water meter renewal, land drainage, and retained earnings funded capital.



APPENDIX B
WATER AND SEWER UTILITY PRINCIPLES OF OPERATIONS

Self-Supporting Utilities: The Utilities do not receive subsidies from the mill rate.

Cost of Service Rates: Customers pay water and sewer rates, which represent the operating and capital costs of providing the utility services.

Debt Servicing: The Utilities' revenues are sufficient to service the Utilities' long-term debt.

Working Capital Position: The Water and Sewer Utilities maintain working capital balance to protect the Utilities' financial position and prevent significant rate fluctuations that may otherwise result from a decline in consumption or major unforeseen expenditures. On an annual basis, the Utilities strive to maintain a minimum combined working capital position of 8 percent of sales or between 30 to 60 days cash and investments on hand.

10-Year Financial Plan: Rates are planned over a 10-year time frame to mitigate the effects of year over year fluctuations, and to coincide with the longer-term infrastructure development and renewal planning.

Infrastructure Renewal: The Water Main Renewal, Sewer System Rehabilitation, and Water Meter Renewal Reserves were established to provide a consistent approach to financing infrastructure renewal.

Maintaining the reserves ensures this approach continues. Reserve contributions are based on an asset management strategy, and approved through the capital and operating budget processes.

Capital Reserve Funds: The Utilities establish reserves to fund major capital projects. The pay-as-you-go capital program is more economical than traditional debt financing, which equates to lower rates for customers. In addition, for specific and cost-intensive projects, the Department has developed a strategy whereby a portion of the project is funded through reserves and a portion through debt financing. This strategy facilitates an equitable, intergenerational approach for short- and long-term funding.

Dividends: The Utilities pay an annual dividend to the City of Winnipeg General Revenue Fund as a return on investment. City Council reviews this policy every four years.

APPENDIX C
WATER WORKS AND SEWAGE DISPOSAL SYSTEM FUND FINANCIAL PROJECTIONS

Financial Projection 2025-2034 ($000s)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenue										
Sales Revenue	413,402	543,409	646,513	751,146	827,074	800,045	781,066	770,304	635,878	558,080
Other	23,039	24,489	26,070	28,021	27,971	28,841	30,086	31,233	31,124	31,805
Total Revenue	**436,441**	**567,898**	**672,583**	**779,167**	**855,045**	**828,887**	**811,152**	**801,537**	**667,002**	**589,885**
Expenditures and Appropriations to Capital										
Operating	331,702	426,039	514,639	618,805	697,198	667,741	661,868	651,393	520,645	447,708
Utility Dividend	45,474	59,775	71,116	82,626	90,978	88,005	85,917	84,733	69,947	61,389
Appropriations to Capital	97,175	57,502	97,111	72,527	59,449	59,217	60,993	62,823	64,707	66,649
Total Expenditures and Appropriations to Capital	**474,351**	**543,316**	**682,867**	**773,958**	**847,625**	**814,963**	**808,778**	**798,949**	**655,299**	**575,746**
Surplus(Deficit)	(37,910)	24,582	(10,284)	5,210	7,420	13,924	2,375	2,587	11,703	14,139
Opening Working Capital	40,687	2,777	27,358	17,075	22,284	29,705	43,629	46,004	48,591	60,294
Ending Working Capital	2,777	27,358	17,075	22,284	29,705	43,629	46,004	48,591	60,294	74,433
Water Rate $dollars	**$2.09**	**$2.15**	**$2.23**	**$2.32**	**$2.38**	**$2.40**	**$2.42**	**$2.46**	**$2.51**	**$2.57**
Sewer Rate $dollars	**$4.40**	**$6.26**	**$7.83**	**$9.44**	**$10.53**	**$9.89**	**$9.90**	**$9.63**	**$6.93**	**$5.72**

APPENDIX D
COMPETITIVENESS TO OTHER CANADIAN CITIES

Presented below are known fees and charges applied in other cities that are included in Winnipeg's water and sewer rates. The following tables reflect estimated annual customer impacts in cities of similar size using 2024 rates and select consumption per year -- residential (200 m^3), and commercial (1,600 m^3).

