

Subject: Proposed 2025 Capital and Operating Budget

Recommendation:

That the Lakefront Utility Services Inc. (LUSI) Board and Council approve a proposed Waterworks 2025 capital budget of \$8,930,694.

Further, that the LUSI Board and Council approve a proposed Waterworks 2025 operating budget of \$4,036,828.

Summary and Recommendation for Waterworks 2025 Budget Approval

To the Board of Directors of LUSI re Waterworks:

The 2025 budget for Waterworks (WW), which operates the Town of Cobourg water system under a Service Level Agreement (SLA) with Lakefront Utility Services Inc. (LUSI), has been carefully crafted to address customer growth, infrastructure needs, and operational efficiencies. This budget reflects the continued impact of the Water Master Plan and Rate Study (2020), which provide a foundation for rates and capital planning through 2025. Key points include:

1. **Revenue and Financial Growth:** The 2025 budget anticipates a 9.7% revenue increase (due to a 7.2% rate escalation from the Rate Study and an expected 2.5% customer growth). This approach, sustained through 2029, supports anticipated revenue growth while covering operational and capital expenses. Additionally, development charges of approximately \$4.5 million over five years will support infrastructure expansion.
2. **Operational Expenses and Efficiency Investments:**
 - **Operating, Maintenance, and Administrative (OM&A) Costs:** The 2025 OM&A budget of \$4,036,828 is a 10.7% increase to the 2023 budget and includes inflationary adjustments, a focus on further automation and water losses reduction and shared staffing costs with LUSI & LUI. It also excludes amortization and interest on long term debt, which are not considered OM&A costs.
 - **Staffing and Efficiency Initiatives:** Key hires in 2025, including a Water Supervisor, Corp. for succession planning and overlap, an Admin Manager, Financial Analyst and Supply Chain Analyst, all of whom will support Waterworks' operational demands. Automation upgrades—such as customer service enhancements and IT software updates—are also budgeted to increase service efficiency and reduce dependency on external consultants.
3. **Capital Expenditures:**
 - **2025 Capital Budget:** A capital budget of \$8,930,694 is proposed to fund vital projects, including the completion of the Zone 1 Elevated Tank and Zone 2 Booster Station, as well as infrastructure expansion to meet community growth needs.



November 21, 2024

- **Long-term Infrastructure Investments:** Over the next five years, Waterworks will continue with critical asset replacement and upgrades, informed by ongoing condition assessments, to maintain reliability and regulatory compliance.

4. **Debt and Financial Planning:** The budget aligns with TD banking covenants, and the borrowing strategy ensures sufficient funding for both growth and non-growth projects. This includes the utilization of approved loan facilities to address significant capital projects, such as the water tower and booster station developments.


Recommendation

After a thorough review, I recommend the Board approve the 2025 capital budget of **\$8,930,694** and the OM&A budget of **\$4,036,828**. This budget supports growth, infrastructure renewal, and operational efficiency, ensuring that Waterworks can meet Cobourg's water needs effectively and sustainably over the next year and beyond.

Approval of this budget will facilitate Waterworks' mission of delivering reliable and safe water services while addressing future capacity and regulatory requirements.

Respectfully submitted,

Kind Regards,



Dereck C. Paul
President & CEO

LUSI Resolution #2024-42

Moved by Kelley Irwin

Seconded by Graham Fisher

BE IT RESOLVED THAT the Board approve the 2025 Waterworks Capital Budget in the amount of \$8,930,694, as presented, and recommend Council approval. **CARRIED**

LUSI Resolution #2024-43

Moved by Kelley Irwin

Seconded by Graham Fisher

BE IT RESOLVED THAT the Board approve the 2025 Waterworks Operating Budget in the amount of \$4,036,828, as presented, and recommend Council approval. **CARRIED**