

# Halifax Water Meeting Agenda

Halifax Water Board of Commissioners		
Date: February 22, 2024 Location: MS Teams Virtual Meeting	Meeting Time: 9:00 a.m.	
Commissioner Colleen Rollings, Chair		
IN CAMERA AGENDA	Presenting	Time
1C. Approval of Minutes of the In-Camera Meeting held on Thursday, January 25, 2024 <i><b>Motion:</b> That the Halifax Water Board approve the In-Camera minutes of January 25, 2024.</i>	Chair	2 min
2C. Business arising from the minutes a. Personnel Matter b. Personnel Matter	Chair	15 min
3C. Personnel Matter	Acting GM/CEO	15 min
PUBLIC AGENDA	Presenting	Time
Regular Reports		
1. Ratification of In-Camera motions <i><b>Motion:</b> That the Halifax Water Board ratify the In-Camera Motions.</i>	Chair	5 min
2. Approval of the order of business and approval of additions and deletions <i><b>Motion:</b> That the Halifax Water Board approve the order of business and approve additions and deletions.</i>		
3. Approval of minutes of the public meeting held on Thursday, January 25, 2024. <i><b>Motion:</b> That the Halifax Water Board approve the minutes of the public meeting held on January 25, 2024.</i>	Chair	2 min
4. Business Arising from the Minutes a.		
Financial Reports		
5. Proposed 2024/25 Operating Budget <i><b>Motion:</b> That the Halifax Water Board approve the attached proposed 2024/25 Operating Budget, inclusive of the proposed 2024/25 budget for unregulated activities.</i>	Director, Corporate Services/CFO	30 min

# Halifax Water Meeting Agenda

Other Business		
6. Proposed 2024 Business Plan	Acting GM/CEO	15 min
7. Strategic Communications Plan (Verbal)	Acting GM/CEO Manager, Communication and Public Affairs	20 min

Information Reports
1-I. None


Prepared By:

Lorna  
Skinner

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Skinner  
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Lorna Skinner  
Governance Coordination Assistant

**TO:** Colleen Rollings, P.Eng., PMP., Chair and Members of the Halifax Regional Water Commission Board

**SUBMITTED BY:**   
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Louis de Montbrun, CPA, CA  
Director, Corporate Services/CFO

**APPROVED BY:**   
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Kenda Mackenzie, P.Eng.  
Acting Chief Executive Officer and General Manager

**DATE:** February 16, 2024

**SUBJECT:** **Proposed 2024/25 Operating Budget**

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### **ORIGIN**

The Halifax Regional Water Commission Board of Commissioners (the “Board”) approves Halifax Water’s 2024/25 Operating Budget.

### **RECOMMENDATION**

It is recommended the Board approve the attached proposed 2024/25 Operating Budget, inclusive of the proposed 2024/25 budget for unregulated activities.

### **BACKGROUND**

The purpose of the 2024/25 Operating Budget is to outline the revenue and expenditures required to provide the services as highlighted in Halifax Water’s 2024/25 Annual Business Plan.

### **DISCUSSION**

Table 1 below outlines the operating budget for 2024/25 which shows a projected deficit of \$18.7 million. The budget reflects requirements to maintain current levels of service, deliver projects

**ITEM #5**  
**Halifax Water Board**  
**February 22, 2024**

already in progress or approved, and address any changing environmental or regulatory requirements. The 2024/25 Operating Budget is prepared on a modified accrual basis to provide broader information for decision making and be reflective of reporting under the Nova Scotia Utility and Review Board Water Utility (NSUARB) Accounting and Reporting Handbook, which is used in determining revenue requirements for rate making purposes.

**Table 1:**

	Approved	Proposed	From 2023/24 Budget	
	Budget	Budget	\$ Change	% Change
	2023/24	2024/25		
	'000	'000		
<b>Operating revenues</b>	\$ 168,897	\$ 172,059	\$ 3,162	1.87%
<b>Operating expenditures</b>	135,956	150,837	14,881	10.95%
<b>Earnings from operations before financial and other revenues and expenditures</b>	32,941	21,222	(11,719)	(35.58%)
<b>Financial and other revenues</b>				
Interest	324	383	59	18.21%
Other	627	615	(12)	(1.91%)
	951	998	47	4.94%
<b>Financial and other expenditures</b>				
Interest on long term debt	7,051	9,375	2,324	32.96%
Repayment on long term debt	22,191	24,077	1,886	8.50%
Amortization of debt discount	202	244	42	20.79%
Dividend/grant in lieu of taxes	6,589	7,031	442	6.71%
Other	175	175	0	0.00%
	36,208	40,902	4,694	12.96%
<b>Loss for the year</b>	\$ (2,316)	\$ (18,682)	\$ (16,366)	706.65%

Halifax Water faces financial pressure associated with renewal of assets, increases in customers due to growth in the municipality, and compliance with regulatory requirements. Additions to utility plant in service result in increased costs associated with depreciation, debt servicing, and incremental costs to operate and maintain the assets.

Continuing to build organizational capacity to deliver programs and capital projects envisioned in the Integrated Resource Plan requires additional staffing for departments within the utility, reflected by the request to add 38 new positions in 2024/25.

**Operating Revenues**

Halifax Water's main revenue sources are derived from rate-regulated activities, with approximately 76% of water and wastewater revenues coming from consumption/discharge rates and 24% from base charges. The 2024/25 Operating Budget is based on regulated rates and

charges approved by the NSUARB effective April 1, 2023. Base charges for both water and wastewater have remained unchanged since April 1, 2016. The water consumption rate is \$1.128 per cubic meter and the wastewater discharge rate is \$2.259 per cubic meter. Stormwater rates for site related flow charge for non-residential property customers is \$0.173 per square meter and remain unchanged from 2023/24. There are no increases in rates built into the 2024/25 operating budget.

For 2024/25, a 1% increase in total consumption was used to budget revenue compared to a 0% increase in the prior year. New customer connections are estimated at 680 for water services and 640 for wastewater services based on historic trending.

The remainder of Halifax Water's revenues are from miscellaneous fees, financial and other revenues, and unregulated activities.

### **Operating Expenditures**

The main cost drivers in Halifax Water's operating budget are salaries and benefits, energy, chemicals, depreciation, and debt servicing. Key assumptions in each of these areas are outlined below:

#### Salaries and benefits

- **Salary rate increases:**  
Increases for unionized staff have been budgeted, but final rates are to be determined during contract negotiations as the collective agreements expired on October 31, 2023. For non-union staff, the increase is based on a 4.0% increase each calendar year. In addition, there is an allowance of 0.50% which represents the impact of step increases for all non-union employees moving within salary bands or reclassification of positions.
  
- **Changes to full-time equivalents (FTE):**  
The budget for 2024/25 includes an increase of 38 new positions, equivalent to 26 FTEs, as not all positions will be filled by April 1, 2024. The net impact of the new FTEs is \$2.1 million in 2024/25. The impact on the 2024/25 Operating Budget is estimated at \$1.2 million (excluding benefits) and \$0.9 million of the total cost has been assigned to capital projects. For some business units new FTEs will result in off-setting savings in other costs such as contract services, consulting, etc.

**Table 2:**

The impact by business unit is illustrated below:

	<b>New Positions</b>	<b>New Full-time Equivalent</b>	<b>% of Total Positions</b>	<b>Salary Increase</b>	<b>Allocated to Capital</b>	<b>Net Increase to Operating</b>
<i>Corporate Services</i>	4	3.08	12%	\$ 231,000	\$ 42,000	\$ 189,000
<i>Engineering &amp; Technology Services</i>	17	11.25	43%	\$ 947,000	\$ 680,000	\$ 267,000
<i>Administration Services</i>	5	4.67	18%	\$ 345,000	\$ 58,000	\$ 287,000
<i>Regulatory Compliance Services</i>	3	2.50	10%	\$ 213,000	\$ 24,000	\$ 189,000
<i>Wastewater / Stormwater</i>	4	1.25	5%	\$ 100,000	\$ -	\$ 100,000
<i>Water</i>	5	3.42	13%	\$ 240,000	\$ 47,000	\$ 193,000
	<b>38</b>	<b>26</b>		<b>\$ 2,076,000</b>	<b>\$ 851,000</b>	<b>\$ 1,225,000</b>

Energy:

Assumptions respecting electricity, furnace oil and natural gas rate increases are outlined below.

- Electricity      7.00%
- Furnace Oil     20.00%
- Natural Gas    15.00%

Chemical Costs:

Chemicals are tendered annually in January for optimal pricing. Chemical rate increases of 5.0% are budgeted for 2024/25.

Depreciation

Depreciation is an integral funding source to support asset renewal, growth, and regulatory compliance requirements. Depreciation is budgeted at \$34.4 million, an increase of \$1.7 million over the 2023/24 budget, and calculated on water, wastewater, and stormwater assets.

In the 2022 rate application, Halifax Water proposed to begin to include 1% of the depreciation expense of contributed water and wastewater assets and to increase the depreciation expense on contributed stormwater assets by 1% to 26%. This change was accepted by the NSUARB in their decision, but suggested Halifax Water review again to consider whether a more aggressive approach could be used. However, to include 1% of depreciation on existing contributed water and wastewater assets and 100% on new

contributed water and wastewater assets, in addition to the increase for stormwater contributed asset depreciation, this change would have increased depreciation expense by approximately \$500,000. Halifax Water has not included this increase in the depreciation in the proposed 2024/25 budget. As Halifax Water proceeds through the rate application process, the NSUARB may instruct Halifax Water to include this increase into the budget.

### Debt Servicing

New debt principal and interest payments are budgeted to support the 2023/24 additions to utility plant in service. The amount and timing of any increases in debt servicing are contingent upon the completion of projects, financing rates, and cash flow requirements. Debt servicing is projected to increase to \$33.7 million in 2024/25 compared to \$29.4 million in 2023/24, representing a \$4.3 million or 14.4% increase. This is reflective of the increasing financing rates available through the Province of Nova Scotia and an increase in principal repayments required. Halifax Water's capital financing strategy is designed to maintain a debt service ratio of 35% or less. The debt service ratio based on the 2024/25 Operating Budget is 19.6%.

### Other Expenditures

- Expenditures such as electricity and chemicals, which are subject to greater cost volatility, have been afforded special attention due to the dependence placed on these commodities. For other expenditures carrying a high dollar value, such as contract services and materials/supplies, there is an element of judgement, as these expenditures are contingent upon other factors such as:
  - Service expectations,
  - Regulatory requirements and compliance,
  - Maintenance and renewal of infrastructure.

### **Water Service**

Water operations are detailed on page 2 of the proposed 2024/25 Operating Budget attached, reporting a loss for the year of \$9.2 million.

Operating revenues for 2024/25 total \$65.5 million, representing an increase of \$1.2 million or 1.9% compared to 2023/24. The increase is attributed to an expected increase in consumption and the projected increase of 680 new customers.

Operating expenditures for 2024/25 total \$58.2 million, representing an increase of \$6.2 million or 12.0% compared to 2023/24. The increase is driven by the following:

1. Supply and treatment costs have increased \$1.0 million mainly due to increases in chemical costs and contract services.
2. Transmission and distribution costs have increased by \$0.9 million due in part to salaries and benefits, contract services and vehicle cost allocations.
3. Depreciation has increased \$0.4 million due to projected additions to utility plant in service.
4. Costs allocated to water service from other business units within the utility are \$4.0 million (29%) higher than the prior year due in part to annual cost increases and projected new positions. Allocated costs from other business units reflect budgeted changes within those units, including any projected FTE additions.

Financial and other revenues are comparable to the prior year. Financial and other expenditures report an increase of \$2.6 million or 17.9% due to an increase in debt servicing costs and an increase in the dividend/grant in lieu of taxes paid to the Halifax Regional Municipality.

### **Wastewater Service**

Wastewater operations are detailed on page 3 of the proposed 2024/25 Operating Budget attached, reporting a loss for the year of \$7.0 million.

Operating revenues for 2024/25 total \$91.0 million, representing an increase of \$1.9 million or 2.1% compared to 2023/24. The increase is attributed to an expected increase in discharge and the projected increase of 640 new customers in 2024/25.

Operating expenditures in 2024/25 total \$78.5 million, representing an increase of \$7.4 million or 10.4% compared to 2023/24. The increase is driven by the following:

1. Wastewater collection costs have increased by \$0.8 million however, wastewater and stormwater collection share the same staffing pool therefore the two areas should be compared together. Stormwater collections costs have increased \$0.4 million resulting in a combined increase of \$1.2 million. Overall, the total increase is driven by increases in salaries and benefits, electricity, and fleet services.



2. Wastewater treatment costs have increased \$1.3 million and are due to increases in chemical costs, contract services, and electricity.
3. Depreciation is reporting an increase of \$1.1 million due to projected additions to utility plant in service.
4. Costs allocated to wastewater service from other business units are \$4.2 million (28%) higher than the prior year due in part to annual cost increases and projected new positions. Allocated costs from other business units reflect budgeted changes within those units, including any projected FTE additions.

Financial and other revenues are comparable to the prior year. Financial and other expenditures report an increase of \$1.6 million or 8.8% due to an increase in debt servicing costs and an increase in the dividend/grant in lieu of taxes.

#### **Stormwater Service**

Stormwater operations are detailed on page 4 of the proposed 2024/25 Operating Budget attached, reporting a loss of \$2.5 million.

Operating revenues for 2024/25 total \$15.6 million, representing no significant change from the prior year.

Operating expenditures in 2024/25 total \$14.1 million, representing an increase of \$1.3 million or 10.0% compared to 2023/24. The increase is driven by the following:

1. Stormwater collection has increased by \$0.4 million, and as mentioned previously in the wastewater section, changes in stormwater collection should be compared in aggregate with wastewater collection.
2. Depreciation is reporting an increase of \$0.3 million due to projected additions to utility plant in service.
3. Costs allocated to stormwater service from other business units are \$0.6 million (12%) higher than the prior year due in part to annual cost increases and projected new positions. Allocated costs from other business units reflect budgeted changes within those units, including any projected FTE additions.

Financial revenues are comparable to the prior year. Financial and other expenditures report an increase of \$0.5 million or 13.6% due to an increase in debt servicing costs and an increase in the dividend/grant in lieu of taxes.

### **Unregulated Activities**

Unregulated activities are detailed on page 5 of the proposed 2024/25 Operating Budget attached, reporting a budget surplus of \$0.5 million.

Unregulated revenues can be used to fund rate-regulated activities and applied against unregulated expenditures. Revenues from unregulated activities for 2024/25 are budgeted at \$1.2 million, which is comparable to the prior year. Revenues are derived primarily from septage tipping fees and external contracts. These contracts include the operation and maintenance of the Leachate Treatment Facility at Otter Lake, plus several other smaller HRM facilities including, the Upper Sackville Recreation Center, and the Harrietsfield Recreation Center and Nova Scotia Health's Twin Oaks-The Birches facility.

Unregulated operating expenditures for 2024/25 are comparable to 2023/24. Included in unregulated operating expenditures are sponsorships and donations, which are treated as unregulated in nature because of a 2012 NSUARB Rate Decision. For 2024/25, these expenditures are budgeted at \$80,000 and consist of:

- Help to Others (H2O) Program           \$ 40,000
- Sponsorships and Donations           \$ 40,000

The H2O (Help to Others) Program was established to provide financial assistance to residents who require financial assistance with their water bill. The program is funded by Halifax Water and its employees and administered by the Salvation Army Halifax Water employees participate in the program through tax deductible contributions, which are matched by Halifax Water.

Sponsorships and Donations includes scholarship funding of \$25,000 and the remainder to be used for initiatives chosen through the year such as sponsoring events and organizations.

### **Accumulated Surplus (Deficit)**

The accumulated operating deficit (based on the NSUARB Water Utility Accounting and Reporting Handbook) at March 31, 2025, is projected to be \$3.8 million, which consists of the accumulated operating surplus for the 2022/23 fiscal year, budgeted results for 2023/24, and a budgeted deficit of \$18.7 million for 2024/25. Table 3 below summaries the continuity of the accumulated surplus (deficit) by service.

**Table 3:**

Accumulated Operating Surplus (Deficit) - NSUARB (in thousands)				
	Total	Water	Wastewater	Stormwater
<b>2022/23 Fiscal Year</b>				
Balance, beginning of year	24,926	19,705	8,201	(2,980)
Loss for the year	(7,760)	(3,069)	(1,676)	(3,015)
Surplus (deficit), end of year	\$ 17,166	\$ 16,636	\$ 6,525	\$ (5,995)
<b>2023/24 Fiscal Year</b>				
Balance, beginning of year	17,166	16,636	6,525	(5,995)
Projected earnings (loss) for the year	(2,309)	(1,712)	73	(670)
Projected surplus (deficit), end of year	\$ 14,857	\$ 14,924	\$ 6,598	\$ (6,665)
<b>2024/25 Fiscal Year</b>				
Balance, beginning of year	14,857	14,924	6,598	(6,665)
Projected earnings (loss) for the year	(18,703)	(9,237)	(6,990)	(2,476)
Projected surplus (deficit), end of year	\$ (3,846)	\$ 5,687	\$ (392)	\$ (9,141)

Halifax Water targets to maintain a minimum accumulated operating surplus of 3% of total expenditures to mitigate risk. Accumulated operating surplus' can be used to offset operating losses, or to fund future additions to utility plant in service, subject to NSUARB approval. Based on the projected financial position as at March 31, 2024, without an increase in rates there will be a projected accumulated deficit of \$8.9 million.

The operating budget will form the basis of a general rate application which is planned to be filed within the next few months. The rate application will utilize the approved budget and the approved cost of service methodology, to develop rates that would cover the full costs of operating the utility.

**BUDGET IMPLICATIONS**

The combined operations of Water, Wastewater and Stormwater report a budgeted deficit \$18.7 million.

**ALTERNATIVES**

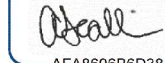
The Board could direct staff to revise the proposed 2024/25 Operating Budget.

**ATTACHMENT**

Proposed 2024/25 Operating Budget

Report Prepared by:

DocuSigned by:



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Alicia Scallion, CPA, CA

Manager, Finance (902) 497-9785

**HALIFAX WATER**  
**UNAUDITED STATEMENT OF EARNINGS - ALL SERVICES - NSUARB**

	APR 1/23 MAR 31/24 BUDGET '000	APR 1/24 MAR 31/25 BUDGET '000	24/25 Budget to 23/24 Budget	
			\$ Change	% Change
<b>Operating revenues</b>				
Water	\$ 53,669	\$ 54,867	\$ 1,198	2.23%
Wastewater	87,450	89,367	1,917	2.19%
Stormwater site generated service	8,873	8,865	(8)	(0.09%)
Stormwater right of way service	6,515	6,515	0	0.00%
Fire protection (public and private)	9,735	9,779	44	0.45%
Other services and fees	1,472	1,546	74	5.03%
Late payment and other connection fees	627	644	17	2.71%
Miscellaneous	556	476	(80)	(14.39%)
	<b>168,897</b>	<b>172,059</b>	<b>3,162</b>	<b>1.87%</b>
<b>Operating expenditures</b>				
Water supply and treatment	12,621	13,661	1,040	8.24%
Water transmission and distribution	13,203	14,060	857	6.49%
Wastewater collection	13,554	14,346	792	5.84%
Stormwater collection	5,382	5,816	434	8.06%
Wastewater treatment	25,065	26,353	1,288	5.14%
Engineering and technology services	14,009	17,757	3,748	26.75%
Regulatory services	5,060	5,922	862	17.04%
Customer services	4,526	4,507	(19)	(0.42%)
Corporate services	3,655	3,743	88	2.41%
Administration services	6,197	10,267	4,070	65.68%
Depreciation and amortization	32,684	34,405	1,721	5.27%
	<b>135,956</b>	<b>150,837</b>	<b>14,881</b>	<b>10.95%</b>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<b>32,941</b>	<b>21,222</b>	<b>(11,719)</b>	<b>(35.58%)</b>
<b>Financial and other revenues</b>				
Interest	324	383	59	18.21%
Other	627	615	(12)	(1.91%)
	<b>951</b>	<b>998</b>	<b>47</b>	<b>4.94%</b>
<b>Financial and other expenditures</b>				
Interest on long term debt	7,051	9,375	2,324	32.96%
Repayment on long term debt	22,191	24,077	1,886	8.50%
Amortization of debt discount	202	244	42	20.79%
Dividend/grant in lieu of taxes	6,589	7,031	442	6.71%
Other	175	175	0	0.00%
	<b>36,208</b>	<b>40,902</b>	<b>4,694</b>	<b>12.96%</b>
<b>Loss for the year</b>	<b>\$ (2,316)</b>	<b>\$ (18,682)</b>	<b>\$ (16,366)</b>	<b>706.65%</b>

**HALIFAX WATER**  
**UNAUDITED STATEMENT OF EARNINGS - WATER - NSUARB**

	<b>APR 1/23</b>	<b>APR 1/24</b>	<b>24/25 Budget to 23/24 Budget</b>	
	<b>MAR 31/24</b>	<b>MAR 31/25</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>BUDGET</b>	<b>BUDGET</b>		
	<b>'000</b>	<b>'000</b>		
<b>Operating revenues</b>				
Water	\$ 53,669	\$ 54,867	\$ 1,198	2.23%
Public fire protection	8,083	8,083	0	0.00%
Private fire protection	1,652	1,696	44	2.66%
Bulk water stations	338	364	26	7.69%
Late payment and other connection fees	252	248	(4)	(1.59%)
Miscellaneous	258	222	(36)	(13.95%)
	<b>64,252</b>	<b>65,480</b>	<b>1,228</b>	<b>1.91%</b>
<b>Operating expenditures</b>				
Water supply and treatment	12,621	13,661	1,040	8.24%
Water transmission and distribution	13,203	14,060	857	6.49%
Engineering and technology services	4,703	6,412	1,709	36.34%
Regulatory services	1,521	1,647	126	8.28%
Customer services	2,308	2,299	(9)	(0.39%)
Corporate services	1,864	1,909	45	2.41%
Administration services	3,160	5,236	2,076	65.70%
Depreciation and amortization	12,594	12,959	365	2.90%
	<b>51,974</b>	<b>58,183</b>	<b>6,209</b>	<b>11.95%</b>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<b>12,278</b>	<b>7,297</b>	<b>(4,981)</b>	<b>(40.57%)</b>
<b>Financial and other revenues</b>				
Interest	259	372	113	43.63%
Other	465	458	(7)	(1.51%)
	<b>724</b>	<b>830</b>	<b>106</b>	<b>14.64%</b>
<b>Financial and other expenditures</b>				
Interest on long term debt	2,767	4,109	1,342	48.50%
Repayment on long term debt	6,077	6,997	920	15.14%
Amortization of debt discount	79	112	33	41.77%
Dividend/grant in lieu of taxes	5,664	6,005	341	6.02%
Other	130	130	0	0.00%
	<b>14,717</b>	<b>17,353</b>	<b>2,636</b>	<b>17.91%</b>
			0	0.00%
<b>Loss for the year</b>	<b>\$ (1,715)</b>	<b>\$ (9,226)</b>	<b>\$ (7,511)</b>	<b>437.96%</b>

**HALIFAX WATER**  
**UNAUDITED STATEMENT OF EARNINGS - WASTEWATER - NSUARB**

	APR 1/23 MAR 31/24 BUDGET '000	APR 1/24 MAR 31/25 BUDGET '000	24/25 Budget to 23/24 Budget \$ Change	% Change
<b>Operating revenues</b>				
Wastewater	\$ 87,450	89,367	\$ 1,917	2.19%
Leachate and other contract revenue	494	507	13	2.63%
Septage tipping fees	535	570	35	6.54%
Airplane effluent	105	105	0	0.00%
Late payment and other connection fees	234	216	(18)	(7.69%)
Miscellaneous	223	187	(36)	(16.14%)
	<b>89,041</b>	<b>90,952</b>	<b>1,911</b>	<b>2.15%</b>
<b>Operating expenditures</b>				
Wastewater collection	13,554	14,346	792	5.84%
Wastewater treatment	25,065	26,353	1,288	5.14%
Engineering and technology services	7,096	9,335	2,239	31.55%
Regulatory services	1,733	1,889	156	9.00%
Customer services	2,029	2,029	0	0.00%
Corporate services	1,612	1,651	39	2.42%
Administration services	2,733	4,528	1,795	65.68%
Depreciation and amortization	17,310	18,396	1,086	6.27%
	<b>71,132</b>	<b>78,527</b>	<b>7,395</b>	<b>10.40%</b>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<b>17,909</b>	<b>12,425</b>	<b>(5,484)</b>	<b>(30.62%)</b>
<b>Financial and other revenues</b>				
Interest	104	139	35	33.65%
Other	162	157	(5)	(3.09%)
	<b>266</b>	<b>296</b>	<b>30</b>	<b>11.28%</b>
<b>Financial and other expenditures</b>				
Interest on long term debt	3,385	4,122	737	21.77%
Repayment on long term debt	13,790	14,587	797	5.78%
Amortization of debt discount	99	104	5	5.05%
Dividend/grant in lieu of taxes	786	844	58	7.38%
Other	45	45	0	0.00%
	<b>18,105</b>	<b>19,702</b>	<b>1,597</b>	<b>8.82%</b>
<b>Earnings (loss) for the year</b>	<b>\$ 70</b>	<b>\$ (6,981)</b>	<b>\$ (7,051)</b>	<b>(10072.86%)</b>

**HALIFAX WATER**  
**UNAUDITED STATEMENT OF EARNINGS - STORMWATER - NSUARB**

	<b>APR 1/23</b>	<b>APR 1/24</b>	<b>24/25 Budget to 23/24 Budget</b>	
	<b>MAR 31/24</b>	<b>MAR 31/25</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>BUDGET</b>	<b>BUDGET</b>		
	<b>'000</b>	<b>'000</b>		
<b>Operating revenues</b>				
Stormwater site generated service	\$ 8,873	\$ 8,865	\$ (8)	(0.09%)
Stormwater right of way service	6,515	6,515	0	0.00%
Late payment and other connection fees	141	180	39	27.66%
Miscellaneous	75	67	(8)	(10.67%)
	<b>15,604</b>	<b>15,627</b>	<b>23</b>	<b>0.15%</b>
<b>Operating expenditures</b>				
Stormwater collection	5,382	5,816	434	8.06%
Engineering and technology services	2,210	2,010	(200)	(9.05%)
Regulatory services	1,806	2,386	580	32.12%
Customer services	189	179	(10)	(5.29%)
Corporate services	179	183	4	2.23%
Administration services	304	503	199	65.46%
Depreciation and amortization	2,780	3,050	270	9.71%
	<b>12,850</b>	<b>14,127</b>	<b>1,277</b>	<b>9.94%</b>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<b>2,754</b>	<b>1,500</b>	<b>(1,254)</b>	<b>(45.53%)</b>
<b>Financial and other revenues</b>				
Interest	(39)	(128)	(89)	228.21%
	<b>(39)</b>	<b>(128)</b>	<b>(89)</b>	<b>228.21%</b>
<b>Financial and other expenditures</b>				
Interest on long term debt	899	1,144	245	27.25%
Repayment on long term debt	2,324	2,493	169	7.27%
Amortization of debt discount	24	28	4	16.67%
Dividend/grant in lieu of taxes	139	182	43	30.94%
	<b>3,386</b>	<b>3,847</b>	<b>461</b>	<b>13.61%</b>
<b>Loss for the year</b>	<b>\$ (671)</b>	<b>\$ (2,475)</b>	<b>\$ (1,804)</b>	<b>268.85%</b>



**HALIFAX WATER**  
**UNAUDITED STATEMENT OF EARNINGS - REGULATED AND UNREGULATED ACTIVITIES**  
**NSUARB**

	APR 1/23 MAR 31/24 BUDGET '000	APR 1/24 MAR 31/25 BUDGET '000	24/25 Budget to 23/24 Budget \$ Change	% Change
<b>REGULATED ACTIVITIES</b>				
<b>Operating revenues</b>				
Water	\$ 53,669	\$ 54,867	\$ 1,198	2.23%
Wastewater	87,450	89,367	1,917	2.19%
Stormwater	15,388	15,380	(8)	(0.05%)
Public fire protection	8,083	8,083	0	0.00%
Private fire protection	1,652	1,696	44	2.66%
Miscellaneous	1,521	1,484	(37)	(2.43%)
	<b>167,763</b>	<b>170,877</b>	<b>3,114</b>	<b>1.86%</b>
<b>Operating expenditures</b>				
Water supply and treatment	12,621	13,661	1,040	8.24%
Water transmission and distribution	13,203	14,060	857	6.49%
Wastewater collection	13,473	14,284	811	6.02%
Stormwater collection	5,382	5,816	434	8.06%
Wastewater treatment	24,288	25,556	1,268	5.22%
Engineering and technology services	14,009	17,757	3,748	26.75%
Regulatory services	5,060	5,922	862	17.04%
Customer services	4,486	4,467	(19)	(0.42%)
Corporate services	3,642	3,730	88	2.42%
Administration services	6,067	10,130	4,063	66.97%
Depreciation and amortization	32,650	34,371	1,721	5.27%
	<b>134,881</b>	<b>149,754</b>	<b>14,873</b>	<b>11.03%</b>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<b>32,882</b>	<b>21,123</b>	<b>(11,759)</b>	<b>(35.76%)</b>
<b>Financial and other revenues</b>				
Interest	324	383	59	18.21%
Other	37	36	(1)	(2.70%)
	<b>361</b>	<b>419</b>	<b>58</b>	<b>16.07%</b>
<b>Financial and other expenditures</b>				
Interest on long term debt	7,051	9,375	2,324	32.96%
Repayment on long term debt	22,191	24,077	1,886	8.50%
Amortization of debt discount	202	244	42	20.79%
Dividend/grant in lieu of taxes	6,589	7,031	442	6.71%
	<b>36,033</b>	<b>40,727</b>	<b>4,694</b>	<b>13.03%</b>
<b>Loss for the year - Regulated</b>	<b>\$ (2,790)</b>	<b>\$ (19,185)</b>	<b>\$ (16,395)</b>	<b>587.63%</b>

**HALIFAX WATER**  
**UNAUDITED STATEMENT OF EARNINGS - REGULATED AND UNREGULATED ACTIVITIES**  
**NSUARB**

	APR 1/23 MAR 31/24 BUDGET '000	APR 1/24 MAR 31/25 BUDGET '000	<u>24/25 Budget to 23/24 Budget</u> <u>\$ Change            % Change</u>	
<b>UNREGULATED ACTIVITIES</b>				
<b>Operating revenues</b>				
Septage tipping fees	\$ 535	\$ 570	\$ 35	6.54%
Leachate and other contract revenue	494	507	13	2.63%
Airplane effluent	105	105	0	0.00%
Miscellaneous	0	0	0	0.00%
	<u>1,134</u>	<u>1,182</u>	<u>48</u>	<u>4.23%</u>
<b>Operating expenditures</b>				
Water supply and treatment	0	0	0	0.00%
Wastewater treatment	777	797	20	2.57%
Wastewater collection	81	62	(19)	(23.46%)
Sponsorships and donations	73	80	7	9.59%
Corporate services	13	13	0	0.00%
Administration services	97	97	0	0.00%
Depreciation and amortization	34	34	0	0.00%
	<u>1,075</u>	<u>1,083</u>	<u>8</u>	<u>0.74%</u>
<b>Earnings from operations before financial and other revenues and expenditures</b>	<u>59</u>	<u>99</u>	<u>40</u>	<u>67.80%</u>
<b>Financial and other revenues</b>				
Other - leases and rentals	365	360	(5)	(1.37%)
Other - energy projects	225	219	(6)	(2.67%)
	<u>590</u>	<u>579</u>	<u>(11)</u>	<u>(1.86%)</u>
<b>Financial and other expenditures</b>				
Other	175	175	0	0.00%
	<u>175</u>	<u>175</u>	<u>0</u>	<u>0.00%</u>
<b>Earnings for the year - Unregulated</b>	<u>\$ 474</u>	<u>\$ 503</u>	<u>\$ 29</u>	<u>6.12%</u>
<b>Total loss for the year (Regulated and Unregulated)</b>	<u>\$ (2,316)</u>	<u>\$ (18,682)</u>	<u>\$ (16,366)</u>	<u>706.65%</u>

**TO:** Colleen Rollings., Chair and Members of the Halifax Regional Water Commission Board

**SUBMITTED BY:** DocuSigned by:  
*Kenda MacKenzie*  
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Kenda MacKenzie, P.Eng.  
Acting General Manager and CEO

**DATE:** February 14, 2024

**SUBJECT:** **Proposed 2024/25 Business Plan**

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### **ORIGIN**

Annual operational requirement in accordance with *Halifax Regional Water Commission Act*, and Halifax Regional Municipality Administrative Order 2018-001-ADM

### **RECOMMENDATION**

That the Halifax Water Board approve the 2024/25 Business Plan as attached to this report dated February 14, 2024, subject to non-substantive corrections and amendments, and direct the General Manager to submit the final 2024/25 Business Plan to Halifax Regional Council.

### **BACKGROUND**

Halifax Water develops both long-term and short-term business plans for the approval of the Board. The 2024/25 Business Plan reflects the strategic direction in the Five-Year Business Plan (2020/21 – 2024/25) which was approved by the Board on January 30, 2020; and the 2024/25 strategic objectives were presented with the Board at a workshop on November 24, 2023. The 2024/25 and Five-Year Business Plans are consistent with the updated Integrated Resource Plan [IRP] approved by the Board in November 2019.

### **DISCUSSION**

Halifax Water provides water, wastewater and stormwater services to the municipality that is experiencing a record growth. The business plan provides information on the key initiatives that continue to move the organization forward strategically and effectively. However, there are a number of day-to-day work that is critical to the delivery of these services to our customers and protection of the environment that are not necessarily highlighted in the business plan.

*Capital Investment*

With a proposed capital budget of \$152.5 million, Halifax Water is continuing to make progress in getting to the required IRP level of spend. Within the capital budget, 80.9% of the projects focus on renewing existing assets, 5.5% on addressing growth, and 13.6% on ensuring regulatory compliance. Additional details regarding the proposed capital budget are found within the business plan and are also summarized in Halifax Water Board Report - Item 6 dated January 25, 2024.

*Environmental Sustainability and Climate Change*

From an environmental sustainability perspective, Halifax Water remains focused on the ongoing expansion of the corporate Environmental Management System (EMS), finalizing the Climate Action Plan, and ensuring major initiatives such as the Water Supply Enhancement Program, Water Safety Plan, Wastewater Treatment Facility Study, and Biosolids project are forward-looking and considering the environmental requirements of tomorrow.

In light of the increased severity and frequency of extreme weather events, staff will continue to expand operational readiness with enhanced emergency response plans.

*Institutional Capacity and Service Delivery*

Halifax Water has continued to invest in its people and the tools required to deliver services to customers. Under the direction of the new Director of People and Culture, Halifax Water will continue to recruit employees into all aspects of the organization. There are still increases to the number of engineers and supporting teams to deliver the capital budget planned in 2024/25. Halifax Water will also continue to advance the design of the Burnside Operations Depot. The Burnside Operations Depot will have a significant impact on our ability to operate more efficiently in our One Team One Water environment.

In addition to these investments, Halifax Water will always be focused on our employees. Our commitment to the health and well-being of our employees includes the advancing the creation of a psychological health framework and the continued focus on enhancing safety culture with alignment with the ISO 45001 standard. Halifax Water will also be continuing to focus on diversity of our workforce and with the continued implementation of the Diversity Equity and Inclusion Policy and Framework.

There will be ongoing expansion of the Enterprise Resources Planning system and integrations with the Capital Project Management and information Systems to improve functionality, dashboards, and streamlined approval processes. As well, in 2024/25, there will be further advancements of the Municipal Auditor General's recommendations related to the strengthening of Halifax Water's cyber security.

The collective agreements with our two unions have expired and Halifax Water will be working with our union partners to negotiate new agreements. Union contracts that are fair to our employees and recognize the regulatory and fiscal environment we operate in are critical.

*Our Customers*

Investing in our people our infrastructure is very important in ensuring the needs of our customers are achieved. The development of a communications and stakeholder engagement plan will not only support the communications for our customers surrounding the general rate application, but other key engagements in updating the IRP.

*The Future*

Staff will defer developing the next five-year business plan until the completion of the IRP in 2025/26. The 2024/25 business plan highlights a number of strategic projects and initiatives, that will make for a busy and exciting year.

**ALTERNATIVES**

The Halifax Water Board could ask for revisions to the plan.

**ATTACHMENT**

1. 2024/25 Annual Business Plan on a Page
2. 2024/25 Annual Business Plan (electronic copy only)

Report Prepared by:

DocuSigned by:  
*Kenda MacKenzie*  
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Kenda MacKenzie, P.Eng.  
Acting General Manager and CEO, 902-237-7116

# 2024/25 Business Plan

## Our Purpose

Our purpose is to supply and safeguard sustainable, high-quality water services.

## Our Vision

We will provide our customers with high quality water, wastewater, and stormwater services. Through adoption of best practices, we will place the highest value on public health, customer service, fiscal responsibility, workplace safety and security, asset management, regulatory compliance, and stewardship of the environment. We will fully engage employees through teamwork, innovation, and professional development.

## Our Values

### Relationships

We nurture relationships with our customers, our team members and the environment. We are engaged in the neighbourhoods we serve and we support continual learning across our team.

### Innovation

We are among the top utilities across the continent and we are known on the global stage. We always ask, "how can we improve efficiency, sustainability, creativity and the customer experience?"

### Accountability

We refuse to cut corners. We check in with our excellence standards regularly and look to one another for support. Safety steers our decision-making. We are driven to make our policies, decisions and projects as clear as our drinking water.

### Protection

Halifax Water protects the health and well-being of our population. We exist to guard natural resources, finding ways to sustain our communities and environment.

## Our Goals



### People & Culture

- Enhance the overall Employee Experience.
- Develop a Talent Management Strategy.
- Develop a transition plan to support the Burnside Operations Centre.
- Continue to strengthen a positive and diverse workplace.
- Build institutional capacity to meet the challenges of growth.



### Health, Safety, Environmental & Social Responsibility

- Develop and enhance Source Water Protection Plans for our watershed.
- Initiate integration of ISO 45001, to enhance our safety culture.
- Complete a multi-year roadmap to monitor wastewater system flows.
- Deliver the Climate Action Plan and transition to a five-year roadmap.
- Build a proactive communications and stakeholder engagement plan.



### Financial & Regulatory Compliance

- Update financial models to reflect operational and infrastructure requirements.
- Execute contract and gain funding approval for Biosolids Processing Facility.
- Continue to enhance our approach to Capital Delivery and Project Management.
- Update Integrated Resource Plan.



### Operational Excellence

- Commence detailed design for the Cogswell District Project Energy Centre.
- Continue the Water Supply Enhancement Program.
- Develop a framework for ongoing asset maintenance plans and service standards.
- Develop Procedures to support the Environmental Management System Program.
- Expand Operational Readiness.
- Expand the use of systems to improve operational efficiency.
- Update enterprise risk management models.
- Strengthen Halifax Water's Cybersecurity.

