



UTILITIES BUDGET

PROPOSED FOR 2025

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A background image showing utility workers in a trench. One worker in the foreground is wearing a white hard hat and a high-visibility vest. Another worker in the background is wearing a white shirt with 'NAPA' and 'PROFESSIONAL' visible on the back. The trench is filled with earth and various utility pipes and cables.

INTRODUCTION

Modern, transparent budget processes are crucial for utility departments within municipalities; they ensure financial sustainability, enhance public trust, and promote accountability. By adopting clear and open budgeting practices, utilities can effectively allocate resources, plan for long-term capital investments, and respond to community needs.

You will find the 2025 proposed budget enclosed to support the utility-funded operations of the Utilities Department within The City of Red Deer.

In addition, Administration has presented 2026-2028 Utilities Department utility-funded operating plans as well as the 10-year Utilities Department capital plan.

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SUMMARY

GUIDING PRINCIPLES

The City of Red Deer is a regional provider of Water, Wastewater, and Waste Management Utility services to Red Deer citizens, and partners located outside its city boundaries approved by Council. The City's Electric Utility operates solely within its AUC approved service area within city limits. Through Council Governance Process Policy, guiding principles were provided by Council to direct Administration on how to deliver utility services.

UTILITY BUDGETING APPROACH

Long-term sustainability of all Utility functions is critical to ensuring appropriate management of the billions of dollars of assets under our stewardship. The 2025 Utility budget plan focuses on balancing the benefits to our residents (customers), our owners (residents), and our Utility operations by:

- Setting rates to manage affordability and stability for our customers;
- Optimizing and improving returns to our owners to allow budget certainty and financial benefit;
- Investing appropriately in our infrastructure and staffing resources to maintain the reliability, responsiveness, and marketability of the business;
- Looking at all change levers available to Council and the organization, the 2025 budget proposed within addresses short-term need with a look to long-term planning (being developed through the Utilities Governance Review Project);
- The Municipal Consent and Access Fee (MCAF) has been addressed as a concept of change.

BUDGET OUTCOMES

The 2025 Utility budget proposal includes:

- A net \$3.2M in ongoing dividend increase to our owners adds to the existing \$31.7M contribution to financial sustainability for a total of \$34.9M.
- Capital investment strategy in 2025 and over the 10-year capital plan, aligning our asset management approach with the age of our infrastructure.
- Operating investments to move toward targets established for appropriate resourcing such as staffing and overall operating ratios.
- Financing plans to leverage the equity established in the Utilities over the years to minimize rate increases and ensure generational equity in rate setting, benefit ownership, and facilitate investment.

GUIDING PRINCIPLES

Guiding Principles are provided by Council through policy to direct Administration on how to deliver Utility operations.

RELIABLE

Provides high quality, dependable services to customers.
Provides resilient, secure services and respond to outages with minimal disruption or downtime.

RESPONSIVE

Responsive to customer needs.

AFFORDABLE

Costs consider customer accessibility.

MARKETABLE

Contributes to economic development.

ADAPTABLE

Enables citizens to adapt to emerging opportunities.

FINANCIALLY BENEFICIAL

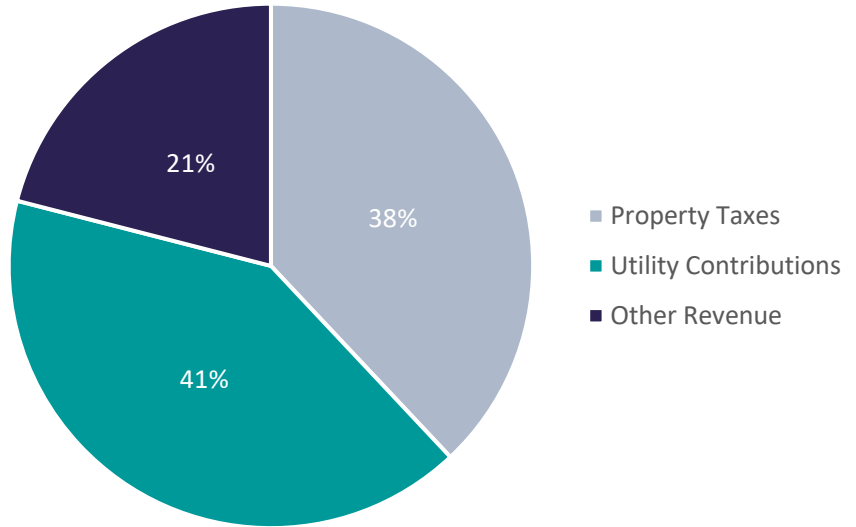
Provides a favourable revenue stream for The City.

HISTORICAL 2024 REVENUE DETAILS

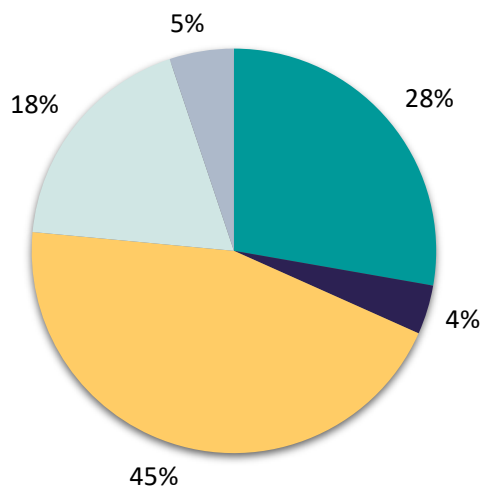
Total Budgeted Revenue for 2024

The Overall Revenue View:

Utility revenue made up approximately 41% of the total budgeted revenue for The City of Red Deer in 2024.



2024 Utility Budgeted Revenues to The City



- Regular Dividend (ongoing)
- MCAF
- Corporate Support Cost Allocation
- Special Dividend (one-time)
- Property Taxes

Utility Revenues:

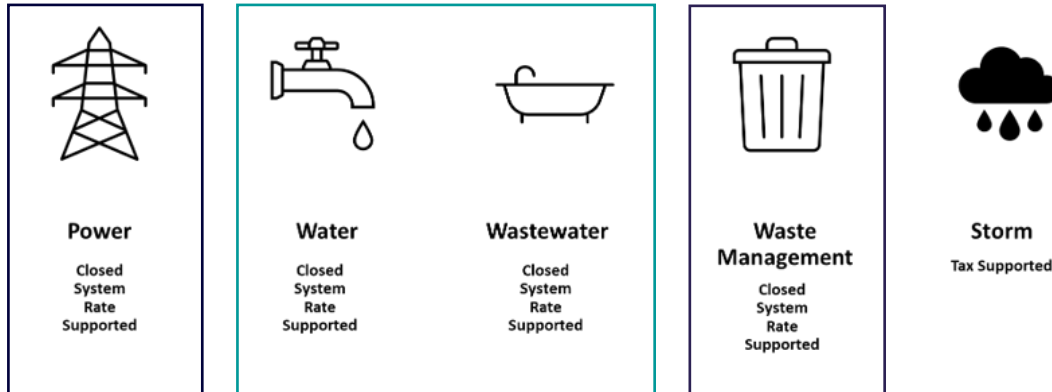
Revenue from the Utilities to The City is made up of a number of different contributions including dividends, corporate support cost allocations, municipal consent and access fees and property taxes the utility pays to The City.

2025 UTILITY BUDGET APPROACH

THE UTILITIES

The City of Red Deer operates many utilities within 5 different modelling systems, these include power, water, wastewater, waste management (collection and processing of garbage and recycling) and stormwater.

For 2025, the utility-funded budgets will be presented within three categories: Power (Electric Utility), Water (including water and wastewater) and Waste Management (including solid waste collections and landfill). Stormwater budgeting occurs alongside the remainder of the tax-funded budget deliberations as it is a tax-funded operation.



The City's Utilities function within one department of the organization and retain support services from other parts of the organization. Support services outside of the Utilities department includes utility billing, finance, information technology, legislative and legal services, human resources, engineering, public works, business excellence supports, leadership and governance (Council). Funding through corporate cost allocation is provided to The City in return for support services not directly paid for by the utilities.

Further information on each of the services the utilities provide can be found on The City's website at the following links:

Power Utility: <https://www.reddeer.ca/city-services/electric-light-and-power/>

Water Utility: <https://www.reddeer.ca/city-services/water-wastewater--stormwater/>

Waste Management Utility: <https://www.reddeer.ca/city-services/garbage-recycling--organics/>

2025 UTILITY BUDGET APPROACH

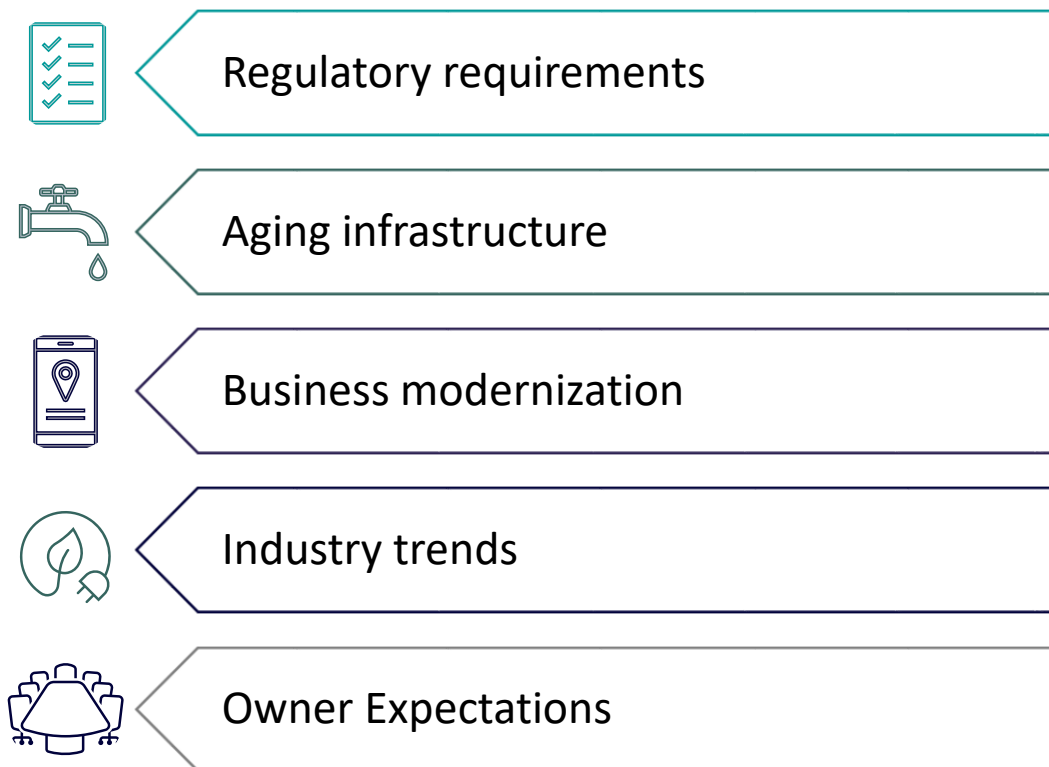
LEADING PRACTICES

Budgeting for municipally run utilities focuses on the careful balance of financial sustainability of operations, transparency, affordability, and effective resource allocations. This year’s approach includes:

- Careful consideration of reserve and contingency planning for the future of our utility systems;
- Capital improvements include planned, funded, executed plans where generational equity is achieved in service to long-term service reliability and efficiency;
- Meeting regulatory compliance;
- Leveraging technology and analytics to monitor performance and inform decision-making;
- Prioritizing risk management efforts by identifying potential risks, regulatory changes, and environmental factors;
- Adopting a growth mindset and continuous improvement leadership.

KEY BUDGET PLANNING CONSIDERATIONS

The process of compiling the 2025 proposed budget recommendation has been built inclusive of the following key considerations. Each is a complex, critical topic that heavily influences budget planning requirements and requires careful navigation to mitigate risks accordingly.



Utilities ensure sustainable growth and resilience by providing essential services that empower and protect every aspect of daily life.

BUDGET CONCEPTS OF CHANGE

Annual Dividend (Ongoing)

Dividends can be drawn from our Utility programs to provide The City as the owner a fair return on equity as established by the Alberta Utilities Commission (AUC). Council has prior approved annual dividends from each of the Water, Wastewater, and Electrical Utilities in 2024 for a total of \$9.1M in ongoing annual contributions. A \$3.2M ongoing increase is included in 2025.

Special Dividend

A special, or one-time, dividend can be drawn from our Utility Reserve as revenue to The City as well. Council approved an \$800,000 Electrical Utility special dividend in 2023 and 2024 and \$500K from the Wastewater Utility in 2024. The Utility Reserve projections do not support additional special dividends in 2025.

Internal Borrowing & Debt Limit

The Utilities are included as part of The City's debt limit with tax supported operations and are therefore limited in what they can borrow. Even though the debt limit is to be shared, tax supported debt historically utilizes a greater proportion of The City's debt limit. An updated debt utilization strategy for Utilities is proposed at \$24.8M as a component of the 2025 budget process to begin to realign debt utilization for Utilities within infrastructure needs. This is an effective debt-utilization strategy, leveraging asset to optimize returns.

Municipal Consent and Access Fee (MCAF)

The MCAF is calculated and charged by The City and can be maximized at 15% of total utility revenues (if directed by Council as noted in Council policies GP-F-2.7 and 2.8). The Utilities collect MCAF as part of the utility rates charged, and the funds are transferred to The City as additional revenue.

Administration has included the option to increase MCAF to the full 15% for consideration of Council with impacts included in each Utility section. Increases are not shown in the 2025 proposed budgets as the decision to maximize the fee has not been made yet.

2025 UTILITIES BUDGET OVERVIEW

A collective view of the three self-funded Utilities' operating budgets. Each utility has further detailed highlights later in the document containing operating and capital budget information.

	Electric Utility	Water Utility	Waste Management
Revenue			
User Fees and Sale of Goods and Services	71,947,837	75,844,325	20,140,383
Investment Income	-	-	-
Fines and Penalties	314,000	281,000	37,020
Other Revenue	2,000	215,500	244,000
Contributed Assets	-	1,196,155	-
Revenues Totals	72,263,837	77,536,980	20,421,403
Expenses			
Net Municipal Taxes	1,909,576	-	-
Contracted Services	7,798,489	5,846,996	12,114,225
Depreciation	7,084,827	21,634,460	806,900
Finance Charge	572,227	1,773,046	12,300
Materials & Supplies	33,171,297	7,196,336	72,609
Other Expenses	11,760	-	215,580
Wages and Salaries	9,145,501	12,728,030	1,542,514
Expenses Total	59,693,677	49,178,868	14,764,128
Internal Charge/ (Recovery)	997,641	503,611	(160,033)
Operating Surplus/ (Deficit)	11,572,519	27,854,501	5,817,308
Funding Transfers			
Debt Paid	892,769	5,602,847	-
Interfund	12,989,319	22,817,000	3,846,789
Reserve Transfers	4,775,257	19,872,958	2,777,419
TCA Equity	(7,084,827)	(20,438,305)	(806,900)
Net Transfers	11,572,519	27,854,501	5,817,308
Net Utility Requirements		-	-

Anticipated change per month for average residential customer will be approximately \$10.37. (includes all three utilities - electric, water and waste management; Does not include any changes to MCAF)

ELECTRIC UTILITY(EU)

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2025 CAPITAL BUDGET pg17

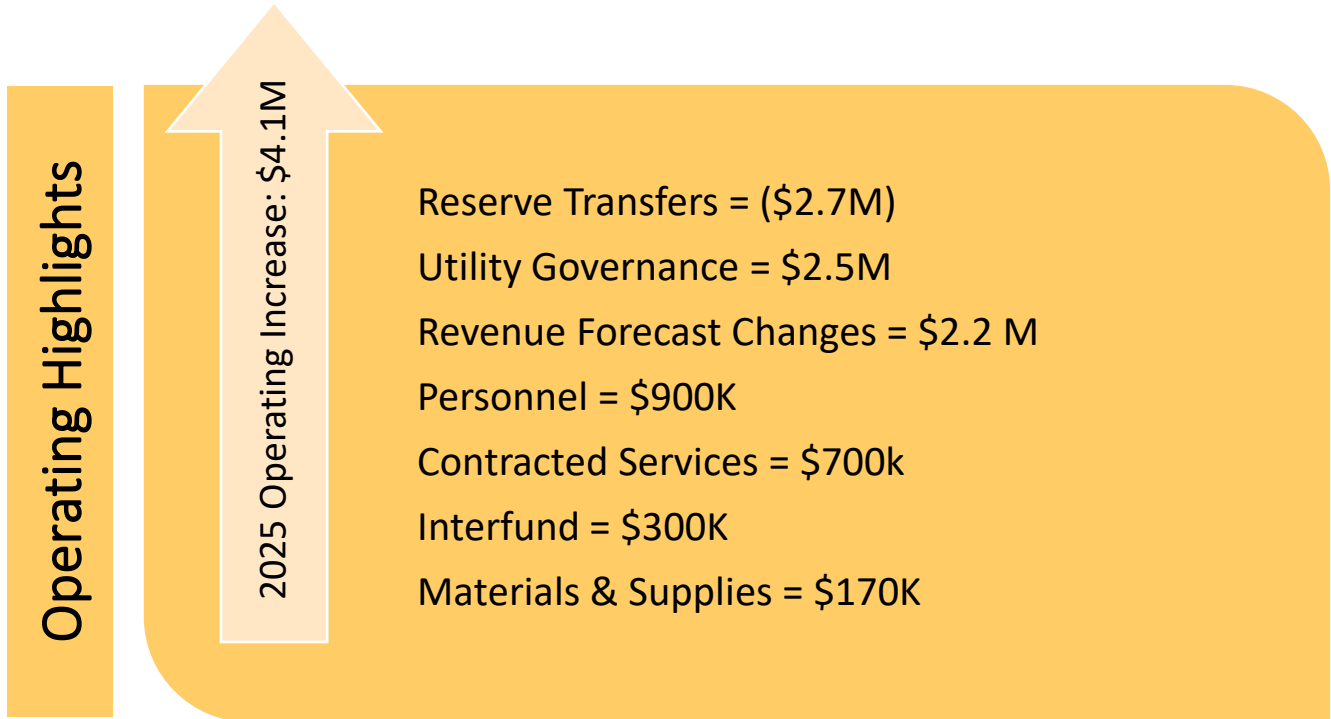
2026-28 OPERATING PLAN pg20

2025 ELECTRIC UTILITY (EU) OPERATING BUDGET

Electric Utility			
	2024	2024 YE Forecast as at June 30, 2024	2025 Proposed
Revenue			
User Fees and Sale of Goods and Services	70,025,248	69,996,641	71,947,837
Investment Income	651,387	762,003	-
Fines and Penalties	314,000	123,778	314,000
Other Revenue	2,000	998	2,000
Contributed Assets	-	-	-
<i>Revenues Totals</i>	70,992,635	70,883,420	72,263,837
Expenses			
Net Municipal Taxes	1,530,488	1,818,644	1,909,576
Contracted Services	5,024,684	5,195,456	7,798,489
Depreciation	4,120,053	4,155,703	7,084,827
Finance Charge	338,619	338,619	572,227
Materials & Supplies	33,001,960	32,269,537	33,171,297
Other Expenses	11,760	15,870	11,760
Wages and Salaries	7,712,811	7,256,176	9,145,501
<i>Expenses Total</i>	51,740,375	51,050,005	59,693,677
Internal Charge/ (Recovery)	909,490	1,004,260	997,641
Operating Surplus/ (Deficit)	18,342,770	18,829,155	11,572,519
Funding Transfers			
Debt Paid	910,084	910,084	892,769
Interfund	14,049,720	14,068,170	12,989,319
Reserve Transfers	7,503,021	7,970,956	4,775,257
TCA Equity	(4,120,055)	(4,120,055)	(7,084,827)
<i>Net Transfers</i>	18,342,770	18,829,155	11,572,519
Net Utility Requirements	-	-	-

2025 Electric Utility Rate Increase proposed at 6.5% or \$3.64 per month for an average residential customer.

2025 ELECTRIC UTILITY (EU) OPERATING BUDGET HIGHLIGHTS



OPERATING RESERVE HEALTH

Operating reserves are established to cover unanticipated operating expenses and are budgeted at a value of 45 days of operating expenses, or approximately \$6.9M.

Forecasted 2025 Operating Reserve Balance is \$6.9M.

ELECTRIC UTILITY OPERATING CONCEPTS OF CHANGE

RESERVE TRANSFERS \$2.7M

- The Electric Utility maintains capital and operating reserves as detailed in Council’s Electric Utility policy for asset replacement, asset rehabilitation, acquisition of future assets, operational sustainability, and to support rate stabilization when required. In 2025, transfers are budgeted as \$4.8M which is a \$2.7M decrease related to Governance Review project one-time costs and an updated debt utilization strategy.



UTILITY GOVERNANCE PROJECT \$2.5M

- \$2M one-time funding is included to support work in 2025 to support ongoing Utility Governance project implementation efforts. Additional funding is included in future years and will be dependent on direction provided by Council.
- \$500K ongoing funding is included as part of the Governance Review implementation plans. Regardless of governance model chosen by The City, support in business development, analysis, and strategy development will be critical to ensure the correct balance between benefit to the owner, benefit to the utility, and benefit to the customer (our residents) and our partners.

REVENUE GROWTH \$2.2M

- Changes to the revenues collected are based on existing tariffs.

PERSONNEL \$900K

- As the needs of the Utility continue to evolve, there is increased demand for appropriate staffing to modernize and evolve the business.
- Investments of \$500k in financial management, asset management, and workforce management will be needed as we continue to mature our organization.
- An increase of \$400k to Salary Provision to manage the union contract settlements and other anticipated salary changes (e.g. benefit rate changes, exempt step, development ladder, etc.).

CONTRACTED SERVICES \$700K

- Civic Yards Site Security \$250k for site security will play a vital role in safeguarding critical materials and equipment against theft and vandalism.
- ENMAX Contract cost increase \$350k under The City's Wires Services Contract with ENMAX Power is essential to ensure compliance with regulations, address inflation, and meet operational needs of the electric utility. In addition to addressing 2025 requirements, this request also corrects a shortfall in 2024 caused by higher inflation than anticipated.
- Contracted Services for Tree Trimming \$100k is essential to maintain Electric Utility code compliance and to address inflation.

INTERFUND (INVESTMENT INCOME, NET MUNICIPAL TAXES, DEPRECIATION, FINANCE CHARGE, INTERNAL CHARGE/RECOVERY, DEBT PAID, TCA EQUITY) \$300K

- Interfund transfers: a \$1.1M decrease includes adjustments to corporate cost allocations, special dividends (one-time), and ongoing dividends. For 2025, ongoing dividend will be maintained at \$3.7M, an \$800k prior approved special dividend will be removed, and corporate cost allocations will be reduced by \$300k based on an adjustment made by the Financial Services department.



MATERIALS AND SUPPLIES \$170K

- The largest cost is associated with the projection of what the Electric Utility must budget for, collect from customers, and remit to the Alberta Electric System Operator (AESO) for connection of The City's distribution system to the provincial transmission grid. These costs are established by the AESO and approved by the Alberta Utilities Commission (AUC). The increase for AESO Contract for 2025 is \$240k (for a projected total of \$32.4M).
- Costs associated with other items are decreased by \$70K as a result of budget rebalancing and reallocation.

MUNICIPAL CONSENT & ACCESS FEE (MCAF) INCREASE OPTION

The MCAF is established by The City and can be increased to a maximum of 15% of total utility revenues if directed by Council (Council policies GP-F-2.7 and 2.8). The Utilities collect MCAF as part of the utility rates charged and the funds are revenue to The City. Increases to MCAF are in addition to required rate increases and are included on Electric Utility bills as a separate line item shown as “Local access fee paid to RED DEER”.

Council directed Administration to prepare the option of an increased MCAF rate to 15%. The results of increasing the MCAF to 15% would result in an increase revenue to The City of approximately \$1.7M.

ELECTRIC UTILITY MCAF SCENARIO DETAILS

Current Proposed Budgeted 2025 MCAF %	12.10%
Current Proposed Budgeted 2025 MCAF \$	\$ 7,195,031
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Potential MCAF Increase Scenario %	15.00%
Potential MCAF Increase Scenario \$	\$ 8,921,671
<hr/>	
Potential Changes in MCAF	\$ 1,726,640
Potential Estimated Change Fee %	2.74%

2025 CAPITAL BUDGET

ELECTRIC UTILITY MAJOR PROJECTS

Major projects are defined as projects with expenses exceeding \$1M.

CATEGORY	PROJECT TITLE	2025
Infrastructure Preservation	Electric Customer Metering	\$5,786,850
Infrastructure Preservation	Electric Infrastructure Replacements & Upgrades	\$3,840,600
Infrastructure Preservation	Electric Customer Servicing	\$2,498,466
Infrastructure Preservation	Electric Overhead & Underground Systems-Annual	\$2,262,840
Infrastructure Preservation	Electric Smart Grid Infrastructure	\$1,349,400
Infrastructure Preservation	Electric Substations & SCADA	\$1,110,660

EU MAJOR CAPITAL PROJECT DESCRIPTIONS

ELECTRIC CUSTOMER METERING \$5.8M

- Upgrades, replacements and future planning for customer electricity metering is required to address regulatory requirements, aging assets, technological advancements and the shift toward localized micro and distributed generation that focuses on renewable and alternative energy.
- Red Deer is one of the last remaining jurisdictions in Canada to have not moved to an Advanced Metering infrastructure (AMI) platform. Information from Electricity Canada indicates an approximate 85-90% implementation across the country. Red Deer’s existing metering assets have become obsolete in today's industry. Changes in Measurement Canada requirements also mean that equipment vendors are no longer readily offering these products. The City has realized excellent service life and value from our existing inventory, so we are now focused on the transition to new technology.
- As approved in prior budget, project planning and system selection is complete. Procurement and implementation will commence in 2025. Adjustments in operating costs for contracted meter reading services will help offset the costs of the project over time. Administration is investigating options for grant funding. If grant funding is not realized, project cost recovery is estimated to be roughly 8 years after project completion.



ELECTRIC INFRASTRUCTURE REPLACEMENTS & UPGRADES \$3.8M

- Planned infrastructure upgrades and replacement of old overhead and underground cables and transformers in areas around Red Deer. Roughly 30% of The City's installed distribution system is 40 years old or more. This equates to an estimated 50-year (+/-) backlog to rebuild and upgrade this infrastructure to accommodate all of what will be asked of it as we incorporate local generation, renewables, and the anticipated demand for electric vehicle charging.
- Scheduling of infrastructure for replacement is determined by evaluation of age, reported outages, service call volume and overall assessment of risks to system reliability. The department continues to review capacity and demand for these projects and is taking a somewhat conservative approach. We will still maintain alignment with other priorities while balancing system upgrade needs with economic considerations.
- In 2025 we have applied cost increases due to inflation and implementation of more 3rd party contracting to assist with capacity constraints.

ELECTRIC CUSTOMER SERVICING \$2.5M

- Customer Servicing projects include residential subdivision development, downtown customer servicing, conversion from overhead to underground at customer's request and commercial customer expansion projects. Practice is such that customers typically pay 100% of costs except in certain circumstances. Expenditure depends on the economy and customer demands and can fluctuate yearly. The budgeted amount represents the flow through cost which provides the ability to meet customers' needs.

ELECTRIC OVERHEAD & UNDERGROUND SYSTEMS- ANNUAL \$2.2M

- Maintain system reliability by replacing old infrastructure to prevent (or in response to) failure, as part of customer upgrades, or to update technology. These are generally unplanned projects that occur throughout the year as a result of other projects, the system portion of customer jobs, or emergency repairs of various types including outages.

ELECTRIC SMART GRID INFRASTRUCTURE \$1.3M

- Telecommunications infrastructure will be the critical component as the department builds the next generation distribution system. Without this, the department will not be able to accommodate new technologies and the shift to renewable and alternate energy generation as the industry continues to transform. Initial projects will focus on interconnecting The City's key distribution substations and other key assets with fibre-optic cabling to form the backbone on which we can build. Opportunities for other City operations (ITS, Emergency Services, Engineering, and others) to participate are being included as part of this project. A line item for remote operated and monitored devices has also been accounted for under this category as key components of "Smart Grid" development.



ELECTRIC SUBSTATIONS & SCADA \$1.1M

- The City owns and operates 4 transmission substations that connect Red Deer to the Alberta power grid. These assets are considered part of the Provincial transmission system and are under the regulatory jurisdiction of the Alberta Utilities Commission (AUC) and must follow rules and regulations established by the Alberta Electric System Operator (AESO). Virtually all transmission projects are subject to AESO and AUC approval and regulatory filing requirements. Costs related to transmission system assets receive revenue from all provincial customers. The City also owns and operates 11 distribution substations that are funded through our distribution rates for which Council is the Regulatory body. These projects include additions, modifications or upgrades to protection and control equipment, buildings, fencing and other related items.

ELECTRIC UTILITY CAPITAL RESERVE HEALTH

Capital reserves are utilized to save for future capital planning needs and to make resources available for unplanned infrastructure failures as necessary.

Forecasted 2025 Capital Reserve Balance is \$1.1M. While this is lower than targets due to the short-term demands of one-time Governance Review project funding, infrastructure investment needs, recovery from the effects of rate and revenue constraints in prior years, and sustaining ongoing dividends, all planned funding needs are met, and the reserve balance is anticipated to be sufficient to manage risk appropriately for the immediate future. Introduction of an updated debt utilization strategy will ensure appropriate funding, establish generational equity of investments, and ease the strain of managing hundreds of millions of dollars in assets on a cash basis which will improve reserve balances over the 3-year plan as The City continues to evolve its financial management approach.

CITY OF RED DEER DEBT UTILIZATION

Debt utilization is planned at \$10.8M for 2025 to be included in the overall City of Red Deer debt limit. The utility's debt / equity ratio will move to 11% debt vs 89% equity which is well below industry norms (60% debt vs 40% equity is not uncommon). The Electric Utility is in a particularly unique position in the industry by effectively holding no debt. While borrowing will be established as City debt, all servicing will be funded from Utility rates making the debentures self-supported through cost recovery across the entire asset life that the debt is applied to (generational equity).

2026-28 ELECTRIC UTILITY OPERATING PLAN

	2026	2027	2028
OPERATING EXPENSE			
Wages and Salaries	9,785,686	10,568,541	11,625,395
Contracted Services	7,908,660	9,020,925	6,135,322
Materials & Supplies	35,891,297	36,741,753	37,609,187
Other	11,983	12,211	12,443
Internal Charges	1,036,722	1,057,456	1,078,605
To Operating	2,104,512	2,146,602	2,189,534
Total Operating Expense	56,738,861	59,547,488	58,650,487
REVENUE	76,118,838	80,133,352	82,689,422
Less			
Operating Expense	56,738,861	59,547,488	58,650,487
Depreciation	7,970,569	8,611,364	9,019,008
Amortization of contributions	(1,441,328)	(1,511,908)	(1,585,650)
Interest expense (actual)	1,143,650	2,187,758	2,549,954
MCAF	7,195,703	7,195,492	7,195,096
Net income	4,511,383	4,103,158	6,860,527
RESERVE BALANCE (YEAR END)			
Operating	7,092,358	7,443,436	7,331,311
Capital	2,138,906	3,241,418	6,312,876
New Debt	19,400,000	7,500,000	5,200,000
Dividend Paid	3,701,041	3,701,041	3,701,041
Forecasted Rate Increase (%)	6.00%	5.00%	5.00%



WATER UTILITY

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2025 CAPITAL BUDGET pg26

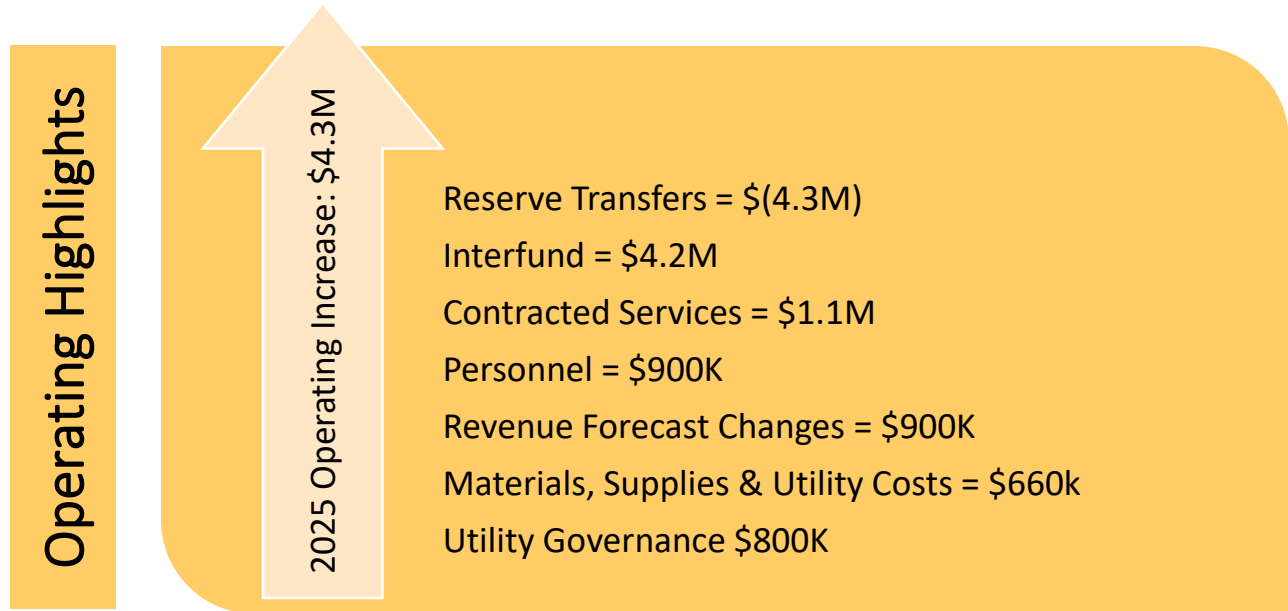
2026-28 OPERATING PLAN pg28

2025 WATER OPERATING BUDGET

Water Utility (includes Water and Wastewater)			
	2024	2024 YE Forecast as at June 30, 2024	2025
Revenue			
User Fees and Sale of Goods and Services	72,576,877	71,546,247	75,844,325
Investment Income	643,798	643,798	-
Fines and Penalties	339,500	339,500	281,000
Other Revenue	790,000	290,000	215,500
Contributed Assets	1,467,965	1,467,965	1,196,155
<i>Revenues Totals</i>	75,818,140	74,287,510	77,536,980
Expenses			
Net Municipal Taxes	-	-	-
Contracted Services	4,447,705	3,960,982	5,846,996
Depreciation	20,547,431	20,547,431	21,634,460
Finance Charge	1,497,059	1,497,059	1,773,046
Materials & Supplies	6,535,641	7,008,374	7,196,336
Other Expenses	-	-	-
Wages and Salaries	11,347,134	11,399,294	12,728,030
<i>Expenses Total</i>	44,374,970	44,413,140	49,178,868
Internal Charge/ (Recovery)	523,077	310,583	503,611
Operating Surplus/ (Deficit)	30,920,093	29,563,788	27,854,501
Funding Transfers			
Debt Paid	6,508,460	6,508,460	5,602,847
Interfund	19,334,478	18,854,449	22,817,000
Reserve Transfers	24,156,621	23,280,345	19,872,958
TCA Equity	(19,079,466)	(19,079,466)	(20,438,305)
<i>Net Transfers</i>	30,920,093	29,563,788	27,854,501
Net Utility Requirements	-	-	-

2025 Water Utility Rate Increase proposed at 6% or \$5.49 per month for the average residential customer.

2025 WATER UTILITY OPERATING BUDGET HIGHLIGHTS



WATER OPERATING RESERVE HEALTH

Operating reserves are utilized to cover unanticipated operating expenses and are valued at 45 days of operating expenses, or approximately \$4.4M.

Forecasted 2025 Operating Reserve Balance is \$4.4M.

WATER UTILITY OPERATING BUDGET FEATURES

RESERVE TRANSFERS \$4.3M

- Reserve transfers: the Water Utility maintains reserves as detailed in Council’s Utility Policy for asset replacement, asset rehabilitation, acquisition of future assets, operational sustainability, and to support rate stabilization when required. In 2025, transfers are budgeted as \$19.9M.



INTERFUND (INVESTMENT INCOME, FINES & PENALTIES, OTHER REVENUE, CONTRIBUTED ASSETS, DEPRECIATION, FINANCE CHARGE, INTERNAL CHARGE/RECOVERY, DEBT PAID, TCA EQUITY) \$4.2M

- Interfund transfers: includes adjustments to corporate cost allocations, special dividends (one-time), and ongoing dividends. For 2025, ongoing dividend will be increased by \$3.2M based on analysis undertaken. A \$500k prior approved special dividend will be removed, and corporate cost allocations will be increased by \$700k based on adjustments made by the Financial Services department.

CONTRACTED SERVICES \$1.1M

- Increases related to inflationary impacts, additional service requirements from recent expansion project phases and to other consulting requirements. Service highlights:
 - Wastewater Treatment Plant Master Plan \$250k,
 - Civic Yards Site Security \$200k which are funds allocated for site security will play a vital role in safeguarding critical materials and equipment against theft and vandalism.
 - General: \$400k for repair, specialized expertise, cleaning and maintenance of critical system infrastructure.

PERSONNEL \$900K

- Additions and adjustments in staffing for Water Utility treatment and collections operations \$900k is required to move to industry standard staffing targets in treatment and distribution / collections operations, technical support, asset management, and general administration in both Water and Wastewater sections. This additional capacity is required to better accommodate and support future growth and industry requirements.

REVENUE FORECAST CHANGES \$900K

- Changes to the revenues collected are based on existing tariffs.

MATERIALS AND SUPPLIES \$660K

- Equipment Parts \$560k required for long lead/critical parts and supply to maintain inventory. Glycol Disposal and Replacement: \$100k required for periodic operating requirement for the disposal and replacement of heating glycol.

UTILITY GOVERNANCE REVIEW \$800K

- Utility Governance Review and Modernization project for Water Utility will launch in the coming year. Additional funding requirements will be determined in future years dependent on direction taken from Council. This item includes \$300K one-time funding targeted for consulting supports.
- Increased demand for appropriate staffing to modernize and evolve the business is required. This \$500k in ongoing will support personnel requirements to support further identified financial management, asset management, and workforce management needs as we continue to mature and embark on future review project phases to address The City’s Water, Wastewater, and planning for the Stormwater section within the Utility. Regardless of governance model and ownership structure chosen by The City, support in business development, analysis, and strategy development will be critical to ensure the correct balance between benefit to the owner, benefit to the utility, and benefit to the customers and partners.

MUNICIPAL CONSENT & ACCESS FEE (MCAF) INCREASE OPTION

The MCAF is established by The City and can be increased to a maximum of 15% of total utility revenues if directed by Council (Council policies GP-F-2.7 and 2.8). The Utilities collect MCAF as part of the utility rates charged and the funds are revenue to The City. Increases to MCAF are in addition to required rate increases.

Council directed Administration to prepare the option of an increased MCAF rate to 15% would result in an increase transfer to owner of approximately \$2.3M:

WATER UTILITY MCAF SCENARIO DETAILS	WATER	WASTEWATER
Current Budgeted 2025 MCAF %	11.23%	10.45%
Current Budgeted 2025 MCAF \$	\$ 3,022,025	\$2,832,680
Proposed MCAF Increase Scenario %	15.00%	15.00%
Proposed MCAF Increase Scenario \$	\$ 4,025,851	\$4,080,866
Changes in MCAF	\$ 1,003,826	\$1,248,186
Estimated Change to Fee %	2.88%	3.41%

2025 CAPITAL BUDGET

WATER UTILITY MAJOR PROJECTS

Major projects are defined as projects with expenses exceeding \$1M.

CATEGORY	PROJECT TITLE	2025
Infrastructure Preservation	Water Utility Infrastructure – Annual Program	\$17,571,264
Infrastructure Preservation	Treatment Plants Rehabilitation & Replacement & Upgrades	\$12,021,078
Infrastructure Preservation	Water Utility Infrastructure	\$2,101,950
Growth	Development Servicing – Annual	\$1,609,938

WATER CAPITAL PROJECT DESCRIPTIONS

WATER UTILITY INFRASTRUCTURE: TOTAL ANNUAL PROGRAMS \$17.6M

- Maintains Red Deer’s linear water and wastewater infrastructure to ensure reliable services for residents and regional customers that meets regulatory requirements. Project will replace aging infrastructure to reduce operational maintenance costs, maintain rights of way accessibility, and help manage potential for failure of infrastructure.

WATER UTILITY TREATMENT PLANTS

REHABILITATION, REPLACEMENT & UPGRADES \$12M

- Wastewater Treatment Plant capacity and efficiency improvements through a WWTP Laboratory & Administration Building expansion, WWTP fire protection and gas detection improvements, Plant Infrastructure Asset Management Models, WWTP Biosolids Lagoon Refurbishment, Renewable Natural Gas Development at the WWTP, Roof and HVAC Replacement at WWTP. All systems will undertake SCADA System and Network replacements/improvements, and the Water Treatment Plan (WTP) will focus on Low Lift Pump Replacements among other requirements.

WATER UTILITY INFRASTRUCTURE \$2.1M

- One-time costs for capitalized equipment (non-fleet for example field testing equipment), and infrastructure elements that do not fall within the annual program capital item.

DEVELOPMENT SERVICING \$1.6M

- New services from the main to the property line. Customers are charged a fee based on the service size and type. Cost sharing may be provided in some cases, in consideration of asset renewal benefit.



WATER UTILITY CAPITAL RESERVE HEALTH

Capital reserves are utilized to save for future capital planning needs and to make resources available for unplanned infrastructure failures as necessary.

Forecasted 2025 Capital Reserve Balance is \$5.3M. While this is lower than targets due to infrastructure investment needs, recovery from the effects of rate and revenue constraints in prior years, and enhancing ongoing dividends, all planned funding needs are met, and the reserve balance is anticipated to be sufficient to manage risk appropriately for the immediate future. Introduction of an updated debt utilization strategy will ensure appropriate funding, establish generational equity of investments, and ease the strain of managing billions of dollars in assets on a cash basis which will improve reserve balances over the 3-year plan as The City continues to evolve its financial management approach.

CITY OF RED DEER DEBT UTILIZATION

Debt utilization planned for the Water Utility at \$14M for 2025. This utility's debt / equity ratio will include \$11.3M (24% debt vs 76% equity) for Water and \$2.7M (6% debt vs 94% equity) for Wastewater. This is well below industry norms (60% debt vs 40% equity is not uncommon). The Water Utility is in a favourable position in the industry by holding nominal debt. While borrowing will be established as City debt, all servicing will be funded from Utility rates making the debentures self-supported through cost recovery across the entire asset life that the debt is applied to (generational equity).

2026 – 28 WATER UTILITY OPERATING BUDGET PLAN

	Water Utility		
	2026	2027	2028
OPERATING EXPENSE			
Wages and Salaries	14,083,013	15,759,110	17,647,350
Contracted Services	5,775,635	5,980,194	6,067,513
Materials & Supplies	7,238,263	7,383,028	7,530,689
Other	1,330,000	-	-
Internal Charges	1,512,336	1,542,582	1,573,434
To Operating	9,223,241	9,407,706	9,595,860
Total Operating Expense	39,162,487	40,072,620	42,414,846
REVENUE	84,512,071	89,591,681	94,204,194
Less			
Operating Expense	39,162,487	40,072,060	42,414,846
Depreciation	23,510,181	24,534,724	26,018,519
Amortization of contributions	(6,147,354)	(6,683,292)	(8,148,086)
Interest expense (actual)	2,343,939	3,361,263	4,415,040
MCAF	5,994,712	6,322,843	6,669,034
Net income	19,648,105	21,983,524	22,834,841
RESERVE BALANCE (YEAR END)			
Operating	4,895,311	5,009,077	5,301,856
Capital	11,708,741	13,738,059	14,727,353
New Debt	21,900,000	22,700,000	22,500,000
Dividend Paid	8,442,397	8,793,410	9,133,936
Forecasted Rate Increase (%)	5.00%	5.00%	5.00%



WASTE MANAGEMENT UTILITY

2025 OPERATING BUDGET pg30

2025 CAPITAL BUDGET pg33

2026-28 OPERATING PLAN pg34

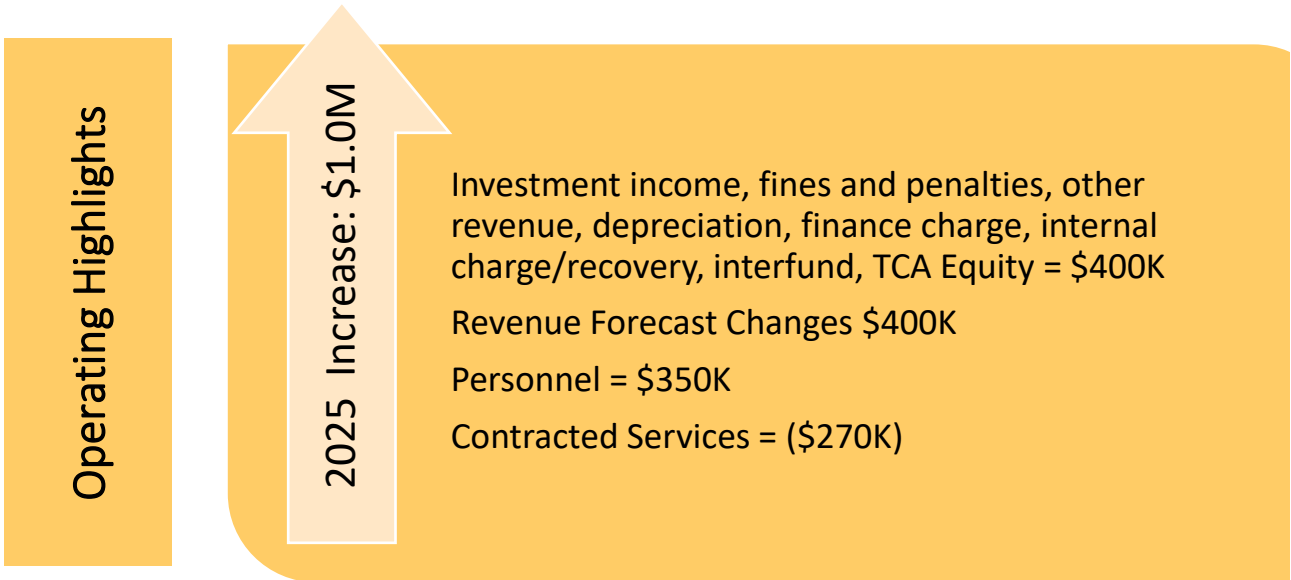
2025 WASTE MANAGEMENT UTILITY OPERATING BUDGET

	Waste Management Utility (includes Collection & Landfill)		
	2024	2024 YE Forecast as at June 30 2024	2025
Revenue			
User Fees and Sale of Goods and Services	19,701,543	18,932,331	20,140,383
Investment Income	394,514	394,514	-
Fines and Penalties	50,020	50,020	37,020
Other Revenue	233,900	233,900	244,000
Contributed Assets	-	-	-
Revenues Totals	20,379,977	19,610,765	20,421,403
Expenses			
Net Municipal Taxes	-	-	-
Contracted Services	12,386,153	12,439,153	12,114,225
Depreciation	1,736,013	1,736,013	806,900
Finance Charge	12,000	12,000	12,300
Materials & Supplies	65,994	65,994	72,609
Other Expenses	215,580	215,580	215,580
Wages and Salaries	1,187,286	1,187,286	1,542,514
Expenses Total	15,603,026	15,656,026	14,764,128
Internal Charge/ (Recovery)	(134,502)	(134,502)	(160,033)
Operating Surplus/ (Deficit)	4,911,453	4,089,241	5,817,308
Funding Transfers			
Debt Paid	-	-	-
Interfund	3,926,609	3,926,609	3,846,789
Reserve Transfers	2,720,857	1,898,645	2,777,419
TCA Equity	(1,736,013)	(1,736,013)	(806,900)
Net Transfers	4,911,453	4,089,241	5,817,308
Net Utility Requirements	-	-	-

2025 Waste Management Landfill Rate Increase proposed at 2%.

2025 Waste Management Collections Rate Increase proposed at 5%.

2025 WASTE MANAGEMENT UTILITY OPERATING BUDGET HIGHLIGHTS



WM OPERATING RESERVE HEALTH

Operating reserves are utilized to cover unanticipated operating expenses and are budgeted to cover 45 days of operating expenses, or approximately \$1.9M.

Forecasted 2025 Operating Reserve Balance is \$1.9M.

WM UTILITY OPERATING BUDGET FEATURES

INVESTMENT INCOME, FINES & PENALTIES, OTHER REVENUE, CONTRIBUTED ASSETS, DEPRECIATION, FINANCE CHARGE, INTERNAL CHARGE/RECOVERY, DEBT PAID, INTERFUND, TCA EQUITY \$400K

- The Growth and Finance Division through The City sets guidelines that all departments must plan for in budget. Items such as fleet, parks, investment income, other revenue, insurance, natural gas, electricity, support cost allocations and debenture principal and interest are affected. These changes are influenced by external factors outside of Utility Department’s control such as union agreements and consumer price index adjustments.

REVENUE FORECAST CHANGES \$400K

- Changes to the revenues collected are based on existing tariffs.



PERSONNEL \$350K

- Increasing regulatory complexity and recent operating approval changes are key indicators of the need to strategically plan, maintain and operate the infrastructure at the WMF. In order to manage and coordinate these various operations, ensure they are integrated efficiently and ensure regulatory reporting requirements are met for 2025 the focus will be on continuing to invest in staffing to meet a planned 12% target for personnel as a percentage of operating costs. Current staffing investment levels are at approximately 6% of operating costs.

CONTRACTED SERVICES (\$270K)

- A reduction of (\$270k) reflects adjustments to the impacts of prior year inflation as well as removal of some one-time items.

INDUSTRY TRENDS AND CHANGES \$0

- Extended Producer Responsibility (EPR): EPR shifts the physical and financial burden of collecting, sorting, processing and recycling waste to the producer and away from local governments and ratepayers. With implementation of the program in early 2025, there will be potential impacts to the operations and finances of the Waste Management section. However, implementation of EPR in Red Deer has not been finalized, so this budget submission does not account for any change in cost structure. The Waste Management department will return to future Council meetings to establish direction and adjust the budget and rate impacts once details are available.
- Utility Governance Review project: with EPR implementation taking priority for the near-term, the costs associated with the Governance Project have not been contemplated in the Waste Management 2025 budget. This business will be included in analysis and planning as The City continues with next steps in the review project with the intention of including any costs in future budget submissions.

2025 WASTE MANAGEMENT CAPITAL BUDGET MAJOR PROJECTS

Major projects are defined as projects with expenses exceeding \$1M.

CATEGORY	PROJECT TITLE	2025
Growth	Waste Management Infrastructure	\$3,793,890

WM MAJOR CAPITAL PROJECT DESCRIPTIONS

WASTE MANAGEMENT UTILITY INFRASTRUCTURE \$3.8M

2025 WM Utility infrastructure investments include

- Waste Management Facility (WMF) security upgrades
- updated facility long-term plan for the WMF site infrastructure and the non-landfill portions of the site; incorporates PDO extension, weigh scale replacements, third weigh scale, entrance retrofit and communications system improvements.
- Required cart replacements and additional carts.
- Aggregate recycling facility onsite building to support fueling and scaling activities
- Alternative daily cover plate replacement (steel plates used to reduce landfill airspace lost due to addition of daily cover).

WM CAPITAL RESERVE HEALTH

Capital reserves are utilized to save for future capital planning needs and to make resources available for unplanned infrastructure failures as necessary.

Forecasted 2025 Capital Reserve Balance is \$22.7M. While this is considerably higher than targeted, there are uncertainties related to the effects of EPR implementation and requirements associated with recent regulatory approvals at the landfill that must be considered. As details of these two significant issues are clarified, administration will reassess reserve balance requirements and provide updated cash flow recommendations for the 2026 budget. At this time, Administration recommends maintaining the balance of this reserve to ensure adequate overall reserves are maintained for the Utilities department.

CITY OF RED DEER DEBT UTILIZATION

The Waste Management utility currently holds no debt. There is no new borrowing anticipated for 2025.

WASTE MANAGEMENT 2026-2028 OPERATING PLAN

	Waste Management		
	2026	2027	2028
OPERATING EXPENSE			
Wages and Salaries	1,573,364	1,604,832	1,636,928
Contracted Services	12,361,607	12,598,538	12,853,670
Materials & Supplies	68,393	69,761	71,156
Other	12,546	12,797	13,053
Internal Charges	164,432	167,721	171,075
To Operating	1,651,918	1,684,956	1,718,655
Total Operating Expenses	15,832,261	16,138,604	16,464,538
REVENUE	21,665,224	22,892,093	23,838,956
Less			
Operating Expense	15,832,261	16,138,604	16,464,538
Depreciation	6,655,587	5,894,489	3,481,591
Amortization of contributions	-	-	-
Interest expense (actual)	-	-	-
MCAF	1,991,066	2,073,158	2,140,708
Net income	(2,813,691)	(1,214,158)	1,752,118
RESERVE BALANCE (YEAR END)			
Operating	1,979,033	2,017,326	2,058,067
Capital	18,146,977	19,653,748	21,824,957
	-	-	-
New Debt	-	-	-
	-	-	-
Dividend Paid	282,663	281,491	317,081
Forecasted Rate Increases (%)	Landfill 2%; Collections 4%	Landfill 2%; Collections 6%	Landfill 2%; Collections 3%



OVERALL UTILITY 10-YEAR CAPITAL PLAN



10 YEAR UTILITY CAPITAL PLAN SUMMARY DETAIL

Utility	Project Title	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
EU	Electric Customer Metering	5,786,850	2,197,000	222,170	229,502	236,846	244,425	-	-	-	-
EU	Electric Infrastructure Replacements & Upgrades	3,840,600	3,982,702	3,850,209	4,556,759	5,813,382	5,959,080	7,408,481	7,620,823	9,295,242	8,349,243
EU	Electric Overhead & Underground Systems-Annua	2,262,840	1,808,361	1,866,229	1,927,816	1,989,505	2,053,168	2,118,871	2,251,754	2,323,811	2,398,171
EU	Electric Smart Grid Infrastructure	1,349,400	1,399,328	3,305,892	1,554,875	1,654,369	1,838,075	2,256,345	2,446,993	2,656,934	2,887,511
EU	Electric Substations & Scada	1,110,660	4,567,191	1,777,361	1,955,356	2,150,561	2,366,032	2,601,923	3,545,536	5,197,007	8,285,478
EU	Electric Customer Servicing	2,498,466	2,622,124	2,736,026	2,859,593	2,988,995	3,121,308	3,221,188	3,324,266	3,430,642	3,540,423
EU	Electric New Substation - Queen'S Business Park	-	-	-	-	-	-	-	-	-	1,386,227
EU	Electric New System Construction	311,400	1,883,711	1,221,936	1,147,510	592,115	1,222,124	630,616	1,301,592	671,622	1,386,226

Utility	Project Title	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
W	Development Servicing - Annual	1,609,938	1,669,505	1,722,930	1,779,786	1,836,739	1,895,516	1,956,172	2,018,769	2,083,370	2,150,037
W	Water Infrastructure - Annual Program	9,111,564	9,986,895	11,417,327	12,654,730	14,066,276	15,738,521	16,872,771	18,063,496	19,313,149	20,624,283
W	Wastewater Main Infrastructure - Annual Program	8,459,700	9,795,295	10,664,170	11,876,719	12,493,620	13,137,841	13,873,560	14,642,912	15,447,296	16,288,166
W	Wtp Rehabilitation & Replacement	4,003,566	6,566,078	6,723,981	11,788,360	6,778,528	5,642,551	6,105,627	9,146,287	8,363,032	10,522,849
W	Wwtp Rehab, Replacement & Upgrades	8,017,512	8,121,483	36,781,389	33,865,287	14,445,230	2,647,122	2,823,900	3,722,553	3,774,514	4,047,782
W	Wastewater Main Infrastructure	1,074,330	108,717	104,420	97,538	88,817	91,659	190,445	97,619	100,743	117,829
W	Water Utility Infrastructure	1,027,620	32,292	65,540	45,900	35,527	-	76,934	39,048	-	55,449
W	Water Pumping Stations	103,800	107,641	111,085	1,262,260	118,423	122,212	126,123	130,159	134,324	1,524,850
W	Liftstation Replacement	51,900	226,045	577,643	223,764	106,581	122,212	126,123	279,842	134,324	138,623

Utility	Project Title	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
WM	Waste Management Infrastructure	3,793,890	7,830,854	2,853,776	2,704,679	2,013,190	855,486	5,927,793	2,017,467	9,402,701	1,108,982
Summary Totals		54,414,036	62,905,221	86,002,084	90,530,434	67,408,704	57,057,332	66,316,872	70,649,116	82,328,711	84,812,129



2025 UTILITY REVENUE SUMMARY TO THE OWNER

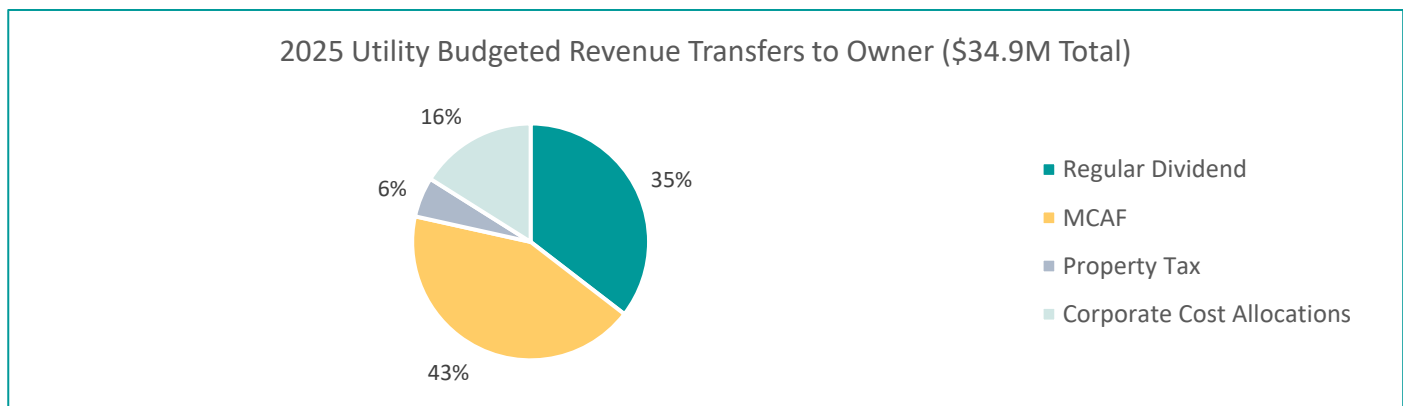
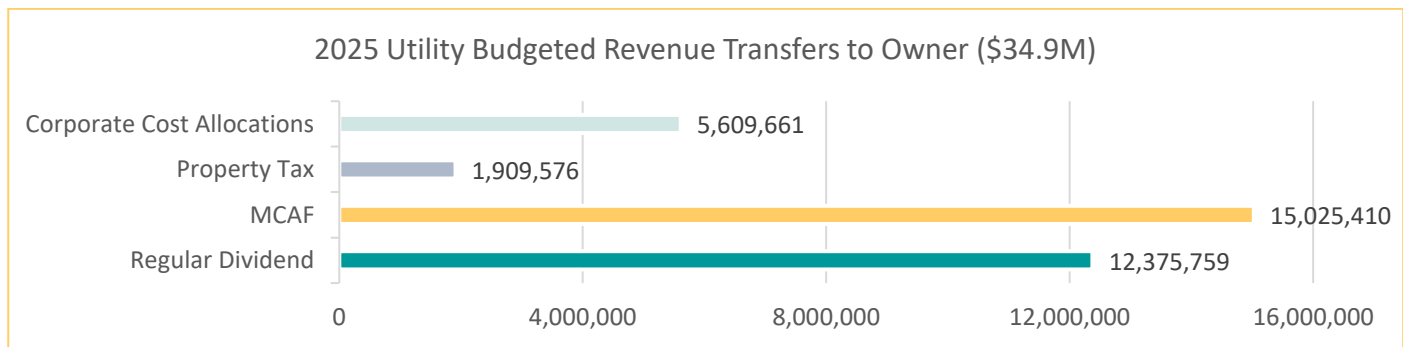
2025 UTILITY BUDGET SUMMARY

PROPOSED REVENUE TO OWNER

Below is a summary of the revenue to owner potential for 2025 proposed Utility budget. Each Utility is listed, along with each of the different revenue sources to showcase a summarized picture of the total revenue to owner.

Anticipated change per month for average residential customer will be approximately \$10.37.
 (includes all three utilities - electric, water and waste management; This does not include any changes to MCAF)

Proposed 2025 Utility Budgeted Revenue Transfers to Owner					
	Regular Dividend	Municipal Consent & Access Fee	Property Tax	Corporate Cost Allocations	TOTAL
EU	3,701,041	7,195,031	1,909,576	2,043,010	14,848,658
Water	8,442,397	5,854,702	-	2,767,555	17,064,654
WM	232,321	1,975,677		799,096	3,007,094
Total	12,375,759	15,025,410	1,909,576	5,609,661	34,920,406





If Council was to resolve to increase the Municipal Consent and Access Fee to 15% with no additional changes to the proposed budget, the following would be the new revenue to the owners.

Potential 2025 Utility Budgeted Revenue Transfers to Owner Including 15% MCAF

	Regular Dividend	Municipal Consent & Access Fee	Property Tax	Support Cost Allocations	TOTAL
EU	3,701,041	8,921,671	1,909,576	2,043,010	16,575,298
Water	8,442,397	8,102,888	-	2,767,555	19,312,840
WM	232,321	1,975,677		799,096	3,007,094
Total	12,375,759	19,000,236	1,909,576	5,609,661	38,895,232

