



Town of Kentville
Sanitary Sewer Operating Budget
2025-2026

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**TOWN OF KENTVILLE
SANITARY SEWER AREA SERVICE
OPERATING BUDGET**

	2024-2025 ACTUAL	2024-2025 BUDGET	2025 -2026 BUDGET	2026 - 2027 BUDGET	Change 2026 over 2025
REVENUE					
Sewer Charges	\$ 1,418,322	\$ 1,559,100	\$ 2,012,250	\$ 2,121,350	\$ 453,150
Interest on overdue accounts	6,837	6,000	6,000	6,000	-
Permit- Sewer connections	1,625	2,400	2,500	2,500	100
Transfer from Operating Reserve	175,000	175,000	-	-	(175,000)
Total Revenue	1,601,784	1,742,500	2,020,750	2,129,850	278,250
EXPENDITURES					
Administration					
Administrative salaries	128,501	137,700	139,400	145,000	1,700
Legal	-	1,500	1,500	1,500	-
Audit	3,116	2,800	2,500	2,600	(300)
Stationary & office supplies	2,686	3,300	3,500	3,500	200
Common service charge	30,000	30,000	30,000	30,000	-
Vehicle expense	573	1,000	1,000	1,000	-
Other collection expense	-	100	100	100	-
Lease of equipment	1,254	1,500	1,500	1,500	-
Interest on customers' deposits	160	100	100	100	-
Professional studies	-	5,000	-	-	(5,000)
Dues and fees	272	500	500	500	-
Training	1,033	1,000	1,000	1,000	-
Depreciation transfer to reserve	136,016	136,000	131,500	123,200	(4,500)
	303,611	320,500	312,600	310,000	(7,900)
Domestic Sewer Maintenance					
Wages	16,504	34,000	34,350	42,700	350
Materials and supplies	11,665	16,000	17,600	19,360	1,600
Material and supplies- laterals	26,872	14,000	15,400	16,940	1,400
	55,041	64,000	67,350	79,000	3,350
Pumping Stations					
Wages	12,064	14,000	14,600	15,200	600
insurance	20,580	20,580	21,000	21,500	420
Operations	21,227	46,400	25,000	26,000	(21,400)
Maintenance	5,175	5,800	6,000	6,200	200
	59,046	86,780	66,600	68,900	(20,180)
Treatment & Disposal					
Agreement-County of Kings	1,053,234	1,031,200	1,440,000	1,555,000	408,800
Fiscal Services					
Interest on temporary borrowing	5,661	1,800	1,800	1,800	-
Interest	27,276	22,600	23,600	20,300	1,000
Principal	89,100	89,100	107,100	93,150	18,000
Discount	1,225	1,700	1,700	1,700	-
	123,262	115,200	134,200	116,950	19,000
Transfer to Reserve					
Transfer to reserve- depreciation deferral prior years	124,804	124,820			(124,820)
Total Expenses	1,718,998	1,742,500	2,020,750	2,129,850	278,250
Excess Revenue (Expenditures)	\$ (117,214)	\$ -	\$ -	\$ -	\$ 117,214

Town of Kentville Sanitary Sewer Service 2025-2026 Operating Budget and Rate Recommendation

Sanitary Sewer Area Service Operating Budget Summary

Rising sewer system costs over the past several years have outpaced revenue, with rates remaining unchanged since 2018. During this period, operational and regional service costs have steadily increased, creating a structural imbalance that can no longer be absorbed without adjustment.

Nearly 75% of the Town's sewer operating expenses are attributable to regional sewer charges set by the County of Kings, which continue to escalate annually. In response, the 2025-2026 Sewer Operating Budget includes rate modeling and a recommendation for a sewer rate increase effective October 1, 2025. This adjustment is necessary to support the long-term financial sustainability of the area service and to ensure continued service delivery.

Budget Highlights

Expenditures: \$ 2,020,750

Overall expenditures increased \$ 278,250 (16%) over last year.

Administration

The Administration budget has decreased by \$ 7,900 compared to the previous year. The transfer to the Depreciation Reserve has been maintained at 100% of the projected 2025–2026 expense.

The budget allocation for professional fees related to rate studies has been removed, as this work is scheduled to be completed in-house during the current budget cycle.

Domestic Sewer Maintenance

This segment has increased by \$3,350 (5.2%), based on the five-year average and prior year expenditures.

Pumping Stations

Pumping Stations decreased by \$20,180 (23.3%) as a result of a non-recurring expenditure for external pumping of storm sewers after a weather event in 2024-2025.

Treatment and Disposal

This section records our share of the jointly funded sewer treatment plant and transmission lines owned by the Municipality of the County of Kings. The budget reflects the Council approved Municipality of the County of Kings Regional Sewer Budget in the amount of \$1,424,000 (an increase of \$408,800 or 39.6% over the prior year).

Fiscal Services

A \$19,000 (16.5%) increase in this area reflects interest and principal payments for debt related to the approved capital investment plans past and present.

Revenue: \$2,020,750

Total revenue has increased by \$ 278,250 or 29.1 %, compared to the prior year. This increase reflects the inclusion of estimated fees from agreements with specific customers, the elimination of reliance on declining operating reserves, and sewer rate adjustments effective for one-half of the fiscal year.

Rate Setting Analysis and Recommendation

Background and Rate History

The Town's sewer rate model was developed by a consultant in 2014, using 2013–2014 actual financial data as the baseline. The model included projections for expenditures, revenues, and rate requirements for the period 2014–2015 through 2018–2019. The intention was to monitor actual results during the five (5) year period and make informed rate adjustments based on both historical performance and updated projections for the following three to five years.

While the model provided a solid foundation for long-term planning, actual results were not compared to the projected figures during the five-year period, and no formal rate adjustments were made during that time or subsequently. As a result, sewer rates remained unchanged from 2018–2019 through 2024–2025, despite rising operational and capital costs.

This extended period without rate increases has contributed to a delay in contributions to reserves and created pressure on the operating budget and operating reserve. The current review and rate change aim to re-align rates with actual cost trends, ensure continued financial sustainability, and re-establish a planned approach to rate setting and depreciation reserve contributions.

Sewer Rate Model Description

The Town staff, including the Directors of Finance and Engineering & Public Works, have reviewed the current sewer rate model accompanying user guide and applied the methodology to the draft budgets for the 2025–2026 and 2026–2027 fiscal years. The model determines the required revenue to be collected through sewer rates, net of any contractual revenue arrangements.

Rate Structure Overview

Required revenue is recovered through two main categories:

- Base Rates
- Effluent (Consumption) Rates, charged per 1,000 imperial gallons

Base rates are further differentiated by water meter size.

The Town allocates budgeted net expenditures between base and effluent/consumption charges using the following percentage breakdowns by cost category:

Description	Base	Effluent
Treatment and Disposal (Kings Co)	30%	70%
Domestic Sewer Maintenance	30%	70%
Pumping Stations	30%	70%
Administration	100%	0%
Depreciation / Amortization	50%	50%
Non-Operating Expenditures less Revenue	30%	70%
Revenue from Other Agreements	30%	70%

Customer Growth & Consumption Projections

Projections for growth by meter size and flow (consumption) are based on historical data and experience:

- The 2025–2026 budget reflects the current customer base.
- A 3% increase is estimated in 5/8" meter customers for 2026–2027; no change is projected for other meter sizes.
- A 2% increase in effluent volume is projected over the prior year's usage of 203,815,789 imperial gallons.
- While rate changes can impact consumption, no volume reduction has been assumed for 2027.

Individual contract rates were projected with a 2% inflation factor. Discussions are ongoing to finalize the agreement with the County, which represents 74% of this revenue stream.

Expenditure Assumptions

Estimated expenditures incorporate the following:

- Operational impacts from the Capital Investment Plan (CIP) approved by Council on April 7, 2025, are reflected in debt servicing, interest, and depreciation.
- Transition to completing rate and fee analysis in-house.
- County-provided treatment and disposal accounts for 64% of net expenditures in 2025, rising to 72% in 2026. While the estimate for 2027 appears reasonable based on regional cost trends since 2018–2019, confirmation from the County of Kings is pending and remains important given the volatility in charges observed in recent years.
- Administrative cost allocations from Town departments (Administration and Engineering and Public Works) remain unchanged from previous years.

Net expenditures to be recovered through rates are:

- 2025–2026: \$ 1,726,648 (excluding depreciation)
- 2026–2027: \$ 1,838,546 (excluding depreciation)

Depreciation expenses are:

- 2025–2026: \$ 131,500
- 2026–2027: \$ 123,200

A transfer is made annually to the Depreciation Reserve equivalent to calculated depreciation. While this transfer may be deferred, doing so puts pressure on future budgets, particularly given the rising cost of asset replacement. Although deferral can reduce current-year rates, it is not a sustainable strategy over the mid-to-long term.

Rate Scenarios Considered

The budget, as presented, includes the full annual transfer of the calculated depreciation expense to reserves. To inform this approach, staff utilized the financial model to evaluate three reserve transfer scenarios for fiscal years 2025–2026 and 2026–2027:

1. 100% Transfer to the Depreciation Reserve in both 2026 and 2027
2. 50% Transfer in both 2026 and 2027
3. 50% Transfer in 2026 and 100% Transfer in 2027, including recovery of the 2026 deferral

In 2024–2025, the Town transferred \$260,820 to the depreciation reserve, exceeding the calculated depreciation amount of \$136,016. This planned over-contribution was intended to address the deferral of reserve contributions in prior years and was based on anticipated rate increases that ultimately did not proceed as expected. As a result, the resulting shortfall was funded through the operating reserve.

Rate Timing and Implementation

For 2025–2026, sewer rates are implemented in two phases, aligned with the fiscal year:

- April 1 to September 30: Rates remain at the previous year's level. There is no retroactive billing for this period.
- October 1 to March 31: The new approved rates take effect for the remainder of the fiscal year.

This approach provides consistency for customers during the first half of the year and allows time to finalize budgets and rates before implementing any changes. It also ensures that any rate increases are only applied prospectively.

For 2026–2027, the new approved rate comes into effect on April 1, 2026 for the full fiscal year.

Sanitary Sewer Service: 2025-2026 Operating Budget and Rate Recommendation

Customer Impacts for Illustrative Purposes

Rates for 2025–2026 will increase in the second half of the fiscal year. Customers who receive quarterly billing, identified in the chart below as $\frac{3}{8}$ " to 1.5" meter customers, will see the rate increase reflected in their final two quarterly billing cycles of the current year. The 2026–2027 rates will come into effect on April 1, 2026, and the corresponding billing increases will be reflected in each quarterly payment thereafter.

Larger residential and industrial customers, identified as 2" to 4" meter customers, will experience the rate increase monthly for the remaining six months of the current fiscal year. The 2026–2027 rates will come into effect on April 1, 2026, and the corresponding billing increases will be reflected in each monthly payment thereafter.

	Current	Meter Size	25/26	26/27
Annual Base Rate	\$ 149.88	5/8"	\$ 238.80	\$ 244.50
	\$ 224.82	3/4"	\$ 358.19	\$ 366.75
	\$ 374.70	1"	\$ 596.99	\$ 611.25
	\$ 749.40	1.5"	\$ 1,193.98	\$ 1,222.50
	\$ 1,199.04	2"	\$ 1,910.37	\$ 1,955.99
	\$ 2,398.08	3"	\$ 3,820.74	\$ 3,911.99
	\$ 3,746.99	4"	\$ 5,969.89	\$ 6,112.46
	\$ 7,493.99	6"	\$ 11,939.80	\$ 12,224.95
	\$ 13,489.18	8"	\$ 21,491.64	\$ 22,004.90
Rate per 1000 l.gallon consumption	\$ 3.80		Fiscal Avg \$ 5.52 Apr-Sept \$ 3.80 Oct-Mar \$ 7.60	\$ 5.69
Typical Customer Volume Estimate	Current Blended Rates	Meter Size	Increase Per Billing Period 25/26	Increase Per Billing Period 26/27
small residence (100 l.gpd)	\$ 288.58	5/8"	\$ 75.81	\$ 3.00
large residence (200 l.gpd)	\$ 427.28	5/8"	\$ 107.16	\$ 4.57
750 l.gpd	\$ 1,414.95	1"	\$ 346.27	\$ 15.35
2,000 l.gpd	\$ 3,523.40	1.5"	\$ 849.29	\$ 38.55
4,000 l.gpd	\$ 6,747.04	2"	\$ 536.56	\$ 24.75
10,000 l.gpd	\$ 16,268.08	3"	\$ 1,282.12	\$ 59.98
30,000 l.gpd	\$ 45,356.99	4"	\$ 3,505.50	\$ 169.00

In the table above, the current blended and billing-period rates represent the combined base and consumption charges. These rates are calculated for a typical customer by meter size, using average daily consumption estimates, measured in imperial gallons per day (l.gpd), derived from an analysis of current volume and flow data.

In scenarios where the full depreciation expense is not transferred to reserves, customers would experience a smaller rate increase per billing period in 2025–2026 by either \$8.41 or \$8.35 for a typical small user with a $\frac{3}{8}$ " residential meter. In 2026–2027 for the same user, a modest decrease of \$0.32 per billing period would occur under the reduced depreciation transfer scenario. Conversely, an increase of \$8.27 would be realized if the prior year's deferred depreciation is recovered and combined with the full transfer for the current year.

While estimated rates for 2026–2027 have been provided, actual expenses may vary, particularly if the Town's share of regional sewer costs exceeds the 8% increase currently assumed in the budget. A three-year rate-setting framework is preferred and will be considered once mid-term projections for regional sewer operating costs and the impact of its capital expenditures on operations are more clearly defined.

Sanitary Sewer Service: 2025-2026 Operating Budget and Rate Recommendation

For comparison purposes, rates in other municipal units are shown below:

Annual Base Rate By Meter Size	ToK Current	ToK Proposed	New Minas	Halifax	Bridgewater	Kings County	Wolfville	Truro
5/8"	\$ 149.88	\$ 238.80	\$ 179.20	\$ 168.00				
3/4"	\$ 224.82	\$ 358.19	\$ 254.04	\$ 240.00				
1"	\$ 374.70	\$ 596.99	\$ 395.12	\$ 396.00				
1.5"	\$ 749.40	\$ 1,193.98	\$ 705.56	\$ 768.00				
2"	\$ 1,199.04	\$ 1,910.37	\$ 1,100.64	\$ 1,236.00				
3"	\$ 2,398.08	\$ 3,820.74	\$ 2,130.76	\$ 2,472.00				
4"	\$ 3,746.99	\$ 5,969.89	\$ 3,295.00	\$ 3,852.00				
6"	\$ 7,493.99	\$ 11,939.80	\$ 6,512.36	\$ 7,692.00				
8"	\$ 13,489.18	\$ 21,491.64	-	\$ 13,848.00				
Annual Rate per Customer								
Residential					\$ 565.00			
Commerical					\$ 1,220.00			
Large Industrial					\$ 54,000.00			
Dwelling						\$ 599.00		
Vacant Lot						\$ 179.00		
Minimum Charge							\$ 29.85	
Rate per 1000 Gallon Consumption								
	\$ 3.80	\$ 5.52	\$ 3.41	\$ 10.27	N/A	N/A	\$ 7.08	\$ 3.64

Conclusion

The proposed budget and associated rate adjustments have been developed to ensure the long-term financial sustainability of the sanitary sewer utility. By incorporating full depreciation transfers to reserves, the Town is taking proactive steps to fund future infrastructure renewal and equipment replacement needs. This approach ensures adequate long-term funding for the replacement, renewal, and acquisition of infrastructure and equipment in future years.

The recommended rate structure balances fiscal responsibility with the need to maintain high-quality service delivery, while aiming to minimize the impact on customers. While the proposed increase may be noticeable to ratepayers, it is important to note that rates have remained unchanged for the past seven years. This adjustment reflects the need to address increasing infrastructure and operating costs that have accumulated over this period of rate stability. Council's continued support for this approach will help ensure the long-term operational and financial resilience of the utility.

It is recommended that Council approve the 2025–2026 Sanitary Sewer Service Operating Budget, with total revenues and expenditures of \$2,020,750, along with the following 2025-2026 and 2026-2027 rates for ratepayers:

	Current	Meter Size	25/26	26/27
Annual Base Rate	\$ 149.88	5/8"	\$ 238.80	\$ 244.50
	\$ 224.82	3/4"	\$ 358.19	\$ 366.75
	\$ 374.70	1"	\$ 596.99	\$ 611.25
	\$ 749.40	1.5"	\$ 1,193.98	\$ 1,222.50
	\$ 1,199.04	2"	\$ 1,910.37	\$ 1,955.99
	\$ 2,398.08	3"	\$ 3,820.74	\$ 3,911.99
	\$ 3,746.99	4"	\$ 5,969.89	\$ 6,112.46
	\$ 7,493.99	6"	\$ 11,939.80	\$ 12,224.95
	\$ 13,489.18	8"	\$ 21,491.64	\$ 22,004.90
Rate per 1000 gallon	\$ 3.80		Fiscal Avg \$ 5.52 Apr-Sept \$ 3.80 Oct-Mar \$ 7.60	\$ 5.69