



Town of Niagara-on-the-Lake

1593 Four Mile Creek Road
P.O. Box 100, Virgil, ON L0S 1T0
905-468-3266 www.notl.com

REPORT #: CS-24-013 **COMMITTEE DATE:** 2024-07-30
REPORT TO: Council **DUE IN COUNCIL:** 2024-07-30
SUBJECT: Water and Wastewater Financial Plan

1. RECOMMENDATION

It is respectfully recommended that:

- 1.1 Council approve the attached financial plan prepared by DFA Infrastructure International Inc. for the Niagara-on-the-Lake Water Distribution System (Licence No. 069-102) and Bevan Heights Water Distribution System (Licence No. 069-101);
- 1.2 The 2024 Water System Financial Plan be submitted to the Ministry of Municipal Affairs and Housing.
- 1.3 The recommendations as contained in the 2024 Water and Wastewater Rate studies be considered for the 2025 and future Operating Budgets.

2. EXECUTIVE SUMMARY

The Town holds two permits to take water, and part of its obligations under the Safe Drinking Water Act requires that permits be renewed every five years, and that detailed financial plans and operational plans be prepared and submitted to the Ministry of Municipal Affairs and Housing.

The Town has engaged DFA infrastructure to review historical costs and prepare a financial plan in compliance with the regulation. The plan, in summary, outlines the following:

- Approximately \$32.1 million for water capital expenditures and \$20.9 million for wastewater capital expenditures are identified between 2025 and 2034 of which will all be financed from capital reserves.
- Net water expenditures are expected to increase by \$3.6 million, from \$7.2 million in 2025 to \$10.8 million by 2034.
- Net wastewater expenditures are expected to increase by approximately \$9.2 million, from \$5.9 million in 2025 to \$15.1 million by 2034.
- The cash position for water is expected to decrease slightly in the 10-year period from \$4.9 million in 2024 to \$3.6 million in 2030 based on assumptions in the report.
- The cash position for wastewater is projected to decrease from \$5 million in 2024 to \$1.8 million in 2030.

The report concludes that the financial outlooks for both systems are good over the projected period of the study.

The Water and Wastewater rate study will be reviewed annually against the actual financial performance of these programs to help inform rate setting for each year. Town Staff have observed that study projections typically come quite close in comparison in the first several years after adoption. Still, as more time passes, Staff need to make more adjustments in cost assumptions due to changes in the cost structure that weren't anticipated. For example, market conditions and inflation following a global pandemic led to much higher increases in the 2024 water and wastewater budgets and could not have been foreseen when the last study was prepared in early 2020.

3. PURPOSE

The purpose of this report is to obtain the Council's approval for the 2024 Water and Wastewater rate study, as required by legislation so that the Town can renew its drinking water permits.

4. BACKGROUND

The Town holds two permits to take water, and part of its obligations under the Safe Drinking Water requires that these permits are renewed every 5 years. As part of the renewal requirements, the Town must submit several documents to demonstrate compliance, which include:

- An application for a Drinking Water Works Permit
- An application for licenses for the water distribution systems;
- Operational Plan
- Accreditation of the operating authorities
- A Council-approved financial plan

The last set of permits were renewed on March 15, 2020, with report CS-20-004.

Staff are seeking Council's approval for the attached Water and Wastewater Financial Plan, which will guide rate setting over the next several years.

5. DISCUSSION / ANALYSIS

The attached financial plan, prepared by DFA Infrastructure, reviewed the Town's cost of managing the water distribution and wastewater collection systems and projected revenues and expenses for the next ten years. These plans ensure that a full cost recovery model is adhered to, which covers day-to-day operational costs and ensures that timely reinvestment in water and wastewater infrastructure is made when appropriate. Day-to-day operational costs include salaries, repairs and maintenance, software costs, hydro, inspections, and the cost of purchasing water/treating water with Niagara Region. Capital costs deal with the major repairs or replacement of physical linear assets that deliver or collect water and wastewater to rate payer's homes.

A cash flow analysis was undertaken to assess the level of rate increases required over the study period to meet specific targets. These targets include covering operating costs and how much funds are needed to dedicate to water and wastewater capital programs and rate stabilization reserves. Projections show that Water requires increases of 3% per year to meet operational and capital needs. Wastewater is trending towards higher increases of up to 10% per year to sustain current costs.

6. STRATEGIC PLAN

The content of this report supports the following Strategic Plan initiatives:

Pillar

2. Good Governance

Priority

2.1 Financially Sustainable Future

Action

Other

Pillar

3. Enrich Community Assets, Environment, & Infrastructure

Priority

3.1 Assets

Action

3.3 a) Infrastructure Investment (Physical & Green)

7. OPTIONS

- 7.1 Option 1: Council approves the attached Water and Wastewater Financial Plans **(Recommended)**
- 7.2 Option 2: Council amends the Water and Wastewater Financial Plans *(Not Recommended)*

8. FINANCIAL IMPLICATIONS

The Water and Wastewater Financial Plans will help inform future rate setting for water and wastewater and will be reviewed annually during the budget process.

9. ENVIRONMENTAL IMPLICATIONS

There are no environmental implication associated with this report.

10. COMMUNICATIONS

A copy of this report and the Water and Wastewater Financial Plan will be posted on the Town's website and made available to the public at no charge.

11. CONCLUSION

Town Staff are seeking approval of the attached Water and Wastewater Financial Plan, and will seek renewal of the Town's permits to take water in the coming months.

12. PREVIOUS REPORTS

- CS-20-004

13. APPENDICES

- Appendix I – 2024 Water and Wastewater Rate Study & O. Reg 453/07 Financial Plan

Respectfully submitted:

Prepared and Recommended by:

A handwritten signature in blue ink, appearing to read 'Freeborn'.

**Kyle Freeborn, CPA, CMA
Director of Corporate Services/Treasurer**

Submitted by:

A handwritten signature in blue ink, appearing to read 'Zvaniga'.

**Bruce Zvaniga
Chief Administrative Officer (Interim)**