



Subject: Water Financial Plan 2024-88

To: Council

From: Public Works Department

Report Number: 2024-88

Meeting Date: April 9, 2024

Recommendation:

That Public Works Department Report 2024-88 be received; and

That the Port Colborne Water Distribution System Financial Plan in Appendix A of Public Works Department Report 2024-88 be approved; and

That the Director of Public Works be authorized to submit the Port Colborne Water Distribution System Financial Plan and Council Resolution to the Ministry of the Environment, Conservation and Parks, and the Ministry of Municipal Affairs and Housing, as prescribed.

Purpose:

The purpose of this report is to ensure compliance with the *Safe Drinking Water Act, 2002* (the Act). The Act requires that Council approve a Water Financial Plan (WFP) to fulfill one of the five requirements of maintaining the City's Municipal Drinking Water Licence. The proposed WFP, attached as Appendix A, is intended to help Council with long-term forecasting for capital and operating expenses, and ensure the continued financial sustainability of the Port Colborne Water Distribution System.

Background:

The Province has enacted an approval framework for all municipal residential drinking water systems, as required by the Act. The framework requires that owners of municipal drinking water systems obtain Municipal Drinking Water Licences to ensure water safety and quality. Licences are valid for 5 years, provided that the conditions of the Licence and the Act are met, including operating the system in accordance with the Licence.

Staff have prepared a Financial Plan as part of the five required elements to issue a Municipal Drinking Water Licence. These elements include:

1. **A drinking-water works permit (DWWP):** A permit to establish or alter a drinking-water system.
2. **An accepted operational plan:** The Operational Plan will be based on the Drinking-Water Quality Management Standard (DWQMS) and will document an operating authority's quality management system (QMS).
3. **An accredited operating authority:** A third-party audit of an operating authority's QMS is required for accreditation.
4. **A Financial Plan:** This plan must be prepared in accordance with the prescribed requirements in the Financial Plans Regulation, including an indication that the drinking water system is viable.
5. **A permit to take water (PTTW):** Requirements as outlined in the *Ontario Water Resources Act*, as applicable.

The City currently maintains one drinking water licence for its water distribution system, which serves over 6,000 customers. The City's current drinking water licence is set to expire in October 2024, but the Financial Plan must be submitted to the Province on April 10, 2024.

Discussion:

The WFP, attached as Appendix A, meets the requirements of Ontario Regulation 453/07 by demonstrating that there is a plan in effect to ensure the drinking water system remains financially viable, and that water continues to be managed sustainably from 2024 to 2033.

Meeting Long Term Goals

One of Council's Strategic Plan objectives is to maintain all water assets above a minimum remaining asset life of 20% (i.e. above the 'very poor' condition) by 2040. To achieve this objective, the data from the Asset Management Plan (AMP) and Infrastructure Needs Study (INS) have been integrated to identify assets for replacement or repair. The capital funding requirements of the WFP are modelled from the integrated data in the AMP and INS.

The WFP serves as a guiding document which will help Council approve actual water rates and spending during the budget process. Proposed projects will undergo evaluation each year and will be subject to approval during budget discussions. This process allows for flexibility so that adjustments can be made based on evolving

circumstances and/or Council priorities. This plan excludes growth projects, as their specifics and timelines are currently uncertain. Ongoing Development Charges initiatives aim to facilitate substantial cost recovery for future growth-related water infrastructure.

To meet the strategic targets, replacing 37% of the water distribution system is required, with plans to replace over fifteen kilometres of watermain piping by 2033. To achieve the 2040 targets, this WFP provides an outlook beyond the 2033 capital upgrades, with considerations on when water rates can stabilize.

Striving for Financial Sustainability

The WFP adopts a conservative outlook to achieve strategic objectives, recognizing the potential for evolving conditions and priorities. The WFP forecasts annual increases of 10% to 12% until 2038 to address the current deferred maintenance backlog identified at \$90 million dollars at this time. For reference, the current capital budget is \$1.26 million, which Council has grown from \$436,000 in the past four years.

These projections are based on conservative estimates and do not incorporate the potential grant funding that Public Works staff are pursuing. Beyond 2038, the plan anticipates a reduction in water rate increases to below 4%, reflecting a more sustainable trajectory but still higher than the Bank of Canada's inflation target of 2% due to the inflation cost of asset replacement forecasted at 5%.

The rate pressure forecasted is directly correlated to the need to increase capital asset investment in the system. The budget related to capital and related projects is forecasted to grow from 28% in 2024 to 57% in 2033. This rate pressure will not be isolated to the City of Port Colborne going forward. Municipalities across the Niagara Region and the Province are anticipating similar rate pressure as the aging infrastructure of city water systems must addressed by the Councils of today.

The WFP has been informed by the AMP and INS; however, the forecasts may be impacted by the risk factors outlined within the Financial Plan. Staff were conservative in the modelling, with the expectation that there may be an opportunity to achieve better results in the long-term than currently forecasted, as the infrastructure categorized as 'very poor' and 'poor' will continue to be evaluated. The WFP is intended to be a guiding document, with dynamic adjustments year to year, due to the analysis being difficult to perform linearly.

Internal Consultations:

This Financial Plan has been developed and prepared internally as a joint effort by Corporate Services and Public Works staff, using information provided by internal and external reports, including and as identified the AMP and INS.

Financial Implications:

The WFP is intended to demonstrate the sustainability of the municipal drinking water system based on data included in the AMP, INS, 2024 Capital Budget, and 2024 Water/Wastewater Rates Budget. The WFP is a long-term roadmap and a forecast; Council will approve actual water rates and spending during the budget process.

Public Engagement:

There was no formal public engagement as part of the WFP development. In accordance with Ontario Regulation 453/07, the WFP will be made publicly available and Public Works staff will advertise its availability.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar of the strategic plan:

- Sustainable and Resilient Infrastructure
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Conclusion:

The WFP demonstrates the City's commitment to sustainable water management within the distribution system by focusing on capital investments into the system, thereby addressing depleting infrastructure and the deferred maintenance backlog. The WFP uses conservative estimates and a dynamic approach to ensure the system continues to be fully funded and provide safe water for residents.

Appendices:

- a. Port Colborne Water Distribution Financial Plan 2024-2033

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.