



Subject: Water and Wastewater Financial Plans

Department: Corporate Services

Division: Finance

Report #: CPS-2025-026

Meeting Date: 2025-04-14

Recommendations

That report CPS-2025-026, Water and Wastewater Financial Plans, be received; and

That Council approve the Water and Wastewater Financial Plan as presented.

Overview

The Town's municipal drinking water license must be renewed every five years. A council-approved Water Financial Plan is required for the Town's renewal application. A Water and Wastewater Financial Plan has been prepared by Watson & Associates Economists Ltd. to meet regulatory requirements of the *Safe Drinking Water Act, 2002* (the Act).

The Water Financial Plan has been prepared on an accrual basis in accordance with Public Section Accounting Board (PSAB) as per Section 30 of O. Reg. 453/07. Projected operating budgets and the ten-year capital program are prepared on a modified cash basis. As a result projected budgets will differ from the Financial Plan due to differences in treatment of items such as asset amortization, capital reserve contributions, and repayment of debt principal.

Although not a requirement of the Act or related regulation, a Financial Plan for the Town's wastewater system has also been prepared and is included as an appendix to the consultant's report.

Background

The *Safe Drinking Water Act, 2002*, requires Ontario drinking water systems to be licensed. One of the requirements of holding a valid licence is preparing and submitting to the Province an updated financial plan in accordance with Ontario Regulation (O. Reg.) 453/07. The financial plan must apply to a period of at least six (6) years with the first year being the year the existing license expires. An updated Water Financial Plan

(No.108-301) has been prepared by Watson & Associates Economists Ltd. for the period 2025 to 2034.

The Town's Municipal Drinking Water License ("MDWL") is set to expire November 29, 2025. The application to renew the license must be submitted no later than May 30, 2025 and must include the Council approved Water Financial Plan.

Watson & Associates Economists Ltd. have also prepared a Wastewater Financial Plan (Appendix B) in the report provided for the period 2025 to 2034. A Wastewater Financial Plan is not currently required, however it is highly encouraged as a financial tool.

Analysis/Current Situation

The Water and Wastewater Financial Plan report outlines the purpose, approach and financial plans for both Water and Wastewater services on an accrual basis in compliance with current PSAB standards. The Town's 2025 Water and Wastewater Rate study was prepared on a modified cash basis and was approved by Council on November 18, 2024. Watson & Associates Economists Ltd. used this study a starting point for the financial plans. Due to the differences in preparation, i.e., accrual vs modified cash basis, some of the data provided in the rate studies were modified to meet requirements of O. Reg. 453/07.

Accrual based accounting records revenue and expenses when they are earned or incurred, regardless of cash flow. Additional data was provided by Town staff such as accumulated amortization and historical cost of current assets, liability data and receivable data in order for the consultants to convert the information in the rate study to an accrual basis.

Page 4-5 of the consultant's report shows a projection of the statement of financial position for Water Services. Due to the Town's aging water infrastructure, significant investments in long-term capital assets such as the Pullen Well, watermain rehabilitation program and the elevated water storage facility in the Northwest Sector are required. As a result, the statement of financial position indicates an anticipated steep decline in cash balances and a steep incline of debt. This is offset by a significant increase to the Town's Tangible Capital Assets from \$51M in 2025 to \$128M by 2034.

For asset additions that are debt funded, the term of the debt is generally less than the anticipated useful life of asset and this will typically cause the accumulated surplus figure to grow, all other things being equal. The accumulated surplus figure is not 'cash on hand'. Rather, it is largely comprised of the net book value of assets plus cash less long-term liabilities.

Staff are currently working through the chapters of the corporate integrated long-term financial plan. Chapters to be developed in 2025 include a debt management strategy, an investment strategy, and a growth management strategy. These strategies will consider ways to mitigate some of the trends that are showing in the current financial plan, particularly for declining cash balances and escalating debt levels.

The statement of financial position for Wastewater Services as shown on page B-4 of the report, shows a much more favourable position for these services as compared to Water. Investment in capital projects for Wastewater Services is projected to be much lower over the next 10 years in comparison to Water infrastructure with the largest project being the Conversion to Ultraviolet Disinfection project.

Corporate Implications

Should Council approve this report, staff will submit the Water Financial Plan as part of the MDWL application to renew the Town's water license. Finance staff will continue to work through the chapters of the Town's integrated long-term financial plan in order to mitigate some of the trends identified in this report.

Conclusion

It is recommended that Council approve the Town's Water and Wastewater Financial Plans as prepared by Watson & Associates Economists Ltd. so that the Town will be in compliance with the requirements to apply for the MWDL renewal.

Strategic Alignment

Strategic Plan

Strategic Goal: Future-Readiness

Objective: SUSTAINABILITY – Secure the financial viability of the municipality

Sustainable Neighbourhood Action Plan

Theme: Corporate and Fiscal

Strategy: encouraging and supporting inter-departmental collaboration and communication to facilitate the adoption of sustainable practices

Notice Provisions

The financial plans will be posted publicly on the Town's website following Council approval.

Respectfully submitted,

Antonietta Minichillo, MES
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Attachment(s): 1. Water and Wastewater Financial Plan