

Report to Civic Works Committee

To: Chair and Members
Civic Works Committee

From: Kelly Scherr, P.Eng., MBA, FEC
Deputy City Manager, Environment and Infrastructure

Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

Subject: Water Service Area Financial Plan Update

Date: October 22, 2024

Recommendation

That on the recommendation of the Deputy City Manager, Environment and Infrastructure, and the Deputy City Manager, Finance Supports the updated Water Service Area Financial Plan for the City of London **BE APPROVED** as per the requirements of O. Reg 453/07 of the Safe Drinking Water Act, it being noted that this financial plan is consistent with Council approved financial policies and the adopted 2024-2027 Water Multi-Year Budget.

Executive Summary

As part of the Municipal Drinking Water Licensing Program, municipalities are required to prepare and approve Financial Plans for their drinking water system in accordance with Ontario Regulation 453/07 under the Safe Drinking Water Act. A condition of London's Drinking Water Licence is to update the Financial Plan and include it with the application for licence renewal which is required in 2025. This report is intended to seek Council approval of the Financial Plan as stipulated by the regulation. The updated Financial Plan is attached as Appendix 'A'

The Drinking Water Licence renewal will be completed administratively and does not specifically require Council approval.

Linkage to the Corporate Strategic Plan

This recommendation supports the following 2023-2027 Strategic Plan areas of focus:

- Climate Action and Sustainable Growth:
 - The infrastructure gap is managed for all assets; and
 - London's infrastructure is built, maintained, and secured to support future growth and protect the environment.
- Well-Run City
 - London's finances are maintained in a transparent, sustainable, and well-planned manner, incorporating intergenerational equity, affordability and environmental, social, and governance considerations.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

- CWC – May 5, 2015 - Updated Water Service Area Financial Plan: <https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=18984>;
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=18985>

- CWC – April 15, 2020 - Water Service Area Financial Plan: <https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=72487>
- Council – February 29, 2024 – 2024-2027 Multi-Year Budget adopted: [Council - February 29, 2024 \(escribemeetings.com\)](#)

1.2 Context

In 2007 the Ministry of the Environment, Conservation, and Parks issued Ontario Regulation 453/07 Financial Plans under the Safe Drinking Water Act, 2002. The regulation and accompanying guideline prescribes the requirements for Financial Plans to be prepared as part of the Municipal Drinking Water License Program set out in Part V of the Safe Drinking Water Act. This regulation was designed by the province in response to Justice Dennis O'Connor's Walkerton Inquiry recommendations. The intent is to ensure that municipalities plan for the long-term financial sustainability of their drinking water systems to ensure the safety and reliability of their drinking water systems in the future. This report and the Financial Plan have been prepared to comply with the requirements of O. Reg. 453/07.

Previous Financial Plans were submitted to the Ministry of Municipal Affairs and Housing in 2010, 2011, 2015, and 2020. Updating and re-submission of the Financial Plan is required when changes to the plan are substantive, as occurred in 2011, or at the time of licence renewal, which is the reason for this re-submission.

2.0 Discussion and Considerations

2.1 Financial Plan Contents

The Financial Plan summarizes operational and capital programs, rate increases, and financing that will ensure adequate monetary resources for financial stability and sustainability in the “near” term (5 to 7 years).

This Financial Plan has been prepared based on the financial information presented in the adopted 2024-2027 Water Multi-Year Budget. It also outlines the various financial principles and practices that are utilized to ensure the financial health of London's water utility. Specifically, the Financial Plan details the financing principles utilized to fund the Water capital and operating plans, reserve fund policies to ensure adequate reserve funds are maintained, and strategies for the management and appropriate use of debt financing. It is worth noting that the financial principles and practices utilized by the Water utility are consistent with the Corporation's overall financial principles and best practices as outlined in the City's Strategic Financial Framework.

The financial statements included in the Financial Plan project 6 years into the future and are prepared based on Public Sector Accounting Standards. It should be noted that the City of London bases infrastructure needs on a 20 year analysis and maintains a financial model that projects 20 years into the future. The Regulation requires updated plans to be submitted as part of the application process for water utility licence renewal (every 5 years).

The capital programs described in the plan have a strong focus on renewal of aging infrastructure. It identifies the funding requirements to ensure a safe and sufficient water supply, while meeting all regulatory compliance requirements. It is a commitment to continue renewing infrastructure as it approaches the end of its useful life and prior to failure, thereby minimizing maintenance and repair costs, social disruption and water loss, as well as ensuring inter-generational equity. Adherence to the plan will result in the lowest water charges to the City's rate payers in the long term.

Following approval of the plan by City Council, it will be available for review by the public on the City's website and also available in hard-copy for our customers on request. The Ministry of Municipal Affairs and Housing requires confirmation that the availability of the plan has been advertised in the media and that the plan has been uploaded to our website.

Conclusion

In accordance with Ontario Regulation 453/07 under the Safe Drinking Water Act, municipalities are required to prepare and approve Financial Plans for their drinking water system. As stipulated in O. Reg 453/07, the Financial Plan must be approved by the Owner of the London Water System, the Corporation of the City of London, before it can be submitted to the Ministry of Municipal Affairs and Housing. The fully developed and implemented Financial Plan will maintain a high quality, abundant and reliable water supply at affordable rates, allowing future generations to prosper as we have.

Prepared by: Aaron Rozentals, P.Eng., GDPA
Division Manager, Water Engineering

Submitted by: Ashley Rammeloo, MMSc, P.Eng.
Director, Water, Wastewater, and Stormwater

Recommended by: Kelly Scherr, P.Eng., MBA, FEC
Deputy City Manager, Environment and Infrastructure

Anna-Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

cc: J. Bowes

Appendix 'A' – Water Service Area Financial Plan