

Agenda Item #

Page #

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TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON MAY 5, 2015
FROM:	JOHN BRAAM, P. Eng. MANAGING DIRECTOR, ENVIRONMENTAL & ENGINEERING SERVICES & CITY ENGINEER AND MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	UPDATED WATER SERVICE AREA FINANCIAL PLAN

RECOMMENDATION

That, on the recommendation of the Managing Director, Environmental & Engineering Services & City Engineer and the Managing Director, Corporate Services & City Treasurer, Chief Financial Officer, 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 information provided through the 2015 Water Budget process.**

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- Water 20 Year Financial Model November 24, 2008, Environment and Transportation Committee, Agenda Item #15,
<http://council.london.ca/CouncilArchives/Agendas/Environment%20and%20Transportation%20Committee%20Agendas/ETC%20Agendas%202008/2008-11-24%20Agenda/Item%2015.pdf>
- Ontario's New Municipal Drinking Water Licensing Program & Endorsement of Operational Plan, November 24, 2008, Environment and Transportation Committee, Agenda Item #14,
<http://council.london.ca/CouncilArchives/Agendas/Environment%20and%20Transportation%20Committee%20Agendas/ETC%20Agendas%202008/2008-11-24%20Agenda/Item%2014.pdf>
- Water Service Area Financial Plan, May 10, 2010, Environment and Transportation Committee, Agenda # 23,
<http://council.london.ca/meetings/Archives/Agendas/Environment%20and%20Transportation%20Committee%20Agendas/ETC%20Agendas%202010/2010-05-10%20Agenda/Item%2023.pdf>
- Revised Water Service Area Financial Plan, May 2, 2011, Built and Natural Environment Committee, Agenda Item #6,
<http://council.london.ca/CouncilArchives/Agendas/Built%20and%20Natural%20Environment/BNEC%20Agendas%202011/2011-05-02%20Agenda/Item%206.pdf>
- 2013 External Audit of London's Drinking Water Quality Management System and 2013 Management Review, November 25, 2013, Civic Works Committee, Agenda Item #6
<http://sire.london.ca/mtgviewer.aspx?meetid=589&doctype=AGENDA>
- 2015 Water Budget Approved by City Council January 27, 2015
<http://www.london.ca/newsroom/Pages/Water-Wastewater-Budget.aspx>

Agenda Item #	Page #

BACKGROUND

Note: Copies of the Financial Plan were previously hand delivered to Councillors. Copies will be available to the public on the 8th floor of City Hall, 300 Dufferin Ave. Once approved by Council, the Financial Plan will be available on the City of London website.

Purpose

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 (SDWA). A condition of London's Drinking Water Licence is to update the Financial Plan and include it with the application for licence renewal by June 15, 2015. This report is intended to seek Council approval of the Financial Plan as stipulated by the regulation.

The Drinking Water Licence renewal will be completed administratively and does not specifically require Council approval provided that all five licensing requirements (noted below) have been completed.

Background

In 2007 the Ministry of the Environment (MOE) 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 SDWA. This regulation was designed by the MOE 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.

The City's Water Operating Authority received full accreditation in the summer of 2013, having completed all five licensing requirements:

- A Drinking Water Works Permit (DWWP)
- An Accepted Operational Plan
- Accreditation of the Operating Authority
- A Financial Plan
- A Permit to Take Water (PTTW)

The operational Plan, which describes the standard of care for operation and maintenance of the water supply system, was previously endorsed by Council in 2008. Since that time, through the continual improvement program, several updates have been made to the Operational plan. Following the next external audit in June 2015, the most current version of the Operational Plan will be brought to Committee and Council for endorsement.

Previous Financial Plans were submitted to the Ministry of Municipal Affairs and Housing (MMAH) in 2010 and 2011. 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.

Financial Plan

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 approved 2015 Water 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

Agenda Item #	Page #

principles and best practices, which have contributed to London maintain an Aaa credit rating for 38 consecutive years.

The financial statements included in the Financial Plan project 6 years into the future. 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. Long-term infrastructure needs have also been assessed using 75 and 100 year outlooks to support future long-term needs. The Regulation requires updated plans to be submitted as part of the application process for water utility licence renewal (every 5 years), six months in advance of the expiry date, which is December 29, 2015.

The capital programs described in the plan have a strong focus on renewal of aging infrastructure which will manage the infrastructure gap in the “long” term (20 to 30 years). 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.

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 (MMAH). 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.

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. MMAH requires confirmation that the availability of the plan has been advertised in the media and that the plan has been uploaded to our website.

Acknowledgements

This report and related Water Financial Plan were prepared by Roland Welker, John Simon, Scott Koshowski and Dan Huggins in the Water Service Area; Kyle Murray, Katrina Botting, with assistance from Sharon Swance, Kelly Medinilla and Alan Dunbar in the Finance Service Area.

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RECOMMENDED BY:	RECOMMENDED BY:
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April 28, 2015

c.c. John Simon, Water Operations Division Manager
Ian Collins, Senior Financial Business Administrator
Kyle Murray, Financial Business Administrator