
TO:	GENERAL COMMITTEE
SUBJECT:	WATER AND WASTEWATER SYSTEM FINANCIAL PLANS 2021
WARD:	ALL
PREPARED BY AND KEY CONTACT:	D. MOREAU, MANAGER OF WATER OPERATIONS, EXTENSION 6158
SUBMITTED BY:	B. ARANIYASUNDARAN, P.ENG., PMP DIRECTOR OF INFRASTRUCTURE
GENERAL MANAGER APPROVAL:	A. MILLER, RPP, GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT
CHIEF ADMINISTRATIVE OFFICER APPROVAL:	M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That, in accordance with Ontario Regulation 453/07, the City of Barrie's Water and Wastewater Financial Plan – Rate Analysis Study dated April 29, 2021 as provided in Appendix “A” to Staff Report INF005-21, be approved.
2. That, in accordance with Ontario Regulation 453/07, the City of Barrie's Water and Wastewater Ontario Regulation 453/07 Financial Plan dated April 29, 2021 as provided in Appendix “B” to Staff Report INF005-21, be approved.
3. That Council deem the drinking water system financially viable.
4. That a copy of the City of Barrie's Water and Wastewater Financial Plan – Rate Analysis Study and Water and Wastewater Ontario Regulation 453/07 Financial Plan be provided to the Ministry of Municipal Affairs and Housing (O. Reg. 453/07, section 3 (1) 6).
5. That the resolution approving the Water and Wastewater Ontario Regulation 453/07 Financial Plan be submitted to Ministry of the Environment, Conservation and Parks, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. section 32 (5) 2.ii).
6. That, notification of the availability of the City of Barrie's Water and Wastewater Financial Plan – Rate Analysis and Water and Wastewater Ontario Regulation 435/07 Financial Plan to the public as prescribed by Ontario Regulation 453/07 be made.

PURPOSE & BACKGROUND

7. The purpose of this Staff Report is to obtain Council's approval of the Water and Wastewater Financial Plan – Rate Analysis Study (hereinafter referred to as the “Rate Analysis Study”) and the “Water and Wastewater Ontario Regulation 453/07 Financial Plan” (hereinafter referred to as the “O. Reg. 453/07 Plan”) prepared by Watson & Associates Economists Ltd. dated April 29th, 2021 and presented in Appendix “A” and Appendix “B”, respectively (hereinafter collectively referred to as the “Financial Plans”).

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8. The Financial Plans were completed in accordance with Ontario Regulation 453/07 (O.Reg.453/07) under the Safe Drinking Water Act 2002 and considered requirements within the Water Opportunities Act 2010, Infrastructure for Jobs and Prosperity Act, 2015, Development Charges Act 1997 and Municipal Act 2001.
 9. Ontario regulations require a financial plan for water. However, for wastewater it is recommended that a financial plan be prepared, and the City has completed this as part of the same study to provide Council with a complete picture of water and wastewater rates.
 10. As outlined in O.Reg.453/07, Financial Plans must:
 - a) Demonstrate the Drinking Water System is financially viable;
 - b) Be approved by Council resolution;
 - c) Include a statement that financial impacts of the Drinking Water System have been considered and apply for a minimum six-year period;
 - d) Include details regarding proposed or projected financial operations of the Drinking Water System including the components of a "Statement of Operations", a "Statement of Financial Position" and a "Statement of Cash Flow" as per Public Sector Accounting Standards for each year in which the financial plans apply;
 - e) Financial plans are to be made available to the public upon request and at no charge;
 - f) Make the Financial Plans available to the public via publication online to the City of Barrie's website;
 - g) Provide notice advising the public of the above noted availability;
 - h) Provide the Financial Plans to the Ministry of Municipal Affairs and Housing; and
 - i) Provide the resolution of Council approving the Financial Plans to the Ministry of the Environment, Conservation and Parks (MECP).
 11. The purpose of the Financial Plans is to provide:
 - a) An analysis for current capital and operation forecasts;
 - b) Costing for lifecycle cost requirements; and
 - c) Current volumes and customer profiles.

The Financial Plans provide a forecast of both water and wastewater fixed charges and volumes rates. The rate analysis provides fiscally responsible practices that are in line with the above noted legislation at level of rate increases that are reasonable with respect to water and wastewater rates.

12. The objectives of the Financial Plans are as follows:
 - a) Identify all current and future water and wastewater system capital needs to assess immediate and long term implications;
 - b) Identify potential methods of cost recovery from the capital needs listing; and
 - c) Identify existing and estimate future operating costs over the next ten (10) years.

13. The Financial Plans have been prepared in coordination with the current ongoing works associated with the City of Barrie's Water and Wastewater Asset Management Plans and Long Range Financial Plan, both of which are to be finalized in 2021. Draft information from the asset management plans have been used for the purposes of assessing lifecycle needs within the Financial Plans.
14. The Financial Plans cover the forecast period of 2021 to 2030 and meets the requirements of the next Municipal Drinking Water License renewal which will cover the six-year period following the next issuance date of 2024.

ANALYSIS

15. The Financial Plans reflect the Province's main objective for the Municipal Drinking Water System's financial viability which is to require municipalities to develop a long-term strategy to ensure the financial sustainability of drinking water systems.
16. The Financial Plans consider the following:
 - a) Capital Infrastructure Needs;
 - b) Lifecycle Costing;
 - c) Capital Cost Financing Options;
 - d) Water and Wastewater Operating Expenditures and Revenues;
 - e) Rate Pricing Structures; and
 - f) Water and Wastewater Rates and Volume Rate Forecasts
17. The City of Barrie services 42,231 metered residential water customers and 41,781 residential wastewater customers. Additionally, the City also services 2,727 and 2,699 non-residential customers with water and wastewater services, respectively.
18. By 2030, it is expected 9,511 additional customers will be added in the Salem and Hewitt's Secondary Plan Area. As well as 8,920 additional customers in the City's former municipal boundary area.
19. The Financial Plans provide forecasts of both water and wastewater fixed charges and volume rates for both residential and non-residential customers. The Financial Plan assessed the existing rate (defined as total costs to maintain the utility function divided the total expected volume to be generated for the period) structure for the City of Barrie and concluded that the current rate structure for water and wastewater be continued in the future.

As such, the rate structures for water and wastewater will be unchanged throughout the forecast period (2021-2030) and are as follows:

- a) Fixed Charge
 - i. Residential customers: constant fixed charge for all customers
 - ii. Non-residential customer: varied fixed charge based on meter size
- b) Volume Charge
 - i. Residential customers: four-tier increasing block volumetric rate
 - ii. Non-residential customers: two-tier increasing block volumetric rate

20. Detailed inventory information obtained through the City's ongoing work with the water and wastewater asset management plans indicates the total value of water infrastructure is \$1.19 billion and the value of wastewater infrastructure is \$1.41 billion.
21. The Financial Plans indicate that the capital spending program is \$218 million for water and \$620 million for wastewater for the forecast period (2021-2030).

Through work being completed as part of the City of Barrie's Water and Wastewater Asset Management Plans, a significant backlog of capital works has been identified for the forecast period (2021-2030). The backlog of capital replacement needs for water is \$122 million and the replacement needs for wastewater is \$192 million.

22. The Financial Plans forecast funding the capital spending program for 2021-2030 as follows:

Description	Water 2021-2030	Wastewater 2021-2030
Provincial/Federal Grants	-	-
Development Charges Reserve Fund - Facilities	\$1,265,000	\$102,265,813
Development Charges Reserve Fund - Facilities Related Debt	-	-
Development Charges Reserve Fund - Distribution Systems - Former Barrie	\$14,681,765	\$39,029,453
Development Charges Reserve Fund - Distribution Systems - Salem & Hewitt's	\$52,451,913	\$108,865,485
Non-Growth Related Debenture Requirements	\$21,101,600	-
Growth Related Debenture Requirements - Facilities	-	\$125,583,649
Growth Related Debenture Requirements - Facilities Related Debt	-	-
Growth Related Debenture Requirements - Distribution Systems - Former Barrie	-	-
Growth Related Debenture Requirements - Distribution Systems - Salem & Hewitt's	-	-
Operating Contributions	-	-
Rate Stabilization Reserve Fund	-	-
Capital Reserve Fund	\$128,537,118	\$244,546,813
Total Capital Financing	\$218,037,397	\$620,291,213

Compared to the City's current approved Water Capital Plan, the analysis in the Financial Plans assumes the City will require additional non-growth debt of \$21.1 million over the next 4 years funded by water rates. This additional debt is needed to offset future pressures on the Water Capital Reserve, as well as limiting rate increases over the next 4 years. As part of the 2022 Capital Budget, staff will add the additional debt for Council's consideration.

For Wastewater, debt needs are more significant. As forecasted in the City's current 10 year capital plan, new growth-related debt financing totals \$125.58 million for works related to treatment facilities. The additional debt will be funded from development charges (DC), which adds some additional financial risk to the City if the forecasted DC's revenues do not materialize.

Each year through the annual Capital Budgeting exercise, based on Council direction and the City's financial policy framework. Staff will review and make funding recommendations to maintain the City's strong financial condition.

23. The Financial Plans forecast the following Reserve/Reserve Fund Balances to 2030:

Reserve Fund	Projected Balance (2030)
Water Capital Reserve Fund	\$5,953,521
Water Rate Stabilization Reserve Fund	\$3,812,059
Water DC Reserve Funds	(\$4,837,120)
Total Water Reserve Funds Balance	\$4,928,460
Wastewater Capital Reserve Fund	\$83,538,973
Wastewater Rate Stabilization Reserve Fund	\$3,084,878
Wastewater DC Reserve Funds	(\$96,624,204)
Total Wastewater Reserve Funds Balance	(\$10,000,353)

Although the Capital and Rate Stabilization Reserve Funds are projected to have positive balances by 2030, the DC Reserve Funds are projected to have significant deficits. These negative balances will need to be cash flowed through the capital reserve fund in the interim before DC revenues are realized. The City's upcoming Long Range Financial Plan will look at options for funding these growth-related capital requirements.

24. In order to maintain financially sustainable water and wastewater systems, the following increases to fixed charges and volume rates for the forecast period (2022-2030) are recommended:

Water

- a) 3% increase to fix and volume charges for 2022
- b) 4% annual increase to fix and volume charges for 2023-2030

Wastewater

- a) 5% annual increase for 2022-2030

Based on the above noted increases, the combined impact of the water and wastewater fixed charge and volume rate charge equal to increases of 4.2% for 2022 and 4.6% per year for the remainder of the forecast period.

25. The above rate increases would enable the City to fund the non-growth share of the capital programs to position the City to facilitate growth, renew aging infrastructure, carry out routine, minor, and major maintenance in a timely manner, and account for inflationary pressures related to electricity and chemical costs. Service levels for City's residents would be maintained as follows:

- a) Provision of safe drinking water to new and existing residents and businesses with minimal disruptions;
- b) Maintain continuous improvement programs and diligently address threats to drinking water quality;
- c) Replace aging water and sewer pipes; and
- d) Enhance the quality of Lake Simcoe through conformance to stringent regulatory requirements.

Without the rate increases to ensure adequate funding, the above services levels could be at risk.

ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS

26. There are no environmental and climate change impact matters related to the recommendation.

ALTERNATIVES

27. The following alternatives are available for consideration by General Committee:

Alternative #1 General Committee could choose not to approve the Financial Plans.

This alternative is not recommended as it would leave the previous Financial Plans in place and would not meet the City's legislative requirements. As well each year through the budget process, Council and staff have the opportunity to modify recommended plans to adjust rates as required.

Alternative #2 General Committee could choose to direct staff to develop scenarios that lower rates by using more debt over the next ten years.

This alternative is not recommended as the current plan includes adding \$146.7 million of additional debt over the next ten years. Adding more debt than currently is planned will reduce the City's funding flexibility and increase financial risk.

FINANCIAL

28. There are no financial implications for the Corporation resulting from the proposed recommendation.

LINKAGE TO 2018–2022 STRATEGIC PLAN

29. The recommendation(s) included in this Staff Report are not specifically related to the goals identified in the 2018-2022 Strategic Plan.



APPENDIX "A"

Water and Wastewater Financial Plan - Rate Study Analysis Study

See attachment



APPENDIX "B"

Water and Wastewater Ontario Regulation 453/07 Financial Plan

See attachment