

MANAGEMENT REPORT

Date: November 25, 2024
To: Mayor and Council
From: Taylor Crinklaw, Director of Infrastructure
Report Number: COU24-148
Attachments: 2024 Water and Wastewater Rate Study & O. Reg 453/07 Financial Plan

Title: 2024 Water and Wastewater Rate Study and O. Reg 453/07 Financial Plan

Objective: To present to Council the City of Stratford's 2024 Water and Wastewater Rate Study and Financial Plan as prepared by DFA Infrastructure International Inc.; and at a future meeting, to seek Council endorsement of the respective Financial Plans as per Ontario Regulation 453/07; and to adopt having the respective Water and Wastewater Rates come into effect January 1, 2025.

Background: Section 19 of the Safe Drinking Water Act requires municipal councillors and officials to provide oversight to ensure a statutory standard of care is imbedded into water systems management. Effective financial stewardship enables the sustainable and safe management of the City's water system. Under Ontario Regulation 453/07, financial management is a compliance requirement mandating municipalities to prepare "Financial Plans" detailing the projected financial position and operations for a minimum period of six years.

A Financial Plan is one of five requirements required to obtain a Municipal Drinking Water License (MDWL). The Plan must be valid until the MDWL expiry date. The City's MDWL expires on June 18, 2025, and the next Financial Plan must be in the process of being updated by the time of the MDWL expiry.

Language regarding Wastewater Infrastructure financial management is not nearly as prescriptive as water infrastructure, however, the City's principles toward sustainable financial management are the same.

One of the primary goals is to establish consistent and predictable rates to support capital planning. A major factor influencing this is the historical minimal investment in infrastructure and the recent inflationary spike in capital construction costs. The City's 10-year capital budgeting strategy, combined with the City's Asset Management Plan,

aim to secure sufficient funding to address the significant gap in infrastructure renewal for assets that are well beyond their service life. The recommended fees generated through this Water and Wastewater Rate study help align funding needs with capital renewal.

Analysis: The attached 2024 Water and Wastewater Rate Study for the City constitutes the foundation for the water and wastewater financial plans. It additionally furnishes detailed projections of capital, operational, and reserve fund positions, capital asset inventories, projected consumption volumes, and rate calculations.

Some of the key highlights include:

- The rate study assumes a capital spending program (2025-2034) for water and wastewater to be \$33,341,000 and \$51,962,000, inflated respectively.
- The study assumes annual operating expenditures to increase by 2% and up to 5% for expenditures related to fuel, chemicals, and materials.
- Wastewater Rates are proposed to increase by 2% annually for the next five years.
- Water Rates are proposed to increase by 7% annually for the next five years.

Further details are provided in the attached 2024 Water and Wastewater Rate Study and O.Reg 453/07 Financial Plan.

The purpose of this report is to present the City of Stratford's 2024 Water and Wastewater Rate Study and Financial Plan, prepared by DFA Infrastructure International Incorporated, for Council's information. At the next Council meeting, staff will request Council's endorsement of the Financial Plan in accordance with Ontario Regulation 453/07 and propose the implementation of the new Water and Wastewater Rates effective January 1, 2025.

Financial Implications:

Financial impact to current year operating budget:

No impact to current year budget as this study period will take effect in 2025.

Financial impact on future year operating budget:

If adopted, Water and Wastewater user fees will increase by 7% and 2% respectively in 2025 and annually thereafter. This will help collect the necessary revenue to provide reliable service and sustainable asset renewal.

Link to asset management plan and strategy:

There is a direct link between the rates required and the 10-year capital forecast. Each project in the 10-year capital forecast is funded primarily through user fees, and occasionally long-term debt, to balance current costs with future costs. As assets are renewed and replaced, the asset conditions and forecasted replacements are then updated into the City's Asset Management Plan.

Alignment with Strategic Priorities:

Enhance our Infrastructure

The recommendations outlined in these studies and in this report take significant steps forward to providing the necessary funds required for long-term sustainable asset renewal.

Build Housing Stability

Core infrastructure is included in the recommended fee structure, including future development. If adopted this report will assist in providing the necessary funds to support existing and future residents.

Alignment with One Planet Principles:

Health and Happiness

Encouraging active, social, meaningful lives to promote good health and wellbeing.

Sustainable Water

Using water efficiently, protecting local water resources and reducing flooding and drought.

Staff Recommendation: THAT Council receive the City of Stratford's 2024 Water and Wastewater Rate Study and O. Reg 453/07 Financial Plan prepared by DFA Infrastructure International Incorporated, for information.

Prepared by:

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Recommended by:

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