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## MANAGEMENT REPORT

**Date:** December 16, 2024  
**To:** Mayor and Council  
**From:** Taylor Crinklaw, Director of Infrastructure  
**Report Number:** COU24-160  
**Attachments:** 2024 Water and Wastewater Rate Study and O. Reg 453/07  
Financial Plan;  
Current 2024 and Proposed 2025 - Water and Wastewater Rates

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

**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, to seek Council endorsement of the respective Financial Plans as per Ontario Regulation 453/07; to inform Council of public input received, and that the proposed Water and Wastewater Rates be approved for implementation effective 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 current City MDWL expires on June 18, 2025, and the Financial Plan must be adopted 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.

### **Public Input:**

Only one comment was received and it suggested exploring alternative pricing structures to replace the current two-step declining block system. The concern raised was that the declining block structure may not effectively promote water conservation. However, staff do not share this concern with this assertion.

The existing structure includes a base rate and a first-step charge, which operates effectively as a fixed rate. This first step's rate is calculated based on a higher dollar value for an assumed minimum consumption charge of three cubic metres. Beyond this initial step, a constant rate applies to all subsequent consumption. Essentially, the first step functions as an extension of the base fee, applicable to all users.

The minimum consumption charge specifically targets properties that are largely unoccupied, such as vacant dwellings, and deters service to buildings with minimal utilization, such as unserviced vehicle garages. It also ensures a guaranteed minimum revenue to cover administrative costs associated with providing the service. For an average residential owner using 11 cubic metres of water, more than 70% of their bill is tied directly to their consumption, incentivizing reduced usage. For large-scale commercial and industrial consumers that often utilize in excess of 20,000 cubic metres

within a given month, more than 99% of their invoiced charges are calculated based on direct consumption.

Lastly, it is important to highlight that the City benefits from substantial capacity within its stable aquifers, ensuring Stratford possesses a resilient and sustainably managed water resource system.

### **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 as recommended in the rate study. 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 recommendation will assist in providing the necessary funds to support existing and future residents.

### **Alignment with One Planet Principles:**

#### **Sustainable Water**

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

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

**THAT Council approve the proposed Water and Wastewater Rates for implementation effective January 1, 2025;**

**AND THAT Council amend Fees and Charges By-law 99-2024 to revise the Water and Wastewater Rates for implementation effective January 1, 2025.**

**Prepared by:** Taylor Crinklaw, Director of Infrastructure Services

**Recommended by:** Taylor Crinklaw, Director of Infrastructure Services  
Karmen Krueger, Director of Corporate Services  
Joan Thomson, Chief Administrative Officer