

2023 Water, Wastewater and Stormwater 10-Year Financial Plans



2023 Financial Plan Objectives

- Address recommendations from the Fiscal Strategy:
 - carry out a comprehensive rate setting study ;
 - employ strategies to increase contributions to reserves to build them to more appropriate levels (this includes the Asset Replacement Fund and Rate Stabilization);
 - develop detailed ten-year financial plans
- Incorporate capital inflation supplement



Capital Inflation Supplement

April 3 Council direction:

. . . in advance of the next budget, Staff report to Council with options for addressing the 3.3 % Capital Inflation Supplement for Council's consideration;

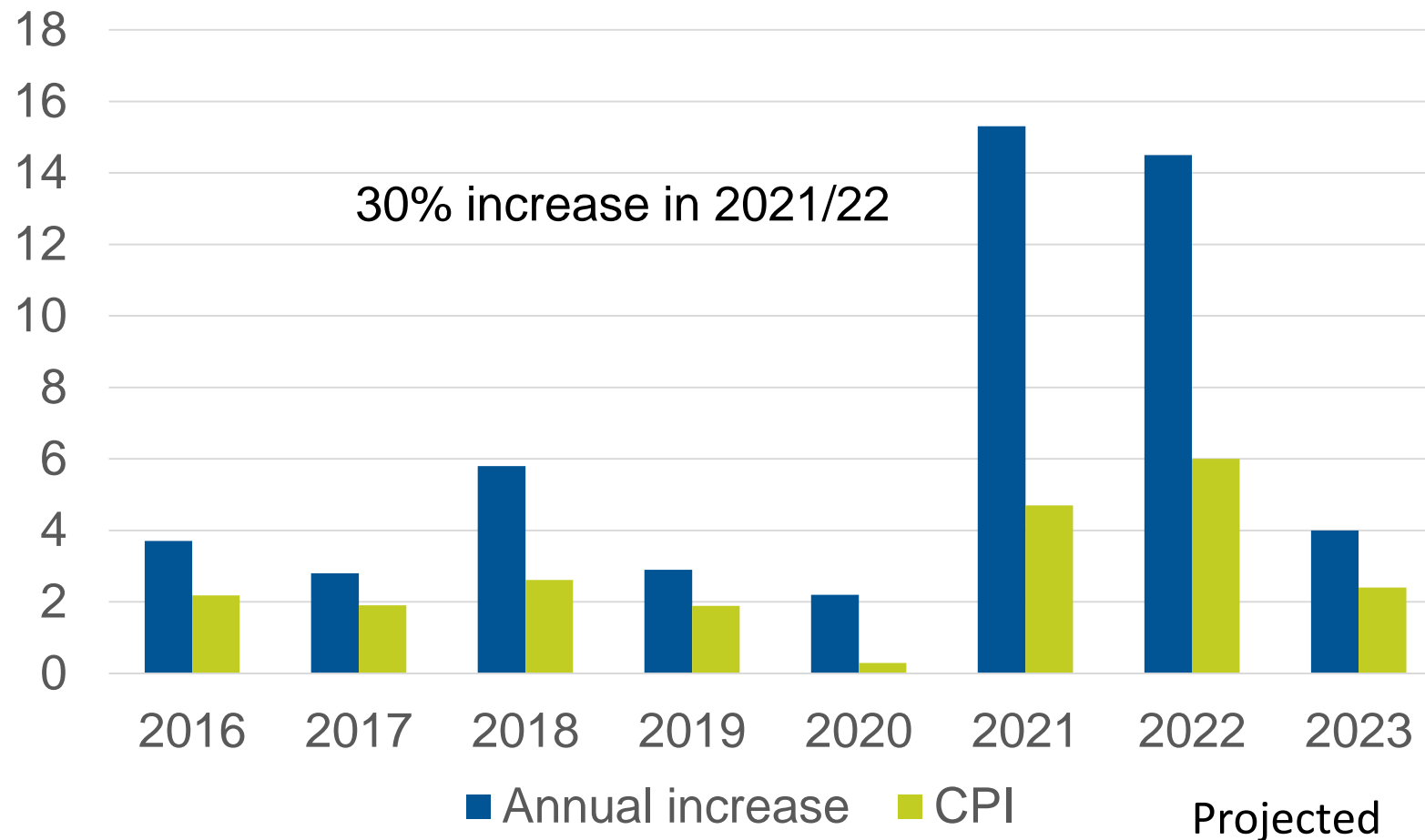


ARF is a large part of the rate-supported budgets

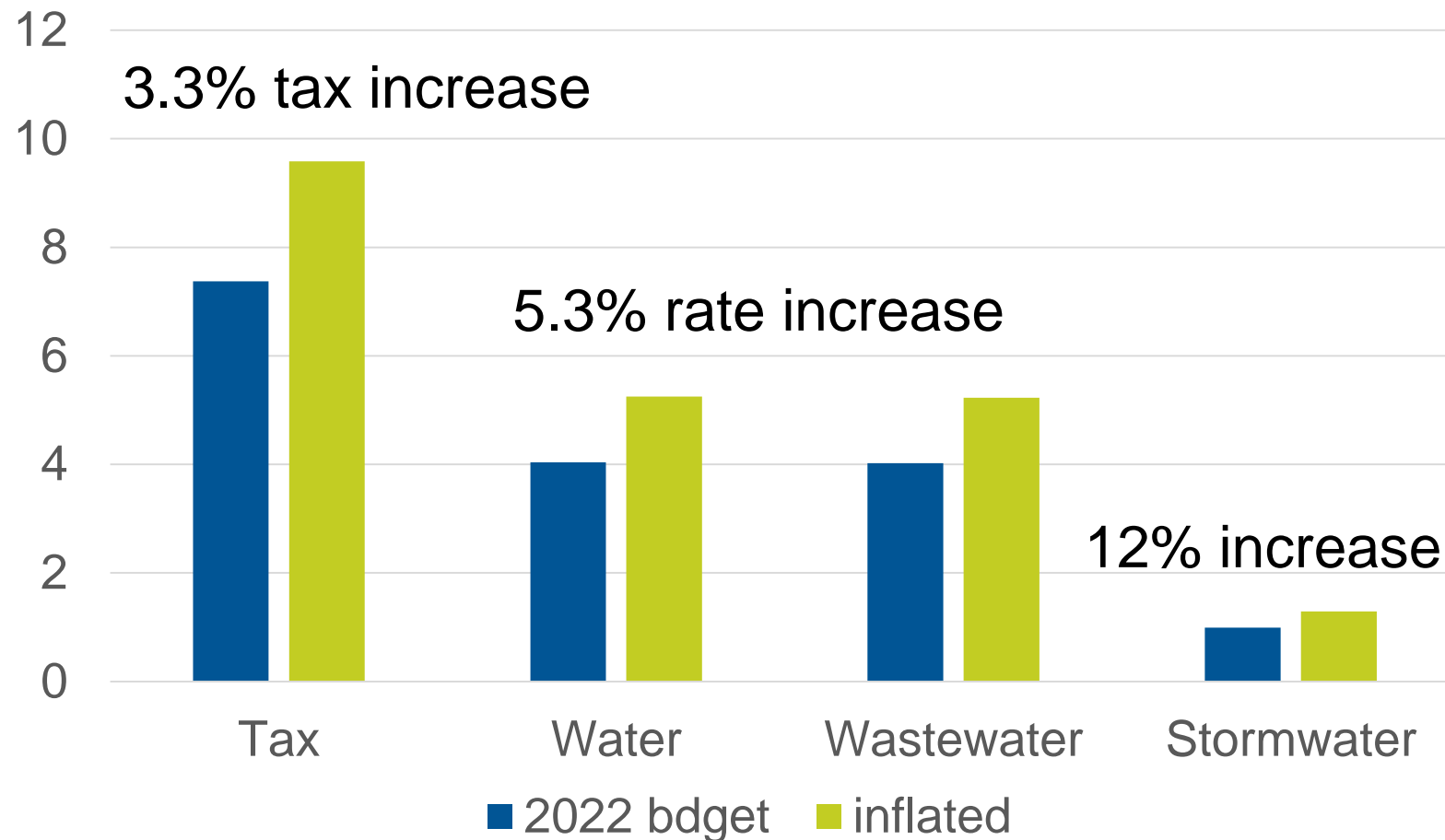
| 2023 Budget | Revenue | ARF Contribution | ARF % of Budget |
|---------------|----------------|------------------|-----------------|
| | In \$ millions | | |
| Water | \$ 21.6 | \$ 3.4 | 15.7 % |
| Wastewater | \$ 24.9 | \$ 2.9 | 11.6% |
| Stormwater | \$ 3.0 | \$ 0.8 | 26.7 % |
| | | | |
| Tax-supported | \$94.9 | \$5.5 | 5.7% |



Construction Price Increases spiked in 2021/22



Consideration was given to increasing ARF as a Capital Inflation Supplement



Current Financial Position

| Reserve / Reserve Fund | Stormwater | Water | Wastewater |
|-------------------------------|----------------|--------|------------|
| | \$ in millions | | |
| Rate Stabilization* | \$1.6 | \$3.2 | \$2.6 |
| Asset Replacement Fund* (ARF) | \$1.3 | \$31.2 | \$35.1 |
| Revenues (2023 Budget) | \$3.0 | \$21.6 | \$24.9 |



* - Reserve / Reserve Fund Balance as at December 31, 2022

Stormwater

- Previous update was completed in 2019
- The updated plan incorporates the following:
 - Asset replacement requirements as identified in the Asset Management Plan
 - Stormwater management pond cleaning costs
 - Capital inflation supplement
 - Use of Ontario Community Infrastructure Fund (OCIF) as a funding source



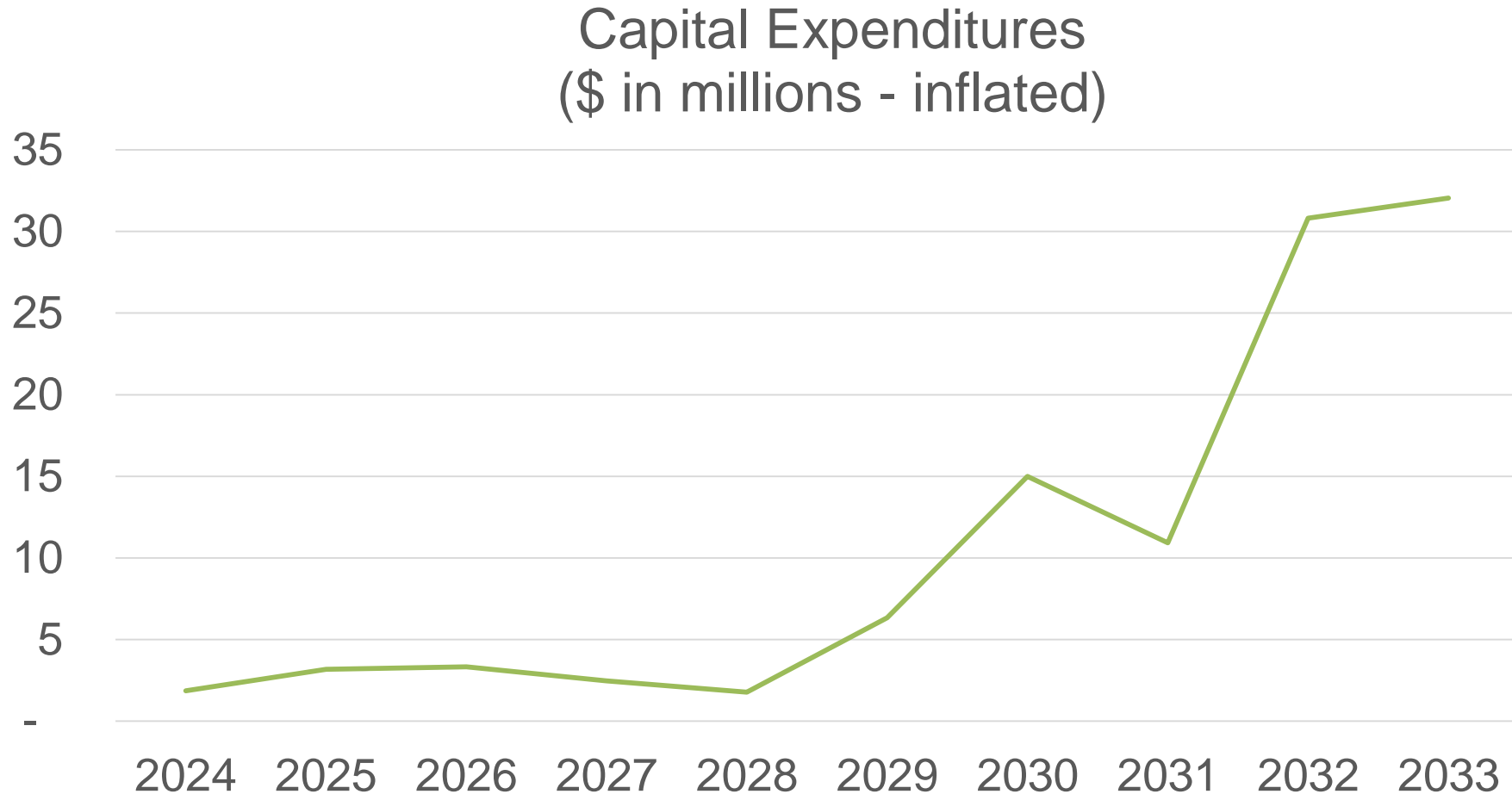
Stormwater

| Reserve / Reserve Fund | \$ in millions |
|-------------------------------|----------------|
| Rate Stabilization* | \$1.6 |
| Asset Replacement Fund* (ARF) | \$1.3 |
| Revenues (2023 Budget) | \$3.0 |

* - Reserve / Reserve Fund Balance as at December 31, 2022



\$108 million Stormwater Capital Expenditures



Stormwater Initial Findings – 25% annual rate increase

- Due to the following factors:
 - Low reserve balance in ARF
 - Aging infrastructure - \$108 million replacement costs over the 10-year period
 - Low revenue base - 1% increase equates to only \$30,000



The stormwater increases can be mitigated by support from water and wastewater

- Municipal Act (417) 4
 “A Municipality by by-law may provide that the money raised for a reserve fund may be spent, pledged or applied to a purpose other than that for which the fund was established.”

| Year | Water ARF | Wastewater ARF | Stormwater ARF | Net |
|------------------------------|-----------------|-----------------|----------------|-----|
| 2023 | \$0 | (\$25) million | \$25 million | \$0 |
| Annual transfer 2024 to 2032 | (\$1.5) million | (\$1.5) million | \$3 million | \$0 |



Stormwater annual increase will be reduced from 25% to 10%

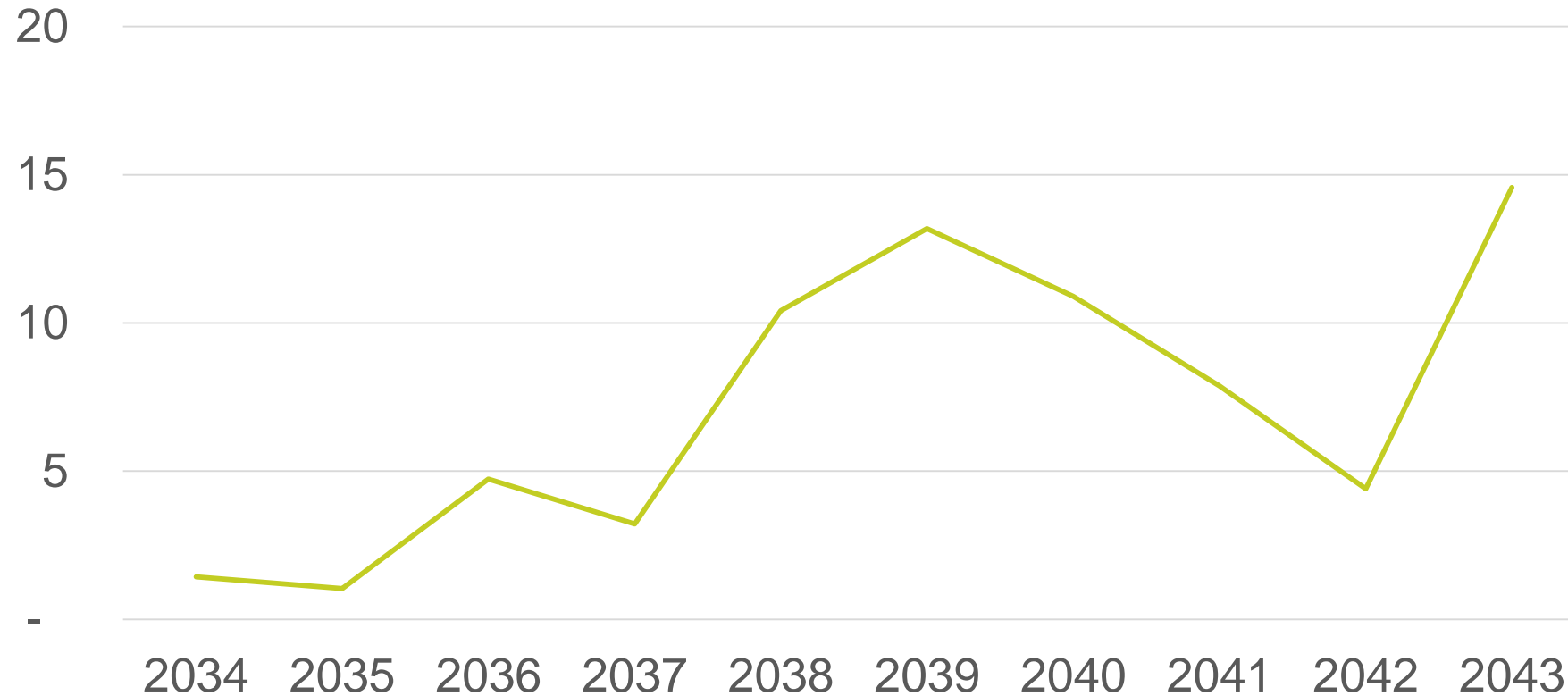
Water & Wastewater

- Previous update was completed in 2021 (for renewal of the Town's Municipal Drinking Water License)
- The updated plan incorporates the following:
 - Asset replacement requirements as identified in the Asset Management Plan
 - Region's approved annual increase
 - Capital inflation supplement
 - Use of Ontario Community Infrastructure Fund (OCIF) as a funding source (Water)

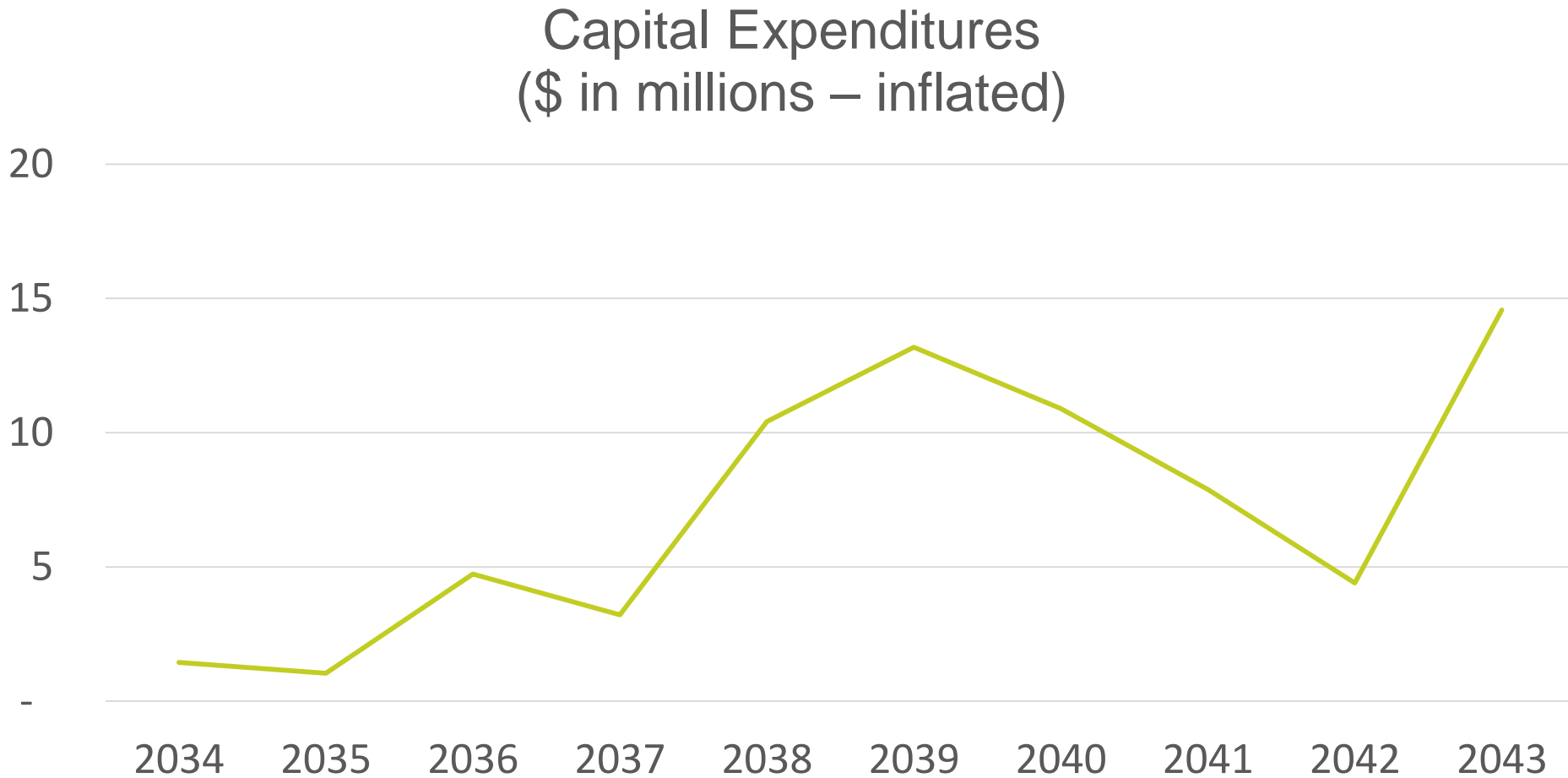


\$79 million Water Capital Expenditures

Capital Expenditures
(\$ in millions – inflated)



\$72 million Wastewater Capital Expenditures



Water & Wastewater Initial Findings

- Based only on the individual funding requirements:
 - Water starting at 5.0% in 2024 progressing to 7.5% (average 6.8%)
 - Wastewater starting at 4.0% in 2024 progressing to 4.5% (average 4.4%)

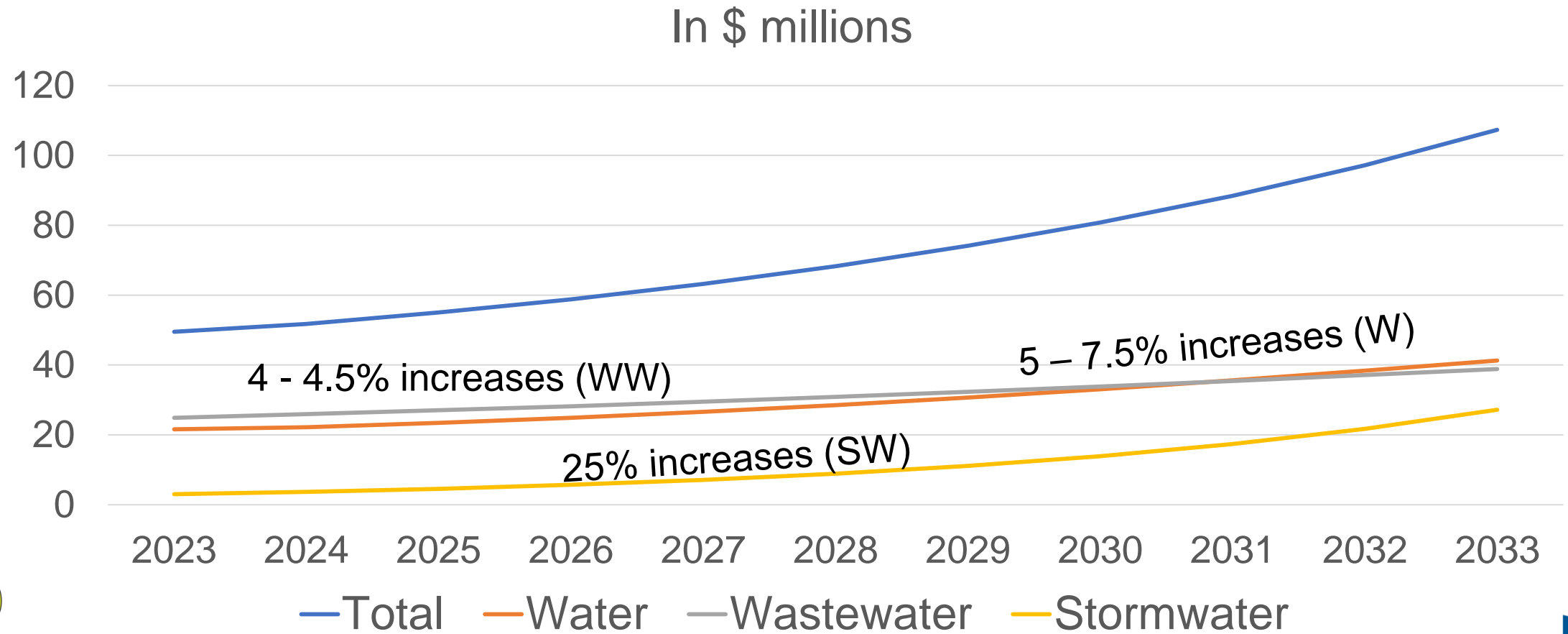


Water & Wastewater – 7% annual rate increase

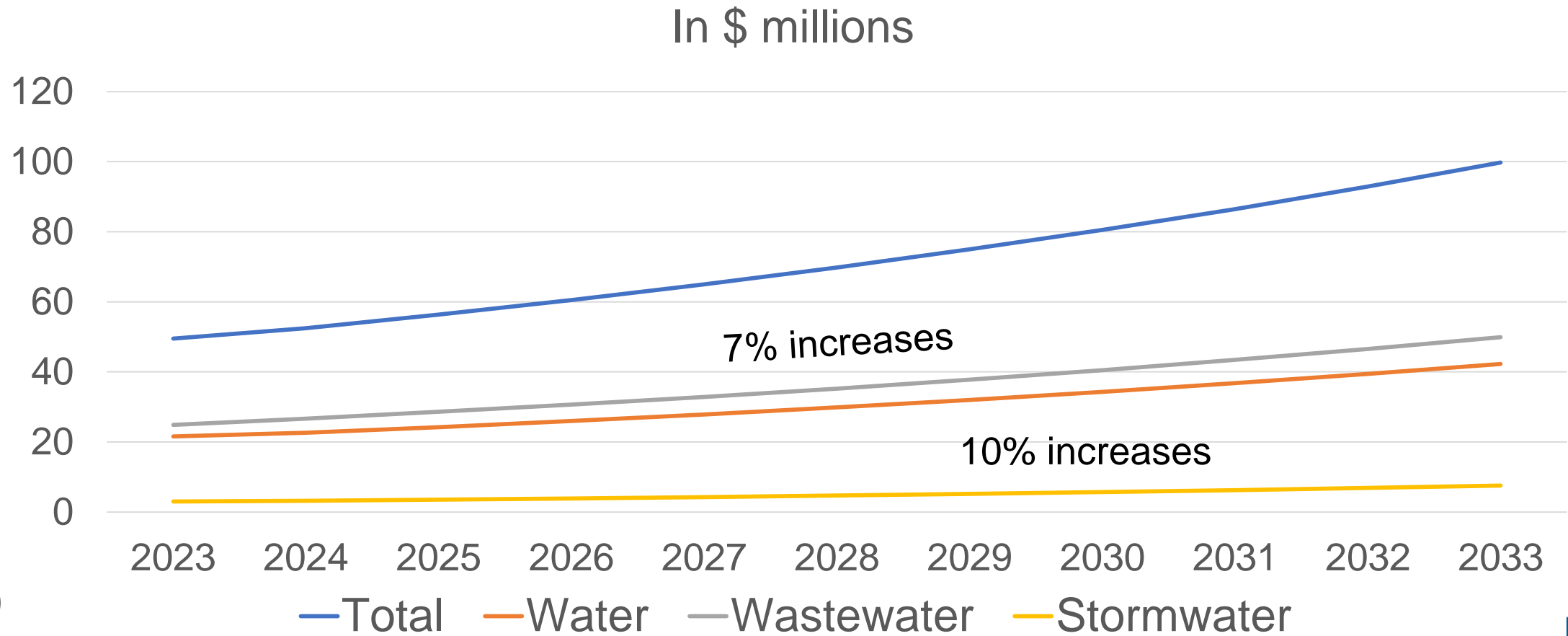
- To facilitate reducing the Stormwater rate from 25% to 10%, the annual increase for both water and wastewater would be 7%
 - Accounted for the \$25 million transfer from Water ARF to Stormwater ARF
 - Contribution of \$1.5 million each from Water and Wastewater ARF to Stormwater ARF



Rate-supported revenue requirements



Rate-supported revenue requirements (reallocated)



Recommendations

- That Council approve a one-time transfer of \$25 million from the Wastewater Asset Replacement Fund to the Stormwater Asset Replacement Fund to meet the funding requirements as outlined in the plan
- That any year-end surpluses will be allocated in the following manner:
 - first to reserve requirements, if any
 - second to the respective Rate Stabilization Reserves up to the defined levels;
 - any remaining surplus to the respective Asset Replacement Reserve Funds
- That Council approve the defined levels for Rate Stabilization Reserves at 10% of revenues for water and wastewater and 15% for stormwater on an interim basis pending results of the upcoming reserve and reserve funds review

