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2023 Water, Wastewater and Stormwater 10-Year Financial Plans Staff Report to Council

Report Number: 2023-74

Department(s): Financial Services

Author(s): Andrea Tang, Manager, Finance & Accounting / Deputy Treasurer

Meeting Date: November 13, 2023

Recommendations

1. That the report entitled 2023 Water, Wastewater and Stormwater 10-Year Financial Plans dated November 13, 2023 be received; and,
2. That Council adopt the 10-Year Water, Wastewater and Stormwater Financial Plans; and,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Purpose

The purpose of the report is to obtain Council adoption of the 2023 Water, Wastewater and Stormwater 10-Year Financial Plans, following Council decision on future rate increases in pursuit of achieving stability and sustainability.

Background

The 2023 financial plans were updated to incorporate capital requirements as identified in the Asset Management Plans and capital inflation supplement to address the 30% increase in construction price index over the years 2021 and 2022.

A report entitled [Water, Wastewater and Stormwater 10-Year Financial Plans](#) was tabled at the June 19 CoW with a recommended blended approach. The recommendation included a one-time transfer of \$25 million from the Wastewater Asset Replacement

2023 Water, Wastewater and Stormwater 10-Year Financial Plans

Fund to the Stormwater ARF, and an annual 7% increase for water and wastewater and an annual 10% increase for stormwater for the next 10 years. This proposed blended approach mitigated the need for an otherwise 25% annual increase for stormwater for the next 10 years. Staff was requested to provide a breakdown of the 10-year forecasted expenditures and revenues, and how much of the proposed rate increase was attributable to the capital inflation supplement. A memo with the requested information was provided at the June 26 Council meeting.

At the Council meeting, Staff was directed to provide additional options for consideration.

The report [2023 Water, Wastewater and Stormwater Financial Plans – Additional Options](#) was tabled at the October 2 CoW. Council decided to adopt a uniform increase of 3.5% for Water and Wastewater and a hybrid approach to phase-in the one-time increase over three years for Stormwater to achieve stability and sustainability.

Discussion

Stability and sustainability are achieved when:

- the Asset Replacement Fund (“ARF”) contributions reach the levels set in Asset Management Plans; and
- the infrastructure funding gap is eliminated.

Stability and sustainability will be achieved and costs will only increase with inflation a blended average of:

- Construction Price Index – projected at 4.0%
- Regional cost increases – currently at 3.3%
- Consumer Price Index – projected at 2.0% to 2.5%

The stable and sustainable rate for water and wastewater is 3.5%, and stormwater is 3.8%. The rates are based on the assumptions that growth continues to pay for grow, and no significant changes in technology or service levels.

Water & Wastewater

With a proposed 2024 rate increase of 3.5% for water and wastewater, the combined 2024 increase is \$48 based on an average consumption of 200m³.

Combined Projected Water & Wastewater Rate Increase

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate \$/m ³	\$4.70	\$4.87	\$5.04	\$5.22	\$5.40	\$5.59	\$5.78	\$5.99	\$6.19	\$6.41
Increase %	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Annual Cost \$*	\$1,411	\$1,461	\$1,512	\$1,565	\$1,619	\$1,676	\$1,735	\$1,795	\$1,858	\$1,923
Increase \$	\$48	\$50	\$51	\$53	\$54	\$57	\$59	\$60	\$63	\$65

*based on annual water consumption of 200m³

Stormwater

Based on Council's decision to phase-in the one-time increase to achieve stability and sustainability, the 2024 increase for a 465 square meter lot is \$125.

Projected Stormwater Rate Increase

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate \$/m ³	\$0.39	\$0.66	\$0.92	\$0.96	\$1.00	\$1.03	\$1.07	\$1.11	\$1.60	\$1.20
Increase %	225.0%	69.0%	41.0%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Annual Cost \$*	\$180	\$305	\$430	\$446	\$463	\$481	\$499	\$518	\$538	\$558
Increase \$	\$125	\$125	\$125	\$16	\$17	\$18	\$18	\$19	\$20	\$20

*based on a 465 meter lot

Conclusion

The projected rate increases will achieve stability and sustainability. The 2023 Water, Wastewater and Stormwater Financial Plans account for:

- asset replacement requirements as outlined in the Asset Management Plan (updated for inflation);
- capital supplement inflation resulted from the total 30% increase in construction prices over the years 2021 and 2022;
- operating requirements at the current service levels; and
- contributions to reserves.

The proposed 2024 rate increases will be incorporated in the report “2024 User Fees and Charges” that will be tabled at the December 4, 2023 Committee of the Whole meeting.

Business Plan and Strategic Plan Linkages

The 2023 Water, Wastewater and Stormwater 10-Year Financial Plans provide a framework in achieving financial stability and sustainability for the next 10 years and beyond. Recommendations from the Fiscal Strategy have been addressed by integrating the asset replacement costs and the desired level of contributions to the respective ARF as outlined in the Asset Management Plans.

Consultation

The Development Infrastructure Commission and the Corporate Asset Management Office were consulted.

Human Resource Considerations

Not applicable.

Budget Impact

The 2024 combined water and wastewater increase is \$48 based on an annual consumption of 200m³. The 2024 stormwater increase is \$125 based on a 465 meter lot.

Attachments

Attachment A: 2023 Water 10-Year Financial Plan

Attachment B: 2023 Wastewater 10-Year Financial Plan

Attachment C: 2023 Stormwater 10-Year Financial Plan

Approval

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Director of Financial Services

Esther Armchuk, LL.B
Commissioner, Corporate Services

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