



Date: 2021-07-14

From: Steven Dollmaier, Director of Operations

Subject: Drinking Water System Financial Plan

Report: OPS2021-31

Recommendation

That staff report OPS2021-31 entitled "Drinking Water System Financial Plan" be received for information purposes; and

That Township of Georgian Bluffs Drinking Water System Financial Plan #083-301A as attached, is hereby approved; and

That staff are hereby directed to forward the Township of Georgian Bluffs Drinking Water System Financial Plan #083-301A to the Ministry of Municipal Affairs and Housing and the Ministry of the Environment as required; and

That staff are directed to schedule a public meeting with the users of the East Linton, Shallow Lake and Pottawatomi water systems, regarding the proposed changes as outlined in the attached DWS Financial Plan and report back to Council following the public meeting on next steps.

Background

This Financial Plan has been prepared in accordance with Safe Drinking Water Act, 2002 - O. Reg. 453/07 Financial Plans, as well as the provisions of the financial planning guidelines published by the Ministry of the Environment (MOE), now Ministry of the Environment, Conservation, and Parks (MECP), in August 2007 entitled "Toward Financially Sustainable Drinking-Water and Wastewater Systems".

Analysis

The Township of Georgian Bluffs (Township) retained Ontario Clean Water Agency (OCWA) to provide a Financial Plan for the Township's Drinking Water Systems (DWS)

to comply with the Financial Plan regulation (O. Reg. 453/07) made under the Safe Drinking Water Act.

The Financial Plan was prepared for each of the Township's DWS based on information supplied by the Township and operational staff, including future capital and major maintenance projects, water system financial information, as well as tangible capital asset information that the Township generated in accordance with the Public Sector Accounting Board (PSAB) standard PS 3150 requirements. Excerpts from the attached report are noted below.

The information supplied by the Township and operational staff was used to generate an operating plan that forecasted future annual expenditure requirements from 2021 to 2027. A revenue plan relying primarily on user fees was generated to support the expenditure requirements outlined in the operating plan. The information generated in the operating and revenue plans along with the tangible capital asset information was used to develop a Financial Plan for the Township's DWS covering a study period from 2021 to 2027 in accordance with O. Reg. 453/07 requirements (minimum six-year study period).

There have been several legislative initiatives affecting water system management and operations over the past decade. These initiatives were a result of the waterborne illness tragedy which occurred in the Town of Walkerton in 2000. Following this incident, the Government of Ontario established a public inquiry, chaired by the Honourable Dennis O'Connor, to investigate this tragedy. The Inquiry Report recommended a comprehensive approach to the delivery of safe drinking water in Ontario.

The MECP has responded to the Inquiry recommendations by making legislative changes. One change directly related to the development of this Financial Plan was the passage of the Safe Drinking Water Act, 2002 (SDWA). It requires owners of a municipal drinking water system to apply for and obtain a Municipal Drinking Water Licence. There are five elements that must be in place for the owner of a drinking water system to obtain a Licence:

- 1) A Drinking Water Works Permit to establish or alter a drinking-water system.
- 2) An accepted Operational Plan. The Drinking Water Quality Management Standard (DWQMS) is the standard upon which operational plans are based. The plan documents an operating authority's quality management system (QMS).
- 3) An Accredited Operating Authority. A third-party audit of an operating authority's QMS will be the basis for accreditation.

- 4) A Permit to Take Water.
- 5) A Financial Plan to be prepared and approved in accordance with the prescribed requirements in the Financial Plans Regulation.

Under section 30 of the SDWA, the Financial Plan element of the licence program must either be prepared in accordance with the Sustainable Water and Sewage System Act, 2002 (SWSSA) or in accordance with the requirements set by the Minister of the Environment. SWSSA regulations have not been published. Accordingly, the requirements set by the Minister of Environment apply as per the 2007 MECP guidelines.

Regulation 453/07 of the Safe Drinking Water Act was passed in 2007 and contains two key provisions that apply to an existing water system:

- 1) A person who makes an application under the Act for a municipal drinking water licence shall, before making the application, prepare and approve Financial Plans for the system that satisfy the requirements of Reg. 453/07. O. Reg. 453/07, S. 1(1).
- 2) As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve Financial Plans for the system that satisfy the requirements prescribed Reg. 453/07. O. Reg. 453, S. 1(3).

Several other provisions are also set out in the regulation that must be met by a municipality operating a water system:

- The Financial Plan must be approved by a resolution that is passed by the Council of the municipality.
- The Financial Plan must apply to a period of at least six years.
- The Financial Plan must be available, upon request, to members of the public at no charge and posted on the internet (if the municipality maintains a website).
- The Municipality must provide notice as deemed appropriate to advise the public of the availability of the Financial Plan.

In addition to the above noted general requirements, the following specific statements are required in the financial plan:

Statement of Operations

This statement includes details on the projected financial operations itemized by total revenues, total expenses, annual surplus/deficit, and the cumulative surplus/deficit for each year in which the financial plan applies. An annual surplus represents funds available to the Township's to fund non-operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve and reserve funds.

Statement of Financial Position

This statement includes details on the financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets. In recording the tangible capital assets, the Township can account for its ability to provide for future benefits. A net financial asset position on this statement indicates whether the water system has the financial resources necessary to fund its future operations.

Statement of Cash Flow

This statement provides information on the generation and use of cash resources. The gross cash receipts/payments are itemized by operating, capital, and investing and financial transactions. Itemizing the cash receipts and payments by category allows the reader to understand where the cash is being generated (e.g., water rates), and how the cash is being used (e.g., capital, and operating expenses).

Next Steps

Upon approval of the proposed DWS financial plan attached to this report, staff will be bringing a follow-up report after the public meeting has been completed as the Township is looking to move to a pay per usage approach vs lump sum. This would allow staff to be consistent with the billing process that we currently use in Oxenden, and encourage conservation. Staff will be conducting this public meeting in September 2021.

Township Staff will engage the community to gather feedback regarding this proposed change in the billing of water usage in East Linton, Shallow Lake and Pottawatomie. Staff will provide information regarding this proposed change, along with the public meeting date on the next water bill along with advertising in local newspapers, uploading to the Township website, and share on social media (i.e., Facebook and Twitter).

Financial Impact

The financial operating plan includes the full costs of operating the Georgian Bluffs DWS on an on-going basis and includes capital investments, operating costs, maintenance costs, administration costs, and other miscellaneous costs.

A financial operating plan for the Georgian Bluffs DWS was developed using historical financial statements, forecasted capital and major maintenance expenditures and tangible capital asset information. These elements were used to forecast the annual expenditure requirements while considering contingency costs, inflation and any growth expected.

Changes to the DWS Operating and Capital rates would not be implemented until a public meeting was held for all the users of the DWS.

All required funds and capital projects will go through the annual budget process to be approved by Council.

Strategic Priorities

Demonstrate and Enhance Environmental Stewardship

The Township of Georgian Bluffs strives to become a leader in Environmental Stewardship by reducing energy consumption, reducing solid waste, increasing diversion rates of recyclable materials, and lessening the environmental impact of existing and future infrastructure through innovation and upgrading.

3.3 Manage drinking and storm water.

- (a) Operate drinking water systems to maintain a high standard of public health and safety, protect the environment and ensure long term sustainability.
- (c) Re-evaluate the current water billing model to ensure a fair equitable system that recognizes payment for all water used to promote water conservation.

Conclusion

This staff report presents the water financial plan for the Township in accordance with the mandatory reporting formats for water systems as detailed in O. Reg. 453/07. It is important to note that while mandatory, the financial plan is provided for Council's consideration and approval.

Supporting Documentation

Attachment A: Township of G Bluffs DWS - Financial Plan

Respectfully Submitted: Steven Dollmaier, Director of Operations

Report Approval Details

Document Title:	OPS2021-31 Water Financial Plan.docx
Attachments:	- Township of G Bluffs DWS - Financial Plan v0.pdf
Final Approval Date:	Jul 5, 2021

This report and all of its attachments were approved and signed as outlined below:

Jenn Burnett, Senior Planner

Tim Lewis, Chief Building Official

Kassandra Rocca, Director of Finance

Brittany Drury, Clerk

Al Meneses, Chief Administrative Officer