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Town of Aurora

General Committee Report

No. OPS20-015

Subject: DWQMS – Financial Plan

Prepared by: Iustina Voinea, Program Coordinator, Water/Wastewater/Sotrmwater

Department: Operational Services

Date: September 22, 2020

Recommendation

1. That Report No. OPS20-015 be received; and
2. That the ten (10) year Financial Plan for the Town of Aurora Water System be approved.

Executive Summary

The purpose of this report is to obtain Council approval of a Financial Plan required for renewing the Municipal Drinking Water License (MDWL), under the Safe Drinking Water Act, 2002 (the Act). A Municipal Drinking Water License is an approval by the Ministry of Environment, Conservation and Parks (MECP) for the operation of the municipal drinking water system for a five (5) year period. The Town of Aurora's (The Town's) current MDWL expires in July 2021. The Town's distribution system Financial Plan has been prepared in accordance with Ontario Regulation 453/07 and must be approved by a resolution of Council and submitted to the MECP with the License application and to the Ministry of Municipal Affairs and Housing.

- Licensing of drinking water system mandated by Provincial Legislation
- The requirement for a provincially Approved Financial Plan is focused on the Province's long term strategy to ensure financially sustainable drinking water systems
- The Town's focus on long-term sustainability includes multi-year operating and capital programs consistent with Provincial requirements
- The Aurora water system's Financial Plan submission is based upon the Town's most current multi-year forecast with one exception

- Financial Plan submission based on current approved Town budget and long term forecast
- Financial Plan meets all legislated requirements and demonstrates sustainable funding for long term preservation of assets

Background

In Part Two of Justice Dennis O'Connor's Report of the Walkerton Inquiry, Justice O'Connor recommended that municipalities plan for the long-term financial sustainability of their drinking water systems. Municipalities should ensure adequate finances are available to cover operational costs as well as costs for maintaining and upgrading municipal water systems in order to ensure the safety of drinking water supplies.

Ontario Regulation 188/07 – Licensing of Municipal Drinking Water Systems, under the Act, outlines the requirements and timelines for acquiring a License for the Town's drinking water system. A Council approved Financial Plan, in accordance with Ontario Regulation 453/07-Financial Plans, outlining at a minimum six (6) years of operations is required to be submitted to the Ministry of Environment, Conservation and Parks part of the application for Town's Drinking Water System License renewal.

The Town's due date to apply for the License renewal is December 29, 2020.

Analysis

The requirement for a provincially Approved Financial Plan is focused on the Province's long term strategy to ensure financially sustainable drinking water systems.

The primary purpose for the submission of a Financial Plan to the Province is to support the Provincial objective of ensuring all drinking water systems are planning for long term financial needs. The plan is intended to demonstrate that financial commitment. This commitment is fully supported by staff and Council as demonstrated by the operating budget process and long term capital planning initiatives undertaken annually.

The Town's focus on long-term sustainability includes multi-year operating and capital programs consistent with Provincial requirements.

The Town's current practice of maintaining a ten (10) year capital and operating plan for its water program costs and rates compared to its recent historical trends is consistent

with Provincial requirements. This program's capital replacement plan drives the Town's reserve adequacy analysis that determines the extent to which its reserve must be replenished each year in order to ensure its sustainability.

This approach exceeds the minimum Provincial requirement at this time being a six (6) year financial plan.

The Aurora water system's Financial Plan submission is based upon the Town's most current multi multi-year forecast with one exception.

The presented Aurora water system ten (10) year plan is in alignment with the Town's most current multi-year plan and does not commit the Town to any additional expenditures in any way.

There is only one instance where these plans are not in alignment relating to the inclusion of the effects of this program's tangible capital assets on its financial picture. In an effort to reflect this program's projected performance based upon a full accrual basis of accounting, the amortization expenses for all of its existing assets has been accounted for and funded within the Town's financial plan in an effort to ensure a financial sustainable water system. This amortization expense has been captured in the form of an annual contribution to the water reserve in support of the renewal of existing infrastructure. It can be observed that the financial plan's reserve contributions exceed amortization expenses. This can be expected as an asset's amortization expense represents the historical cost for this asset rather than its future replacement cost. Consequently, the planned contribution to the water reserve is based upon future asset replacement cost.

The Town's planned contribution to the water reserve is driven by its identified tangible capital asset multi-year rehabilitation and replacement capital plan. Annual required reserve contributions strive to ensure the ongoing financial sustainability of this reserve in consideration of this plan's on-going requirements.

Financial Plan meets all legislated requirements and demonstrates sustainable funding for long term preservation of assets.

The Town has been progressively moving towards sustainable funding of the water system and this is now being demonstrated to the Province through submission of this plan. The Financial Plan has been prepared in compliance with Provincial requirements for reporting and will fulfil licensing requirements.

Advisory Committee Review

None

Legal Considerations

The Town must renew its municipal drinking water licence prior to the expiration date set out in the licence. Subsection 1(2) of O. Reg 453/07 requires that when the Town is renewing the municipal drinking water licence under section 32(4) of the Act, Council must approve a financial plan for the system that applies for a period of at least six (6) years and which includes, among other things, details of the proposed or projected financial position and financial operations of the drinking water system.

Financial Implications

As noted previously, the presented financial plan for the Aurora water system is in alignment with the Town's most current multi-year financial plan. There are no additional financial implications of this report beyond the current water system budget plans previously approved by Council. The most current 2020-30 Financial Plan for the Aurora water system's operating and capital budgets can be found under Attachment #1.

Communications Considerations

The Town of Aurora will use 'Inform' as the level of engagement for this project. There are five different levels of community engagement to consider, with each level providing the community more involvement in the decision making process. These levels are: Inform, Consult, Involve, Collaborate and Empower. Examples of each can be found in the Community Engagement Policy. These options are based on the International Association of Public Participation (IAP2) Spectrum and assist in establishing guidelines for clearly communicating with our public and managing community engagement. In order to inform, this report will be posted to the Town's website. Residents will be notified of the posting under the news and notices section on the website and through social media.

Link to Strategic Plan

This process supports the Strategic Plan goal of Supporting an Exceptional Quality of Life for All, through its accomplishment in satisfying requirements in the following key

objective within this goal statement:

Invest in sustainable infrastructure: Maintain and expand infrastructure to support forecasted population growth through technology, waste management, roads, emergency services and accessibility.

Alternative(s) to the Recommendation

There are no alternative recommendations. Council endorsement and submission of a Financial Plan is part of the legislated requirements of the drinking water system licensing process.

Conclusions

The Town of Aurora has successfully completed all the necessary steps to meet the Safe Drinking Water Act, 2002 and related licensing requirements. Council endorsement and submission of the Financial Plan is the final step in meeting the Licensing requirements for the drinking water system.

The License renewal application package including the Financial Plan will be submitted to the MECP in December, to comply with DWQMS License renewal due date of December 29, 2020.

Attachments

Attachment #1 - Town of Aurora Distribution System Financial Plan No. 115-301

Previous Reports

OPS20-012 Drinking Water Quality Management System-Management Review, June 16, 2020

Pre-submission Review

Agenda Management Team review on September 3, 2020

Approvals

Approved by Allan D. Downey, Director, Operational Services

Approved by Doug Nadorozny, Chief Administrative Officer