



Report to: General Committee

Meeting Date: November 21, 2023

SUBJECT: Water and Wastewater System Financial Plan
PREPARED BY: Heena Mistry, Senior Financial Analyst, Ext. 2117
Joanna Chan, Senior Financial Analyst, Ext. 2073
Danny Chan, Manager, Business Administration, Ext. 2446

RECOMMENDATIONS:

- 1) THAT the report entitled “Water and Wastewater System Financial Plan,” prepared in accordance with the Safe Drinking Water Act and Ontario Regulation 453/07, be received; and
- 2) THAT Council, as the Owner and Operating Authority of the City of Markham’s Drinking Water System, approve the Corporation of the City of Markham’s “Water and Wastewater System Financial Plan,” which indicates that the Markham drinking water and wastewater system is financially viable; and
- 3) THAT Council authorize Staff to submit the “Water and Wastewater System Financial Plan” to the Ministry of Municipal Affairs and Housing on or before the application deadline of January 21, 2024; and
- 4) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution

PURPOSE:

To obtain Council’s approval of the “Water and Wastewater System Financial Plan,” which will be submitted to the Ministry of Municipal Affairs and Housing as part of the requirements to renew the City’s Municipal Drinking Water Licence (MDWL).

BACKGROUND:

Under the MDWL program, municipalities are required to submit the following every 5 years:

1. A Drinking Water Works Permit (DWWP)
2. A Permit to Take Water (not applicable to Markham)
3. An approved Operational Plan
4. An accredited Operating Authority
5. An approved Financial Plan

Council approval is required for the both the Operational and Financial Plans.

Markham received the MDWL in August 2009 and was one of the first municipalities in Ontario to obtain the license. In June 2010, December 2013 and November 2018, Council approved Markham’s Water and Wastewater Financial Plan for years 2010 to

2016, 2013 to 2019, and 2018 to 2024 respectively. All these Plans were accepted by the Ministry with no issues, and formed part of a successful renewal of the City's MDWL. The next renewal application deadline is January 21, 2024. All five items listed above must be submitted to the Ministry of Municipal Affairs and Housing by this date. The Operational Plan has been kept up-to-date with all revisions periodically presented to, and endorsed by, Council.

O.Reg. 453/07 requires the following:

- The Financial Plan be approved by resolution of Council that specifies that the drinking water system is financially viable;
- Full-cost accounting to be utilized to determine the true cost of the drinking water system; and
- Projections be for a minimum of six years, beginning in the year by which the MDWL would otherwise expire.

Together with the approved Operational Plan, the Financial Plan must be made available to the public who are served by the City's drinking-water system. Both of these plans are required to be available on the City's website.

The Financial Plan must include a statement that the financial impacts of the drinking water system have been considered, and must apply for a period of at least six years (see page 2 of the attached Financial Plan – Appendix "A"). For each year in which the Financial Plan applies, the Financial Plan must include the following:

- i. Details of the proposed or projected financial position of the drinking water system itemized by:
 - a) Total financial assets;
 - b) Total liabilities;
 - c) Net debt;
 - d) Non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses; and
 - e) Changes in tangible capital assets that are additions, donations, write downs and disposals.
- ii. Details of the proposed or projected financial operations of the drinking water system itemized by:
 - a) Total revenues, further itemized by water rates, user charges and other revenues;
 - b) Total expenses, further itemized by amortization expenses, interest expenses and other expenses;
 - c) Annual surplus or deficit; and
 - d) Accumulated surplus or deficit.

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- iii. Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by:
- a) Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges;
 - b) Capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets;
 - c) Investing transactions that are acquisitions and disposal of investments;
 - d) Financing transactions that are proceeds from the issuance of debt and debt repayment;
 - e) Changes in cash and cash equivalents during the year; and
 - f) Cash and cash equivalents at the beginning and end of the year.

OPTIONS/ DISCUSSION:

The Financial Plan is currently only required for the water system, as set out in the Regulation.

The basis for Markham's Financial Plan is the City's annually updated Waterworks Reserve Study ("Reserve Study"), which includes both water and wastewater services. The Reserve Study utilizes a rolling 25-year planning horizon and examines funding requirements for operating and capital expenditures, and reserve and reserve fund contributions. Based on the total costs, projections of growth and consumption, the Reserve Study determines the water and wastewater rates to ensure long-term sustainability. Information from the Reserve Study that pertains to both water and wastewater services is then used to prepare the Financial Plan..

The City's 2023 Financial Plan covers the period of 2023 to 2029 and satisfies the requirement that the projections cover a minimum of six years from the year by which the MDWL would otherwise expire on July 21, 2024.

FINANCIAL CONSIDERATIONS

The Financial Plan demonstrates that the City's water and wastewater system is financially viable. To support financial sustainability, the City employs strategies that include comprehensive and long-term focused analysis through the Reserve Study, active management of financial liability, and maintaining a healthy level of liquidity.

Annual results, which are forecasted to be sustained during the planning period presented in the 2023 Financial Plan, include a surplus position from water and wastewater operating activities. The positive cash flows from operations combined with the available balance in the Waterworks Capital/Stabilization Reserve are forecasted to be sufficient for the anticipated capital acquisitions during the planning period. The cash flow projections are based on the Reserve Study that includes the full cost of providing water and wastewater services.

As adequate funding is available when required over the planning period, external debt through issuance of debentures for capital acquisitions is not required.

The completed “Water and Wastewater System Financial Plan” is provided in Attachment “A”.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

The Financial Plan aligns with City priorities, particularly around growth management and delivery of effective municipal services. The preparation of the Financial Plan must apply for a minimum period of six years, which takes into consideration the future growth of the City’s drinking water system. The completion of the MDWL is crucial as the City requires this license to continue providing clean and safe drinking water to the City’s consumers.

BUSINESS UNITS CONSULTED AND AFFECTED:

The completion of the Financial Plan is the joint effort of the Financial Services and Environmental Services Departments. Financial Services is taking the lead role in the development of the Financial Plan, with Environmental Services providing the required data and support in order to complete the Financial Plan.

The undersigned represents the Corporate Top Management of City of Markham’s Drinking Water Distribution System. By signing below, the Corporate Top Management of the Operating Authority has reviewed the Financial Plan, and hereby recommends the Financial Plan to be brought forward to the Owner’s attention.

RECOMMENDED

BY:

Eddy Wu
Director, Environmental Services

Morgan Jones
Commissioner, Community Services

Andy Taylor
Chief Administrative Officer

Concurred by the City's Financial Officers:

Joseph Silva
Treasurer and Director, Financial Services

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

Attachment "A" – City of Markham Water and Wastewater System Financial Plan