



Report to: General Committee

Meeting Date: November 12, 2018

SUBJECT: Water and Wastewater System Financial Plan
PREPARED BY: Veronica Siu, Senior Business Analyst, Ext.2232
Daphne Ross, Manager, Business Compliance, Ext. 3360

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;
- 2) AND 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;
- 3) AND THAT Council authorize Staff to submit the “Water and Wastewater System Financial Plan” to the Ministry of Municipal Affairs and Housing on or before expiry of the current licence by February 12, 2019;
- 4) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution

EXECUTIVE SUMMARY:

Not applicable

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 for renewal of the Markham’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 licence. In June 2010 and December 2013, Council approved Markham's first and second Water and Wastewater Financial Plan for years 2010 to 2016 and 2013 to 2019. The next renewal application deadline is February 12, 2019. 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 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 at least 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 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 details of 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 the 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, capital, 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. This methodology is the same as that used for the last Financial Plan, which was approved by Council in December 2013.

The Financial Plan covers the period of 2018 to 2024 and satisfies the requirement that the projection cover six years from the year by which the MDWL would otherwise expire (year 2019).

FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)

The water and wastewater operating activities result in a surplus position each year over the planning period. The positive cash-flows from operations combined with the available balance in the Waterworks Capital/Stabilization Reserve (includes water and wastewater) are forecasted to be sufficient for the planned capital acquisitions during this 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 Financial Plan demonstrates that the City's water and wastewater system is financially viable through the Reserve Study, active management of financial liability and by maintaining a healthy level of liquidity.

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

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Growth Management – The preparation of the City’s Financial Plan must apply for a period of at least six years, which takes into consideration the future growth of the City’s drinking-water system.

Municipal Services – The completion of the MDWL is crucial as the City requires this licence in order to continue provide drinking water to the City’s consumers. The development of the Financial Plan supports the sustainability of the City’s water system ensuring the continued delivery of clean and safe drinking water.

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

Recommended by the Corporate Top Management:

2018-11-05

X 

Phoebe Fu
Director, Environmental Services
Signed by: cxa

2018-11-05

X 

Brenda Librecz
Commissioner, Community & Fire Services
Signed by: cxa

2018-11-05

X 

Andy Taylor
Chief Administrative Officer
Signed by: cxa

Concurred by the City's Financial Officers:

2018-11-05

X 

Joel Lustig
Treasurer
Signed by: cxa

2018-11-05

X 

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa

ATTACHMENTS:

[Attachment "A" – City of Markham Water and Wastewater System Financial Plan](#)