

Staff Report



Infrastructure Services Department

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REPORT TO: Community and Infrastructure Services Committee

DATE OF MEETING: October 30, 2023

SUBMITTED BY: Greg St. Louis, Director, Utilities, 519-741-2600 ext. 4538

PREPARED BY: Angela Mick, Manager, Quality Management and Water Programs
Greg Demacio, Manager, Financial Reporting and Analysis
Ruth-Anne Goetz, Budget Analysis

WARD(S) INVOLVED: All Wards

DATE OF REPORT: October 13, 2023

REPORT NO.: INS-2023-013

SUBJECT: Financial Plan – Kitchener Water Distribution System

RECOMMENDATION:

That the "Financial Plan – Kitchener Water Distribution System" be approved as it demonstrates the financial viability of the Kitchener drinking water system in accordance with Ontario Regulation 453/07 (Financial Plans) under Subsection 30 of the Safe Drinking Water Act.

REPORT HIGHLIGHTS:

- The key finding of this report that the drinking water system is financially viable.
- The Financial Plan is aligned with the Council endorsed Water Infrastructure Program
- This report supports the delivery of core services.

BACKGROUND:

The Drinking Water Quality Management Standard (DWQMS), under the *Safe Drinking Water Act, 2002* and *Regulation 188/07*, required the City of Kitchener to become licensed to operate and maintain Kitchener's Water Distribution System. The City became licenced on August 20, 2009. As a condition of the license, a Financial Plan was approved by resolution and submitted to the Province in 2010 (FIN-10-074), renewed in 2014 (INS-14-008) and 2018 (INS-18-029). A renewal license application must be made by November 2023, a condition of which is an approved updated Financial Plan covering the period from 2024-2029.

There have been numerous reports to Council regarding the DWQMS commencing in 2008, including on-going annual Management reviews and the initial Financial Plan.

Financial information contained in the report is aligned with the 2024 Water Infrastructure Program Summary and Rate Options presented to Council on October 2, 2023 (Report INS-

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2023-437) and will be incorporated in the 2024 budget process. The amounts in the schedules agree to the proposed operating forecast and proposed capital forecast, with adjustments made to comply with Public Sector Accounting Standards. For example, the capital forecast has been allocated between amounts that will create tangible capital assets (included as additions of tangible capital assets on **Schedule 1 in the attached Financial Plan**) and those costs to maintain the capital assets (included as administration and other expenses in **Schedule 2**).

REPORT:

The requirements of the Financial Plan are outlined in Ontario Regulation 453/07 (Section 3) as follows:

- Details of the proposed or projected financial position of the drinking water system
- Details of the proposed or projected financial operations of the drinking water system
- Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments
- Details of the extent to which the information described in the above relate directly to the replacement of lead service pipes

The financial plan has been developed using Council-approved budgets, capital asset data and other financial forecasts. The highlights of the Financial Plan are as follows:

- An annual operating surplus and accumulated surplus is expected for each of the six years covered by the plan, primarily as a result of the significant prior and ongoing investment in capital assets
- Cash flows are stable throughout the forecast period and the utility's funds are managed by the parent entity, the Corporation of the City of Kitchener. Significant decreases in funds held by City of Kitchener are forecasted in 2025 and 2026 as a result of continued spending on the Water Infrastructure Program (WIP).
- In light of the above, the drinking water system is considered to be financially viable as required by Ontario Regulation 453/07 (Financial Plans).

Refer to the attached Financial Plan for the detailed analysis.

STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:

The recommendation has no impact on the Capital or Operating Budgets.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

Regulations require the owner of the drinking-water system to:

- Make the Financial Plan available, on request, to members of the public who are served by the drinking water system without charge
- Make the Financial Plan available to members of the public without charge through publication on the internet
- Provide notice advising the public of the availability of the Financial Plan
- Provide a copy of the Financial Plan to the Ministry of Municipal Affairs and Housing

Staff will ensure that these requirements are met subsequent to Council approval.

PREVIOUS REPORTS/AUTHORITIES:

There are no previous reports/authorities related to this matter, however the previous Financial Plan report was INS-18-029.

APPROVED BY: Denise McGoldrick, General Manager, Infrastructure Services

ATTACHMENTS:

Attachment A – Drinking Water Distribution System Financial Plan