

Committee of the Whole (1) Report

DATE: Tuesday, October 31, 2023

WARD(S): ALL

TITLE: LONG-TERM DRINKING WATER SYSTEM FINANCIAL PLAN
(2024-2035)

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

Zoran Postic, Deputy City Manager, Public Works

ACTION: DECISION

Purpose

This report seeks approval of the City's Long-term Drinking Water System Financial Plan (2024-2035) in support of the City's Municipal Drinking Water License Renewal as required by Ontario Regulation 453/07: Financial Plans under the *Safe Drinking Water Act, 2002* (the *Act*). A Long-term Drinking Water System Financial Plan is required under the *Act* to ensure the financial viability and sustainability of the City's drinking water system.

Report Highlights

- The Ministry of the Environment, Conservation and Parks (MECP) requires Owners of municipal drinking water systems to obtain a Municipal Drinking Water License to operate their municipal drinking water systems.
- The City's Municipal Drinking Water License was first obtained in 2009, was last renewed in 2019, and requires renewal once again by May 22, 2024.
- The City must submit a completed Municipal Drinking Water License Renewal Application to the MECP no later than December 23, 2023, and the application must include Council approval of the City's Long-term Drinking Water System Financial Plan.
- The Long-term Drinking Water System Financial Plan demonstrates the financial viability and sustainability of the City's drinking water system in support of the continuous delivery of safe drinking water.

Recommendations

1. That the attached Long-term Drinking Water System Financial Plan (2024-2035), which demonstrates the financial viability and sustainability of the City's drinking water system, be approved; and
2. That a copy of the associated council resolution be submitted to the Ministry of the Environment, Conservation and Parks and a copy of the council resolution and Long-term Drinking Water System Financial Plan (2024-2035) be submitted to the Ministry of Municipal Affairs and Housing.

Background

The Municipal Drinking Water Licensing Program was established under the *Safe Drinking Water Act* in response to the recommendations Justice O'Connor made in the Report of the Walkerton Inquiry in 2002.

In Part Two of Justice O'Connor's Report of the Walkerton Inquiry, Justice O'Connor stressed the importance of ensuring that municipalities plan for the long-term financial sustainability of their drinking water systems to ensure that adequate finances are available to cover both day-to-day operational costs as well as the costs of maintaining and upgrading municipal water systems to ensure the safety of drinking water today and into the future. The proclamation of Section 33 of the *Act* in May 2007 initiated the Municipal Drinking Water Licensing Program to address the recommendations from Justice O'Connor's Report of the Walkerton Inquiry.

The City's Municipal Drinking Water License was first issued in 2009, was last renewed in 2019, and requires renewal once again by May 22, 2024.

The provincial government, through the MECP, regulates drinking water systems to ensure water safety and quality by registering all municipal drinking water systems, licensing system owners/operators, authorizing operators to run and maintain drinking water systems, and issuing drinking water works permits to modify, repair or extend drinking water systems.

The City currently holds a Drinking Water Works Permit (Permit Number: 011-201; Issue Number: 6) along with a Municipal Drinking Water License (License Number: 011-101; Issue Number: 8); both of which are required to operate a municipal drinking water system. The Drinking Water Works Permit grants the Operating Authority, within the Environmental Services' Department, authority to establish or alter a drinking water system while the Municipal Drinking Water License grants the authority to use or operate the Vaughan Distribution system.

Previous Reports/Authority

Analysis and Options

The City must submit a completed Municipal Drinking Water License Renewal Application to the Ministry of the Environment, Conservation and Parks no later than December 23, 2023 and the application must include the City's Long-term Drinking Water System Financial Plan for a period of at least 6 years starting January 1, 2024.

The Municipal Drinking Water License is an approval to operate a municipal drinking water system and all municipal residential systems must be licensed under the Municipal Drinking Water Licensing Program. Licenses are valid for 5 years as long as:

- The Operating Authority maintains their status as an accredited operating authority;
- A long-term financial plan is prepared and approved by Council;
- There is a valid permit to take water; and
- The drinking water system is operated according to the conditions in the license.

For license renewal purposes, the Long-term Drinking Water System Financial Plan must be applicable for a period of at least 6 years starting from the year of license expiry and must include the following:

- 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; and
- The extent to which the financial information relates directly to the replacement of lead water service pipes as defined in section 15.1- 3 of Schedule 15.1 of Ontario Regulation 170/03: Drinking Water Systems, made under the *Act*. Please note that this is not applicable to the City's Long-term Drinking Water System Financial Plan as the last of the City's lead water services were removed in the 1990s.

The attached Long-term Drinking Water System Financial Plan (2024-2035) includes a Statement of Operations, Statement of Financial Position, Statement of Net Financial Assets, and Statement of Cash Flow. The City has extended the financial planning

horizon over a longer term and will be submitting a twelve-year plan, from 2024 through to 2035. The Long-term Drinking Water System Financial Plan (2024-2035) will be reviewed annually to ensure it continues to support the provision of infrastructure and resourcing needed to maintain and continually improve the Vaughan Distribution System. Additionally, once approved, the Long-term Drinking Water System Financial Plan (2024-2035) will be made available to the public by request and through publication on the Internet in accordance with the requirements of Ontario Regulation 453/07.

At the time of license renewal, a full technical review of the City's drinking water system will be undertaken by the Ministry of the Environment, Conservation and Parks.

The application for the City's Municipal Drinking Water License Renewal will include, but not be limited to, the following supporting information:

- A cover letter describing, at a high level, the purpose of the application and any specific or unique items that have been included;
- A copy of the Vaughan Distribution System Map;
- A copy of the City's current Drinking Water Quality Management Standard Operational Plan;
- A completed Subject System Description Form;
- The Operating Authority's Accreditation Certificate;
- A Financial Plan (approved via council resolution); and
- Confirmation from the Owner's Representative that the information contained within the submitted application is complete and accurate.

The MECP reviewer may request additional technical information during their review.

Financial Impact

There is no financial impact as a result of this report, however the Long-term Drinking Water System Financial Plan (2024-2035) will be reviewed during the preparation of the 2024 to 2035 annual operating and capital budgets.

Operational Impact

No operational impact is expected as a result of this report.

Broader Regional Impacts/Considerations

There is no impact to the Region.

Conclusion

The financial sustainability of the City of Vaughan's drinking water system has been evaluated in the Long-term Drinking Water System Financial Plan (2024-2035).

Financial projections have been made based on a series of assumptions, the most important of which include system infrastructure growth, account growth, future water rates, and future water purchase costs. Statements built on these assumptions conclude that the City of Vaughan has a financially viable and sustainable drinking water system.

The Long-term Water Financial Plan (2024-2035) will be reviewed annually and updated, as required, to ensure that the drinking water system continues to be financially sustainable and that adjustments are made as necessary to achieve this objective.

For more information, please contact:

Nancy Yates, Director of Financial Services and Deputy City Treasurer, ext. 8984.

Emilie Alderman, Director of Environmental Services, ext. 6116.

Attachment

1. Long-term Drinking Water System Financial Plan (2024-2035).

Prepared by

Veronica Siu, Finance Manager, Water/Wastewater/Stormwater, ext. 8197.

Emily Fahlgren, Acting Supervisor, Compliance and Training, ext. 6175.

Approved by



Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

Reviewed by



Nick Spensieri, City Manager



Zoran Postic, Deputy City Manager, Public Works