



Municipality of Thames Centre

Water and Wastewater Rate Study and
Water Financial Plan

May 21, 2020



Study Purpose

- Identify all current and future water and wastewater system capital needs;
- Identify cost recovery options for capital;
- Estimate future operating costs over the next 10 years;
- Recommend new rates to recover the cost of the water and wastewater systems; and
- Provide a Water Financial Plan, as required by legislation, to ensure the Municipality meets the requirement to be licensed to operate the water system.



Legislation for Water and Wastewater

Since Walkerton, new legislation has been passed by the Province to enhance the provision of services.

These include the following:

- Safe Drinking Water Act;
- Sustainable Water and Sewage Systems Act;
- O.Reg. 453/07 - Safe Drinking Water Act;
- Clean Water Act; and
- Water Opportunities Act.

Further Requirements:

- Municipal Infrastructure Strategy
- Infrastructure for Jobs and Prosperity Act, 2015



Water Opportunities Act, 2010

- The Act provides for the following elements:
 - Foster innovative water, wastewater and stormwater technologies, services and practices in the private and public sectors;
 - Prepare Water Conservation Plans to attain water conservation targets to be established by regulations; and
 - Prepare Sustainability Plans for Water, Wastewater and Stormwater Services.



Water Opportunities Act, 2010

- On November 29, 2010, Bill 72, The *Water Opportunities Act, 2010* received Royal Assent (note: only Regulation 40/11 - Water Technology Acceleration Project has been passed).
- Part 3 of the Act provides for the preparation of sustainability plans:
 - The Act extends from the water financial plans and requires a more detailed review of the water financial plan and requires a full plan for wastewater and storm water services; and
 - Regulations will provide performance targets for each service – these targets may vary based on the jurisdiction of the regulated entity or the class of entity.



Water Opportunities Act, 2010

- The Financial Plan shall include:
 - An asset management plan for the physical infrastructure;
 - **A financial plan;**
 - For water, a conservation plan;
 - An assessment of risks that may interfere with the future delivery of the municipal service, including, if required by the regulations, the risks posed by climate change and a plan to deal with those risks; and
 - Strategies for maintaining and improving the municipal service to ensure future demand can be satisfied, consider technologies to improve the service and potential increased co-operation with other municipal service providers.
- The rate study provides inputs required to complete the Financial Plan required for licensing approval.



Present 2020 Rates

2020 - Water Billing Rates	
Minimum Charge - Metered Customers	
Bi-Monthly including first 14 m ³	\$39.00
Life Cycle Charge	
Bi-Monthly	\$22.33
Fixed Fee - Fire Protection Unserviced Properties Only	
Bi-Monthly	\$15.61
Volume Charge	
Increasing	
\$2.13	Block 1 per 15-50 m ³
\$2.89	Block 2 per m ³ over 50

2020 - Wastewater Billing Rates Catherine Street Local Treatment System	
Minimum Charge - Metered Customers	
Bi-Monthly including first 14 m ³	\$55.13
Life Cycle Charge	
Bi-Monthly	N/A
Life Cycle Charge	
Bi-Monthly	N/A
Volume Charge	
Increasing	
\$3.01	Block 1 per 15-50 m ³
\$4.10	Block 2 per over 50 m ³

2020 - Wastewater Billing Rates (Excluding Catherine Street Local Treatment System)	
Minimum Charge - Metered Customers	
Bi-Monthly including first 14 m ³	\$86.00
Life Cycle Charge	
Bi-Monthly	N/A
Life Cycle Charge	
Bi-Monthly	N/A
Flat Rate - Non-Metered Customers	
Bi-Monthly	\$86.00
Volume Charge	
Constant	
\$4.63	Block 1 per 15-50 m ³
\$4.63	Block 2 per over 50 m ³



Existing Customer Profile

Customers	Water	Wastewater
Metered:		
Dorechester	2,014	471
Thorndale	530	381
Catherine St.		19
Total Metered Customers	2,544	870
Life Cycle Charge	2,544	n/a
Fixed Fee - Fire Protection Unserviced Properties Only	26	n/a
Non-Metered		55



Water Forecast Users and Billable Volumes

Assumed an average of 150m³ per new customer for future flows.

Water Volume Forecast (m ³)	2020 Total	2021	2022	2023	2024	2025	2026	2027	2028	2029
Block 1:										
Existing*	201,259	387,976	387,976	387,976	387,976	387,976	387,976	387,976	387,976	387,976
New**	1,518	11,400	20,550	29,700	38,850	48,000	57,750	68,100	78,600	89,400
Subtotal Block 1	202,777	399,376	408,526	417,676	426,826	435,976	445,726	456,076	466,576	477,376
Block 2:										
Existing	81,266	81,266	81,266	81,266	81,266	81,266	81,266	81,266	81,266	81,266
New	-	-	-	-	-	-	-	-	-	-
Subtotal Block 2	81,266	81,266	81,266	81,266	81,266	81,266	81,266	81,266	81,266	81,266
Grand Total	284,043	480,642	489,792	498,942	508,092	517,242	526,992	537,342	547,842	558,642

* For 2020, Existing volumes are based on volume consumed between 14 m³ and 50 m³ bi-monthly. For forecast years, the existing volumes include all volume consumed between 0 m³ and 50 m³ bi-monthly.

** For 2020, volumes from new customers are based on consumption anticipated in excess of 14 m³ bi-monthly



Wastewater Forecast Users and Billable Volumes

Assumed an average of 150m³ per new customer for future flows.

Wastewater Flows Forecast (m ³)	2020 ¹	2021 ²	2022	2023	2024	2025	2026	2027	2028	2029
Existing	92,797	160,032	160,032	160,032	160,032	160,032	160,032	160,032	160,032	160,032
New - Existing properties*	198	1,200	1,950	2,700	3,450	4,200	4,950	5,700	6,450	7,200
New Growth*	1,518	11,400	20,550	29,700	38,850	48,000	57,750	68,100	78,600	89,400
Grand Total	94,513	172,632	182,532	192,432	202,332	212,232	222,732	233,832	245,082	256,632

¹ Based on existing rate structure excluding Catherine St. customers

² Based on new rate structure including Catherine St. customers

* For 2020, volumes from new customers are based on consumption anticipated in excess of 14 m³ bi-monthly

Wastewater Flows Forecast (m ³)	2020 Catherine St
Block 1 (15-50 m³):	
Existing	1,183
New	-
Total Block 1 Volume	1,183
Block 2 (in excess of 50 m³):	
Existing	992
New	-
Total Block 2 Volume	992
Grand Total	2,175

Customer = Household



Capital Infrastructure

- Capital needs were identified based on the 2020 Capital Budget & Forecast, the 2018 Development Charges Background Study and the Current Transportation Master Plan.
- Capital works were identified by
 - Need;
 - Timing; and
 - Costs.



Water Capital System Needs 2020 – 2029

(Uninflated \$)

Description	Total	Anticipated Timing
Capital Expenditures		
Major Maintenance (Leak Detection & Cleaning of Distribution System)	436,000	2020-2029
Lifecycle:		
Watermain Replacement	733,600	2020-2023
Dale Dr - Oakwood Pl - Minnie St	441,000	2020
Porter Subdivision - Construction Phase 1	552,000	2021
Sherwood Cres - Huntington Cres - Sherwood Pl	738,000	2022
Porter Subdivision - Construction Phase 2	351,000	2021
Thames Cres - Terrance Ave	690,000	2024
North St	222,000	2023
Treatment Facility, Pump House, Storage Facility	4,438,600	2025-2029
Studies:		
Iron Removal Study	69,387	2020
Water Rate Study & Financial Plan	22,700	2025
Growth Related:		
Dorchester:		
Dorchester Shallow Wells Expanded Supply	113,600	2020
Dorchester Watermain - West Trunk at the Development 25	64,020	2020
Maximize Dorchester WTF Supply	1,067,000	2021
Dorchester Watermain - West Trunk at the Development 22	1,010,000	2021
Dorchester Watermain - West Trunk river crossing at Development 22	356,000	2021
Dorchester Watermain - West Trunk at Development 22	410,000	2021
Dorchester Watermain - North St. Upgrade	628,000	2024
Dorchester Watermain - Spine Trunk Upgrade on Dorchester Rd. (South of Byron Ave.)	931,000	2025
Dorchester Watermain - Northeast Loop	204,600	2025
Dorchester Watermain - West Trunk on Christie Dr.	171,800	2025
Dorchester Watermain - Hamilton Rd. Extension	610,000	2025

Description	Total	Anticipated Timing
Capital Expenditures		
Thorndale:		
Thorndale Water Tower Generator	45,000	2020
Thorndale Water Treatment Land Acquisition	185,000	2020
Maximize Thorndale WTF Supply	1,020,000	2020
Thorndale Watermain - South Trunk at Foxborough Subdivision	61,200	2020
Thorndale Watermain Upgrade - Industrial Lands Loop	408,000	2020
Thorndale Watermain - South Trunk at Railway Crossing	408,000	2020-2021
Thorndale Watermain - South Trunk at Rosewood Subdivision	244,800	2020-2021
Thorndale HLP Upgrades	1,020,000	2022
Thorndale Watermain - Subtrunk at Rosewood	196,800	2023
Thorndale Watermain - South Trunk at Monteith Lands	179,600	2025
Thorndale Watermain - Thorndale Rd. Upgrade	818,000	2028
Fleet:		
Truck	40,000	2020
Studies:		
Dorchester Groundwater Management Study	179,100	2020
Master Plan Update / EA	82,500	2027
Cost Benefit Study to Service 401 Corridor Lands	50,000	2026
Total Capital Expenditures	19,198,307	



Wastewater Capital System Needs 2020 - 2029

(Uninflated \$)

Description	Total	Anticipated Timing
Capital Expenditures		
Lifecycle:		
Treatment Facilities and Pumping Station Replacements	817,300	2025-2029
Studies:		
Wastewater Rate Study	13,000	2025
Growth Related:		
Dorchester:		
Dorchester WWTP Expansion 1	497,850	2020
North of Mill to Christie Field Investigation and Design (SPS24) - Design & Construction	100,000	2020
	2,596,500	2020
PS3 West Sewers	126,000	2020
Sewer East of PS3	1,183,000	2020
Sewer East of PS3	102,000	2020
New development sewer	494,250	2022
PS3 West Sewers	1,529,000	2022
Thorndale:		
King Street Trunk CN to Fairview Rd	765,000	2020
King Street sewer from Brooker to creek crossing	520,000	2021
Thorndale WWTP Expansion 1 EA & Design	510,000	2022
Thorndale Treatment Plant Upgrades (includes SPS)	6,682,000	2026
Studies:		
Master Plan Update / EA	82,500	2027
Cost Benefit Study to Service 401 Corridor Lands	50,000	2026
Total Capital Expenditures	16,068,400	



Capital Financing Options

- ✓ Reserves
- Development Charges
- ✓ Debt
- ✓ Operating Budget Transfers (Funding Reserves)
- ✓ Grants
- Municipal Act (Part 12, Local Improvements, etc.)

Capital Financing	Water 2020-2029	Wastewater 2020-2029
Provincial/Federal Grants	-	153,000
Development Charges Reserve Fund	-	-
Local Improvement Debenture Requirements	-	533,000
Non-Growth Related Debenture Requirements	1,300,000	-
Growth Related Debenture Requirements	8,779,553	14,693,250
Operating Contributions	-	-
Lifecycle Reserve Fund	4,120,000	-
Water/Wastewater Reserve	6,765,067	1,531,100
Total Capital Financing	20,964,620	16,910,350

Note: Values are in inflated \$



Reserve Balances – December 31, 2019

Reserve	Dec. 31 2019
Water	
Capital Reserve	1,175,608
Development Charges Reserve Fund	1,418,995
Lifecycle Reserve Fund	-
Wastewater - Dorchester and Thorndale*	
Capital Reserve	(547,405)
Development Charges Reserve Fund	(3,929,520)
Lifecycle Reserve Fund	-
Wastewater - Catherine Street	
Capital Reserve	106,990

***Excluding Catherine Street Wastewater System**



Lifecycle Infrastructure Costs

- The age of the Thames Centre water system dates back to the mid1950's;
- The age of the wastewater system date back to the mid 1980's;
- Total value of existing water infrastructure is \$59.79 million;
- Total value of existing wastewater infrastructure is \$26.14 million;
- This provides for a “per customer” investment by the Municipality of \$23,504 for water, and \$30,036 wastewater.



Summary of Water and Wastewater Asset Inventory

Area	Total Replacement Value	Suggested amount to be included in 10-year forecast based on estimated life	Amount included in 10-year forecast	Net Replacement for Future Lifecycle	Annual Lifecycle Replacement
Water					
Hydrant Leads	1,040,553	-		1,040,553	29,533
Hydrants	2,168,000	-		2,168,000	62,810
Watermains	38,297,001	-		38,297,001	1,119,723
Pump House & Pumping Stations	2,509,494	1,267,184	1,267,200	1,242,310	45,083
Reservoirs	2,014,493	302,174	302,200	1,712,319	88,896
Water Facilities/Treatment Plants	8,084,000	1,142,942	1,142,900	6,941,058	370,442
Water Towers	5,680,500	1,726,318	1,726,300	3,954,182	153,607
Total Water	59,794,041	4,438,618	4,438,600	55,355,422	1,870,094
Wastewater					
Sanitary Sewers	9,848,097	-		9,848,097	256,870
Manholes	2,153,000	-		2,153,000	53,518
Pollution Control Plant	4,890,677	728,896	728,900	4,161,781	245,819
Wastewater Pump Station	2,552,362	382,854	382,900	2,169,508	127,964
Thorndale Wastewater Treatment Plant	6,697,506	249,506	249,500	6,448,000	283,917
Total Wastewater	26,141,642	1,361,256	1,361,300	24,780,386	968,088
Total	85,935,683	5,799,874	5,799,900	80,135,808	2,838,182

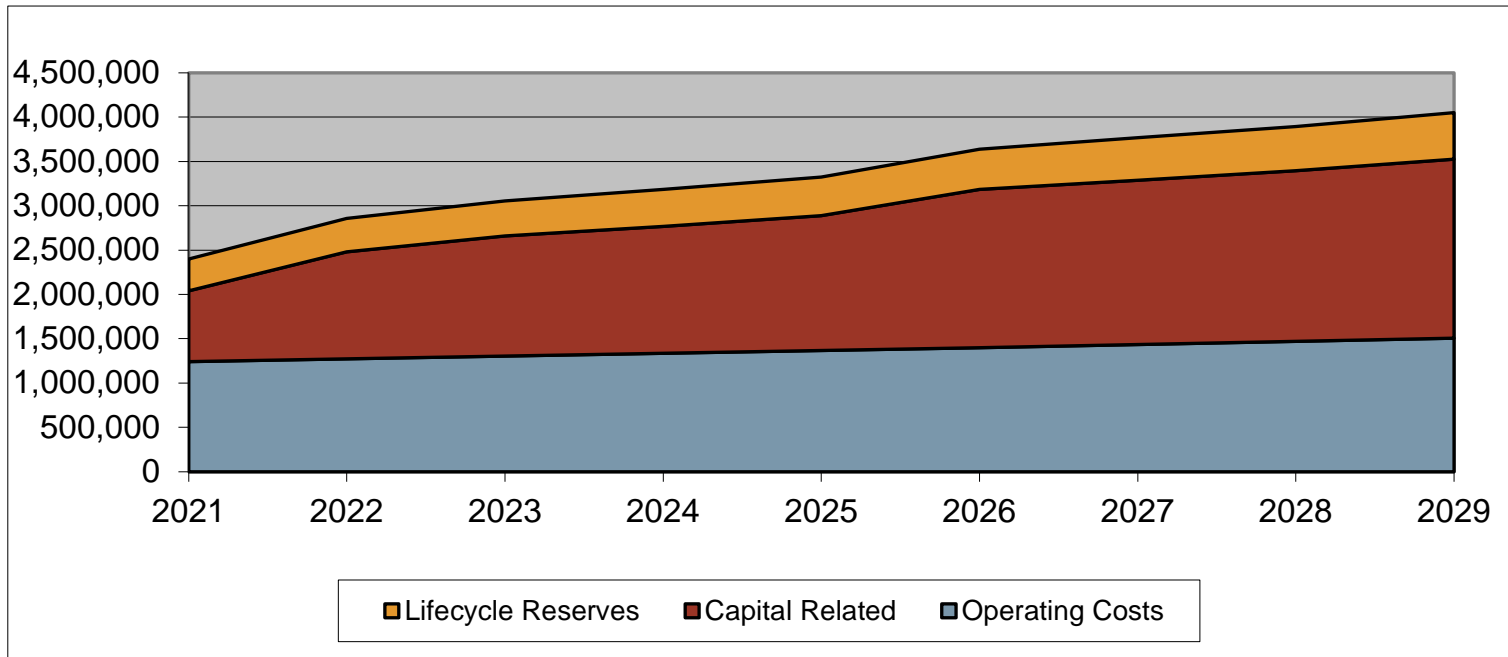


Operating Forecast

- Operating budget is based on the approved 2020 budget and the forecast is based on:
 - Adjustments to some line items by staff for 2020.
 - Inflationary Impacts
 - 5% for utility and chemical expenditures.
 - 2% for most operating expenditures.
 - For wastewater only, the Dorchester & Thorndale treatment plant Equipment accounts for 2021 – 2025 are based on needs identified by OCWA.



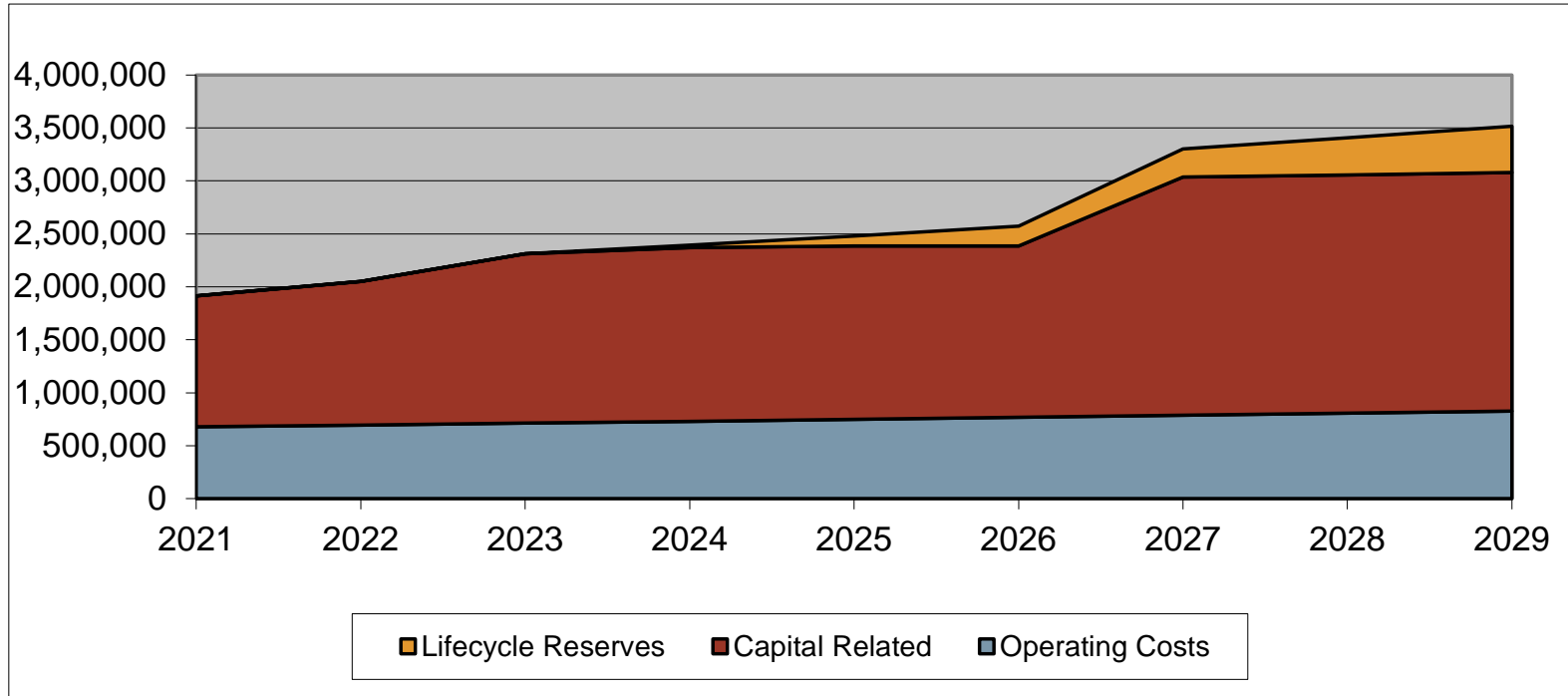
Water Operating Budget – Thames Centre



Description	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating Costs	1,243,725	1,273,300	1,303,900	1,335,200	1,367,500	1,400,600	1,434,500	1,469,500	1,505,200
Capital Related	794,978	1,206,120	1,356,725	1,433,886	1,520,770	1,783,991	1,854,748	1,924,033	2,019,225
Lifecycle Reserves	359,803	377,385	395,621	414,532	434,143	455,095	477,462	500,825	525,393
Total	2,398,507	2,856,805	3,056,246	3,183,618	3,322,413	3,639,687	3,766,709	3,894,358	4,049,818



Wastewater Operating Budget



Description	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating Costs	680,000	696,800	714,200	731,900	750,300	769,100	788,400	808,100	828,800
Capital Related	1,232,801	1,355,272	1,598,588	1,639,170	1,636,947	1,616,515	2,249,071	2,249,071	2,249,071
Lifecycle Reserves	0	0	0	23,964	92,881	186,325	265,866	349,400	437,490
Total	1,912,801	2,052,072	2,312,788	2,395,035	2,480,128	2,571,940	3,303,337	3,406,571	3,515,360



Rate Structure - Water

Water Recommendations

- The minimum charge, which includes 14 m³ of volume bi-monthly, be changed to a base charge that does not include any volume as of January 1, 2021.
- Metered customers will continue to pay for volume based on an increasing block structure.
 - For 2020, the Block 1 rate will apply to volumes between of 15 m³ and 50 m³ bi-monthly and the Block 2 rate will apply to volumes in excess of 50m³ bi-monthly.
 - For 2021 and future years, the Block 1 rate will apply to all volume to 50 m³ and the Block 2 rate will apply to volume over 50 m³ bi-monthly.
- Metered customers will also continue to pay a flat bi-monthly lifecycle charge.
- Properties not currently serviced with water will continue to pay a flat bi-monthly rate for fire protection.



Rate Structure - Wastewater

Wastewater Recommendations

There are currently two different rate structures, one for Catherine Street customers and one for all other customers. The Catherine Street customers pay based on a minimum charge (including 14 m³ of volume bi-monthly), and an increasing volume block structure. All other customers pay based on a minimum charge (including 14 m³ of volume bi-monthly) and a constant rate volume rate.

- It is recommended that the current rate structures continue through 2020.
- Beginning in 2021, it is recommended that the minimum charge be removed and replaced with a base charge that does not include any volume and that the base charge for all metered customers be set at the Catherine St. charge of \$55.13 plus 2% inflation.
- Beginning in 2021, it is recommended that all metered customers will be charged based on a constant rate structure which has been set at \$3.47 per cubic metre.
- Properties that receive wastewater services but are not currently metered, will continue to pay a flat bi-monthly rate (currently \$86.00).



Average Annual Residential Bill (Based on 150m³ Annual Volumes) – Water

- The base rate and lifecycle charge will increase by 2.5% annually
- The block volume rates will increase by 2.5% annually
- The total water bill will increase by 38.6% in 2021 due to the change in the rate structure, including 2.5% inflation and then increase at 2.5% for the remainder of the forecast period (2022 - 2029).

Description	2020 ¹	2021 ²	2022	2023	2024	2025	2026	2027	2028	2029
Bi-Monthly Base Rate	\$39.00	\$39.98	\$40.97	\$42.00	\$43.05	\$44.12	\$45.23	\$46.36	\$47.52	\$48.71
Block 1 Rate	\$2.13	\$2.18	\$2.24	\$2.29	\$2.35	\$2.41	\$2.47	\$2.53	\$2.60	\$2.66
Block 2 Rate	\$2.89	\$2.96	\$3.04	\$3.11	\$3.19	\$3.27	\$3.35	\$3.44	\$3.52	\$3.61
Bi-Monthly Lifecycle Charge	\$22.33	\$22.89	\$23.46	\$24.05	\$24.65	\$25.26	\$25.90	\$26.54	\$27.21	\$27.89
Annual Base Rate Bill	\$234.00	\$239.85	\$245.85	\$251.99	\$258.29	\$264.75	\$271.37	\$278.15	\$285.11	\$292.23
Annual Lifecycle Charge Bill	\$133.98	\$137.33	\$140.76	\$144.28	\$147.89	\$151.59	\$155.38	\$159.26	\$163.24	\$167.32
Block 1 Volume 0-50 m ³	66.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00
Block 2 Volume Over 50 m ³	-	-	-	-	-	-	-	-	-	-
Annual Volume Bill	\$140.58	\$327.49	\$335.67	\$344.07	\$352.67	\$361.48	\$370.52	\$379.79	\$389.28	\$399.01
Total Annual Bill	\$508.56	\$704.67	\$722.28	\$740.34	\$758.85	\$777.82	\$797.27	\$817.20	\$837.63	\$858.57
%Increase - Base Rate & Lifecycle Charge		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
%Increase - Volume Rates		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
%Increase - Total Annual Bill		38.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ Based on minimum bill structure including 14m³ bi-monthly.

² Based on base charge structure with all volume subject to the increasing volume rate structure.



Average Annual Residential Bill – Wastewater – Dorchester & Thorndale

- The base charge amount will be set at \$56.23 bi-monthly for 2021 and then increase by 2% annually over the forecast
- The constant rate will be set at \$3.47 for 2021 and then increase by 2% annually over the forecast
- The total wastewater bill will increase by 4.5% in 2021 and 2% for the remainder of the forecast period (2022 - 2029) for Dorchester and Thorndale.

Description	2020 ¹	2021 ²	2022	2023	2024	2025	2026	2027	2028	2029
Bi-Monthly Base Rate	\$86.00	\$56.23	\$57.36	\$58.50	\$59.67	\$60.87	\$62.09	\$63.33	\$64.59	\$65.89
Constant Rate	\$4.63	\$3.47	\$3.54	\$3.61	\$3.69	\$3.76	\$3.83	\$3.91	\$3.99	\$4.07
Annual Base Rate Bill	\$516.00	\$337.40	\$344.14	\$351.03	\$358.05	\$365.21	\$372.51	\$379.96	\$387.56	\$395.31
Volume	66	150	150	150	150	150	150	150	150	150
Annual Volume Bill	\$305.58	\$520.88	\$531.29	\$541.92	\$552.76	\$563.81	\$575.09	\$586.59	\$598.32	\$610.29
Total Annual Bill	\$821.58	\$858.27	\$875.44	\$892.94	\$910.80	\$929.02	\$947.60	\$966.55	\$985.88	\$1,005.60
% Increase - Base Rate		-34.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
% Increase - Volume Rate		-25.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
% Increase - Total Annual Bill		4.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

¹ Based on minimum bill structure including 14m³ bi-monthly (excluding Catherine St. customers).

² Based on base charge structure with all volume subject to the constant volume rate structure (including Catherine St. customers).



Average Annual Residential Bill – Wastewater – Catherine Street Customers

- The base charge amount will be set at \$56.23 bi-monthly for 2021 and then increase by 2% annually over the forecast
- The constant rate will be set at \$3.47 for 2021 and then increase by 2% annually over the forecast
- The total wastewater bill will increase by 62.1% in 2021 and 2% for the remainder of the forecast period (2022 - 2029) for Catherine Street customers due to the change in the rate structure to a base charge and a constant volume rate. With this change, all wastewater customers in Thames Centre will be charge based on the same rate structure.

Catherine Street Customers	2020 ¹	2021 ²	2022	2023	2024	2025	2026	2027	2028	2029
Bi-Monthly Base Rate	\$55.13	\$56.23	\$57.36	\$58.50	\$59.67	\$60.87	\$62.09	\$63.33	\$64.59	\$65.89
Constant Rate*	\$3.01	\$3.47	\$3.54	\$3.61	\$3.69	\$3.76	\$3.83	\$3.91	\$3.99	\$4.07
Annual Base Rate Bill	\$330.78	\$337.40	\$344.14	\$351.03	\$358.05	\$365.21	\$372.51	\$379.96	\$387.56	\$395.31
Volume	66	150	150	150	150	150	150	150	150	150
Annual Volume Bill	\$198.66	\$520.88	\$531.29	\$541.92	\$552.76	\$563.81	\$575.09	\$586.59	\$598.32	\$610.29
Total Annual Bill	\$529.44	\$858.27	\$875.44	\$892.94	\$910.80	\$929.02	\$947.60	\$966.55	\$985.88	\$1,005.60
% Increase - Base Rate		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
% Increase - Volume Rate		15.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
% Increase - Total Annual Bill		62.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

¹ Based on minimum bill structure including 14m³ bi-monthly.

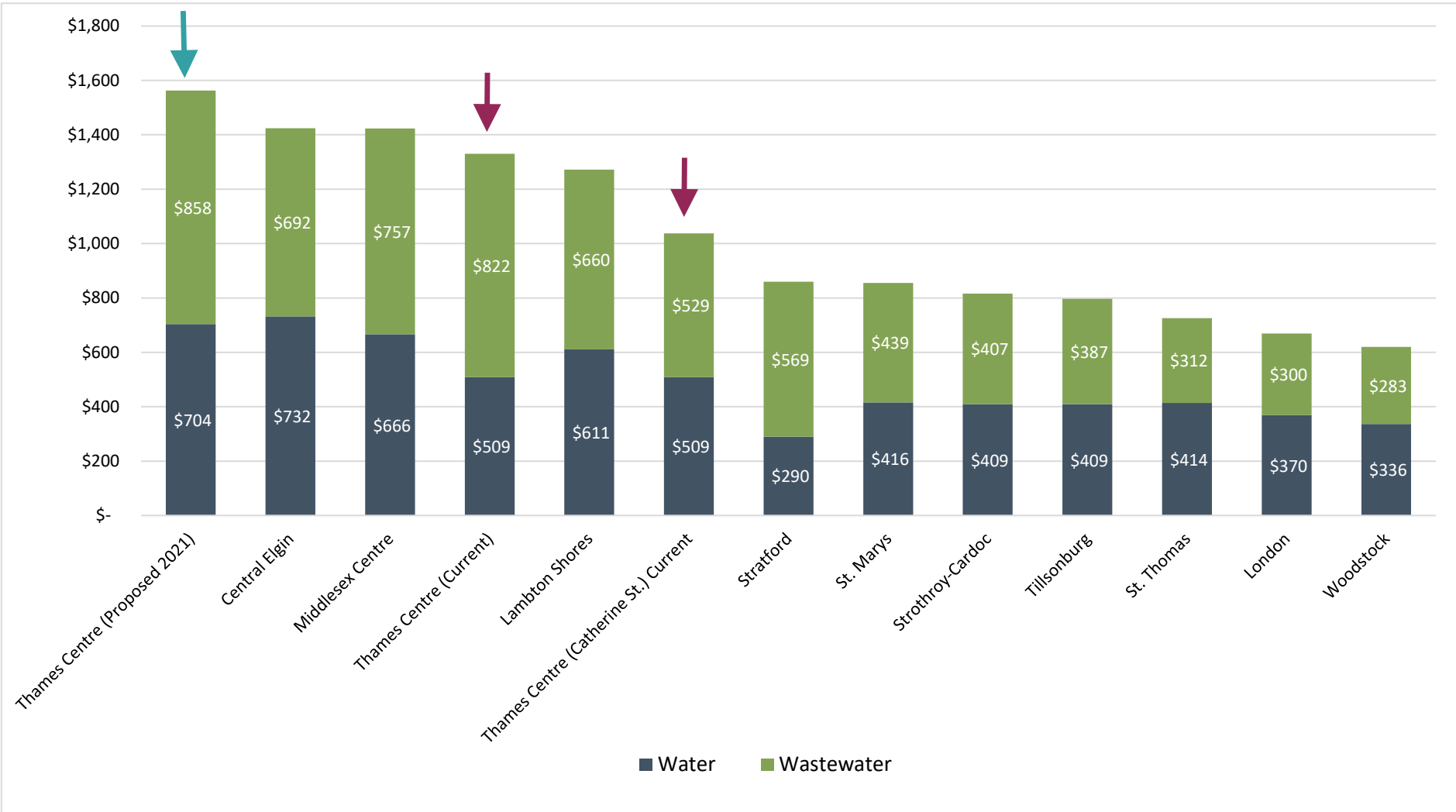
² Based on base charge structure with all volume subject to the constant volume rate structure (including Catherine St. customers).

* Based on Catherine Street Block 1 rate for 2020 and then constant rate for forecast years



Comparison of Annual Residential Water and Wastewater Bill

Based on average annual volume of 150 m³





Potential Impacts of COVID-19 on Operating Revenue & Expenditures

COVID -19 and its associated control measures are having a significant impact on Ontario's people, businesses, and institutions. Municipalities are no exception and are being asked to demonstrate leadership and provide relief and stability to citizens.

Some municipalities are looking at options to provide ratepayers with relief through billing deferrals, suspension of interest and penalties on overdue receivables, waiving NSF fees, delayed payment of D.C.s, etc.



Potential Impacts of COVID-19 on Operating Revenue & Expenditures

Potential impacts to water and wastewater services may include:

- Impacts on Operating Revenues
 - Volume consumption/billing may be directly impacted (i.e. reduced)
 - Non-residential – Bars, restaurants, some hotels closed – stay at home workforce provides for reduced ICI usage
 - Residential – increases in use for stay at home workers however decisions to reduce consumption (e.g. summer water use) due to household income reductions may see overall reductions (potential for approx. 15% impact for Thames Centre)
 - Utility bills payments may be delayed/delinquent causing cash flow issues for the Municipality
 - Minor operating revenues (such as meter sales, contracts for water service during construction, etc.) may not materialize for the year due to reduced residential/ICI construction



Potential Impacts of COVID-19 on Operating Revenue & Expenditures

Potential impacts to water and wastewater services may include:

- Impacts on Operating Expenditures
 - Most operating expenses are fixed and don't vary with consumption variations, hydro and materials are the most variable but represent a small portion of the budget.
 - Debt payments are fixed, reserve transfers may assist in addressing revenue shortfalls (however, the wastewater reserves began 2020 in a deficit for Thames Centre)

These potential impacts have been discussed with staff and to date, no direct issues have been observed. Staff will continue to monitor potential impacts on the water and wastewater systems and provide Council updates in the months to come.



Potential Financial Measures to Assist In Addressing the COVID-19 Impacts

- Financial Measures required to assist with Impacts can include
 - Reliance on Reserves and Reserve Funds
 - Debt:
 - Additional short-term borrowing for operating expenditures, where allowable under the Municipal Act
 - Additional long-term debt for capital, however borrowing is restricted to the debt capacity of the municipality (no more than 25% of annual total own revenues may be allocated to debt charges).
 - Note interest costs will be add to future expenditures/budgets
 - Delay the start of new capital infrastructure projects to reduce the need for reserve funding however, it may be a good time to initiate capital projects to take advantage of lower tender prices.



Financial Plan - Summary of O.Reg. 453/07 Requirements

- The plan is considered a living document but will need to be undertaken at a minimum every five years
- The plans are generally consistent with the "Watson" Approach in forecasting the capital, operating and reserve fund positions, providing detailed inventories, forecasting future volumes and calculation of the rates.
- The additional requirements include the PSAB information for each year of the forecast (i.e. total non-financial assets, tangible capital assets acquisitions, tangible capital asset construction, betterments, write downs, disposals, total liabilities and net debt)
- The financial plans must be made available upon request to the public (without charge) and on the municipality's web site. The availability of this information must also be advertised



What Does All of This Mean?

- Reporting is mandatory for Water and encouraged for Wastewater services
- The intent of the legislation is for:
 1. municipalities to project future activities for capital (including inventory renewal), operating, reserves and customers (and usage) and then
 2. report it to the Province in PSAB 3150 financial statement format (projected into the future)
- The O. Reg. 453/07 Study must be approved but the forecasted rates (i.e. beyond 2019) do not have to be approved at this time (may be reviewed in detail during next budget cycle)
- The Rate study provides the basis projecting the financial information on which the O. Reg. report will be prepared



Rate Study vs. O.Reg 453.07 Reporting Format

Significant Revision Areas	Rate Study	O.Reg 453.07 Financial Plan
Approach	“Modified Cash Basis”	“Full Accrual Basis”
Capital Requirements	Capital Forecast	Tangible Capital Assets
Previously acquired assets	Lifecycle Cost Analysis (Future Replacement)	Tangible Capital Assets (Historical Cost)
Debt Payments	Principal & Interest Expense	Interest Expense Principal: Debt reduction
Amortization	Not Applicable	Included in Operating Expenses
Reserve Transfers	Included as an expense	Part of “Accumulated Surplus”
Development Charge Reserve Fund Balances	Reserve Fund Continuity Schedule	Deferred Revenue



Matters for Council's Consideration

1. Consider the Capital Program;
2. Consider the Operating Program;
3. Consider the Proposed Water Rates;
4. Consider the Proposed Wastewater Rates;
5. Approve, by resolution, the Financial Plan for purposes of the submission for the Municipality's water licence application and direct staff to submit the resolution to the Ministry of the Environment, Conservation and Parks; and
6. Direct staff to provide public notice by advertising the availability of the Financial Plan and provide a copy of the Financial Plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing.