TO: CHAIR AND MEMBERS  
ENVIRONMENT AND TRANSPORTATION COMMITTEE  
MEETING ON MAY 10, 2010  

FROM: PAT MCNALLY, P. ENG.  
GENERAL MANAGER OF ENVIRONMENTAL AND ENGINEERING SERVICES AND CITY ENGINEER  

SUBJECT: WATER SERVICE AREA FINANCIAL PLAN  

RECOMMENDATION

That on the recommendation of the General Manager of Environmental and Engineering Services and City Engineer, the accompanying Water Service Area Financial Plan for the City of London BE APPROVED as per the requirements of O. Reg 453/07 of the Safe Drinking Water Act. It being noted that this financial plan is consistent with Council approved financial policies and information provided through the 2010 Water Budget process.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

The following reports can be found on the City of London Website www.london.ca.

1. Infrastructure Deficit January 28, 2008, Environment and Transportation Committee, Agenda Item #11,
2. Water System Risk Management Continuous Improvement Update, October 27, 2008, Environment and Transportation Committee, Agenda Item #11,
3. Water 20 Year Financial Model November 24, 2008, Environment and Transportation Committee, Agenda Item #15,
4. Ontario’s New Municipal Drinking Water Licensing Program & Endorsement Of Operational Plan November 24, 2008, Environment and Transportation Committee, Agenda Item #14
5. 2010 Water Budget November 10, 2009, Board of Control, Agenda Item #1.

BACKGROUND

Note: Copies of the Financial Plan were previously hand delivered to Councillors. Copies will be available to the public on the 8th floor of City Hall, 300 Dufferin Ave. Once approved by Council, the Financial Plan will be available on the City of London Website.

Purpose

The Ontario Ministry of the Environment (MOE) has begun implementing the new Municipal Drinking Water Licensing Program. A requirement of this program is that municipalities prepare and approve financial plans for their drinking water system that satisfy the requirements prescribed in O.Reg. 453/07 under the Safe Drinking Water Act (SDWA). This financial plan is consistent with Council approved financial policies and information provided through the 2010 Water Budget process. In regards to timing, the regulation states:

“As a condition in a municipal drinking-water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking-water licence, the Director shall include a requirement that the owner of the drinking-water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3.”

When the process for creating the plans was initiated it was anticipated that July 1, 2010 would be the submission deadline. At this time, however, the City of London has not received the first license for the drinking water system. Since the process had already started, Administration decided to follow through with the original schedule.
Background

In 2007 the Ministry of the Environment (MOE) issued Ontario Regulation 453/07 Financial Plans under the Safe Drinking Water Act, 2002. The regulation and accompanying guideline prescribes the requirements for Financial Plans to be prepared as part of the Municipal Drinking-Water License Program set out in Part V of the SDWA. This regulation was designed by the MOE in response to Justice Dennis O'Connor's Walkerton Inquiry recommendations. The intent is to ensure that municipalities plan for the long-term financial sustainability of their drinking-water systems to ensure the safety and reliability of their drinking water into the future. This report has been prepared to comply with the requirements of O. Reg. 453/07. There are no auditing requirements under the regulation as it is currently written. The financial statements included in the Financial Plan project 6 years into the future, it should be noted however that the City of London bases infrastructure needs on a 20 year analysis and maintains a financial model that projects 20 years into the future as noted in the document. While the Regulation only requires updated plans to be submitted when the license requires renewal, it encourages continual review and improvement in between renewals. It is intended to use the financial model for annual budget development and work closely with Finance to maintain our strong financial position. Revisions will then be made to the Financial Plan to keep it current.

Financial Plan

The Financial Plan is a summary of various capital and operational programs already approved by Council which will ensure the water utility is sustainable in years to come. It is also consistent with the financial model that was used for both the 2009 and 2010 budgets. The Financial Plan for the City's water supply system confirms our commitment to full cost recovery while eliminating the water infrastructure gap. It identifies the funding requirements to ensure a safe and sufficient water supply, while meeting all regulatory compliance requirements. It is a commitment to continue renewing infrastructure as it approaches the end of its useful life, prior to failure, thereby minimizing maintenance and repair costs, social disruption and water loss, as well as ensuring inter-generational equity. As per the requirements of O. Reg 453/07, the Financial Plan must be approved by the Owner of the London Water System, the Corporation of the City of London, before it can be submitted to the Ministry of Municipal Affairs and Housing.

The fully developed and implemented Financial Plan will maintain London's Advantage by providing a high quality, abundant water supply at affordable rates and securing tomorrow, allowing future generations to prosper as we have.

Acknowledgements:

This report was prepared with the assistance of Roland Welker, Division Manager of Water Engineering; Sharon Houde, Manager of Administrative Services; Aaron Rozentals, Engineer-in-Training, Water Engineering; and Martin Hayward, Director, Financial Planning & Policy & Acting Deputy City Treasurer including staff from Finance and Financial Planning & Policy.

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Cc: Martin Hayward, Director, Financial Planning & Policy & Acting Deputy City Treasurer
Rick Brown, Division Manager, Administrative Services, EESD