

REPORT TO COUNTY COUNCIL

Water Financial Plan 2024-2030

To: Warden and Members of County Council

From: Director of Corporate Services

RECOMMENDATIONS

1. That County Council approve the Water Financial Plan for the period of 2024 to 2030, as a necessary step in maintaining the County's Municipal Drinking Water Licences;
2. And further, that staff be authorized to submit the Water Financial Plan and Council Resolution to the Ministry of the Environment, Conservation and Parks and the Ministry of Municipal Affairs and Housing as required;
3. And further that staff make the Water Financial Plan publicly available and advertise its availability, as prescribed by Ontario Regulation 453/07.

REPORT HIGHLIGHTS

- The County of Oxford Water Financial Plan has been prepared in accordance with the requirements of the Safe Water Drinking Act, Ontario Regulation 453/07
- A Council approved Water Financial Plan is one of the five key requirements for obtaining and maintaining a Drinking Water Licence under the Safe Drinking Water Act
- The County's Water Financial Plan covers the period from 2024 to 2030 and demonstrates the continued sustainability of the County's municipal drinking water systems

IMPLEMENTATION POINTS

Following Council approval, staff will submit the Plan and Council resolution to both the Ministry of the Environment, Conservation and Parks and the Ministry of Municipal Affairs and Housing and post the Water Financial Plan on the County's website.

Financial Impact

The Water Financial Plan 2024-2030 updates the 2019-2025 Water Financial Plan. It has been prepared based on information sourced from the 2024 Oxford County Budget; 10 Year Capital Plan; 2019 Development Charges Background Study as the 2024 Development Charge Study was not approved until June 12, 2024; and the 2024 Asset Management Plan. The recommendations in this report will not have a financial impact on the 2024 budget.

Communications




Following County Council approval, and as per regulatory requirements, the Water Financial Plan will be posted to the [Oxford County website](#); a public notice will be placed in local newspapers advising of its availability online; and the plan will be made available to members of the public on request through Customer Service. Updates through the County’s social media channels will further serve to inform the public about the report’s release, as well as the County’s work to ensure the sustainability of the County’s municipal drinking water systems and compliance with the *Safe Drinking Water Act*.

2023-2026 STRATEGIC PLAN

Oxford County Council approved the [2023-2026 Strategic Plan](#) on September 13, 2023. The Plan outlines 39 goals across three strategic pillars that advance Council’s vision of “Working together for a healthy, vibrant, and sustainable future.” These pillars are: (1) *Promoting community vitality*, (2) *Enhancing environmental sustainability*, and (3) *Fostering progressive government*.

The recommendations in this report supports the following strategic goals.

Strategic Plan Pillars and Goals

PILLAR 1	PILLAR 2	PILLAR 3
		
Promoting community vitality	Enhancing environmental sustainability	Fostering progressive government
Goal 1.2 – Sustainable infrastructure and development		Goal 3.1 – Continuous improvement and results-driven solutions Goal 3.4 – Financial sustainability

See: [Oxford County 2023-2026 Strategic Plan](#)

DISCUSSION

Background

The requirement for the completion of the Water Financial Plan stems from the recommendations of the Walkerton Inquiry. The Province subsequently enacted an approvals framework for municipal residential drinking water systems, as part of the *Safe Drinking Water Act, 2002* (the Act). The framework requires that owners of municipal drinking water systems must obtain licences that are based on the implementation of five key elements:

1. **Drinking-water works permit (DWWP):** a permit to establish or alter a drinking-water system.
2. **Accepted operational plan:** the Drinking-Water Quality Management Standard (DWQMS) will be the standard upon which operational plans will be based. The plan will document an operating authority's quality management system (QMS).
3. **Accredited operating authority:** a third-party audit of an operating authority's QMS will be the basis for accreditation.
4. **Financial Plan:** prepared in accordance with the prescribed requirements in the Financial Plans Ontario Regulation 453/07, including an indication that the drinking water system is viable.
5. **Permit to take water (PTTW):** requirements as outlined in the Ontario Water Resources Act.

The County currently maintains 17 municipal drinking water licences for its water systems. Combined the water systems serve 21 communities with approximately 36,762 connections throughout the County. These communities are grouped into four systems for financial accounting purposes including: Woodstock, Tillsonburg, Ingersoll, and Township systems. The 14 Township water systems' revenues and expenses are pooled for economy of scale purposes.

Currently, each of the four financial water systems are managed as independent fiscal entities with unique service charges, revenues, debts and operating expenses as illustrated in Table 1 below.

Table 1: Oxford County Drinking Water Systems

Water Financial System	Water System Name	Connections
Woodstock	City of Woodstock	16,846
Tillsonburg	Town of Tillsonburg	7,080
Ingersoll	Town of Ingersoll	5,390
Townships	Beachville	73
	Bright	159
	Brownsville	127
	Dereham Centre	20
	Drumbo-Princeton	531
	Embro	358

Water Financial System	Water System Name	Connections
	Hickson	38
	Innerkip	588
	Lakeside	112
	Mount Elgin	281
	Oxford South	2,043
	Plattsville	593
	Tavistock	1,310
	Thamesford	1,213
TOTAL		36,762

The County’s existing municipal drinking water licences expire in May and June of 2025. Under the Safe Drinking Water Act, the County is required to update and submit a new financial plan when applying for licence renewals, which are due in November and December 2024. The plan must be for no less than six years, including the year of licence expiry.

Comments

The Water Financial Plan, (Attachment 1), has been prepared in accordance with the Safe Drinking Water Act, 2002 O.Reg. 453/07. The Plan covers the period of 2024 to 2030. This Plan is the County’s fourth Water Financial Plan and is an update of the County’s financial plan that was completed in 2019 and covered the period of 2019 to 2025.

Projected Statement of Operations and Accumulated Surplus

The Projected Statement of Operations and Accumulated Surplus is presented in Table 1 of the Plan, demonstrating the County’s water systems are consistently operating with an annual surplus. The ratio of expenses to revenues fluctuates between 74% and 81%, with the annual surplus varying between \$5.4 million and \$7.4 million over the forecast period (2024-2030). It is imperative that a system generates an annual surplus to ensure that funding is available for non-expense costs including tangible capital asset improvements and acquisitions; reserve transfers; and debenture principal payments.

Table 1 of the Plan also highlights the Debt Coverage ratio of the Water Systems, which shows how many times over the systems’ annual surplus can cover the annual debt obligations. While this number is declining, by 2030 the systems are still showing a strong ratio of almost 4 times more annual surplus compared to debt repayment obligations.

Accumulated surplus is also an indicator of systems’ available resources. An accumulated deficit indicates that resources are insufficient to support the needs of the systems moving forward. Tables 1 and 2 of the Plan indicate that the County anticipates adding approximately \$42.7 million to its accumulated surplus over the financial plan period.

Projected Statement of Cash Flows

Table 3 of the Plan shows the cash position of the water systems is anticipated to decrease by approximately \$45.8 million over the forecast period. This is the result of significant investment in tangible capital assets (TCA). The statement shows that over the forecast period investment in TCA will be approximately \$144 million. In order to finance this investment, debt is anticipated to finance \$23 million with the remaining balance funded by current reserve balances and cash generated from operations over the forecast period. Current system reserves have been accumulated to \$54 million in anticipation of this required investment. Further, operations are forecasted to generate between \$10.2 million and \$11.7 million in cash annually over the forecast period, with a cumulative operational cash generation of \$75.7 million. This significant investment results in an ending cash balance of \$8.7 million in 2030 for future investment.

Projected Schedule of Tangible Capital Assets

The anticipated increase of approximately \$144 million in tangible capital assets, illustrated in Table 4 of the Plan, indicates that the County's plan to invest in tangible capital assets exceeds the anticipated use of existing assets over the forecast period. This demonstrates that the County is entering a significant investment period to address depleting infrastructure, growth and improvements to ensure systems' integrity.

Projected Statement of Financial Position

The Statement of Financial Position, presented as Table 5 in the Plan, includes multiple indicators to help assess the financial health of the systems. The first indicator shows the year-over-year change in cash vs debt (Net Financial Assets) for the Water Systems. The Net Financial Assets of the systems are declining over the forecast period as resources are invested in TCA. It is important to note that at the end of the forecast period cash and accounts receivables are still greater than \$12 million, allowing for future investment requirements. The increase in liabilities is due to incurring long-term debt, however it remains manageable due to the level of investment.

The second financial indicator shows the County's debt to TCA ratio is only 11.4% by the end of 2030, showing a significant portion of TCA has been financed through past system surpluses.

The third financial indicator provides the change in Tangible Capital Assets highlighted in the Projected Schedule of Tangible Capital Assets. An increase in TCAs indicates the County plans to invest in tangible capital assets greater than the anticipated use of existing assets over the forecast period. Between 2024 to 2030 the County plans to invest \$110 million in excess of TCA use (depreciated life).

CONCLUSIONS

The Water Financial Plan 2024-2030 confirms the County's commitment to sustainability of the County's Municipal Drinking Water Systems.

Staff recommend that County Council endorse the Water Financial Plan, as a necessary step in maintaining the County's Municipal Drinking Water Licences, and authorize its submission to the Ministry of Environment, Conservation and Parks and Ministry of Affairs and Housing as required by O. Reg. 453/07 under the Safe Water Drinking Act. Subject to Council approval, staff will also make the Water Financial Plan publicly available on the County's website.

SIGNATURES

Report author:

Original signed by

Owen O'Reilly, CPA, CMA
Supervisor of Financial Services and Initiatives

Departmental approval:

Original signed by

Lynn S. Buchner, CPA, CGA
Director of Corporate Services

Approved for submission:

Original signed by

Benjamin R. Addley
Chief Administrative Officer

ATTACHMENT

Attachment 1 – Water Financial Plan 2024-2030, dated August 14, 2024