
REPORT TITLE: Municipal Drinking Water Licence Renewal and Update to Financial Plan

FROM: Kealy Dedman, Commissioner of Public Works

RECOMMENDATION

That the Water Financial Plan Number 009-301A demonstrating Peel Region’s long-range commitment for the financial sustainability of its municipal drinking water systems be endorsed to satisfy the requirements of Ontario Regulation 453/07 (Financial Plans) under the Safe Drinking Water Act, 2002 and as a condition of the renewal of Peel Region’s municipal drinking water licences.

REPORT HIGHLIGHTS

- Peel Region’s Municipal Drinking Water Licences must be renewed every five years.
- Peel’s current Licences are due to expire on November 7, 2024.
- Council endorsement of Peel Region’s Water Financial Plan is required as a condition of the licence renewal application to be submitted to the Ontario Ministry of the Environment, Conservation and Parks by May 7, 2024.
- The Water Financial Plan (2024-2029) Number 009-301A, covering the period from 2024 to 2029, has been prepared in accordance with Ontario Regulation 453/07 under the *Safe Drinking Water Act, 2002*, and is based on the approved 2024 Capital and Operating budget.
- The Water Financial Plan executive summary has been attached to this report in Appendix I. The updated Water Financial Plan will be provided through the Office of the Regional Clerk.
- The Water Financial Plan demonstrates that Peel Region’s drinking water systems are financially viable through an analysis of total revenues, total expenses, annual surplus/deficit, and accumulated surplus/deficit.

DISCUSSION

1. Background

Each municipal drinking water system in Ontario must be licensed under the Municipal Drinking Water Licensing Program under the *Safe Drinking Water Act, 2002*. A Municipal Drinking Water Licence (Licence) is issued to drinking water system owners by the Ministry of the Environment, Conservation and Parks (MECP) and each Licence must be renewed every five years.

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Licence renewal is conditional upon demonstrating that all the following regulatory requirements are in place for each municipal drinking water system:

1. Drinking Water Works Permit
2. Permit To Take Water
3. Accepted Operational Plan documenting quality management practices
4. Operating Authority granted accreditation for conforming to the Ontario Drinking Water Quality Management Standard
5. Financial Plan, approved by municipal council

The mandatory licensing program helps safeguard drinking water now and in the future by ensuring drinking water systems are financially sustainable and designed, constructed, managed, and operated in compliance with regulatory requirements.

2. Municipal Drinking Water Licence Renewal

The Licences for Peel Region's municipal drinking water systems expire on November 7, 2024. Peel Region must demonstrate that all regulatory requirements have been satisfied and submit Licence renewal applications to MECP no later than May 7, 2024.

To date, Peel Region has met all Licence renewal requirements. The final step of the renewal requirement is to obtain Council approval of the updated Water Financial Plan. The intent of this report is to fulfill Peel Region's responsibility to prepare the Water Financial Plan update, in accordance with Ontario Regulation 453/07, and obtain Peel Region Council's resolution.

3. Financial Plan Update

Ontario Regulation 453/07, under the *Safe Drinking Water Act, 2002*, prescribes the minimum requirements of a drinking water system Financial Plan. Financial Plans must cover a period of at least six years, include details of the projected financial operations of each drinking water system itemized by total revenues, total expenses, annual surplus or deficit, and accumulated surplus or deficit.

In addition to the above requirements, drinking water system owners are required to:

- make the Financial Plan available to the public served, upon request, at no charge
- publish the Financial Plan on the municipal website
- advise the public of Financial Plan availability
- submit a copy of the Financial Plan to Ministry of Municipal Affairs and Housing

A Water Financial Plan (Number 009-301A) prepared for the period covering 2019 to 2024 was approved by Peel Region Council in 2019 under Council Resolution 2019-271.

Staff prepared a Water Financial Plan update to cover the term of the new Licence period from November 2024 to November 2029. The updated Water Financial Plan satisfies the requirements of Ontario Regulation 453/07 and showcases how Peel Region plans to achieve long-term financial sustainability, reliable water services, protection of public health, and compliance with environmental standards. The proposed long-term budget provides sufficient funding to ensure critical infrastructure is properly maintained and renewed when

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required and that water treatment technologies are in place to enhance existing processes for optimal water quality performance.

The updated Water Financial Plan reflects operations, growth, and asset management planning for Peel Region's water and wastewater systems. Peel Region's enterprise asset management plan, 10-year capital plan, and the Long-Term Utility Financial Plan endorsed by Peel Region Council in December 2020 are key inputs to the Water Financial Plan. Together, these plans help ensure predictable and stable long-term funding to maintain water and wastewater system infrastructure in a state of good repair considering current and future demands in support of cost effective and reliable water and wastewater services.

An executive summary of expenditures included in the Water Financial Plan (2024-2029) Number 009-301A, attached to this report in Appendix I, integrates Operational and Capital budget estimates allocated to water and wastewater programs. The Water Financial Plan (2024-2029 Number 009-301A is attached to this report in Appendix II.

The utility water service maintains a robust financial position, contributing significantly to Peel Region's AAA credit ratings.

The Statement of Financial Position is the balance sheet in municipal reporting and describes the assets, liabilities, and accumulated surplus of Peel Region's water system. Some financial information required by the Regulation is consolidated at a municipal level across numerous departments and it is difficult for that information to be allocated to the drinking water system.

Water and wastewater infrastructure is one of the largest assets owned and operated by Peel Region with a net book value of \$5.4 Billion (a replacement value of \$30.0 Billion), reported at the end of 2023. Peel Region's water infrastructure excels in meeting condition and performance targets, crucial for safe water delivery. All water assets consistently achieve good or very good rankings, aligning with corporate asset management standards. Proactive water main replacement programs have kept the water system reliable for residents and business owners.

The Statement of Operations provides a summary of the water system revenues and operating expenses for a given period. Peel Region takes a full cost recovery approach and is anticipated to maintain a neutral financial position throughout the forecasted period. Water and wastewater services staff is implementing the Long-Term Utility Financial Plan which includes a financial planning model. The long-term utility financial planning model provides the Region with a plan for a sustainable financial future that accounts for long-term infrastructure funding requirements and revenue needs while balancing rate increases over time. The model allows the Region to run scenarios based on the impacts of Provincial and other external agency initiatives, as they become known.

Peel Region employs reserves for financing the State of Good Repair capital program, with reserves playing a crucial role in supporting the full cost recovery approach for recurring asset lifecycle needs. The 2024 Budget continues to emphasize increasing operating contributions to reserves over the forecast period, aiming to sustainably invest in growing and aging assets.

The Statement of Cash Flow outlines how cash flow changes in the water operating, investing, and financing activities. The information is consolidated at a municipal level and cannot be generated by Peel financial system.

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RISK CONSIDERATIONS

The mandatory licensing of municipal drinking water systems supports the province's multi-barrier approach to protect public health. This includes determining the long-term needs of growing communities and ensuring Peel Region's water systems are financed adequately to maintain their operational capacity to deliver safe, quality water to Peel residents.

Peel Region must always maintain a valid Municipal Drinking Water Licence for each municipal drinking water system to comply with drinking water legislation and deliver uninterrupted drinking water services. Failing to comply would result in serious damage to Peel Region's reputation and public trust and confidence.

There is no direct financial impact from the update of the Water Financial Plan and there are no fees associated with the renewal of Licences for Peel Region's drinking water systems.

BILL 112 RISKS AND IMPLICATIONS

The passing of the *Hazel McCallion Act (Peel Dissolution), 2023* on June 8, 2023, formalized a plan to dissolve the Region of Peel effective January 1, 2025. On December 13, 2023, the provincial government announced that Peel will not be dissolved, and that new legislation will be passed in 2024 to repeal or amend Bill 112. Until new legislation is passed, no implications can be determined.

CONCLUSION

Through the process of planning for the long-term financial sustainability and safety of the drinking water systems, Peel Region has demonstrated commitment to the regular updates of the Water Financial Plan.

Approval by Regional Council is required to support the recommendation contained within this report and endorse the Water Financial Plan update prepared in accordance with the requirements of Ontario Regulation 453/07. Council approval will permit staff to proceed with the Licence renewal process for Peel Region's municipal drinking water systems and maintain compliance with drinking water legislation.

APPENDICES

Appendix I - Executive Summary - Water Financial Plan (2024-2029) Number 009-301A

Appendix II - Water Financial Plan (2024-2029) Number 009-301A



Kealy Dedman, Commissioner of Public Works

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