

The Corporation of the Municipality of Red Lake

Staff Report

Department - Treasury

1. **Subject:**

Requirement for preparation and provision of a financial plan for the Water and Sewage Program as required under regulation O. Reg. 453/07.

2. **Origin and Analysis:**

As part of the Province's commitment to implement all of Justice O'Connor's Walkerton recommendations, the Ministry of Environment (MOE) has put in place a new approvals framework (The Municipal Drinking Water Licence Program) under the Safe Water Drinking Act, 2002 (SWDA) for municipal residential drinking water systems. This new program replaced the previous Certificate of Approval process.

There are five requirements under the Municipal Drinking Water Licence Program in order for a municipality to become licensed, which include:

- a. Obtaining a Water Works permit;
- b. Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard;
- c. Accreditation of the Operating Authority;
- d. Obtaining a permit to take water; and
- e. Preparation and provision of a financial plan.

The first four requirements have been approved by the Province. The preparation and submission of a Financial Plan is the last requirement to be provided and has been delayed for municipalities in concurrence with the Province, in order for Financial Plans to be prepared on the basis of PSAB and Tangible Capital Asset (TCA) reporting rules.

The Province passed Ontario Regulation 453/07 in August 2007 which identified the requirements of the Financial Plan for water systems. The regulation is part of the Province's long term strategy to ensure that municipal drinking water systems are financially viable.

The regulation requires owners of municipal drinking water systems to complete and submit Financial Plans for existing and new water systems. The Financial Plans must be developed for a six year period and must contain details of a system's financial position, financial operations and cash flow and be made available to the public. The regulation does not require Provincial approval of Financial Plans but the plans must be submitted to MMAH.

For existing systems, the Financial Plan must be approved by the owner (Council) and a copy of the Financial Plan and the approving resolution must be submitted to the Ministry of Municipal Affairs and Housing (MMAH). The Financial Plan must be updated in conjunction with every application to renew a system's drinking water licence (i.e. every five years).

The Financial Plan for an existing water supply system requires significantly more information as compared to a Financial Plan for a new system. The Financial Plan for an existing system must include all the information required for a new system, plus information on tangible capital assets as follows:

Details of the financial position of the system include:

Total non-financial assets;

- Tangible capital assets acquisition;
- Betterments;
- Write downs;
- Disposals; and
- Total liabilities and net debt.

Details of the financial operations for the system include:

- Total revenues, itemized by water rates, user charges and other revenues;
- Total expenses, itemized by amortization expenses, interest expenses and other expenses;
- Annual surplus or deficit; and
- Accumulated surplus or deficit.

Details of the drinking water system's cash flow including receipts and payments arising from:

- Financing activities;
- Capital activities;
- Investing activities;
- Operating activities;
- Changes in cash and cash equivalents in the period; and
- Cash and cash equivalents at the beginning and end of period.

3. Recommendation:

That the Finance Committee recommends to Council that:

- a. In accordance with Provincial Regulation 453/07, the Water and Sewage Financial Plan as provided in the attached documents which has been prepared in the Public Sector Accounting Board (PSAB) format employing tangible capital asset methodology, be approved;
- b. A copy of the Water Financial Plan and Council Resolution approving the plan be submitted to the Ministry of Municipal Affairs and Housing (MMAH) as prescribed by Ontario Regulation 453/07 under the Safe Drinking Water Act, 2002 which requires owners of municipal drinking water systems to submit a Water Financial Plan to the Province in order to obtain or maintain a Municipal Drinking Water Licence; and
- c. Regional staff be authorized to place notification in newspapers and on the Municipal website advising the public of the availability of the Municipality of Red Lake's Water and Sewage Financial Plan, as prescribed by Ontario Regulation 453/07.

4. Existing Policy:

Existing policies include the 2002 Safe Drinking Water Act, O. Reg. 453/07, PSAB and GAAP.

5. Financial Consideration:

The Municipality of Red Lake budgets for the Water and Sewage System through the annual budget process. Shortfalls in revenues to cover operating and capital expenditures are covered by property taxation and government grants.

B. McQuarrie
Treasurer
November 2, 2011