

# Utilities Financial Sustainability Strategy

Presented to Priorities Committee  
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# Agenda

- Background
- Guiding principles
- Objectives and goals
- Current state
- Future state
- Roadmap
- Next steps

# Background

- The utility business is a very capital intensive enterprise
- Utilities has identified the need to balance long-term sustainability with affordability working within the corporate framework

# Guiding principles

- Sustainability
- Flexibility
- Minimize vulnerability
- Efficient
- Equitable
- Transparent

# Objectives

- Ensure Utilities continues to operate as a self-sustaining entity
- Update and reinforce the applicable policy framework
- Discuss principles and options that underpin this undertaking
- Enable a more deliberate approach to long-term planning and fiscal management of utility services

# Current state

- Utilities works within the corporate framework and is financially self-sufficient:
  - Does not use municipal property taxes to support operational or capital requirements
  - Exceptions are recycling stations and the Enviroservice Station
- Utilities is a capital intensive operation that has long lasting assets
- Planning horizon of five years
- Policy documentation consists of reserve accounts on an aggregate basis
- Cost of Service Study completed for water and wastewater

# Future state

- Future policy is to be developed to support components of this methodology
- Start to focus on a longer-term planning horizon
  - 100 year lifecycle
  - 10 year capital outlook
  - Four year operating and capital business plan and budget
- Begin to develop financial indicators and metrics

# Roadmap

## Prior to Fall 2020

- Modify our current policy to establish and justify appropriate reserves for each line of business
  - Risk reserve for operating and capital
  - Infrastructure reserve - planned expansion, replacement, refurbishment and maintenance of tangible capital assets



# Roadmap

## Ongoing

- Working within the corporate framework, consider the development and incorporation of financial indicators
- Limits on debt
  - Total debt to annual revenue ratio, limits on debt service, annual debt payment as a percentage of annual revenue
- Rate model parameters
- Levels of service metrics / indicators

# Roadmap

## Future

- Incorporate a longer planning horizon
  - Better reflects the lifecycle of the assets
- Introduction of additional utility policy as required

# Next steps

- Return to Council with an update to the Reserve Policy
- Prepare an implementation plan and incorporate as part of business planning and budget deliberations
- Bring forward a report on the utility rate setting methodology

# Discussion