



**Meeting Date:** June 4, 2025

**Prepared By:** Tiffany Farrell, Director of Corporate Services

**Submitted by:** Tiffany Farrell, Director of Corporate Services

**Report No:** CPS-29-2025

**Subject:** Long Range Financial Plans

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**Recommendation:**

THAT Report CPS-29-2025 re: Long-Range Financial Plans be received;

AND THAT Council approve the 2025-2034 Water Financial Plan included in the attached Water, Wastewater and Stormwater Long-Range Financial Plan prepared for the Municipal Drinking Water System Licence Renewal (Financial Plan # 052-301A), in accordance with Ontario Regulation 453/07. The water financial plan applies to the Municipality of Middlesex Centre's three drinking water systems licenses (Middlesex Centre Distribution System # 052-101, Melrose Drinking Water System # 052-103, and Birr Drinking Water System # 052-104);

AND THAT Council approve the 2025-2034 Water, Wastewater and Stormwater Long-Range Financial Plan attached to this report;

AND THAT Council approve the 2025-2034 Tax Long-Range Financial Plan attached to this report;

AND THAT the Municipal Treasurer submit the Water Financial Plan to the Ministry of the Environment, Conservation and Parks and the Ministry of Municipal Affairs and Housing in accordance with the *Safe Drinking Water Act, 2002*;

AND THAT the Municipal Treasurer issue notice of the Water Financial Plan availability, as prescribed by Ontario Regulation 453/07, on the Municipality of Middlesex Centre's website;

AND THAT staff be directed to review the recommendations in the attached Long-Range Financial Plans and report back to council during the annual budget development;

AND FURTHER THAT staff be directed to include an annual update on the Long-Range Financial Plans in the annual budget booklet to promote openness and transparency for the public.

**Purpose:**

To present the two updated long range financial plans to Council. These plans were undertaken by BMA Management Consulting Inc. (BMA) and include a 10-year outlook for the Municipality's operations and infrastructure funding requirements.

**Background:**

Middlesex Centre prepared two separate Long-Range Financial Plans (LRFP) to ensure long-term financial sustainability:

1. Tax-supported operations (A1 Tax Long-Range Financial Plan).
2. Rate-supported operations (A2 Water, Wastewater, and Stormwater Long-Range Financial Plan) – includes the Water Financial Plan, prepared in accordance with the *Safe Drinking Water Act*.

A LRFP is a comprehensive strategy that evaluates municipal revenues, expenditures, and financial planning across key areas such as asset management, development charges, reserve funds, debt, and taxation. By establishing long-term financial objectives, policies, and targets, the plan integrates both capital and operating needs to support financial sustainability.

Purpose of the LRFP

The LRFP serves as a strategic tool to:

- Promote long-term financial planning and sustainability.
- Guide budgeting and financial decision-making.
- Support priority setting for municipal projects and services.
- Mitigate future financial challenges while balancing municipal needs.

Using forecasting, financial modeling, and policy development, the LRFP provides a framework for Council and staff to make informed decisions that align with Middlesex Centre's strategic goals. As financial conditions evolve, each LRFP update refines projections based on current data.

## Prior Plans

- 2016: BMA presented Middlesex Centre's first 10-year LRFP, evaluating financial objectives, targets, and forecasting tools.
- 2021: BMA updated the Water Financial Plan, meeting the Ministry of the Environment, Conservation and Parks' requirements.
- 2024: BMA was retained to update the 10-year LRFP (2024–2034), covering tax-supported and rate-supported operations. The updated plan evaluates:
  - Reserve fund levels
  - Debt capacity
  - Tax levy needs
  - User rate adjustments
  - Long-term financial position

This analysis incorporates data from the 2024 Development Charges Background Study, current budgets, master plans, Strategic Plan, and Asset Management Plan to ensure a well-informed financial strategy.

## Collaborative Development

Staff from all departments actively contributed to the LRFP, ensuring that operational and capital information remains current and comprehensive throughout the planning process.

## Water Financial Plan

As part of Justice O'Connor's Walkerton Inquiry recommendations, the Ministry of the Environment, Conservation and Parks (MECP) established the Municipal Drinking Water License Program under the Safe Drinking Water Act. All municipal residential drinking water systems must be licensed under this program.

Middlesex Centre met all prerequisites and received its municipal drinking water license on February 4, 2022, valid until February 3, 2027. Provincial legislation requires municipal water systems to be self-financing, meaning revenues from water sales must fully cover the costs of providing water services.

To ensure financial sustainability, municipalities must assess the medium- and long-term costs of operating, maintaining, replacing, and upgrading water infrastructure—including wells, pipes, treatment facilities, and equipment. The Water Financial Plan is a key tool for establishing pricing and funding strategies that support ongoing service delivery.

While the last Water Financial Plan was completed in 2021 and wasn't due for renewal until 2026, staff updated the plan alongside the Long-Range Financial Plan (LRFP) for better alignment across all municipal divisions.

## **Analysis:**

### Overview

Middlesex Centre prepares two Long-Range Financial Plans (LRFP); however, for simplicity, both will be referred to as the LRFP in this report.

The LRFP complements the annual budgeting process by providing a broader, long-term financial perspective. Led by the Corporate Services Department, with contributions from all municipal departments, the LRFP offers a comprehensive view of operational and capital trends, funding needs, and potential fiscal pressures.

By identifying financial challenges before they arise, the LRFP allows staff to proactively manage resources, helping to maintain affordable tax rates and user fees. It also provides Council with valuable insights into municipal financial health and outlines strategies for long-term sustainability.

The attached reports summarize key findings, highlighting financial trends and assessing their long-term impact on debt servicing, reserve fund levels, user rates, and taxation. This enables staff to anticipate challenges, explore financial strategies, and develop policies aligned with Middlesex Centre's strategic goals and priorities.

The LRFP is a critical tool for long-term planning and informed decision-making, supporting responsible financial management.

Note: These reports do not incorporate the impacts of recent tariffs or new economic legislation, such as Bill 17, Protecting Ontario by Building Faster and Smarter Act, 2025. Any unforeseen financial issues will be addressed annually through the budget process and LRFP review process.

### Actionable Items

The LRFP provides the framework for sensitivity analysis on key fiscal measures during the annual budget process, including:

- Reserve balances
- Debt requirements
- User rate adjustments
- Debt levels
- Tax-levy increases

The 10-year forecast (to 2034) outlines the Municipality's overall financial position, capital infrastructure needs, and key assumptions. It includes findings related to taxation, expenditures, non-tax revenues, reserve funds, and debt management, along with recommendations to develop sound fiscal strategies.

Key recommendations staff will review and report back to Council include:

- Tax-supported operations: Consolidating capital reserve funds and creating a growth-specific reserve fund to enhance financial flexibility for Council decision-making, supporting growth infrastructure and asset management.
- Infrastructure funding: Implementing a 15-year strategy to reduce the Asset Management Plan (AMP) gap for existing and growth-related assets through tax levy and rate increases, plus strategic borrowing.
- Debt policy: Reviewing municipal debt strategy, focusing on borrowing for growth projects while staying within the 17% of own-source revenue target.

### Rate Requirements

Recommended Annual Rate Increases (as outlined in the LRFPs):

- Property Tax Levy: +8.4% annually
- User Rates (Smoothed Ratepayer Impact over 10 Years):
  - Water: +6.1% annually
  - Wastewater: +8.7% annually
  - Stormwater: +10.0% annually

A portion of these increases will be offset by annual growth, projected between 1% and 4.5%, reducing the net impact on existing ratepayers. Rate adjustments will be reviewed during the annual budget process, with staff analyzing any financial implications of deviations from the recommended rates.

Maintaining the recommended rate increases is essential to closing the infrastructure funding gap. Lower-than-proposed increases would limit the Municipality's ability to fund both:

1. Existing infrastructure
2. Growth-related assets that benefit the current population, as identified in the Development Charges Background Study

## Debt Requirements

To support growth-related infrastructure, the Municipality will implement a strategic debt management approach that ensures fair cost-sharing between existing and future users. By financing eligible growth projects through debt, repayment can be aligned with development timing, distributing costs across multiple generations who benefit from the infrastructure. This approach helps maintain manageable tax and user rates for current ratepayers.

Debt will be issued for projects where the asset's useful life warrants long-term financing, with repayment schedules matched to the expected lifespan of the infrastructure. This ensures intergenerational equity, so those using the system over time contribute to its cost.

### Key Benefits of This Strategy:

- Reduces immediate financial pressure on tax and ratepayers
- Maintains financial flexibility for municipal planning
- Improves reserve fund management for sustainable operations
- Accelerates infrastructure delivery to support growth

The Municipality will continue to monitor debt capacity, adhere to established limits, and integrate financing decisions within the broader LRFP and Development Charges Background Study.

The LRFP recommends borrowing for water, wastewater, and stormwater projects, specifically those identified in the Development Charges Study. User rates will fund the portion benefiting existing development, but development charges are currently underfunded and in a negative cash flow position. As a result, the Municipality must borrow the full project cost, which will be factored into annual repayment limits.

This borrowing will exceed the 17% of own-source revenues debt limit set in municipal policy but will remain below the provincial maximum of 25% of own-source revenues.

### Debt Issued for Growth Projects (20-Year Term at 4.5% Interest):

#### LRFP Borrowing Projections (2024–2034):

- Water: \$15.7 million
- Wastewater: \$18.2 million
- Stormwater: \$1.2 million

#### Actual Debt Issuance (Including Development Charge-Funded Portion):

- Water: \$35.3 million
- Wastewater: \$79.9 million
- Stormwater: \$1.2 million

Staff have calculated a proposed ARL for 2034, factoring in required borrowing and a 5% annual increase in own-source revenues. The resulting ARL is 18.14%, as outlined in A3 Projected Debt Payments & Annual Repayment Limit.

#### Communications and Reporting

Once approved, the LRFP will be publicly available on the municipal website.

The LRFP will be updated annually as part of the budget process to reflect Council decisions, financial projections, and anticipated long-term impacts on municipal operations and asset management. These updates will be included in the annual budget for Council's review.

Any differences between the LRFP's proposed rate increases and those approved by Council will be clearly communicated. Variances in water, wastewater, and stormwater rates will be outlined in reports accompanying the respective fees and charges by-laws, while adjustments to tax rates will be explained in the annual budget.

#### Water Financial Plan 2025-2034

The Water Financial Plan for Middlesex Centre (2024–2034) is included in the A1 Water, Wastewater, and Stormwater Long-Range Financial Plan, prepared by BMA in collaboration with municipal staff. This plan incorporates the latest data from the Asset Management Plan and Development Charges Background Study to ensure the long-term financial stability of the municipality's water systems and the sustainable delivery of services to residents.

A financial plan requires a detailed analysis of both capital and operating needs, an evaluation of current and future demand, and a review of available funding sources. Middlesex Centre's Water Financial Plan has been developed in compliance with Ministry of the Environment, Conservation and Parks (MECP) requirements and adheres to all regulations under the Safe Drinking Water Act.

The Water Financial Plan is being presented to Council on June 4, 2025, with a public notice posted on the municipal website on May 23, 2025. As per provincial regulations, confirmation of approval must be submitted six months before the municipal drinking water license expires. Additionally, a copy of the plan must be sent to the MMAH.

O. Reg. 453/07 provides details on the requirements for existing water systems (licence renewal), which are summarized as follows:

- Financial plans must be approved by resolution of Council (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the PSAB) for each year in which the financial plans apply;
- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per PSAB) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per PSAB for each year in which the financial plans apply;
- Financial plans applicable to two or more solely owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

While regulations require a minimum six-year forecast, Middlesex Centre’s 2025–2034 financial plan exceeds this requirement, ensuring longer-term financial planning. The plan is a living document, subject to updates and adjustments as financial conditions change.

Middlesex Centre’s Water Financial Plan is fully compliant with all regulatory requirements and provides a solid financial foundation for sustainable water system management over the next decade.

### **Financial Implications:**

The LRFP provides the Municipality with a 10-year forecast of revenues and expenditures, along with financial targets to guide the development of future budgets. The proposed plans identify anticipated increases to water, wastewater, stormwater, and tax rates in future years, primarily driven by the rising costs of capital projects. There is no financial impact on the approved 2025 budget.



**Strategic Plan:**

This matter aligns with following strategic priorities:

- Responsive Municipal Government

This report responds directly to Objective 5.3 – Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

- Sustainable Infrastructure and Services

This report responds directly to Objective 4.2 – apply a financial sustainability lens to all municipal services and programs. Further, it aligns with Objective 4.3 – Continue with our asset management plan and apply a financial sustainability lens to all municipal assets and infrastructure. It also aligns with the recommendation under Objective 4.3 to communicate our approach to funding capital projects.

**Attachments:**

A1 Water, Wastewater and Stormwater Long Range Financial Plan prepared by BMA

A2 Tax Supported Long Range Financial Plan prepared by BMA

A3 Projected debt payments and annual repayment limit