

**Subject: Long Range Financial Plan VI - Water, Wastewater and Stormwater
(Rate) Supported Programs**

File Number: ACS2025-FCS-FIN-0004

Report to Finance and Corporate Services Committee on 3 June 2025

and Council 11 June 2025

Submitted on May 23, 2025 by Cyril Rogers, Chief Financial Officer

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Ward: Citywide

**Objet : Plan financier à long terme VI – Programmes relatifs à l'eau, aux
eaux usées et aux eaux pluviales finances par les redevances**

Numéro de dossier : ACS2025-FCS-FIN-0004

Rapport présenté au Comité des finances et des services organisationnels

Rapport soumis le 3 juin 2025

et au Conseil le 11 juin 2025

Soumis le 23 mai 2025 par Cyril Rogers, chef des finances

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That the Finance and Corporate Services Committee recommend Council receive and adopt the funding strategy that supports the operating and capital requirements for the Water, Wastewater, and Stormwater programs, as described in this report.

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil de recevoir et d'adopter la stratégie de financement qui soutient les besoins de fonctionnement et d'immobilisations pour les programmes d'eau, d'eaux usées et d'eaux pluviales, comme le précise le présent rapport.

EXECUTIVE SUMMARY

The Long-Range Financial Plan VI (LRFP VI) provides a comprehensive ten-year forecast for the capital needs of Ottawa's water, wastewater and stormwater services. This plan is essential for effective financial management, ensuring that infrastructure investments are sustainable, meet service levels, and legislative requirements. Building on previous plans, LRFP VI incorporates updated capital needs and capital funding plans that are required to keep assets functioning safely and to ensure continued service delivery with minimal disruption, while addressing priority needs and legislative requirements, and managing debt, reserve balances and rate increases.

The proposed LRFP used the 2025 AMPs as an initial guide for developing a ten-year funding strategy, with the scope of addressing prioritized needs where the risk could not be mitigated by any other means than investment. For water, wastewater and stormwater services, the AMPs identified a ten-year capital requirement of \$6.3 billion (in 2024\$) for all assets and the priority needs assessment reduced that amount to \$4 billion (in 2024\$) or \$4.8 billion in inflated dollars.

Since the approval of LRFP V ([ACS2017-CSD-FIN-0023](#)) in 2017, the City has made significant progress in supporting the capital needs of the rate supported program. The 2017 LRFP identified a need of \$260 million (in 2017\$) annually for capital. In 2017, the annual capital envelope was only \$198 million. Since 2017, and in alignment with the LRFP, we have increased the annual budget envelope to \$360 million in 2025, including inflation.

The City's net book value for water, wastewater and stormwater assets is over \$8.06 billion with an estimated replacement value of more than \$51.2 billion. This includes, but is not limited to, 9,600 kilometers of water, wastewater and stormwater pipes; two water purification plants (Lemieux and Britannia); the Robert O. Pickard Environmental Centre (ROPEC), the City's sewage treatment plant; 86 pump stations; and over 6,600 culverts.

The forecasted capital requirements for the next ten years in this LRFP have increased since the 2017 LRFP V. A total net investment of \$4.8 billion is required in this ten-year timeframe for water, wastewater and stormwater infrastructure, the vast majority, or \$4.37 billion, is for renewal. Another \$234 million is for the benefit to existing funding for growth projects and the remaining \$158 million is for enhancements and regulatory requirements. The \$4.8 billion over ten years equates to an annual investment of approximately \$450 - \$500 million in most years.

Currently, the City's operating revenues provide capital funding of approximately \$307 million annually; \$232 million as cash contributions towards new water, wastewater and stormwater capital investments; and \$75 million in debt authority. With a forecast of approximately \$476 million on average per year for capital investment requirements, this leaves a funding gap of approximately \$169 million per year to be financed through a combination of rate increases and new debt authority.

The proposed capital funding enables the City to invest \$4.8 billion in water, wastewater and stormwater assets over the ten-year period through a combination of revenue and debt financing. Of the proposed \$4.763 billion investment program, \$3.048 billion of funding would be raised from water, wastewater and stormwater revenues and \$1.715 billion to be funded from issuing new debt. The estimated rate increases required to recover costs will differ by service with an overall estimated average annual increase of 5.0 per cent over the 10 years or \$5.00 per month more for the average residential property.

The recommended funding strategy aims to completely eliminate the funding gap for priority capital needs in every year of the ten-year planning period, by shifting a portion of the cash contributions annually to debt servicing to advance funding. The impact to the ratepayer is minimized since the overall revenue requirement remains stable but the debt servicing ratio does increase, but within affordable limits. The projected debt servicing requirements of this strategy are not expected to exceed the City's 15 per cent debt servicing target until 2030. The next Fiscal Framework is due to be updated in the next year, once the funding strategy for all the long range financial plans are completed. The debt servicing target levels of 7.5 per cent for tax and 15 per cent for rate will be reassessed at that time if needed, taking into consideration the overall target of 8.5 per cent and the provincial limit of 25 per cent.

Based on current projections, the City's overall debt servicing remains within affordable levels and the overall impact to the City's 8.5 per cent target will be confirmed once the tax and transit LRFPs are finalized. Current estimates show that we would continue to

stay well below the 8.5 per cent combined tax and rate debt servicing ratio.

Council reviews and adopts the operating and capital budgets on an annual basis. Future plans will reflect Council's annual reviews and related directions. Spending needs and financing plans may also be adjusted in the future as a result of legislative requirements; as a result of the City's planning process; and, related decisions on Water and Sewer Rate Supported Programs, balancing financial and non-financial strategies that support service needs.

RÉSUMÉ

Le plan financier à long terme VI (PFLT VI) fournit une prévision exhaustive sur dix ans des besoins en immobilisations pour les services d'eau, d'eaux usées et d'eaux pluviales d'Ottawa. Ce plan est essentiel pour une gestion financière efficace, garantissant que les investissements dans les infrastructures sont durables et qu'ils respectent les niveaux de service ainsi que les exigences législatives. S'appuyant sur les plans précédents, le PFLT VI intègre les besoins d'immobilisations actualisés et les plans de financement des immobilisations, qui sont nécessaires pour que les actifs fonctionnent en toute sécurité et pour assurer la continuité de la prestation des services avec un minimum d'interruption, tout en répondant aux besoins prioritaires et aux exigences législatives, et en gérant la dette, les soldes des réserves et les augmentations de tarifs.

La proposition de PFLT a utilisé les plans de gestion des actifs (PGA) de 2025 comme guide initial pour élaborer une stratégie de financement sur dix ans, dans le but de répondre aux besoins prioritaires pour lesquels le risque ne peut être atténué par d'autres moyens que l'investissement. Pour les services d'eau, d'eaux usées et d'eaux pluviales, les PGA ont établi un besoin en immobilisations sur dix ans de 6,3 milliards de dollars (en dollars de 2024) pour tous les actifs, et l'évaluation des besoins prioritaires a réduit ce montant à 4 milliards de dollars (en dollars de 2024), ou 4,8 milliards de dollars en dollars courants.

Depuis l'approbation du PFLT V en 2017, la Ville a fait des progrès notables dans le soutien des besoins en immobilisations des programmes financés par les redevances. Le PFLT 2017 a établi un besoin de 260 millions de dollars (en dollars de 2017) par an pour les immobilisations. En 2017, l'enveloppe annuelle des immobilisations n'était que de 198 millions de dollars. Depuis 2017, et conformément au PFLT, nous avons augmenté l'enveloppe budgétaire annuelle à 360 millions de dollars en 2025, en tenant compte de l'inflation.

La valeur comptable nette des actifs de la Ville dans les domaines de l'eau, des eaux usées et des eaux pluviales s'élève à plus de 8,06 milliards de dollars, pour une valeur à neuf estimée à plus de 51,2 milliards de dollars. Cela comprend, sans s'y limiter, 9 600 kilomètres de conduites d'eau, d'eaux usées et d'eaux pluviales, deux usines de purification de l'eau (Lemieux et Britannia), le Centre environnemental Robert-O.-Pickard (CEROP), l'usine de traitement des eaux usées de la Ville, 86 stations de pompage et plus de 6 600 ponceaux.

Les besoins en immobilisations prévus pour les dix prochaines années dans ce PFLT ont augmenté depuis PFLT V de 2017. Un investissement net total de 4,8 milliards de dollars est nécessaire au cours de cette période de dix ans pour les infrastructures d'eau, d'eaux usées et d'eaux pluviales, la grande majorité, soit 4,37 milliards de dollars, étant destinée au renouvellement. Un autre montant de 234 millions de dollars est destiné au financement de projets de croissance, et les 158 millions de dollars restants sont destinés à des améliorations et à des exigences réglementaires. Les 4,8 milliards de dollars sur dix ans correspondent à un investissement annuel d'environ 450 à 500 millions de dollars la plupart des années.

Actuellement, les recettes d'exploitation de la Ville fournissent un financement des immobilisations d'environ 307 millions de dollars par an : 232 millions de dollars sous forme de contributions en espèces pour les nouveaux investissements en immobilisations pour l'eau, les eaux usées et les eaux pluviales, et 75 millions de dollars sous forme de pouvoir d'endettement. Avec une prévision d'environ 476 millions de dollars en moyenne par an pour les besoins d'investissement en immobilisations, il reste un déficit de financement d'environ 169 millions de dollars par an à financer par une combinaison d'augmentations des tarifs et d'un nouveau pouvoir d'endettement.

Le financement des immobilisations proposé permet à la Ville d'investir 4,8 milliards de dollars dans des actifs liés à l'eau, aux eaux usées et aux eaux pluviales sur une période de dix ans, grâce à une combinaison de recettes et de financement par emprunt. Sur les 4,763 milliards de dollars du programme d'investissement proposé, 3,048 milliards de dollars proviendraient des recettes des services d'eau, d'eaux usées et d'eaux pluviales, et 1,715 milliard de dollars serait financé par une nouvelle dette. Les augmentations de tarifs estimées nécessaires pour recouvrer les coûts varient selon les services, avec une augmentation annuelle moyenne globale estimée à 5,0 % sur les dix ans, soit 5,00 dollars de plus par mois pour une propriété résidentielle moyenne.

La stratégie de financement recommandée vise à éliminer le déficit de financement des besoins prioritaires en immobilisations pour chaque année de la période de planification de dix ans, en transférant une partie des contributions en espèces annuelles au service de la dette afin d'avancer le financement. Les répercussions sur les contribuables demeurent faibles, puisque les besoins en revenus généraux restent stables, même si le ratio d'endettement augmente, tout en restant dans des limites raisonnables. Les exigences prévues en matière de service de la dette dans le cadre de cette stratégie ne devraient pas dépasser l'objectif de 15 % du service de la dette de la Ville avant 2030. Le prochain cadre financier devrait être mis à jour l'année prochaine, une fois que la stratégie de financement de tous les plans financiers à long terme sera achevée. Les niveaux cibles du service de la dette de 7,5 % pour les taxes et de 15 % pour les redevances seront réévalués à ce moment-là, si nécessaire, en tenant compte de l'objectif global de 8,5 % et de la limite provinciale de 25 %.

Sur la base des projections actuelles, le service global de la dette de la Ville reste à des niveaux abordables, et l'incidence globale sur l'objectif de 8,5 % de la Ville sera confirmée une fois que le PFLT pour les actifs financés par les taxes et le PFLT du transport en commun auront été achevés. Les estimations actuelles montrent que nous resterons bien en deçà du ratio de 8,5 % d'endettement pour les taxes et les redevances combinées.

Le Conseil examine et adopte chaque année les budgets de fonctionnement et d'immobilisations. Les plans futurs tiendront compte des examens annuels du Conseil et des orientations connexes. Les besoins en dépenses et les plans de financement peuvent également être ajustés à l'avenir en fonction des exigences législatives, du processus de planification de la Ville et des décisions relatives aux programmes financés par les redevances d'eau et d'égout, en équilibrant les stratégies financières et non financières qui soutiennent les besoins en matière de services.

BACKGROUND

Long range financial plans (LRFPs) are essential for effective financial management. These plans are regularly revised to incorporate new data, including shifts in priorities, changes in economic conditions, and any new legislated requirements. This is the sixth LRFP since amalgamation, and the third rate supported LRFP since 2012.

Long Range Financial Plan V – Water Wastewater and Stormwater supported programs ([ACS2017- CSD-FIN-0023](#)) was approved by Council on September 27, 2017. The LRFP V funding plan was guided by the following principles:

- Debt servicing charges (principal and interest) for such capital-intensive programs are set at a maximum 15 per cent of the annual rate revenues, a level which is greater than the current Council limit of 7.5 per cent for tax supported City services;
- Debt will be issued for terms that match the life of the assets they are funding, which not only reduces the annual operating impact of debt issuance but also ensures that infrastructure investments are paid for by future generations that will benefit from these assets;
- Operating and capital needs were allocated separately for each service - Water, Wastewater and Stormwater to calculate the estimated cost of service for cost recovery purposes and to align expenditures with the new rate structure;
- Required rate increases were forecasted by Service and will be minimized as much as possible and will be smoothed over the 10-year forecast period in order to provide predictability for ratepayers; and
- Reserve fund balances are increased annually if required to maintain a recommended minimum balance.

The objective of this report is to provide an updated affordable ten-year funding plan for the rate supported operating and capital requirements for the delivery of water, wastewater, and stormwater services. The report recommends the funding amount, determined by staff, that is required to keep assets functioning safely and to ensure continued service delivery with minimal disruption, while addressing priority needs and legislative requirements.

Asset Management Plans

Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure requires all municipalities to prepare asset management plans for all their assets. The purpose of this legislation is to strengthen how municipalities plan for the future and manage existing infrastructure by requiring them to provide detailed information on asset inventory and conditions, forecasted budgets, capital investment needs, service levels, and risks over a ten-year period.

The 2025 asset management plans (ACS2025-IWS-AM-0002) are a snapshot in time outlining the approved levels of service the City intends to achieve over the 2024-2033 timeframe and assessing whether 10-year forecasted funding per the 2024 budget is sufficient to achieve those target levels of service. The 2025 asset

management plans (AMPs) also articulate risks to assets and service delivery, along with associated risk mitigation strategies. The proposed LRFP used the 2025 AMPs as an initial guide for developing a ten-year funding strategy, with the scope of addressing prioritized needs where the risk could not be mitigated by any other means than investment. For water, wastewater and stormwater services, the AMPs identified a ten-year capital requirement of \$6.3 billion (in 2024\$) for all assets and the priority needs assessment reduced that amount to \$4 billion (in 2024\$) or \$4.8 billion in inflated dollars.

2017 Long Range Financial Plan V

Since the approval of LRFP V in 2017, the City has made significant progress in supporting the capital needs of the rate supported program. The 2017 LRFP identified a need of \$260 million (in 2017 dollars) annually for capital. In 2017, the annual capital envelope was \$198 million. The plan was to increase that amount each year to achieve the \$260 million within five years and exceed that amount in the last five years of the plan to cover the entire \$2.6 billion requirement over ten years. The City has remained on track to achieve this plan to fully fund the LRFP V for the ten-year period. Since 2017, and in alignment with the LRFP, we have increased the annual budget envelope to \$360 million in 2025, including inflation. Over the last eight years since 2018, the City has provided \$2.1 billion in capital funding to Water, Wastewater, and Stormwater capital projects and programs, which is just under what was planned.

The following tables provide an overview of the revenue and capital investments forecast in the 2017 LRFP V in comparison to the actual results for the years 2018-2024.

Table 1 – Annual Rate Revenue 2017 LRFP Forecast vs Actuals

| \$Millions | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Actual* | 366.1 | 371.3 | 394.2 | 414.9 | 428.4 | 459.8 | 485.5 | 2,920.2 |
| LRFP V (Inflated) | 363.1 | 383.1 | 402.4 | 421.6 | 442 | 460.5 | 480.4 | 2,953.1 |
| Variance | 3.0 | (11.8) | (8.2) | (6.7) | (13.6) | (0.7) | 5.1 | (32.9) |

*Actual revenues are within 1% of the forecasted LRFP V estimates

Table 2 - Net Capital Requirement 2017 LRFP Forecast vs Actuals

| \$Millions | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Annual Budget | 195.3 | 222.1 | 230.8 | 217.9 | 237.5 | 322.3 | 349.7 | 360.3 | 2,135.7 |
| LRFP V (Inflated) | 212.3 | 230.4 | 248.6 | 267.4 | 287.7 | 307.2 | 328.2 | 356.4 | 2,238.1 |
| Variance | (16.9) | (8.3) | (17.9) | (49.6) | (50.2) | 15.1 | 21.5 | 3.9 | (102.4) |

DISCUSSION

Capital Asset Profile

The City's net book value for water, wastewater and stormwater assets is over \$8.06 billion with an estimated replacement value of more than \$51.2 billion. This includes, but is not limited to, 9,600 kilometers of water, wastewater and stormwater pipes; two water purification plants (Lemieux and Britannia); the Robert O. Pickard Environmental Centre (ROPEC), the City's sewage treatment plant; 86 pump stations; and over 6,600 culverts.

For financial reporting purposes, and in accordance with accounting policies prescribed by the Public Accounting Standard Board, these capital assets are stated at historical cost and are amortized over their useful life. However, the Capital Investment Requirements are based on the cost of replacing these assets today. A breakdown of these assets by Service is as follows:

Table 2 – Approximate Replacement Value

| Assets | Total (\$000's) | % |
|-------------------|------------------------|-------------|
| Water | 18,570,000 | 36% |
| Wastewater | 15,761,300 | 31% |
| Stormwater | 16,097,500 | 31% |
| Culverts | 805,900 | 2% |
| Total | \$51,234,700 | 100% |

Capital Investment Requirements

Investment requirements are a function of: renewal of existing assets to ensure they remain in a state that is safe and functional and comply with current service level

standards; growth related to new development and redevelopment; initiatives and service enhancements established by Council; or new regulatory requirements.

To quantify the investment required over the next ten years, City staff have analyzed the inventory of existing water, wastewater and stormwater assets; reviewed forecasted growth projects; and referenced service enhancements and regulatory requirements to the extent known.

Both the Capital Investment Requirements and the Capital Financing Plan have been presented on a “net” City requirement basis. External revenue sources such as those received from other levels of government and development charges collected in relation to growth projects are excluded. This provides a clear view of the City’s own financial responsibility with respect to developing a funding strategy specifically for rate-supported services.

A total net investment of \$4.8 billion is required in this ten-year timeframe for water, wastewater and stormwater infrastructure which equates to an annual investment of approximately \$450 - \$500 million in most years.

The following tables summarize the net capital requirement by Service:

Table 3 – Water

| \$Millions | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | Total |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Renewal | 168.3 | 170.1 | 185.2 | 188.0 | 179.5 | 177.8 | 175.7 | 151.3 | 155.3 | 152.3 | 1,703.5 |
| Growth | 5.6 | 29.7 | 4.6 | 38.0 | 3.6 | 10.1 | 0.9 | 1.0 | 0.9 | 1.0 | 95.4 |
| Service Enhancements / Regulatory | 15.0 | 2.6 | 5.8 | 3.3 | 2.9 | 4.2 | 4.2 | 11.2 | 17.9 | 19.5 | 86.6 |
| Total | 188.9 | 202.4 | 195.7 | 229.3 | 186.0 | 192.1 | 180.8 | 163.5 | 174.0 | 172.8 | 1,885.5 |

Table 4 – Wastewater

| \$Millions | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | Total |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Renewal | 177.3 | 125.4 | 174.8 | 165.5 | 189.1 | 221.1 | 190.1 | 172.2 | 125.5 | 173.1 | 1,714.1 |
| Growth | 9.4 | 6.7 | 26.6 | 44.5 | 2.8 | 18.9 | 0.9 | 1.9 | 1.5 | 7.5 | 120.8 |
| Service Enhancements / Regulatory | 8.2 | 2.9 | 5.5 | 4.8 | 5.8 | 2.8 | 5.9 | 4.5 | 13.0 | 3.1 | 56.4 |
| Total | 194.9 | 134.9 | 206.9 | 214.8 | 197.7 | 242.8 | 196.8 | 178.5 | 140.0 | 183.7 | 1,891.2 |

Table 5 – Stormwater

| \$Millions | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | Total |
|--|--------------|-------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Renewal | 96.9 | 90.2 | 81.7 | 90.4 | 90.2 | 94.3 | 95.8 | 104.1 | 103.4 | 106.0 | 952.8 |
| Growth | 0.3 | 1.0 | 0.4 | 3.2 | 0.4 | 10.9 | 0.4 | 0.5 | 0.5 | 0.5 | 18.1 |
| Service Enhancements / Regulatory | 11.7 | 0.2 | 0.5 | 1.6 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 15.4 |
| Total | 108.9 | 91.4 | 82.6 | 95.2 | 90.8 | 105.4 | 96.4 | 104.8 | 104.1 | 106.7 | 986.3 |

Table 6 Total Rate

| \$Millions | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | Total |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Renewal | 442.5 | 385.7 | 441.7 | 443.9 | 458.9 | 493.2 | 461.6 | 427.6 | 384.1 | 431.4 | 4,370.4 |
| Growth | 15.3 | 37.4 | 31.7 | 85.7 | 6.8 | 39.9 | 2.2 | 3.3 | 2.9 | 9.0 | 234.2 |
| Service Enhancements / Regulatory | 34.9 | 5.7 | 11.9 | 9.8 | 8.9 | 7.3 | 10.3 | 15.9 | 31.1 | 22.8 | 158.4 |
| Total | 492.7 | 428.7 | 485.3 | 539.3 | 474.5 | 540.3 | 474.1 | 446.8 | 418.1 | 463.2 | 4,763.0 |

Renewal

The renewal needs involve the rehabilitation or renewal of existing assets to restore their original quality, capacity, or functionality, ensuring they continue to serve the community effectively. This is sometimes referred to as “like for like” replacement. It also includes other activities that do not contribute directly to improvements in asset

condition, but which require capital investment (such as planning, condition assessment, inspections, etc.) and opportunistic renewal works coordinated as part of other projects

Staff continue to apply evidence-based decision making to prioritize renewal investments. Of the \$4.8 billion total net capital investment needed to maintain assets in a state that is safe and functional, the vast majority, or \$4.37 billion, is for renewal.

Growth

The capital growth needs were prepared based on projects that have been identified in the Development Charge Background study as having a benefit to existing component, which includes the needs identified in the Infrastructure Master plan ([ACS2024-IWS-AM-0003](#)). The total growth requirement in the ten-year period is \$1.24 billion (excluding Tewin). This includes \$234 million of costs that have been included in the LRFP as the benefit to existing component of growth projects. The remaining \$1 billion or \$100 million annually is excluded from the capital financing plan as it is to be recovered from a combination of development charges, development charges supported debt, or potentially additional funding from senior levels of government. In 2024, the City received approximately \$48.3 million in water, wastewater and stormwater development charges, which is less than the \$100 million annually that would be required.

Service Enhancements and Regulatory

The Service Enhancement and Regulatory category includes Council-directed initiatives. Regulatory projects are driven by legislative requirements, often by safety-related regulations. Of the \$4.8 billion total net capital investment needed, \$158.4 million is for service enhancement and regulatory.

Service Enhancement project initiatives include projects that implement the various City master plans or enhance services currently being provided to residents, implement new legislative requirements, and respond to changes in demand for service.

Projects included in this ten-year forecast may be subject to change. Council reviews and approves operating and capital budgets on an annual basis. Capital investment requirements and related financing plans may also be adjusted in the future as a result of legislative requirements; as a result of the City's planning process; and initiatives to balance financial and non-financial strategies to bring sustainable practices for managing our assets in a way that supports service expectations.

Capital Financing Strategy, Goals & Assumptions

Currently, the City's operating revenues provide capital funding of approximately \$307 million annually; \$232 million as cash contributions towards new water, wastewater and stormwater capital investments; and \$75 million in debt authority. With a forecast of approximately \$476 million on average per year for capital investment requirements, this leaves a funding gap of approximately \$169 million per year to be financed through a combination of rate increases and new debt authority.

The revised funding strategy aims to strike the optimal balance between these sources and is guided by the following principles:

- Debt servicing levels will not exceed 15 per cent of the amount raised from rate revenues to reflect the more capital-intensive nature of water, wastewater and stormwater services. This was a starting point for the strategies explored, but in order to address the city's priority needs, the affordability of exceeding the 15 per cent while remaining within the overall 8.5 per cent target for tax and rate combined was also explored.
- Longer terms for debt financing will be established for water, wastewater and stormwater projects to better match the life of the assets they are funding. This will result in lower annual debt service payments that will be funded over a longer time period by both the current and future residents benefiting from these assets.
- Capital reserves minimum balance levels will be maintained over the long-term, to ensure there is sufficient reserves to address year over year operating and capital expenditure fluctuations.
- Rate increases required to fund water, wastewater and stormwater services will be minimized as much as possible and smoothed over the 10-year forecast period. This will provide ratepayers with some predictability of what increases they can anticipate from year to year.

Capital Financing Plan

The funding strategy enables the City to invest \$4.8 billion in water, wastewater and stormwater assets over the ten-year period through a combination of operating revenues and debt financing. This funding level is based on the adoption of the funding strategies outlined in this document.

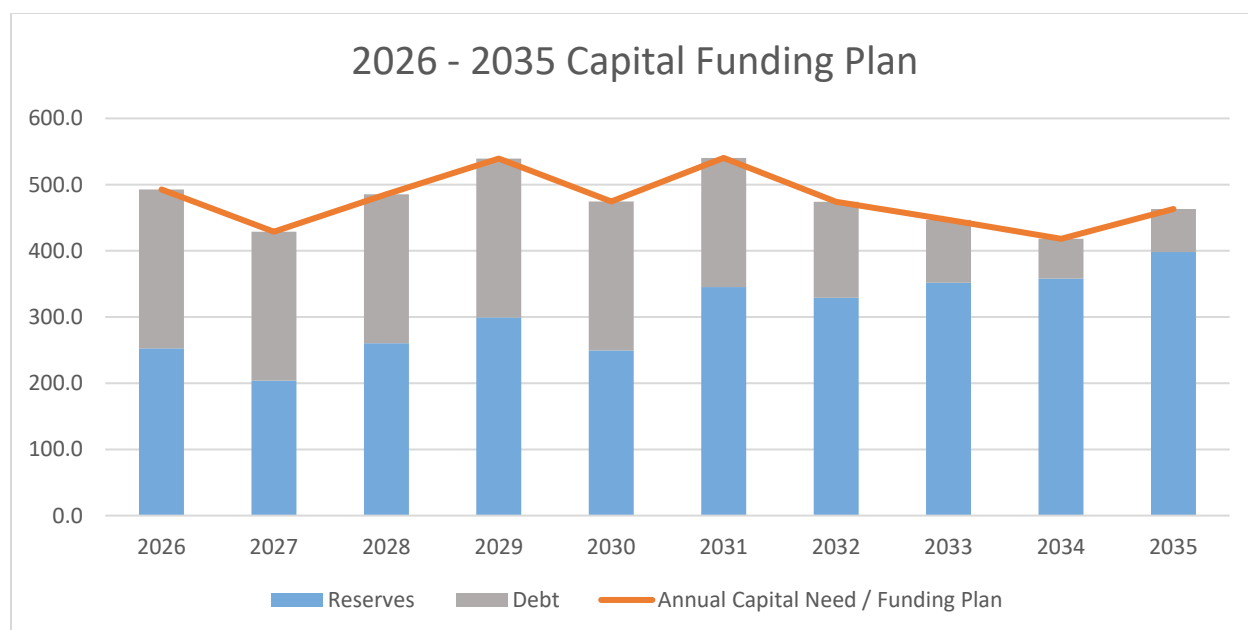
Table 7 – Funding Plan for Rate Supported Capital

| Capital Investment | 2026 | 2027 | 2028 | 2029 | 2030 | 2031-2035 | Total |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|------------------|----------------|
| Water | 188.9 | 202.4 | 195.7 | 229.3 | 186.0 | 883.2 | 1,885.5 |
| Wastewater | 194.9 | 134.9 | 206.9 | 214.8 | 197.7 | 941.9 | 1,891.2 |
| Stormwater | 108.9 | 91.4 | 82.6 | 95.2 | 90.8 | 517.4 | 986.3 |
| Total Capital Investment | 492.7 | 428.7 | 485.3 | 539.3 | 474.5 | 2342.5 | 4,763.0 |
| Reserves | 252.7 | 203.7 | 260.3 | 299.3 | 249.5 | 1,782.5 | 3,048.0 |
| Debt | 240.0 | 225.0 | 225.0 | 240.0 | 225.0 | 560.0 | 1,715.0 |
| Total Funding Plan | 492.7 | 428.7 | 485.3 | 539.3 | 474.5 | 2,342.5 | 4,763.0 |

Of the proposed \$4.763 billion investment program, \$3.048 billion of funding will be raised from water, wastewater and stormwater revenues and \$1.715 billion to be funded from issuing new debt.

Based on the above plan, annual debt servicing costs as a percentage of rate supported operating revenues will average 16.3 per cent over the forecast period, and is not expected to exceed the 15 per cent target until 2030.

Over the 10-year term, the timing of investments will need to be managed, while maintaining service levels and continuing to maintain assets in a state that is safe and functional. The City has and will continue to put in place risk-based financial and non-financial strategies to manage the timing of these investments, but the funding plan does fund the total net requirement of \$4.8 billion over the ten-year plan. The following graph shows the annual capital need and the recommended Capital funding plan over the ten-year period:



Debt Servicing Targets

Current debt service costs of \$61.3 million per year could increase to approximately \$167 million per year or 19.9 per cent of own source revenues by 2036.

Water and wastewater services require a significant investment in capital assets that will benefit many future generations. The unique nature of these services necessitates a higher debt servicing level than those of other city services that are more labour rather than capital intensive, which is consistent with other utilities. Financing capital assets with debt and spreading the investment over the life of the asset will ensure that future ratepayers that are benefitting from these assets are paying for it and does not put undue burden on current ratepayers.

The recommended funding strategy aims to eliminate the funding gap for priority capital needs in every year of the ten-year planning period, by shifting a portion of the cash contribution to capital annually to debt servicing. The overall impact to ratepayers is minimized, since the overall revenue requirement remains stable but the debt servicing ratio does increase, but within affordable limits. Current debt service costs of \$61.3 million per year could increase to approximately \$167 million per year or 19.9 per cent of own source revenues by 2036.

Table 8 summarizes the projected debts servicing requirements of this strategy. The debt servicing is not expected to exceed the 15 per cent target until 2030. The next Fiscal Framework is due to be updated, in the next year, once the funding strategy for all the long-range financial plans are completed. The debt servicing target levels of 7.5 per cent for tax and 15 per cent for rate will be reassessed at that time, if needed, taking into consideration the overall target of 8.5 per cent and the provincial limit of 25 per cent.

Based on current projections, the City's overall debt servicing remains within affordable levels and the overall impact to the City's 8.5 per cent target will be confirmed once the tax and transit LRFPS are finalized. Current estimates show that we would continue to stay below the 8.5 per cent combined tax and rate debt servicing ratio.

Table 8 – Debt Servicing Costs / As a percent of rate revenue.

| \$Millions | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Debt Servicing Costs | 62.0 | 60.9 | 76.8 | 91.7 | 109.1 | 119.5 | 136.9 | 150.6 | 157.3 | 166.9 |
| Debt Servicing / Own Source Revenue | 11.7% | 10.9% | 13.0% | 14.8% | 16.8% | 17.4% | 18.9% | 19.8% | 19.7% | 19.9% |
| Overall Tax & Rate Debt servicing / Own Source Revenue | 5.4% | 5.2% | 5.6% | 6.0% | 6.9% | 7.1% | 7.5% | 7.7% | 7.6% | 7.8% |

Reserve Fund Levels

Water and Wastewater reserve balances are forecasted to be \$84.2 million at the end of 2025. The funding strategy preserves reserve funds balances over the ten-year planning period, providing sufficient flexibility to adjust funding annually as required, to accommodate fluctuating needs.

Table 9 – Projected Year end reserve fund balances

| \$Millions | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Water Reserve | 63.1 | 65.2 | 76.8 | 62.3 | 84.0 | 69.7 | 68.5 | 51.9 | 33.2 | 27.2 |
| Wastewater Reserve | 11.4 | 66.8 | 51.8 | 50.5 | 63.6 | 40.3 | 23.0 | 19.2 | 27.7 | 7.9 |
| Stormwater Reserve | 5.0 | 5.2 | 17.3 | 11.6 | 15.1 | 9.8 | 19.7 | 24.7 | 33.9 | 44.1 |
| Total | 79.4 | 137.1 | 145.9 | 124.4 | 162.6 | 119.9 | 111.1 | 95.7 | 94.8 | 79.3 |

Projected Rate Increases

The funding strategy relies on increases to water, wastewater and stormwater revenues over the 10-year program. These increases are smoothed over the period so that there is some predictability for ratepayers on the expected rate increase from one year to the next.

The LRFP provides an estimated projection for overall revenue increase requirements over a 10-year period. However, actual rate increases will be determined each year as part of the budgeting process, using the overall revenues requirements established by the LRFP as the target, but taking various other factors into consideration, such as growth, consumption estimates, inflation, and more.

The funding requirements for each service varies and since the fees are based on a full cost recovery basis, it is important to differentiate the revenue requirements for each. Based on the operating and capital requirements for each service, the increases will be fairly consistent over the ten years of the plan.

The following table shows the projected rate increases by Service over the ten-year period. It is important to note that the projected rate increases include estimated inflation.

Table 10 – Water - Projected Rate Increases % / Annual Revenue (\$ millions)

| 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 2.7% | 4.8% | 4.8% | 4.8% | 4.8% | 5.9% | 5.8% | 4.8% | 4.9% | 4.9% |
| 223.6 | 234.8 | 246.6 | 258.9 | 271.8 | 288.1 | 305.4 | 320.7 | 336.7 | 353.6 |

Table 11 – Wastewater - Projected Rate Increases % / Annual Revenue (\$ millions)

| 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 4.9% | 5.3% | 5.3% | 4.8% | 4.8% | 5.9% | 5.8% | 5.9% | 5.9% | 5.9% |
| 195.5 | 206.3 | 217.6 | 228.5 | 239.9 | 254.3 | 269.6 | 285.8 | 302.9 | 321.1 |

Table 12 – Stormwater - Projected Rate increases % / Annual Revenue (\$ millions)

| 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 7.6% | 4.5% | 4.6% | 4.6% | 4.6% | 4.6% | 4.7% | 2.6% | 2.7% | 2.7% |
| 112.7 | 118.4 | 124.3 | 130.5 | 137.0 | 143.9 | 151.1 | 155.6 | 160.3 | 165.1 |

Table 13 – Total Rate Supported Projected Rate Increases % / Annual Revenue (\$ millions)

| 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 4.5% | 4.9% | 4.9% | 4.8% | 4.8% | 5.6% | 5.6% | 4.8% | 4.8% | 4.8% |
| 531.9 | 559.5 | 588.5 | 617.9 | 648.8 | 686.3 | 726.1 | 762.1 | 799.9 | 839.7 |

The estimated rate increases required to recover costs will differ by Service with an overall estimated average of 5.0 per cent over the 10 years, which equates to \$5.00 more per month for the average residential property.

Sensitivity Analysis

Sensitivity analysis is an essential tool in LRFP development, especially when forecasting rate increases over a 10-year period. This analysis involves varying key assumptions and parameters to understand how changes in these factors impact the overall cost to residents. Factors such as inflation, population growth, and interest rates can significantly affect future rates. During the development of this LRFP, staff explored a range of inflation, interest rate, debt authority, and rate increase scenarios, to ensure the plans adaptability to various economic conditions and to help mitigate risks and

optimize resources for sustainable service over the next decade. For example, if the debt service costs were maintained below 15 per cent, the average annual rate increase would be approximately 6.5 per cent, alternatively, if average annual rates were maintained below 4.5 per cent the debt service costs would be approximately 22-22.5 per cent of own source revenues. The proposed funding strategy balances out these factors and maintains estimated rate increases at 5 per cent on average and debt servicing within an affordable range.

FINANCIAL IMPLICATIONS

Financial implications are identified in the report.

LEGAL IMPLICATIONS

There are no legal impediments to receiving the information in this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

CONSULTATION

The public consultation process will be incorporated with the review process for annual budgets.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

ASSET MANAGEMENT IMPLICATIONS

The implementation of the Comprehensive Asset Management program informs the preparation of the long-range financial plan and enables the City to effectively manage existing and new infrastructure to maximize benefits, reduce risk, and provide safe and reliable levels of service to community users.

An evidence-based prioritization approach was used to establish the capital funding requirements presented in this report. The funding recommended in this report will have positive implications for the condition of the City's assets supporting the delivery of

drinking water, wastewater and stormwater services and are consistent with the City's Comprehensive Asset Management (CAM) Program objectives.

The City has a mature and structured approach to asset risk and does not treat all assets equally. The City prioritizes investment based on the likelihood that an asset will fail and the potential consequences if it does. This approach, aligned with the City's Enterprise Risk Management Framework, ensures that resources are directed to the areas where they will have the greatest impact on service reliability and safety.

Residual risk, meaning the level of service or asset risk of failure that remains after planned investments will be managed through coordinated maintenance, capital planning, and on-going reviews of the balance of cost, levels of service and risk.

Ottawa's asset management plans provide a basis for assessing residual risk and risk tolerance by identifying needs, connecting asset condition with service delivery, and disclosing financial and service delivery risks linked to funding shortfalls. In accordance with O.Reg 588/17, Council will be provided annual updates on the City's asset management progress.

The increased drinking water, wastewater and stormwater rate funding reflected in this report will be incorporated into the financial forecasts, and subsequent analysis of forecasted service level trends, service area gap, and calculated risk, in the next update of the Drinking Water Services Asset Management Plan, Wastewater Services Asset Management Plan, and Stormwater Asset Management Plans, respectively. In accordance with O.Reg 588/17, these plans will be updated and brought for Council approval no later than July 1, 2030.

CLIMATE IMPLICATIONS

The updated Long-Range Financial Plan (LRFP) for Water, Wastewater, and Stormwater (Rate) Supported Programs, as outlined in this report, strengthens the City's capacity to address climate change, while maintaining a strong focus on affordability. The LRFP includes priority programs and projects that support the City's efforts to mitigate, adapt, and build resilience against climate-related challenges.

This is the first time the Long-Range Financial Plan for Water, Wastewater, and Stormwater was developed using a climate lens incorporating climate considerations into long-term capital planning.

Notable climate initiatives planned for 2026-2035 include:

- Permanent flood protection measures at the City's water purification plants – a priority project identified in the climate risk assessment of these plants (\$5.8 million)
- Additional funding for the Wet Weather Infrastructure Management Plan (\$69 million) and watercourse rehabilitation (\$104 million) – key programs to identify, prioritize and mitigate flood and erosion-related risks.
- Installation of a Cogeneration system at the Robert O. Pickard Environmental Centre, producing electricity and heat from a single energy source reducing greenhouse gas emissions and improving energy resilience during an extended power outage (\$40 million)
- Advancements in floodplain mapping to better understand riverine flood risks to inform City and private planning (\$5.6 million)

In alignment with the City's Asset Management Plans, this LRFP also introduces incremental climate-related investments that goes beyond like for like investments, starting with drainage culverts. These investments are designed to enhance service delivery and ensure infrastructure can manage the increased stormwater volumes anticipated under future climate conditions.

Ongoing efforts aim to refine climate risk assessments and associated costs, enhancing our understanding of necessary incremental climate-related renewal investments, service enhancements, and priority programs for water-related infrastructure to effectively address anticipated climate conditions. Deferring climate investments may result in failing to maintain established service levels, additional operating and maintenance costs, or earlier lifecycle renewal.

Many of these financial needs and opportunities will be further outlined through ongoing initiatives such as Climate Ready Ottawa, Infrastructure Master Plan, reviews and updates to infrastructure design standards, the Climate Change Master Plan update, and in future annual budgets.

Applying a climate lens to the LRFP supports Council's 2023–2026 strategic objective of enhancing resilience to extreme weather and climate change. It also aligns with the Climate Change Master Plan's priority action of incorporating a climate lens into the new Official Plan, Asset Management Plans and related documents. This approach

strengthens the City's broader efforts to integrate climate change risks into both financial and operational planning.

TERM OF COUNCIL PRIORITIES

The report promotes the City's commitment to financial sustainability and transparency.

This report also supports the City's ongoing commitments the current 2023 - 2026 Term of Council Priorities of: a city that has affordable housing and is more livable for all; a city that is more connected with reliable, safe and accessible mobility options; a city that is green and resilient; and a city with a diversified and prosperous economy.

DISPOSITION

Information contained in this report will be utilized during the annual budget setting process.