

Municipality of Lakeshore – Report to Council

Corporate Services

Deputy Chief Administrative Officer- Chief Financial Officer



To: Mayor and Members of Council

From: Justin Rousseau, Deputy Chief Administrative Officer/ Chief Financial Officer

Date: March 26, 2025

Subject: Water Wastewater Masterplan Debt Levels and Financial Impact Projection

Recommendation

This report is presented for information only at the April 8, 2025 Council meeting.

Strategic Objectives

1b) Building and Stewarding Municipal Infrastructure - Complete infrastructure delivery plans for the Water/Wastewater Master Plan and Stormwater Master Plan, including development of a stormwater levy

Background

On October 8th 2024, Council Adopted the Water Wastewater Master Plan (WWMP) with the following motion:

Resolution #323-10-2024

Receive the 2024 Water Wastewater Master Plan Update – Draft Final Report prepared by Jacobs Consultancy Canada Inc.;

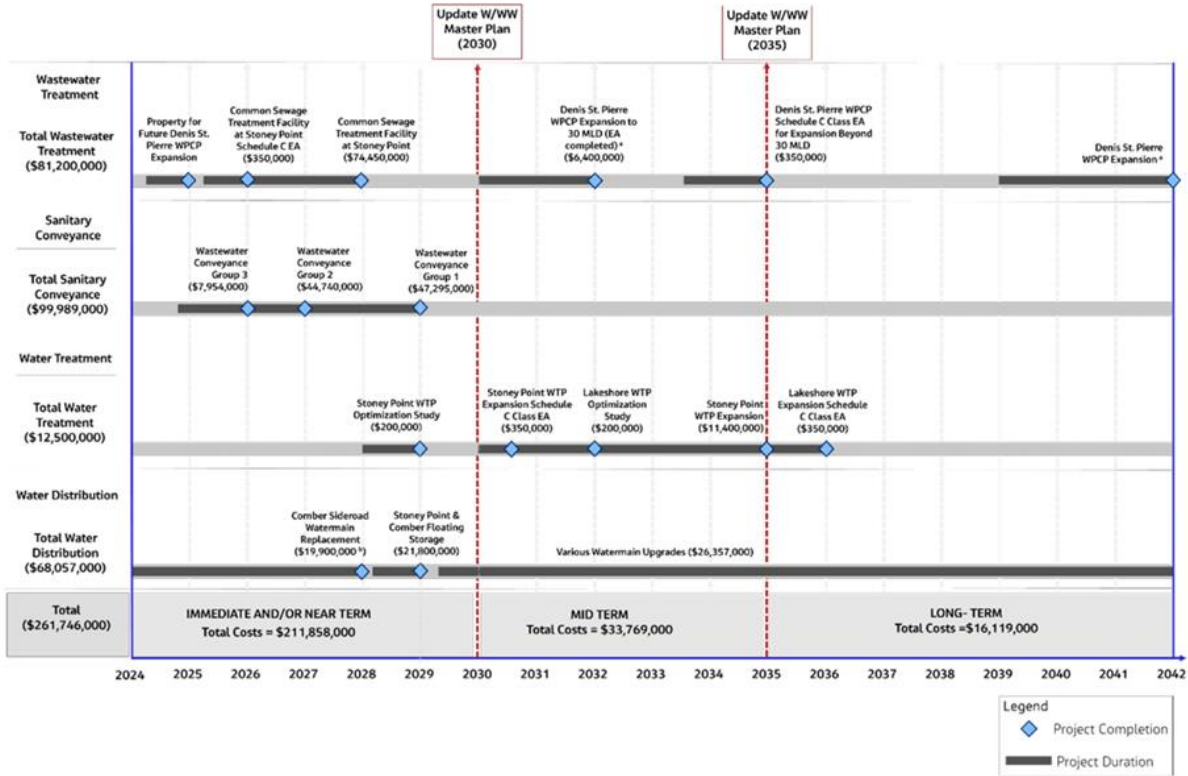
Direct the Corporate Leader - Operations to utilize this plan as a reference document to support the Municipality of Lakeshore's infrastructure improvements and to incorporate the implementation plan, as recommended, into future budget submissions for Council consideration; and

Direct the Corporate Leader- Chief Financial Officer to undertake a Development Charge Study Update and a Water Wastewater Rate Study update at a cost of \$95,000 as recommended, in the report for Council consideration, as presented at the October 8, 2024 Council meeting.

The WWMP calls for an Investment of 211,000,000 dollars in the next 5 years and 262,000,000 dollars in total over the next 17 years.

Implementation Plan

Figure ES-3. Implementation Plan



In the WWMP report, a long-range financial review was done and it reviewed 3 scenarios.

The three scenarios that have been analyzed to determine the potential impact of grant funding on the Municipality's ability to proceed:

- Scenario 1): Assumes no grant funding. In this case, there would be a substantial funding shortfall, making it difficult to finance the projects solely through development charges and rates.
- Scenario 2): Assumes the municipality secures 25% in grant funding. While this would alleviate some pressure, it would still result in significant gaps in financing.
- Scenario 3): Assumes the municipality secures 50% in grant funding. This scenario is the most feasible, as it reduces the reliance on additional debt and allows for more manageable financing through development charges and rates.

As demonstrated in the WWMP report, without at least 50% in grant funding, financing the projects outlined in the plan would place unsustainable pressure on development charges and water and wastewater rates. Additionally, the use of debt capacity for these projects would significantly limit the municipality’s ability to fund other necessary capital works in the future.

Since the WWMP report, the following items from the Implementation Plan have been funded in the 2025 Budget:

Item	Description	Costs
Common Sewage Treatment Facility at Stoney Point Schedule C EA (ENG-25-6567)	Environmental Assessment for the new plant (previous MCEA has expired)	\$350,000
Wastewater Conveyance Group 3 (Cap-25-6535)	BR Forcemain & PS Upgrades - Engineering Design	\$545,000
Wastewater Conveyance Group 2 (Cap 25-6539)	County Road 22 - Sanitary Trunk & PS Upgrades - Engineering Design	\$3,067,920
Comber Sideroad Watermain Replacement (Cap-22-6614)	Construction costs for Comber Watermain - Phase 1B	\$8,000,000
Total		\$11,962,920

Administration and Council have also been actively in pursuit of government funding for the WWMP since the summer of 2024.

As noted in the Progm Charter, to date, the following grant applications related to the Plan have been applied for:

Funding Application	Application Submission Date	Application Amount	Expected Grant Contribution	Outcome
Housing-Enabling Water System Fund, Intake 1	April 19, 2024	\$41,598,657	\$30,367,042	Unsuccessful
Housing-Enabling Water System Fund, Intake 2	November 1, 2024	\$44,208,000	\$32,272,388	Unsuccessful
Canada Housing Infrastructure Fund (CHIF)	February 11, 2025	\$92,036,000	\$36,814,400	Successful

Most recently, Lakeshore has been successful in the CHIF funding in the amount of \$36,814,400.

Further, Lakeshore was also successful in securing \$7,436,162 from the Government of Canada's Housing Accelerator Fund, Round 2 (HAF2) which targets increasing housing supply at a faster pace and it is recommended that a portion of these funds go towards infrastructure, specifically Wastewater Conveyance Group 3.

Based on the commitments related to the above successful grants and the recommended Implementation Plan (Plan) in the WWMP, a Program Charter was prepared to assist with the successful delivery of the Plan.

The Program Charter was presented at the March 25, 2025 Council meeting, the following resolution was passed:

75-03-2025

Defer consideration of the report to the April 8, 2025 Council meeting, pending a report on the funding strategy for the Water Wastewater Master Plan implementation.

This report outlines the funding strategy of the Plan.

Comments

The following provides an overview of the current debt projections the key wastewater works proposed in both the 2025 budget and also applied for in the CHIF and HAF 2 grants. It is important to note these are only funding models and projections based on knowledge and approved grants at this time and future successful grant applications may change the outcomes.

At present, three major waste water capital projects have constrained development opportunities and growth in Lakeshore while also increasing environmental compliance risks for the municipality:

- **Conveyance Groups 1 & 2** (Sanitary trunk expansion westward from Dennis St. Pierre to Amy Croft) – Secured 40% funding through CHIF.
- **Conveyance Group 3** (Sanitary expansion under the Belle River) – Partially funded with HAF 2, covering 26% of the capital costs.
- **Common Sewage Treatment Facility at Stoney Point** – No grant funding secured to date; recommending a program charter to enhance grant acquisition efforts.

Recent funding announcements have resulted in a reduction of proposed debt levels by \$38,850,562. Below is a breakdown of the funding for the three projects and their associated proposed debt:

Project	Total Project Cost	Grant Funding	Canadian Building Fund (Gas Tax) (*)	OCIF (Ontario Grant Program)	Debt
Conveyance 1 & 2	\$92,036,000	\$36,814,400	\$12,000,000	\$4,300,000	\$38,921,600
Conveyance 3	\$7,955,000	\$2,036,162	-	-	\$5,918,838
Stoney Point Plant	\$74,497,000	-	-	-	\$74,497,000
Total	\$174,488,000	\$38,850,562	\$12,000,000	\$4,300,000	\$119,337,438

*This will require all gas tax funding we have now in the reserve and also the next 5 years of allocation.

At this time, the estimated borrowing cost is approximately 4.50%, based on the rate applied to the Dennis St. Pierre Expansion debt.

In order to meet the financial requirements of the proposed project delivery timelines, the below forecasted dates were used in the financial model:

- **Conveyance Groups 1 & 2 - 2030**
- **Conveyance Group 3 – 2027**
- **Common Sewage Treatment Facility at Stoney Point -2028**

It should be noted that these timelines are conservative and may be subject to change but mostly align with the delivery of the projects based on the grant requirements and are based on the recommended timing of the Plan.

It is important to highlight that upon completion, a new Development Charge (DC) study will enable the municipality to determine the portion of the debt that can be funded through wastewater DC collections. Current estimates allocate the following percentages toward growth:

- **Conveyance Groups 1 & 2 – 85%** (Previously estimated at 40% in the DC study; however, growth projections and housing developments have significantly increased.)
- **Conveyance Group 3 – 25%** (Not currently included in the DC study but based on growth projections in the Belle River area.)
- **Common Sewage Treatment Facility at Stoney Point – 36.59%** (Based on the 2020 DC study.)

Based on these calculations, approximately \$61,821,521, or 52% of the total new debt of \$119,337,438, can be serviced through new housing starts.

At the peak of debt levels, projected to occur in 2031, the municipality will face \$8,071,229 in annual debt payments that must be supported by new housing developments. Under the 2024 wastewater DC rate of \$17,250, this equates to 467 new single-family detached homes per year.

If adjusted for a 3% annual DC CPI increase, the required number of homes decreases to 396 per year, based on a DC rate of \$20,355.

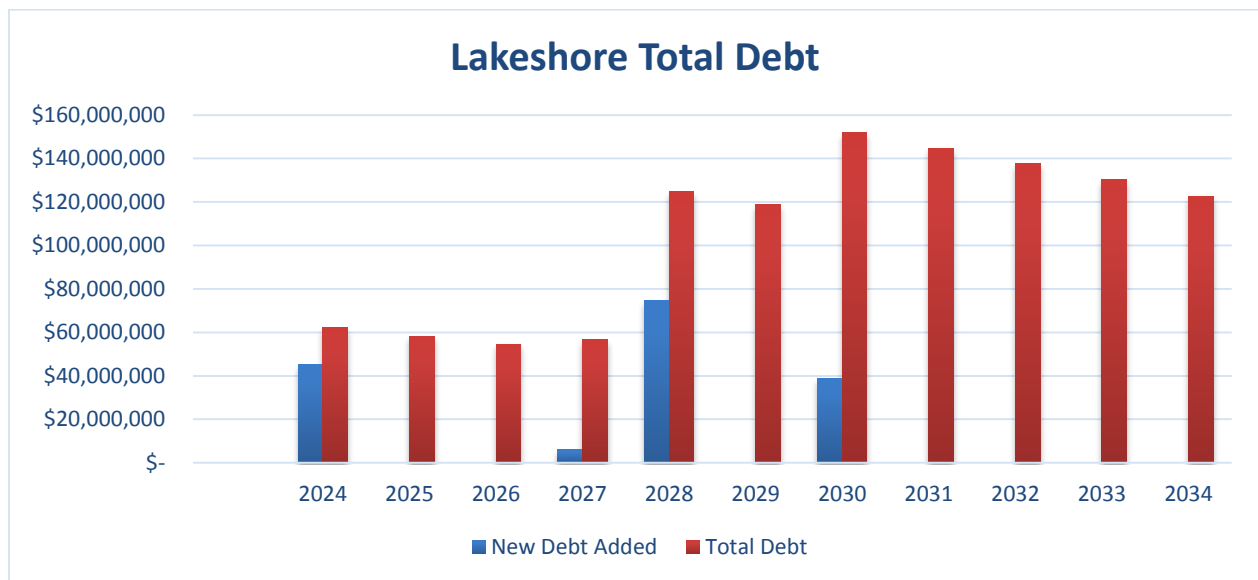
To sustain debt payments from a development charge perspective, Lakeshore will need to build an average of 400 to 470 new homes per year.

The senior levels of government, either through legislation or motivations toward housing-enabling Community Improvement Plans (CIPs), are seeking development charge (DC) relief for affordable housing. These programs may impact the future use of development charges for debt repayment.

Financial Impacts

Lakeshore’s policy restricts debt repayment to a maximum of 15% of revenue. All available debt capacity under this policy will be allocated to essential projects, increasing Lakeshore’s risk classification under Ministry of Municipal Affairs and Housing (MMAH) oversight. While municipalities are permitted to take on debt up to 25% of revenue, MMAH considers a debt-to-revenue ratio between 10% and 25% as high-risk.

The total debt forecasted between 2024 and 2034 is outlined in the graphic below, with debt levels expected to peak in 2030 following the completion of Conveyance Groups 1 & 2. At that time, municipal debt is projected to reach \$151,880,109.

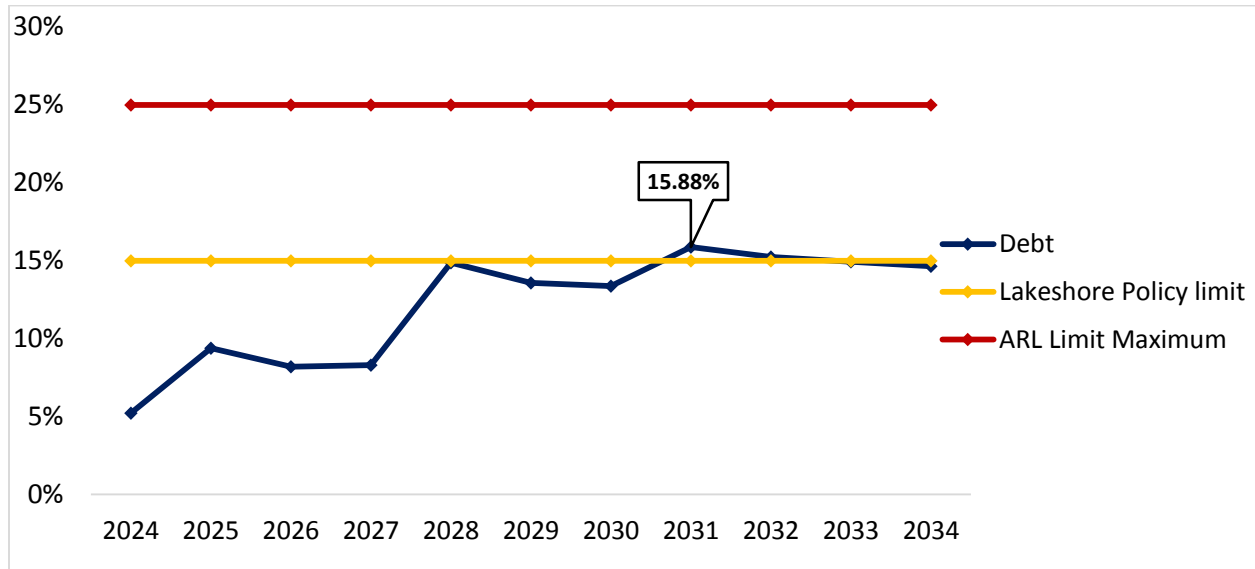


- 2024 Debt is for Dennis St Pierre Plant Expansion
- 2027 Debt is for Conveyance Group 3
- 2028 Debt is for the Stoney Point Treatment Plant
- 2030 Debt is for Conveyance Group 1 & 2

The estimated interest cost over the life of the \$119,337,438 in long-term debt is approximately \$61,705,010 at 4.5% as an estimated interest cost.

The graphic below presents Lakeshore’s Annual Repayment Limit (ARL) forecast for the period 2024 to 2034. The ARL is projected to peak at 15.88% in 2031, exceeding Council’s debt policy but remaining below the MMAH’s 25% threshold.

Lakeshore is expected to be classified as high-risk under MMAH guidelines from 2028 onward.



Report Approval Details

Document Title:	Water Wastewater Masterplan Debt Levels and Financial Impact Projection.docx
Attachments:	
Final Approval Date:	Apr 1, 2025

This report and all of its attachments were approved and signed as outlined below:

Prepared by Justin Rousseau

Approved by Krystal Kalbol and Tyson Cragg