

Funding

The provision of infrastructure of this extent requires the expenditure of substantial sums of funds over a relatively short time. The recommended alternative to construct a new centralized water treatment plant will require the expenditure of almost \$16M in Capital works (note that this includes \$1.6M for a new Tower).

The Cash on hand / Reserves in the Water Enterprise Fund will not be sufficient to cover expenses of this extent, and the issuance of debt over an extended period is an appropriate way to finance infrastructure that is expected to remain in service for many decades.

A Rate Study completed by Ehlers in 2017 anticipated significant expenditure for this Water Infrastructure. While the likely construction costs identified in the Feasibility study are higher than those identified in the Rate Study, more favorable terms of any Bond / Loan can potentially offset these increased costs.

As eluded to earlier in the report, the City has been successful in being placed on the list of projects eligible for low interest funding through the Drinking Water Revolving Fund.

While the details of the loan terms are not known at this stage, financial modeling has been performed using a 1.5% interest rate over a 20 year repayment period. Based on this initial information, Finance staff has indicated that the repayment commitments of the substantial loan will be manageable provided that scheduled increases of utility rates over forthcoming years are maintained. Further, additional rate modeling should be performed once firm costs are known and financing needs better understood.