

Report to Council

To: Finance, Legislative & Property Committee
From: Administration – Finance
Date: December 9, 2024
Re: Utility Borrowing Authority By-Law 24-8772

ISSUE:

To establish borrowing authority to fund the City’s portion of the Water Treatment Plant Upgrade project.

ALTERNATIVES:

- 1) To give first reading to Utility Borrowing Authority By-Law 24-8772.
- 2) To not give first reading to Utility Borrowing Authority By-Law 24-8772.

ANALYSIS:

The City of Portage la Prairie is planning to upgrade and expand the Water Treatment Plant. The plant expansion includes a new raw water intake, a second ballasted flocculation system for redundancy, and four trains of dual stage Ultrafiltration-Reverse Osmosis membrane treatment system to both increase the plant capacity and water quality. Additionally, the project includes upgrades to the existing facility for repairs that cannot be completed until after the membrane system is operational.

Stantec provided an updated Opinion of Probable Cost dated September 24, 2024, estimating the Water Treatment Plant Upgrade at \$96,600,000. This estimate includes a 15% contingency allowance and a 6% inflation allowance (3% per year for 2 years). Due to significant increases in infrastructure construction costs, an additional contingency of 4% has been added, bringing the total estimated capital cost to \$100,464,000.

The City has received \$40,250,000 in grant funding from the Manitoba Water Service Board (MWSB) for this project. The funding was provided upfront, and interest earned is estimated at \$3,260,000, which will also be applied toward the project. The City is responsible for covering the remaining balance. Of this, \$1,750,000 will be allocated from the Utility Reserve, and the remaining \$55,204,000 will be funded through debentures.

The funding breakdown for this project is as follows:

City Utility Reserve	\$1,750,000
City Debenture Debt	55,204,000
Total City Funding	56,954,000
Provincial Funding (MWSB)	40,250,000
Interest on Provincial Grant	3,260,000
Total Project Funding	\$100,464,000

The Province of Manitoba has indicated that the 30-year debt issuance rate as of October 15, 2024, was 5.414%. Since the debt issuance is likely more than 1½ years away, an interest rate of 7% is being used to estimate the potential impact on future water rates. It is projected that the debenture debt will result in a 60% increase in water rates. For a household using 40 cubic meters of water per quarter, this would amount to an increase of \$63.20 per quarter.

The City’s water rates are structured in tiers based on consumption. The projected increases to each tier are as follows:

	Volume per Quarter (CM)	Increase
Step 1	0 to 227	\$ 1.58
Step 2	228 to 2,273	\$ 1.31
Step 3	2,274 to 18,184	\$ 1.24
Step 4	18,184+	\$ 0.53

The process for a municipality to obtain borrowing authority involves obtaining approval from the Municipal Board. After the Council gives the by-law its first reading, it must be submitted to the Municipal Board for review and approval before the by-law can proceed to second and third readings.

ADMINISTRATIVE RECOMMENDATION:

December 9, 2024

THAT the Council of the City of Portage la Prairie approve Utility Borrowing Authority By-Law by giving By-Law 24-8772 first reading.

To Be Determined:

THAT the Council of the City of Portage la Prairie give second reading to the Utility Borrowing Authority By-Law 24-8772.

THAT By-Law 24-8772 be read a third and final time, finally passed, signed and sealed.

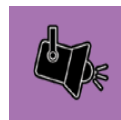
ALIGNMENT WITH COUNCIL STRATEGIC PLAN:



1. Quality of Life



2. Community Safety and Well-Being



3. Showcasing our Community



4. Economic Opportunity



5. Inclusive and Informed Community