2026-102

Appendix A

BUILDING A BETTER WATER, WASTEWATER & STORMWATER SYSTEM FOR PORT COLBORNE

A Draft Business Case for a City-owned Municipal Services Corporation

SUMMER 2026

PORT COLBORNE

Table of Contents

Executive Summary

Port Colborne has a very simple mission statement. To provide an exceptional small-town experience in a big way. The vision is straight-forward, a healthy and vibrant waterfront community embracing growth for future generations.

New housing developments, major industrial investments, and renewed interest in our community are creating exciting opportunities that will help shape our City for generations to come.

As a community, we cannot afford to simply accept that rising costs and ongoing challenges are inevitable. This business case explores how Port Colborne can continue providing reliable, publicly owned water, wastewater, and stormwater services while building a more affordable, sustainable, and locally responsive system for residents, businesses, and future generations.

Every City has its challenges. We have two significant ones: healthcare and high water and wastewater rates. Through Council's new Healthcare Advisory Committee and the draft Community Health & Wellness Action Plan, we are making progress on the issue of healthcare. This report concentrates on water, wastewater, and stormwater.

It will not surprise anyone that a report done in 1979 highlighted the high cost of water and wastewater in Port Colborne. The recommendations back then were to invest heavily in the system to improve it. Unfortunately, those investments fell short of meeting the need.

In recent years, the City has undertaken work to map and conduct video inspections of the City's water, wastewater and storm water infrastructure, test for leaky pipes, and pursue funding from upper levels of government. Progress is being made, but improving the system requires further investment.

This business case continues an open and transparent conversation about how water, wastewater, and stormwater services are delivered in Port Colborne. It recognizes the current water, and wastewater system operates under a two-tier municipal structure shared between Niagara Region and the City and the system only services the City, no other city is connected to the Port Colborne water or wastewater system. It focuses on keeping services publicly owned while exploring ways to reduce long term costs, improve accountability, support growth, and build a more sustainable system for future generations.

Within these pages, you will find information about the challenges facing the current system, how a Municipal Services Corporation could work in Port Colborne, and what benefits, risks, and considerations need to be evaluated.

As this work progresses, we remain committed to keeping residents informed, listening to feedback, and making thoughtful, evidence-based decisions.

Community Profile

About Port Colborne

With a population of approximately 22,000, Port Colborne is a waterfront city located on the south coast of Niagara Region along Lake Erie and the Welland Canal. Known for its unique connection to the water, the city blends small-town character with a strong industrial, commercial, agricultural and tourism economy.

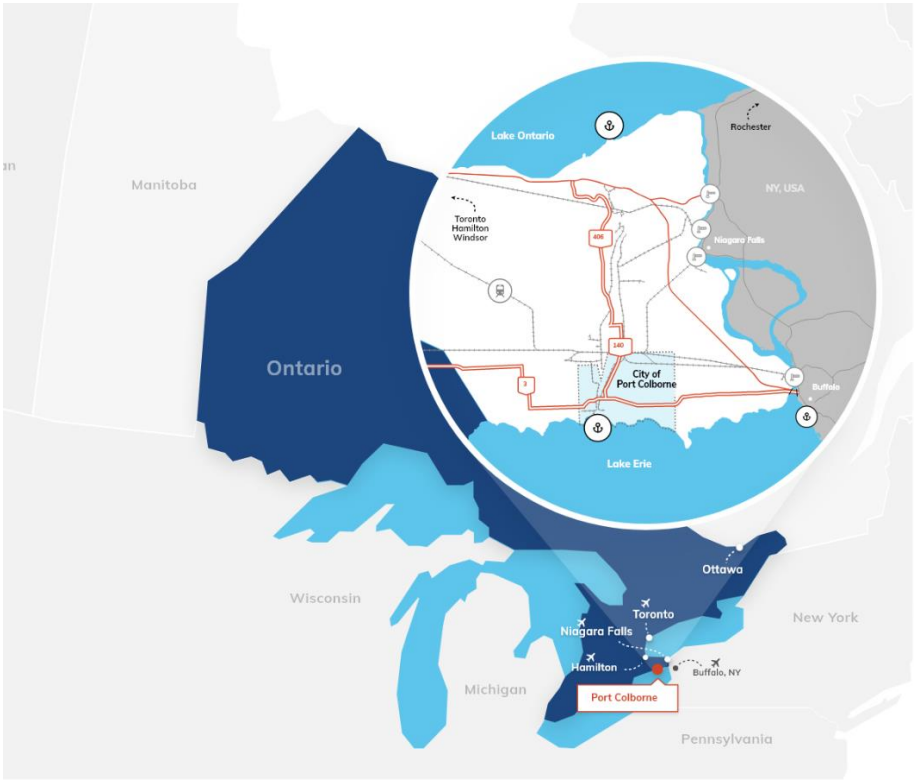
Port Colborne is home to active marine industries, manufacturing and agricultural operations, vibrant local businesses, tourism attractions, marinas, beaches, and one of Canada's busiest commercial and recreational canal corridors. The community's waterfront identity, historic downtown, natural spaces and recreational amenities continue to attract residents, visitors and investment alike.

In recent years, Port Colborne has experienced increasing residential and industrial growth. Approximately 4,000 housing units have been approved for development, alongside significant employment and industrial expansion opportunities, including the East Side Employment Lands and the Asahi Kasei Battery Separator Canada facility.

The City is focused on improving affordability, supporting responsible growth, enhancing quality of life, modernizing infrastructure, and building long-term financial sustainability for current and future generations.

Continued interest in residential, commercial and industrial investment is expected to support population growth and long-term economic development in the years ahead.

As the community grows, the City remains focused on balancing growth with affordability, infrastructure renewal, environmental sustainability and quality of life for residents.



Our Vision

A healthy and vibrant waterfront community embracing growth for future generations.

Our Mission

To provide an exceptional small-town experience in a big way.

Our Priorities

- Environment and Climate Change
- Welcoming, Livable, Healthy Community
- Economic Prosperity
- Increased Housing Options
- Sustainable and Resilient Infrastructure

Median annual household income*
$70,000
Provincial average: $91,000

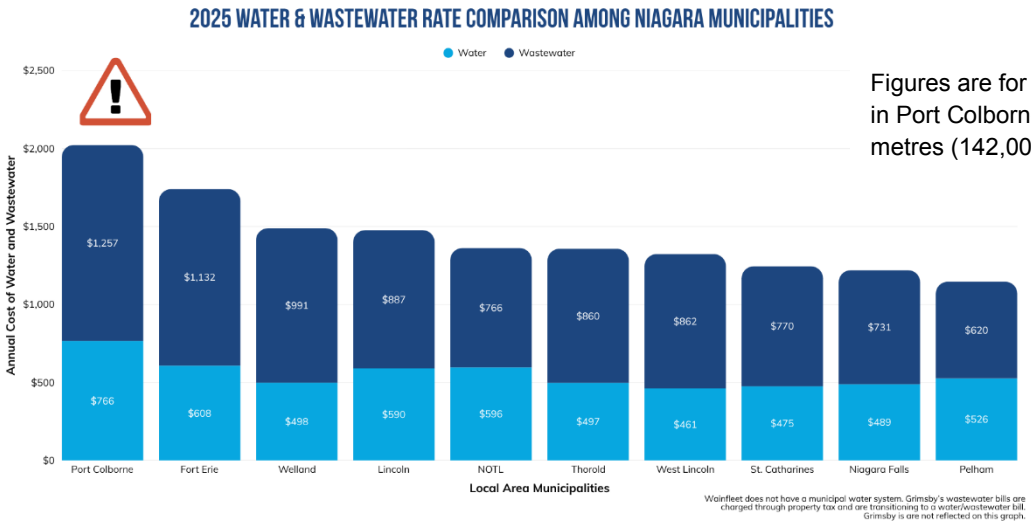
Households living below the poverty line*
20%
Provincial average: 14.5%

Labour force participation*
54.2%
Provincial average: 67.9%

Population growth since last census*
9.4%+
Provincial average: 5.8%

Port Colborne Residents
84%
Living in neighbourhoods facing the high or highest social determinants of health risks

* Statistics Canada



Figures are for an average household in Port Colborne, assuming 144 cubic metres (142,00 litres) of water.

Our Challenge: Water, Wastewater & Stormwater

Residents and businesses across Port Colborne are feeling the impact of rising water and wastewater costs.

Water and wastewater systems are among the most expensive and complex services public services provided to municipal residents. They operate 24 hours a day, require constant maintenance and upgrades, and must meet strict provincial safety and environmental standards.

Like many Ontario communities, Port Colborne is also facing the challenge of aging infrastructure. Much of the City's water, wastewater and stormwater infrastructure was built decades ago with the infrastructure having an expected lifespan ranging from 50 to 100 years depending on the materials used. At the time of writing this document, some infrastructure is operating well beyond its lifespan.

For many years, major investments in water and wastewater infrastructure were deferred. As a result, we are now facing significant repair, rehabilitation, and replacement needs.

In Port Colborne, these challenges are compounded by the structure of the current regional system and local infrastructure conditions which is operated partially by the City and partially by the Niagara Region.

Aging Infrastructure

Much of our water, wastewater and stormwater infrastructure that services the City was built several decades ago and is now reaching or exceeding its expected lifespan. This includes:

- Mains and pipes
- Pumping stations
- Treatment infrastructure
- Underground connections

As infrastructure ages, repair costs increase and more replacement work is required to maintain reliable service.

Rainwater Entering the Sewer System

Groundwater and rainwater enter the wastewater system through:

- Cracks in aging pipes
- Old sewer connections
- Combined sewer systems
- Deteriorating infrastructure

As a result, large amounts of relatively "clean" water are treated like sewage. This is known as Inflow and Infiltration (I&I). It can significantly increase costs because the City is charged, by the Niagara Region who owns the wastewater treatment plant, based on the volume sent to the plant. I&I can also overload pipes, pumping stations and other assets causing a need for costly upgrades.

Flat Geography Requiring Pumping

Port Colborne's flat geography requires extensive pumping infrastructure.

- More pumping stations than other communities
- Higher electricity use
- Additional maintenance requirements
- Increased operational costs

These systems are essential to moving wastewater safely throughout the community toward the wastewater treatment plant.

High amounts of "lost water"

Lost water is clean treated water that never reaches a customer billing meter. It happens because of:

- Underground leaks and broken pipes
- Aging infrastructure and deteriorated connections
- Water meter inaccuracies
- Unauthorized water use or theft
- Water use for system maintenance, hydrant flushing and fire protection

As the Region owns the water treatment plant, the City still has to pay the Niagara Region for all water provided, even if it never reaches a customer.

Location near Lake Erie & Welland Canal

Port Colborne's location along Lake Erie and the Welland Canal creates unique infrastructure challenges.

- High lake levels
- Storm surges
- Flooding risks
- Flat topography and shallow bedrock

These conditions place additional pressure on water, wastewater, and stormwater infrastructure and make many projects more complex and expensive.

Limited stormwater management

Port Colborne has limited and aging stormwater infrastructure in many parts of the city. In fact, only 1/3 of the City has designed stormwater infrastructure. Some neighbourhoods have:

- Old storm systems
- Undersized storm systems
- No storm infrastructure

During heavy rain events and periods of high lake levels, large amounts of stormwater can enter the wastewater system because the stormwater has nowhere else to go. This increases the amount of wastewater that is pumped and treated, as the Niagara Region owns the wastewater plant, the City is charged by the Niagara Region to clean this stormwater that enters the wastewater plant.

Duplication: Niagara Region and City

Water and wastewater services in Port Colborne are currently delivered through a shared system involving both Niagara Region and the City.

- Niagara Region treats water and wastewater
- The City distributes water and collects wastewater
- Infrastructure, planning and operations responsibilities are divided

Multiple layers of responsibility can add costs, create challenges with capital planning and reduce flexibility in responding to local infrastructure needs.

Niagara Region billing model

Although most costs are fixed and are not driven by volume, the Region charges municipalities based on the volume of water purchased and wastewater sent for treatment. This is particularly impactful with wastewater given the conditions noted above. As a result, the City pays to treat significant volumes of rain, ground and storm water that are not actually wastewater, contributing to higher wastewater costs. In fact 62% of the wastewater bill is directed to the Niagara Region. It is the City's understanding that the Niagara Region forecasts their portion of the bill to increase in the range of 8-10% going forward.

Port Colborne's Water & Wastewater System

As mentioned above, the current water and wastewater system in Port Colborne operates under a two-tier municipal structure shared between Niagara Region and the City of Port Colborne.

The City is currently a lower-tier municipality within the Niagara Region. The City is responsible for local water distribution and wastewater collection, while the Niagara Region provides treatment services for water and wastewater, running the treatment plants, main trunk lines and pumping stations. The City also maintains a storm water system in the City.

Niagara Region Responsibilities

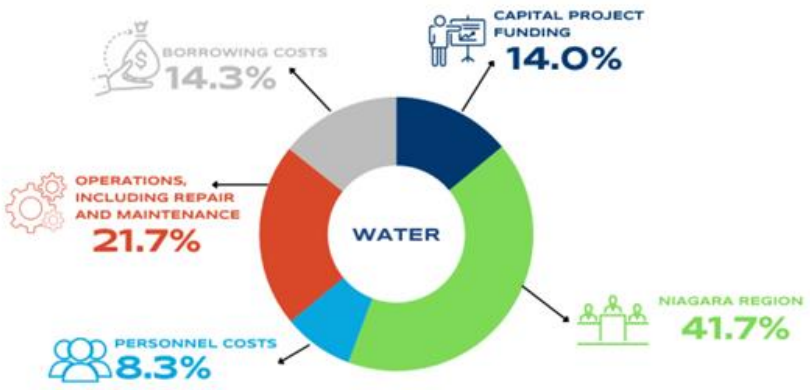
- Producing and treating drinking water
- Treating wastewater
- Operating treatment facilities, the water tower and reservoir and pumping stations
- Setting many regional water and wastewater costs
- Maintaining some local pipes, pumping stations and infrastructure

City of Port Colborne Responsibilities

- Distributing drinking water and collecting wastewater locally
- Maintaining local pipes and infrastructure connecting properties to the Niagara Region System
- Billing residents and businesses
- Supporting residents and property owners with water and wastewater connectivity

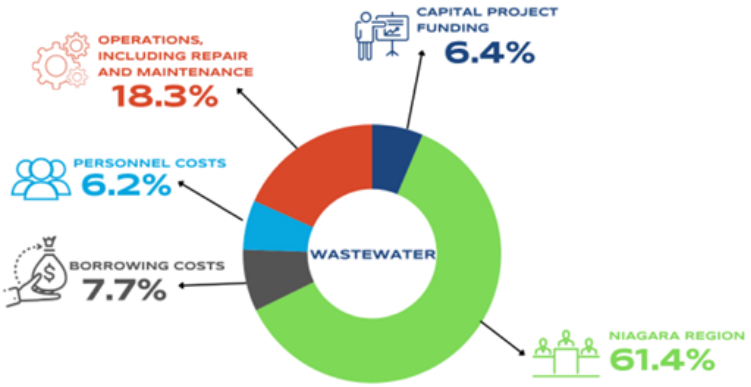
Water System

The water system brings fresh clean, safe drinking water from the water treatment plant into your home. The 2026 budget is $7.6 million and is allocated as show in the graph to the right.



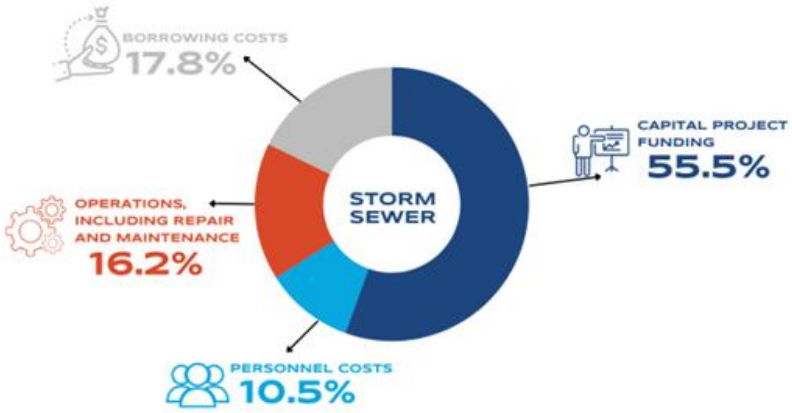
Wastewater System

The wastewater system takes dirty water from toilets, sinks, and drains. It is then cleaned and safely sent back into the natural environment. The 2026 budget is $10.1 million and is allocated as show in the graph to the right.



Stormwater System

The stormwater system handles rain water, groundwater and melted snow to avoid having to send non “dirty” water to the wastewater treatment plant. The 2026 budget is $3 million and is allocated as show in the graph to the right.



Assets & Key Statistics

Category	Ownership	Asset Type	Description/Details
Water	City	Water Distribution	• 112 km of watermain • 2 bulk water stations
	Niagara Region	Water Distribution	• 7.7km of watermain • Barrick Road Elevated Tank • Fielden Avenue Reservoir and Pumping Station
	Niagara Region	Water Treatment	• Port Colborne Water Treatment Plant
Wastewater	City	Wastewater Collection	• 92 km of gravity mains and forcemains including associated assets such as manholes, laterals and cleanouts
	Niagara Region	Wastewater Collection	• 16.9km of forcemain • 17 sewage pumping stations (2 additional SPS to be added for AK/development) • 2 sewage pumping stations at the marina (considered private plumbing but managed by the Region).
	Niagara Region	Wastewater Treatment	• Seaway Wastewater Treatment Plant
Stormwater	City	Stormwater System	• 125 km of storm sewers, ranging from 100 mm to 2,200 mm in diameter • 1 stormwater pond & pumping station (Johnston Street)
	Niagara Region	Stormwater System	• 20.83km of storm sewers

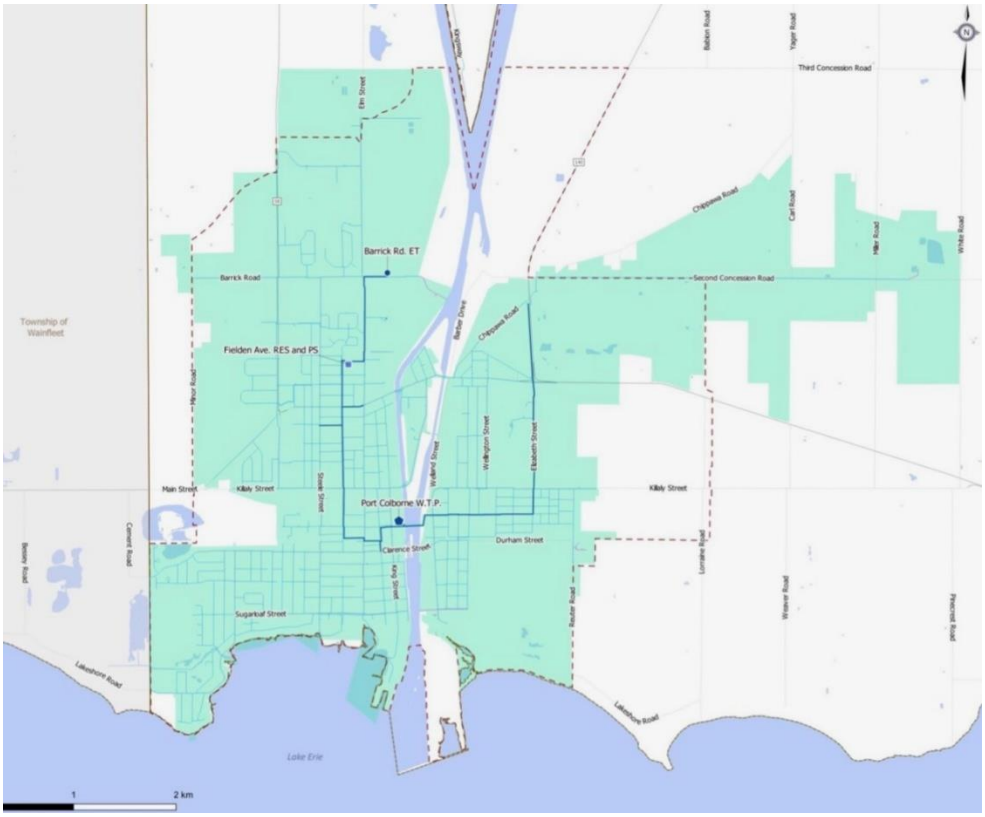
City Asset Condition

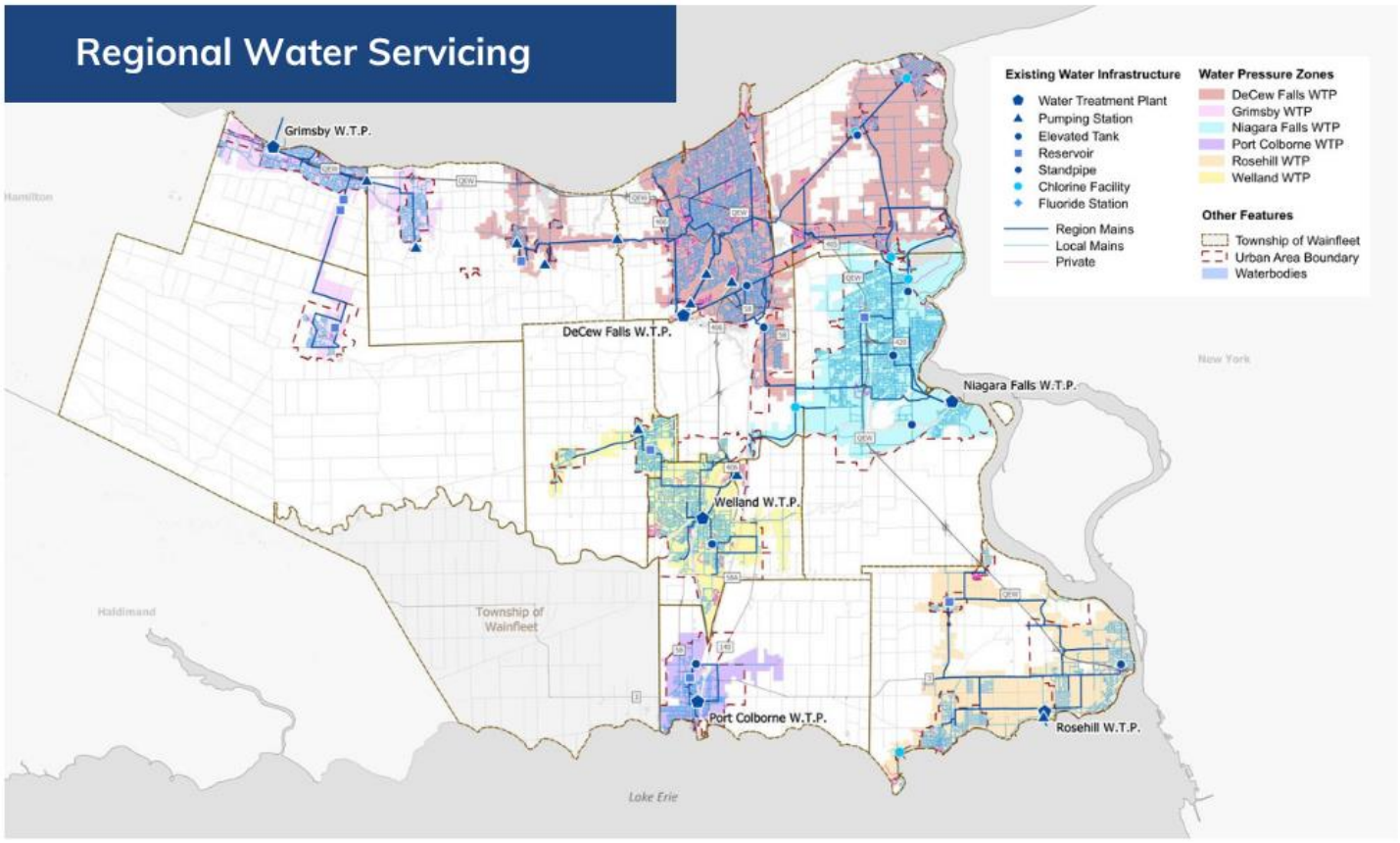
	Very good, good, fair	Poor	Very poor and unknown	Total
Stormwater	$ 311,454,902	$ 70,007,252	$ 52,766,012	$ 434,228,166
Wastewater	292,850,479	56,257,924	19,071,731	368,180,134
Water	262,593,016	8,986,241	171,092,718	442,671,975
Total Rate Funded	**$ 866,898,397**	**$ 135,251,417**	**$ 242,930,461**	**$ 1,245,080,275**

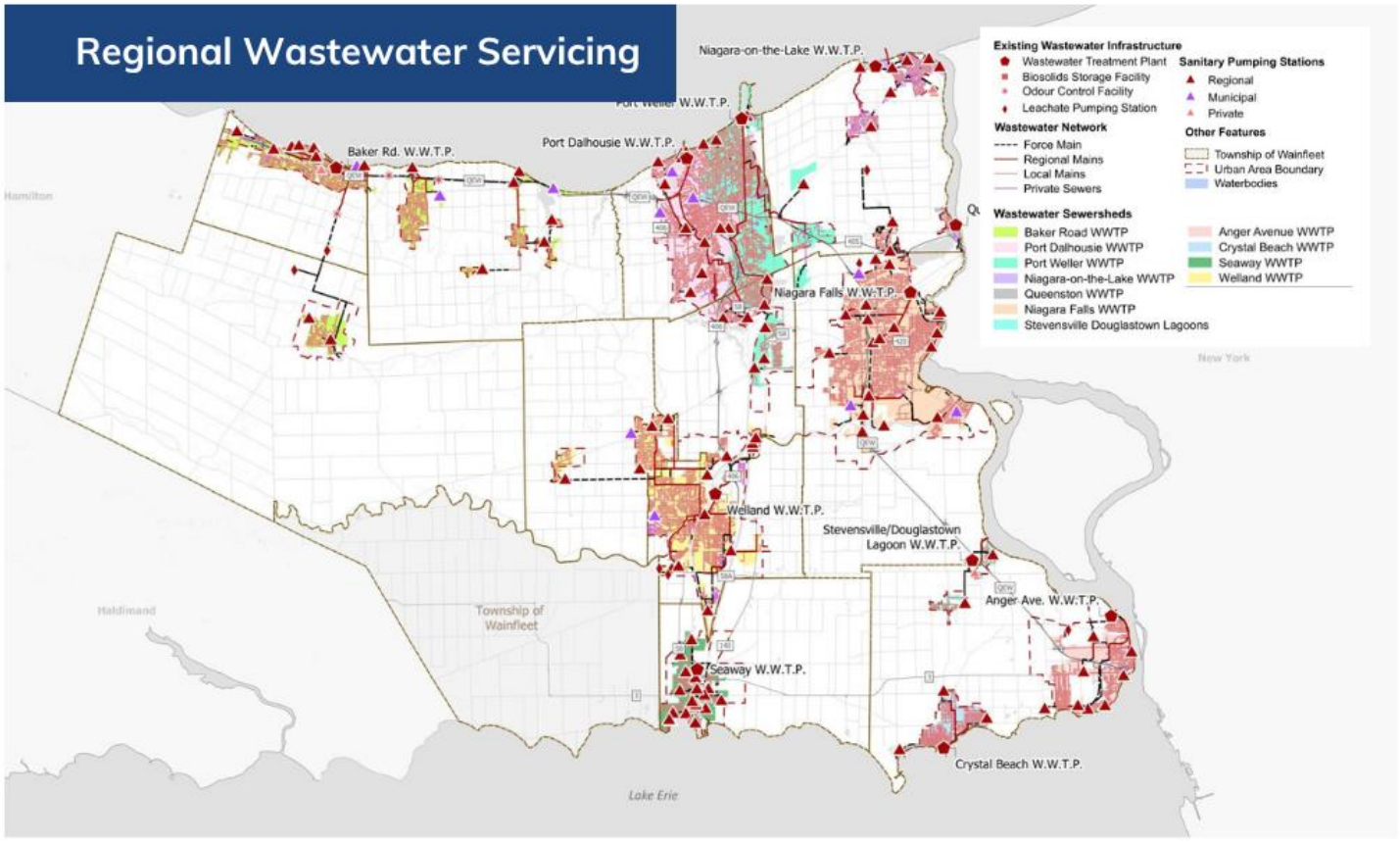
For context very good, good, and fair represents assets with 40% to 100% of its useful life remaining, poor represents infrastructure with 20% to 40% of its useful life remaining and very poor and unknown represents infrastructure with 0% to 20% of its useful life remaining.

The information above only represents the City's assets. Niagara Region assets have not been included. The City has requested certain information from the Niagara Region to further assess the Niagara Region infrastructure in the city.

Port Colborne's system is geographically separated from other systems in the Niagara area. It is not fed from and does not feed any other system.




Regional Water Servicing
Existing Water Infrastructure
Water Treatment Plant
Pumping Station
Elevated Tank
Reservoir
Standpipe
Chlorine Facility
Fluoride Station
Region Mains
Local Mains
Private
Water Pressure Zones
DeCew Falls WTP
Grimsby WTP
Niagara Falls WTP
Port Colborne WTP
Rosehill WTP
Welland WTP
Other Features
Township of Wainfleet
Urban Area Boundary
Waterbodies
Grimsby W.T.P.
DeCew Falls W.T.P.
Niagara Falls W.T.P.
Welland W.T.P.
Port Colborne W.T.P.
Rosehill W.T.P.
Township of Wainfleet
Lake Erie


Regional Wastewater Servicing
Existing Wastewater Infrastructure
Wastewater Treatment Plant
Biosolids Storage Facility
Odour Control Facility
Leachate Pumping Station
Wastewater Network
Force Main
Regional Mains
Local Mains
Private Sewers
Wastewater Sewersheds
Baker Road WWTP
Port Dalhousie WWTP
Port Weller WWTP
Niagara-on-the-Lake WWTP
Queenston WWTP
Niagara Falls WWTP
Stevensville Douglastown Lagoons
Anger Avenue WWTP
Crystal Beach WWTP
Seaway WWTP
Welland WWTP
Sanitary Pumping Stations
Regional
Municipal
Private
Other Features
Township of Wainfleet
Urban Area Boundary
Waterbodies
Niagara-on-the-Lake W.W.T.P.
Baker Rd. W.W.T.P.
Port Dalhousie W.W.T.P.
Niagara Falls W.W.T.P.
Welland W.W.T.P.
Stevensville/Douglastown Lagoon W.W.T.P.
Anger Ave. W.W.T.P.
Seaway W.W.T.P.
Crystal Beach W.W.T.P.
Township of Wainfleet
Lake Erie

The Path Forward

The one thing we know for sure is our largest costs relate to billings from the Niagara Region. To reduce these billings the City needs to reduce water loss and inflow and infiltration which requires capital infrastructure investment. Another option would be to combine the City and Niagara Region Port Colborne assets into one system. At the time of writing this, the City, at the request of Council, has requested information from the Niagara Region to further assess this possibility.

At the present time the core of this business case to establish a municipal service corporation (MSC) is to address the City's water, wastewater and stormwater capital infrastructure to address water loss and inflow and inflation. To help address this, Council has approved the following projects that are already underway:

Approved Projects	Budget	Grant	Rate Budget
CIPP Wastewater Relining	$10,000,000		$10,000,000
Watermain Replacement and Looping (includes Davis, West, Homewood and Berkley)	$9,694,700	$3,666,500	$6,028,200
Wastewater Lateral/Maintenance Hole Rehabilitation	$5,403,700		$5,403,700
Watermain Rehabilitation Program (includes North/South, Crescent, Ash and Jefferson)	$1,895,000		$1,895,000
Watermain Rehabilitation Program Extension	$8,400,000		$8,400,000
Total	$35,393,400	$3,666,500	$31,726,900

Additionally, future projects that could help to address water loss, inflow and infiltration and improve the efficiency of the system include:

Forecasted Projects	Budget
Storm neighbourhood and local improvements	$27,200,000
Storm outlet protection along the Welland Canal	$6,900,000
Watermain replacement program	52,300,000
Watermain looping program to improve system efficiency and fire flow	$27,700,000
Wastewater lateral rehabilitation	$8,000,000
Sub-total	$122,100,000
Grants received	$9,000,000
Future borrowing requirement:	$113,100,000

Any growth projects would be in addition to the amounts noted above, and would need to be funded through developers, development charges, or grants. For example, the infrastructure going under the Welland Canal to support the East Side of the city, including the development of the East Side Employment Lands.

The City continues to work with both federal and provincial governments on grant funding opportunities. The federal Disaster Mitigation Adaptation Fund (DMAF) grant will specifically be sought separately to support stormwater management projects.

The projects forecasted will help address water loss and inflow and infiltration in Port Colborne. As noted, the City has been investing heavily in water and wastewater infrastructure. Wastewater specifically has seen inflow and infiltration decrease by 40 per cent in the past three years. In 2023 the City sent 2.24 cubic metres of wastewater to the Niagara Region treatment plant for every cubic metre of water billed vs 1.73 cubic metres of wastewater being sent to the Niagara Region treatment plant for every cubic metre of water billed in 2025.

Improvements to inflow and infiltration and water loss will help offset the noted projected rate increases of 9 to 10 per cent from the Niagara Region going forward.

A major obstacle with addressing these forecasted projects is our ability to finance and access debt, including restrictions on how much money municipalities can borrow.

The funding required, as noted, is significant. If we were to move forward with borrowing as a City, we would limit our ability to borrow for other important projects such as roads, parks, recreation, or even healthcare related projects if desired.

The Municipal Services Corporation proposes a structure that is 100 per cent owned by the City, that runs within parameters established by Council, through a shareholder declaration and service agreement, and can allow for the debt to be borrowed separate from the City.

A Proposed Solution: A Municipal Services Corporation

A Municipal Services Corporation (MSC) is a public corporation owned by a municipality. Ontario municipalities have long had the authority to establish MSCs under Section 203(1) of the Municipal Act, 2001 and Ontario Regulation 599/06 (Municipal Service Corporations).

The Province of Ontario has also recently introduced the Water and Wastewater Public Utilities Act, 2025, signaling provincial interest in supporting municipalities that wish to explore publicly owned water and wastewater corporations.

The rationale for establishing an MSC includes the following:

1. Borrowing Capacity
   An MSC would not be subject to the same municipal borrowing limitations as the City. This does not mean the MSC would borrow beyond its financial capacity. Rather, borrowing would occur as required to maintain, rehabilitate, replace, and expand water, wastewater, and stormwater infrastructure.

The MSC would be fully self-funded through water, wastewater, and stormwater user rates and fees.

2. Preserving Municipal Financial Flexibility
   Accounting standards would not require the debt of the MSC to be consolidated with the City's debt capacity. This would preserve the City's ability to borrow for other important municipal priorities such as roads, parks, recreation facilities, and potentially healthcare-related infrastructure initiatives.
3. Governance and Specialized Oversight
   The MSC would remain 100% publicly owned by the municipality and governed by an independent Board of Directors. Similar governance structures already exist within the municipal sector, including library boards and other municipal corporations.

The Board would include a combination of Council representatives, community members, and subject matter experts with a specific focus on water, wastewater, and stormwater services.

A logical question is whether infrastructure requirements are significant enough to create borrowing constraints for the City if these projects remained within the municipal corporation.

The answer is yes. Based on the infrastructure needs identified through this business case, the City would not only reach its existing borrowing capacity, but exceed it. The future projects identified in this business case would require approximately $113 million today, in additional to the approximate $80 million already approved by Council to address current water loss, inflow and infiltration and growth. The combined investment totals approximately $193 million. This exceeds the City's current provincial borrowing limit of $129.7 million assuming a 5% interest rate.

Further, growth scenarios that may evolve overtime may require additional debt. Any resulting debt would be forecasted as paid by developers, development charges or grants and not the current ratepayers but would be in addition, and be further above the City's borrowing limit.

While these figures are large, they need to be considered in the context of the water, wastewater and storm system having a total replacement value of over $1.2 billion dollars. The debt requirements total less than 20% of the total value of the system.

If these debt obligations remained within the City, not only would it exceed the City's current provincial borrowing limit, but it would significantly limit the municipality's future financial flexibility and ability to respond to other infrastructure priorities. It could also create inequities for residents in areas not directly serviced by municipal water, wastewater, or stormwater infrastructure, as broader municipal borrowing capacity would still be constrained by those system-related investments.

An alternative approach would be to defer infrastructure investments; however, this would likely result in greater long-term costs. During preparation of this business case, staff identified a report dating back to 1979 recommending improvements to address water loss. Progress in this area remained limited for many years.

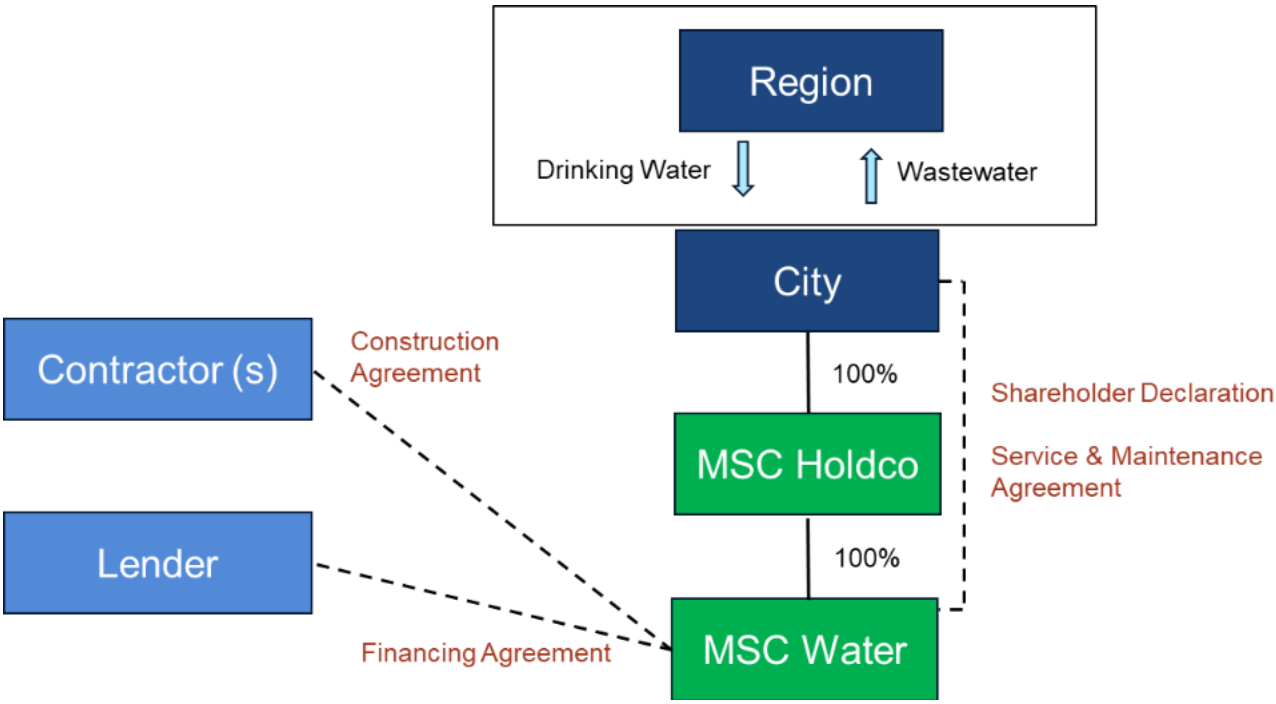
Addressing inflow and infiltration and reducing water loss are critical to stabilizing one of the City's largest ongoing costs: wastewater treatment expenses paid to Niagara Region. Deferring infrastructure renewal often results in higher future costs due to inflation, asset deterioration, higher operating costs and an increasingly expensive construction markets. In many cases, construction inflation has exceeded general inflation rates in recent years.

Investing in infrastructure today allows projects to proceed at current costs rather than at potentially higher future costs, while also reducing the risk of system failures and emergency repairs.

Once fully established, the MSC Board would consist of five members selected based on qualifications, experience, and expertise, including consideration of:

- Awareness of commercial and public policy issues related to municipal services;
- Governance experience on public or private sector boards;
- Financial, legal, accounting, engineering, marketing, or commercial expertise; and
- Knowledge and experience in risk management and financial oversight.

The proposed MSC would operate within the organizational structure illustrated below.



The City, through Council, would establish the governance framework and operational guardrails for the MSC through a Shareholder Declaration. This document would define the parameters under which the MSC must operate and ensure continued public accountability and oversight.

The Shareholder Declaration would require the MSC to provide the City with regular reporting, including:

- Trimester unaudited consolidated and unconsolidated financial statements
- Explanations and analysis of any material variances between actual and budgeted results
- Information regarding matters that may materially affect the Strategic Plan or Operations Plan, including proposed mitigation strategies
- Information that could materially affect public confidence or customer perceptions
- Notice of any material breach or violation of applicable legislation
- Any additional information requested by the City from time to time

The MSC would also be required to prepare and submit an annual Operations Plan that includes:

- Tactical and operational initiatives for the upcoming fiscal year, including projected impacts over the following three years
- Staffing and resource requirements
- Key risk mitigation strategies
- A balanced and fully funded operating and capital budget
- Pro forma consolidated and unconsolidated financial statements prepared in accordance with Canadian public sector accounting standards

- A detailed capital acquisition plan, including procurement strategies and supporting rationale
- Identification of any projected operational risks or material variances
- Any proposed amendments to the approved Operations Plan

In addition, City approval would be required for significant corporate or financial decisions, including:

- Amendments to the Rate Setting Policy
- Mergers, acquisitions, or amalgamations
- Joint ventures, partnerships, or strategic alliances exceeding established financial thresholds
- The sale, lease, or disposition of material operational assets
- Creation of subsidiaries or new classes of shares
- Issuance of shares or convertible securities
- Winding up or dissolution of the corporation
- Appointment of auditors
- Changes to Board composition or governance structure
- Compensation policies for Board members
- Directors' and officers' insurance arrangements
- Financial assistance to directors or officers
- Agreements creating liens or recourse against corporate assets

Additional feedback regarding governance parameters and oversight mechanisms is welcomed.

Implementation

Implementation of the MSC is anticipated to occur in phases.

An initial transition Board would likely consist of the Mayor, one Councillor, and the City Solicitor supporting the transition process. The transition phase is anticipated to conclude once all assets and employees have been transferred and the first audited financial statements following the transfer are approved.

Employees remain central to the success of the water, wastewater, and stormwater systems. Under this proposal, their day-to-day responsibilities would remain unchanged. Staff would continue operating from the same facilities, using the same equipment, and providing the same services. Existing employment agreements, union arrangements, compensation, and benefits would remain in place. The primary change would be that staff would formally become employees of the MSC rather than the municipality.

Residents would continue electing Council, which would maintain oversight of the MSC through the Shareholder Declaration and related governance requirements.

The MSC would continue to access development charge funding collected by the City on its behalf to support growth-related infrastructure. Separate payroll and HST accounts would be established for the MSC, like the current operational structure used for the Library.

Water, wastewater, and stormwater assets would be transferred to the MSC, with debt issuances to follow to support current and future construction as it occurs. Council has already approved approximately $80 million in debt financing requirements associated with East Side Employment Lands (ESEL) infrastructure and other capital projects identified in this business case. It is important to note that ESEL-related debt is supported through grants, development charges, and contractual funding arrangements with Asahi Kasei. There is no impact to the current rate payers as a result.

The implementation process is anticipated to occur over approximately two years. Initial debt financing would still be required this fall to reimburse the City for pre-funded water and wastewater capital projects.

Financial Impacts and Ratepayer Considerations

The starting point for evaluating the MSC is the current water and wastewater rate environment. Information previously shared with residents in early 2026 demonstrated that the average residential property uses approximately 142,000 litres of water annually at a combined delivery and treatment cost of approximately 1.5 cents per litre.

The analysis also highlighted a significant system challenge: even with recent improvements, for every litre of water sold to a water user, approximately 1.76 litres are sent to the Niagara Region wastewater treatment system for treatment. This reflects the impact of inflow and infiltration within the wastewater network.

Water and wastewater rates in Port Colborne remain high relative to comparable local area municipalities for two primary reasons:

- water loss within the system is approaching 50%; and
- wastewater inflow and infiltration significantly increases treatment volumes and costs.

Council has established a long-term target of reducing water loss to approximately 15%, recognizing that some level of water loss will always occur due to system flushing, maintenance, fire protection activities, and unavoidable leaks.

There are two primary approaches to addressing long-term water and wastewater costs:

1. **Infrastructure Improvements and System Rehabilitation**
   The first approach is to continue investing in infrastructure improvements that reduce water loss and wastewater inflow and infiltration. These issues have been identified in engineering reports dating back to 1979, as previously mentioned.

   Reducing water loss and inflow and infiltration would help stabilize one of the City's largest operating costs: wastewater treatment charges paid to Niagara Region, which are based largely on treatment volumes. These improvements could also help offset projected regional treatment cost increases currently estimated in the range of 8% to 10% annually.

   A challenge with this approach is that not all related infrastructure is owned by the City, and the City does not currently have access to all Niagara Region operational data. This is not intended to suggest deficiencies in the Niagara Region infrastructure, but rather to highlight that system-wide performance impacts local costs and while work is being done on the City infrastructure to reduce water loss and inflow and infiltration the City cannot speak for the Niagara Region system. As billings to the City occur based on volumes at the treatment plants and the Niagara Region maintains infrastructure outside of the treatment plants, if there was a deficiency in their infrastructure, it could impact our water and wastewater volumes purchased and sold from and to the Niagara Region.

2. **Assumption of Regional Water and Wastewater Infrastructure**
   The second approach involves reviewing the potential assumption of Niagara Region water and wastewater infrastructure located within Port Colborne. Council directed staff to explore a business case for this option; however, the information required to complete that analysis has not yet been provided by Niagara Region.

   The rationale for reviewing this option includes:
   - the Port Colborne system operates independently and does not connect to neighbouring municipalities;
   - the City would gain full access to operational and asset information associated with its largest service cost;
   - the City would pay actual system costs rather than volume-based charges;
   - governance and project coordination efficiencies could be achieved; and
   - financing flexibility may improve through the use of long-term debt financing models.

   Currently, Niagara Region funds much of its infrastructure through upfront cash financing, which reflects prudent financial management at a corporate level but can also constrain the pace of infrastructure investment due to competing regional priorities and potentially increase costs to system users in the current period. The current governance review underway across Niagara Region may identify opportunities to address these structural challenges, including MSC-type models.

Asahi Kasei and the Origin of the MSC Concept

The concept of establishing an MSC originally emerged during planning associated with the Asahi Kasei investment and East Side Employment Lands infrastructure projects. The MSC structure was initially explored as a mechanism to isolate construction costs and debt associated with those projects.

Asahi Kasei has entered into agreements to fund portions of the required infrastructure, while federal and provincial grants, along with development charges, are helping fund infrastructure expansion beneath the Welland Canal. These projects not only support industrial growth but also future housing development and improved system redundancy for residents on the east side of the city.

As financial analysis progressed, it was identified that favourable long-term financing structures available through an MSC could potentially be extended to broader water, wastewater, and stormwater infrastructure projects.

Preliminary financial analysis indicates that the MSC model could generate approximately $800,000 in year-one interest savings, averaging approximately $500,000 in annual savings which is equal to approximately $10 million over 20 years. This could occur if the debt for the East Side Employment Lands and current projects underway to reduce water loss and inflow and infiltration were combined and issued through an MSC.

Importantly, the MSC model is intended to maintain operational integration and service continuity with the City. The current proposal identifies the City CAO would also serve as CAO of the MSC. No additional staffing is proposed. Customer service, billing, operations, and maintenance functions would continue to operate collaboratively and from the same facilities currently in use.

Regardless of whether the MSC proceeds, debt financing for approved water and wastewater capital projects will still be required this fall. The MSC structure is intended to reduce financing costs and improve long-term affordability while protecting the City’s ability by providing it with the flexibility to support other projects, as needed going forward.

Financial Modeling and Rate Impacts

Financial modeling is inherently complex when factoring inflation, interest rates, growth representing new system users and because many costs — particularly water and wastewater treatment charges paid to Niagara Region — remain outside of the City’s control. As a result, the MSC alone cannot fix the water and wastewater rates.

However, the MSC would provide access to long-term financing tools that support accelerated infrastructure improvements, facilitate growth and lower financing costs. New users to the system create a broader base to share the cost of maintaining and improving the system. These actions will positively impact the water and wastewater rates.

As noted earlier in the business case, preliminary financial analysis indicates that currently approved debt associated with projects already underway could generate approximately $800,000 in year-one interest savings equalling approximately $500,000 in annual savings through the MSC structure compared to borrowing through the City. This would equal approximately $10 million over 20 years. This is because the MSC would provide the opportunity to combine borrowing associated with the East Side Employment Lands with already underway projects to address water loss and inflow and infiltration and access favourable financing terms through an upper-level government financing program that is not available through the traditional City model.

Staff have previously highlighted to Council the water and wastewater rate modeling that anticipates annual water and wastewater rate increases in the range of approximately 10%, reflecting projected Niagara Region cost increases. Financial modeling associated with this MSC business plan indicate potential reductions of approximately 2% to 4% from those previously forecasted increases.

The range reflects the complexity associated with forecasting the precise impact of individual infrastructure improvements, growth and Niagara Region increases.

If the City's water, wastewater and stormwater system were consolidated into an MSC the statement of operations would reflect the following based on the 2026 budget:

	Water	Wastewater	Storm water	Total
Revenue	**7,621,334**	**10,131,319**	**2,995,081**	**20,747,744**
People	620,148	630,168	315,084	1,565,400
Operating	1,682,086	1,877,751	491,361	4,051,198
Niagara Region	3,169,900	6,198,400	-	9,368,300
Capital	1,064,400	642,500	1,657,491	3,364,391
Borrowing	1,084,800	782,500	531,155	2,398,455
	7,621,334	**10,131,319**	**2,995,081**	**20,747,744**
Surplus/(Deficit)	-	-	-	-

As a note to the above table, while there is no direct payment to the Niagara Region identified for storm water, the Niagara Region does levy for storm water through the transportation budget of the Niagara Region. This charge is consolidated and not itemized in the property tax billing.

Recognizing there would be immediate savings from financing through the MSC, the business case recommends the creation of a targeted grant or affordability program estimated at approximately $250,000 annually to assist lower water users by offsetting wastewater fixed charges. Eligibility criteria and rebate structures would require further policy development and Council consideration.

There are no other significant changes to budgetary lines contemplated in the development of the MSC other than those associated with borrowing costs.

The City and MSC would continue to work with upper levels of government to obtain grants where available. Over the past 18 months, the City has received more than $30 million in water, wastewater, and stormwater grants to offset capital costs.

As highlighted in this business case, perhaps the most significant benefit of the MSC is the ability to access financing to improve and grow the water, wastewater and stormwater infrastructure without negatively impacting the City's ability to support other initiatives. Looking forward, projected debt requirements to support system improvements would include:

- currently approved debt requirements;
- future debt requirements related to existing infrastructure; and
- future growth-related debt requirements funded by developers, development charges or grants.

Issuing debt through the MSC would ensure these obligations remain separate from the City's tax-supported debt capacity. The debt would not be guaranteed by the City, and the MSC would operate as a standalone publicly owned corporation.

The proposed MSC structure may also provide broader benefits across Niagara Region by preventing this infrastructure debt from impacting the Region's consolidated borrowing capacity or any future regional governance structures, thereby preserving borrowing flexibility for other municipalities and regional priorities.

Risks and Mitigation

In any business plan there are always risks and mitigation factors. Here are some salient risks and mitigation factors we identified.

Risk	Mitigation
People	Change can be scary. As noted, everyone will still be working in the same capacity, in the same locations. Some employees will be paid from the MSC, and others remain in the City. There would be no change in compensation, everyone would still be in OMERs and unionized employees still with their union. There is legislation to support this change and the City and MSC would work with the union to coordinate.
Legislation for an MSC changes	This could happen. The Province has been introducing new legislation to support water and wastewater corporations understanding the capital-intensive need. If the rules changed the City and MSC would need to evolve; however, the infrastructure deficiencies would be started to be addressed and the debt issued.
Governance in the Niagara Region	This conversation is occurring. The probability of change is high. What is unique to Port Colborne and at least one other local area municipality is, the City's water and wastewater system does not touch any other City. Establishing an MSC has no impact on the rest of the Niagara Region municipalities.
Interest rates	Interest rates could go higher and they could also go lower. The work being done support an interest rate lower than what the City could issue through the Niagara Region regardless as to where interest rates go in general. Further, issuing the debt through an MSC removes the debt from the Niagara Region providing greater borrowing capacity for the Niagara Region and other local area municipalities.
Inflation	Inflation is perhaps the scariest component of maintaining infrastructure. Often construction inflation goes up faster than headline inflation. As noted, the best defence is addressing infrastructure deficiencies when identified instead of allowing the replacement cost to continue to climb.
Growth	What if growth does not materialize to pay for growth assets. In this event the City would look to extend debt payments to increase the time to continue to recoup costs from growth.