

Municipality of Chatham-Kent

Finance, Budget, Information Technology & Transformation

Administration

To: Mayor and Members of Council

From: Gord Quinton, MBA, CPA, CGA
Chief Financial Officer / Treasurer / General Manager, Finance, Budget,
Information Technology & Transformation

Date: June 23, 2025

Subject: Public Utilities Commission Master Plan Review with a Growth Lens

Recommendations

It is recommended that:

1. Council affirm the prioritized project direction as demonstrated in the Municipal VU Consulting Inc. Water and Wastewater Master Plan Review and direct the Chatham-Kent Public Utilities Commission (PUC) to proceed with the "Green" category projects as described in the report, to prioritize growth capacity and a more affordable 10-year capital plan.
2. The PUC administration immediately develop an engineering staffing plan to support the 10-year capital plan concentrating on plants and facilities to present to the PUC for approval as soon as possible and be funded through 2025 approved water and wastewater rates.
3. The Municipality create a Special Project Group within the Engineering Division named Facilitating Linear Opportunities Within Chatham-Kent (FLOW-CK) to fast-track linear water, wastewater and storm water projects in alignment with growth management policies of Chatham-Kent's Official Plan Update and the Transportation Mobility Master Plan both currently under way, to bring forward strategic growth and capacity building projects, with funding for the water and wastewater projects charged back to PUC for funding.
4. The PUC and the Municipal governance bodies and administrations work collectively to ensure the goals of the plan are realized in a cost effective and timely fashion.
5. The PUC present annual updates to Council on the progress of the major (over \$5M projected cost) projects in the plan.

6. Administration continue to work with the Greenhouse industry to investigate solutions to divert their needs from potable municipal water to other potential sources, greatly reducing the future capital needs of the water plants. The PUC consider a moratorium on providing water to new greenhouses or expansions of the existing greenhouses until a more affordable solution is confirmed.

Background

Residential growth within Chatham-Kent remains steady, and industrial and commercial sector development needs are ever-increasing and are required to support economic development and attract new business.

The Municipality of Chatham-Kent is in the process of updating its Official Plan to guide development and infrastructure investment over the next 25 years. The Official Plan update will help to ensure the Municipality can accommodate both residential and employment growth. An important focus of the study is ensuring Chatham-Kent remains competitive in the Highway 401 Business Corridor by strengthening its supply of strategically located employment areas.

Chatham-Kent's municipal administration and the Public Utilities Commission have often operated independently and lacked a unified strategy for planning and delivering services like land use, engineering, and infrastructure investment. This separation has resulted in inefficiencies, missed collaboration opportunities, and inconsistent communication. The future growth of Chatham-Kent and the financial realities require a unified plan moving forward.

With a growth lens, municipal and PUC administration have been working together to develop a plan to strategically service both existing PUC customers and the anticipated growth areas. In that regard, it was decided that an independent review of the most recent Water and Wastewater Master Plan (WWWMP) was needed.

Municipal VU Consulting Inc. was commissioned by the Chatham-Kent Public Utilities Commission to review and prioritize projects in the WWWWMP and to assess alignment with Council's growth priorities and service expectations. A broader set of issues were revealed, and as a result, the focus was expanded to include infrastructure planning gaps, operational limitations, and structural governance issues.

Key findings include:

Misalignment with Growth Priorities:

- The WWWWMP does not account for Southwest Chatham, a strategic growth area identified by Council, and the omission limits the municipality's ability to support development and meet housing/employment targets.

Coordination Gaps:

- There is an existing lack of integration between the PUC and municipal administration, with no shared capital prioritization or unified servicing strategy.

Conflicting Priorities:

- The WWWMP prioritizes the Wallaceburg Water Treatment Plant, while the Municipality prioritizes servicing Southwest Chatham, which was not considered in the WWWMP.

Infrastructure Needs:

- The draft Southwest Chatham Servicing Study outlines over \$780M in infrastructure needs for phased growth. This is in addition to the \$975M already identified in the WWWMP, excluding uncoded State of Good Repair (SOGR) needs.

Operational Risks:

- Aging infrastructure, high water loss, and incomplete sewer separation plans highlight the need for better asset management and planning.

To address these findings, Municipal VU has provided a structured implementation plan with actions categorized as:

- Immediate
- Short-term
- Medium-term
- Foundational (long-term)

This report is on preliminary steps Council can take to begin to address this action plan.

Comments

Municipal VU's findings are consistent with the opinion of senior Municipal and PUC administrative staff. The growth in Chatham-Kent was not fully considered in the WWWMP and the priorities identified in the plan are not consistent with the current growth outlook.

The recommendations will redirect staff to focus on the long-term lowest cost solutions to continue to provide quality water and wastewater treatment and the capacity and linear infrastructure needed to allow all areas of Chatham-Kent to flourish over the next 50 years.

Demonstrated through the recent Asset Management Plan work and through the review of the WWWMP, the PUC Engineering Division needs to increase their staffing levels to meet the needs of the PUC Capital Plan. It is recommended that PUC administration work on a staffing plan and bring it forward to the Commission as soon as possible. Opportunities for upper-level funding rely on engineered shovel ready projects and these can often take over a year to have engineered design. This work needs to begin immediately for several of the green (proceed now) items identified in the Municipal VU report. Achieving upper level grants is paramount in keeping Chatham-Kent's water and wastewater rates competitive with Southwestern Ontario municipalities.

Additionally, it is recommended that municipal administration assist by managing the linear projects (underground water and wastewater pipes), particularly those that also need coordination with planning, transportation, storm water and coordinating with external utilities such as Entegrus and Enbridge. The Facilitating Linear Opportunities Within Chatham-Kent (FLOW-CK) special project group is recommended to be created as a branch of the Engineering Division within the Infrastructure and Engineering Services Department. Funding for the water and wastewater portion of the staff and projects will be charged back to the PUC with adjustments to the current PUC Service Level agreement and capital projects. Funding for the municipal services will come from the Asset Management Plan funding approved by Council in the 2024–2027 multi-year budget and capital projects.

At the June 9, 2025 meeting, Council received for information the Planning for Growth and Development Report #3. The growth amendments to the official plan will be brought to Council in late 2025. It is expected that there will be significant need for growth in residential and non-residential land uses and having the FLOW-CK team in place will advance strategic projects once identified.

It is recommended that through this intense capital investment period that the PUC bring an annual report to Council to ensure it is updated with progress reports regularly. The major capital projects will need debt financing and the Municipal Act requires the Municipality to borrow funds on behalf of the PUC; therefore, it makes sense for all of Council to receive regular updates from the Commission.

The fast expansion of the greenhouse industry in Southwestern Ontario to provide food security across Canada is a challenge to municipal potable water services without receiving 100% funding from the industry or upper levels of government. Current residents and businesses cannot afford to subsidize the greenhouse industry. In the past, capacity was provided to the industry without the use of development charges to recover any of the capital capacity costs. This can no longer occur, and though greenhouse development charges were introduced in 2024, they are not at 100% recovery. There are potential private sector solutions in early stages of development. While there are no details available to publicly release in this report, administration is working closely with the greenhouse industry in discovering what possibilities could be realized with cooperation; therefore, it is suggested that the PUC consider pausing granting water to expand greenhouses in Chatham-Kent as these discussions continue and potentially be able to scale back capacity expansion projects that were identified in the WWWMP. At a minimum, these capacity costs would need to be 100% recovered from the greenhouse industry in the future.

Council Term Priorities

This report supports the following Council Term Priorities:

			
Deliver Excellent Service	Promote Safety & Well-Being	Grow Our Community	Ensure Environmental Sustainability
1 a, 2 a, 5 a		2 a, b, c, e, 3 a	1 a

Consultation

PUC and Municipal senior administrations have collectively worked with Municipal VU on their report and forming the recommendations of this report.

Communication

Communication is proposed to be through the inclusion of this report on the Council agenda and minutes. Future individual projects will go through their normal course of public consultation as required by environmental assessments and current legislation.

Diversity, Equity, Inclusion and Justice (DEIJ)

This report does not have implications related to diversity, equity, inclusion or justice.

Financial Implications

The recommendations in this report are presented to Council to reduce the long-term capital costs of water and wastewater plant replacement and future capacity growth. These expenses have been largely included in the WWMP, 2024 PUC Development Charges Study and 2025–2029 PUC Rate Studies approved by the PUC. The growth projects also include projects approved in the 2024–2027 Multi-Year Budget as updated for 2025 and Capital Budgets. The approval of the recommendations will lessen future needs for rate and tax increases.

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Attachments: Municipal VU Water and Wastewater Master Plan Review
Municipal VU Presentation