

Revised

# Tri County Drinking Water System

## Financial Plan

May 6, 2019



**Sharratt Water Management Ltd.**  
Sustainable Water Management Specialists

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## **1. Introduction**

The Municipality of West Elgin has authorized Sharratt Water Management Ltd. (SWML) to develop water rates and the Financial Plan for the Municipality's drinking water system.

This Financial Plan has been prepared in accordance with the Financial Plan regulation (O. Reg. 453/07) made under the Safe Drinking Water Act, as well as the provisions of the financial planning guidelines published by the Ministry of the Environment (MOE) in August 2007 entitled "Toward Financially Sustainable Drinking-Water and Wastewater Systems".

The water rates are set out in the TRI-COUNTY DRINKING WATER SYSTEM RATE REPORT (RATE REPORT), dated May 6, 2019, The RATE REPORT estimates the capital and major maintenance costs from the year 2019 to the year 2095 in an operating plan. The revenue needed to support the operating plan is laid out in a funding plan that relies on user fees from rates. These are set so that adequate reserves are developed in order to fund projected future capital, major maintenance and operating expenses.

The Financial Plan was developed for the Municipality's based on the RATE REPORT, as well as tangible capital asset information that the Municipality generated in accordance with the Public Sector Accounting Board (PSAB) standard PS 3150 requirements. The Financial Plan includes a future tangible capital asset projection, over seven years, from 2019 to the year 2025.

### **1.1 Legislative Context to Financial Planning**

There have been a number of legislative initiatives affecting water system management and operations over the past decade. These initiatives were a result of the water borne illness tragedy in Walkerton in 2000. Following this event, the Government of Ontario established a public inquiry chaired by the Honourable Dennis O'Connor to look into the tragedy. The Inquiry Report recommended a comprehensive approach to the delivery of safe drinking water in Ontario.

The MOE has responded to the Inquiry recommendations by making legislative changes. One change directly related to the development of this Financial Plan was the passage of the Safe Drinking Water Act, 2002 (SDWA). It requires owners of a municipal drinking

water system to apply for and obtain a Municipal Drinking Water Licence. Five elements must be in place in order for the owner of a drinking water system to obtain a licence:

- 1) A Drinking Water Works Permit to establish or alter a drinking-water system.
- 2) An accepted Operational Plan. The Drinking Water Quality Management Standard (DWQMS) is the standard upon which operational plans are based. The plan documents an operating authority's quality management system (QMS).
- 3) An Accredited Operating Authority. A third party audit of an operating authority's QMS will be the basis for accreditation.
- 4) A Permit to Take Water.
- 5) A Financial Plan that must be prepared and approved in accordance with the prescribed requirements in the Financial Plans Regulation.**

Under section 30 of the SDWA, the Financial Plan element of the licence program must either be prepared in accordance with the Sustainable Water and Sewage System Act, 2002 (SWSSA) or in accordance with the requirements set by the Minister of the Environment. SWSSA regulations were never published and the legislation has sunsetted. Accordingly, the requirements set by the Minister of Environment apply as per the 2007 MOE guidelines.

Regulation 453/07 of the Safe Drinking Water Act was passed in 2007 and contains two key provisions that apply to an existing water system:

1. A person who makes an application under the Act for a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements of Reg. 453/07. O. Reg. 453/07, S. 1(1).
2. As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the July 1, 2010 or the date that is six months after the date the first licence for the system is issued, whichever is later, prepare and approve financial plans for the system that satisfy the requirements prescribed Reg. 453/07. O. Reg. 453, S. 1(3).

Several other provisions are also set out in the regulation that must be met by a municipality operating a water system:

- The Financial Plan must be approved by a resolution that is passed by the Council of the municipality.
- The Financial Plan must apply to a period of at least six years.
- The first year to which the Financial Plan must apply must be July 1, 2010 or six months after the first licence for the system is issued, whichever is later.

Once a system is licensed, the municipality's Financial Plan is required to be updated every 5 years, in conjunction with every application for license renewal.

## **1.2 Recent Accounting and Policy Changes**

In June 2006, the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered accountants approved new municipal financial accounting and reporting standards requiring that tangible capital assets (TCA), including components of the water system, be included in municipal financial statements. The new accounting standard PS 3150 came into effect on January 1, 2009. This provides for a sharper focus on the depreciation of the capital asset base of the water system and the need to plan for renewal and replacement on a timely basis. This data is an integral component of the financial statements included in this Financial Plan.

The Clean Water Act, 2006, targets the protection of drinking water supplies through the development of collaborative, locally driven, science-and-watershed based source protection plans. According to the MOE financial planning guidelines, Financial Plans should include source water protection costs related to the provision of water services. Utilities are encouraged to have, at minimum, estimates of any current source protection costs as a separate cost item by the time that their Financial Plans are required.

In June 2007, the government of Ontario proposed a lead action plan. The Financial Plans regulation contains requirements for municipalities to include in their Financial Plans the costs associated with replacing lead service pipes that are part of the drinking water system.

### **1.3 Tri-County Water System**

The Tri-County water system, (the System) consists of a low lift pumping station at the Lake Erie shoreline south of Eagle, intake pipes extending into the Lake, two water lines running from the low lift station to the new water treatment plant near Eagle. The old water plant is also part of the system. A 400 mm concrete water main connects the new water plant to the West Elgin tower. The Tri-County system also has five valve chambers located throughout the service area at Eagle West, Eagle East, Silver Clay, Pioneer and Marsh. Each has water valves, a flow meter and SCADA to monitor performance. While this system is owned by the Municipality of West Elgin, it provides water service to five municipalities (Chatham-Kent, Dutton-Dunwich, Newbury, South West Middlesex, and West Elgin) which have representation on the Tri-County Water Management Committee (Committee). The Committee is responsible for the management of the system. Each of the municipalities on the Committee is responsible for their respective local water distribution systems. Water rates are set on a volumetric basis, with each municipality paying according to the water taken from the West Elgin primary system.

## **2. Operating Plan**

The operating plan for system component details the recurring operating costs as well as the capital renewal and major maintenance investments costs required to sustain the drinking water system. These costs have been developed using assumptions that are detailed in the RATE REPORT. Some key assumptions are set out below.

### **2.1 Operations expenses**

Operating costs such as labour, chemicals, insurance and other costs are assumed to increase at 2% per annum and energy is projected to increase at 5% per annum for the 2019-29 periods. These are estimates only and annual inflation should be monitored annually.

## **2.2 Capital renewal and major maintenance expenses**

Capital renewal and major maintenance costs have been projected to 2095 and funding needs for these projected costs have been included in the rates for 2019-25. The intent is to ensure that funding will be available when needed for the projected water capital and major maintenance costs between 2019 and 2095. Capital and major maintenance costs are projected to increase at 3% per year in the system. The short-term capital renewal and major maintenance needs are set out in the RATE REPORT.

## **2.3 Financing**

There is no debt on the water system and none is forecast for the 2019 to 2095 period, provided the assumptions made in this projection come to fruition. A short term loan will be needed in 2088-89 with the reserve then in surplus to 2095. All expenditures will be funded from user fees and grants, should grants be forthcoming.

## **2.4 Lead replacement costs**

The Tri-County water system, comprised of the low lift pumping station, treatment plant, large water mains and the West Elgin water tower, contain no lead.

## **2.5 Source water protection costs**

No further expenditures are planned at this time.

## **3. Funding Plan**

The funding plan lays out a plan on how the Municipality will generate the required funds to meet the operating and capital expenditure requirements. This is detailed in the RATE REPORT. The funding plan proposed will rely primarily upon user fees. Some key assumptions and results are presented below.

### **3.1 Government Grants**

No provision has been made for government grants in this Plan. Should such financing be obtained, then it is anticipated that these funds would be added to the reserve fund.

### 3.2 Debt

No debt is foreseen to be needed in the 2019 to 2095 period, except for a loan for 2088-89, based on projections in the rate studies.

### 3.3 Required User Fees/Rates

Based on the current funding plan, West Elgin primary system user fees are projected to increase at about 4% per annum in inflated dollars until 2025 and 3% thereafter until 2029. If inflation is removed, rates will increase by about \$0.05, in total, in the next 7 years. The rate development process is set out in the RATE REPORT. Table 1 sets out the proposed rates for 2019 to 2025.

**Table 1 Tri-County Proposed Water Rates in \$ 2019-2025**

	2019	2020	2021	2022	2023	2024	2025
Rate/M3 inflated\$	0.91	0.95	0.99	1.03	1.07	1.11	1.15
Rate/M3 2019\$	0.91	0.92	0.93	0.94	0.95	0.96	0.96

## 4. Continuous Improvement

The Financial Plan regulation requires that the Plans be updated every 5 years, along with the request for the renewal of the Drinking Water Licence. This on-going update will assist in revisiting the assumptions made to develop the operating and funding plans as well as re-assessing the need for capital renewal and major maintenance expenditures.

## 5. Financial Plan Summary

This section provides a summary of principal features concerning the current and future state of the water system contained in the projected Financial Statements over 7 years (2019-2025) in compliance with O. Reg. 453. The detailed financial statements are set out in tabular form in Section 6. The notes regarding the financial statements Plan are presented at the end of the financial statement section of this report.

### 5.1 Statement of Financial Position (Table 6.1)

An important feature of a water system is its net financial assets. A positive number indicates that the system has the resources to deal with future capital and other needs. A negative number indicates that past capital and other investments must be financed from future revenues. The West Elgin water system's net financial assets are shown in Figure 5.1.

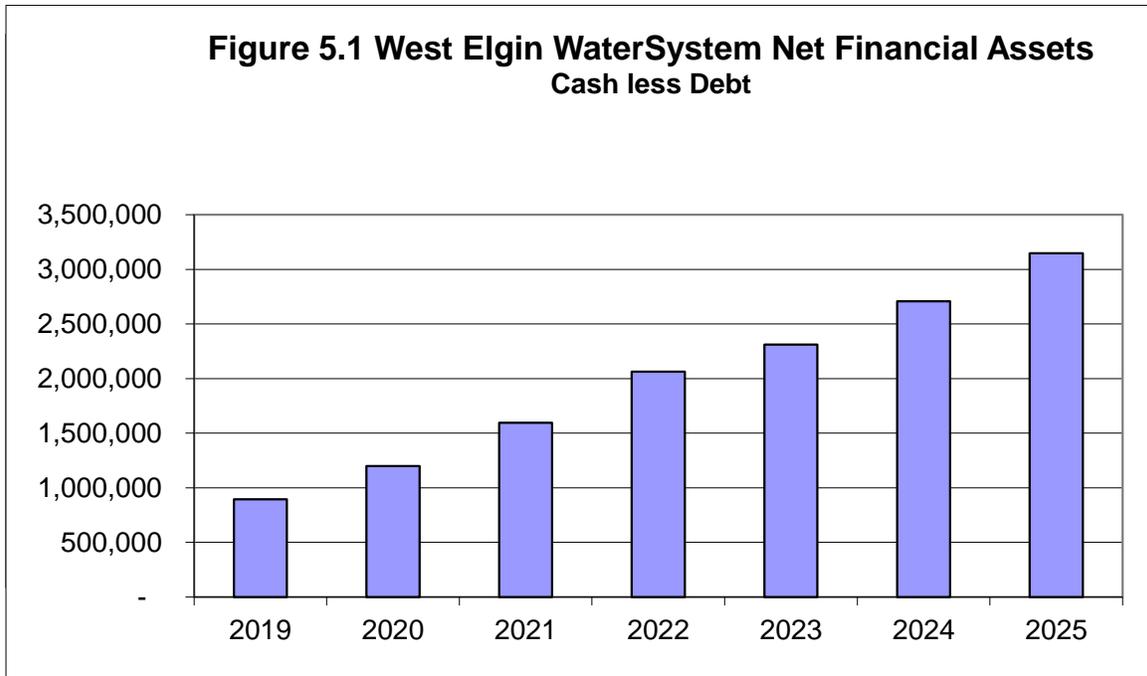
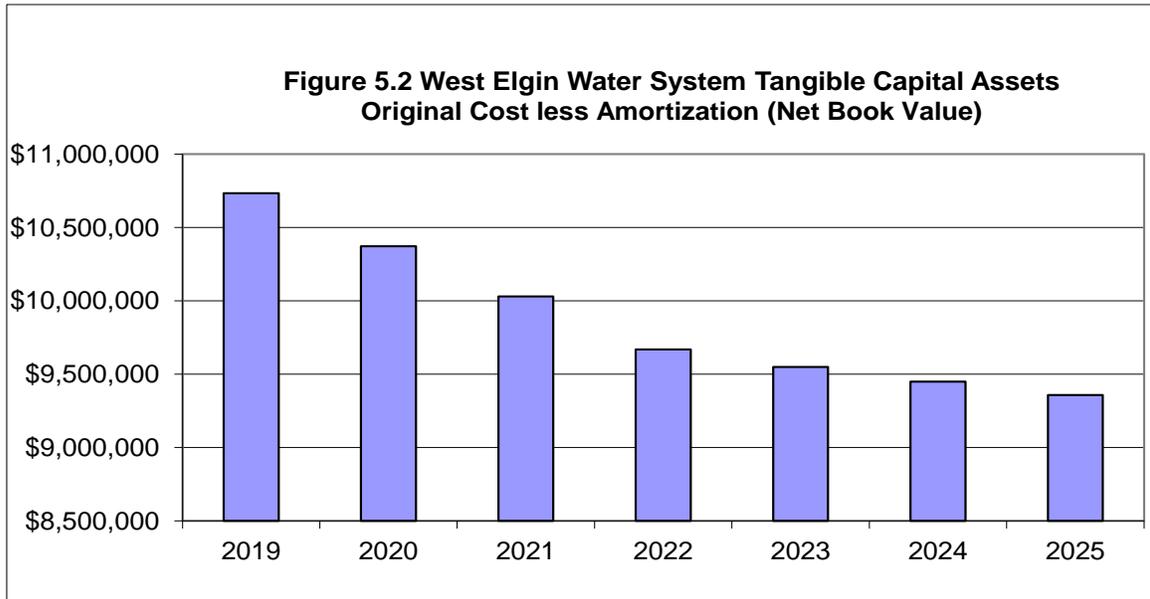


Figure 5.1 shows that the system has substantial financial assets on-hand to deal with capital renewal needs in 2019 and this increases substantially by 2025.

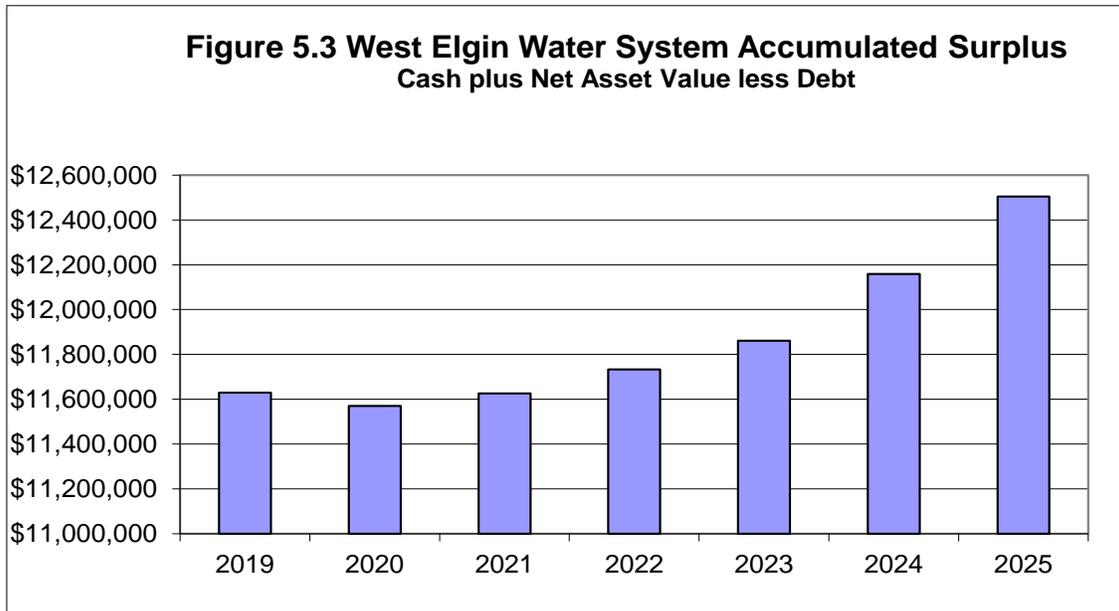
A second feature is the total value of the water system tangible capital assets, such as plants, pumping stations, reservoirs and water lines. Consideration of the value of tangible capital assets is part of PSAB compliance. The current value of the capital assets is termed net book value (NBV). It is the difference between the original cost of an asset less the accumulated amortization.

Water systems have a huge amount of resources tied up in tangible capital assets and managing these assets is critical to maintaining current and future levels of service. Tangible capital assets, once installed, are being used, and are decreasing in value.

This is termed amortization. An increase in net book value of tangible capital assets is an indication that assets have been renewed faster than they were used. A decrease in net book value indicates that assets are being used, or amortized, faster than they are renewed. The net book value of the Tri-County assets is set out in Figure 5.2.



Net book value has decreases from 2019 to 2025. This follows a good deal of building undertaken ten years ago that renewed the low lift pumping station and built a new water plant. These assets are too new to have much renewal and this decline is normal.



A third feature is the accumulated surplus set out in Figure 5.3. It represents cash on hand plus the net book value of tangible capital assets less debt.

The Tri-County water system, as shown in Figure 5.3, is illustrating increase in cash plus net asset value over the 2019 to 2025 period. This is due to a buildup of cash reserves.

## 5.2 Statement of Operations (Table 6.2)

This statement summarizes the revenues and expenditures. The expenditures include ongoing operating costs plus asset amortization.

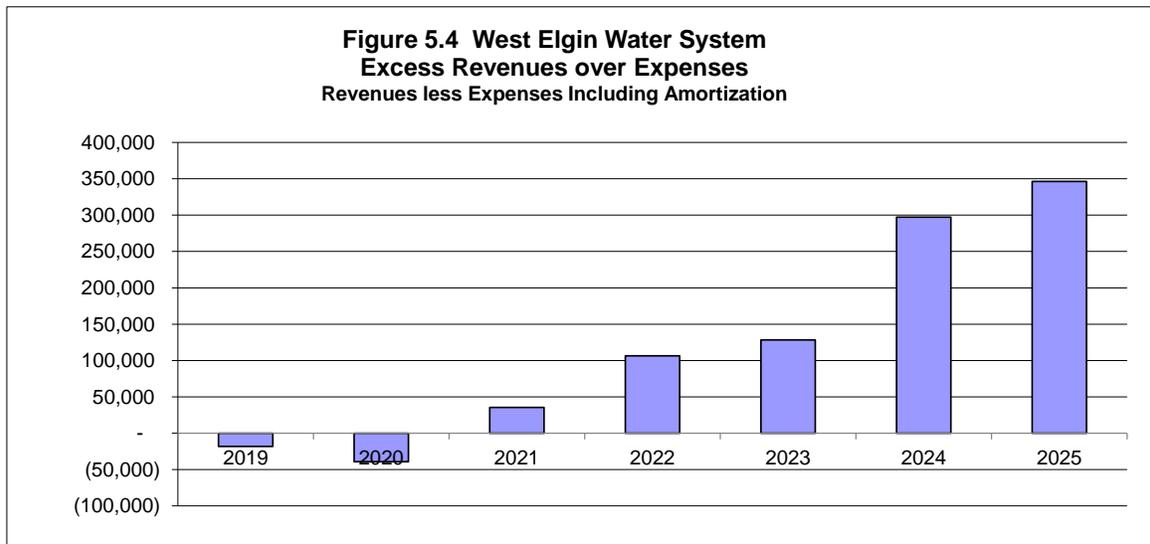
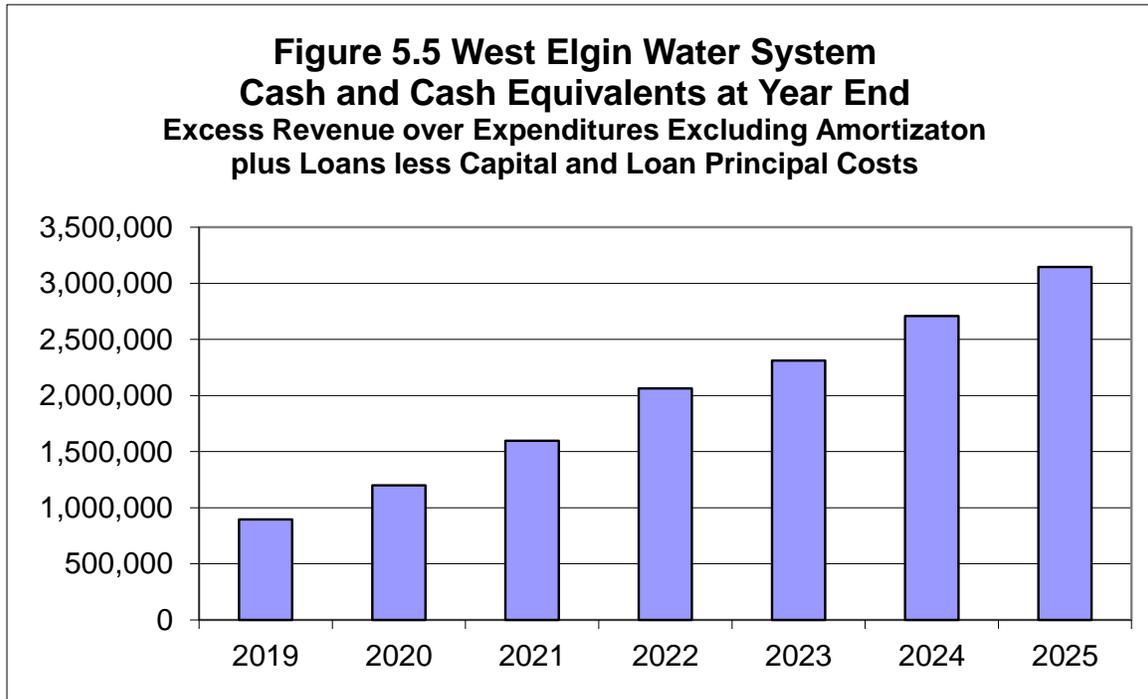


Figure 5.4 projects that the system's excess of revenues over expenses, including amortization, is negative in 2019-20 and then increases very steadily from 2021 to 2025.

### 5.3 Statement of Cash Flow (Table 6.3)

The cash flow statement summarizes how the water system is expected to generate and utilize cash resources. This is illustrated in Figure 5.5.



The transactions that generate and use cash include the projection of cash to be received from user fees and other revenues, cash to be used for operating expenditures and financing charges, cash projected to be used to acquire capital assets, cash that will be used for investing transactions involving the acquisition or disposal of investments, and projected financial transactions that are the proceeds from debt or debt principal repayment. These transactions are summarized as the level of cash and cash equivalents at the year-end. Reference to table 6.3 indicates that substantial cash from operations is projected to be accumulated and be available to finance future capital renewal.

### 5.4 Conclusion

The financial statements reveal that the Tri-County water system has cash reserves until 2095 available to renew aging capital assets, provided that the Municipality implements

the projected rates and the long range capital renewal and major maintenance plan set out in the RATE REPORT. The system is showing a decline in net book value that is normal in the situation where a new plant and other equipment was built only ten years ago. Funds are being accumulated in reserve to offset this decline in asset values and are available to finance future capital renewal as required in the near future.

In reviewing these statements, it is important to keep in mind that a number of assumptions have been made concerning inflation, interest rates and water use. Actual numbers may significantly deviate from these over time. There is a need to monitor the progress of this plan and make adjustments, if warranted. The detailed financial statements set out in tabular form that were the basis for the above summary follow in Section 6.

## **6. Financial Statements**

The detailed financial statements are set out in the following tables followed by the notes that correspond to the numbers on the right side of the tables.

Financial Plan

	2019	2020	2021	2022	2023	2024	2025	Notes
<b>Financial Assets</b>								
Cash and Cash Equivalents	\$895,853	\$1,198,688	\$1,597,620	\$2,090,909	\$2,431,117	\$2,839,590	\$3,296,071	1
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Financial Assets</b>	<b>\$895,853</b>	<b>\$1,198,688</b>	<b>\$1,597,620</b>	<b>\$2,090,909</b>	<b>\$2,431,117</b>	<b>\$2,839,590</b>	<b>\$3,296,071</b>	
<b>Liabilities</b>								
Accounts Payable (Capital)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Principal/Working Deficit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Deferred Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Liabilities</b>	<b>\$0</b>							
<b>Net Financial Asset (-Debt)</b>	<b>895,853</b>	<b>1,198,688</b>	<b>1,597,620</b>	<b>2,090,909</b>	<b>2,431,117</b>	<b>2,839,590</b>	<b>3,296,071</b>	
<b>Non Financial Assets</b>								
Tangible Capital Asset Cost	\$15,081,852	\$15,296,852	\$15,293,868	\$15,289,434	\$15,243,894	\$14,715,156	\$14,936,938	2
Additions to Tangible Capital Assets - Cost	\$215,000	\$20,500	\$0	\$0	\$220,763	\$226,282	\$231,939	3
Accumulated Amortization incl. Addition	\$4,562,909	\$4,925,138	\$5,263,815	\$5,620,649	\$5,918,178	\$5,500,901	\$5,843,586	4
<b>Total Non Financial Assets</b>	<b>\$10,733,942</b>	<b>\$10,392,214</b>	<b>\$10,030,054</b>	<b>\$9,668,785</b>	<b>\$9,546,478</b>	<b>\$9,440,537</b>	<b>\$9,325,291</b>	
<b>Accumulated Surplus/(deficit)</b>	<b>\$11,629,795</b>	<b>\$11,590,902</b>	<b>\$11,627,674</b>	<b>\$11,759,694</b>	<b>\$11,977,595</b>	<b>\$12,280,127</b>	<b>\$12,621,361</b>	
<b>Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.</b>								

Financial Plan

<b>Table 6.2 Statement of Financial Operations - Tri-County Water System</b>								
	2019	2020	2021	2022	2023	2024	2025	Notes
<b>Revenues</b>								
User Fees	-\$1,221,505	-\$1,275,093	-\$1,328,680	-\$1,382,268	-\$1,435,855	-\$1,489,443	-\$1,536,807	5
Other Miscellaneous Revenues	-\$22,693	-\$23,689	-\$24,685	-\$25,681	-\$26,676	-\$27,672	-\$24,897	6
Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Earned Development Charge Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Interest Income	-\$11,586	-\$26,876	-\$35,961	-\$47,929	-\$62,727	-\$72,934	-\$85,188	7
<b>Total Revenues</b>	<b>-\$1,255,784</b>	<b>-\$1,325,657</b>	<b>-\$1,389,326</b>	<b>-\$1,455,877</b>	<b>-\$1,525,259</b>	<b>-\$1,590,049</b>	<b>-\$1,646,892</b>	
<b>Expenses</b>								
Operating	\$854,108	\$857,772	\$870,885	\$884,191	\$897,618	\$905,370	\$948,028	8
Major Maintenance	\$63,225	\$144,551	\$119,509	\$78,398	\$66,670	\$49,923	\$10,445	9
Debt Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Annual Amortization	\$356,552	\$362,228	\$362,160	\$361,269	\$343,069	\$332,223	\$347,185	10
Loss on Disposal of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Expenses</b>	<b>\$1,273,886</b>	<b>\$1,364,551</b>	<b>\$1,352,554</b>	<b>\$1,323,857</b>	<b>\$1,307,358</b>	<b>\$1,287,517</b>	<b>\$1,305,658</b>	
Excess of Revenues over Expenses before Other	(18,101)	(38,893)	36,772	132,020	217,901	302,532	341,235	
<b>Other</b>								
Developer In Kind	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Excess of Revenues over Expenses</b>	<b>(18,101)</b>	<b>(38,893)</b>	<b>36,772</b>	<b>132,020</b>	<b>217,901</b>	<b>302,532</b>	<b>341,235</b>	
Accumulated Surplus (Deficit) Beginning of year	\$11,647,896	\$11,629,795	\$11,590,902	\$11,627,674	\$11,759,693	\$11,977,595	\$12,280,126	
<b>Accumulated Surplus (Deficit) End of Year</b>	<b>\$11,629,795</b>	<b>\$11,590,902</b>	<b>\$11,627,674</b>	<b>\$11,759,693</b>	<b>\$11,977,595</b>	<b>\$12,280,126</b>	<b>\$12,621,361</b>	
<b>Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.</b>								

Financial Plan

<b>Table 6.3 Statements of Change in Cash Flow - Tri-County Water System</b>								
	2019	2020	2021	2022	2023	2024	2025	Notes
<b>Operating Transactions</b>								
User Fees	\$1,221,505	\$1,275,093	\$1,328,680	\$1,382,268	\$1,435,855	\$1,489,443	\$1,536,807	5
Other Miscellaneous Revenues	\$22,693	\$23,689	\$24,685	\$25,681	\$26,676	\$27,672	\$24,897	6
Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total for Operating Expenses	\$854,108	\$857,772	\$870,885	\$884,191	\$897,618	\$905,370	\$948,028	8
Total for Major Maintenance	\$63,225	\$144,551	\$119,509	\$78,398	\$66,670	\$49,923	\$10,445	9
Total for amortization	\$356,552	\$362,228	\$362,160	\$361,269	\$343,069	\$332,223	\$347,185	10
Excess of Operating Revenues Over Operati	\$ (29,687)	\$ (65,769)	\$ 811	\$ 84,091	\$ 155,174	\$ 229,598	\$ 256,047	
<b>Add Back Non Cash Charges to Operating Trans.</b>								
Amortization	\$356,552	\$362,228	\$362,160	\$361,269	\$343,069	\$332,223	\$347,185	11
Loss on the Disposal of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total	\$356,552	\$362,228	\$362,160	\$361,269	\$343,069	\$332,223	\$347,185	
<b>Working Capital Items</b>								
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Capital Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash provided/(used) in Operating Transacti	\$326,865	\$296,459	\$362,972	\$445,360	\$498,243	\$561,821	\$603,231	
<b>Capital Transactions</b>								
Acquisition of TCAs	\$215,000	\$20,500	\$0	\$0	\$220,763	\$226,282	\$231,939	3
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash provided/used in Capital Transactions	\$215,000	\$20,500	\$0	\$0	\$220,763	\$226,282	\$231,939	
<b>Investing Transactions</b>								
Proceeds from Investments	\$11,586	\$26,876	\$35,961	\$47,929	\$62,727	\$72,934	\$85,188	7
Cash (used in) Provided by Investing Activitie	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided/used in Investing Transaction	\$11,586	\$26,876	\$35,961	\$47,929	\$62,727	\$72,934	\$85,188	
<b>Financing Transactions</b>								
Proceeds from Debentures/Loans	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Repayment of Long Term Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided by/used in Financing Activities	\$0	-	-	-	-	-	0	
Increase (decrease) in Cash Equivalents	123,451	302,835	398,932	493,289	340,208	408,473	456,481	
Cash and Cash Equivalents at the beginning	\$772,402	\$895,853	\$1,198,688	\$1,597,620	\$2,090,909	\$2,431,117	\$2,839,590	
Cash and Cash Equivalents at the End of the	\$895,853	\$1,198,688	\$1,597,620	\$2,090,909	\$2,431,117	\$2,839,590	\$3,296,071	
<b>Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.</b>								

**6.4 Notes on the Tri-County Water System Financial Plan**

1. Cash and cash equivalent is assumed to be invested in a reserve for future capital renewal and major maintenance to 2095, as set out in the RATE REPORT.
2. Tangible capital assets acquired in the past were valued by the Municipality to the end of 2009. Capital works are assumed to have no residual value when they have reached the end of their projected life and replacement date set out in the RATE REPORT. Future capital works costs are based on 2019 costs and inflated to future installation year cost at an inflation rate of 3% per as of July 1 each year. Amortization was determined using the straight-line method. All works are assumed to have been put into service or disposed of on July 1 of the year in question.
3. Additions to tangible capital assets are capital projects, according to the PSAB definition of capital, projected to be undertaken in the 2019 to the 2025 periods.
4. Amortization was determined using the straight line method with the asset assumed to have been put into service on July 1 and one half year of amortization was provided for in the year of installation.
5. Charges to users for water.
6. The primary system revenues consist only of user fees.
7. This revenue is interest at 3.0% per annum earned on the previous end of year reserve balance.
8. Operating costs are projected to increase at 2% per annum and 5% per annum for energy.
9. Major maintenance represents equipment renewal projects projected by OCWA that did not meet the PSAB definition of capital and are treated like operating costs.
10. Annual amortization calculated as per notes 3 and 5 above.
11. Amortization is a non-cash entry and is deducted from the expense component of the cash flow analysis.

**Attachment 1**  
**Ontario Regulation 453/07**

**Safe Drinking Water Act, 2002  
ONTARIO REGULATION 453/07****FINANCIAL PLANS**

**Consolidation Period:** From April 1, 2008 to the [e-Laws currency date](#).

Last amendment: O. Reg. 69/08.

*This is the English version of a bilingual regulation.*

**Requirement to prepare financial plans**

**1. (1)** A person who makes an application under clause 32 (1) (b) of the Act for a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 2. O. Reg. 453/07, s. 1 (1).

**(2)** A person who makes an application under subsection 32 (4) of the Act for the renewal of a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (2).

**(3)** As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (3).

**(4)** The Director shall include, as a condition in a municipal drinking water licence, the requirement set out in subsection (3) in any amendments to a license made after the application, if the condition is not satisfied at the time when the amendment is made. O. Reg. 453/07, s. 1 (4).

**Financial plan requirements; new systems**

**2.** For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (1) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by,
  - i. the council of the municipality, if the owner of the drinking water system is a municipality, or
  - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
2. The financial plans,
  - i. must include a statement that the financial impacts of the drinking water system have been considered, and
  - ii. must apply for a period of at least six years.
3. The first year to which the financial plan must apply is the year in which the drinking water system is expected to first serve the public.
4. For each year in which the financial plans apply, the financial plans must include details of the proposed or projected financial operations of the drinking water system itemized by,
  - i. total revenues, further itemized by water rates, user charges and other revenues,
  - ii. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
  - iii. annual surplus or deficit, and
  - iv. accumulated surplus or deficit.

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5. The owner of the drinking water system must,
  - i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
  - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
  - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 2.

**Financial plan requirements; licence renewal**

**3. (1)** For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (2) or a condition that is included in a municipal drinking water licence under subsection 1 (3) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that is passed by,
  - i. the council of the municipality, if the owner of the drinking water system is a municipality, or
  - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
2. The financial plans must apply to a period of at least six years.
3. The first year to which the financial plans must apply must be the year determined in accordance with the following rules:
  - i. If the financial plans are required by subsection 1 (2), the first year to which the financial plans must apply must be the year in which the drinking water system’s existing municipal drinking water licence would otherwise expire.
  - ii. If the financial plans are required by a condition that was included in a municipal drinking water licence under subsection 1 (3), the first year to which the financial plans must apply must be the later of 2010 and the year in which the first licence for the system was issued.
4. Subject to subsection (2), for each year to which the financial plans apply, the financial plans must include the following:
  - i. Details of the proposed or projected financial position of the drinking water system itemized by,
    - A. total financial assets,
    - B. total liabilities,
    - C. net debt,
    - D. non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and
    - E. changes in tangible capital assets that are additions, donations, write downs and disposals.
  - ii. Details of the proposed or projected financial operations of the drinking water system itemized by,
    - A. total revenues, further itemized by water rates, user charges and other revenues,
    - B. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
    - C. annual surplus or deficit, and

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- D. accumulated surplus or deficit.
  - iii. Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by,
    - A. operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges,
    - B. capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,
    - C. investing transactions that are acquisitions and disposal of investments,
    - D. financing transactions that are proceeds from the issuance of debt and debt repayment,
    - E. changes in cash and cash equivalents during the year, and
    - F. cash and cash equivalents at the beginning and end of the year.
  - iv. Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.
  - 5. The owner of the drinking water system must,
    - i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
    - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
    - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
  - 6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 3 (1).
- (2) Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:
- 1. Sub-subparagraphs 4 i A, B and C of subsection (1).
  - 2. Sub-subparagraphs 4 iii A, C, E and F of subsection (1). O. Reg. 453/07, s. 3 (2).

**Alternative requirements for two or more drinking water systems**

4. If section 3 applies to the financial plans of two or more drinking water systems that are solely owned by the same owner, the requirements prescribed by the section may, as an alternative, be satisfied by financial plans that comply with the section but treat those systems as if they were one drinking water system. O. Reg. 453/07, s. 4.

**Amendment of financial plans**

5. Sections 2 and 3 do not prevent financial plans from being amended. O. Reg. 453/07, s. 5.

**Additional information**

6. The requirements of this Regulation do not prevent a person from providing additional information in financial plans prepared for the purpose of meeting the requirements of the Act. O. Reg. 453/07, s. 6.