



The Village of
Newbury
Drinking Water Quality
Management System
Financial Plan
Number 249-301
O.Reg. 453/07

Date	Revision #
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1. INTRODUCTION

In 2007, as part of the Municipal Drinking Water Licensing Program, the Ministry of Environment (MOE) released Ontario Regulation 453/07 (O.Reg. 453/07) that requires the preparation of a Financial Plan for all municipal drinking water systems. The information contained within this document is intended to act as a guide for Council and staff in establishing water rates and associated water system infrastructure capital and operating budgets. This document will be continued to be regularly reviewed and updated and is used to prepare this Financial Plan required as part of the Municipal Drinking Water Licensing Program.

1.1 MUNICIPAL DRINKING WATER LICENSING PROGRAM

As a result of Justice Dennis O’Connor’s Report of the Walkerton Inquiry, and the passing of Ontario’s Safe Drinking Water Act, 2002 (SDWA), the Province has introduced and is implementing a new Municipal Drinking Water Licensing Program. In order to be issued a license, the Ministry has established the following licensing requirements:

- (1) A Drinking Water Works Permit (DWWP)
 - A permit to establish or alter a drinking water system
 - A DWWP together with a license, will replace the certificates of approval

- (2) An Accepted Operational Plan
 - The Operational Plan is based on the Drinking Water Quality management Standard (DWQMS)
 - The Operational Plan will document an Operating Authority’s Quality Management System (QMS)

- (3) Accreditation of the Operating Authority
 - A third-party audit of an Operating Authority’s Quality Management System (QMS) will be the basis for accreditation

- (4) A Financial Plan
 - As required under the Financial Plans Regulation, O.Reg. 453/07.

- (5) A Permit to take Water (PTTW) A valid PTTW is required to be in place

- (6) Director Satisfaction
 - Before a license is issued, the Director appointed under the Safe Drinking-water Act, 2002 (SDWA) must be satisfied that the system will be operated in accordance with the requirements under the SDWA and the proposed conditions of the license

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1.2 PLAN AREA

The Corporation of the Village of Newbury is the owner and operating authority of the drinking water system which services approximately 447 residents, including industrial, commercial and institutional establishments.

The drinking water system is comprised of a distribution system which includes:

- 15.3 km of distribution plastic watermain installed in 1991
- 31 fire hydrants
- 210 Service connections
- 75 Watermain valves
- 5 air release chambers
- 5 drain valve chambers
- 11 blow offs
- 1 meter chamber

1.3 PLAN OBJECTIVE

As the Owner and Operating Authority, the Corporation of the Village of Newbury must prepare a Financial Plan for the Municipal Drinking Water System in order to meet the requirements of the municipal drinking water license. The Financial Plan must be updated at a minimum every five years but it is recommended that it be updated more frequently to reflect changes in operations, economic climate, financing costs, consumption and pricing.

1.4 PRINCIPLES OF FINANCIALLY SUSTAINABLE WATER & SEWAGE SYSTEMS

Achieving financial sustainability in Ontario’s municipal water and wastewater sector is a long-term provincial goal. The overall guiding principle in the development of this financial plan is to ensure that both current operating needs and longer term infrastructure renewal planning is addressed.

1.4.1 Expected Achievements

Through the process of developing this Financial Plan, the Operating Authority, being the Village of Newbury, set out to achieve the following:

- Financial viability;
- Provide safe drinking water;
- Enable the long-term plan for capital renewal to be realized;
- Achieve full cost recover over the long-term; and
- Maintain current service levels.

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2. ONTARIO REGULATION 453/07 – FINANCIAL PLANS

2.1 BACKGROUND

On August 14, 2007, the Ontario Ministry of the Environment (MOE) filed Ontario Regulation 453/07 (O.Reg. 453/07), the Financial Plans Regulation, under the Safe Drinking Water Act (SDWA). This new regulation requires holders of a Drinking Water License to develop and implement a comprehensive Financial Plan that addresses long-term capital and operating costs for the municipal drinking water system over the set timeframe.

Following the May 2000 contaminated water tragedy in Walkerton, Justice Dennis O’Connor released his Report of the Walkerton Inquiry, which set out strategies for preventing such a tragedy from reoccurring. In addition to the many recommendations made, including a recommendation that the provincial government require all owners of municipal water systems to obtain a license for the operation of their drinking water systems, Justice O’Connor further recommended that the municipal owners be required to submit a financial plan as a condition of obtaining this license.

Justice O’Connor explained that proper financial planning is a necessary component of providing safe drinking-water because it helps to ensure that drinking-water systems become self-financing and sustainable, and thus helps to ensure that systems have adequate funds to finance both ongoing operations costs and infrastructure repairs and upgrades as required. According to Justice O’Connor, sustainable financial planning entails two components: (1) a “full-cost accounting” of the water system, including the long-term infrastructure needs, to determine the true cost of providing safe water; and (2) a “full-cost recovery” plan to determine how the municipality will raise the funds necessary to cover the full costs.

2.2 REQUIREMENTS

The key points of Ontario Regulation (O.Reg.) 453/07, the Financial Plan Regulation, are described in the following subsections:

2.2.1 General Requirements

The following general requirements apply to both new and existing systems:

- The Financial Plan must include a statement that the financial impacts of the drinking water system has been considered;
- The Financial Plan shall be for a period of at least six years;
- The Financial Plan must be made available on request and without charge to members of the public that are served by the water system;

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- The Financial Plan must be published on the internet, but only if the owner maintains an internet website;
- The Owner must provide a notice information the public of the availability of the Financial Plan in a manner that the owner deems fit to bring the notice to the attention of the members of the public that are served by the water system;
- The Financial Plan must be approved by a council resolution that indicates that the drinking water system is financially viable; □ A copy of the Financial Plan, along with the resolution must be submitted to the Ministry of Municipal Affairs and Housing (MMAH); and
- The Financial Plan should be updated and approved prior to applying for a license renewal (i.e. every five years). However, the Regulation does not prevent the Plan from being amended more regularly.

2.2.2 New System Requirements

In addition to the general requirements, each Financial Plan is required to document projected financial operating expenditures for each fiscal year that he plan is in effect. This information must be itemized by:

- Total revenues (water rates, user charges and other revenues);
- Total expenses (amortization expenses, interest expenses and other expenses); and
- Annual and accumulated surplus or deficit.

2.2.3 Existing System Requirements

For existing supply and distribution systems the Financial Plans must also include:

- Details of the system’s projected financial position for each fiscal year, itemized by total financial assets, total liabilities, net debt, non-financial assets (tangible capital assets, tangible capital assets under construction, inventories of supplies, and prepaid expenses), changes in tangible capital assets (additions, donations, write downs, and disposals);
- Details of the system’s projected cash flow; and
- Financial information relating to the replacement of lead service connections.

2.3 APPROVAL AUTHORITY

Ontario Regulation 453/07 requires that the Financial Plan be formally approved by the owner of the municipal drinking water system. In our situation, a resolution approving the proposed Financial Plan by Municipal Council is required. This resolution shall state that the drinking water system is financially sustainable.

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The regulation does not require Financial Plans to be approved by the province; however, the owner is required to submit a copy of the Financial Plan to the Ministry of Municipal Affairs and Housing (MMAH) for their records.

In addition, all Financial Plans must be made available to members of the public serviced by the drinking water system, as requested, at no charge. The owners of the systems must also publish the Financial Plans on the internet, but only if the owner maintains an internet website.

2.4 UPDATING FINANCIAL PLANS

Owners of drinking-water systems are required to update their Financial Plans prior to any renewal application of their license (i.e. every five years), and to provide a copy to the Ministry of Municipal Affairs and Housing (MMAH). Notwithstanding the renewal timelines, owners are encouraged to update their Financial Plans more frequently where substantial changes in process or operating procedure occur.

3. MINISTRY OF ENVIRONMENT GUIDANCE DOCUMENT

The Ministry of the Environment (MOE), in cooperation with the Ministry of Public Infrastructure and the Ministry of Municipal Affairs and Housing, developed a guidance document entitled “Toward Financially Sustainable Drinking-Water and Wastewater Systems”, August 2007, to assist municipalities in preparing the Financial Plan. This document applies to wastewater systems as well; however, a Financial Plan for a wastewater system is only encouraged and not mandatory.

The intent of the guideline is to assist municipalities in meeting their regulatory obligations (i.e. preparation of the Financial Plan) as well as, provide broad practical advice regarding financial planning for both drinking-water and wastewater services by providing guidance on sustainable financial planning (i.e. long-term capital planning, asset management, accounting practices and financial plan development).

The guideline makes it clear that the intent of the new Financial Plans Regulation is to be flexible and adaptive to meet local applications. MOE acknowledges that Ontario municipalities each have different circumstances, different approaches to finances, and different starting points for their financial planning. Therefore, the province is taking a flexible locally-driven and gradual approach to financial planning that can be tailored to meet local needs.

The guideline set out nine principles to help develop this Financial Plan:

- 1) Ongoing public engagement and transparency can build support for, and confidence in the Financial Plans and their corresponding system(s).
- 2) An integrated approach to planning among water, wastewater, and stormwater

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- systems is encouraged considering the inherent relationship among these systems.
- 3) Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
 - 4) Life-cycle planning with mid-course corrections is preferable to short-term planning or no planning at all.
 - 5) An asset management plan is key input to the development of a Financial Plan.
 - 6) A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while ensuring sufficient resources for future rehabilitation and replacement needs.
 - 7) Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.
 - 8) Financial Plans are documents that require continuous updates and improvement. Improved planning for the future can be achieved by comparing the accuracy of financial projections with actual results.
 - 9) Financial Plans can benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

4. MUNICIPAL DRINKING WATER LICENSE

4.1 DRINKING WATER SYSTEM INFORMATION

System Owner: Corporation of the Village of Newbury
 License Number: 249-101 Issue Number 2
 Drinking Water System Name: Newbury Distribution System

4.1.1 License

License Issue Date: August 2nd, 2016
 License Expiry Date: August 1st, 2016
 Application for License Renewal Date: February 1st, 2021

4.1.2 Drinking Water Works Permit

System Owner: Corporation of the Village of Newbury
 License Number: 249-201 Issue Number 2
 Drinking Water System Name: Newbury Distribution System

The Newbury Distribution System was issued permit number 249-201 August 2nd, 2016

4.1.3 Permits to Take Water (PTTW)

Not applicable

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4.1.4 Financial Plan

This document has been prepared to meet the requirements of O.Reg. 453/07, it is understood that upon approval, the Financial Plan Number shall be appointed, based on the Financial Plan being developed for this drinking water system, shall be 249-301.

4.1.5 Accredited Operating Authority

The Village of Newbury is the accredited Operating Authority for Newbury Distribution System. The Village of Newbury is committed to providing safe drinking water in the short-term and long-term. The Village’s Operational Plan includes its day to day operations maintaining and administering the drinking water system.

5. OPERATING PLAN

5.1 OPERATING EXPENDITURES

Operating expenses can be generally defined as recurring expenses associated with providing a service. They are straightforward and are typically expenses that need to be made to keep the operation running on a day-to-day basis. In general, operating expenses are easily identifiable, measurable, and can be readily verified (or audited) as they are based on actual cash expenses and liabilities. As this plan extends over many fiscal years, operating expenditures must be projected based on estimation of service costs over time.

The following parameters are considered in estimating future expenditures:

- Future customer demands
- Projected repair and maintenance costs

5.2 CAPITAL EXPENDITURES

The Newbury Distribution System for the Village of Newbury at an estimated \$1.9 million dollars, provides safe drinking water to the Village of Newbury’s residential, industrial, commercial, and institutional (IC&I) customers.

In 2009 Newbury Council purchased enough electronic water meters to replace all analog meters at an estimated cost of \$18,268. Council is committed to continual improvement and upgrading of infrastructure.

5.3 DEBT MANAGEMENT

At this time the Village of Newbury carries no debt regarding the Newbury Distribution System.

5.4 TOTAL CASH EXPENDITURES

The Village of Newbury’s cash expenditures include operating and capital expenses.

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6. FUNDING PLAN

6.1 WATER CONSUMPTION

The following chart(s) attached to this report outlines water that has been billed from Southwest Middlesex and water collected by Entegrus from Newbury water customers.

6.2 WATER RATES

Water rates are reviewed and set annually as part of the budget process. All costs associated with the operations of the Water system are paid for through water rates on a user pay basis. The Village of Newbury currently charges \$21.00 as a flat charge for cubic meters of water used up to 14 c.m. Once a customer has used more than 14 c.m. then every c.m. is billed at \$1.55. The Village of Newbury currently pays Southwest Middlesex \$1.20 for every c.m. used by the Village of Newbury. The Village of Newbury also currently receives 3% for every c.m. of water the Town of Bothwell receives its water through a connection to Newbury’s system. Any revenue received on a yearly basis is deposited into a water reserve for future capital expenses. To date the Village has _____

7. PROJECTED FINANCIAL STATEMENTS

The forecasted financial statements attached to this plan include the following:

- Budgeted Expenses
- Budgeted Revenues
- Projected Cash Flow

8. SUMMARY

The Village of Newbury will continue long-term planning in developing an understanding of the Village’s infrastructure and creating a financial structure that puts in place resources to maintain the water system in a safe and effective manner, while maintaining financial viability. The Village recognizes that the integrity of its finances is critical to the successful operation of the municipality and to its reputation and trust by ratepayers.

This Financial Plan has been created by the Village’s current and past budgets. while preparing the plan in accordance with the MOE Financial Plans Regulation (O.Reg. 453/07).

The Financial Plan must be approved by Council resolution, indicating that as a result of this plan, the Corporation of the Village of Newbury, being the Operating Authority, is financially viable.

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9. FEEDBACK AND CONTINUOUS IMPROVEMENT

The financial plan must be updated every five years, and submitted with the Municipal Drinking Water License renewal, however, it is recommended that the Plan be reviewed at least annually, and updated as required to reflect changes in operations, economic climate, financing costs, consumption and pricing.

This is a living document which will require regular review and updates.

It is the intention of staff to regularly review this plan for internal compliance, performance measurement, adjustment and revisions if required, and to ensure absolute performance in accordance with O.Reg. 453/07 and the Safe Drinking Water Act, 2002. Consequently, this plan can be considered to be a work in progress even after its adoption.

10. FINANCIAL PLAN

Appendix ‘1’ of this Financial Plan includes projected financial statements (budgets) for the Operating Authority. These statements include a projected statement of financial position, projected statement of operations and projected statement of cash flow for the periods ending from December 31, 2013 to 2019

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10-02-2013	0	Creation
11-22-2016	1	Received license and permit renewals