

The Township of Killaloe-Hagarty-Richards

Killaloe Drinking Water System

Financial Plan # 259-301

July 2020

Table of Contents

1. INTRODUCTION	1
1.1 LEGISLATIVE CONTEXT TO FINANCIAL PLANNING.....	1
1.2 THE KILLALOE DRINKING WATER SYSTEM	3
2. FINANCIAL OPERATING PLAN.....	3
2.1 OPERATING EXPENSES	4
2.2 CAPITAL COSTS	4
2.3 DEBT MANAGEMENT	4
2.4 LEAD PIPE REPLACEMENT COSTS	4
2.5 SOURCE WATER PROTECTION COSTS	4
3. FUNDING PLAN.....	4
3.1 SPECIAL AREA RATE.....	5
3.1.1 General Reserve Transfer	5
3.2 WATER RATES	5
4. FINANCIAL PLAN SUMMARY – KILLALOE.....	6
4.1 STATEMENT OF FINANCIAL POSITION	6
4.2 STATEMENT OF OPERATIONS	9
4.3 CONTINUOUS IMPROVEMENT	10
4.4 CONCLUSION	10
5. FINANCIAL STATEMENTS.....	11
6. NOTES ON THE KILLALOE DWS FINANCIAL PLAN.....	15

1. Introduction

The Township of Killaloe-Hagarty-Richards (the Township) has retained the Ontario Clean Water Agency (OCWA) to develop a Financial Plan for the Killaloe Drinking Water System (DWS) in order to comply with the Financial Plan regulation (O. Reg. 453/07) made under the Safe Drinking Water Act.

The Financial Plan contained herein has been prepared in accordance with O. Reg. 453/07, as well as the provisions of the Financial Planning guidelines published by the Ministry of the Environment, Conservation and Parks (formerly Ministry of the Environment) (MECP) in August 2007 entitled “Toward Financially Sustainable Drinking-Water and Wastewater Systems”.

The Financial Plan was prepared for the Killaloe DWS based on information supplied by the Township and OCWA operational staff, including future capital and major maintenance projects, water system financial information, as well as tangible capital asset information that the Township generated in accordance with the Public Sector Accounting Board (PSAB) standard PS 3150 requirements.

The information supplied by the Township was used to generate a financial operating plan that forecasted future annual expenditure requirements from the year 2020 through to 2026. A revenue plan, relying mostly on user fees was generated to support the expenditure requirements outlined in the operating plan. The information generated in the operating and revenue plans along with tangible capital asset information was used to develop a Financial Plan for the Killaloe DWS covering a study period from 2016 to 2021 in accordance with O.Reg. 453/07 requirements (minimum six-year study period).

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 waterborne 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 MECP 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 License. There are five elements that must be in place in order for the owner of a drinking water system to obtain a license:

- 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 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 license 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 have not been published. Accordingly, the requirements set by the Minister of Environment apply as per the 2007 MECP 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 license 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 license that is issued in response to an application made under section 33 of the Act for a municipal drinking water license, 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 license for the system is issued, 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 Township operating a water system:

- The Financial Plan must be approved by a resolution that is passed by the Council of the Township.
- The Financial Plan must apply to a period of at least six years.
- The Financial Plan must be available, upon request, to members of the public at no charge and posted on the internet (if the Township maintains a website).
- The Township must provide notice as deemed appropriate to advise the public of the availability of the Financial Plan.

Once a system is licensed, the Township's Financial Plan is required to be updated every five years, in conjunction with every application for license renewal. Full documentation of the Financial Plan regulation, O.Reg. 453/07 can be found in Attachment 1.

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 the assets of drinking water systems, be included in municipal financial statements. Stat 3150 came into effect on January 1, 2009.

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 order to effectively align with the anticipated approval timelines for source protection plans (2010-2012).

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

1.2 The Killaloe Drinking Water System

The Killaloe Drinking Water System (DWS), located in the former Village of Killaloe is owned by the Township and operated by the Ontario Clean Water Agency. Killaloe is located west of Ottawa, about 30 km southwest of Pembroke.

The Killaloe DWS consists of a groundwater supplied water treatment plant and distribution system that services approximately 300 people in the core area of the former Village of Killaloe. The treatment plant, with a design capacity of 602 m³/day, was originally constructed in 1992 and includes dual media (greensand and anthracite) filters with sodium hypochlorite and potassium permanganate addition, UV disinfection, a clearwell, five high lift pumps and a diesel generator for standby power. The distribution system consists of approximately 3.5 km of polyvinyl chloride (PVC) watermain piping along with appurtenances (i.e. hydrants, valves, curb stops, etc.).

2. Financial Operating Plan

The financial operating plan includes the full costs of operating the Killaloe DWS on an ongoing basis and includes capital investments, operating costs, maintenance costs, administration costs, debt repayment and interest charges (if any).

A financial operating plan for the Killaloe DWS was developed using historical financial information and projecting the information forward to forecast the annual expenditure requirements while taking into account inflation and any growth forecast.

2.1 Operating Expenses

Recurring operating expenses for the Killaloe DWS consists of wages for OCWA operators, utility costs, major maintenance and repair items for the upkeep of the drinking water system as well as other miscellaneous costs such as telephone bills, insurance, memberships and training costs. All operating costs are projected to increase on an annual basis at a rate of 2% per year up to the end of the study period. Hydro/Utility costs however, are projected to increase according to the yearly rate increases set in Ontario 2017 Long-Term Energy Plan. The total water operating expenses (excluding capital items and amortization) for the Killaloe DWS has been budgeted at \$197,644 for 2020 and projected to increase to \$227,373 by the end of the study period.

2.2 Capital Costs

There are a few capital projects planned for the duration of the study period and those that are planned represent relatively low dollar investments (all are \$10,000 or less). These projects include:

- High Lift and Fire Pump Replacements (2020, 2024, 2025, and 2026),
- Upgrade of Transfer Switches (2023),
- Replacement of Filter Media (2021 and 2022).

2.3 Debt Management

The Township presently has a working debt of \$12,567. Due to a projected deficit, this debt is anticipated to increase during the planning period to nearly \$75,000 by the end of 2026. This debt includes an associated interest rate of 5%.

2.4 Lead Pipe Replacement Costs

There are no costs associated with lead pipe replacement for the Killaloe DWS.

2.5 Source Water Protection Costs

There are no costs associated with source water protection for the Killaloe DWS.

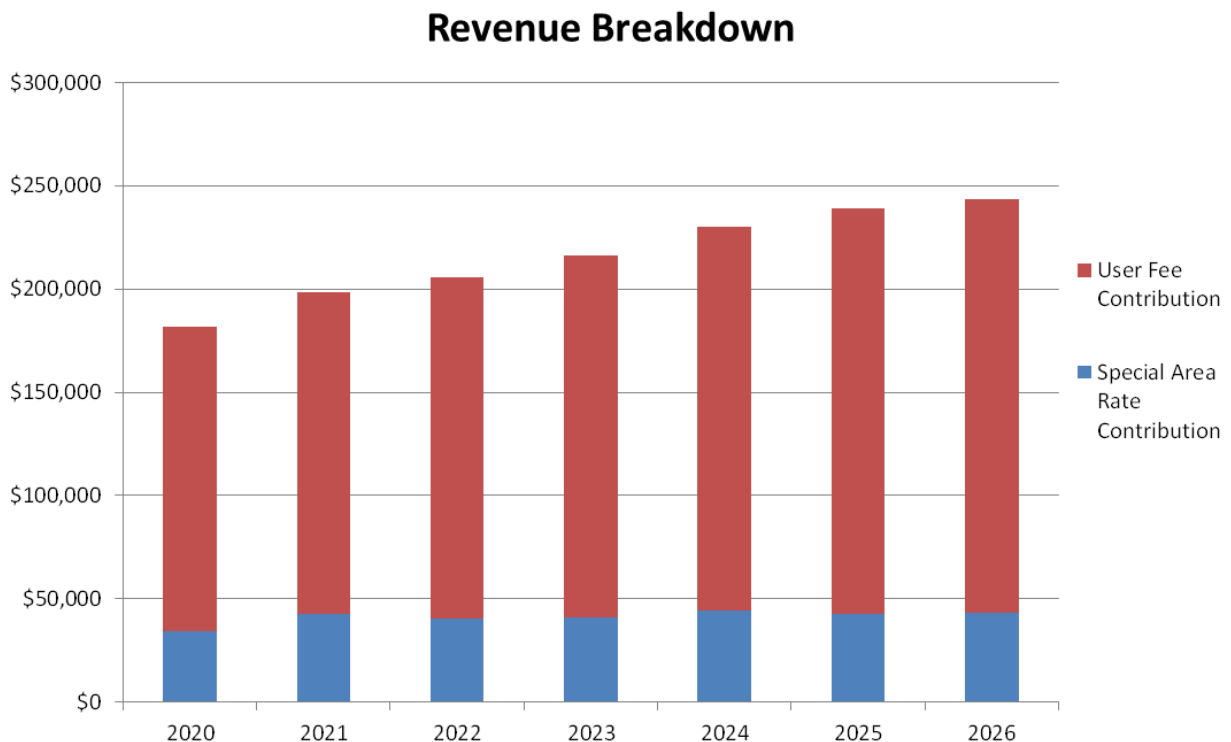
3. Funding Plan

A funding plan was developed to ensure that the annual expenditures forecasted in the financial operating plan can be sustained over the study period. The funding plan relies on operating revenues from the direct users of the drinking water system through water rates, water hookups and vacant lot charges in combination with some transfer of funding from general reserves to cover the remaining capital and operating costs. Capital cost projections were made based on OCWA's 10-year capital plan recommendations.

3.1 Special Area Rate

The special area rate applies to all of the properties and residents of the former Village of Killaloe and is used to fund routine operational costs that are outside of the contracted operational service costs (OCWA Operations costs) and electrical costs. This special area rate also funds any required capital improvements. Figure 3.0 shows the expected breakdown of revenue contributions from the various revenue sources: user fees, special area rate and other, where other revenue consists of government grants and any interest generated from reserve fund balances.

Figure 3.0 – Breakdown of Revenue Contribution (2020-2026)



3.1.1 General Reserve Transfer

In addition to the special area rate, there have been occasional transfers to the water reserve from the Township’s General Reserve that is funded through property taxes. Though this Financial Plan does not incorporate any of these transfers, historically the Township has supplemented the water system during periods of debt or major capital expenses.

3.2 Water Rates

The Killaloe DWS currently services approximately 60 single unit residential users, 28 residential apartment users, and 31 commercial users (24 small, 7 large). The users of the Killaloe DWS are not metered and all users are charged a monthly flat rate, which is billed on a bimonthly basis. The existing

water rates were set in 2016 and have not been changed since. To account for present and past inflation, projected electrical cost increases, and debt interest payments, a rate increase rate of 6% is recommended every year until 2025. Historic and projected water rates charged to consumers can be found in Figure 3.1 based on the type of unit; Residential (per unit either Single Dwelling or Apartment), Small Commercial, and Large Commercial.

Figure 3.1 – Water Rate Charge per Month

Type of Unit	Water Rate per Month								
	% increase over the previous year								
	Historical Water Rates			Proposed					
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Residential	\$89.19	\$89.19	\$89.19	\$94.54	\$100.21	\$106.23	\$112.60	\$119.36	\$121.74
	0.00%	0.00%	0.00%	6.00%	6.00%	6.00%	6.00%	6.00%	2.00%
Small Commercial	\$100.34	\$100.34	\$100.34	\$106.36	\$112.74	\$119.51	\$126.68	\$134.28	\$136.96
	0.00%	0.00%	0.00%	6.00%	6.00%	6.00%	6.00%	6.00%	2.00%
Large Commercial	\$111.49	\$111.49	\$111.49	\$118.18	\$125.27	\$132.79	\$140.75	\$149.20	\$152.18
	0.00%	0.00%	0.00%	6.00%	6.00%	6.00%	6.00%	6.00%	2.00%

The forecasted rates were developed with the assumption that there will be no change to the current number of users in the system. That is, there will be no growth nor will there be any reduction in the number of connections to the system.

4. Financial Plan Summary – Killaloe

This section provides a summary of principal features concerning the current and projected future state of the Killaloe DWS. The financial information is contained in financial statements covering at least six years (2020-2026) in compliance with O. Reg. 453. Detailed financial statements are set out in the tabular form in Section 4. Notes regarding the financial statements are presented at the end of the financial statement section of this report.

4.1 Statement of Financial Position

An important feature of a water system is its net financial assets. A positive net financial asset indicates that the system has 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 Killaloe DWS's net financial assets are shown in Figure 4.1 below.

Figure 4.1 – Killaloe Net Financial Assets

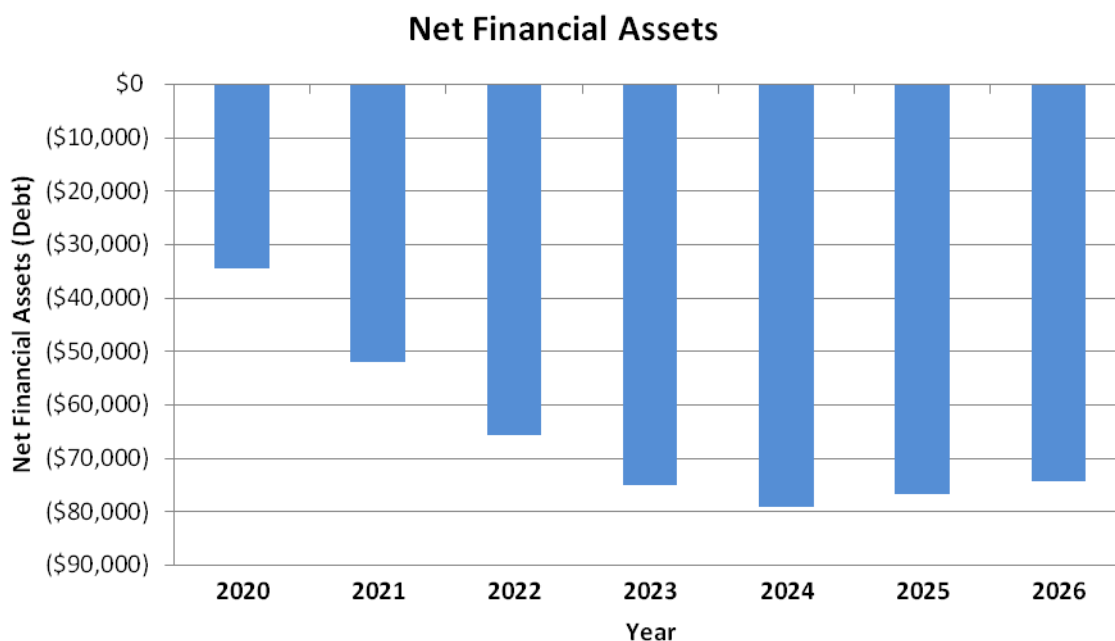


Figure 4.1 shows negative net financial assets with a negative trend projected for the next several years, though with the increasing water rates, this trend is projected to reverse in 2024. At no point in the planning period is the net financial assets projected to become positive. The negative financial asset position is attributed to the existing deficit in the water system, which will grow a debt over time. It should be noted that as the system's debt increases, the debt interest payments will also increase, which in turn further increase the system's expenses and worsen the deficit. This spending deficit will need consistent rate increases to reverse during the planning period.

A second feature of the water system is the total value of the system's tangible capital assets (plant equipment, watermains). Consideration of the value of tangible capital assets (TCA) is part of PSAB compliance. The current value of the capital assets is termed net book value (NBV). NBV is the difference between the original cost of an asset less the accumulated amortization.

Water systems have a great deal 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 and are being used will decrease in value. 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 assets is set out in Figure 4.2. As shown in the figure, the NBV decreases from 2020 to 2023 as the yearly amortization is greater than the capital additions each year. The assets' NBV decreases linearly according to the yearly amortization until the end of their expected service life. It should be noted that the Township is estimating that the amortization of their assets is occurring at a very high rate due to a low estimated service life of their assets. This has resulted in the expectation

that almost all of their assets will have amortized by 2023. After 2023, the only remaining assets are related to the capital additions that are occurring in the system. These capital additions, despite their amortization, result in an increasing NBV for the system.

Figure 4.2 – Killaloe Tangible Capital Assets

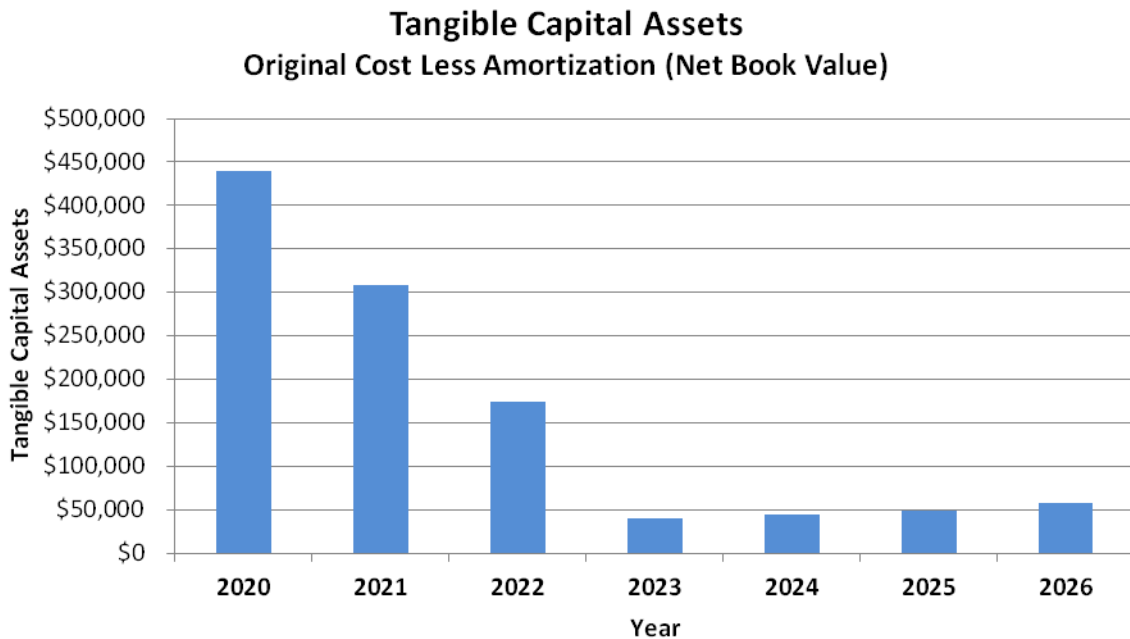
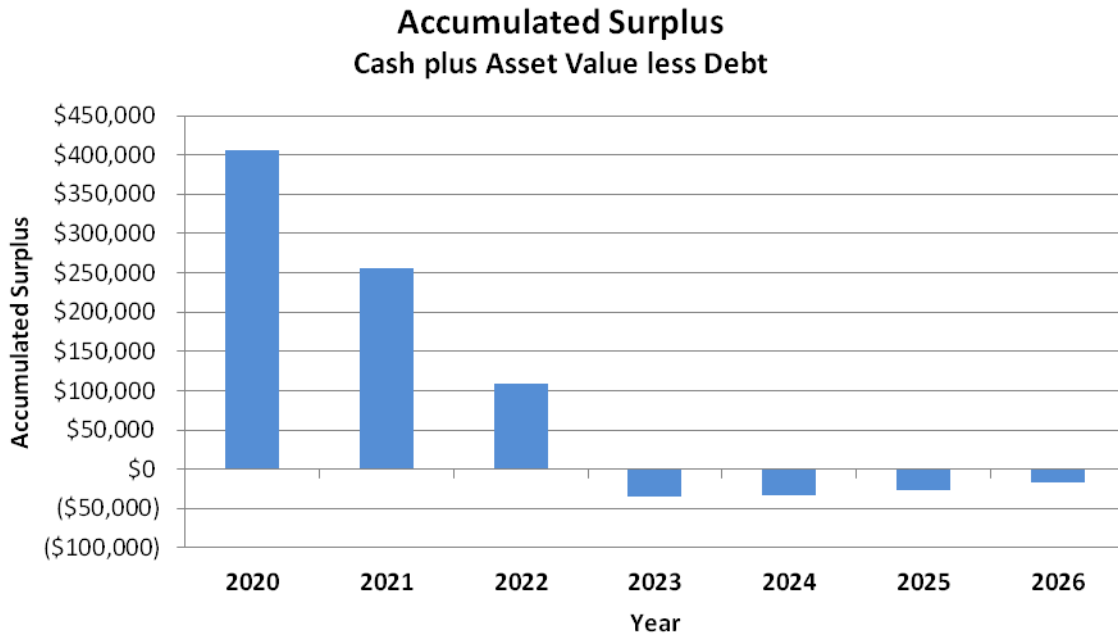


Figure 4.3 sets out the accumulated surplus, which represents cash on hand plus the net book value of tangible capital assets less debt. The water system is projected to show a rapid decrease in the accumulated surplus from 2020 to 2023, followed by a slow positive increase. The decrease in the first portion of the study period is due to an estimated high rate of amortization and a yearly deficit. After 2023, the new capital additions and the higher recommended water rates result in the growth of the accumulated surplus. Overall, the elimination of debt and the addition of assets is occurring at a faster rate than the amortization or loss of value of the asset by the end of the study period.

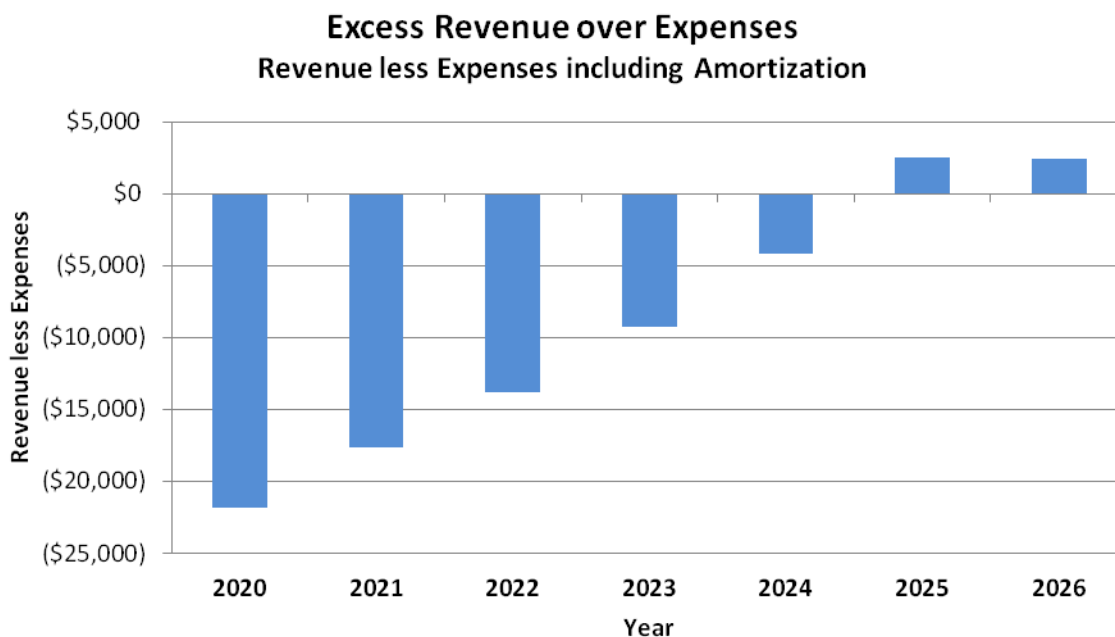
Figure 4.3 – Killaloe Accumulated Surplus



4.2 Statement of Operations

This statement summarizes revenues and expenditures. Revenue includes revenues from connected users, government grants, and contributions from general revenue. Expenditures include ongoing operating costs, debt repayment, and asset amortization. Figure 4.4 projects that the system’s excess of revenues over expenses, including amortization, will increase over the study period. As the rates increase over the course of the planning period, the deficit position that the system is presently in will become a surplus.

Figure 4.4 – Killaloe Excess Revenue over Expenses



4.3 Continuous Improvement

The SDWA requires renewal of Municipal Drinking Water Licenses every five (5) years. The Financial Plan regulation requires the preparation and approval of a Financial Plan before making an application for the renewal of a Drinking Water License. Thus each Financial Plan will require updating at a minimum frequency of every five years. This on-going update will assist in revisiting the assumptions made in the original Financial Plan, to develop the operating and funding plans as well as re-assessing the need for capital renewal and major maintenance expenditures.

4.4 Conclusion

Based on the proposed rates, the Killaloe DWS will move towards a financial surplus and will do so within the six-year study period. Barring unforeseen capital project requirements, the financial statements reveal that the Killaloe DWS is projected to be in fair financial shape.

In reviewing these statements, it is important to keep in mind that a number of assumptions have been made concerning inflation, interest rates, and growth projections. Actual numbers may significantly deviate from these over time. In addition, capital and major maintenance cost estimates and schedule may vary from current projections. There is a need to monitor the progress of this plan and make adjustments as needed.

The detailed financial statements are set out in the tabular form in the following Section and were the basis for the above summary.

5. Financial Statements

The detailed financial statements are set out in the following tables. Section 6 details the notes that correspond to the “notes” numbers on the right side of the tables.

Table 5.1 – Statement of Financial Position

Statement of Financial Position	2020	2021	2022	2023	2024	2025	2026	Notes
Financial Assets								
Cash/Cash Equivalents								
End of Year Beginning of Year Water Reserve Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Beginning of Year Water Reserve Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	1
Working Debt Beginning of Year	(\$12,567)	(\$34,328)	(\$51,920)	(\$65,713)	(\$74,924)	(\$79,140)	(\$76,667)	
Working Debt End of Year	(\$34,328)	(\$51,920)	(\$65,713)	(\$74,924)	(\$79,140)	(\$76,667)	(\$74,209)	1
Total Cash Reserve/(Working Debt)	(\$34,328)	(\$51,920)	(\$65,713)	(\$74,924)	(\$79,140)	(\$76,667)	(\$74,209)	
Total Financial Assets	(\$34,328)	(\$51,920)	(\$65,713)	(\$74,924)	(\$79,140)	(\$76,667)	(\$74,209)	
Liabilities								
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Principal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Net Financial Assets (Debt)	(\$34,328)	(\$51,920)	(\$65,713)	(\$74,924)	(\$79,140)	(\$76,667)	(\$74,209)	
Non Financial Assets								
Tangible Capital Asset Cost (Closing)	\$3,791,007	\$3,801,007	\$3,811,007	\$3,821,007	\$3,831,007	\$3,841,007	\$3,851,007	2
Changes in Tangible Capital Assets - Additions	\$5,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	4
Tangible Capital Asset - Disposal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	3
Accumulated Amortization (closing)	\$3,350,701	\$3,492,944	\$3,636,186	\$3,780,429	\$3,785,511	\$3,791,093	\$3,793,425	3
Total Non Financial Assets	\$440,306	\$308,063	\$174,820	\$40,578	\$45,496	\$49,914	\$57,582	
Accumulated Surplus(deficit)	\$405,978	\$256,143	\$109,108	(\$34,346)	(\$33,644)	(\$26,753)	(\$16,627)	

Note: Unaudited for Planning Purposes Only – Actual results will differ from the above and these differences could be material.

Table 5.2 – Statement of Financial Operation

Statement of Financial Operations		2020	2021	2022	2023	2024	2025	2026	
Total Revenues									
	Revenue from Users								
	User Fees	\$138,000	\$146,820	\$156,169	\$166,079	\$176,584	\$187,719	\$191,654	
	Penalties	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	
	Total Revenue from Users	\$147,000	\$155,820	\$165,169	\$175,079	\$185,584	\$196,719	\$200,654	
	Contribution from Township Revenue Fund (Expenses)	\$29,511	\$32,899	\$30,599	\$31,211	\$34,423	\$32,472	\$33,011	5
	Contribution from Township Revenue Fund (Capital)	\$5,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	5
	Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Total Revenues	\$181,511	\$198,719	\$205,768	\$216,291	\$230,007	\$239,191	\$243,665	
Expenses									
	Contracted Operational Services (OCWA Billings)	\$148,133	\$151,096	\$154,118	\$157,200	\$160,344	\$163,551	\$166,822	6
	Hydro	\$20,000	\$20,600	\$22,248	\$23,805	\$25,710	\$26,738	\$27,540	6
	Other Operational Expenses	\$29,511	\$32,899	\$30,599	\$31,211	\$34,423	\$32,472	\$33,011	6
	Expenses before interest and amortization	\$197,644	\$204,595	\$206,965	\$212,216	\$220,477	\$222,761	\$227,373	
	Debt Interest	\$628	\$1,716	\$2,596	\$3,286	\$3,746	\$3,957	\$3,833	
	Amortization	\$141,993	\$142,243	\$143,243	\$144,242	\$5,082	\$5,582	\$2,332	3
	Total Expenses	\$340,265	\$348,554	\$352,804	\$359,744	\$229,305	\$232,300	\$233,539	
	Excess of Revenues over Expenses	(\$158,754)	(\$149,835)	(\$147,035)	(\$143,454)	\$702	\$6,891	\$10,126	
	Annual Surplus (Deficit) Beginning of year	\$564,732	\$405,978	\$256,143	\$109,108	(\$34,346)	(\$33,644)	(\$26,753)	
	Accumulated Surplus (Deficit) End of Year	\$405,978	\$256,143	\$109,108	(\$34,346)	(\$33,644)	(\$26,753)	(\$16,627)	

Note: Unaudited for Planning Purposes Only – Actual results will differ from the above and these differences could be material.

Table 5.3 – Statement of Change in Cash Flow

Statement of Cash Flow	2020	2021	2022	2023	2024	2025	2026	
Operating Transactions								
Cash received from Revenues	\$181,511	\$198,719	\$205,768	\$216,291	\$230,007	\$239,191	\$243,665	
Cash paid for Operating Expenses	\$197,644	\$204,595	\$206,965	\$212,216	\$220,477	\$222,761	\$227,373	6
Cash paid for Financing Charges (Debt Interest)	\$628	\$1,716	\$2,596	\$3,286	\$3,746	\$3,957	\$3,833	
Excess of Operating Revenues Over Operating Expenses	(\$16,761)	(\$7,592)	(\$3,792)	\$788	\$5,784	\$12,473	\$12,458	
Working Capital Items								
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Capital Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash provided by Operating Transactions	(\$16,761)	(\$7,592)	(\$3,792)	\$788	\$5,784	\$12,473	\$12,458	
Capital								
Acquisition of TCAs	\$5,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	4
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash used in Capital Transactions	\$5,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	
Investing								
Cash (used in)/Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Increase (decrease) Cash Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Financing								
Cash used to reduce Previous Year's Surplus/(Deficit)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash used to balance operating transactions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided by (used) in Financing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Increase (decrease) in Cash Equivalents	(\$21,761)	(\$17,592)	(\$13,792)	(\$9,212)	(\$4,216)	\$2,473	\$2,458	
Cash and Cash Equivalents at the beginning of the Year	(\$12,567)	(\$34,328)	(\$51,920)	(\$65,713)	(\$74,924)	(\$79,140)	(\$76,667)	
Cash and Cash Equivalents at the End of the Year	(\$34,328)	(\$51,920)	(\$65,713)	(\$74,924)	(\$79,140)	(\$76,667)	(\$74,209)	

Note: Unaudited for Planning Purposes Only – Actual results will differ from the above and these differences could be material.

6. Notes on the Killaloe DWS Financial Plan

The Killaloe DWS Financial Plan represents a forecast of the financial performance of the drinking water system over a study period starting in 2020 through to 2026. The following notes are intended to document and/or clarify some of the assumptions made in generating the financial information contained in the tables. The reader is cautioned that the Financial Plan contains un-audited financial information and is subject to change.

1. The DWS had a negative reserve/debt balance of \$12,567 at the beginning of 2020. This debt is expected to increase throughout the study period to a final balance of \$74,209 by the end of 2026.
2. Tangible Capital Assets Cost (Closing) includes changes (additions, betterments, disposals, write-downs) in tangible capital assets during the year.
3. Tangible Capital Assets (TCA) are assumed to have no residual value when they have reached the end of their projected useful life. The projected future costs of capital items include a 15% contingency. Amortization was determined using the straight-line method. The calculation of Amortization begins the year after the asset is put into service.
4. TCA Additions – There are seven (7) capital projects, including replacement of high lift pumps, transfer switch upgrade, and filter media replacement.
5. Transfer from General Revenues – In order to accommodate all forecasted expenditures, contributions to the water system revenue are expected to occur in the form of a Special Area Rate and through potential transfers from the Township's General Reserve.
6. Expenses are forecasted to increase at a rate of 2% per year with the exception of electrical and OCWA services. Electricity is forecasted to increase at based on Ontario's 2017 Long Term Energy Plan and OCWA's cost was increased on a 2% per year basis.

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 Township, if the owner of the drinking water system is a Township, or
 - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a Township.
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.
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 Township, if the owner of the drinking water system is a Township, or
 - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a Township.
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
 - 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.