

West Elgin Drinking Water System

Financial Plan

May 6, 2019



Sharratt Water Management Ltd.
Sustainable Water Management Specialists

Table of Contents

1	Introduction.....	2
1.1	LEGISLATIVE CONTEXT TO FINANCIAL PLANNING	2
1.2	ACCOUNTING AND POLICY CHANGES	4
1.3	WEST ELGIN SECONDARY WATER SYSTEM.....	5
2	Operating Plan	5
2.1	OPERATIONS EXPENSES	5
2.2	CAPITAL RENEWAL AND MAJOR MAINTENANCE EXPENSES	6
2.3	FINANCING	6
2.4	LEAD REPLACEMENT COSTS.....	6
2.5	SOURCE WATER PROTECTION COSTS	6
3	Funding Plan.....	6
3.1	GOVERNMENT GRANTS	6
3.2	DEBT	6
3.3	REQUIRED USER FEES/RATES.....	7
4	Continuous Improvement	7
5	Financial Plan Summary	7
6	Financial Statements	12
6.1	STATEMENT OF FINANCIAL POSITION	13
6.2	STATEMENT OF FINANCIAL OPERATIONS.....	14
6.3	STATEMENT OF CHANGE IN CASH FLOW.....	15
	Attachment 1 Capital Renewal Reserve 2019-2095 Inflated \$	17
	Attachment 2 Ontario Regulation 453/07	18

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 WEST ELGIN 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 set 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 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 West Elgin Secondary Water System

The West Elgin Secondary water system, (the System) consists of an extensive network of water main mains throughout the municipality as well as an elevated water tower in Rodney. The system receives water from the Tri-County water 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 asbestos 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 Tri-County system. Each of the municipalities on the Committee is responsible for their respective local water distribution systems. Water rates for the Tri-County system are set on a volumetric basis, with each municipality paying according to the water taken from the Tri-County 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 3% per annum and energy is projected to increase at 5% per annum for the 2019-29 periods. These are estimates only and 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 2019-29. 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. All expenditures will be funded from user fees and grants, should grants be forthcoming.

2.4 Lead replacement costs

The system contains no lead.

2.5 Source water protection costs

No further expenditures are anticipated at this point.

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 long-term debt is foreseen to be needed in the 2019 to 2095 period based on projections in the rate study, however, there will be a need for short term loans from 2083 to 2092.

3.3 Required User Fees/Rates

Based on the current funding plan, West Elgin primary system user fees are projected to increase at about 4.5% per annum in inflated dollars until 2024 and 4% thereafter until 2029 and beyond. If inflation is removed, rates will increase by about \$0.12, in total, in the next 5 years. The rate development process is set out in the RATE REPORT. Table 3.1 sets out the proposed rates for 2019 to 2025.

Table 1 West Elgin Secondary - Proposed Water Rates in 2019-2025 \$

Rate	2019	2020	2021	2022	2023	2024	2025
Fixed Rate Bi-Mon	39.79	41.58	43.45	45.41	47.45	49.59	51.37
Variable Rate Inflated \$	1.45	1.51	1.58	1.65	1.73	1.81	1.87
Variable Rate 2019\$	1.45	1.47	1.49	1.51	1.54	1.56	1.57

The Fixed rate shown in table 1 is the most common household and small business charge and it is assessed bi-monthly (6 times per year). The variable rate is the charge applied to every metre of water passing through the user’s meter. The variable rate is shown for inflated \$ and 2019 \$ or constant dollars. Rates are set on June 1 each year. Table 1 shows proposed rates effective June 1, 2019.

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.

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.

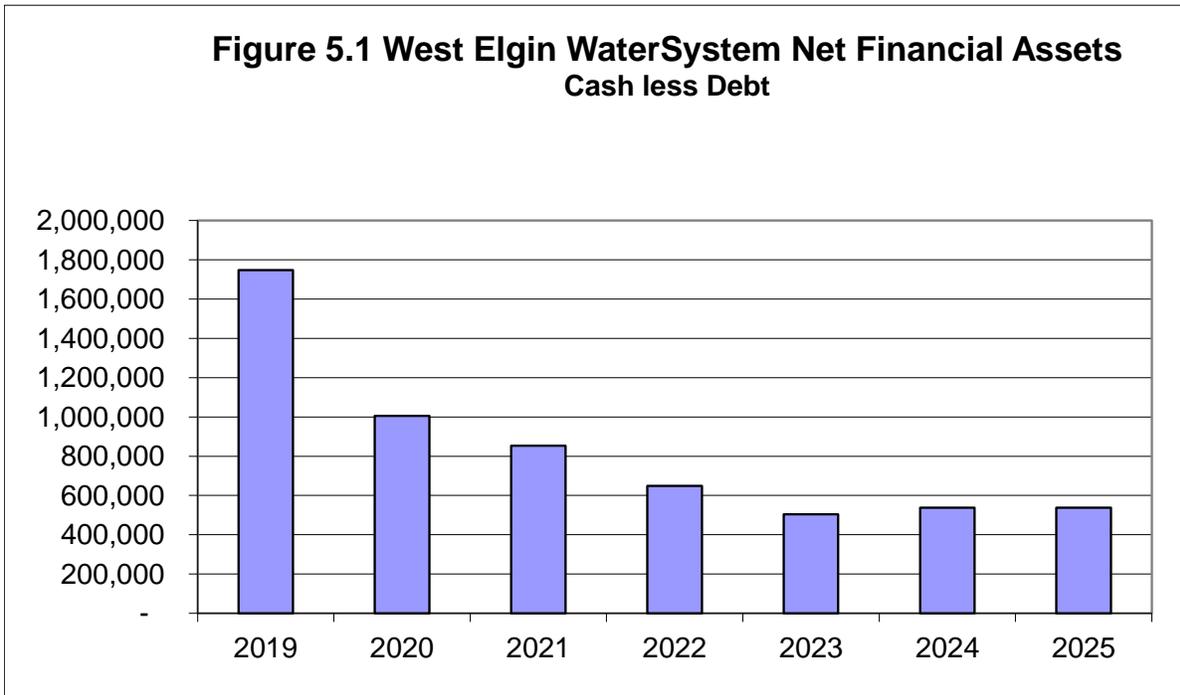
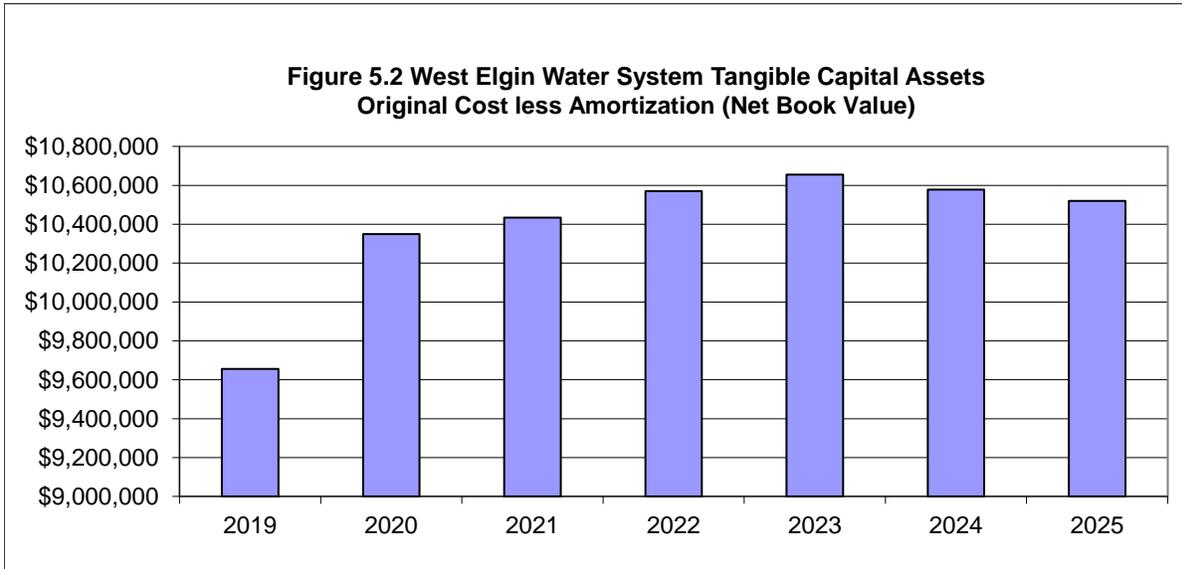


Figure 5.1 shows that the system has substantial financial assets on-hand to deal with capital renewal needs in 2019, however, these assets decrease as aging assets are replaced through 2025.

A second feature is the total value of the water system tangible capital assets, such as 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.

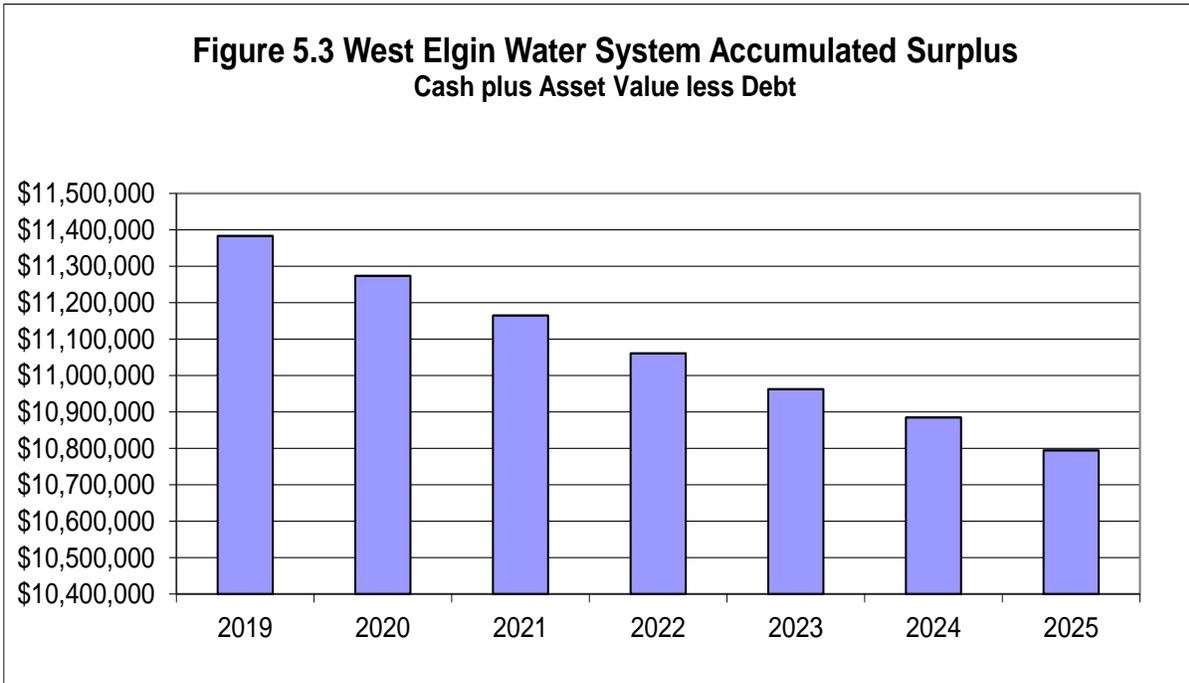
Water systems have a great deal of resources tied up in tangible capital assets and managing these assets is critical to maintaining current and future levels of service. Tangible capital assets, once installed, are being used, and are decreasing in value. This is termed

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 West Elgin Secondary assets is set out in Figure 5.2.



Net book value has increased from 2019 to 2023 followed by a slight decline. Assets are proposed to be renewed in 2019 to 2023. In 2024 and 2025, a smaller amount of capital renewal is proposed and the assets begin their continued decline. This is the normal increase and decrease as assets are added and then depreciate.

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 West Elgin Secondary water system, as shown in Figure 5.3, is illustrating a decrease in accumulated surplus over the 2019 to 2025 period. This is due to a drawdown in cash reserves to finance capital renewal.

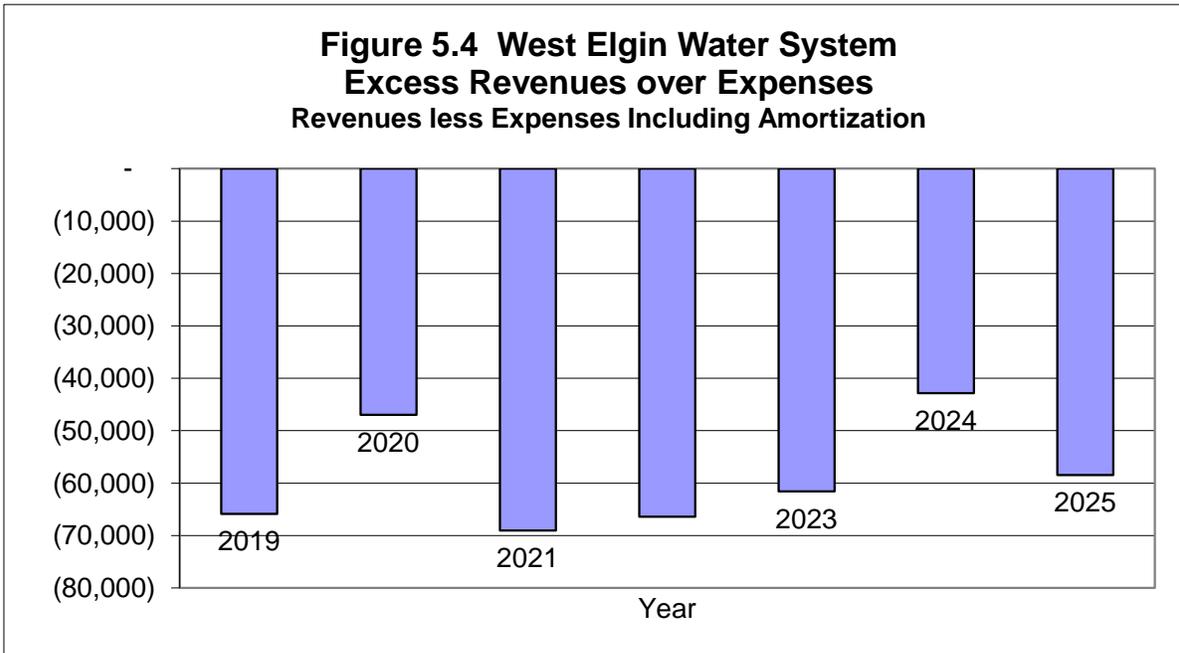
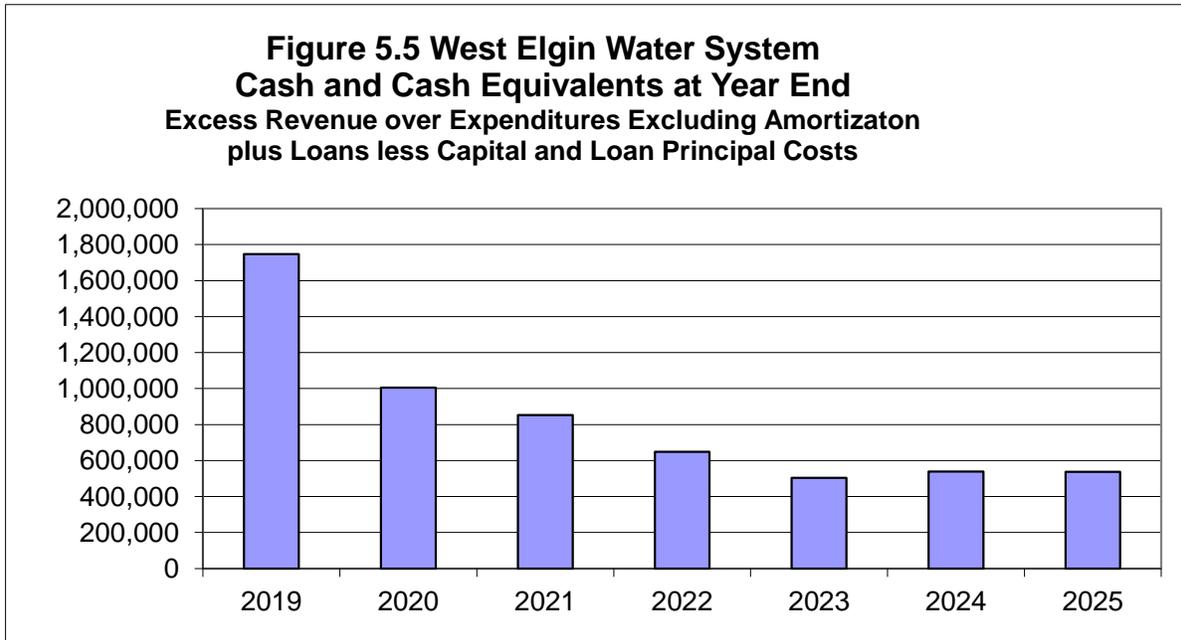


Figure 4 looks at the revenues less expenses including amortization. The number are small but negative and amortization is greater than cash flow at this stage. However, projected rate increases will eliminate this small deficit in the post 2025 period and the long range projection of cash flow shows a positive balance by 2095.

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 cash has been drawn down to finance capital renewal. A review of the long-range capital renewal reserve in appendix 1 shows that 2024 is the low point in the cycle and that cash reserves will building steadily for the next twenty years.

5.4 Conclusion

The financial statements reveal that the West Elgin 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. Net asset values are projected to increase from 2019 to 2023 and then begin to decline. This is normal. Funds are being accumulated in reserve, shown in appendix 1, 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 on reserves 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.

6.1 Statement of Financial Position

Table 6.1 Statement of Financial Position - West Elgin Water System Inflated \$

	2019	2020	2021	2022	2023	2024	2025	Notes
Financial Assets								
Cash and Cash Equivalents	\$1,746,949	\$1,005,691	\$852,936	\$648,982	\$503,633	\$538,046	\$537,752	1
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Financial Assets	\$1,746,949	\$1,005,691	\$852,936	\$648,982	\$503,633	\$538,046	\$537,752	
Liabilities								
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	
Total Liabilities	\$0							
Net Financial Asset (-Debt)	1,746,949	1,005,691	852,936	648,982	503,633	538,046	537,752	
Non Financial Assets								
Tangible Capital Asset Cost	\$11,758,657	\$12,263,657	\$13,136,303	\$13,412,137	\$13,750,882	\$14,043,515	\$13,847,610	2
Additions to Tangible Capital Assets - Cost	\$505,000	\$875,500	\$275,834	\$338,745	\$292,632	\$127,520	\$141,846	3
Accumulated Amortization incl. Addition	\$2,608,098	\$2,789,326	\$2,978,622	\$3,179,840	\$3,388,699	\$3,593,482	\$3,470,092	4
Total Non Financial Assets	\$9,655,560	\$10,349,831	\$10,433,515	\$10,571,042	\$10,654,815	\$10,577,553	\$10,519,363	
Accumulated Surplus/(deficit)	\$11,402,508	\$11,355,521	\$11,286,451	\$11,220,025	\$11,158,448	\$11,115,599	\$11,057,115	

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

6.2 Statement of Financial Operations

Table 6.2 Statement of Financial Operations - West Elgin Water System Inflated \$								
	2019	2020	2021	2022	2023	2024	2025	Notes
Revenues								
User Fees	\$1,008,625	\$1,054,014	\$1,101,444	\$1,151,009	\$1,202,805	\$1,256,931	\$1,302,055	5
Other Miscellaneous Revenues	\$123,000	\$132,500	\$136,545	\$140,136	\$143,775	\$147,464	\$151,888	6
Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Earned Development Charge Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Interest Income	\$32,220	\$52,408	\$30,171	\$25,588	\$19,469	\$15,109	\$16,141	7
Total Revenues	\$1,163,845	\$1,238,922	\$1,268,160	\$1,316,734	\$1,366,050	\$1,419,503	\$1,470,084	
Expenses								
Operating	\$1,039,891	\$1,080,990	\$1,115,376	\$1,153,531	\$1,193,203	\$1,234,514	\$1,273,090	8
Major Maintenance	\$20,000	\$23,690	\$29,705	\$28,411	\$25,564	\$23,056	\$55,442	9
Debt Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Annual Amortization	\$169,846	\$181,229	\$192,150	\$201,218	\$208,859	\$204,783	\$200,035	10
Loss on Disposal of Assets		\$0	\$0	\$0	\$0	\$0	\$0	
Total Expenses	\$1,229,737	\$1,285,909	\$1,337,231	\$1,383,160	\$1,427,626	\$1,462,353	\$1,528,567	
Excess of Revenues over Expenses before Other	(65,891)	(46,987)	(69,071)	(66,426)	(61,577)	(42,849)	(58,483)	
Other								
Developer In Kind		\$0	\$0	\$0	\$0	\$0	\$0	
Excess of Revenues over Expenses	(65,891)	(46,987)	(69,071)	(66,426)	(61,577)	(42,849)	(58,483)	
Accumulated Surplus (Deficit) Beginning of year	\$11,468,400	\$11,402,508	\$11,355,521	\$11,286,451	\$11,220,025	\$11,158,448	\$11,115,599	
Accumulated Surplus (Deficit) End of Year	\$11,402,508	\$11,355,521	\$11,286,451	\$11,220,025	\$11,158,448	\$11,115,599	\$11,057,115	
Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.								

6.3 Statement of Change in Cash Flow

Table 6.3 Statements of Change in Cash Flow - West Elgin Water System Inflated \$								
	2019	2020	2021	2022	2023	2024	2025	Notes
Operating Transactions								
User Fees	1,008,625	1,054,014	1,101,444	1,151,009	1,202,805	1,256,931	1,302,055	5
Other Miscellaneous Revenues	123,000	132,500	136,545	140,136	143,775	147,464	151,888	6
Government Grants	-	-	-	-	-	-	-	
Total for Operating Expenses	1,039,891	1,080,990	1,115,376	1,153,531	1,193,203	1,234,514	1,273,090	8
Total for Major Maintenance	20,000	23,690	29,705	28,411	25,564	23,056	55,442	9
Total for amortization	169,846	181,229	192,150	201,218	208,859	204,783	200,035	10
Excess of Operating Revenues Over Operating Expenses	\$ (98,111)	\$ (99,395)	\$ (99,241)	\$ (92,014)	\$ (81,046)	\$ (57,958)	\$ (74,625)	
Add Back Non Cash Charges to Operating Trans.								
Amortization	\$169,846	\$181,229	\$192,150	\$201,218	\$208,859	\$204,783	\$200,035	11
Loss on the Disposal of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total	\$169,846	\$181,229	\$192,150	\$201,218	\$208,859	\$204,783	\$200,035	
Working Capital Items								
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 Transactions	\$ 71,734	\$ 81,833	\$ 92,908	\$ 109,204	\$ 127,813	\$ 146,824	\$ 125,411	
Capital Transactions								
Acquisition of TCAs	\$505,000	\$875,500	\$275,834	\$338,745	\$292,632	\$127,520	\$141,846	3
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash provided/used in Capital Transactions	\$505,000	\$875,500	\$275,834	\$338,745	\$292,632	\$127,520	\$141,846	
Investing Transactions								
Proceeds from Investments	32,220	52,408	30,171	25,588	19,469	15,109	16,141	7
Cash (used in) Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided/used in Investing Transactions	32,220	52,408	30,171	25,588	19,469	15,109	16,141	
Financing Transactions								
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	(401,046)	(741,258)	(152,755)	(203,953)	(145,350)	34,413	(294)	
Cash and Cash Equivalents at the beginning of the Year	\$2,147,995	\$1,746,949	\$1,005,691	\$852,936	\$648,982	\$503,633	\$538,046	
Cash and Cash Equivalents at the End of the Year	\$1,746,949	\$1,005,691	\$852,936	\$648,982	\$503,633	\$538,046	\$537,752	
Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.								

Financial Plan

6.4 Notes on the West Elgin Secondary 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 in 2019 costs, as this was when this study was initiated, 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. Other revenues include late payment charges, materials sold to users, disconnection charges for seasonal users and charges for new services.
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 3% per annum and 5% per annum for energy.
9. Major maintenance represents equipment renewal projects projected by staff 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.



Financial Plan

Attachment 1 Capital Renewal Reserve 2019-2095 Inflated \$

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Opening Reserves	2,147,995	1,746,949	1,005,691	852,936	648,982	503,633	538,046	537,752	595,048
Reserves from (to) Operations	(401,046)	(741,258)	(152,755)	(203,953)	(145,350)	34,413	(294)	57,296	66,552
Reserve Value at Year End	1,746,949	1,005,691	852,936	648,982	503,633	538,046	537,752	595,048	661,601
	2028	2029	2030	2031	2032	2033	2034	2035	2036
Opening Reserves	661,601	738,138	792,571	890,454	1,000,747	1,058,012	1,193,933	75,942	301,662
Reserves from (to) Operations	76,537	54,433	97,883	110,293	57,265	135,921	(1,117,991)	225,720	247,831
Reserve Value at Year End	738,138	792,571	890,454	1,000,747	1,058,012	1,193,933	75,942	301,662	549,492
	2037	2038	2039	2040	2041	2042	2043	2044	2045
Opening Reserves	549,492	820,864	1,117,283	1,396,176	1,746,213	2,126,277	2,538,219	2,731,849	3,128,206
Reserves from (to) Operations	271,372	296,420	278,892	350,037	380,064	411,942	193,630	396,357	(2,875,323)
Reserve Value at Year End	820,864	1,117,283	1,396,176	1,746,213	2,126,277	2,538,219	2,731,849	3,128,206	252,883
	2046	2047	2048	2049	2050	2051	2052	2053	2054
Opening Reserves	252,883	700,877	1,188,189	628,162	999,750	1,387,810	2,012,014	2,687,485	2,830,795
Reserves from (to) Operations	447,994	487,312	(560,027)	371,588	388,060	624,204	675,471	143,310	665,249
Reserve Value at Year End	700,877	1,188,189	628,162	999,750	1,387,810	2,012,014	2,687,485	2,830,795	3,496,045
	2055	2056	2057	2058	2059	2060	2061	2062	2063
Opening Reserves	3,496,045	4,163,320	5,049,205	6,002,401	7,026,777	8,046,632	8,880,174	10,130,524	11,469,171
Reserves from (to) Operations	667,275	885,885	953,196	1,024,376	1,019,856	833,541	1,250,350	1,338,647	1,431,861
Reserve Value at Year End	4,163,320	5,049,205	6,002,401	7,026,777	8,046,632	8,880,174	10,130,524	11,469,171	12,901,032
	2064	2065	2066	2067	2068	2069	2070	2071	2072
Opening Reserves	12,901,032	14,120,027	15,691,670	17,423,927	19,206,195	20,449,584	16,909,819	13,943,898	15,742,304
Reserves from (to) Operations	1,218,995	1,571,643	1,732,256	1,782,268	1,243,389	(3,539,764)	(2,965,921)	1,798,406	2,120,072
Reserve Value at Year End	14,120,027	15,691,670	17,423,927	19,206,195	20,449,584	16,909,819	13,943,898	15,742,304	17,862,376
	2073	2074	2075	2076	2077	2078	2079	2080	2081
Opening Reserves	17,862,376	17,982,389	16,737,648	5,327,475	4,791,256	6,537,067	8,082,252	7,998,871	10,383,626
Reserves from (to) Operations	120,013	(1,244,741)	(11,410,174)	(536,219)	1,745,811	1,545,185	(83,381)	2,384,755	(304,311)
Reserve Value at Year End	17,982,389	16,737,648	5,327,475	4,791,256	6,537,067	8,082,252	7,998,871	10,383,626	10,079,315
	2082	2083	2084	2085	2086	2087	2088	2089	2090
Opening Reserves	10,079,315	10,534,098	(10,666,130)	(10,391,556)	(9,541,629)	(6,624,883)	(19,209,301)	(16,284,725)	(13,307,729)
Reserves from (to) Operations	454,783	(21,200,228)	274,574	849,927	2,916,746	(12,584,418)	2,924,576	2,976,996	3,167,127
Reserve Value at Year End	10,534,098	(10,666,130)	(10,391,556)	(9,541,629)	(6,624,883)	(19,209,301)	(16,284,725)	(13,307,729)	(10,140,602)
	2091	2092	2093	2094	2095				
Opening Reserves	(10,140,602)	(6,449,147)	(2,468,184)	1,818,338	(2,776,928)				
Reserves from (to) Operations	3,691,455	3,980,963	4,286,522	(4,595,266)	4,672,772				
Reserve Value at Year End	(6,449,147)	(2,468,184)	1,818,338	(2,776,928)	1,895,844				

Attachment 2 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.

Financial Plan

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
 - 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,

Financial Plan

- 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 th