



# Water and Wastewater Long-Range Financial Plan

In Accordance with O.Reg. 453/07



**Town of Fort Frances**

November 2020

## Table of Contents

Introduction	1	Forecast	19
Review of Regulatory and Legislative Requirements	2	Water Operating Forecast	20
Importance of a Long Range Financial Plan	4	WW Operating Forecast	21
Principles of Financial Sustainability	5	Summary of Rate Revenue Requirements	22
The LRFP is Dynamic—Regular Updates Will Be Undertaken	6	Capital Forecast	23
Financial Plan Development	7	Reporting Requirements—O.Reg. 453/07	24
System Overview	8	Water Financial Plan—O.Reg. 453/07	25
Asset Inventory	9	Statement of Financial Operations—Water	27
Funding Requirements	9	Statement of Cash Flow/Cash Receipts—Water	28
Asset Renewal Needs	10	Statement of Financial Position—Water	29
Annual Funding Shortfalls	11	Wastewater Financial Plan	30
Ratepayer Affordability	13	Statement of Financial Operations—Wastewater	32
Forecast Assumptions & Strategies	14	Statement of Cash Flow/Cash Receipts—Wastewater	33
Reserves and Revenue Stability Strategies	15	Statement of Financial Position—Wastewater	34
Debt Financing Strategies	16	Appendix A - Water 10 Year Capital Forecast	
Summary of Financial Environment & Assumptions	17	Appendix B - Wastewater 10 Year Capital Forecast	
Summary of Financial Environment & Assumptions	18		

*Introduction - Water and Wastewater Financial Plan*



### ***Review of Regulatory and Legislative Requirements***

The Town of Fort Frances, along with other Ontario municipalities that are responsible for the provision of drinking water, is required to meet the requirements set out in the Financial Plans Regulations O.Reg.453/07.

The Town of Fort Frances is taking a proactive approach and has recognized the need for a long-term financial planning process that assesses the financial implications of current and proposed policies as well as Council approved decisions in its water and wastewater operations. The goal is to ensure that the Town's operations are in a sound financial position and services can be provided on a sustainable basis.

Ontario Reg. 453/07 provides the following parameters with regards to s.30 (1) part b of the Safe Drinking Water Act for municipal drinking water licence renewal:

- The financial plan must be approved by Council resolution (or governing body)
- The financial plan must include details regarding lead service pipe replacement
- The financial plan must include a statement that the financial impacts have been considered and apply for a minimum six year period commencing in the year in which the existing municipal drinking water licence expires
- A copy of the financial plan must be submitted to the Ministry of Municipal Affairs and Housing

- For each year to which the financial plans apply, the financial plans must include the following:
  - Details of the proposed or projected financial position of the drinking water system itemized by:
    - total financial assets
    - total liabilities
    - net debt
    - non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses
    - changes in tangible capital assets that are additions, donations, write downs and disposals
  - Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by:
    - operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
    - capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets
    - investing transactions that are acquisitions and disposal of investments
    - financing transactions that are proceeds from the issuance of debt and debt repayment
    - changes in cash and cash equivalents during the year, and
    - cash and cash equivalents at the beginning and end of the year.

- The financial plan includes detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per PSAB) for each year in which the financial plans apply
- The financial plan is to be made available to the public upon request and at no charge
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge
- Notice of the availability of the financial plans is to be given to the public

#### ***General Approach to Preparing the Town’s LRFP***

The LRFP identifies the key financial strategies that will influence the building of a sustainable long-term financial future and takes into account:

- Expected expenses and capital outlays for each year of the plan
- Expected revenues for each year
- Financial performance measures

#### ***Required Statements***

There are three statements that have been completed, in accordance with the O. Reg. 453/07. These include:

##### **Statement of Operations**

The ***Statement of Operations*** summarizes the revenues and operating expenses for a given period.

##### **Statement of Cash Flows**

The ***Statement of Cash Flows*** reports on how activities were financed for a given period which provides a measure of the changes in cash for that period.

##### **Statement of Financial Position**

The ***Statement of Financial Position*** reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities.

The categories of financial information have been developed to ensure:

- that they provide a sound picture of the financial position of the drinking water system;
- that they are aligned with municipal financial statements prepared on a full accrual accounting basis; and
- consistent financial planning for municipal water services.

The goal of the financial plan is to provide the Town with a realistic and informed view of the water and wastewater operating and capital expenditures needed over time to maintain the integrity and health of its physical infrastructure and to accommodate growth and new environmental standards. As such, a Long Range Financial Plan (LRFP) creates a more purposeful approach to long-term financial management and helps align short term actions with long term financial strategies.



### ***Importance of a Long Range Financial Plan***

A LRFP is a framework to guide the Town in planning and decision-making and it:

- Examines fiscal trends;
- Identifies fiscal issues and opportunities;
- Increases communication & awareness;
- Stimulates long-term thinking;
- Helps establish fiscal policies and goals;
- Ensures a reasonable degree of stability and predictability in the rate burden;
- Provides a fair sharing in the distribution of resources between current and future ratepayers;
- Ensures sustainable cash flows;
- Maximizes financial flexibility; and
- Minimizes financial vulnerability during economic downturns.

### *Principles of Financial Sustainability*

The Ministry of the Environment released a guideline (“Towards Financially Sustainable Drinking-Water and Wastewater Systems”) that provides possible approaches to achieving sustainability. The Province’s Principles of Financially Sustainable Water and Wastewater Services are provided below:

- **Principle #1:** Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
- **Principle #2:** An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
- **Principle #3:** Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
- **Principle #4:** Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.
- **Principle #5:** An asset management plan is a key input to the development of a financial plan.
- **Principle #6:** A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
- **Principle #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.
- **Principle #8:** Financial Plans are “living” documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.
- **Principle #9:** Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

The LRFP will be instrumental in the Town’s ability to meet the Provincial reporting requirements included in O.Reg. 453/07 for water and wastewater operations and has been developed in recognition of the above noted principles.



### ***The LRFP is Dynamic—Regular Updates Will Be Undertaken***

This document puts the Town's water & wastewater financial condition in perspective, discusses the current challenges and risks and provides a sustainable financial forecast. The plan also provides a framework for guiding the annual budget and the financial planning over a longer horizon. The LRFP helps to understand the implications that today's decisions have on future budgets. The LRFP has been prepared to meet the regulatory requirements. It does not represent a formal multi-year budget. The approval of the budget is undertaken annually.

Great effort has been made to present accurate financial projections, based upon the data available at this time. In accordance with the regulations, financial plans must be updated in conjunction with an application for licence renewal (i.e. every 5 years), however, there are many potential circumstances that could occur within the short to medium term that would affect the assumptions in the projections for operating and capital. Council priorities, planning policies, changes to service levels, consumption projections and infrastructure requirements, will certainly lead to changes and the LRFP should be adjusted to reflect these changes as they occur.

As a best practice, The Ministry of the Environment document entitled "Toward Financial Sustainability" suggests that Financial Plans should be updated on an annual forward looking basis. By doing so, continuous improvement will be fostered and results can be considered as part of the annual budget process.

It is well recognized that a Financial Plan is a **dynamic document** that should be updated and re-evaluated, on an **ongoing** basis to:

- Amend the assumptions, projections and strategies based on changes in the municipal environment
- Continue building awareness of the results of projections of current operating and capital spending and funding levels
- Assist the Town in determining the extent of its financial challenges
- Reconfirm the key financial goals and strategies that should guide future planning
- Spur the development of actions in future business plans that would respond to the long-term strategies



*Background Information Used to Prepare the  
Water and Wastewater Financial Plan*



## System Overview

### Water System Overview

The Town owns and operates the following assets, as shown in the table below from 2018's Asset Management Plan, completed by PSD Research Consulting Software, with updates provided by staff to reflect 2021 inventories.

Asset Segment	Quantity
Hydrants	377 units
Private Hydrants	54 units
Water Mains	70,564 m
Water Tower	1 unit
Water Treatment Plant	1 unit
Water Valves	710 units

### Wastewater System Overview

The Town also owns and operates the following assets, as shown in the table below from 2018's Asset Management Plan, completed by PSD Research Consulting Software, with updates provided by staff to reflect 2021 inventories.

Asset Segment	Quantity
Wastewater Lift Stations	6 units
Storm Lift Stations	1 unit
Sanitary Manholes	620 units
Sanitary Sewer Mains	57,249 m
Sanitary Valves	16 units
Treatment Plant	1 unit

### Asset Inventory

The following provides the asset inventory replacement cost in 2021 dollars, using the 2018 Asset Management Plan (AMP) report that was undertaken by the Town.

Replacement Costs (000s) - indexed to 2021	2021
Hydrants	\$ 8,743
Water Mains	\$ 42,569
Water Tower	\$ 5,158
Water Treatment Plant	\$ 29,556
Water Valves	\$ 3,340
<b>Total Water</b>	<b>\$ 89,367</b>
Lift Stations	\$ 2,349
Sanitary Manholes	\$ 16,442
Sanitary Sewer Mains	\$ 59,075
Sanitary Valves	\$ 142
Treatment Plant	\$ 14,118
<b>Total Wastewater</b>	<b>\$ 92,126</b>
<b>Grand Total</b>	<b>\$ 181,492</b>

The AMP includes the age of the assets as well as an estimated useful life for each of the assets. This provides an indication of how much money will be required in the future for the replacement of existing assets. The estimated total value of the water assets is \$89.4 million and the wastewater assets are valued at \$92.1 million for a total asset replacement cost of \$181.5 million

### Future Funding Requirements

The graph on the next page provide a summary of the asset replacement requirements over the next 50 years. A long term planning horizon is required as the assets are significant and have a relatively long useful life. A long range financial time horizon is needed to avoid spikes in future rates, to ensure the availability of reserves and to mitigate the need to issue debt where funding has not be set aside.

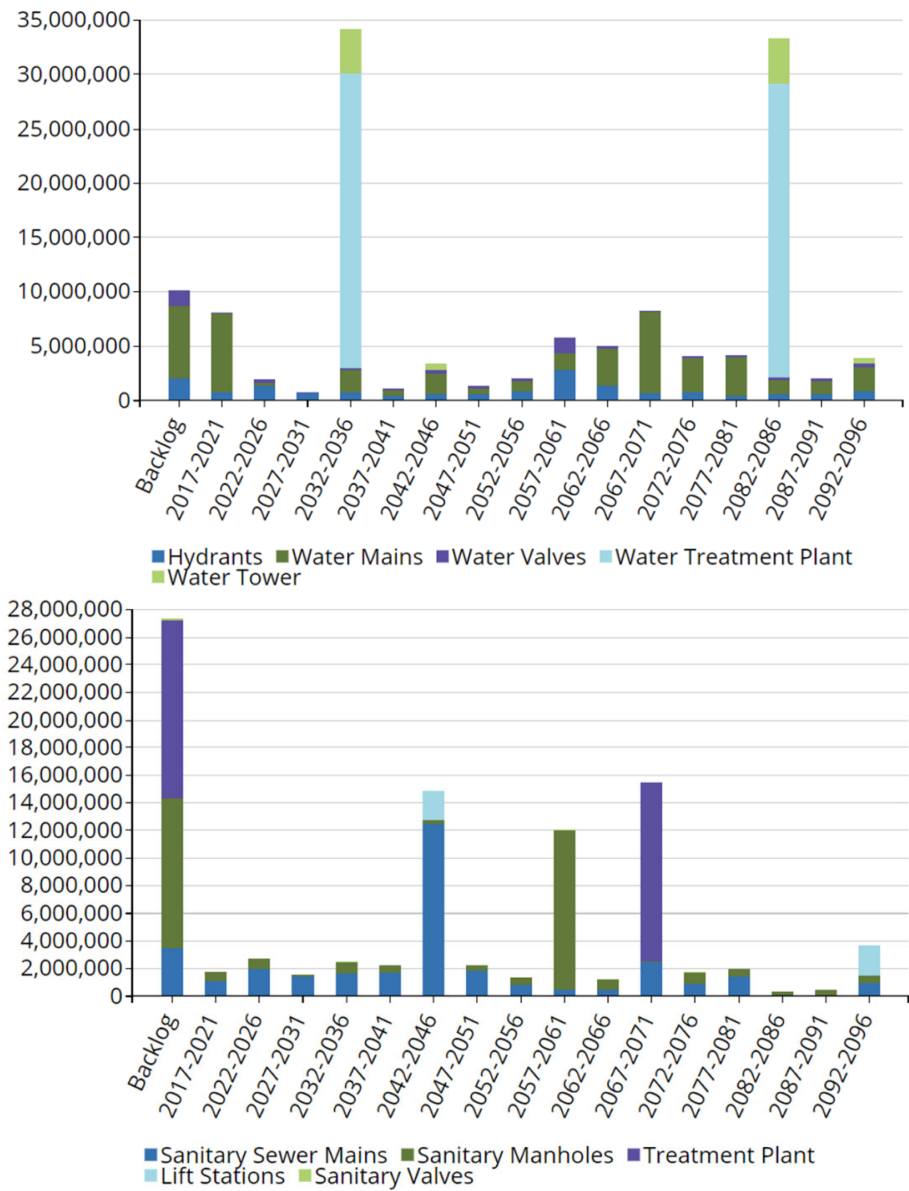
Note that these graphs do not include any growth-related capital requirements.

As shown on the graphs, over the next 10 years, not including backlog, there is a need to replace \$10.5 million for water assets and \$4.9 million in wastewater. In addition, there is a backlog of approximately \$10 million in water and \$27 million in wastewater.

#### Asset Management 2018 Excerpt

- Only 29% of the Town's Water System is in Very Good or Good condition.
- Only 24% of the Town's Sanitary Sewer Network is in Very Good to Good condition.

Asset Renewal Needs

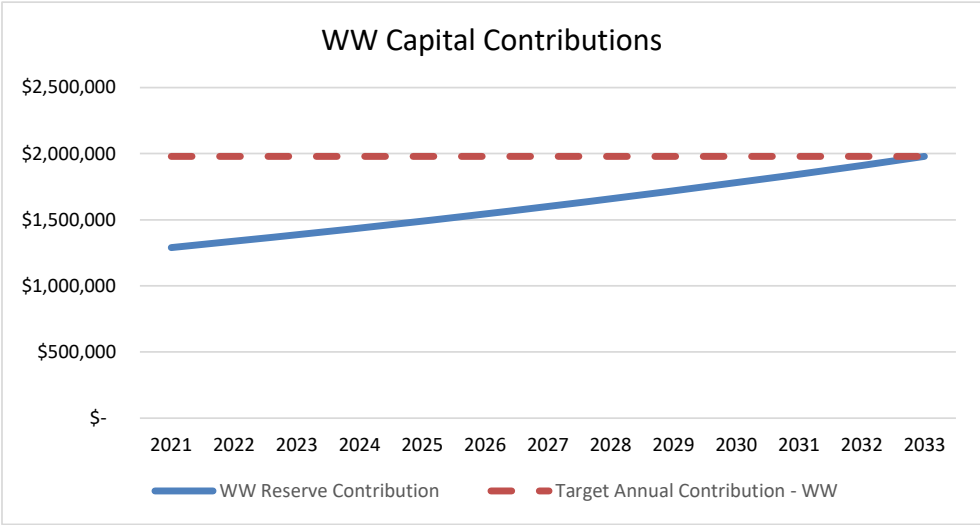
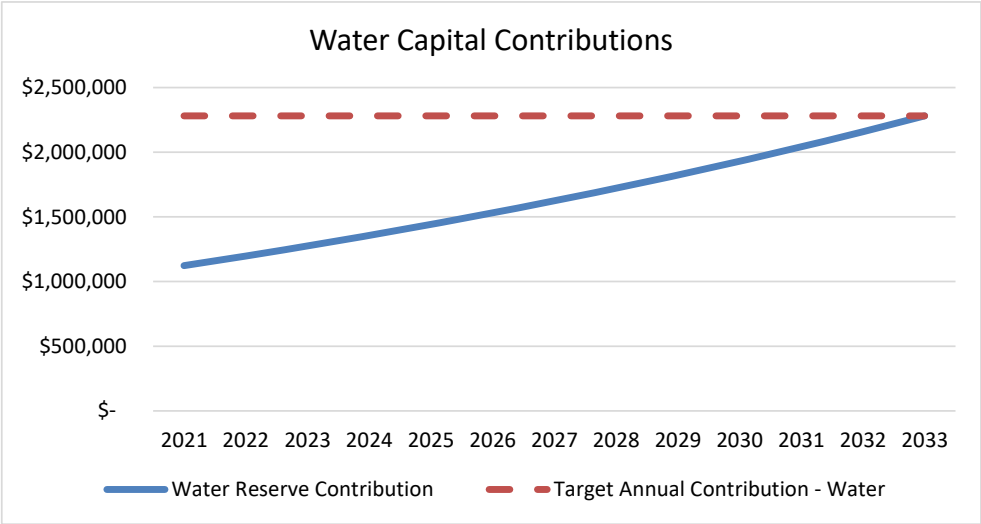


### Annual Funding Shortfall

- A key issue in the financial planning process is to close the funding gap between the capital needs of the water and wastewater operations and the contributions that are currently being made annually to fund the capital program over a long term planning horizon.
- A recommended target is for the Town to make annual contributions to the capital program based on replacement cost requirements and capital requirements for optimal replacement times. The following table reflects the extent of the challenge based on the projected actual for 2021.

Capital Contributions (000s)	Water	WW	Combined
Current Capital Contribution for Asset Replacement	\$ 990	\$ 1,106	\$ 2,097
Annual Capital Requirement	\$ 1,553	\$ 1,347	\$ 2,901
Funding Gap	\$ (563)	\$ (241)	\$ (804)

- Based on the Asset Management Report, the recommended annual 2020 contribution is \$1.55 million and \$1.35 million in water and wastewater respectively annually to meet future needs. Currently, there is an annual funding shortfall in the water capital program of approximately \$563,000 and, in the wastewater program, there is an annual funding shortfall of \$241,000.
- The Asset Management Plan recommended addressing the funding gap over a 15 year period. The following graph illustrates the annual contribution to the capital reserve required to address the infrastructure gap over a 15 period. Note that the annual contribution is inflated by 3% annually.
- As shown above, the 2021 projected annual contribution to the capital program is lower than the recommended annual target contributions.
- For example, in 2021, there was \$990,397 contributions to the capital program in water and \$1,106,105 in wastewater. This takes into consideration the 2020 shortfall in revenues due to COVID-19.



As illustrated above, the target is reached in 2033 for both the water and wastewater operations.

### ***Ratepayer Affordability***

- Ratepayer affordability has also been taken into consideration by developing a phase-in strategy to gradually move toward a fully funded asset management financial plan to address the annual underfunding of the capital program.
- An analysis of the 2020 water and wastewater cost of service in Fort Frances was undertaken against 100+ Ontario municipalities. As shown below, the cost of water/ww service for a typical residential customer consuming 200 m<sup>3</sup> is below the average of 100+ Ontario municipalities surveyed by approximately 11%.
- As previously mentioned, the financial plan that has been developed is to gradually phase-in increased contributions to capital program to achieve financial sustainability targets over a period of 15 years. This will require increases in the annual water and wastewater rates which will be described later in the report however, will help maintain ratepayer affordability.

2020 Water/WW Costs	Residential Customer
Fort Frances	\$ 1,021
100+ Ontario Municipalities	\$ 1,141
Difference to Avg	-11%

- It should be noted that many of the above noted municipalities have identified funding and infrastructure deficits. Addressing their respective issues will impact the future cost of service.
- Differences in the cost of service is also impacted by the overall age of the system, the condition of the infrastructure, the complexity of the system and the strategies used to address infrastructure gaps.

***Forecast Assumptions & Strategies***  
***Water and Wastewater Financial Plan***





### ***Reserves and Revenue Stability Strategies***

A Reserve is a financial provision or amount that is designated for a future purpose that extends beyond the current fiscal year. While its balance may vary over the course of a year, the Reserve is carried forward from one fiscal year to the next to facilitate multi-year financial planning. Reserves can be established to meet specific liabilities such as the replacement/acquisition of capital assets or to protect against known risks or unforeseen circumstances that may create financial difficulties.

The purpose for maintaining reserves includes:

- To provide for rate stabilization;
- To provide financing for one-time or short term requirements;
- To make provisions for replacements/renewals/acquisitions of assets/infrastructure that are currently being consumed;
- To avoid spikes in funding requirements for large capital projects by reducing their reliance on long-term debt borrowings;
- To provide a source of internal financing;
- To ensure adequate and sustainable cash flows; and
- To provide **financial sustainability**.

- The following principles were used in preparing the Financial Plan:

#### ***Reserve and Revenue Stability Strategies***

- *The Town will maintain all infrastructure in a state of good repair by implementing life cycle costing and providing adequate annual contributions to the replacement reserves to fund the future rehabilitation/replacement of assets.*
- *Management Plan for the timely replacement of assets.*
- *Contributions to the Capital Reserves will be funded through calculated annual contributions from the Operating Budget based on capital replacement costs.*
- *A phase-in strategy has been implemented to increase reserve contributions to support financial sustainability.*



### ***Debt Financing Strategies***

There is currently no debt related to the water and wastewater operations. On an ongoing basis, the Town may wish to consider the use of debt for infrastructure investments, conditional upon one or more of the following:

- The infrastructure investment will provide a stream of non-taxation revenues that can be used to fund some or all of the associated debt servicing costs; and/or
- The Town requires debt financing to fund its portion of infrastructure projects that are cost shared with senior government; and/or
- The infrastructure investment is unavoidable as a result of regulatory changes or concerns over public health and safety and cannot be funded through other means; and
- The associated debt servicing costs would not jeopardize the Town's financial sustainability or result in the Town exceeding its annual debt repayment limit.

***Summary of Financial Environment and Assumptions***  
***Water and Wastewater Financial Plan***



### **Summary of Financial Environment and Assumptions**

The following summarizes the key challenges, risks and opportunities to long-term financial sustainability which have been addressed as part of the Financial Plan:

- **Asset Renewal/Replacement**—Like most municipalities in Canada, Fort Frances faces a continued struggle to renew and replace aging water capital assets. The Town has incorporated in its 6 year plan, a gradual increase in the contributions to reserves to support financial sustainability. Contributions have been phased in to meet the targets in the Asset Management Plan over a 15 year period.
- **Regulatory and Legislative Environment**—Municipalities across Ontario have consistently identified legislative and regulatory changes and requirements as a major factor driving the cost of service over the past 10 years and will continue to be a factor well into the future. Statutes and associated regulations that dictate service levels include:
  - Municipal Act;
  - Clean Water Act;
  - Water Opportunities Act;
  - Ontario Water Resources Act;
  - Safe Drinking Water Act (SDWA);
  - Sustainable Water and Sewage Systems Act; and
  - PSAB 3150, Tangible Capital Assets Reporting
- **Debt Issuance**—No debt issuance is forecast over the next 6 years for either the water or wastewater operations.
- **Reserves**—Capital Reserve opening balances for 2020 have been loaded into the forecast model. These reserves are combined water and sewer reserve and a meter replacement reserve. For the purposes of this analysis, the combined water and wastewater reserve has been split 50/50.
- **6 Years Capital Budget**—The Town provided a 6 year capital budget for water and wastewater operations. The capital budget was used in the 6 year forecast. Project costs were inflated by 3% annually.
- **Operating Expenditures**—Operating expenditures have been increased annually by 2%.

*Forecast*  
*Water and Wastewater Financial Plan*



### Summary of Water Operating Budget Forecast

The Town's objective in establishing the Water rates is to avoid large fluctuations from year to year and to ensure that rates are set at a level to adequately cover current operating costs, maintain and repair the Town's existing asset base and replace assets where appropriate. The following table reflects the water operating budget forecast.

Water	2021 Budget	2022	2023	2024	2025	2026
<b>REVENUES</b>						
Rate Revenues	\$ 2,817,848	\$ 2,926,442	\$ 3,039,221	\$ 3,156,346	\$ 3,277,985	\$ 3,404,311
Other Revenues	\$ 50,642	\$ 51,655	\$ 52,688	\$ 53,742	\$ 54,817	\$ 55,913
Monthly Meter Replacement Revenue	\$ 17,982	\$ 17,982	\$ 17,982	\$ 17,982	\$ 17,982	\$ 17,982
<b>Total Revenues</b>	<b>\$ 2,886,472</b>	<b>\$ 2,996,079</b>	<b>\$ 3,109,891</b>	<b>\$ 3,228,070</b>	<b>\$ 3,350,783</b>	<b>\$ 3,478,206</b>
<b>EXPENSES</b>						
Administration	\$ 497,429	\$ 507,378	\$ 517,525	\$ 527,876	\$ 538,434	\$ 549,202
Water Service Connections	\$ 124,397	\$ 126,885	\$ 129,423	\$ 132,011	\$ 134,651	\$ 137,344
Water Meter Maintenance	\$ 49,543	\$ 50,534	\$ 51,544	\$ 52,575	\$ 53,627	\$ 54,699
Water Distribution System Maintenance	\$ 246,412	\$ 251,340	\$ 256,367	\$ 261,494	\$ 266,724	\$ 272,059
Water Treatment Plant	\$ 697,254	\$ 711,359	\$ 725,746	\$ 740,421	\$ 755,390	\$ 770,657
Water Storage Facility	\$ 129,374	\$ 131,961	\$ 134,601	\$ 137,293	\$ 140,039	\$ 142,839
Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital and Reserve Contributions	\$ 1,142,063	\$ 1,216,621	\$ 1,294,684	\$ 1,376,399	\$ 1,461,919	\$ 1,551,405
<b>Total Expenses</b>	<b>\$ 2,886,472</b>	<b>\$ 2,996,079</b>	<b>\$ 3,109,891</b>	<b>\$ 3,228,070</b>	<b>\$ 3,350,783</b>	<b>\$ 3,478,206</b>
Rate Rev. Requirements % Change	9.3%	3.9%	3.9%	3.9%	3.9%	3.9%

The 2020 rate revenues were restated to account for the reduction in consumption in the commercial and industrial areas due to COVID-19. The 2021 budget reflects a 9.3% increase in rate revenues based on the assumption that consumption will increase. The increase in the residential rates were forecast at 2.7%. As illustrated above, transfers to capital reserves are forecasted to increase from \$1.14 million to \$1.55 million in 2026. The increase in rate revenues is 3.9% annually.

### Summary of Wastewater Operating Budget Forecast

The Town's objective in establishing the Wastewater rates is to avoid large fluctuations from year to year and to ensure that rates are set at a level to adequately cover current operating costs, maintain and repair the Town's existing asset base and replace assets where appropriate. The following table reflects the wastewater operating budget forecast.

Wastewater	2021 Budget	2022	2023	2024	2025	2026
<b>REVENUES</b>						
Rate Revenues	\$ 2,648,131	\$ 2,723,144	\$ 2,800,283	\$ 2,879,607	\$ 2,961,178	\$ 3,045,059
Other Revenues	\$ 34,500	\$ 35,190	\$ 35,894	\$ 36,612	\$ 37,344	\$ 38,091
<b>Total Revenues</b>	<b>\$ 2,682,631</b>	<b>\$ 2,758,334</b>	<b>\$ 2,836,177</b>	<b>\$ 2,916,218</b>	<b>\$ 2,998,521</b>	<b>\$ 3,083,150</b>
<b>EXPENSES</b>						
Administration	\$ 377,668	\$ 385,221	\$ 392,925	\$ 400,784	\$ 408,800	\$ 416,976
Sewer Mains	\$ 239,793	\$ 244,588	\$ 249,480	\$ 254,470	\$ 259,559	\$ 264,750
Service Connections	\$ 95,411	\$ 97,320	\$ 99,266	\$ 101,251	\$ 103,276	\$ 105,342
Sewage Treatment Plant	\$ 681,028	\$ 694,649	\$ 708,542	\$ 722,713	\$ 737,167	\$ 751,910
Capital and Reserve Contributions	\$ 1,288,731	\$ 1,336,556	\$ 1,385,963	\$ 1,437,001	\$ 1,489,719	\$ 1,544,172
<b>Total Expenses</b>	<b>\$ 2,682,631</b>	<b>\$ 2,758,334</b>	<b>\$ 2,836,177</b>	<b>\$ 2,916,218</b>	<b>\$ 2,998,521</b>	<b>\$ 3,083,150</b>
Change	10.2%	2.8%	2.8%	2.8%	2.8%	2.8%

The 2020 rate revenues were restated to account for the reduction in consumption in the commercial and industrial areas due to COVID-19. The 2021 budget reflects a 10.2% increase in rate revenues based on the assumption that consumption will increase. The increase in the residential rates were forecast at 2.7%. As illustrated above, transfers to capital reserves are forecasted to increase from \$1.3 million to \$1.54 million in 2026. The increase in rate revenues is 2.8% annually.

### Summary of Rate Revenue Requirements

The Town's objective in establishing the Wastewater rates is to avoid large fluctuations from year to year and to ensure that rates are set at a level to adequately cover current operating costs, maintain and repair the Town's existing asset base and replace assets where appropriate.

Efforts are being made in this plan to gradually grow/maintain the reserves to provide a source of funding for the ongoing replacement/refurbishment of capital assets. The following table reflect the forecasted rate revenue requirements.

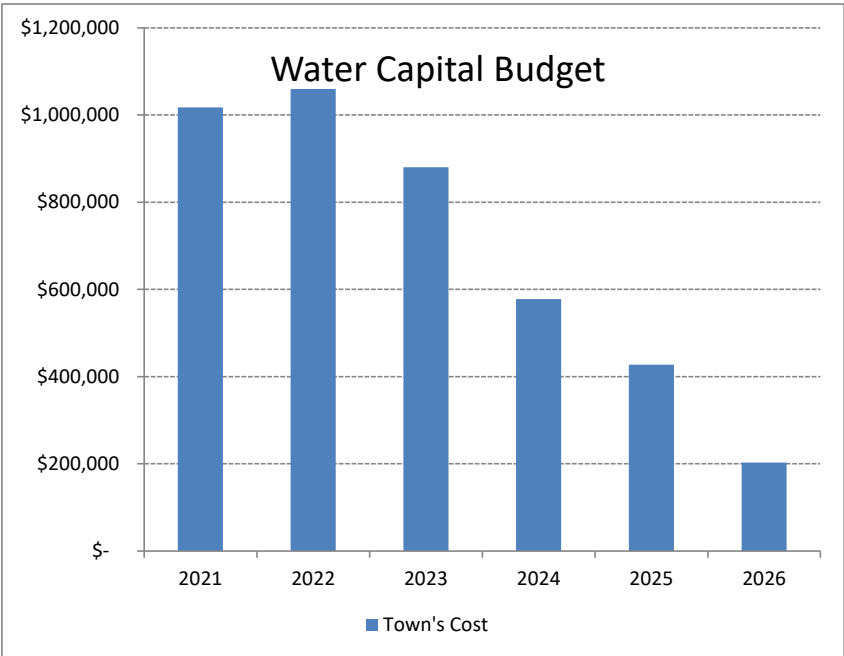
	2021 Budget	2022	2023	2024	2025	2026
Water Rate Revenue Requirement	\$ 2,817,848	\$ 2,926,442	\$ 3,039,221	\$ 3,156,346	\$ 3,277,985	\$ 3,404,311
Wastewater Rate Revenue Requirement	\$ 2,648,131	\$ 2,723,144	\$ 2,800,283	\$ 2,879,607	\$ 2,961,178	\$ 3,045,059
Total Rate Revenue Requirement	\$ 5,465,979	\$ 5,649,586	\$ 5,839,504	\$ 6,035,953	\$ 6,239,162	\$ 6,449,370
\$ Change		\$ 183,608	\$ 189,918	\$ 196,449	\$ 203,210	\$ 210,208
% Change		3.4%	3.4%	3.4%	3.4%	3.4%

As shown above the annual increases in consolidated water and wastewater rate revenue requirements is 3.4% from 2022 to 2026.



**Summary of Water Capital Budget Forecast**

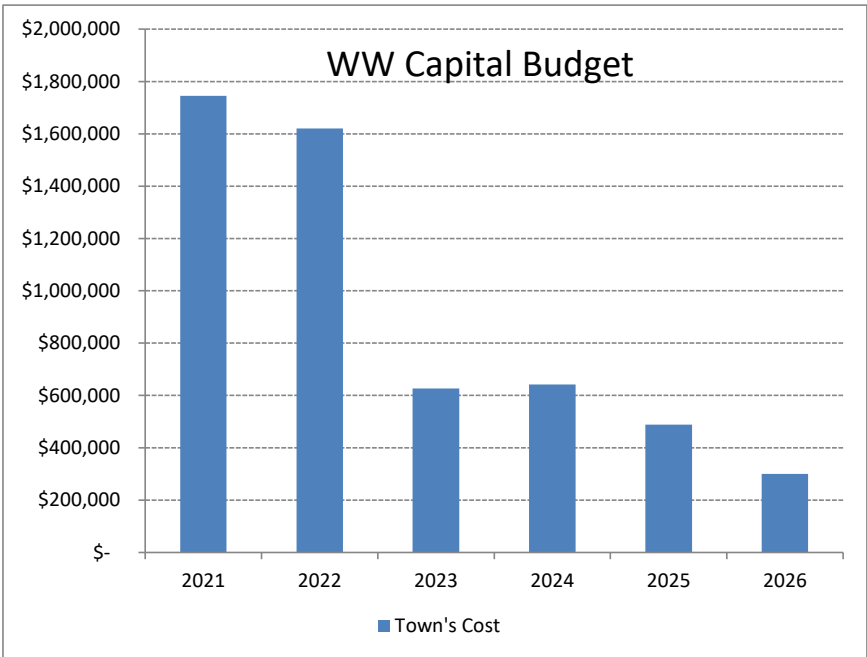
The following table summarizes the Capital Budget forecast for the next 6 years.



Note that there is no debt issued over the forecast period. The capital plan detail, from 2021-2026 of \$4.2 million, is provided in Appendix A.

**Summary of Wastewater Capital Budget Forecast**

The following table summarizes the Capital Budget forecast for the next 6 years.



Note that there is no debt issued over the forecast period. The capital plan detail, from 2021-2026 of \$5.4 million, is provided in Appendix B.

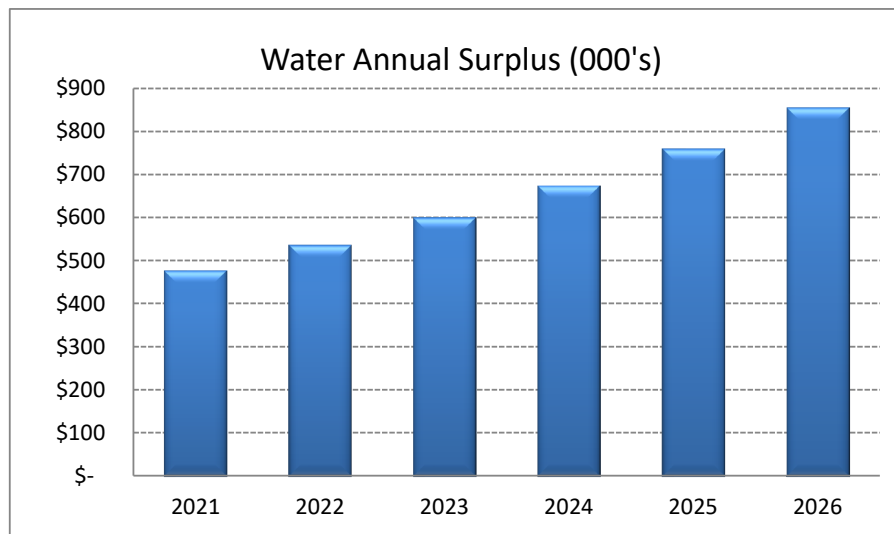
***Reporting Requirements  
O. Reg 453/07***



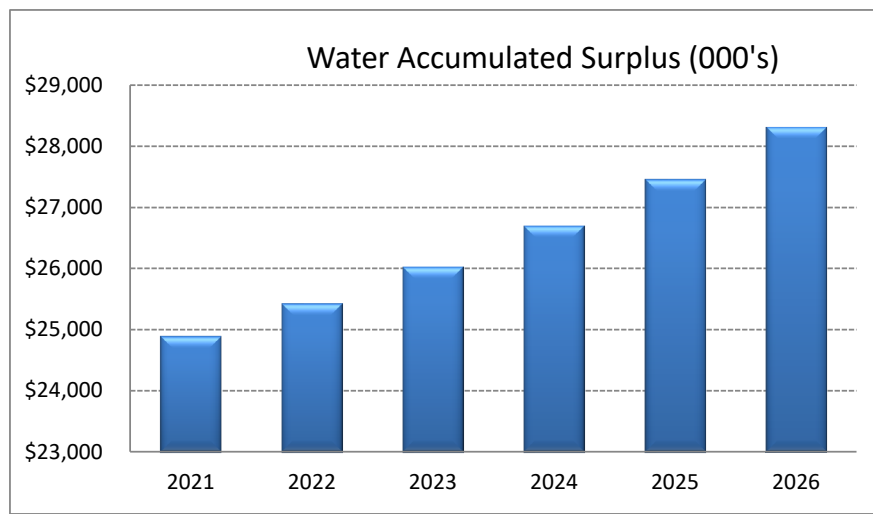
### Water Financial Plan—O.Reg. 453/07

The Financial Plan has been prepared in accordance with the regulation (O.Reg. 453/07) made under the Safe Drinking Water Act. The Financial Plan regulation requires that the plans be updated every five years along with the request for the renewal of the drinking water licence. This ongoing update will assist in revisiting the assumptions made to develop the operating and funding plans as well as reassessing the needs for capital renewal and major maintenance expenses.

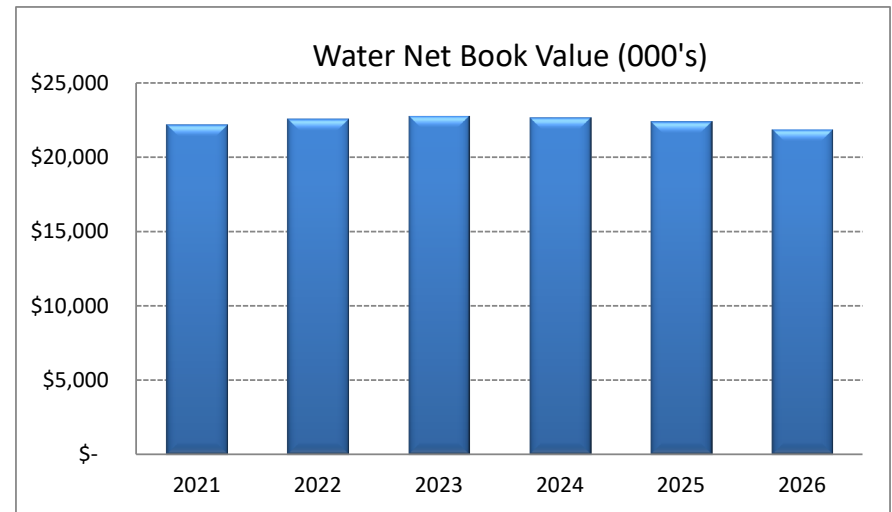
- Statement of Financial Operations**—This statement summarizes the revenues and expenditures. The expenditures include ongoing operating costs plus asset amortization. This statement indicates that the system and its asset base are projected to be maintained with funds being available each year for future capital renewal or major maintenance. As shown in the statement of financial operations and in the graph below, the Town is generating excess revenues over expenses including amortization for water, throughout the forecast period.
- Cash Receipts or Gross Cash Payments (Cash Flows)** —The cash flow statement summarizes how the water system is expected to generate and utilize cash resources. The transactions that generate and use cash include the projection of cash to be received from revenues, cash to be used for operating expenditures and financing charges, cash projected to be used to acquire capital assets and projected financial transactions that are the proceeds from debt or debt principal repayment. Cash balances are positive throughout the forecast period, as reflected in the Financial Statements.
- Net Financial Assets**—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. Water net financial assets are in a positive position throughout the forecast.



- **Accumulated Surplus**—Another financial indicator that is reflected in the financial position statement is the accumulated surplus. This indicator represents cash on hand plus the net book value of tangible capital assets less debt. The accumulated surplus is forecast to increase from 2020 to 2026, as shown below and in the Statement of Financial Position.



- **Tangible Capital Assets (Net Book Value)** - 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. 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 is projected to remain relatively flat for water, from \$22.2 million in 2020 to \$21.9 million in 2026.



**Statement of Financial Operations—Water**

Statement of Financial Operations - Water	Budget	Projected				
(000's)	2021	2022	2023	2024	2025	2026
<b>Water Total Revenues</b>						
Rate Revenues	\$ 2,818	\$ 2,926	\$ 3,039	\$ 3,156	\$ 3,278	\$ 3,404
Interest Reserve Income	\$ 27	\$ 28	\$ 32	\$ 40	\$ 50	\$ 64
Miscellaneous Revenues	\$ 51	\$ 52	\$ 53	\$ 54	\$ 55	\$ 56
Monthly Meter Replacement Revenue	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18
<b>Total Revenues</b>	<b>\$ 2,913</b>	<b>\$ 3,024</b>	<b>\$ 3,142</b>	<b>\$ 3,268</b>	<b>\$ 3,401</b>	<b>\$ 3,542</b>
<b>Water Total Expenses</b>						
Administration	\$ 497	\$ 507	\$ 518	\$ 528	\$ 538	\$ 549
Water Service Connections	\$ 124	\$ 127	\$ 129	\$ 132	\$ 135	\$ 137
Water Meter Maintenance	\$ 50	\$ 51	\$ 52	\$ 53	\$ 54	\$ 55
Water Distribution System Maintenance	\$ 246	\$ 251	\$ 256	\$ 261	\$ 267	\$ 272
Total Water Treatment Plant	\$ 697	\$ 711	\$ 726	\$ 740	\$ 755	\$ 771
Water Storage Facility	\$ 129	\$ 132	\$ 135	\$ 137	\$ 140	\$ 143
<b>Total Operating Expenses</b>	<b>\$ 1,744</b>	<b>\$ 1,779</b>	<b>\$ 1,815</b>	<b>\$ 1,852</b>	<b>\$ 1,889</b>	<b>\$ 1,927</b>
<b>Debt Charges</b>						
Debt Charges - Interest Payments Rates						
<b>Amortization Expense</b>						
Water Assets	\$ 692	\$ 709	\$ 728	\$ 743	\$ 754	\$ 762
<b>Total Expenses</b>	<b>\$ 2,437</b>	<b>\$ 2,489</b>	<b>\$ 2,543</b>	<b>\$ 2,595</b>	<b>\$ 2,642</b>	<b>\$ 2,688</b>
<b>Annual Surplus/(Deficit)</b>	<b>\$ 476</b>	<b>\$ 535</b>	<b>\$ 599</b>	<b>\$ 673</b>	<b>\$ 758</b>	<b>\$ 853</b>

**Statement of Cash Flow/Cash Receipts—Water**

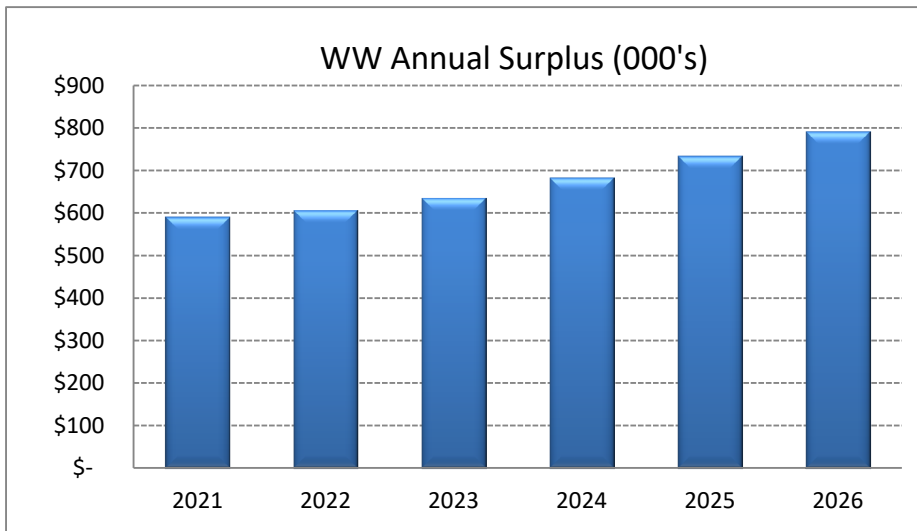
Statement of Cash Flow - Water	Budget	Projected					
(000's)	2021	2022	2023	2024	2025	2026	
<b>Total Revenues</b>	\$ 2,913	\$ 3,024	\$ 3,142	\$ 3,268	\$ 3,401	\$ 3,542	
<b>Cash Paid For</b>							
Operating Costs	\$ 1,744	\$ 1,779	\$ 1,815	\$ 1,852	\$ 1,889	\$ 1,927	
Debt Repayment - Debt Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Cash Provided From Operating Transactions</b>	\$ 1,169	\$ 1,245	\$ 1,327	\$ 1,416	\$ 1,512	\$ 1,615	
<b>Capital Transactions</b>							
Acquisition of TCA	\$ 1,018	\$ 1,091	\$ 934	\$ 631	\$ 481	\$ 235	
<b>Finance Transactions</b>							
Proceeds from DC Debt							
Debt Repayment - Principal Rates							
<b>Increase/(Decrease) in Cash Equivalents</b>	\$ 151	\$ 154	\$ 393	\$ 785	\$ 1,031	\$ 1,380	
<b>Cash and Cash Equivalents at Beginning Balance</b>	\$ 2,543	\$ 2,695	\$ 2,848	\$ 3,241	\$ 4,026	\$ 5,057	
<b>Cash and Cash Equivalents at Ending Balance</b>	\$ 2,695	\$ 2,848	\$ 3,241	\$ 4,026	\$ 5,057	\$ 6,437	

**Statement of Financial Position—Water**

Statement of Financial Position - Water	Budget	Projected				
(000's)	2021	2022	2023	2024	2025	2026
<b>Financial Assets</b>						
Cash	\$ 2,695	\$ 2,848	\$ 3,241	\$ 4,026	\$ 5,057	\$ 6,437
Liabilities						
Debt - Principal Outstanding DC						
Debt - Principal Outstanding Rates						
<b>Net Financial Assets</b>	\$ 2,695	\$ 2,848	\$ 3,241	\$ 4,026	\$ 5,057	\$ 6,437
<b>Non-Financial Assets</b>						
Tangible Capital Assets	\$ 38,624	\$ 39,641	\$ 40,732	\$ 41,667	\$ 42,298	\$ 42,779
Additions to Tangible Capital Assets	\$ 1,018	\$ 1,091	\$ 934	\$ 631	\$ 481	\$ 235
Accumulated Amortization	\$ 17,449	\$ 18,158	\$ 18,886	\$ 19,629	\$ 20,383	\$ 21,144
<b>Total Non-Financial Assets</b>	\$ 22,192	\$ 22,574	\$ 22,781	\$ 22,669	\$ 22,396	\$ 21,869
Accumulated Surplus	\$ 24,887	\$ 25,422	\$ 26,022	\$ 26,695	\$ 27,453	\$ 28,307
Cash as a % of Net Fixed Assets	12.1%	12.6%	14.2%	17.8%	22.6%	29.4%

**Wastewater Financial Plan—O.Reg. 453/07**

- **Statement of Financial Operations**—This statement summarizes the revenues and expenditures. The expenditures include ongoing operating costs plus asset amortization. This statement indicates that the system and its asset base are projected to be maintained with funds being available each year for future capital renewal or major maintenance. As shown in the statement of financial operations and in the graph below, the Town is generating excess revenues over expenses including amortization for wastewater, throughout the forecast period.
- **Cash Receipts or Gross Cash Payments (Cash Flows)** —The cash flow statement summarizes how the wastewater system is expected to generate and utilize cash resources. The transactions that generate and use cash include the projection of cash to be received from revenues, cash to be used for operating expenditures and financing charges, cash projected to be used to acquire capital assets and projected financial transactions that are the proceeds from debt or debt principal repayment. Cash balances are positive throughout the forecast period as shown the Cash Receipts Statement.
- **Net Financial Assets**—An important feature of a wastewater 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. Wastewater net financial assets are in a positive position throughout the forecast. No debt was anticipated throughout the term.

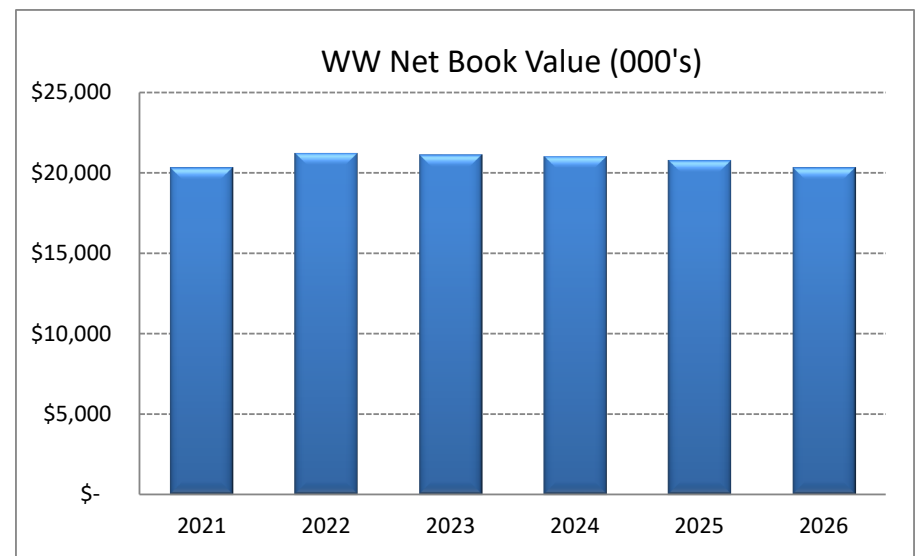




- **Accumulated Surplus**—Another financial indicator that is reflected in the financial position statement is the accumulated surplus. This indicator represents cash on hand plus the net book value of tangible capital assets less debt. The accumulated surplus is forecast to increase from 2020 to 2026, as shown below and in the Statement of Financial Position.



- **Tangible Capital Assets (Net Book Value)** - Wastewater 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. 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 is projected to decrease for wastewater, from \$20.3 million in 2020 to \$20.3 million in 2026.



**Statement of Financial Operations—Wastewater**

<b>Statement of Financial Operations - WW</b>	<b>Budget</b>	<b>Projected</b>				
(000's)	2021	2022	2023	2024	2025	2026
<b>WW Total Revenues</b>						
Rate Revenues	\$ 2,648	\$ 2,723	\$ 2,800	\$ 2,880	\$ 2,961	\$ 3,045
Interest Reserve Income	\$ 23	\$ 20	\$ 27	\$ 35	\$ 45	\$ 57
Miscellaneous Revenues	\$ 35	\$ 35	\$ 36	\$ 37	\$ 37	\$ 38
<b>Total Revenues</b>	<b>\$ 2,705</b>	<b>\$ 2,778</b>	<b>\$ 2,863</b>	<b>\$ 2,951</b>	<b>\$ 3,043</b>	<b>\$ 3,140</b>
<b>WW Total Expenses</b>						
Administration	\$ 378	\$ 385	\$ 393	\$ 401	\$ 409	\$ 417
Sewer Mains	\$ 240	\$ 245	\$ 249	\$ 254	\$ 260	\$ 265
Service Connections	\$ 95	\$ 97	\$ 99	\$ 101	\$ 103	\$ 105
Manholes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Emergency Measures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewage Treatment Plant	\$ 681	\$ 695	\$ 709	\$ 723	\$ 737	\$ 752
<b>Total Operating Expenses</b>	<b>\$ 1,394</b>	<b>\$ 1,422</b>	<b>\$ 1,450</b>	<b>\$ 1,479</b>	<b>\$ 1,509</b>	<b>\$ 1,539</b>
<b>Debt Charges</b>						
Debt Charges - Interest Payments Rates						
<b>Amortization Expense</b>						
WW Assets	\$ 721	\$ 751	\$ 778	\$ 789	\$ 801	\$ 810
<b>Total Expenses</b>	<b>\$ 2,115</b>	<b>\$ 2,172</b>	<b>\$ 2,229</b>	<b>\$ 2,269</b>	<b>\$ 2,310</b>	<b>\$ 2,349</b>
<b>Annual Surplus/(Deficit)</b>	<b>\$ 590</b>	<b>\$ 606</b>	<b>\$ 635</b>	<b>\$ 682</b>	<b>\$ 733</b>	<b>\$ 791</b>

**Statement of Cash Flow/Cash Receipts—Wastewater**

<b>Statement of Cash Flow - WW</b>	<b>Budget</b>	<b>Projected</b>					
(000's)	2021	2022	2023	2024	2025	2026	
<b>Total Revenues</b>	\$ 2,705	\$ 2,778	\$ 2,863	\$ 2,951	\$ 3,043	\$ 3,140	
<b>Cash Paid For</b>							
Operating Costs	\$ 1,394	\$ 1,422	\$ 1,450	\$ 1,479	\$ 1,509	\$ 1,539	
Debt Repayment - Debt Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Cash Provided From Operating Transactions</b>	\$ 1,312	\$ 1,356	\$ 1,413	\$ 1,472	\$ 1,534	\$ 1,601	
<b>Capital Transactions</b>							
Acquisition of TCA	\$ 1,745	\$ 1,669	\$ 665	\$ 702	\$ 549	\$ 348	
<b>Finance Transactions</b>							
Proceeds from DC Debt							
Debt Repayment - Principal Rates							
<b>Increase/(Decrease) in Cash Equivalents</b>	\$ (434)	\$ (313)	\$ 748	\$ 770	\$ 985	\$ 1,253	
<b>Cash and Cash Equivalents at Beginning Balance</b>	\$ 2,741	\$ 2,308	\$ 1,995	\$ 2,743	\$ 3,513	\$ 4,498	
<b>Cash and Cash Equivalents at Ending Balance</b>	\$ 2,308	\$ 1,995	\$ 2,743	\$ 3,513	\$ 4,498	\$ 5,751	

**Statement of Financial Position—Wastewater**

Statement of Financial Position - WW	Budget	Projected				
(000's)	2021	2022	2023	2024	2025	2026
<b>Financial Assets</b>						
Cash	\$ 2,308	\$ 1,995	\$ 2,743	\$ 3,513	\$ 4,498	\$ 5,751
Liabilities						
Debt - Principal Outstanding DC						
Debt - Principal Outstanding Rates						
<b>Net Financial Assets</b>	\$ 2,308	\$ 1,995	\$ 2,743	\$ 3,513	\$ 4,498	\$ 5,751
<b>Non-Financial Assets</b>						
Tangible Capital Assets	\$ 32,489	\$ 34,235	\$ 35,904	\$ 36,569	\$ 37,270	\$ 37,820
Additions to Tangible Capital Assets	\$ 1,745	\$ 1,669	\$ 665	\$ 702	\$ 549	\$ 348
Accumulated Amortization	\$ 13,922	\$ 14,673	\$ 15,451	\$ 16,240	\$ 17,042	\$ 17,852
<b>Total Non-Financial Assets</b>	\$ 20,313	\$ 21,231	\$ 21,118	\$ 21,030	\$ 20,778	\$ 20,316
Accumulated Surplus	\$ 22,620	\$ 23,226	\$ 23,861	\$ 24,543	\$ 25,276	\$ 26,067
Cash as a % of Net Fixed Assets	11.4%	9.4%	13.0%	16.7%	21.6%	28.3%
Debt as a % of Net Fixed Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

***Appendix A—Water 6 Year Capital Forecast***

**Appendix A—Water 6 Year Capital Forecast (Uninflated)**

Capital Project	2021	2022	2023	2024	2025	2026	Total Cost
Replacing main line water valves/hydrants (Carry-over)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 600,000
GIS Equipment and Mapping	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 30,000
Design for Infrastructure Renewal Project	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 225,000
General Miscellaneous Tools/Equipment	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 60,000
Upgrades to Water Distribution System as a result from Infiltration & Inflow Study	\$ -	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ -	\$ 800,000
Mowat Ave. - Scott St. to First St. E. (130 m)	\$ -	\$ -	\$ -	\$ -	\$ 225,000	\$ -	\$ 225,000
First St. E. - Mowat Ave. to Central Ave. (152 m)	\$ -	\$ -	\$ -	\$ 350,000	\$ -	\$ -	\$ 350,000
Modelling of Water System	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Miscellaneous Small Capital Equipment	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 300,000
Sealing & Painting of Interior & Exterior of Clear wells	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Upgrades and Repairs to Back-up Polymer Chemical Feed System	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Sealing & Painting of Interior Media Filters	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ 50,000
Replace/Upgrade Soda Ash Dust Control System	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,000
Replace Auto Dialer	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Armit Avenue Construction	\$ 221,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 221,000
Watermain relining Keating and Wright Ave	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,000
Office Upgrades - flooring, painting, equipment, etc.	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Second Victoria to Armit	\$ 334,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 334,100
Scott Reid to Armit	\$ -	\$ 402,000	\$ -	\$ -	\$ -	\$ -	\$ 402,000
Kings York to Central	\$ -	\$ -	\$ 233,000	\$ -	\$ -	\$ -	\$ 233,000
<b>TOTAL</b>	<b>\$ 1,017,600</b>	<b>\$ 1,059,500</b>	<b>\$ 880,500</b>	<b>\$ 577,500</b>	<b>\$ 427,500</b>	<b>\$ 202,500</b>	<b>\$ 4,165,100</b>

***Appendix B—Wastewater 6 Year Capital Forecast***

**Appendix B—Wastewater 6 Year Capital Forecast (Uninflated)**

Capital Project	2021	2022	2023	2024	2025	2026	Total Cost
Sanitary Sewer Tools and Equipment	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 60,000
Refurbishing Sanitary Manholes	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 300,000
GIS Capital Contribution	\$ 4,579	\$ 4,579	\$ 4,579	\$ 4,579	\$ 4,579	\$ 4,579	\$ 27,474
Design for White Pine Lift Station Upgrade	\$ 65,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,000
Design for Infrastructure Renewal	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 225,000
Roof Replacement @ 5th St. Lift Station	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
WWTP - Misc Capital Upgrades	\$ 105,000	\$ 105,000	\$ 105,000	\$ 105,000	\$ 105,000	\$ 105,000	\$ 630,000
Replace clarifier chain at WWTP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000	\$ 35,000
Install Backup Generator and Switchgear @ WWTP	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000
UV Light System Upgrade @ WWTP	\$ -	\$ 308,000	\$ -	\$ -	\$ -	\$ -	\$ 308,000
First Street East From Mowat to Central	\$ -	\$ -	\$ -	\$ 350,000	\$ -	\$ -	\$ 350,000
Sewermain Relining 900 Block of Victoria	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000
New Portable Generator for Lift Stations	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000
PLC Upgrade @ Central Lift Station	\$ 64,756	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,756
PLC Upgrade @ Fifth St. Lift Station	\$ -	\$ 66,600	\$ -	\$ -	\$ -	\$ -	\$ 66,600
Mowat Ave from Scott to First	\$ -	\$ -	\$ -	\$ -	\$ 225,000	\$ -	\$ 225,000
PLC Upgrade @ Strachan Place Lift Station	\$ -	\$ -	\$ -	\$ 59,920	\$ -	\$ -	\$ 59,920
PLC Upgrade @ Church St. Lift Station	\$ -	\$ -	\$ -	\$ -	\$ 56,038	\$ -	\$ 56,038
PLC Upgrade @ Boundary Lift Station	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,183	\$ 58,183
Design for Central Lift Station Upgrade	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Design for Boundary Lift Station Upgrade	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Armit Ave Construction	\$ 222,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222,000
Pump Replacement @ Boundary Lift Station	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ 25,000
Second Victoria to Armit	\$ 461,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 461,400
Scott Reid to Armit	\$ -	\$ 660,000	\$ -	\$ -	\$ -	\$ -	\$ 660,000
Kings York to Central	\$ -	\$ -	\$ 420,000	\$ -	\$ -	\$ -	\$ 420,000
Sanitary Relining - Third St (ROW) Crowe to Armit	\$ -	\$ 137,800	\$ -	\$ -	\$ -	\$ -	\$ 137,800
Sanitary Relining - Minnie Ave Second to Third	\$ -	\$ 54,000	\$ -	\$ -	\$ -	\$ -	\$ 54,000
Sanitary Relining - 900 Block Victoria Ave	\$ -	\$ 87,000	\$ -	\$ -	\$ -	\$ -	\$ 87,000
<b>TOTAL</b>	<b>\$ 1,745,235</b>	<b>\$ 1,620,479</b>	<b>\$ 627,079</b>	<b>\$ 641,999</b>	<b>\$ 488,117</b>	<b>\$ 300,262</b>	<b>\$ 5,423,171</b>