



MUNICIPALITY OF CENTRE HASTINGS

DRINKING WATER SYSTEM

FINANCIAL PLAN # 153-301

SUBMITTED BY

Ontario Clean Water Agency
2085 Hurontario St, 5th Floor
Mississauga, ON L5A 4G1

Date: March 10, 2021

Project No: CENHAN5832-2042

Rev: 2

Issue and Revision Record					
Rev. No.	Date	Prepared by:	Reviewed by:	Approved by:	Rev. Description
1	March 9, 2021	Layla AL-Zayat, E.I.T.	Nick Larson, P.Eng.	Nick Larson, P.Eng.	Draft
2	March 10, 2021	Layla AL-Zayat, E.I.T.	Nick Larson, P.Eng.	Nick Larson, P.Eng.	Final

Report prepared by:



Layla AL-Zayat, E.I.T.
Project Engineer-in-Training

Report approved by:



Nick Larson, P.Eng.
Senior Project Manager

STATEMENT OF CONFIDENTIALITY

OCWA's Report to
The Municipality of Centre Hastings
for the Drinking Water System Financial Plan

This document has been developed by the Ontario Clean Water Agency in response to the Municipality of Centre Hastings request. Information has been provided for the express review of the Municipality and is not to be copied or submitted in any way or form to any person(s) or organization(s) without the written authorization of the President and CEO of the Ontario Clean Water Agency. All copyright and intellectual rights to the material provided remain in the ownership of the Ontario Clean Water Agency.

Table of Contents

Statement of Confidentiality

1	Introduction.....	1
1.1	Legislative Context to Financial Planning.....	1
1.2	Municipality of Centre Hastings - Drinking Water System	3
2	Operating (Expenditure) Plan	4
2.1	Operating Expenses	4
2.2	Capital Costs.....	4
2.3	Debt Management.....	4
2.4	Lead Pipe Replacement Cost.....	4
2.5	Source Water Protection Costs.....	4
3	Funding Plan	5
3.1	Water Rates	5
3.2	Growth Revenue	5
3.3	Debt and Cash Reserves.....	5
3.4	Government Grants	5
4	Financial Plan Summary	6
4.1	Net Financial Assets/(Debt)	6
4.2	Tangible Capital Assets	6
5	Updating this Plan	8
6	Conclusion	8
7	Financial Statements	8
8	Notes on the Centre Hastings DWS Financial Plan	12

Appendix A: Ontario Regulation 453/07

1 Introduction

The Corporation of the Municipality of Centre Hastings (the Municipality) retained the Ontario Clean Water Agency (OCWA) to update the Financial Plan for the Municipality's Drinking Water System (DWS) in order to comply with the Financial Plan regulation (O. Reg. 453/07) made under the Safe Drinking Water Act.

This Financial Plan 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 (MOE), now Ministry of the Environment, Conservation, and Parks (MECP), in August 2007 entitled "Toward Financially Sustainable Drinking-Water and Wastewater Systems".

The Financial Plan was prepared for the Municipality's DWS based on information supplied by the Municipality and operational staff, including future capital and major maintenance projects, water system financial information, 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 information supplied by the Municipality and operational staff was used to forecast expenditures and revenues. The information generated in the operating and revenue forecasts was used along with the tangible capital asset information to develop a Financial Plan for the Municipality's DWS covering a study period from 2021 to 2027 in accordance with O.Reg. 453/07.

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 incident, 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 Licence. There are five elements that 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 to 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 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 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 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 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 Financial Plan must be available, upon request, to members of the public at no charge and posted on the internet (if the municipality maintains a website).
- The municipality must provide notice as deemed appropriate to advise the public of the availability of the Financial Plan.

Once a system is licenced, the municipality'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 MECP 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 Municipality of Centre Hastings - Drinking Water System

The Centre Hastings Drinking Water System (DWS), located in the Municipality, is owned by the Corporation of the Municipality of Centre Hastings and operated by the Ontario Clean Water Agency under contract. The Municipality is located in Eastern Ontario.

The Drinking Water System is considered a large municipal residential system under O.Reg. 170/03 with approximately 617 residential service connections serving a population of approximately 1,360 people (estimated based on an average of 2.2 people per dwelling) as well as industrial, commercial and institutional establishments.

The drinking water system primarily consists of the following:

- Rollins Street Well, including associated treatment and disinfection infrastructure;
- Marmora Street Well, including associated treatment and disinfection infrastructure; and
- Water Distribution System including watermains, valves, hydrants and connection services.

2 Operating (Expenditure) Plan

The operating plan includes the full costs of operating the Centre Hastings DWS on an on-going basis and includes capital investments, operating costs, maintenance costs, administration costs, and other miscellaneous costs.

An operating plan for the Centre Hastings DWS was developed using historical financial statements, tangible capital asset information, and forecasts from the Municipality's Rate Study (OCWA; 2021).

2.1 Operating Expenses

Recurring operating expenses for the Centre Hastings DWS consist of wages and benefits for Municipality staff, OCWAs operating contract, materials & supplies, and maintenance/capital repair items for the upkeep of the drinking water system. 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. The projected operating expenses for the study period increasing from \$612,355 in 2021 to \$648,815 in 2027.

2.2 Capital Costs

Capital expenditures are the costs involved in major repairs, rehabilitation or replacement activities completed on the DWS assets. The capital plan from the Municipality's Rate Study was used to develop this Financial Plan.

The expenditures that will be capitalized during the Financial Plan study period (2021-2027) include the following:

- Water Meter Replacements 2021 (\$100,000); and
- Annual Urban Watermain Program (\$100,000 per year).

All capital and major maintenance cost estimates do not include contingency and are "Class 5" estimates (-50% to +100%) according to AACE standards based upon parametric or analogous models. The timing of future projects is subject to adjustment based on changing asset performance information.

2.3 Debt Management

The Centre Hastings DWS does not have any debt. However, there is a current unfinanced capital account balance of \$1,296,703 at year-end in 2020. The Municipality is committed to financing this capital account over the next 20 years through 'pay-as-you-go' contributions. The forecasted annual contributions to the unfenced capital account over the study period of this Financial Plan were taken from the Municipality's Rate Study.

2.4 Lead Pipe Replacement Cost

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

2.5 Source Water Protection Costs

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

3 Funding Plan

A Municipality's Rate Study included a funding plan to support the forecasted expenditures. The plan relies mainly on the revenues generated from the direct users of the DWS through rates, with a limited amount of Development Charge revenue to cover growth-related capital costs. The plan also considers potential infrastructure and federal/provincial grants that would help fund expenditures for the study period.

3.1 Water Rates

Water rates are forecasted to increase by 6.2% per year from 2021 to 2026, and 5.0% per year from 2027 to 2033. The large water rate increases are offset with 0% wastewater rate increases. This strategy is designed to equalize the respective revenues and expenditures of the water versus wastewater systems. In the meantime, the Municipality transfers the surplus wastewater revenue to the water budget.

3.2 Growth Revenue

The Centre Hastings DWS currently services approximately 664 customers and it is expected to grow by 10 new residential customers each year. The revenue from this growth is included in the revenue forecasts in this Financial Plan.

3.3 Debt and Cash Reserves

Based on the current revenue and expenditure forecasts for the study period, there will be no requirement to raise any additional funds through borrowing or use of the Municipality's cash reserves.

3.4 Government Grants

The Municipality is expected to receive \$100,000 in provincial funding as a one-time fund to support its water meter replacement project. No other grants are anticipated for the remainder of the study period as it is unknown what funding programs will become available during the study period.

4 Financial Plan Summary

This section provides a summary of key conclusions of the Financial Plan.

Detailed financial statements are set out in tabular form in Section 7. The financial information is contained in financial statements covering at least six years (2021-2027) in compliance with O. Reg. 453. Notes regarding the financial statements are presented at the end of the financial statement section of this report.

4.1 Net Financial Assets/(Debt)

A positive net financial asset position indicates that the system can fund the required expenditures. A negative number indicates that additional revenue is required to fund the required expenditures.

Centre Hastings DWS's net financial assets/(Debt) are shown in Figure 4.1 below.

Figure 4.1 – Centre Hastings DWS Net Financial Assets/(Debt)

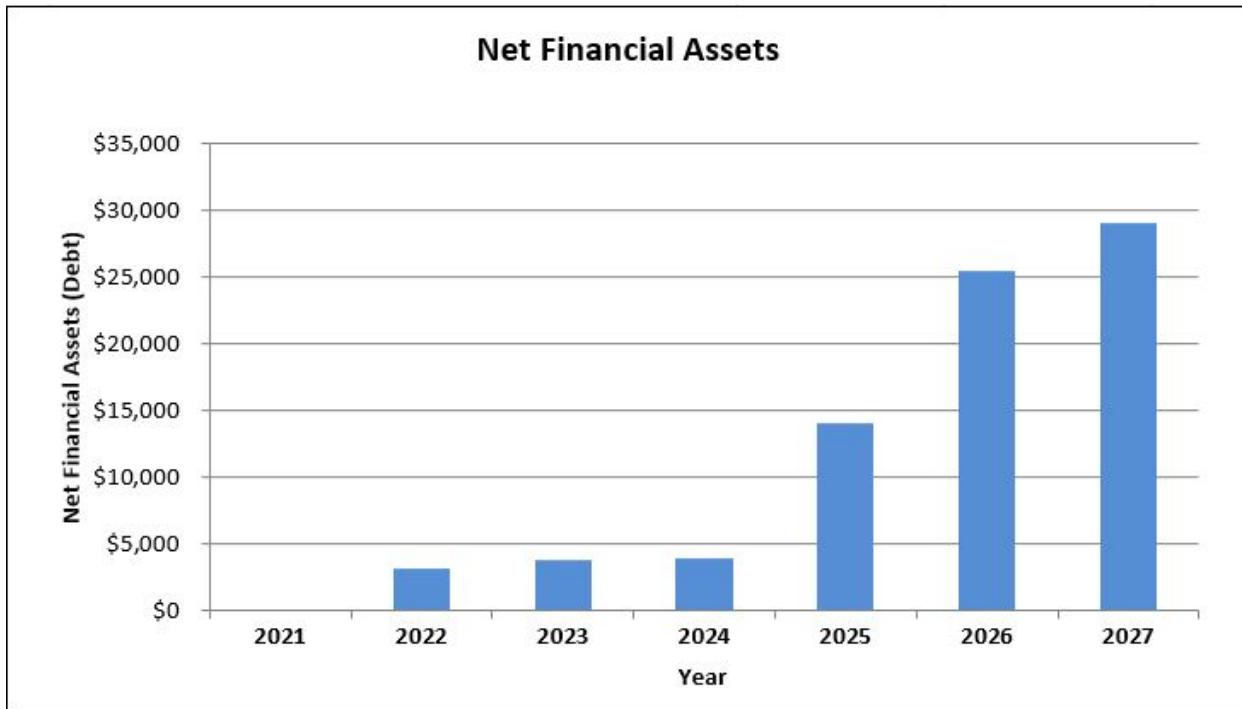


Figure 4.1 shows that the DWS's net financial assets are projected to be positive over the study period. This indicates that sufficient revenue will be available to fund the forecasted expenditures.

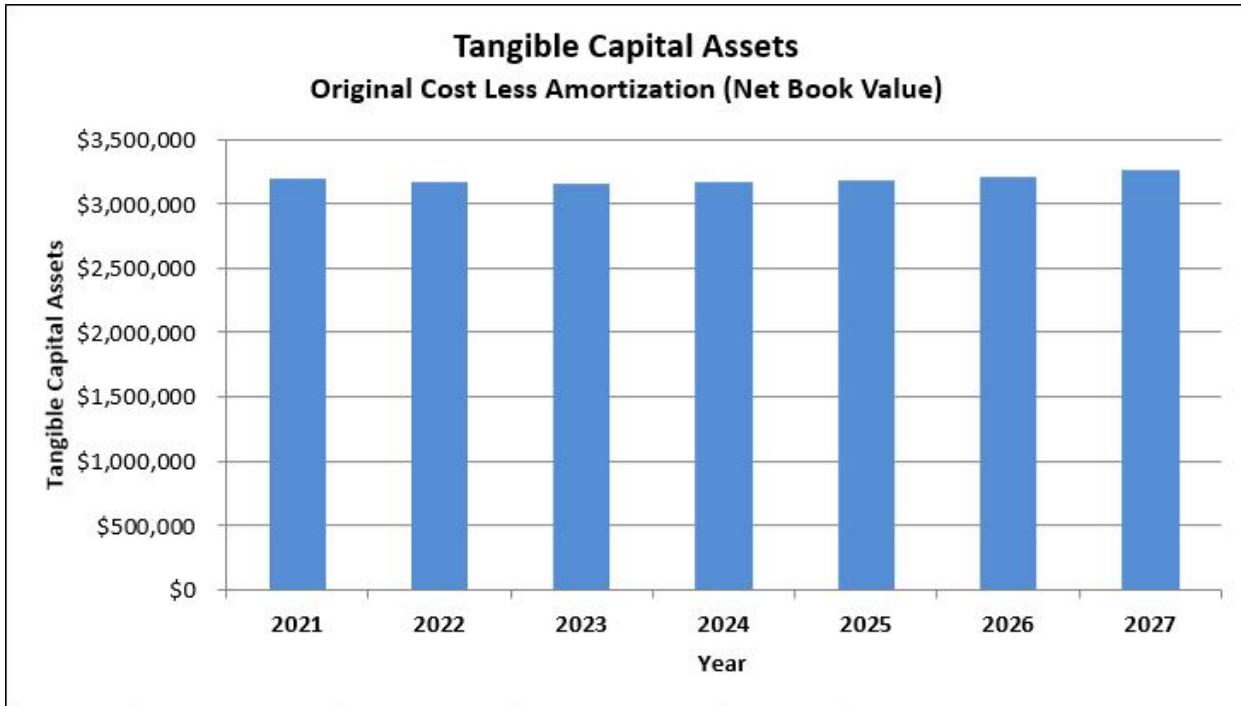
4.2 Tangible Capital Assets

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 its accumulated amortization.

TCA begin amortizing once they are installed (i.e. they start to decrease in value). A decrease in the NBV indicates that assets are being used or amortized faster than they are being consumed. Conversely, an increase in the NBV of the TCAs indicates that assets are being renewed faster than they are being consumed.

The net book value of the DWS's assets is provided in Figure 4.2. As shown, the TCA NBV remains relatively stable over the study period. This indicates that there is an appropriate amount of capital being forecasted to invest in DWS.

Figure 4.2 – Centre Hastings DWS Tangible Capital Assets



5 Updating this Plan

The SDWA requires the Municipal Drinking Water Licence to be renewed every five (5) years. The Financial Plan regulation requires the preparation and approval of a Financial Plan before making an application for renewal of a Drinking Water Licence. Thus, each Financial Plan will require updating at a minimum frequency of every five years. This on-going update will assist in re-visiting 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.

6 Conclusion

The analysis completed in this Financial Plan demonstrates that there is expected to be sufficient revenue to cover the expenditures required to maintain the DWS over the study period.

7 Financial Statements

The detailed financial statements are set out in the following tables. Section 8 details the notes that correspond to the “notes” numbers on the right side of the tables.

Table 7.1 – Statement of Financial Position

Statement of Financial Position	Notes	2021	2022	2023	2024	2025	2026	2027
Financial Assets								
Cash/Cash Equivalents								
System Reserve/Debt - Beginning of Year	1	\$0	\$0	\$3,119	\$3,686	\$3,813	\$14,005	\$25,366
System Reserve/Debt - End of Year		\$0	\$3,119	\$3,686	\$3,813	\$14,005	\$25,366	\$28,966
Available Cash		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cash/Cash Equivalents		\$0	\$3,119	\$3,686	\$3,813	\$14,005	\$25,366	\$28,966
Accounts Receivable/Investments		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Financial Assets		\$0	\$3,119	\$3,686	\$3,813	\$14,005	\$25,366	\$28,966
Liabilities								
Accounts Payable		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Principal	2	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working Deficit		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other liabilities		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Financial Assets (Debt)		\$0	\$3,119	\$3,686	\$3,813	\$14,005	\$25,366	\$28,966
Non Financial Assets								
Changes in Tangible Capital Assets - Additions	5	\$180,000	\$60,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
Changes in Tangible Capital Assets - Disposals	5	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tangible Capital Asset Cost (Closing)	3,4	\$5,572,975	\$5,632,975	\$5,712,975	\$5,792,975	\$5,872,975	\$5,952,975	\$6,032,975
Accumulated Amortization (Closing)	4	\$1,076,980	\$1,168,089	\$1,260,532	\$1,354,308	\$1,449,417	\$1,545,860	\$1,643,636
Unfinanced Capital	6	(\$1,296,703)	(\$1,296,703)	(\$1,296,703)	(\$1,276,703)	(\$1,246,703)	(\$1,196,703)	(\$1,126,703)
Total Non Financial Assets		\$3,199,292	\$3,168,183	\$3,155,740	\$3,161,964	\$3,176,855	\$3,210,412	\$3,262,636
Accumulated Surplus(deficit)		\$3,199,292	\$3,171,301	\$3,159,426	\$3,165,777	\$3,190,860	\$3,235,778	\$3,291,602

Table 7.2 – Statement of Financial Operations

Statement of Financial Operations			2021	2022	2023	2024	2025	2026	2027
Total Revenues									
Direct Billings	7	\$413,000	\$434,520	\$451,901	\$469,977	\$488,776	\$508,327	\$523,577	
Water/Meters	8	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250
User Fees	8	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Penalty Water/Sewer	8	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Total Revenue from Users		\$418,750	\$440,270	\$457,651	\$475,727	\$494,526	\$514,077	\$529,327	
Provincial Funding	9	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gas Tax	10	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
Grants/Subsidies/Other Recoveries		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer from DC (Development Charges) Reserve - Total DC Eligible Costs	11	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Transfer from Wastewater Reserve	12	\$193,605	\$127,349	\$139,694	\$153,740	\$167,861	\$182,635	\$193,088	
Revenue from transfers		\$393,605	\$227,349	\$239,694	\$253,740	\$267,861	\$282,635	\$293,088	
Total Revenues		\$812,355	\$667,619	\$697,345	\$729,467	\$762,387	\$796,712	\$822,414	
Expenses									
Wages and Benefits	13	\$210,950	\$215,169	\$219,472	\$223,862	\$228,339	\$232,906	\$237,564	
Materials and Supplies	14	\$163,330	\$167,347	\$171,481	\$175,738	\$180,120	\$184,635	\$189,284	
Operating Contract - OCWA	15	\$155,000	\$158,100	\$161,262	\$164,487	\$167,777	\$171,133	\$174,555	
Major Maintenance/Capital Repairs	16	\$20,000	\$19,144	\$19,527	\$19,917	\$20,316	\$20,722	\$21,137	
OCWA Major Maintenance	17	\$34,500	\$24,740	\$25,035	\$25,336	\$25,643	\$25,955	\$26,275	
Transfer to Rate Reserve	18	\$28,575	\$0	\$0	\$0	\$0	\$0	\$0	
Operational expenses		\$612,355	\$584,500	\$596,777	\$609,340	\$622,195	\$635,350	\$648,815	
Debt Interest	2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Amortization	5	\$90,109	\$91,109	\$92,443	\$93,776	\$95,109	\$96,443	\$97,776	
DC Supported Capital Expenditure	11	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	
Total Expenses		\$722,464	\$695,609	\$709,220	\$723,116	\$737,304	\$751,793	\$766,591	
Excess of Revenues over Expenses		\$89,891	(\$27,991)	(\$11,875)	\$6,351	\$25,083	\$44,918	\$55,824	
Accumulated Surplus (Deficit) Beginning of Year		\$3,109,401	\$3,199,292	\$3,171,301	\$3,159,426	\$3,165,777	\$3,190,860	\$3,235,778	
Accumulated Surplus (Deficit) End of Year		\$3,199,292	\$3,171,301	\$3,159,426	\$3,165,777	\$3,190,860	\$3,235,778	\$3,291,602	

Table 7.3 – Statement of Cash Flow

Statement of Cash Flow		2021	2022	2023	2024	2025	2026	2027
Operating Transactions								
Cash received from Revenues		\$812,355	\$667,619	\$697,345	\$729,467	\$762,387	\$796,712	\$822,414
Cash paid for Operating Expenses		\$612,355	\$584,500	\$596,777	\$609,340	\$622,195	\$635,350	\$648,815
Cash paid for Capital Expenditure (DC Recoverable)	11	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Cash paid for Financing Charges (Debt Interest)	2	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Excess of Operating Revenues Over Operating Expenses		\$180,000	\$63,119	\$80,568	\$100,127	\$120,192	\$141,361	\$153,600
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 by Operating Transactions		\$180,000	\$63,119	\$80,568	\$100,127	\$120,192	\$141,361	\$153,600
Capital								
Acquisition of TCAs	5	\$180,000	\$60,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
Unfinanced Capital	6	\$0.00	\$0.00	\$0.00	\$20,000	\$30,000	\$50,000	\$70,000
Cash used in Capital Transactions		\$180,000	\$60,000	\$80,000	\$100,000	\$110,000	\$130,000	\$150,000
Investing								
Cash (used in)/Provided by Investing Activities	1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increase (decrease) Cash Provided by Investing Activities		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing								
Repayment of Long Term Debt (principal)	2	\$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		\$0	\$3,119	\$568	\$127	\$10,192	\$11,361	\$3,600
Cash and Cash Equivalents at the beginning of the Year		\$0	\$0	\$3,119	\$3,686	\$3,813	\$14,005	\$25,366
Cash and Cash Equivalents at the End of the Year		\$0	\$3,119	\$3,686	\$3,813	\$14,005	\$25,366	\$28,966

8 Notes on the Centre Hastings DWS Financial Plan

The Centre Hastings Drinking Water System Financial Plan represents a forecast of the financial performance of the drinking water system over a study period starting in the year 2021 to the year 2027. 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 water reserve negative balance of (\$0) at the end of 2020. The reserve increases throughout most of the study period with a negative final balance of \$28,966 by the end of 2027.
2. The DWS had no debt in 2020 and is no additional debt is expected to be added throughout the study period.
3. Tangible Capital Assets Cost (Closing) includes changes (additions, betterments, disposals, write-downs) in tangible capital assets during the year.
4. 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 do not include a contingency. Amortization was determined using the straight-line method. The calculation of Amortization begins the year that the asset is put into service.
5. TCA Additions – There are two (2) major capital projects, including water meter replacements and urban watermain works.
6. Unfinanced Capital – the system had \$1,296,703 in unfinanced capital in 2020 due to a new water source project. It is expected to be paid off slowly over a 20 year period with the first payment starting in 2024. The allocated payments throughout this study period are \$20,000, \$30,000, \$50,000 and \$70,000 in 2024, 2025, 2026, and 2027, respectively. These amount were not capitalized.
7. User Charges – Direct Billings – Please refer to the Municipality's Rate Study (OCWA; 2021) for more information on revenue forecasts.
8. Water/Meters, User Fees, Penalty Water/Sewer – Please refer to the Municipality's Rate Study (OCWA; 2021) for more information on revenue forecasts.
9. Provincial Funding – The Municipality is anticipated to receive a one-time efficiency provincial funding of \$100,000 to support its water meter replacement project in 2021.

10. Gas Tax – The Gas Tax contribution to the water system is assumed to be \$80,000 per year, and is expected to remain constant throughout the study period.
11. Transfer from DC Reserve – The Transfer from DC Reserve represents an estimate of the amount that will be available each year to fund the watermain works projects. Out of the \$100,000 annual expenditure for urban watermain works, it is assumed that \$20,000 will be recovered through development charges while the remaining amount will be financed from gas tax funding.
12. Transfer from Wastewater – The Municipality is anticipated to transfer excess revenue from the wastewater budget to the water budget throughout the study period. This amount varies from year to year based on available surplus in the wastewater budget.
13. Wages & Benefits – Wages & Benefits are expected to increase at 2% per year.
14. Materials, Supplies & Other Expenses – Materials, Supplies & Other Expenses are expected to increase at 2% per year.
15. OCWA Operating Contract – OCWA’s Operating Contract is expected to increase at 2% per year.
16. Major Maintenance/Capital Repairs – Represents any Municipality-completed water maintenance activities. Please refer to the Municipality’s Rate Study (OCWA; 2021) for more information on Major Maintenance forecasts.
17. OCWA Major Maintenance – Please refer to the Municipality’s Rate Study (OCWA; 2021) for more information on Major Maintenance forecasts.
18. Transfer to Rate Reserve – The Transfer to Rate Reserve was obtained from the Municipality’s approved 2021 budget, which is \$28,575. It is anticipated to be zero throughout the study period.

APPENDIX A

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.
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,
 - 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.