
To: Mayor and Council

From: Dan Perreault, C.E.T., Director of Public Works

Meeting Date: November 4, 2024

Subject: Report # - PW-026-2024 7 Year Water Financial Plan

Recommendation

Be It Resolved that Council of the Township of Clearview hereby receive report PW-26-2024 (7 Year Water Financial Plan) dated November 4, 2024, for information; and,

- 1) That Council confirms that the drinking water system is financially viable and approve the 7 Year Water Financial Plan for 2024-2030 for submission to the Province, with the understanding that the plan may be updated by Council from time to time; and
- 2) That a copy of the Financial Plan, with technical refinements as determined to be appropriate by the Treasurer, be given to the Ministry of Municipal Affairs and Housing.

Background

Clearview is required to submit their Municipal Drinking Water Licence renewal information to the Province by December 24, 2024. **Clearview Council is required to pass a resolution before December 24, 2024 confirming the 7 Year Water Financial Plan for 2024-2030.**

The Province of Ontario enacted several pieces of legislation upon the recommendation of the Walkerton Commission led by Associate Chief Justice Dennis O'Connor in 2002. One of them was the Safe Drinking Water Act, 2002. In 2007, Ontario Regulation 453/07 expanded upon the Act to include additional requirements. In summary, the additional conditions to apply for a municipal drinking water license, which permits the provision of drinking water to residents, was the approval of a minimum 6-year financial plan for the water system.

Municipal water systems must be self-financing according to provincial legislation. This means that the revenues from the sale of water must be used to cover the expenses of the provision of that water. External grants are one exception to this rule.

The financial plan demonstrates that a municipality has reviewed the medium and/or long term to determine the cost of operating, maintaining, replacing and improving water-related infrastructure. The infrastructure includes and is not limited to; wells,

pipes, treatment facilities, buildings, equipment, and water-related vehicles. In the past some municipalities would install infrastructure and then would often not have a financial plan that would provide for funds to replace, repair or improve said infrastructure. The primary reason for this was often under the guise of keeping water rates as low as possible. Unfortunately, this resulted in many municipalities not setting aside adequate funds, or in some cases not setting aside any funds to replace, repair or improve the water infrastructure. Delayed repairs and replacement can lead to increased failures in the water system and affects the safety of the potable water that people rely on.

The requirement for a minimum 6-year financial plan for the water system assists in addressing this issue to ensure that municipalities are charging water rates that not just meet the costs of operating the system but also put in place the ability to maintain the system at required standards. Through the preparation of medium to long-term water financial plans many municipalities realized the requirement to address the underfunding issues for their water infrastructure. This has resulted in more inter-municipal co-operation to reduce the costs of providing water, more emphasis on cost-reduction and containment while dealing with ever increasing regulatory requirements, reducing the need to expand existing facilities through water conservation methods, increasing water user fees among others.

Clearview's has had an approved Water Financial Plan in place since January 10, 2011.

Comments and Analysis

Clearview must submit its Municipal Drinking Water Licence renewal application by December 24, 2024. The following five elements are required to be in place for the application to proceed:

- 1) A Drinking Water Works Permit to establish or alter a drinking water system.
- 2) An accepted Operational Plan.
 - a. The Drinking Water Quality Management Standard (DWQMS) is the standard upon which operational plans are based.
 - b. The plan documents an operating authority's quality management system (QMS).
- 3) An Accredited Operating Authority.
 - a. A third party audit of an operating authority's QMS will be the basis for the 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.

The 7 Year Water Financial Plan for 2024-2030 is attached to this report. The financial plan follows on the Drinking Water and Wastewater System Rate Report as presented to Council on November 4, 2024.

The main requirements of the Water Financial Plan are as follows:

- The Financial Plan must be approved by a resolution that is passed by the Council.
- The Financial Plan must apply to a period of at least six years.
- The first year to which the Financial Plan must apply is the year in which the license for the system would otherwise expire.

Additional requirements of the Act and Regulation are noted in the body of the Financial Plan and in Appendix 1 of the Financial Plan.

It is important to note that any financial plan and any budget is a living document that will be updated and modified from time to time as updated information and circumstances arise that necessitate the changes.

The next water financial plan will be prepared in 2029 in preparation for the subsequent renewal of Clearview's Municipal Drinking Water Licenses.

Financial Implications

The financial impact of the Water Financial Plan is outlined in the Drinking Water and Wastewater System Rate Report as presented to Council on November 4, 2024.

Clearview's Strategic Plan

The above initiative supports the following strategic pillars:

- Infrastructure
- Communication

Report Appendices

Appendix A – 7 Year Water Financial Plan for 2024-2030

Approvals

Submitted by: Dan Perreault, C.E.T., Director of Public Works

Reviewed by: John Ferguson, CAO

Financial Implications Reviewed by: Kelly McDonald, Treasurer / Director of Finance

Approvals

Approved by: John Ferguson, CAO



CLEARVIEW TOWNSHIP

The Township of Clearview

Drinking Water System

7 Year Water Financial Plan 2024-2030

October 21, 2024



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1. INTRODUCTION

The Township of Clearview authorized Sharratt Water Management Ltd. (SWML) to develop water and wastewater rates and the Financial Plan for the Township's drinking water system.

This Financial Plan has been prepared in accordance with the Financial Plan regulation (O. Reg. 453/07 – shown in Appendix 1) 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 CLEARVIEW DRINKING WATER SYSTEM AND WASTEWATER SYSTEM RATE REPORT (FINAL RATE REPORT), dated October 21, 2024. The FINAL RATE REPORT estimates the capital renewal requirements from 2024 to the year 2124 and includes this in an operating plan for 2024 to 2034 and beyond. The revenue needed to support the operating plan is laid out in a funding plan that relies on user fees from rates, development charges, developer contributions, local improvement fees, loans, connection charges and some sundry sources of revenue. User fees from rates are set so that adequate reserves are developed to fund future capital expenditures and offset annual amortization, or annual depreciation.

The Financial Plan for the Township's drinking water system is based on the FINAL RATE REPORT Oct 21, 2024, as well as tangible capital asset information that the Township generated in accordance with the Public Sector Accounting Board (PSAB) standard PS 3150 requirements. The Financial Plan includes a projection of all non-financial tangible capital assets to the year 2030. This includes the anticipated capital investments to accommodate growth, assets reaching the end of their life and renewed at some point from 2024 to 2030 as well as those assets built before 2024 that reach the end of their projected life after 2030.

1.1 Legislative Context to Financial Planning

There have been several 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 investigate the circumstances that led to 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 several 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 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 now lapsed. 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 contained 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 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 for the municipal water system must be approved by a resolution that is passed by the Council
- The Financial Plan must apply to a period of at least six years.
- The first year to which the Financial Plan must apply is the year in which the license for the system would otherwise expire.

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. This Financial Plan is the fourth such plan prepared by the Township and follows the plan prepared in October, 2019.

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.

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 Township of Clearview Water System

The Clearview water system serves six communities, each with its own separate water system. All users are metered. The system, with 3,066 connections as of December 31, 2023, has the number of connections per community for 2023 as follows:

- Stayner - The water system serves 1,916 residential and business connections, including the large food processing facility.
- Creemore – This system has 546 connections.
- New Lowell – 334 connections
- Buckingham Woods – 49 connections
- Nottawa (McKean) – 138 connections

- Colling-Woodlands – 83 connections.

Stayner and Creemore are anticipated to experience substantial infrastructure growth in the next six years.

2. OPERATING PLAN

The operating plan details the recurring operating costs as well as the capital renewal and investment costs required to sustain the drinking water system. These costs have been developed using assumptions that are detailed in the FINAL RATE REPORT. Some key assumptions are set out below.

2.1 Operations Expenses

Operating costs such as chemicals, insurance, equipment and services are inflated at 4.5% to 4.8%, and labour and other items at 3% per annum from 2025 to 2034.

2.2 Capital Renewal

Capital renewal costs have been projected to 2124 by utilizing data provided by R.J. Burnside, the Township engineer, in 2005 and updated by staff for 2006 to 2023. Funding levels established by the financing plan, supported by the rates in the Final Rate Report, will enable the currently projected capital renewal projected needs to be funded to 2124. The intent of the operating plan is to ensure that funding will be available, when needed, for the projected capital renewal costs between 2024 and 2118. Future capital costs are projected to increase at 3% per year. The capital renewal and needs are set out in the FINAL RATE REPORT. In addition, substantial near-term capital growth is anticipated in several communities served by the water system. This growth is funded by development charges, grants, user fees, where specified in the relevant DC study, local improvement charges, loans and developer contributions.

2.3 Debt Servicing Costs

The water system has four outstanding loans currently. One is a \$3 million 20-year loan taken out for Stayner water in 2006, to be paid off in 2026. This loan is 55% recovered through development charges. The second is a Creemore water loan for \$800,000 taken out in 2009 for 20 years and is paid for by user fees. A third Stayner loan for \$1.15 million was taken out in 2017. DCs pay 80% of the cost of this this loan. The fourth loan is for \$6 million for the Airport Road watermain taken out in 2019. It has an interest rate of 2.6% and DCs pay for 90% of the cost of this loan.

2.4 Lead Replacement Costs

There is no lead present in the system and as a result, no funds have been set aside for lead abatement.

2.5 Source Water Protection Costs

The Township has a source protection strategy, and funds have been spent in the past five years to keep the plan up to date. Future costs are planned to be covered by developers.

1. FUNDING PLAN

The funding plan lays out a strategy setting out how the Township will generate the required funds to meet the expenditure requirements detailed in the operating plan set out in the FINAL RATE REPORT. The funding plan proposed will rely on user fees, development charges, grants, subsidies and a possible loan with some funds provided from connection fees. Some key assumptions and results are presented below.

3.1 Grants/Subsidies

No grants are anticipated at this time in the 2024-2034 period utilizing the recommendations of the June 2024 Development Charge Background Study prepared for the Township. Should grants be acquired, then they would offset other funding needs.

3.2 New Debt

A 20-year \$1.6 million loan at 4.5% is proposed for 2025 to fund capital renewal from user fees. No further long-term debt is projected. All debt will be paid off in 2039. Utilizing long-term loans is a sound strategy, as the benefits of the capital renewal will last many years, and it is appropriate that the cost be spread over both current and future users.

3.3 Required User Fees

Based on the current funding plan, Clearview water bills, based on family usage of 300 cubic metres per year, are projected to increase at 4% for the each of the next two years, and then increase at about 2-3% per year until 2034. Bills in 2030 will be about 20% higher than in 2024 in inflated dollars. This is based on the need to generate adequate revenue to cover capital renewal along with an assumption that most operating as well as capital costs will inflate at 3-4.8% per annum. The rate development process is set out in the FINAL RATE REPORT. Table 3.1 below sets out the yearly rates, for users in all six water system communities from 2020 to 2034, recommended in the FINAL RATE REPORT.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fixed Portion per Year	177	186	196	207	219	230	240	248	257	264	273
Variable Portion per M3	2.81	2.93	3.05	3.10	3.15	3.21	3.28	3.35	3.43	3.52	3.61

4. CONTINUOUS IMPROVEMENT

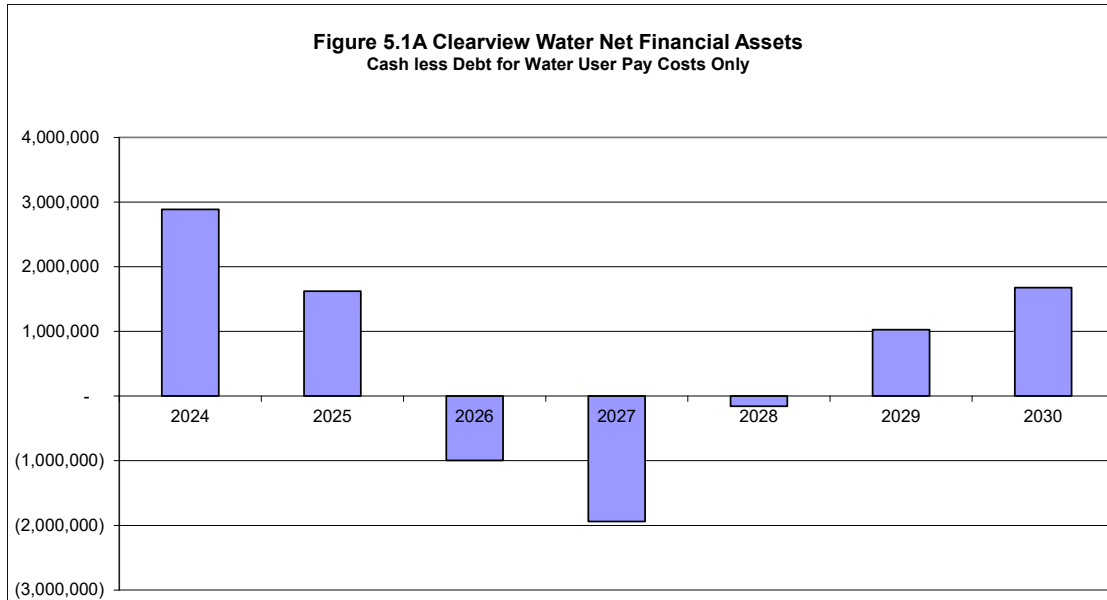
The Financial Plan regulation requires that the Financial Plans be updated every 5 years, along with the request for the renewal of the Drinking Water Licence. This on-going update will assist in revisiting the assumptions made to develop the operating and funding plans as well as re-assessing the need for capital renewal and 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 (2024-2030) 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 are presented at the end of the financial statement section.

5.1 Statement of Financial Position (Table 6.1)

One important feature of a water system is the net financial assets/debt. 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 Clearview water system's net financial assets considering water user pay debt only are shown in Figure 5.1 a:



Financial assets are drawn down in 2026-2028 due to capital renewal and the benefit to existing user component of a growth project. The picture then improves through 2030.

For water user pay debt, debt for local improvement and existing DC funded project debt, the results are shown in Figure 5.1 B.

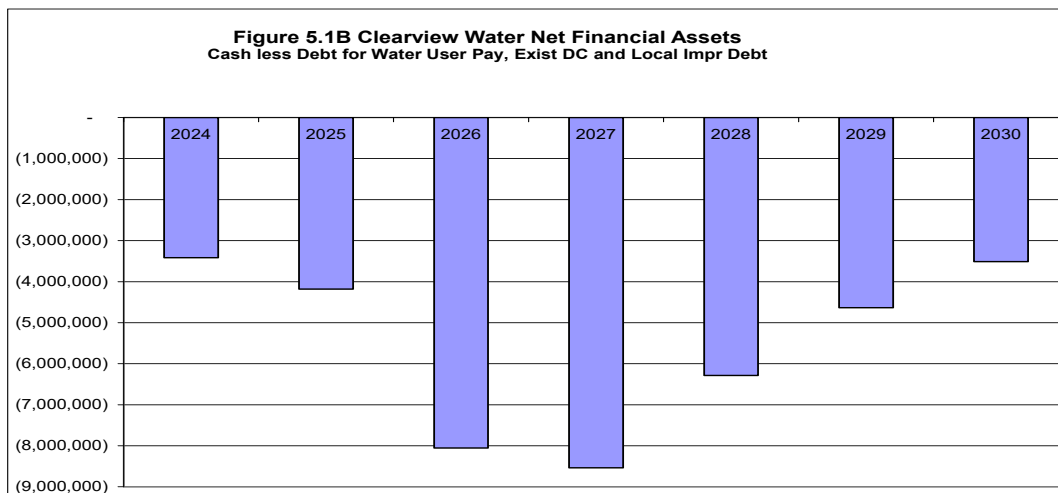
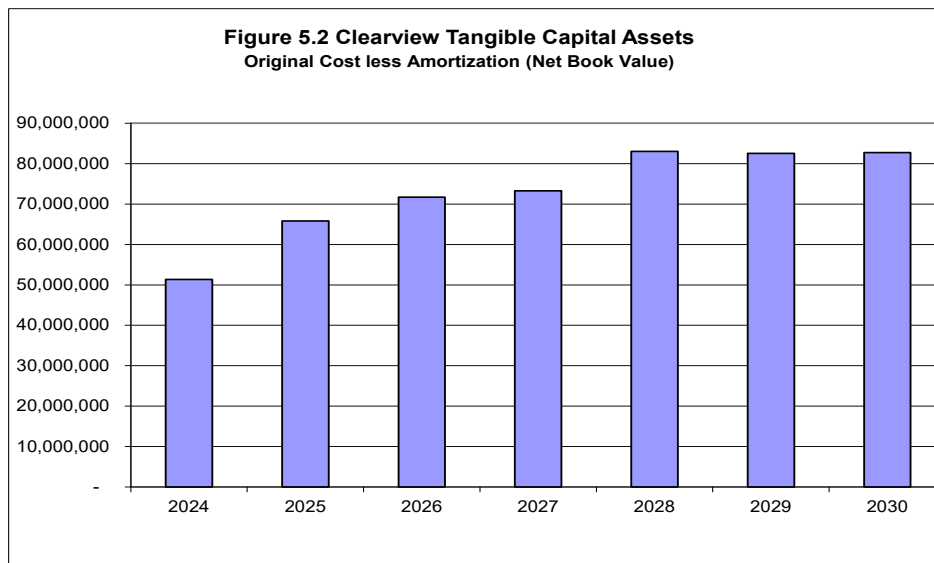


Figure 5.1B shows that that the system is in deficit in 2024-2030 if all the existing loans are considered. However, this chart contains debt to cover DC funded projects in the past and local improvement loans for projects beginning in 2024. Both the DC and local improvement loans are funded from either development charges or local improvement charges, and these are sustainable and do not rely on water rates as revenue sources. Their funding does not affect user fees. Chart 5.1A provides a clearer picture of the situation for the water use pay funded part of the system.

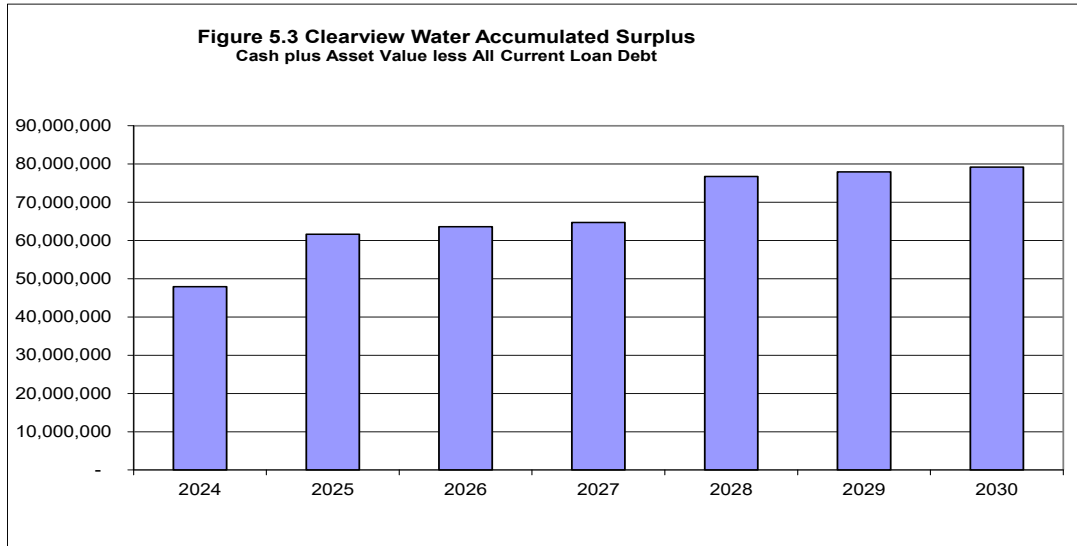
A second feature is the total value of the water system’s tangible capital assets such as wells, pump houses, reservoirs and water lines. Consideration of the value of tangible capital assets is part of PSAB compliance. The current value of the capital assets is termed net book value (NBV). It is the original cost of an asset less the accumulated amortization (depreciation). Tangible capital assets, once installed, are being used, and are immediately decreasing in value. Annual amortization is determined by dividing the original cost of an asset by its expected lifetime in years with an allowance made for disposal value. Amortization is accumulated as the asset wears out so that by the last year of the expected life of the asset, amortization equals the original value of the asset, assuming no salvage value for the asset. At that time, the asset has no net book value. For example, an asset acquired 50 years ago costing \$100,000 and a projected life of 100 years, would have \$1,000 per year in amortization. Today, after 50 years of usage, its accumulated amortization would be \$50,000 and its book value would be one-half of the cost of the original asset value or \$50,000.

Water systems have a high proportion of resources tied up in tangible capital assets and managing these assets is critical to maintaining current and future levels of safe and reliable water service. As has been noted above, tangible capital assets, once installed, are being used and decrease in value due to amortization. An increase in tangible capital assets is an indication that assets have been renewed faster than they are used or that new assets are being added to the system. A decrease indicates that assets are being used, or amortized, faster than they are renewed. The value of the Township’s water system assets is set out in Figure 5.2.



Net book value is projected to increase by 61% from 2024 to 2030, due to the construction of infrastructure to accommodate new development, plus normal asset renewal. This new development will be paid largely by development charges and, if realized, will add very significantly to the net book value of the Township’s assets.

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 water system, as illustrated in Figure 5.3, projects an increase of 65% by 2030, due to the substantial anticipated amount of infrastructure construction needed to accommodate growth.

5.2 Statement of Operations (Table 6.2)

This statement summarizes the operating revenues and expenditures. The expenditures include ongoing operating costs plus asset amortization. It provides an indication of whether the system assets are being maintained year-over-year.

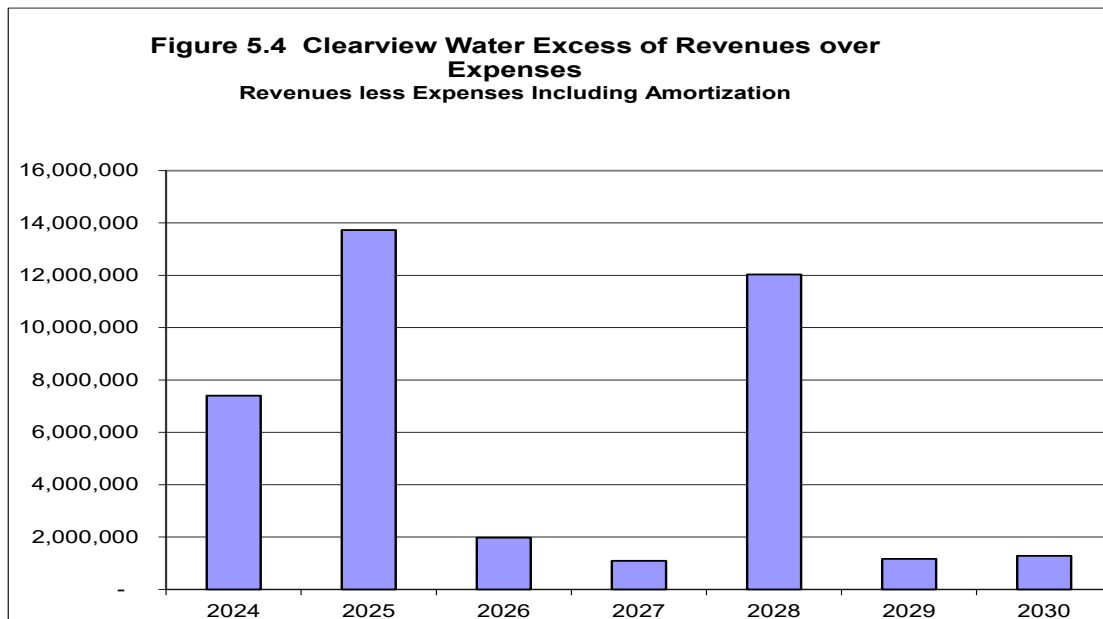


Figure 5.4 indicates that the system is projected to have a surplus of revenues over expenses for 2024 to 2030.

5.3 Statement of Cash Flow (Table 6.3)

This fifth feature shows how revenues are generated and spent over the study period. The revenues include user fees assisted by development charges, developer contributions, supplemented by loans. The expenditures include operating expenses, loan repayment costs and capital investments of all kinds. These are shown in Table 6.3 and set out in Figure 5.5.

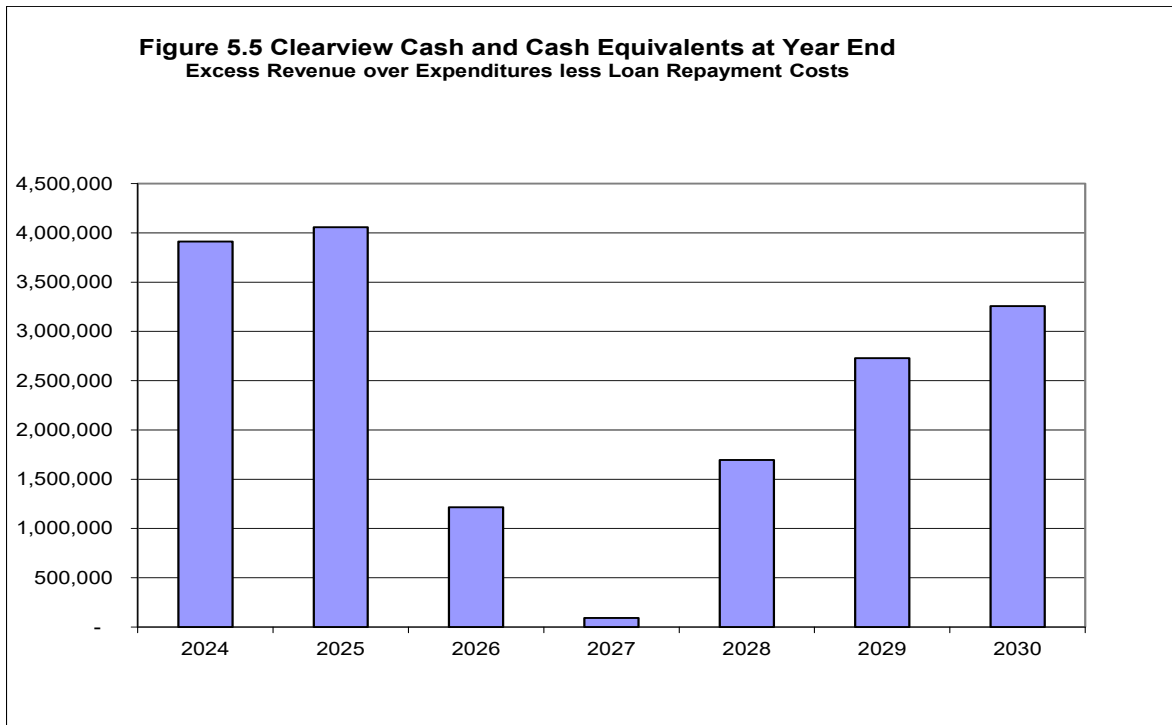


Figure 5.5 indicates that the cash equivalents, in inflated dollars, for the water rate supported system are in surplus from 2024 to 2030. This cash balance puts the Township in a position to fund some unexpected maintenance projects before 2030. The FINAL RATE REPORT provides a plan to maintain the level of cash and cash equivalents to 2034.

5.4 Conclusion

The Clearview water system is in growth mode and is anticipated to experience substantial infrastructure growth supported by development charges, local improvement charges, loans and some user fees. Asset book values increase by 60% from 2024-2039. Cash balances for the user pay part of the system are mostly positive. User fees are increased to cover the almost 65% increase in amortization from 2024 to 2030 resulting from the anticipated infrastructure development. More growth is anticipated post 2034. The system is in sound condition in the near term. However, these projections assume the additional of 150 new residential connections per year from 2025 to 2030. This projected growth and its future amortization needs will require monitoring annually to see if growth rates materialize and, if not, to make rate adjustments. The detailed financial statements, set out in tabular form, that were the basis for the above figures and 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 in the tables.

6.1 Statement of Financial Position

Table 6.1 Statement of Financial Position - Township of Clearview Water System - Inflated \$								
	2024	2025	2026	2027	2028	2029	2030	Notes
Financial Assets								
Cash and Cash Equivalents	3,911,672	4,056,596	1,214,660	93,254	1,695,223	2,727,867	3,257,352	1
Accounts Receivable Dev Charges	3,396,499	1,415,441	375,382	(1,698,109)	7,052,223	5,305,344	3,500,146	2
Accounts Receivable								
Deposits	-	-						
Total Financial Assets	7,308,171	5,472,037	1,590,043	(1,604,854)	8,747,446	8,033,211	6,757,498	
Liabilities								
Accounts Payable (Capital)	-	-						
Water User Pay Debt Principal	1,024,697	2,432,794	2,208,437	2,031,907	1,851,646	1,699,995	1,579,345	3
Locall Improvement Debt Principal	1,404,496	1,336,740	2,971,891	2,821,462	2,670,469	2,518,910	2,366,782	4
DC Funded Debt (loans)	4,899,485	4,466,349	4,090,318	3,775,676	3,459,566	3,141,940	2,822,748	5
Deferred Revenue - DC Reserve Total	(3,396,499)	(1,415,441)	(375,382)	1,698,109	(7,052,223)	(5,305,344)	(3,500,146)	6
Other liabilities	-	-						
Total Liabilities User Pay Water	1,024,697	2,432,794	2,208,437	2,031,907	1,851,646	1,699,995	1,579,345	7
Net Financial Assets (Debt) User Pay Water	2,886,974	1,623,801	(993,777)	(1,938,653)	(156,423)	1,027,872	1,678,007	8
Total Liabilities All Accounts	10,725,178	9,651,324	9,646,029	10,327,154	15,033,905	12,666,189	10,269,021	9
Net Financial Assets (Debt) All Accounts Excl DC Reserve	(3,417,006)	(4,179,287)	(8,055,986)	(8,535,792)	(6,286,459)	(4,632,978)	(3,511,523)	10
Non Financial Assets								
Tangible Capital Asset Cost	55,645,418	63,762,102	79,106,071	85,973,207	88,574,997	99,533,116	100,221,115	11
Additions to Tangible Capital Assets - Cost	8,190,000	15,433,726	6,955,366	2,721,437	11,008,489	809,173	1,477,043	12
Accumulated Amortization incl. Addition	12,503,019	13,366,985	14,369,538	15,433,331	16,534,943	17,781,912	18,973,980	13
Total Non Financial Assets - Net Book Value	51,332,399	65,828,842	71,691,900	73,261,313	83,048,543	82,560,378	82,724,178	
Accumulated Surplus/(deficit)	47,915,393	61,649,555	63,635,914	64,725,521	76,762,084	77,927,400	79,212,655	
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 - Township of Clearview Water System - Inflated \$

	2013	2024	2025	2026	2027	2028	2029	2030	Notes
Revenues									
User Fees	1,801,139	3,050,274	3,294,296	3,524,896	3,701,141	3,886,198	4,080,508	4,284,534	
Other Revenues	37,118	104,234	143,274	144,127	144,995	145,878	146,776	147,690	14
Accounts Receivable - Local improv	-	-	73,023	73,023	161,574	161,574	161,574	161,574	15
Accounts Receivable - Developer Contr		-		-	-	-	-	-	
Earned Dev Charges Studies		1,403,664							
Earned Development Charges	128,598	7,043,255	564,924	1,502,358	422,286	11,309,746	401,226	394,206	
Total Revenues	\$1,966,855	11,601,426	4,075,516	5,244,404	4,429,996	15,503,396	4,790,084	4,988,003	
Expenses									
Operating		3,243,806	1,940,846	2,010,259	2,042,246	2,112,762	2,208,664	2,282,189	16
Debt Interest		189,865	172,600	155,478	146,119	132,812	118,766	107,317	
Amortization		765,261	937,283	1,099,427	1,144,906	1,221,259	1,297,338	1,313,242	
Loss on Disposal of Assets		-	-	-	-	-	-	-	
Lead Abatement		-	-	-	-	-	-	-	17
Source Water Protection		-	-	-	-	-	-	-	18
Total Expenses		4,198,932	3,050,729	3,265,164	3,333,270	3,466,833	3,624,768	3,702,748	
Excess (Deficit) of Revenues over Expenses		7,402,494	1,024,786	1,979,240	1,096,725	12,036,563	1,165,316	1,285,255	
Other									
Loans					-	-	-	-	
Developer Contribution			12,709,376						19
Excess (Deficit) of Revenues over Expenses		7,402,494	13,734,162	1,979,240	1,096,725	12,036,563	1,165,316	1,285,255	
Accumulated Surplus (Deficit) Beginning of year		40,512,898	47,915,392	61,649,554	63,630,821	64,727,546	76,766,288	77,931,604	
Accumulated Surplus (Deficit) End of Year		47,915,392	61,649,554	63,630,821	64,727,546	76,766,288	77,931,604	79,216,860	
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 - Township of Clearview Water System - Inflated \$

	2024	2025	2026	2027	2028	2029	2030	Notes
Operating Transactions								
Total Operating Revenues	11,632,575	4,075,516	5,244,404	4,429,996	15,503,396	4,790,084	4,988,003	20
Total Cash for Operating Expenses	4,809,581	3,743,524	3,933,562	3,974,871	4,114,197	4,245,605	4,294,718	21
Excess of Revenues Over Expenses	6,822,994	331,991	1,310,842	455,125	11,389,200	544,479	693,286	
Deduct Non Cash Charges to Operations								
Amortization	765,261	937,283	1,099,427	1,144,906	1,221,259	1,297,338	1,313,242	22
Loss on the Disposal of Assets	-	-	-	-	-	-	-	
Total	765,261	937,283	1,099,427	1,144,906	1,221,259	1,297,338	1,313,242	
Working Capital Items								
Accounts Receivable	-	-	-	-	-	-	-	
Inventory	-	-	-	-	-	-	-	
Capital Work in Progress	-	-	-	-	-	-	-	
Cash provided/used in Operating Transactions	7,588,255	1,269,274	2,410,269	1,600,030	12,610,458	1,841,817	2,006,528	
Capital Transactions								
Acquisition of TCAs	8,190,000	15,433,726	6,955,366	2,721,437	11,008,489	809,173	1,477,043	
Proceeds on Disposal of TCA	-	-	-	-	-	-	-	
Cash provided/used in Capital Transactions	8,190,000	15,433,726	6,955,366	2,721,437	11,008,489	809,173	1,477,043	
Investing Transactions								
Proceeds from Investments	-	-	-	-	-	-	-	
Cash (used in) Provided by Investing Activities	-	-	-	-	-	-	-	
Cash Provided/used in Investing Transactions	-	-	-	-	-	-	-	
Financing Transactions								
Proceeds from Debentures/Loans	1,404,496	1,600,000	1,703,161	-	-	-	-	23
Proceeds from Developer Contribution	-	12,709,376	-	-	-	-	-	19
Repayment of Working Deficit	-	-	-	-	-	-	-	
Cash Provided by/(used) in Financing Activities	1,404,496	14,309,376	1,703,161	-	-	-	-	
Increase (decrease) in Cash Equivalents	802,751	144,924	(2,841,936)	(1,121,406)	1,601,969	1,032,644	529,485	
Cash and Cash Equivalents at the beginning of the Year	3,108,921	3,911,672	4,056,596	1,214,659	93,253	1,695,222	2,727,866	
Cash and Cash Equivalents at the End of the Year	3,911,672	4,056,596	1,214,659	93,253	1,695,222	2,727,866	3,257,351	

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

6.4 Notes on the Clearview Water System Financial Plan

1. Cash and cash equivalent is from the water system operating and capital renewal reserves as set out in the FINAL RATE REPORT. It is the reserve year end balance.
2. The DC reserve is self funding from development charges imposed on new development. This item is an offset to the item shown as a liability.
3. This is the debt on the water system user fee component of the overall system. This debt will be paid by user fees.
4. This debt covers the proportion of a growth project that will be financed by new users connecting to the water system and paying for this through local improvement charges.
5. These are existing debt used to fund the DC supported portion of past projects. This debt will be paid of through development charge payments.
6. This is the balance in the development charge reserve. It will be funded by development charges imposed on new development. Some of this will become loans as the projected developments proceed.
7. This is the total liability for the user pay funded part of the water system
8. These are the net financial assets for the user pay funded part of the water system.
9. This is the liability for the current user pay, past DC debt, and the debt to cover the cost of projects funded by local improvement charges.
10. This is the net financial assets covering all the current loans for all components of the system including existing development charge loans and local improvement projects.
11. All capital renewal assumes that the assets have reached the end of their projected life and possess no residual value when they are replaced. Capital works costs are in 2024 dollars inflated to future cost at an inflation rate of 3% per annum. The lifetime projected for assets are based on generally accepted engineering estimates of how long these assets will provide accepted levels of service to users. In practice, some assets may wear out prior to their projected lifetime. Some may last longer. These variations will mean that, in future, there will be small variations in the actual timing of capital renewal projects, compared with that projected in the water capital plan.
12. Additions are new capital assets added to the Township inventory from 2024 to 2030. The costs represent 2024\$ inflated to the appropriate year at 3% per annum.
13. Amortization was determined using the straight-line method. All works are assumed to have been constructed to completion on July 1 of the year that they were scheduled for construction in the capital plan contained in the Final Rate Report. One-half full year of amortization is provided for in the first year and the last year for those reaching the end of their statistical life between 2024 to 2030.
14. These revenues include water meter fees, hook-up charges, interest on late payments and sundry other minor revenue sources.
15. This revenue is the payments from local improvement charges for those connecting to the water system over the next twenty or so years.
16. Operating costs are assumed to increase at 3-4.8% per annum depending on the item. Labour and many items are at 3% but small pieces of equipment and some services are set at 4.5 and 4.8%.
17. There is no lead in the Clearview water system.

18. Source protection is the amount periodically set aside to put in place policies and programs that will protect wells and other water sources from potential contamination. The municipality has been active in past years. No further expenditures are planned currently. Future costs will be funded from developer contributions.
19. A developer contribution arises when a financial contribution is made to the municipality to initiate a growth-related project. It was shown in the 2024 Development Charge study.
20. Revenues from all sources are summarized on this line including user fees, other user charges and development charges fees.
21. Operating expenses on this line include amortization as well as principal and interest payments on outstanding loans.
22. Amortization is added back as revenue effectively subtracting it from expenses to produce a statement of financial assets. Amortization represents a non-financial entity.
23. There are two loans for the local improvement funded portion of the projects in 2024 and 2026. They are funded by local improvement charges. The loan in 2025 is to support the user pay portion component of the water system and the funds are used to sustain a capital investment program. Funds for this loan come from water user fees (water bills).

Appendix 1

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: [69/08](#).

Legislative History: [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.

7. OMITTED (PROVIDES FOR COMING INTO FORCE OF PROVISIONS OF THIS REGULATION). O. Reg. 453/07, s. 7.