

Financial Plan
Number 099-301A



CLEARVIEW

The Township of Clearview

Drinking Water System

7 Year Water Financial Plan 2019-2025

October 28, 2019



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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 24, 2019. The FINAL RATE REPORT estimates the capital renewal requirements from 2019 to the year 2118 in an operating plan. The revenue needed to support the operating plan is laid out in a funding plan that relies on user fees from rates, development charges, loans, grants and subsidies, connection charges and some sundry sources of revenue. User fees from rates are set so that adequate reserves are developed in order 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, 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 2025. This includes the anticipated capital investments to accommodate growth, assets reaching the end of their life and renewed at some point from 2019 to 2025 as well as those assets built before 2019 that reach the end of their projected life after 2025.

1.1 Legislative Context to Financial Planning

There have been a number of legislative initiatives affecting water system management and operations over the past decade. These initiatives were a result of the water borne illness tragedy in Walkerton in 2000. Following this event, the Government of Ontario established a public inquiry, chaired by the Honourable Dennis O'Connor, to look into the 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 in order for the owner of a drinking water system to obtain a licence:

1. A Drinking Water Works Permit to establish or alter a drinking-water system;
2. An accepted Operational Plan. The Drinking Water Quality Management Standard (DWQMS) is the standard upon which operational plans are based. The plan documents an operating authority's quality management system (QMS).
3. An Accredited Operating Authority. A third party audit of an operating authority's QMS will be the basis for accreditation.
4. A Permit to Take Water.
5. A Financial Plan that must be prepared and approved in accordance with the prescribed requirements in the Financial Plans Regulation.

Under section 30 of the SDWA, the Financial Plan element of the licence program must either be prepared in accordance with the Sustainable Water and Sewage System Act, 2002 (SWSSA) or in accordance with the requirements set by the Minister of the Environment. SWSSA regulations were never published and the legislation has 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 third such plan prepared by the Township and follows the plan prepared in October, 2014.

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 2,898 connections, has the number of connections per community for 2018 as follows:

- Stayner - The water system serves 1,744 residential and business connections, including the large food processing facility.
- Creemore – This system has 554 connections.
- New Lowell – 343 connections
- Buckingham Woods – 33 connections
- Nottawa (McKean) – 140 connections
- Collingwoodlands – 84 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 labour, chemicals, insurance and other costs are assumed to increase at 2-3% per annum, per annum, depending on the item for 2019-2025.

2.2 Capital Renewal

Capital renewal costs have been projected to 2118 by utilizing data provided by R.J. Burnside, the Township engineer, in 2005 and updated by staff for 2006 to 2018. 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 2118. The intent of the operating plan is to ensure that funding will be available, when needed, for the projected capital renewal costs between 2019 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, and subsidies.

2.3 Debt Servicing Costs

The water system has three outstanding loans at this time. One is a \$3 million 20-year loan taken out for Stayner water in 2006, with an outstanding principal of \$1.46 million as of December 31, 2018. 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, with a balance outstanding of \$520,094 as of December 31, 2018. A third loan for \$1.15 million was taken out in 2017 and it had a balance outstanding of \$1.1 million as of December 31, 2018. This loan is 80% recoverable from DC charges. An additional loan of \$2.5 million has been tentatively projected for 2025 with a 20-year amortization at 3.0% per annum, if it is determined that a number of cast iron pipes installed in 1917 need to be replaced in 2025. This loan would be paid for through user fees.

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 \$100,000, has been budgeted in the operating plan in 2020 to keep the plan up-to-date.

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

An allowance has been made for grants and subsidies in the 2019-2025 period utilizing the recommendations of the June 2019 Development Charge Background Study prepared for the Township.

3.2 New Debt

New debt is tentatively projected for 2025 in order to supply funds to renew water ancient main assets, if it is determined after detailed metallurgical analysis, that they are deteriorated and need to be replaced.

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 5-7% each year for the next two years, and then increase at about 1-2% until 2025. Bills in 2025 will be about 23% higher than in 2019 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% 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 2025, recommended in the FINAL RATE REPORT.

	2019	2020	2021	2022	2023	2024	2025
Fixed Portion per Year	168	178	178	178	177	177	177
Variable Portion per M3	2.23	2.40	2.64	2.70	2.77	2.81	2.86

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 (2019-2025) in compliance with O. Reg. 453. The detailed financial statements are set out in tabular form in Section 6. The notes regarding the financial statements 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 are shown in Figure 5.1:

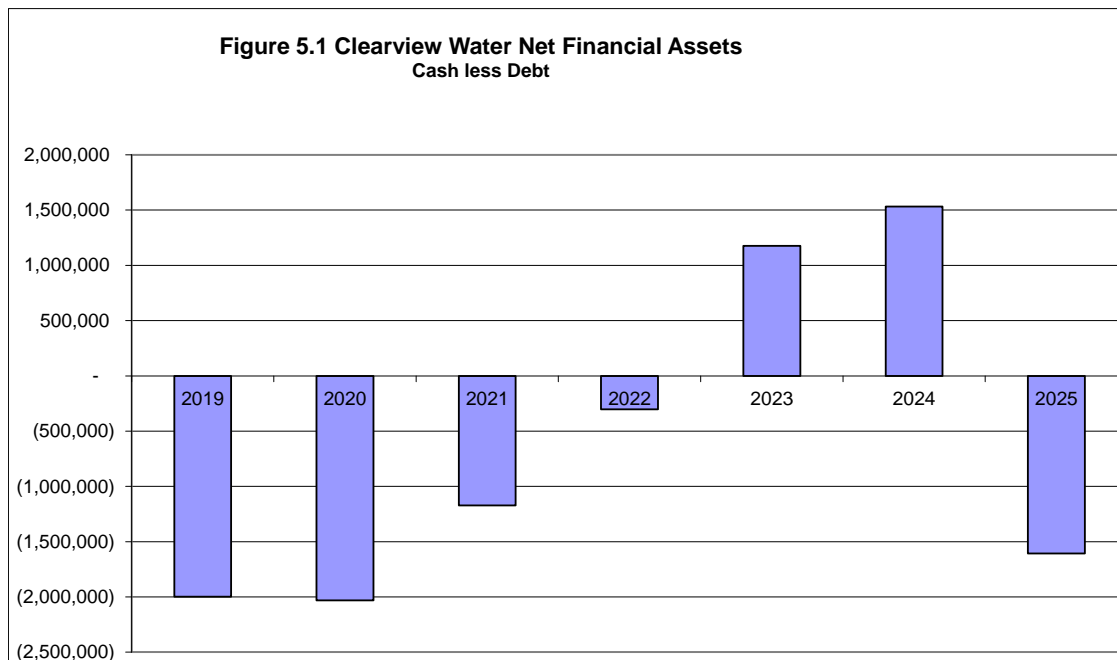
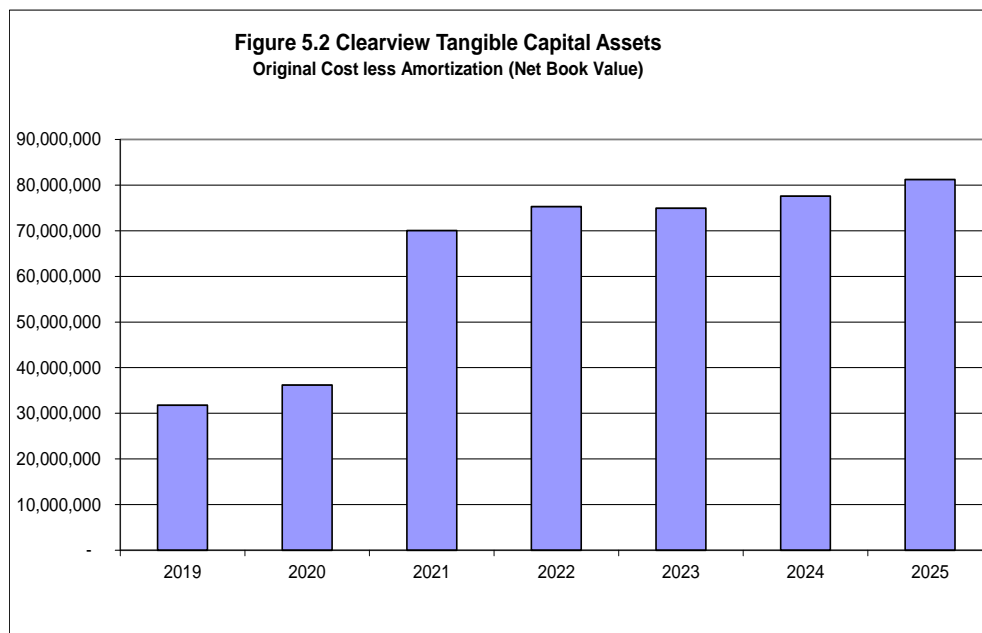


Figure 5.1 shows that that the system is in deficit in 2019-2022 due to debt taken on for the renewal of water system assets, however, the system is in surplus for 2023 and 2024. The new loan in 2025, if needed, will create a deficit once again. After 2025, if the loan is taken out, the deficit will begin to shrink again. All figures are in inflated dollars.

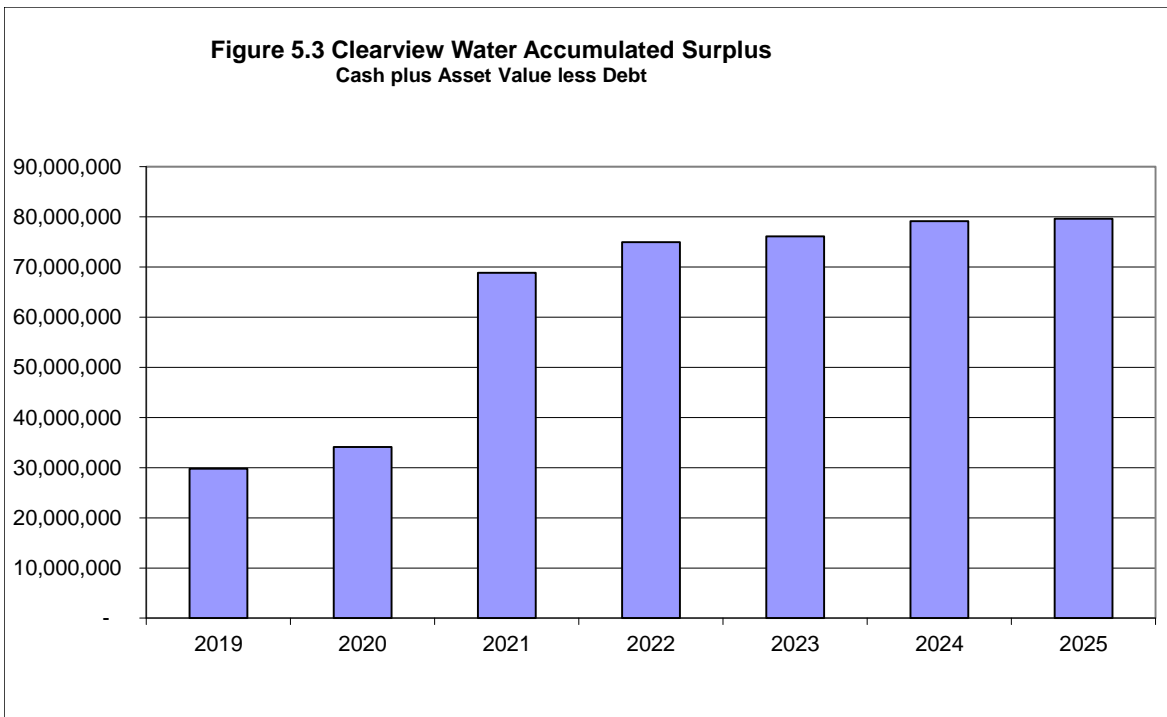
A second feature is the total value of the water system's tangible capital assets such as wells, pump houses, reservoirs and water lines. Consideration of the value of tangible capital assets is part of PSAB compliance. The current value of the capital assets is termed net book value (NBV). It is the 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 almost three times from 2019 to 2025, as anticipated in the June 2019 Development Charge Background Study, 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 as anticipated, 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 2.7 fold the 2019 accumulated surplus by 2025, 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 or not the system assets are being maintained year-over-year.

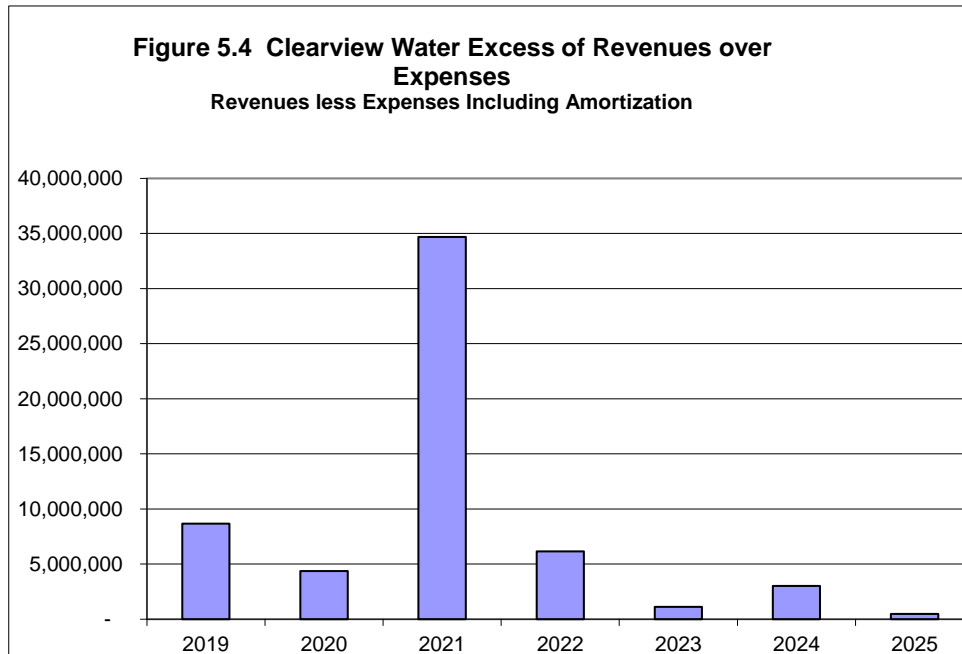


Figure 5.4 indicates that the system is projected to have a surplus of revenues over expenses for 2019 to 2025 although the surplus is small but substantial 2023 to 2025. This results from an anticipated almost 3 times increase in annual amortization in 2025 compared to 2019. Should further growth materialize in excess of that forecast in the May 2019 Development Charges Background Study, then the resulting increased level of amortization and the need to increased system user fee needs would be considered in the next rate review in 2024.

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 grants and subsidies, investment earnings, development charges supplemented by a loan. 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.

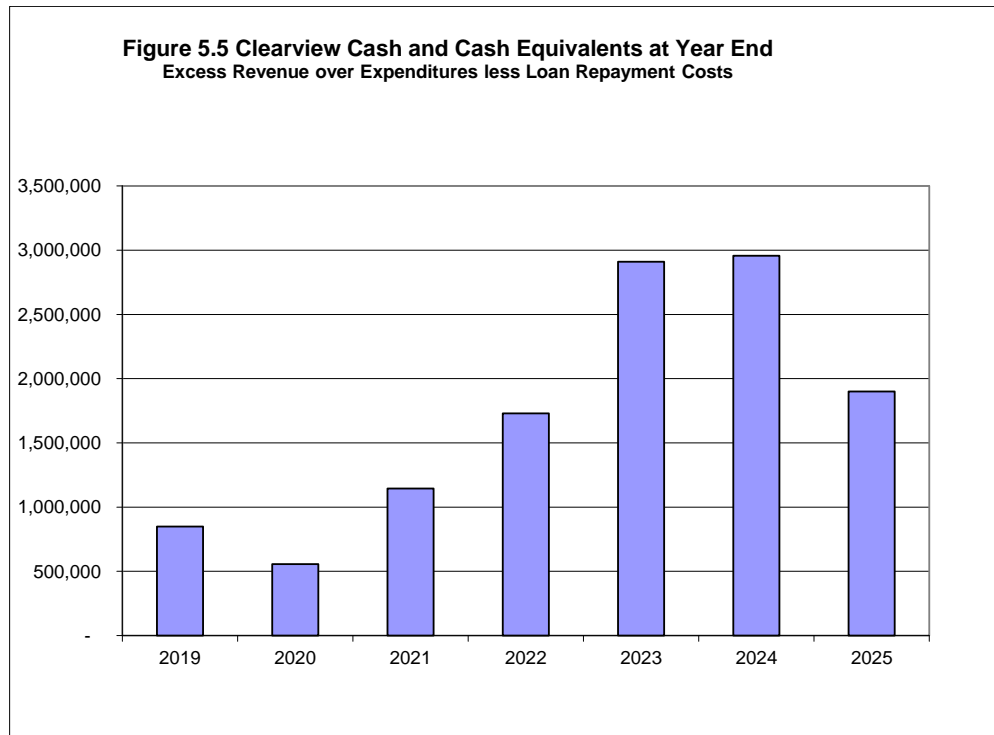


Figure 5.5 indicates that the cash equivalents, in inflated dollars, are in surplus from 2019 to 2025. This cash balance puts the Township in a position to fund some unexpected maintenance projects before 2025. The FINAL RATE REPORT provides a plan to maintain the level of cash and cash equivalents to 2029.

5.4 Conclusion

The Clearview water system is anticipated to experience substantial infrastructure growth supported by development charges and some user fees. Asset book values almost triple from 2019-2025. Cash balances are improved from 2019 to 2025. User fees are increased to cover the almost three-fold increase in amortization from 2029 to 2025 resulting from the anticipated infrastructure development. Debt may be required in 2025 if a renewal of aging water lines is required. More growth is anticipated post 2025. The system is in sound condition in the near term if the Township follows the projected rates and the long-range capital renewal plan proposed in the FINAL RATE REPORT. However, the amount of growth and its future amortization needs will require monitoring and the implications be addressed in the next financial plan in 2024. The detailed financial statements, set out in tabular form, that were the basis for the above summary, follow in Section 6.

6. FINANCIAL STATEMENTS

The detailed financial statements are set out in the following tables followed by the notes that correspond to the numbers in the tables.

6.1 Statement of Financial Position

Table 6.1 Statement of Financial Position - Township of Clearview Water System - Inflated \$								
	2019	2020	2021	2022	2023	2024	2025	Notes
Financial Assets								
Cash and Cash Equivalents	848,905	556,453	1,143,811	1,729,949	2,910,662	2,955,844	1,899,867	1
Accounts Receivable	-	-	-	-	-	-	-	
Deposits	-	-	-	-	-	-	-	
Total Financial Assets	848,905	556,453	1,143,811	1,729,949	2,910,662	2,955,844	1,899,867	
Liabilities								
Accounts Payable (Capital)	-	-	-	-	-	-	-	
Debt Principal	2,846,048	2,586,771	2,315,522	2,031,739	1,734,832	1,424,182	3,506,104	2
Working Deficit								
Other liabilities	-	-	-	-	-	-	-	
Total Liabilities	2,846,048	2,586,771	2,315,522	2,031,739	1,734,832	1,424,182	3,506,104	
Net Financial Assets (Debt)	(1,997,143)	(2,030,318)	(1,171,711)	(301,790)	1,175,830	1,531,662	(1,606,237)	
Non Financial Assets								
Tangible Capital Asset Cost	30,265,667	39,639,881	44,560,239	79,285,061	85,673,148	86,554,230	90,501,303	3
Additions to Tangible Capital Assets - Cost	9,400,737	4,965,940	34,771,239	6,574,910	980,398	4,041,380	5,053,946	
Accumulated Amortization incl. Addition	7,890,733	8,431,036	9,316,494	10,568,767	11,722,542	12,999,584	14,335,739	4
Total Non Financial Assets	31,775,671	36,174,786	70,014,985	75,291,204	74,931,003	77,596,026	81,219,509	
Accumulated Surplus/(deficit)	29,778,528	34,144,468	68,843,274	74,989,414	76,106,834	79,127,688	79,613,273	
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 \$								
	2019	2020	2021	2022	2023	2024	2025	Notes
Revenues								
User Fees	2,558,000	2,540,444	2,853,600	3,024,816	3,206,305	3,366,620	3,534,951	
Other Revenues	135,200	135,200	135,200	135,496	136,346	137,467	138,589	5
Interest on Reserves	-	12,734	8,347	17,157	25,949	43,660	44,338	6
Development Charges	6,643,563	2,337,665	34,619,350	4,627,221	938,094	826,110	180,626	
Total Revenues	9,336,763	5,026,043	37,616,497	7,804,690	4,306,694	4,373,857	3,898,504	
Expenses								
Operating	1,934,380	1,882,362	1,880,571	2,003,422	1,768,255	1,806,771	1,855,168	7
Water Service Contract	-	-	-	-	-	-	-	8
Debt Interest	129,485	118,051	106,080	93,545	80,421	66,679	127,289	
Amortization	493,317	566,826	931,040	1,298,690	1,340,752	1,376,357	1,430,463	9
Loss on Disposal of Assets	-	-	-	-	-	-	-	
Lead Abatement	-	-	-	-	-	-	-	
Source Water Protection	-	100,000	-	-	-	-	-	10
Total Expenses	2,557,182	2,667,238	2,917,690	3,395,658	3,189,428	3,249,807	3,412,920	
Excess (Deficit) of Revenues over Expenses	6,779,581	2,358,804	34,698,806	4,409,032	1,117,267	1,124,050	485,584	
Other								
Grants, Subsidies etc	1,902,000	2,007,135	-	1,737,108	-	1,896,804	-	11
Excess (Deficit) of Revenues over Expenses	8,681,581	4,365,939	34,698,806	6,146,140	1,117,267	3,020,855	485,584	
Accumulated Surplus (Deficit) Beginning of year	21,096,948	29,778,528	34,144,468	68,843,274	74,989,414	76,106,834	79,127,688	
Accumulated Surplus (Deficit) End of Year	29,778,528	34,144,468	68,843,274	74,989,414	76,106,834	79,127,688	79,613,273	
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 \$								
	2019	2020	2021	2022	2023	2024	2025	Notes
Operating Transactions								
Total Operating Revenues	11,238,763	7,020,444	37,608,150	9,524,641	4,280,745	6,227,002	3,854,166	12
Total Cash for Operating Expenses	2,805,026	2,926,516	3,188,939	3,679,441	3,486,335	3,560,456	3,830,998	13
Total Cash for Water Service Contract	-	-	-	-	-	-	-	8
Excess of Revenues Over Expenses	8,433,737	4,093,928	34,419,211	5,845,200	794,410	2,666,545	23,168	
Deduct Non Cash Charges to Operations								
Amortization	493,317	566,826	931,040	1,298,690	1,340,752	1,376,357	1,430,463	14
Loss on the Disposal of Assets	-	-	-	-	-	-	-	
Total	493,317	566,826	931,040	1,298,690	1,340,752	1,376,357	1,430,463	
Working Capital Items								
Accounts Receivable	-	-	-	-	-	-	-	
Inventory	-	-	-	-	-	-	-	
Capital Work in Progress	-	-	-	-	-	-	-	
Cash provided/used in Operating Transactions	8,927,054	4,660,754	35,350,251	7,143,891	2,135,162	4,042,903	1,453,631	
Capital Transactions								
Acquisition of TCAs	9,400,737	4,965,940	34,771,239	6,574,910	980,398	4,041,380	5,053,946	3
Proceeds on Disposal of TCA	-	-	-	-	-	-	-	
Cash provided/used in Capital Transactions	9,400,737	4,965,940	34,771,239	6,574,910	980,398	4,041,380	5,053,946	
Investing Transactions								
Proceeds from Investments	-	12,734	8,347	17,157	25,949	43,660	44,338	6
Cash (used in) Provided by Investing Activities	-	-	-	-	-	-	-	
Cash Provided/used in Investing Transactions	-	12,734	8,347	17,157	25,949	43,660	44,338	
Financing Transactions								
Proceeds from Debentures/Loans	-	-	-	-	-	-	2,500,000	2
Proceeds from Grants and Subsidies	-	-	-	-	-	-	-	11
Repayment of Working Deficit	-	-	-	-	-	-	-	
Cash Provided by/(used) in Financing Activities	-	-	-	-	-	-	2,500,000	
Increase (decrease) in Cash Equivalents	(473,683)	(292,453)	587,358	586,138	1,180,713	45,182	(1,055,977)	
Cash and Cash Equivalents at the beginning of the Year	1,322,588	848,905	556,453	1,143,811	1,729,949	2,910,662	2,955,844	
Cash and Cash Equivalents at the End of the Year	848,905	556,453	1,143,811	1,729,949	2,910,662	2,955,844	1,899,867	
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.
2. The water system has three outstanding loans at this time. One is a \$3 million 20-year loan taken out for Stayner water in 2006, with an outstanding principal of \$1.46 million as of December 31, 2018. 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, with a balance outstanding of \$520,094 as of December 31, 2018. A third loan for \$1.15 million was taken out in 2017 and it had a balance outstanding of \$1.1 million as of December 31, 2018. This loan is 80% recoverable through development charges. An additional loan of \$2.5 million has been tentatively projected for 2025 with a 20-year amortization at 3.0% per annum, if it is determined that a number of cast iron pipes, installed in 1917, need to be replaced in 2025. The 2025 loan, if required, would be paid for solely by user fees.
3. 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 2019 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.
4. 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.
5. These revenues include water meter fees, hook-up charges; interest on late payments and sundry other minor revenue sources.
6. This revenue is the interest at 1.5% per annum earned on the previous end of year water operating and water capital reserve surplus.
7. Operating costs are assumed to increase at 2-3% per annum for most items.
8. This is a space holder and not in current use.
9. This is the annual amortization of the water system capital investments that involve renewal of existing assets that reach the end of their life from 2019-2025, those that were constructed before 2019 and will reach the end of their expected lifetime after 2025 and assets constructed between 2019-2025 to accommodate growth or to upgrade the system.
10. 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.
11. Grants, subsidies and other contributions attributable to new development are proposed to cover part of the cost of a number of projects. This funding of the capital projects was taken from the data provided in the June 2019 Development Charge Background Study carried out for the Township.

12. Revenues from all sources are summarized on this line including user fees, other user charges and development charges fees. Interest earned on funds kept in water reserves is not included on this line and is shown below.
13. Operating expenses on this line include amortization as well as principal and interest payments on outstanding loans.
14. Amortization is added back as revenue effectively subtracting it from expenses to produce a statement of financial assets. Amortization represents a non-financial entity.

Appendix 1

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.