



# CLEARVIEW

**The Township of Clearview**

**Drinking Water System**

**6 Year Water Financial Plan 2015-2020**

**October 27, 2014**



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## 1. INTRODUCTION

The Township of Clearview has 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 August 22, 2014. The FINAL RATE REPORT estimates the capital renewal requirements from 2014 to the year 2105 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.

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 2020. This includes the anticipated capital investments to accommodate growth, assets renewed at some point from 2014 to 2020 as well as those assets built before 2014 that reach the end of their projected life after 2020.

### 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 second such plan prepared by the Township and follows the plan prepared in 2010.

## 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 systems with the number of connections for 2013 is set out below:

- Stayner - The water system serves 1,592 residential and business connections, including the large food processing facility.
- Creemore – This system has 542 connections.
- New Lowell – 346 connections
- Buckingham Woods – 23 connections
- Nottawa (McKean) – 140 connections
- Collingwoodlands – 77 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 3% per annum and energy and chemicals are projected to increase at 6% per annum for the 2014-2020 periods.

### 2.2 Capital renewal

Capital renewal costs have been projected to 2105 by utilizing data provided by Burnside, the Township engineer, in 2005 and updated by staff for 2006 to 2014. 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 2105.

The intent of the operating plan is to ensure that funding will be available, when needed, for the projected capital renewal costs between 2015 and 2105. 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 capital growth is anticipated in several communities served by the water system. This growth is funded by development charges, grants and subsidies.

### 2.3 Debt servicing costs

The water system has two 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 \$2.19 million as of December 31, 2013. 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 \$684,399 as of December 31, 2013. An additional loan of \$2.8 million has been projected for 2016 with a 20-year amortization at 3.5% per annum.

### 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 \$40,000, inflated annually, has been budgeted in the operating plan from 2015 to 2025.

## 3. 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 loans 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 2014-2020 period utilizing the recommendations of the June 2014 Development Charge Background Study prepared for the Township.

### 3.2 New Debt

New debt is projected for 2016 in order to supply funds to renew assets. It is projected that a \$2.8 million loan will be needed at that time. This will pay for recent capital renewal projects as well as the near term renewal of some older water mains in Stayner and Creemore.

### 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 2% per annum in inflated dollars, if the full projected growth materializes, as anticipated in the June 2014 Development Charge Background Study, or 4.1% per annum if one-half the projected anticipated growth takes place. 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, with energy and chemical costs increasing at 6% 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 2014 to 2020, recommended in the FINAL RATE REPORT. Council subsequently approved them.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Full Projection</b>							
Fixed Portion per Year	163	163	164	165	167	168	169
Variable Portion per M3	1.94	1.99	2.06	2.08	2.17	2.23	2.27
<b>Half Projection</b>							
Fixed Portion per Year	163	173	187	191	201	208	213
Variable Portion per M3	1.94	1.99	2.08	2.16	2.32	2.43	2.54

## 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 (2014-2020) 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:

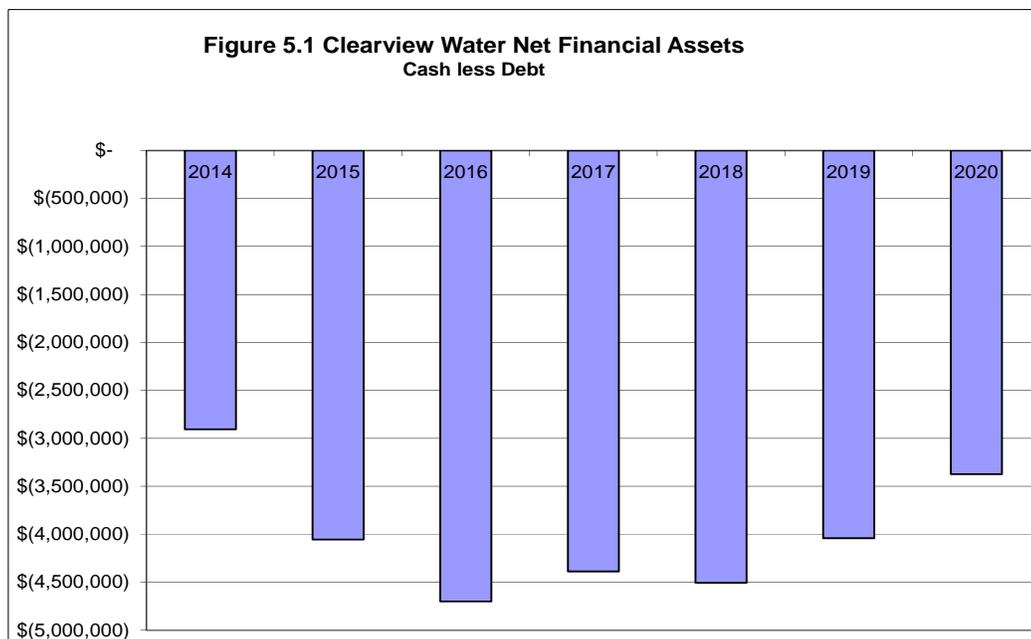
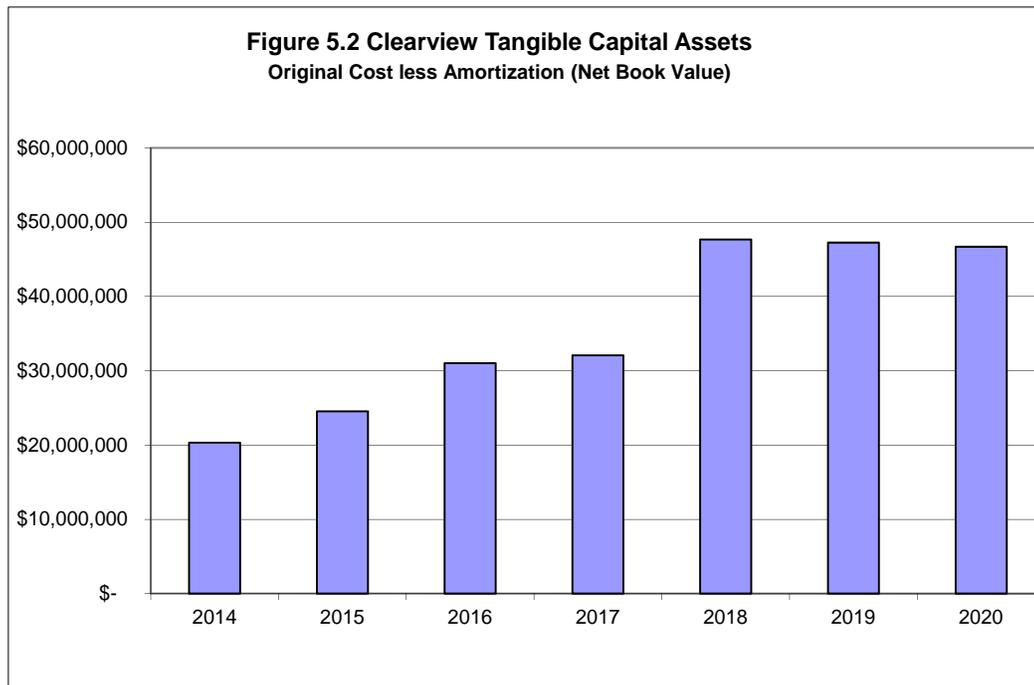


Figure 5.1 shows that that the system is in deficit in 2014 due to the renewal of water system assets. The new loan in 2016 will add to the deficit. After 2016, the deficit is reduced but remains in deficit through 2020. All figures are in inflated dollars.

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

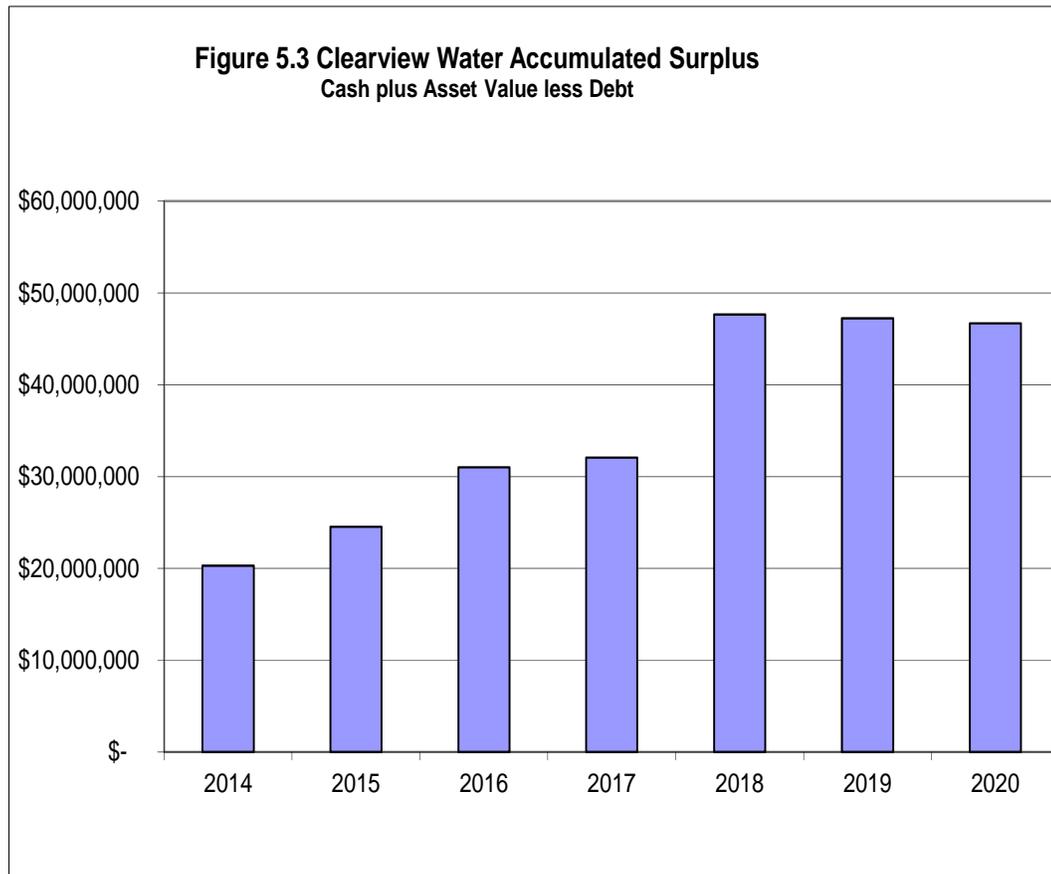
capital assets is part of PSAB compliance. The current value of the capital assets is termed net book value (NBV). It is the original cost of an asset less the accumulated amortization. Tangible capital assets, once installed, are being used, and are immediately decreasing in value. Annual amortization is determined by dividing the original cost of an asset by its expected lifetime in years. 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. 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, 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. 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 more than double from 2014 to 2020, as anticipated in the June 2014 Development Charge Background Study, due to the construction of infrastructure to accommodate new development. This new development will be paid 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 more than double the 2014 accumulated surplus by 2020, due to the substantial anticipated amount of infrastructure construction needed to accommodate growth. From 2018 to 2020, the accumulated surplus declines slightly as the anticipated new investment slows and amortization exceeds the growth of cash reserves and the new investment.

## 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.

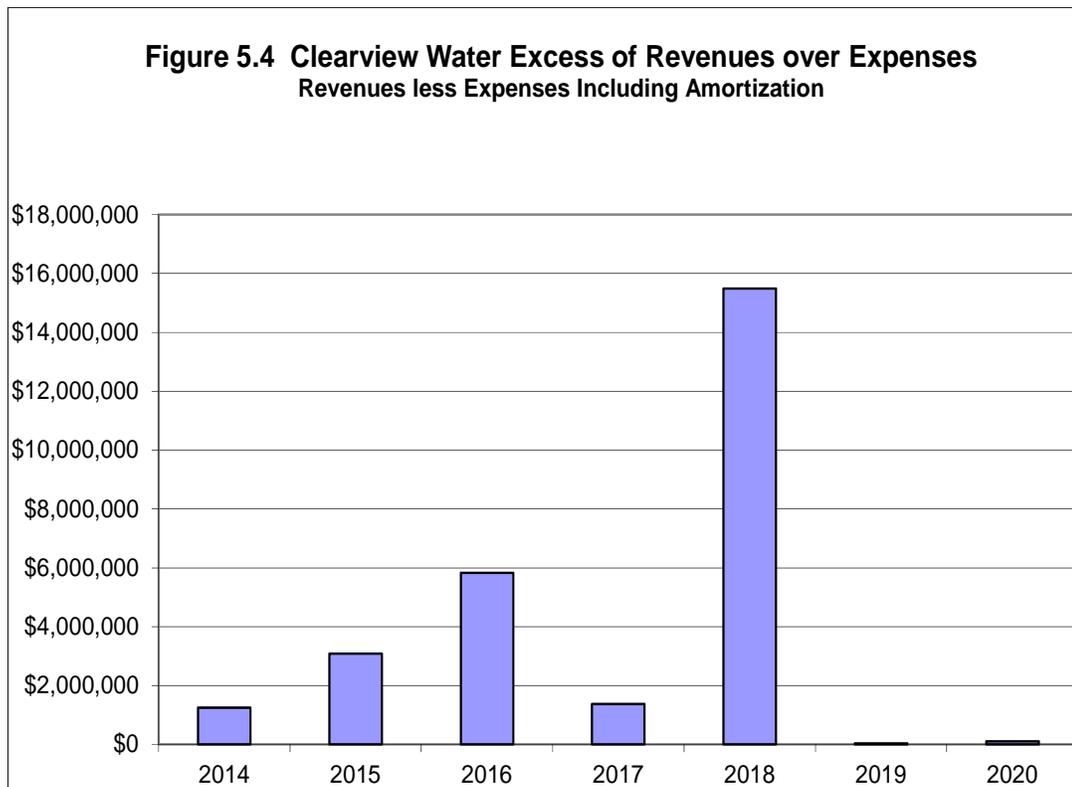


Figure 5.4 indicates that the system is projected to have a surplus of revenues over expenses for 2014 to 2020 although the surplus is very small in 2019 and 2020. This results from an anticipated 2.25 times increase in annual amortization in 2020 compared to 2014. Should the growth anticipated in the May 2014 Development Charges Background Study materialize, then the resulting increased level of amortization should be considered in the next rate review.

### 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.

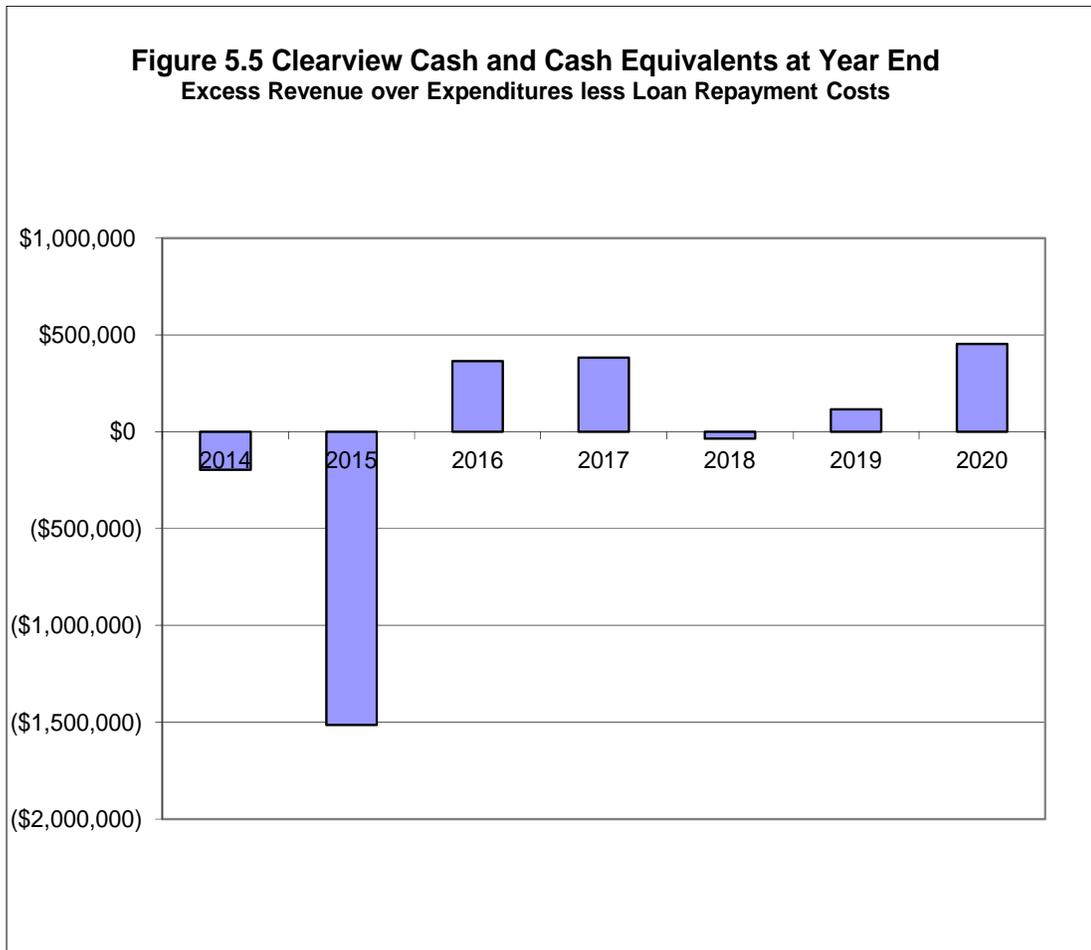


Figure 5.5 indicates that the cash equivalents, in inflated dollars, are in deficit in 2014 and 2015 and then generally increase to 2020. This cash balance puts the Township in a position to fund some unexpected maintenance projects before 2020. The FINAL RATE REPORT provides a plan to maintain the level of cash and cash equivalents to 2025.

#### 5.4 Conclusion

The Clearview water system is anticipated to experience substantial infrastructure growth supported by development charges. Asset book values more than double from 2014 to 2020. Cash balances are improved from 2014 to 2020. User fees are increased to cover the increased amortization resulting from the anticipated infrastructure development. Debt is to be taken on in 2016 and again in 2022 in order to spread out the financing of some major capital renewal. More growth is anticipated post 2020. 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. 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

<b>Table 6.1 Statement of Financial Position - Township of Clearview Water System - Inflated \$</b>								
	2014	2015	2016	2017	2018	2019	2020	Notes
<b>Financial Assets</b>								
Cash and Cash Equivalents	(196,805)	(1,514,784)	364,517	383,261	(35,711)	115,633	454,593	1
Accounts Receivable	-	-	-	-	-	-	-	
Deposits	-	-	-	-	-	-	-	
<b>Total Financial Assets</b>	<b>(196,805)</b>	<b>(1,514,784)</b>	<b>364,517</b>	<b>383,261</b>	<b>(35,711)</b>	<b>115,633</b>	<b>454,593</b>	
<b>Liabilities</b>								
Accounts Payable (Capital)	-	-	-	-	-	-	-	
Debt Principal	2,709,440	2,540,276	5,064,160	4,770,560	4,470,016	4,156,176	3,828,440	2
Working Deficit								
Other liabilities	-	-	-	-	-	-	-	
<b>Total Liabilities</b>	<b>2,709,440</b>	<b>2,540,276</b>	<b>5,064,160</b>	<b>4,770,560</b>	<b>4,470,016</b>	<b>4,156,176</b>	<b>3,828,440</b>	
<b>Net Financial Assets (Debt)</b>	<b>(2,906,246)</b>	<b>(4,055,060)</b>	<b>(4,699,643)</b>	<b>(4,387,299)</b>	<b>(4,505,727)</b>	<b>(4,040,543)</b>	<b>(3,373,846)</b>	
<b>Non Financial Assets</b>								
Tangible Capital Asset Cost	25,142,740	26,705,689	31,329,540	38,263,761	39,838,219	55,981,061	56,358,152	3
Additions to Tangible Capital Assets - Cost	1,562,946	4,623,849	6,934,224	1,574,459	16,142,842	377,091	246,567	
Accumulated Amortization incl. Addition	6,387,003	6,784,912	7,256,006	7,769,844	8,308,999	9,105,568	9,911,063	4
<b>Total Non Financial Assets</b>	<b>20,318,683</b>	<b>24,544,626</b>	<b>31,007,757</b>	<b>32,068,377</b>	<b>47,672,062</b>	<b>47,252,584</b>	<b>46,693,656</b>	
<b>Accumulated Surplus/(deficit)</b>	<b>17,412,437</b>	<b>20,489,566</b>	<b>26,308,115</b>	<b>27,681,078</b>	<b>43,166,335</b>	<b>43,212,041</b>	<b>43,319,809</b>	
<b>Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.</b>								

6.2. Statement of Financial Operations

<b>Table 6.2 Statement of Financial Operations - Township of Clearview Water System - Inflated \$</b>								
	2014	2015	2016	2017	2018	2019	2020	Notes
<b>Revenues</b>								
User Fees	1,981,635	2,050,000	2,190,000	2,321,400	2,550,000	2,730,000	2,900,000	
Other Revenues	22,100	23,096	24,340	26,207	28,074	29,941	31,808	5
Interest on Reserves	(2,647)	(6,888)	(53,017)	5,468	5,749	(4,842)	(598)	6
Development Charges	714,826	1,514,687	4,734,906	1,481,394	25,250,628	128,598	143,540	
<b>Total Revenues</b>	<b>2,715,913</b>	<b>3,580,894</b>	<b>6,896,229</b>	<b>3,834,469</b>	<b>27,834,451</b>	<b>2,883,697</b>	<b>3,074,749</b>	
<b>Expenses</b>								
Operating	1,389,307	1,430,175	1,614,246	1,705,550	1,779,871	1,824,529	2,026,573	7
Water Service Contract	-	-	-	-	10,453,726	-	-	8
Debt Interest	137,550	129,683	217,141	199,677	192,734	179,437	165,541	
Amortization	356,918	397,909	462,283	513,838	538,201	796,569	805,495	9
Loss on Disposal of Assets	-	-	-	-	-	-	-	
Lead Abatement	-	-	-	-	-	-	-	
Source Water Protection	-	40,000	41,200	42,436	43,709	45,020	46,371	10
<b>Total Expenses</b>	<b>1,883,775</b>	<b>1,997,767</b>	<b>2,334,869</b>	<b>2,461,501</b>	<b>13,008,240</b>	<b>2,845,555</b>	<b>3,043,980</b>	
Excess (Deficit) of Revenues over Expenses	832,138	1,583,127	4,561,360	1,372,967	14,826,210	38,141	30,769	
<b>Other</b>								
Grants, Subsidies etc	414,000	1,494,000	1,266,000	-	660,000	-	77,000	11
Excess (Deficit) of Revenues over Expenses	1,246,138	3,077,127	5,827,360	1,372,967	15,486,210	38,141	107,769	
Accumulated Surplus (Deficit) Beginning of year	16,166,303	17,412,441	20,489,569	26,308,114	27,681,082	43,166,335	43,212,042	
Accumulated Surplus (Deficit) End of Year	17,412,441	20,489,569	26,308,114	27,681,082	43,166,335	43,212,042	43,319,810	
<b>Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.</b>								

6.3 Statement of Change in Cash Flow

<b>Table 6.3 Statements of Change in Cash Flow - Township of Clearview Water System - Inflated \$</b>								
	2014	2015	2016	2017	2018	2019	2020	Notes
<b>Operating Transactions</b>								
Total Operating Revenues	2,718,561	3,587,782	6,949,247	3,829,001	27,828,702	2,888,538	3,075,347	12
Total Cash for Operating Expenses	2,045,052	2,166,931	2,610,986	2,755,101	2,855,059	3,151,833	3,371,716	13
Total Cash for Water Service Contract	-	-	-	-	10,453,726	-	-	8
Excess of Revenues Over Expenses	673,508	1,420,852	4,338,260	1,073,900	14,519,918	(263,295)	(296,369)	
<b>Deduct Non Cash Charges to Operations</b>								
Amortization	356,918	397,909	462,283	513,838	538,201	796,569	805,495	14
Loss on the Disposal of Assets	-	-	-	-	-	-	-	
Total	356,918	397,909	462,283	513,838	538,201	796,569	805,495	
<b>Working Capital Items</b>								
Accounts Receivable	-	-	-	-	-	-	-	
Inventory	-	-	-	-	-	-	-	
Capital Work in Progress	-	-	-	-	-	-	-	
Cash provided/used in Operating Transactions	1,030,427	1,818,760	4,800,543	1,587,738	15,058,118	533,274	509,126	
<b>Capital Transactions</b>								
Acquisition of TCAs	1,562,946	4,623,849	6,934,224	1,574,459	16,142,842	377,091	246,567	3
Proceeds on Disposal of TCA	-	-	-	-	-	-	-	
Cash provided/used in Capital Transactions	1,562,946	4,623,849	6,934,224	1,574,459	16,142,842	377,091	246,567	
<b>Investing Transactions</b>								
Proceeds from Investments	(2,647)	(6,888)	(53,017)	5,468	5,749	(4,842)	(598)	6
Cash (used in) Provided by Investing Activities	-	-	-	-	-	-	-	
Cash Provided/used in Investing Transactions	(2,647)	(6,888)	(53,017)	5,468	5,749	(4,842)	(598)	
<b>Financing Transactions</b>								
Proceeds from Debentures/Loans	-	-	2,800,000	-	-	-	-	2
Proceeds from Grants and Subsidies	414,000	1,494,000	1,266,000	-	660,000	-	77,000	11
Repayment of Working Deficit	-	-	-	-	-	-	-	
Cash Provided by/(used) in Financing Activities	414,000	1,494,000	4,066,000	-	660,000	-	77,000	
Increase (decrease) in Cash Equivalents	(121,166)	(1,317,976)	1,879,302	18,746	(418,975)	151,342	338,961	
Cash and Cash Equivalents at the beginning of the Year	(75,638)	(196,805)	(1,514,781)	364,521	383,267	(35,708)	115,633	
Cash and Cash Equivalents at the End of the Year	(196,805)	(1,514,781)	364,521	383,267	(35,708)	115,633	454,594	

**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 system has two loans outstanding as of December 31, 2013. One is a 20-year loan taken out for Stayner water in 2006 with an outstanding principal of \$2.19 million as of December 31, 2013. This loan is 55% recovered through development charges with the balance from user fees. The second is a Creemore water loan taken out in 2009 for 20 years, with a balance outstanding of \$684,399 as of December 31, 2013. A third loan of \$2.8 million is proposed for 2016 at an interest rate of 3.5% for 20 years. The latter two loans are covered from 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 2014 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 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 and 3.5% of any end of year deficits.
7. Operating costs are assumed to increase at 3% per annum for most items and 6% per annum for energy and chemicals.
8. The water service contract represents a very substantial one-time buy in of capacity from the Collingwood to Alliston water pipeline. It is not a tangible capital asset for Clearview.
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 2014-2020, those that were constructed before 2014 and will reach the end of their expected lifetime after 2020 and assets constructed between 2014-2020 to accommodate growth.
10. Source protection is the amount set aside to 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 2014 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 subtracted from the line above 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.