



The Town of South Bruce Peninsula
South Bruce Peninsula Drinking Water Systems

Financial Plan

#094-301A

September 9, 2014

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1. Introduction

The financial plan contained herein has been prepared in accordance with O.Reg. 453/07, as well as the provisions of the financial planning guidelines published by the Ministry of the Environment (MOE) in August 2007 entitled “Toward Financially Sustainable Drinking-Water and Wastewater Systems”.

In accordance with O.Reg. 453/07 and Schedule A of the Town of South Bruce Peninsula (Town) Drinking Water Licence, this financial plan (financial plan number 094-301A) has been prepared as per the required date of September 27, 2014.

The financial plan was prepared for the South Bruce Peninsula Drinking Water System (DWS), based on information supplied by the Town including future capital and major maintenance projects, water system financial information, as well as tangible capital asset information that the Town generated in accordance with the Public Sector Accounting Board (PSAB) standard PS 3150 requirements.

The information supplied by the Town was used to generate a financial operating plan that forecasted future annual expenditure requirements from the year 2014 through to 2020. A revenue plan, relying on user fees, debt and senior government grants was generated to support the expenditure requirements outlined in the operating plan. The information generated in the operating and revenue plans along with the tangible capital asset information was used to develop a financial plan for the South Bruce Peninsula DWS covering a six year study period from 2014 to 2020 in accordance with O.Reg. 453/07 requirements.

1.1 Legislative Context to Financial Planning

There have been a number of legislative initiatives affecting water system management and operations over the past few years. 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 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 legislative changes. One change directly related to the development of this Financial Plan was the passage of the Safe Drinking Water Act, 2002 (SDWA). It requires owners of a municipal drinking water system to apply for and obtain a Municipal Drinking Water Licence. There are five elements that must be in place in order for the owner of a drinking water system to obtain a licence:

- 1) A Drinking Water Works Permit to establish or alter a drinking-water system.
- 2) An accepted Operational Plan. The Drinking Water Quality Management Standard (DWQMS) is the standard upon which operational plans are based. The plan documents an operating authority’s quality management system (QMS).

- 3) An Accredited Operating Authority. A third party audit of an operating authority's QMS will be the basis for accreditation.
- 4) A Permit to Take Water.
- 5) A Financial Plan 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 have not been published. 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 contains two key provisions that apply to an existing water system:

1. A person who makes an application under the Act for a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements of Reg. 453/07. O. Reg. 453/07, S. 1(1).
2. As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed Reg. 453/07. O. Reg. 453, S. 1(3).

Several other provisions are also set out in the regulation that must be met by a municipality operating a water system:

- The financial plan must be approved by a resolution that is passed by the Council of the municipality.
- The financial plan must apply to a period of at least six years.
- The first year to which the financial plan must apply must be the later of July 1, 2010 or six months after the first licence for the system was issued.
- The financial plan must be available, upon request, to members of the public at no charge and posted on the internet (if the municipality maintains a website).
- The municipality must provide notice as deemed appropriate to advise the public of the availability of the financial plan.

Once a system is licensed, the municipality's Financial Plan is required to be updated every five years, in conjunction with every application for license renewal. A full documentation of the financial plan regulation, O.Reg. 453/07 can be found in Attachment 1.

1.2 Recent 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 the assets of drinking water systems, be included in municipal financial statements. Stat 3150 came into effect on January 1, 2009.

The Clean Water Act, 2006 targets the protection of drinking water supplies through the development of collaborative, locally driven, science and watershed based source protection plans. According to the 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 by the time that their financial plans are required in order to effectively align with the anticipated approval timelines for source protection plans (2010-2012).

In June 2007, the government of Ontario proposed a lead action plan. The financial plans regulation requires municipalities' financial plans to include the costs associated with replacing lead service pipes that are part of their drinking water system.

1.3 Town of South Bruce Peninsula Water System

The Town operates two water systems, the Wiarton Water System and the Amabel Water System. The Amabel System is comprised of four water treatment plants: Amabel-Saubel, Foreman, Huron Woods and Oliphant that deliver drinking water to 396 connected properties and 112 vacant properties. The Wiarton System delivers to 900 connected properties and 51 vacant properties. The Ontario Clean Water Agency (OCWA) operates these systems.

1.3.1 Wiarton Water System

The Wiarton Water System draws raw water from Colpoy's Bay (Georgian Bay) that is sampled for testing prior to being treated with sodium hypochlorite for zebra mussel control and then routed to the Wiarton Water Treatment Plant.

The treatment plant is located at the north end of Bayview Street and is rated to produce 5,400 cubic metres per day (62.3 L/s) using both UV treatment and sodium hypochlorite disinfection.

Treated water is delivered to an estimated population of 2,300 residents via a network of PVC, CI and DI piping.

There is a 2,895 cubic metre elevated storage tank located on Gould Street as well as a booster station southeast of the storage tank.

1.3.2 Amabel-Saubel Water System

The Amabel-Saubel System draws water from three wells and uses both UV and sodium hypochlorite for disinfection. Treated water is delivered to the end user via a network of watermains.

1.3.3 Foreman Water System

The Foreman System draws water from one well and is treated using both UV and sodium hypochlorite for disinfection in a pumphouse on Foreman Drive prior to distribution.

1.3.4 Huron Woods Water System

The Huron Woods System draws water from four wells and is treated at a pumphouse on Birch Street using both UV and sodium hypochlorite for disinfection prior to distribution.

1.3.5 Oliphant Water System

The Oliphant Water System has been drawing treated water from the Warton system and operating as a booster system to deliver it to the Oliphant region. It is scheduled to be reinstated as a treatment plant for groundwater in September 2014.

2. Financial Operating Plan

The financial operating plan includes the full costs of operating the South Bruce Peninsula DWS on an ongoing basis and includes capital investments, operating costs, maintenance costs, administration costs, debt repayment and interest charges.

A financial operating plan for the South Bruce Peninsula DWS was developed using historical financial information and projecting the information forward to forecast the annual expenditure requirements, while taking into account, capital needs, inflation and any growth forecast.

2.1 Operating Expenses

Recurring operating expenses for the South Bruce Peninsula DWS including contracted operating services provided by OCWA, rental costs, municipal salaries, wages and benefits and miscellaneous administration costs that are forecasted to increase on an annual basis due to inflation. A 3% inflation rate increase per year was assumed for the above mentioned costs with the exception of utility costs, which are forecasted to increase at a rate of 6% per year. A component of the operating expenses is due to non-routine operational costs. They are classified under the heading major maintenance and consist of costs related to repair, maintenance and minor upgrades to the drinking water system.

2.2 Capital Costs

Although ongoing yearly maintenance and repair of the South Bruce Peninsula DWS is forecasted, many of these costs will be considered an expense rather than capital cost.

There are two primary categories of capital costs that will be implemented during the study period:

1. The replacement of old watermains and the installation of new watermains in future subdivisions. These projects occur throughout the entire study period. The replacement of older watermains will be funded by the capital reserves while the new development watermains will be funded through development charges.
2. Major treatment plant upgrades required to maintain the drinking water system in good condition. These projects will be funded primarily by user fees and other revenues such as connection fees, agreements with neighbouring towns and other taxes or levies.

Other than these two categories, any additional minor repairs or routine maintenance will be considered major maintenance and treated as a part of the operating expenses.

2.3 Debt Management

The South Bruce Peninsula DWS has 5 year and 9 year water debentures for the Sauble system with principal balances of \$59,875 and \$1,097,876 respectively at the end of 2013. The 5 year debenture is forecasted to be fully paid off at the end of year 2015 and the 9 year debenture by the end of year 2019. Based on the current forecast of expenditure requirements, there is no additional debt forecasted for the remainder of the study period.

2.4 Lead Pipe Replacement Costs

There are no costs expected for lead pipe replacement during the study period.

2.5 Source Water Protection Costs

There are no costs associated with source water protection forecasted for the South Bruce Peninsula DWS during the study period.

3. Funding Plan

A funding plan was developed to ensure that the annual expenditures forecasted in the financial operating plan can be sustained over the study period. The funding plan relies on operating revenues from the direct users of the drinking water system through water rates, in combination with government grants and other various sources of revenue. Development charges are also planned to assist with some larger capital costs. A government grant is expected in 2014 that will also contribute to the funding plan.

3.1 Water Rates

It is estimated that the Wiarton DWS currently (in 2014) services 1034 connections. Customers in Wiarton are charged a fixed, base rate of \$27/month as well as an additional \$1.48/m³ of water used. In addition to these fixed charges, there are a number of special charges that can be applied (e.g. a flat rate of \$20/month to users without meters at properties under construction).

The Amabel DWS currently (in 2014) services 392 connections that are connected to the system in addition to 113 connections on properties that are vacant or unoccupied.

Customers in Amabel that are connected to the system are charged a fixed, base rate of \$85.00/month as well as an additional \$1.36/m³ of water used. Connected properties are also charged a reserve water charge of \$25/month to assist in building a reserve for the water system. Customers not connected to the system are charged a fixed amount of \$35.00/month as well as a reserve water charge of \$25/month. Amabel applies special charges similar to the charges described above including the flat rate for properties that are under construction.

The proposed flat and metered water rates charged to consumers in Wiarton and Amabel can be found in Table 3.1 below. The rates for all types of units are the same for all users in 2014 and will continue this way throughout the study period. It is anticipated that all water charges will increase at a rate of 6% per year to fund the capital projects over the duration of the study period.

Table 3.1 – Water Rate Trends

| | Water Rate Trends | | | | | | |
|--|-------------------|----------|---------|----------|----------|----------|----------|
| | Historical | Proposed | | | | | |
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| <i>WIARTON – Fixed Charge (per month)</i> | \$27.00 | \$28.62 | \$30.33 | \$32.16 | \$34.09 | \$36.13 | \$38.30 |
| <i>WIARTON – Cost per m³</i> | \$1.48 | \$1.57 | \$1.66 | \$1.72 | \$1.87 | \$1.98 | \$2.10 |
| <i>AMABEL – Fixed Charge (per month)</i> | \$85.00 | \$90.10 | \$95.51 | \$101.24 | \$107.31 | \$113.75 | \$120.57 |
| <i>AMABEL – Cost per m³</i> | \$1.36 | \$1.44 | \$1.52 | \$1.62 | \$1.72 | \$1.82 | \$1.93 |
| <i>AMABEL - Reserve Water Charge (per month)</i> | \$25.00 | \$26.50 | \$28.09 | \$29.78 | \$31.56 | \$33.46 | \$35.46 |
| <i>Vacant Property Fixed Charge (per month)</i> | \$20.00 | \$21.20 | \$22.47 | \$23.82 | \$25.25 | \$26.76 | \$28.37 |

The forecasted rates were developed with the assumption that there will be no additional connections added to the system each year and a constant water use over the study period. These assumptions and rate increases can be updated as more current information becomes available from the rate setting study being completed that will accompany the Financial Plan.

3.2 Debt and Cash Reserves

There are two cash reserves for the Wiarton and Amabel systems; an operating rate stabilization reserve and a capital reserve.

At the beginning of 2014, there was \$46,094 in the Wiarton operating reserve and \$1,294,623 in the Wiarton capital reserve. Beginning in 2015, \$10,000 will be added to the operating reserve each year until the end of the study period, resulting in a balance of \$113,453 by the end of 2020. This reserve balance was assumed to be dedicated to emergency repairs and maintenance for the drinking water system. The capital reserve increases to \$1,671,999 by 2020, but \$454,816 is drawn from the reserve in 2020 for a large watermain project, resulting in a final balance of \$1,242,264 by the end of 2020.

Both the capital and operating reserves for the Amabel system have negative balances beginning in 2014 (-\$118,130 and -\$152,729 respectively). A 3.5% interest rate is charged to these debts. Each reserve is slowly built up during the study period reaching final balances of \$496,680 for the capital reserve and \$141,929 for the operating reserve.

3.3 Government Grant

The Town anticipates a government grant/subsidy in the year 2014 in the amount of \$150,746 to assist with the funding of the Claude & Brown Street Reconstruction project in 2014.

4. Financial Plan Summary – South Bruce Peninsula

This section provides a summary of principal features concerning the current and projected future state of the South Bruce Peninsula Drinking Water System. The financial information is contained in financial statements covering a minimum of 6 years (2014-2020) in compliance with O. Reg. 453. The detailed financial statements are set out in tabular form in Section 4. Notes regarding the financial statements are presented at the end of the financial statement section of this report.

4.1 Statement of Financial Position (Table 4.1)

An important feature of a water system is its net financial assets. A positive net financial asset indicates that the system has some 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 South Bruce Peninsula water system's net financial assets are shown in Figure 4.1.

Figure 4.1 – South Bruce Peninsula Net Financial Assets

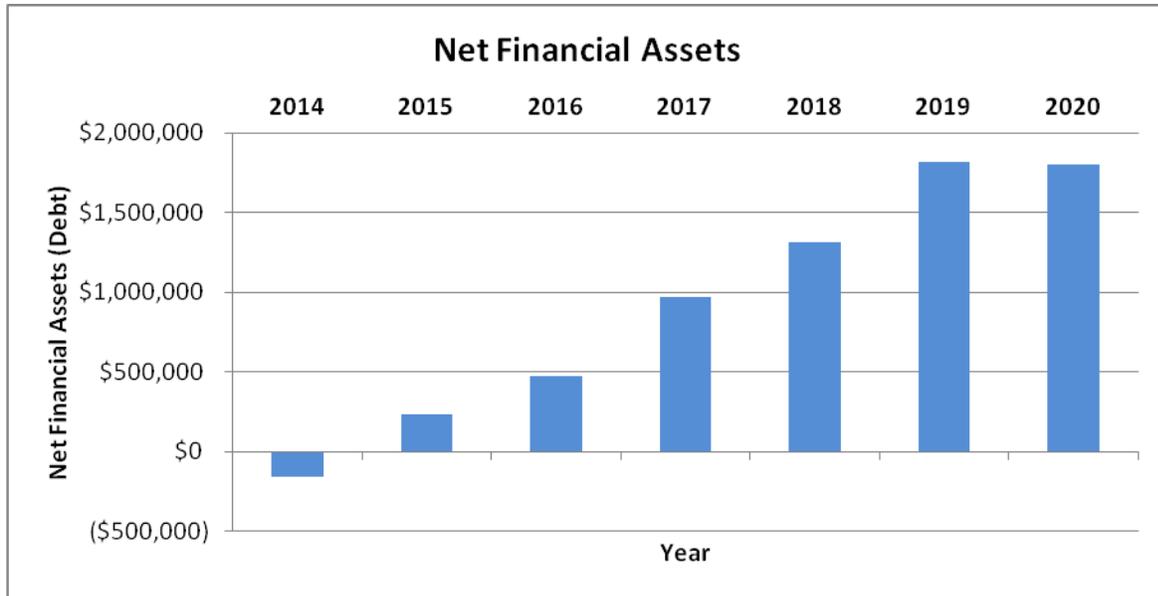


Figure 4.1 (above) shows that an increase in net financial assets is projected up until the end of the study period as the reserves are built up and principal debt decreases.

A second feature is the total value of the water system’s tangible capital assets (plant equipment, watermains). 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 difference between the original cost of an asset less the accumulated amortization.

Water systems have a great deal of resources tied up in tangible capital assets and managing these assets is critical to maintaining current and future levels of service. Tangible capital assets, once installed, are being used and are decreasing in value. An increase in net book value of tangible capital assets is an indication that assets have been renewed faster than they were used. A decrease in net book value indicates that assets are being used, or amortized, faster than they are renewed. The net book value of the assets is set out in Figure 4.2. The net book value for the Tangible Capital Assets of the South Bruce Peninsula DWS stays relatively constant from 2014 to 2017 as there are minor capital projects taking place during that time period. From 2017 to 2018, a large increase in the capital assets occurs due to a large watermain project anticipated in the new developments in Wiarton. The capital assets continue to steadily grow for the remainder of the study period.

Figure 4.2 – South Bruce Peninsula Tangible Capital Assets

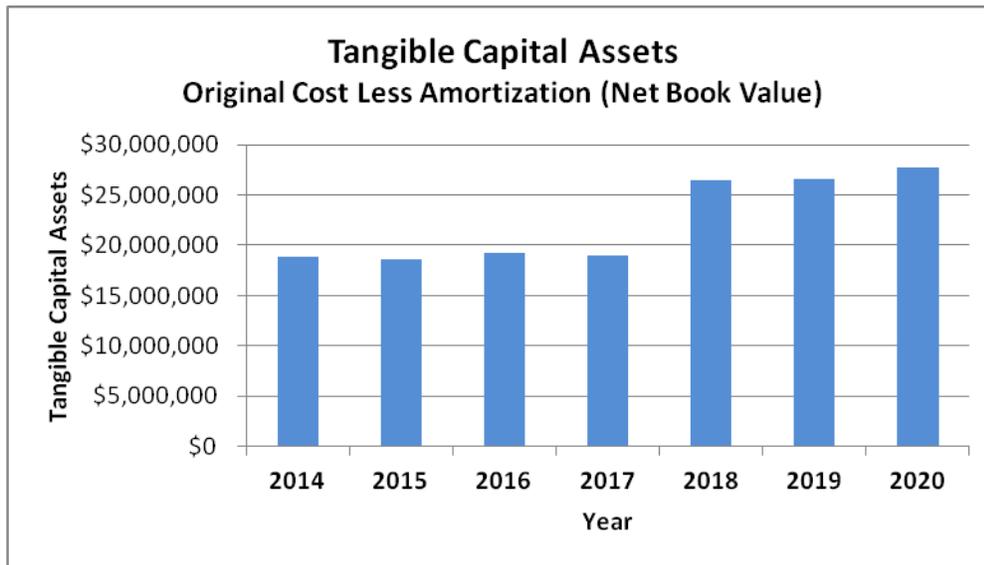
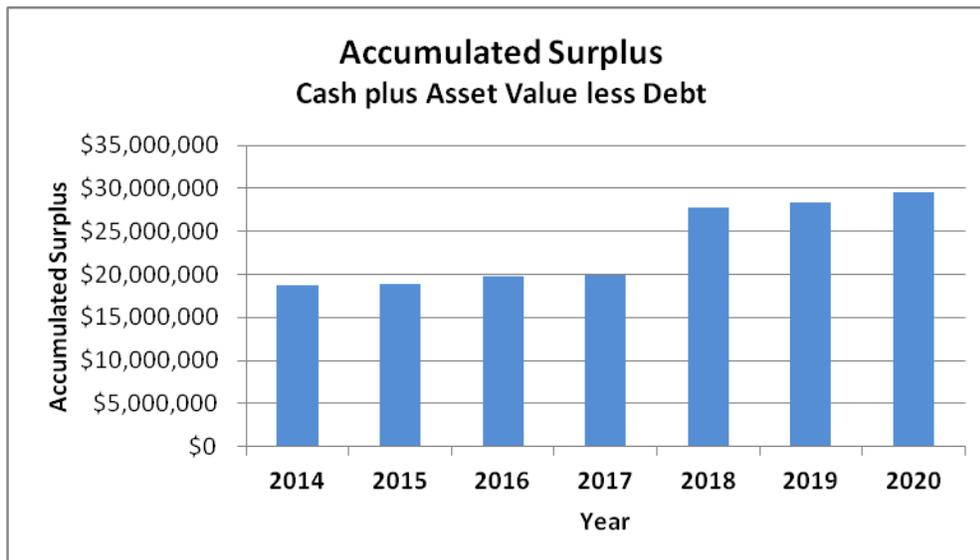


Figure 4.3 sets out the accumulated surplus. It represents cash on hand plus the net book value of tangible capital assets less debt. The water system is projected to show a decrease in accumulated surplus from 2014 to 2020. This is showing that the combined cash and asset position is strengthening over the study period. In other words, the build-up of cash reserves and capital assets is occurring at a fast enough pace to exceed the amortization or loss of value of the asset.

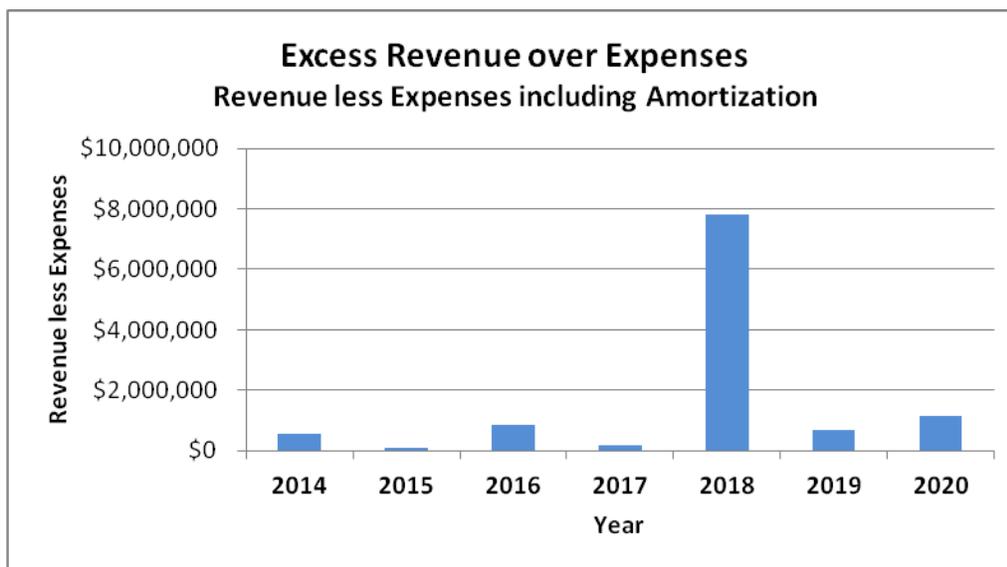
Figure 4.3 – South Bruce Peninsula Accumulated Surplus



4.2 Statement of Operations (Table 5.2)

This statement summarizes revenues and expenditures. The revenue includes revenues from connected users, interest earned, government grants and development charges. The expenditures include ongoing operating costs and asset amortization. Figure 4.4 projects that the system’s excess of revenues over expenses, including amortization, is mostly positive throughout the study period with a large spike in 2018 due to the large watermain project described in the previous section. This indicates that the annual revenues adequately fund ongoing operating costs and the yearly amortization expense of the system.

Figure 4.4 – South Bruce Peninsula Excess Revenue over Expenses



4.3 Continuous Improvement

The SDWA requires renewal of Municipal Drinking Water Licences every five years. The financial plan regulation requires the preparation and approval of a financial plan before making an application for renewal of a Drinking Water Licence. Thus each financial plan will require updating at a minimum frequency of every five years. This on-going update will assist in revisiting the assumptions made, in the original financial plan, to develop the operating and funding plans as well as re-assessing the need for capital renewal and major maintenance expenditures.

4.4 Conclusion

The South Bruce Peninsula DWS will rely on revenues from development charges and the capital reserves to fund a large portion of the capital costs. This scenario is forecasted to exist for much of the study period based on the current expenditure and funding plans, government grants, expenditure forecasts for operating and maintaining the drinking water systems as well as several other projected revenues to assist in funding capital projects.

In reviewing these statements, it is important to keep in mind that a number of assumptions have been made concerning future projects, inflation, interest rates, and growth projections. Actual numbers may significantly deviate from these over time. In addition, capital and major maintenance cost estimates and schedule may vary from current projections. There is a need to monitor the progress of this plan and make adjustments as needed.

The detailed financial statements are set out in tabular form in the following Section and were the basis for the above summary.

5. Financial Statements

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

Table 5.1 – Statement of Financial Position

| Statement of Financial Position | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Notes |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------|
| Financial Assets | | | | | | | | |
| Cash/Cash Equivalents | | | | | | | | |
| System Reserves | \$1,192,880 | \$1,387,520 | \$1,429,533 | \$1,718,894 | \$1,881,537 | \$2,200,580 | \$1,994,326 | 1 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Total Cash/Cash Equivalents | \$1,192,880 | \$1,387,520 | \$1,429,533 | \$1,718,894 | \$1,881,537 | \$2,200,580 | \$1,994,326 | |
| Investments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Accounts Receivable | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Total Financial Assets | \$1,192,880 | \$1,387,520 | \$1,429,533 | \$1,718,894 | \$1,881,537 | \$2,200,580 | \$1,994,326 | |
| Liabilities | | | | | | | | |
| Accounts Payable | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Debt Principle | \$1,352,529 | \$1,157,751 | \$957,671 | \$752,141 | \$571,902 | \$386,562 | \$195,977 | 2 |
| Working Deficit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Other liabilities | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Total Liabilities | \$1,352,529 | \$1,157,751 | \$957,671 | \$752,141 | \$571,902 | \$386,562 | \$195,977 | |
| Net Financial Assets (Debt) | (\$159,649) | \$229,769 | \$471,863 | \$966,753 | \$1,309,635 | \$1,814,018 | \$1,798,348 | |
| Non Financial Assets | | | | | | | | |
| Tangible Capital Asset Cost (Closing) | \$24,693,870 | \$24,884,986 | \$25,974,647 | \$26,165,246 | \$34,173,416 | \$34,967,217 | \$36,735,514 | 3 |
| Changes in Tangible Capital Assets - Additions/Betterments | \$694,450 | \$191,117 | \$1,089,661 | \$190,599 | \$8,008,170 | \$793,801 | \$1,768,297 | 4,5 |
| Tangible Capital Asset - Disposal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 4 |
| Accumulated Amortization (closing) | \$5,781,359 | \$6,246,247 | \$6,724,242 | \$7,214,736 | \$7,762,546 | \$8,371,485 | \$8,988,852 | 4 |
| Total Non Financial Assets | \$18,912,510 | \$18,638,739 | \$19,250,405 | \$18,950,510 | \$26,410,869 | \$26,595,732 | \$27,746,662 | |
| Accumulated Surplus(deficit) | \$18,752,861 | \$18,868,508 | \$19,722,268 | \$19,917,263 | \$27,720,505 | \$28,409,751 | \$29,545,011 | |

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

Table 5.2 – Statement of Financial Operation

| Statement of Financial Operations | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | |
|---|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------|
| Revenues | User Revenues | | | | | | | | |
| | Warton Revenues | \$981,386 | \$821,215 | \$1,533,187 | \$910,722 | \$8,559,594 | \$1,477,846 | \$1,910,202 | 6 |
| | Amabel Revenues | \$1,194,215 | \$921,923 | \$963,191 | \$976,201 | \$1,022,558 | \$1,071,689 | \$1,123,762 | 7 |
| | Total Revenue from Users | \$2,175,601 | \$1,743,138 | \$2,496,378 | \$1,886,923 | \$9,582,152 | \$2,549,535 | \$3,033,965 | |
| | Other | | | | | | | | |
| | Interest | \$0 | \$13,570 | \$18,197 | \$20,194 | \$25,590 | \$28,223 | \$33,009 | 8 |
| | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Total Revenues | | \$2,175,601 | \$1,756,708 | \$2,514,575 | \$1,907,117 | \$9,607,742 | \$2,577,758 | \$3,066,974 | |
| Expenses | Warton Expenses | \$552,890 | \$452,288 | \$468,432 | \$485,215 | \$502,666 | \$520,814 | \$539,690 | 9 |
| | Amabel Expenses | \$578,060 | \$543,768 | \$561,315 | \$579,465 | \$598,241 | \$617,665 | \$637,763 | 9 |
| | Warton Major Maintenance | \$0 | \$89,667 | \$54,597 | \$83,880 | \$62,516 | \$68,991 | \$47,031 | 10 |
| | Amabel Major Maintenance | \$0 | \$54,384 | \$67,712 | \$47,752 | \$73,389 | \$57,326 | \$80,330 | 10 |
| Expenses before interest and amortization | | \$1,130,950 | \$1,140,106 | \$1,152,056 | \$1,196,313 | \$1,236,812 | \$1,264,796 | \$1,304,814 | |
| | Debt Interest | \$35,070 | \$36,067 | \$30,764 | \$25,315 | \$19,878 | \$14,778 | \$9,533 | 2,11 |
| | Amortization | \$452,373 | \$464,888 | \$477,995 | \$490,494 | \$547,810 | \$608,939 | \$617,367 | 4 |
| Total Expenses | | \$1,618,393 | \$1,641,061 | \$1,660,815 | \$1,712,122 | \$1,804,500 | \$1,888,512 | \$1,931,713 | |
| | Excess of Revenues over Expenses before Other | \$557,208 | \$115,647 | \$853,760 | \$194,996 | \$7,803,242 | \$689,246 | \$1,135,260 | |
| | Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Excess of Revenues over Expenses | | \$557,208 | \$115,647 | \$853,760 | \$194,996 | \$7,803,242 | \$689,246 | \$1,135,260 | |
| Annual Surplus (Deficit) Beginning of year | | \$18,195,653 | \$18,752,861 | \$18,868,508 | \$19,722,268 | \$19,917,263 | \$27,720,505 | \$28,409,751 | |
| Accumulated Surplus (Deficit) End of Year | | \$18,752,861 | \$18,868,508 | \$19,722,268 | \$19,917,263 | \$27,720,505 | \$28,409,751 | \$29,545,011 | |

Note: Unaudited for Planning Purposes Only – Actual results will differ from the above and these difference could be material

Table 5.3 – Statement of Change in Cash Flow

| Statement of Cash Flow | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Operating Transactions | | | | | | | |
| Cash received from Revenues | \$2,175,601 | \$1,743,138 | \$2,496,378 | \$1,886,923 | \$9,582,152 | \$2,549,535 | \$3,033,965 |
| Cash paid for Operating Expenses | \$1,130,950 | \$1,140,106 | \$1,152,056 | \$1,196,313 | \$1,236,812 | \$1,264,796 | \$1,304,814 |
| Cash paid for Financing Charges (Debt Interest) | \$35,070 | \$36,067 | \$30,764 | \$25,315 | \$19,878 | \$14,778 | \$9,533 |
| Excess of Operating Revenues Over Operating Expenses | \$1,009,581 | \$566,964 | \$1,313,558 | \$665,295 | \$8,325,462 | \$1,269,961 | \$1,719,618 |
| Working Capital Items | | | | | | | |
| Accounts Receivable | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Inventory | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Capital Work in Progress | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cash provided by Operating Transactions | \$1,009,581 | \$566,964 | \$1,313,558 | \$665,295 | \$8,325,462 | \$1,269,961 | \$1,719,618 |
| Capital | | | | | | | |
| Acquisition of TCAs | (\$694,450) | (\$191,117) | (\$1,089,661) | (\$190,599) | (\$8,008,170) | (\$793,801) | (\$1,768,297) 5 |
| Proceeds on Disposal of TCA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cash used in Capital Transactions | (\$694,450) | (\$191,117) | (\$1,089,661) | (\$190,599) | (\$8,008,170) | (\$793,801) | (\$1,768,297) |
| Investing | | | | | | | |
| Cash (used in)/Provided by Investing Activities | \$0 | \$13,570 | \$18,197 | \$20,194 | \$25,590 | \$28,223 | \$33,009 2 |
| Increase (decrease) Cash Provided by Investing Activities | \$0 | \$13,570 | \$18,197 | \$20,194 | \$25,590 | \$28,223 | \$33,009 |
| Financing | | | | | | | |
| Repayment of Long Term Debt (principal) | (\$194,780) | (\$194,778) | (\$200,081) | (\$205,530) | (\$180,239) | (\$185,340) | (\$190,584) 11 |
| Interim Financing | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cash Provided by (used) in Financing Activities | (\$194,780) | (\$194,778) | (\$200,081) | (\$205,530) | (\$180,239) | (\$185,340) | (\$190,584) |
| Increase (decrease) in Cash Equivalents | \$120,351 | \$194,640 | \$42,013 | \$289,361 | \$162,643 | \$319,043 | (\$206,255) |
| Cash and Cash Equivalents at the beginning of the Year | \$1,072,529.00 | \$1,192,880 | \$1,387,520 | \$1,429,533 | \$1,718,894 | \$1,881,537 | \$2,200,580 |
| Cash and Cash Equivalents at the End of the Year | \$1,192,880 | \$1,387,520 | \$1,429,533 | \$1,718,894 | \$1,881,537 | \$2,200,580 | \$1,994,325 |

Note: Unaudited for Planning Purposes Only – Actual results will differ from the above and these difference could be material

6. Notes on the South Bruce Peninsula Water System Financial Plan

The South Bruce Peninsula Drinking Water System Financial Plan represents a forecast of the financial performance of the drinking water system over a study period starting in the year 2011 through to the year 2016. The following notes are intended to document and/or clarify some of the assumptions made in generating the financial information contained in the tables. The reader is cautioned that the financial plan contains un-audited financial information and is subject to change.

1. There are two cash reserves for the Wiarton and Amabel systems; an operating rate stabilization reserve and a capital reserve.

At the beginning of 2014 the Wiarton had \$46,094 in the operating reserve and \$1,294,623 in the capital reserve. The operating rate stabilization reserve will increase with a balance of \$113,453 by the end of 2020. The capital reserve fluctuates throughout the study period, ending in a final balance of \$1,242,264 by the end of 2020.

Both the capital and operating reserves for the Amabel system have negative balances of - \$118,130 and -\$152,729 respectively beginning in 2014. A 3.5% interest rate is charged to these debts. Each reserve is slowly built up during the study period reaching final balances of \$496,680 for the capital reserve and \$141,929 for the operating reserve.

2. The Amabel DWS has 5 year and 9 year water debentures with principal balances of \$59,875 and \$1,097,876, respectively at the end of 2013. The 5 year debenture is forecasted to be fully paid off at the end of year 2015 and the 9 year debenture by the end of year 2019.
3. Tangible Capital Assets Cost (Closing) includes changes (additions, disposals, write-downs) in tangible capital assets during the year.
4. Tangible Capital Assets (TCA) are assumed to have no residual value when they have reached the end of their projected useful life. The projected future costs of capital items include a 15% contingency (except for the new water meter installations). Amortization was determined using the straight line method. The calculation of Amortization begins mid-year of the year the asset is put into service.
5. TCA Additions –Capital projects are forecasted each year during the study period. Major capital works include: water meter replacement program as well as new pumps, SCADA upgrades, a diesel generator and interior tower coating for the Wiarton DWS.
6. Wiarton Revenues – Forecast of revenues expected from the Wiarton residents as well as other sources such as government grants and agreements with neighbouring Towns (Georgian Bluffs).
7. Amabel Revenues – Forecast of revenues expected from the Amabel residents, capital cost recovery levies and other minor revenue sources.

8. Interest – Interest charges are the combined interest generated by each of the four reserves (Wiaraton capital, Wiaraton operating, Amabel capital, Amabel operating).
9. Expenses – Recurring operating expenses for the South Bruce Peninsula DWS such as contracted operating services provided by OCWA, rental costs, municipal salaries, wages and benefits and miscellaneous administration costs. A 3% rate of increase per year was assumed for the above mentioned costs with the exception of utility costs, which are forecasted to increase at a rate of 6% per year.
10. Major maintenance - Major non-routine costs which are not capital items. The projected future costs of major maintenance items include a 15% contingency for all items.

Attachment 1

Ontario Regulation 453/07

Safe Drinking Water Act, 2002
ONTARIO REGULATION 453/07
FINANCIAL PLANS

Consolidation Period: From April 1, 2008 to the [e-Laws currency date](#).

Last amendment: O. Reg. 69/08.

This is the English version of a bilingual regulation.

Requirement to prepare financial plans

1. (1) A person who makes an application under clause 32 (1) (b) of the Act for a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 2. O. Reg. 453/07, s. 1 (1).

(2) A person who makes an application under subsection 32 (4) of the Act for the renewal of a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (2).

(3) As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (3).

(4) The Director shall include, as a condition in a municipal drinking water licence, the requirement set out in subsection (3) in any amendments to a license made after the application, if the condition is not satisfied at the time when the amendment is made. O. Reg. 453/07, s. 1 (4).

Financial plan requirements; new systems

2. For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (1) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by,
 - i. the council of the municipality, if the owner of the drinking water system is a municipality, or
 - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
2. The financial plans,
 - i. must include a statement that the financial impacts of the drinking water system have been considered, and
 - ii. must apply for a period of at least six years.
3. The first year to which the financial plan must apply is the year in which the drinking water system is expected to first serve the public.
4. For each year in which the financial plans apply, the financial plans must include details of the proposed or projected financial operations of the drinking water system itemized by,
 - i. total revenues, further itemized by water rates, user charges and other revenues,
 - ii. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
 - iii. annual surplus or deficit, and
 - iv. accumulated surplus or deficit.
5. The owner of the drinking water system must,
 - i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
 - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and

- iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 2.

Financial plan requirements; licence renewal

3. (1) For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (2) or a condition that is included in a municipal drinking water licence under subsection 1 (3) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that is passed by,
 - i. the council of the municipality, if the owner of the drinking water system is a municipality, or
 - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
2. The financial plans must apply to a period of at least six years.
3. The first year to which the financial plans must apply must be the year determined in accordance with the following rules:
 - i. If the financial plans are required by subsection 1 (2), the first year to which the financial plans must apply must be the year in which the drinking water system’s existing municipal drinking water licence would otherwise expire.
 - ii. If the financial plans are required by a condition that was included in a municipal drinking water licence under subsection 1 (3), the first year to which the financial plans must apply must be the later of 2010 and the year in which the first licence for the system was issued.
4. Subject to subsection (2), for each year to which the financial plans apply, the financial plans must include the following:
 - i. Details of the proposed or projected financial position of the drinking water system itemized by,
 - A. total financial assets,
 - B. total liabilities,
 - C. net debt,
 - D. non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and
 - E. changes in tangible capital assets that are additions, donations, write downs and disposals.
 - ii. Details of the proposed or projected financial operations of the drinking water system itemized by,
 - A. total revenues, further itemized by water rates, user charges and other revenues,
 - B. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
 - C. annual surplus or deficit, and
 - D. accumulated surplus or deficit.
 - iii. Details of the drinking water system’s proposed or projected gross cash receipts and gross cash payments itemized by,
 - A. operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges,
 - B. capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,
 - C. investing transactions that are acquisitions and disposal of investments,
 - D. financing transactions that are proceeds from the issuance of debt and debt repayment,
 - E. changes in cash and cash equivalents during the year, and
 - F. cash and cash equivalents at the beginning and end of the year.

- iv. Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.
 5. The owner of the drinking water system must,
 - i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
 - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
 - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
 6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 3 (1).
- (2) Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:
1. Sub-subparagraphs 4 i A, B and C of subsection (1).
 2. Sub-subparagraphs 4 iii A, C, E and F of subsection (1). O. Reg. 453/07, s. 3 (2).

Alternative requirements for two or more drinking water systems

4. If section 3 applies to the financial plans of two or more drinking water systems that are solely owned by the same owner, the requirements prescribed by the section may, as an alternative, be satisfied by financial plans that comply with the section but treat those systems as if they were one drinking water system. O. Reg. 453/07, s. 4.

Amendment of financial plans

5. Sections 2 and 3 do not prevent financial plans from being amended. O. Reg. 453/07, s. 5.

Additional information

6. The requirements of this Regulation do not prevent a person from providing additional information in financial plans prepared for the purpose of meeting the requirements of the Act. O. Reg. 453/07, s. 6.