



 **Watson  
& Associates**  
ECONOMISTS LTD.

# **Water Ontario Regulation 453/07 Financial Plan**

Municipality of Port Hope

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Financial Plan #146-301

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Watson & Associates Economists Ltd.  
905-272-3600  
[info@watsonecon.ca](mailto:info@watsonecon.ca)

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## List of Acronyms and Abbreviations

<b>Acronym</b>	<b>Full Description of Acronym</b>
D.C.	Development Charges
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
O.Reg.	Ontario Regulation
PSAB	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
T.C.A.	Tangible Capital Assets



# Chapter 1

## Introduction



# 1. Introduction

## 1.1 Study Purpose

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Watson & Associates Economists Ltd. (Watson) was retained by the Municipality of Port Hope (Municipality) to undertake an update to the 2014 Water and Wastewater Rate Study. Part of this undertaking is to prepare a Water Ontario Regulation 453/07 Financial Plan to address the submission requirements for maintaining a municipal drinking water license, as per the *Safe Drinking Water Act*. In general, a financial plan requires a forecast of the Municipality's financial statements for water services (i.e. statements of financial position, operations, changes in net financial assets/debts, and cashflow). The *Safe Drinking Water Act* requires that municipalities prepare a water financial plan for a forecast period spanning at least 6 years, and that this plan be submitted to the Ministry of Environment every 5 years. As per these requirements, the Municipality's Financial Plan must be approved by Council and submitted to the Ministry of Environment.

The Municipality is currently in the process of completing the 2020 Water and Wastewater Rate Study. This study will require Council to approve the water and wastewater net expenditure forecasts and corresponding funding sources to achieve full cost recovery from rate payers. This study is scheduled to go before Council later than the compliance deadline under the municipal drinking water license program. As such, an interim financial plan is being presented to Council for approval and submission to the Ministry of Environment to comply with the licensing requirements. This interim financial plan is based on the Municipality's approved 2015 Water Financial Plan with extension of the forecast period from 2024 to 2025 to comply with the minimum 6-year forecast period requirement.

It is anticipated that once the 2020 Water and Wastewater Rate Study is approved by Council, that the financial plan will be updated to reflect this approval. Correspondingly, the updated financial plan will be submitted to the Ministry of Environment at that time as an amendment to this interim Financial Plan.



## 1.2 Background

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The Safe Drinking Water Act (S.D.W.A.), “the Act”, was passed in December, 2002 in order to address the recommendations made by the Walkerton Inquiry Part II report. Note that S.D.W.A. has been amended several times since 2002. One of the main requirements of the Act is the mandatory licensing of municipal water providers. Section 31 (1) specifically states:

“No person shall,

- a) establish a new municipal drinking water system or replace or carry out an alteration to a municipal drinking water system except under the authority of and in accordance with an approval under this Part or a drinking water works permit; or
- b) use or operate a municipal drinking water system that was established before or after this section comes into force except under the authority of and in accordance with an approval under this Part or municipal drinking water licence.”

In order to become licensed, a municipality must satisfy five key requirements as per section 44(1):

1. Obtain a drinking water works permit.
2. Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard.
3. Accreditation of the Operating Authority.
4. Prepare and provide a financial plan.
5. Obtain permit to take water.

For licence renewals, the application must be accompanied by proof that the financial plan meets the prescribed requirements as per the Act s. 32(5)2.ii.



The preparation of a financial plan is a key requirement for licensing and as such, must be undertaken by all municipal water providers.

### **1.2.1 Financial Plan Defined**

Subsection 30 of the Act provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister. 2017, c. 2, Sched. 11, s. 6 (3).

As of time of writing, the *Sustainable Water and Sewage Systems Act, 2002* has been repealed (see Section 2.2 of this report) however, the standards that it directs underpin the specific requirements of s.30 as they are outlined in O.Reg. 453/07 and which will be examined in detail below.

### **1.2.2 Financial Plan Requirements – Existing System**

O.Reg. 453/07 provides details with regards to the financial plans for existing water systems. The requirements for existing systems are summarized as follows.

- Financial plans must be approved by resolution of Council (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the PSAB) for each year in which the financial plans apply;
- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per PSAB) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per PSAB) for each year in which the financial plans apply;





- Financial plans applicable to two or more solely owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

### **1.2.3 Financial Plan Requirements – General**

Given that the requirements for a financial plan is legislated under the Act, a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3(1)1. of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e. six months prior to license expiry). Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary.

The financial plan must contain on the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence.

### **1.2.4 Public Sector Accounting Board (PSAB) Requirements**

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1200 of the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook:

“Financial statements should include a Statement of Financial Position, a Statement of Operations, a Statement of Change in Net Debt, and a Statement of Cash Flow.”

The format required is to conform to the requirements of PS1200 and PS3150. The financial statements are to be reported on a full accrual accounting basis. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an



exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of financial position.

The accounting treatment of tangible capital assets is prescribed under section PS3150. Tangible capital assets are to be capitalized to ensure an inventory of the assets owned are recorded and to account for their ability to provide future benefits.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.



# Chapter 2

## Sustainable Financial Planning



## 2. Sustainable Financial Planning

### 2.1 Introduction

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In general, sustainability refers to the ability to maintain a certain position over time. While the Act requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, MECP released a guideline ("Towards Financially Sustainable Drinking-Water and Wastewater Systems") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water and Wastewater Services are provided below:

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.

Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.

Principle #3: Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.

Principle #4: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.

Principle #5: An asset management plan is a key input to the development of a financial plan.

Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.

Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.

Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.



Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal Council.

## 2.2 Sustainable Water and Sewage Systems Act

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The *Sustainable Water and Sewage Systems Act* (S.W.S.S.A.) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the “full cost” of providing their water and the wastewater services. In total, there were 40 areas within the Act to which the Minister could have made Regulations. It is noted that, the regulations, which accompany the Act, were not issued and the Act was repealed on December 31, 2012.

## 2.3 Water Opportunities Act, 2010 (Bill 72)

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Since the passage of the *Safe Drinking Water Act*, changes and refinements to the legislation have been introduced, including Bill 72. Bill 72 was introduced into legislation on May 18, 2010 and received Royal Assent on November 29, 2010, as the *Water Opportunities Act*.

The purposes of the *Water Opportunities Act* are to: foster innovative water, wastewater and storm water technologies, services and practices; create opportunities for economic development and clean-technology jobs; and conserve and sustain water resources. To achieve this Bill 72 provides for the creation of performance targets (financial, operational and maintenance related), which will vary by service type and location and the required submission of conservation and sustainability plans for water, wastewater and stormwater.

The sustainability plan in Bill 72 expands on interim legislation for financial plans included in O.Reg. 453/07, to include the following:

- an asset management plan for the physical infrastructure;
- financial plan;
- water conservation plan (for water service only);
- a risk assessment;
- a strategy for maintaining and improving the services; and



- additional information considered advisable.

Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details in regard to any time periods or time limits, contents of the plans, identifying which portions of the plan will require certification, the public consultation process (if required), limitations updates and refinements.

## **2.4 Infrastructure for Jobs and Prosperity Act (I.J.P.A), 2015**

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On June 4, 2015, the Province passed the Infrastructure for Jobs and Prosperity Act (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has 3 phases that municipalities must meet.

Every municipality in Ontario was required to prepare a strategic asset management policy by July 1, 2019. Municipalities are required to review their strategic asset management policies at least every five years and make updates as necessary. The subsequent phases are as follows:

- Phase 1 – Asset Management Plan (by July 1, 2021):
  - For core assets – Municipalities must have the following:
    - Inventory of assets;
    - Current levels of service measured by standard metrics; and
    - Costs to maintain levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2023):
  - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2024):
  - Builds on Phase 1 and 2 by adding:
    - Proposed levels of service; and
    - Lifecycle management and Financial strategy.



In relation to water (which is considered a core asset), municipalities will need to have an asset management plan that addresses the related infrastructure by July 1, 2021 (Phase 1). O.Reg. 588/17 specifies that the municipality's asset management plan must include the following for each asset category:

- the current levels of service being provided;
  - determined in accordance with the following qualitative descriptions and technical metrics and based on data from at most the two calendar years prior to the year in which all information required under this section is included in the asset management plan.
- the current performance of each asset category;
- a summary of the assets in the category;
- the replacement cost of the assets in the category;
- the average age of the assets in the category, determined by assessing the average age of the components of the assets;
- the information available on the condition of the assets in the category;
- a description of the municipality's approach to assessing the condition of the assets in the category, based on recognized and generally accepted good engineering practices where appropriate; and
- the lifecycle activities that would need to be undertaken to maintain the current levels of service.

Upon completion of the asset management plan for water, the Municipality will need to consider the impacts during the annual Water Budget and Business Plan process.

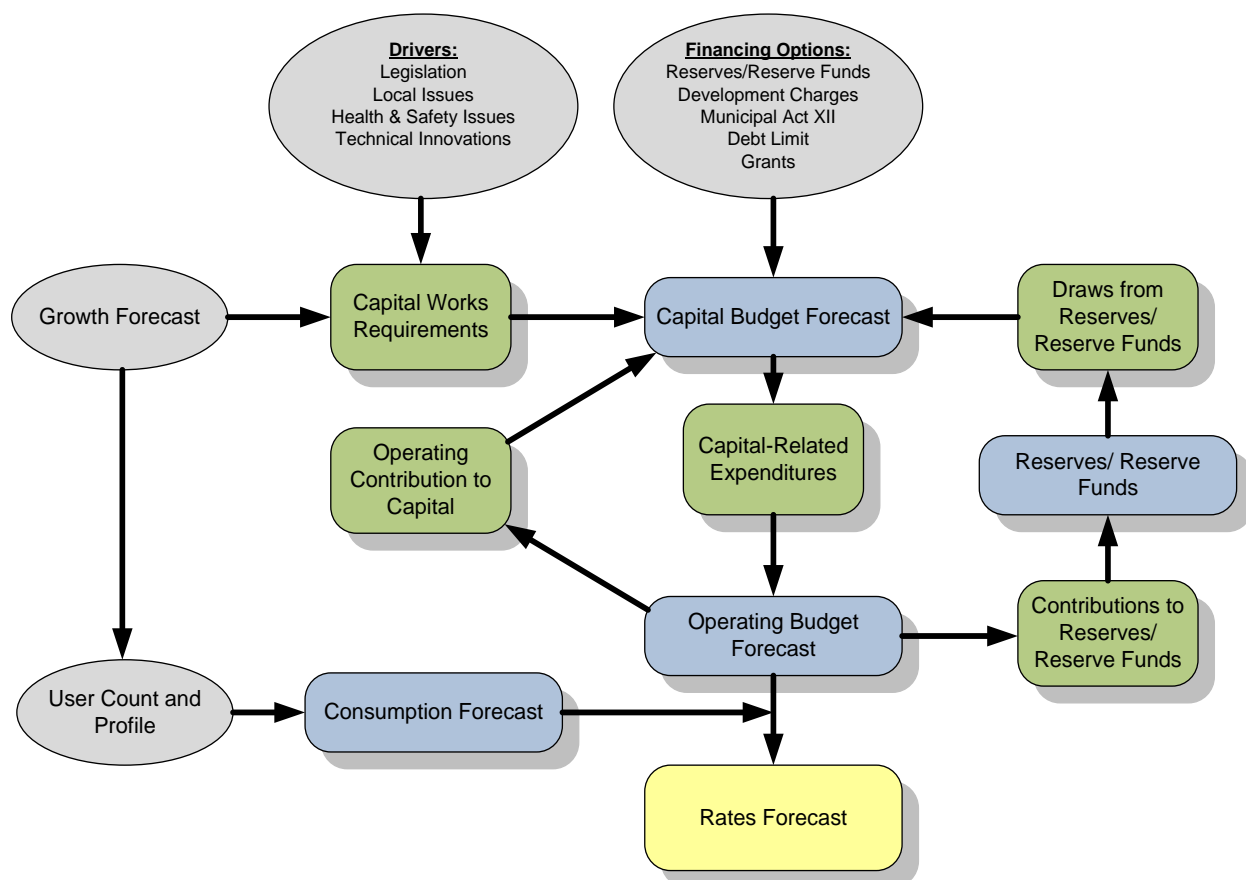
## **2.5 2014 Water and Wastewater Rate Study**

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As noted above, Watson has already completed extensive financial planning as documented in the 2014 Rate Study, as updated for this financial plan. The study process was designed to address “full cost” principles and reflect the guiding principles toward sustainable financial planning. Figure 2-1 below summarizes the process.



Figure 2-1  
Water (and Wastewater) Rate Calculation Process



As a result of employing this process, the 2014 Rate Study provides a sound financial plan for the Municipality's water system by providing:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources;
- An analysis of fixed and variable operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth;
- A review and recommendation on rate structures that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves ongoing consultation with the main stakeholders including the Municipality's staff, Council, the general public (specifically the users of the system) and others, with the aim of gaining input and collaboration on the sustainability of the financial plan.





The details of the financial plan arising from the 2014 Rate Study, as updated for this financial plan, are contained in Appendix A.



# Chapter 3

## Approach



## 3. Approach

### 3.1 Overview

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The 2014 Rate Study, as updated for this financial plan, has been prepared on a modified cash basis; therefore, a conversion was required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan.

### 3.2 Conversion Process

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The conversion from the existing modified cash basis financial plan to the full accrual reporting format required under O.Reg. 453/07 can be summarized in the following steps:

1. Calculate Tangible Capital Asset Balances
2. Convert Statement of Operations
3. Convert Statement of Financial Position
4. Convert Statement of Cash Flow and Net Assets/Debt
5. Verification and Note Preparation

#### ***3.2.1 Calculate Tangible Capital Asset Balances***

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized by the Municipality for the purposes of their annual PSAB 3150 compliance process. Given the prospective nature of the 2014 Rate Study, replacement cost is provided for each asset; however, historical cost (which is the original cost to purchase, develop, or construct each asset) is required for financial reporting purposes. Once historical cost is established, the following calculations are made to determine net book value:

- Accumulated amortization up to the year prior to the first forecast year.
- Amortization expense on existing assets for each year of the forecast period.
- Acquisition of new assets for each year of the forecast period.



- Disposals and related gains or losses for each year of forecast period.

Future water capital needs have also been determined and summarized within the 2014 Rate Study. However, these estimates only represent future assets that the Municipality anticipates purchasing or constructing without consideration for future assets that are contributed by developers and other parties (at no or partial cost to the Municipality). These contributed assets will form part of the infrastructure going forward in terms of the sustainability of the system and despite their non-monetary nature; future financial plans may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

Once the historical cost, accumulated amortization, and amortization expenses are calculated as described above, the total net book value of the tangible capital assets can be determined and recorded on the Statement of Financial Position.

### **3.2.2 Convert Statement of Operations**

A wide range of adjustments will be considered, dependent on the size and complexity of the system, in order to convert from the cash to full accrual basis. For example, debt repayment costs relating to the principal payment portion only needs to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are reported on the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives and therefore are added in under the accrual basis.



Table 3-1  
Conversion Adjustments  
Statement of Operations

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	464,434			464,434	Base Charge Revenue
Rate Based Revenue	2,759,463			2,759,463	Rate Based Revenue
Transfers from Reserves	803,571	803,571			
Other Revenue	100,200		803,571	803,571	Earned Development Charges and Gas Tax Revenue
<b>Total Revenues</b>	<b>4,127,668</b>		-	100,200	Other Revenue
				<b>4,127,668</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	1,999,600	115,000		2,114,600	Operating Expenses
Capital					
Transfers to Reserves	1,324,497		1,324,497		
Debt Repayment (Principal & Interest)	803,571		679,516	124,055	Interest on Debt
		1,268,851		1,268,851	Amortization
<b>Total Expenditures</b>	<b>4,127,668</b>			<b>3,507,506</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>620,162</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			29,020,262	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>620,162</b>	<b>-</b>	<b>29,640,424</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>2,807,584</b>	<b>2,807,584</b>		

**Note:** The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



### **3.2.3 Convert Statement of Financial Position**

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Table 3-2). The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Municipality and as such, will be difficult to isolate the information that is relevant to water. An example of this is accounts receivable, which may be administered centrally by the Finance Department. Ontario Regulation 453/07 allows for the exclusion of these numbers if they are not known at the time of preparing the financial plan. Please refer to the Financial Plan Notes in Chapter 4 for more details.

### **3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt**

The Statement of Cash Flow summarizes how the Municipality financed its activities or in other words, how the costs of providing services were recovered. The statement is derived using comparative Statement of Financial Position, the current Statement of Operations and other available transaction data.

The Statement of Change in Net Financial Assets/Debt is a statement which reconciles the difference between the surplus or deficit from current operations and the change in net financial assets/debt for the year. This is significant, as net debt provides an indication of future revenue requirements. In order to complete the Statement of Net Financial Assets/Debt, information regarding any gains/losses on disposals of assets, asset write-downs, acquisition/use of supplies inventory, and the acquisition use of prepaid expenses is necessary, (if applicable). Although the Statement of Change in Net Financial Assets/Debt is not required under O.Reg. 453/07, it has been included in this report as a further indicator of financial viability.



Table 3-2  
Conversion Adjustments  
Statement of Financial Position

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Accounts Receivable	483,585			483,585	Accounts Receivable
Accounts Receivable - Other	5,026,894			5,026,894	Accounts Receivable - Other
<i>Total Financial Assets</i>	<i>5,510,479</i>			<i>5,510,479</i>	<i>Total Financial Assets</i>
<b>LIABILITIES</b>					<b>Liabilities</b>
Bank Indebtedness	5,270,429			5,270,429	Bank Indebtedness
Accounts Payable & Accrued Liabilities	239,952			239,952	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	4,625,706			4,625,706	Debt (Principal only)
<i>Total Liabilities</i>	<i>10,136,087</i>			<i>10,136,087</i>	<i>Total Liabilities</i>
<b>Net Assets/(Debt)</b>	<b>(4,625,608)</b>			<b>(4,625,608)</b>	<b>Net Financial Assets/(Debt)</b>
		34,381,032	115,000	34,266,032	<b>Non-Financial Assets</b>
				<b>34,266,032</b>	Tangible Capital Assets
					<b>Total Non-Financial Assets</b>
<b>Municipal Position</b>					
Water Reserves	98	98	-		
Development Charge Reserve Fund	(5,026,894)	-	5,026,894		
Amounts to be Recovered	401,188	401,188	-		
<b>Total Municipal Position</b>	<b>(4,625,608)</b>		29,640,424	<b>29,640,424</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>34,782,318</b>	<b>34,782,318</b>		

**Note:** The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



### **3.2.5 Verification and Note Preparation**

The final step in the conversion process is to ensure that all of the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Municipality at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

The Statement of Change in Net Financial Assets/Debt and the Statement of Financial Position are also linked in terms of reporting on net financial assets/debt. On the Statement of Financial Position, net financial assets/debt is equal to the difference between financial assets and liabilities and should equal net financial assets/debt as calculated on the Statement of Net Financial Assets/Debt.

While not part of the financial plan, the accompanying notes are important to summarize the assumptions and estimates made in preparing the financial plan. Some of the significant assumptions that need to be addressed within the financial plan are as follows:

- a) Opening cash balances – Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained within the Municipality’s ledgers. However, it may not be possible to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

$$\begin{array}{l} \text{Ending Reserve/Reserve Fund Balance} \\ \text{Plus: Ending Accounts Payable Balance} \\ \text{Less: Ending Accounts Receivable Balance} \\ \text{Equals: Approximate Ending Cash Balance} \end{array}$$





- b) Amortization Expense – The method and timing of amortization should be based on the Municipality’s amortization policy.
- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the 2014 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Municipality’s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.



# Chapter 4

## Financial Plan



## 4. Financial Plan

### 4.1 Introduction

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The following tables provide the complete financial plan for the Municipality's water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Municipality's water system. It is not an audited document<sup>1</sup> and it contains various estimates as detailed in the "Notes to the Financial Plan" section below.

### 4.2 Water Financial Plan

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#### 4.2.1 *Statement of Financial Position (Table 4-1)*

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Municipality's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that in 2015, the Municipality's water system was expected to be in a net financial debt position of approximately \$4.63 million. However, after 2015, the financial plan forecasted an improving net debt position in each subsequent year through to 2020. Starting 2021, the financial plan forecasts a net financial asset position that continues to improve over the remainder of the forecast period. Net financial assets are projected to grow to over \$2.31 million by the end of 2025.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance under section PS3150. As noted earlier, providing this information is a requirement for municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

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<sup>1</sup> O.Reg. 453/07 does not require an audited financial plan.



- Tangible capital assets such as watermains and treatment facilities are imperative to water service delivery.
- These assets represent significant economic resources in terms of their historical and replacement costs. Therefore, ongoing capital asset management is essential to managing significant replacements and repairs.
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the Municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows that tangible capital assets are expected to increase by approximately \$2.40 million (7.0%) over the 11-year forecast period. This indicates that the Municipality has plans to invest in tangible capital assets in excess of the anticipated use of existing assets over the forecast period.

#### **4.2.2 Statement of Operations (Table 4-2)**

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues decreasing from 85% to 73% over the 2015 to 2021 period, gradually increasing to 87% by 2024, then dropping to 74% in 2025. The increase in the 2022-2024 period is attributable to the levelling-off of consumptive rates after 2021, while the final drop in 2025 is attributable to reductions in amortization expenses. As a result, annual surplus fluctuates over the forecast period, with approximately \$0.62 million in 2015 and \$1.25 million by 2025. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to



provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to add approximately \$10.39 million to a 2015 opening accumulated surplus of \$29.02 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up of reserve and reserve fund balances as well as historical investments in tangible capital assets.

#### **4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)**

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

Table 4-3 indicates that in each year of the forecast period except 2020, forecasted annual surpluses exceed forecasted tangible capital asset acquisitions (net of amortization) resulting in improvements in the net financial asset/(debt) position. The anomaly in 2020 is attributable to the planned use of debt to construct tangible capital assets in that year. Overall, the improving net financial asset position allows for a long-term plan of funding future capital through accumulated surplus (i.e. reserves and reserve funds). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions ranging from 1.41 to 2.27 over the forecast period.<sup>1</sup>

#### **4.2.4 Statement of Cash Flow (Table 4-4)**

The Statement of Cash Flow summarizes how the water system is expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash- and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e. tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Municipality's water system to slightly improve from a deficit of approximately \$5.03 million at the beginning of 2015, to

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<sup>1</sup> A desirable ratio is 1:1 or better.



a deficit of just over \$4.75 million by the end of 2025. The large deficit cash position is primarily made up of a deficit position within the Municipality's D.C. Reserve Fund for Water services. As identified in Table 4-4, the Municipality's cash position is projected to worsen through to 2020, but should begin to improve in 2021. Contributing to this trend is a large amount of growth-related debt servicing, which is not matched by sufficient D.C. revenue during the first half of the forecast period. For further discussion on projected cash balances please refer to the Notes to the Financial Plan.



Table 4-1  
Statement of Financial Position: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2015-2025

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Financial Assets</b>												
Accounts Receivable	1	483,585	508,693	532,878	558,340	585,455	614,124	641,422	651,421	661,554	671,428	681,303
Accounts Receivable - Other	3	5,026,894	5,560,735	6,114,845	6,676,415	7,245,442	7,845,350	8,434,414	8,202,980	7,953,843	7,686,305	7,399,584
<b>Total Financial Assets</b>		<b>5,510,479</b>	<b>6,069,428</b>	<b>6,647,723</b>	<b>7,234,755</b>	<b>7,830,897</b>	<b>8,459,474</b>	<b>9,075,836</b>	<b>8,854,401</b>	<b>8,615,397</b>	<b>8,357,733</b>	<b>8,080,887</b>
<b>Liabilities</b>												
Bank Indebtedness	1	5,270,429	5,622,089	5,785,869	6,159,194	7,069,140	8,198,299	7,745,951	7,227,320	6,122,673	5,444,035	4,751,536
Accounts Payable & Accrued Liabilities	1	239,952	242,700	250,140	253,224	257,736	261,144	267,372	272,724	278,172	286,620	289,416
Debt (Principal only)	2	4,625,706	4,106,436	3,379,438	2,634,025	2,192,228	1,720,165	893,427	854,111	813,419	771,302	727,711
<b>Total Liabilities</b>		<b>10,136,087</b>	<b>9,971,225</b>	<b>9,415,447</b>	<b>9,046,443</b>	<b>9,519,104</b>	<b>10,179,608</b>	<b>8,906,750</b>	<b>8,354,155</b>	<b>7,214,264</b>	<b>6,501,957</b>	<b>5,768,663</b>
<b>Net Financial Assets/(Debt)</b>		<b>(4,625,608)</b>	<b>(3,901,797)</b>	<b>(2,767,724)</b>	<b>(1,811,688)</b>	<b>(1,688,207)</b>	<b>(1,720,134)</b>	<b>169,086</b>	<b>500,246</b>	<b>1,401,133</b>	<b>1,855,776</b>	<b>2,312,224</b>
<b>Non-Financial Assets</b>												
Tangible Capital Assets	4	34,266,032	34,342,429	34,111,434	34,195,787	35,230,054	36,537,326	36,084,374	36,403,416	36,146,781	36,307,820	37,098,988
<b>Total Non-Financial Assets</b>		<b>34,266,032</b>	<b>34,342,429</b>	<b>34,111,434</b>	<b>34,195,787</b>	<b>35,230,054</b>	<b>36,537,326</b>	<b>36,084,374</b>	<b>36,403,416</b>	<b>36,146,781</b>	<b>36,307,820</b>	<b>37,098,988</b>
<b>Accumulated Surplus/(Deficit)</b>	<b>5</b>	<b>29,640,424</b>	<b>30,440,632</b>	<b>31,343,710</b>	<b>32,384,099</b>	<b>33,541,847</b>	<b>34,817,192</b>	<b>36,253,460</b>	<b>36,903,662</b>	<b>37,547,914</b>	<b>38,163,596</b>	<b>39,411,212</b>
<b>Financial Indicators</b>												
	<b>Total Change</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
1) Increase/(Decrease) in Net Financial Assets	7,994,845	1,057,013	723,811	1,134,073	956,036	123,481	(31,927)	1,889,220	331,160	900,887	454,643	456,448
2) Increase/(Decrease) in Tangible Capital Assets	2,396,105	(436,851)	76,397	(230,995)	84,353	1,034,267	1,307,272	(452,952)	319,042	(256,635)	161,039	791,168
3) Increase/(Decrease) in Accumulated Surplus	10,390,950	620,162	800,208	903,078	1,040,389	1,157,748	1,275,345	1,436,268	650,202	644,252	615,682	1,247,616



**Table 4-2**  
**Statement of Operations: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2025**

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Water Revenue</b>												
Base Charge Revenue		464,434	522,098	587,310	660,180	741,849	833,052	892,270	912,305	932,501	952,376	972,252
Rate Based Revenue		2,759,463	2,869,190	2,965,212	3,062,090	3,161,182	3,261,105	3,383,876	3,430,502	3,477,857	3,523,813	3,569,769
Earned Development Charges Revenue	3	803,571	809,481	822,392	822,392	822,392	845,084	854,794	51,223	51,223	51,223	51,223
Other Revenue	6	100,200	102,200	104,200	106,200	108,201	110,300	112,399	114,500	116,600	118,801	121,000
<b>Total Revenues</b>		<b>4,127,668</b>	<b>4,302,969</b>	<b>4,479,114</b>	<b>4,650,862</b>	<b>4,833,624</b>	<b>5,049,541</b>	<b>5,243,339</b>	<b>4,508,530</b>	<b>4,578,181</b>	<b>4,646,213</b>	<b>4,714,244</b>
<b>Water Expenses</b>												
Operating Expenses	Sch. 4-1	2,114,600	2,140,400	2,205,300	2,234,000	2,283,000	2,345,900	2,361,500	2,409,400	2,458,200	2,532,100	2,558,993
Interest on Debt	2	124,055	113,058	101,741	83,326	64,443	56,368	47,419	31,270	29,894	28,470	26,996
Amortization	4	1,268,851	1,249,303	1,268,995	1,293,147	1,328,433	1,371,928	1,398,152	1,417,658	1,445,835	1,469,961	880,639
<b>Total Expenses</b>		<b>3,507,506</b>	<b>3,502,761</b>	<b>3,576,036</b>	<b>3,610,473</b>	<b>3,675,876</b>	<b>3,774,196</b>	<b>3,807,071</b>	<b>3,858,328</b>	<b>3,933,929</b>	<b>4,030,531</b>	<b>3,466,628</b>
<b>Annual Surplus/(Deficit)</b>		<b>620,162</b>	<b>800,208</b>	<b>903,078</b>	<b>1,040,389</b>	<b>1,157,748</b>	<b>1,275,345</b>	<b>1,436,268</b>	<b>650,202</b>	<b>644,252</b>	<b>615,682</b>	<b>1,247,616</b>
Accumulated Surplus/(Deficit), beginning of year	5	29,020,262	29,640,424	30,440,632	31,343,710	32,384,099	33,541,847	34,817,192	36,253,460	36,903,662	37,547,914	38,163,596
Accumulated Surplus/(Deficit), end of year		29,640,424	30,440,632	31,343,710	32,384,099	33,541,847	34,817,192	36,253,460	36,903,662	37,547,914	38,163,596	39,411,212

**Note 5:**

<b>Accumulated Surplus/(Deficit) Reconciliation:</b>		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Reserve Balances</b>												
Reserves: Development Charges		(5,026,894)	(5,560,735)	(6,114,845)	(6,676,415)	(7,245,442)	(7,845,350)	(8,434,414)	(8,202,980)	(7,953,843)	(7,686,305)	(7,399,584)
Reserves: Capital/Other		98	204,639	611,714	822,337	504,021	31	1,062,513	1,354,357	2,214,552	2,627,078	3,039,935
<b>Total Reserves Balance</b>		<b>(5,026,796)</b>	<b>(5,356,096)</b>	<b>(5,503,131)</b>	<b>(5,854,078)</b>	<b>(6,741,421)</b>	<b>(7,845,319)</b>	<b>(7,371,901)</b>	<b>(6,848,623)</b>	<b>(5,739,291)</b>	<b>(5,059,227)</b>	<b>(4,359,649)</b>
Less: Debt Obligations and Deferred Revenue		401,188	1,454,299	2,735,407	4,042,390	5,053,214	6,125,185	7,540,987	7,348,869	7,140,424	6,915,003	6,671,873
Add: Tangible Capital Assets	4	34,266,032	34,342,429	34,111,434	34,195,787	35,230,054	36,537,326	36,084,374	36,403,416	36,146,781	36,307,820	37,098,988
<b>Total Ending Balance</b>		<b>29,640,424</b>	<b>30,440,632</b>	<b>31,343,710</b>	<b>32,384,099</b>	<b>33,541,847</b>	<b>34,817,192</b>	<b>36,253,460</b>	<b>36,903,662</b>	<b>37,547,914</b>	<b>38,163,596</b>	<b>39,411,212</b>

<b>Financial Indicators</b>	<b>Total Change</b>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1) Expense to Revenue Ratio		85%	81%	80%	78%	76%	75%	73%	86%	86%	87%	74%
2) Increase/(Decrease) in Accumulated Surplus	10,390,950	620,162	800,208	903,078	1,040,389	1,157,748	1,275,345	1,436,268	650,202	644,252	615,682	1,247,616





Schedule 4-1  
Statement of Operating Expenses: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2015-2025

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Operating Expenses</b>												
<b>Administration and Overhead Costs</b>												
Admin		12,300	12,500	12,800	13,100	13,400	13,700	14,000	14,300	14,600	14,900	15,200
Utilities		241,300	246,100	251,000	256,000	261,100	266,300	271,600	277,000	282,500	288,200	294,000
Insurance		30,200	30,800	31,400	32,000	32,600	33,300	34,000	34,700	35,400	36,100	36,800
Communications		18,600	19,000	19,400	19,800	20,200	20,600	21,000	21,400	21,800	22,200	22,600
Conferences & Training		18,000	18,400	18,800	19,200	19,600	20,000	20,400	20,800	21,200	21,600	22,000
Transfer to Engineering Admin		175,000	178,500	182,100	185,700	189,400	193,200	197,100	201,000	205,000	209,100	213,300
Transfer to Finance		30,000	30,600	31,200	31,800	32,400	33,000	33,700	34,400	35,100	35,800	36,500
Uncollectable Accounts		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Water and Wastewater Rate Study		-	-	-	-	14,400	-	-	-	-	-	-
<b>New Operating</b>												
Develop & Enhance GIS Asset Database (AMP Table 11, Item 1)		10,000	10,200	10,400	10,600	10,800	11,000	11,300	11,500	11,700	12,000	12,200
Update Watermain Needs Study (AMP Table 11, Item 2)		-	-	26,000	-	-	-	-	-	-	-	-
Update Hydraulic Model Demand Data		10,000	-	-	-	-	-	-	-	-	-	-
Update Asset Inventory Database		3,500	3,600	3,600	3,700	3,800	3,900	3,900	4,000	4,100	4,200	4,300
Asset Management Software Maintenance (AMP Section 4.8)		-	-	-	-	-	-	8,400	8,600	8,800	9,000	9,200
Pilot Inspection and Assessment of Victoria Street (Arthur Street) BPS		-	15,300	-	-	-	-	-	-	-	-	-
Inspection & Assessment of Jocelyn Street Reservoir and Pumping Station		-	-	15,600	-	-	-	-	-	-	-	-
Inspection & Assessment of Dorset Street (Zone 1) Standpipe		-	-	-	21,200	-	-	-	-	-	-	-
Inspection of Fox Road (Zone 2) Elevated Tank		-	-	-	-	-	-	-	-	-	23,900	-
Annual Ongoing Inspection Updates (1 Facility Annually)		-	-	-	-	8,100	8,300	8,400	8,600	8,800	9,000	9,200
Full Inspection and Assessment of WTP		25,000	-	-	-	-	-	-	-	-	-	-
HVAC AHU-1 (McQuay) Maintenance		-	-	-	5,300	-	-	-	-	-	-	-
2006 BW GasAlert Microclip (Gas detector)		-	3,900	-	-	-	-	-	-	-	-	-
2005, Confined Space rescue basket		900	-	-	-	-	-	-	-	-	-	-
1982 Oxy/ace Torches		-	400	-	-	-	-	-	-	-	-	-
<b>Water Distribution Operating Costs</b>												
Buildings, Equipment & Maintenance		96,900	98,800	100,800	102,800	104,900	107,000	109,100	111,300	113,500	115,800	118,100
Salaries/Wages & Benefits		477,100	486,600	496,300	506,200	516,300	526,600	537,100	547,800	558,800	570,000	581,400
Water Distribution		122,600	125,100	127,600	130,200	132,800	135,500	138,200	141,000	143,800	146,700	149,600
<b>Water Treatment Operating Costs</b>												
Buildings, Equipment & Maintenance		183,700	187,400	191,100	194,900	198,800	202,800	206,900	211,000	215,200	219,500	223,900
Salaries/Wages & Benefits		447,300	456,200	465,300	474,600	484,100	493,800	503,700	513,800	524,100	534,600	545,300
Water Treatment		95,700	97,600	99,600	101,600	103,600	105,700	107,800	110,000	112,200	114,400	116,700
Non TCA - Expenses from Capital Budget	7	115,000	117,900	120,800	123,800	135,200	169,700	133,400	136,700	140,100	143,600	147,193
<b>TOTAL OPERATING EXPENSES</b>		<b>2,114,600</b>	<b>2,140,400</b>	<b>2,205,300</b>	<b>2,234,000</b>	<b>2,283,000</b>	<b>2,345,900</b>	<b>2,361,500</b>	<b>2,409,400</b>	<b>2,458,200</b>	<b>2,532,100</b>	<b>2,558,993</b>



**Table 4-3**  
**Statement of Changes in Net Financial Assets/Debt: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2025**

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Surplus/(Deficit)		620,162	800,208	903,078	1,040,389	1,157,748	1,275,345	1,436,268	650,202	644,252	615,682	1,247,616
Less: Acquisition of Tangible Capital Assets	4	(832,000)	(1,325,700)	(1,038,000)	(1,377,500)	(2,362,700)	(2,679,200)	(945,200)	(1,736,700)	(1,189,200)	(1,631,000)	(1,671,807)
Add: Amortization of Tangible Capital Assets	4	1,268,851	1,249,303	1,268,995	1,293,147	1,328,433	1,371,928	1,398,152	1,417,658	1,445,835	1,469,961	880,639
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
		436,851	(76,397)	230,995	(84,353)	(1,034,267)	(1,307,272)	452,952	(319,042)	256,635	(161,039)	(791,168)
Increase/(Decrease) in Net Financial Assets/(Net Debt)		1,057,013	723,811	1,134,073	956,036	123,481	(31,927)	1,889,220	331,160	900,887	454,643	456,448
Net Financial Assets/(Net Debt), beginning of year		(5,682,621)	(4,625,608)	(3,901,797)	(2,767,724)	(1,811,688)	(1,688,207)	(1,720,134)	169,086	500,246	1,401,133	1,855,776
<b>Net Financial Assets/(Net Debt), end of year</b>		<b>(4,625,608)</b>	<b>(3,901,797)</b>	<b>(2,767,724)</b>	<b>(1,811,688)</b>	<b>(1,688,207)</b>	<b>(1,720,134)</b>	<b>169,086</b>	<b>500,246</b>	<b>1,401,133</b>	<b>1,855,776</b>	<b>2,312,224</b>
<b>Financial Indicators</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
1) Acquisition of Tangible Capital Assets (Cumulative)		832,000	2,157,700	3,195,700	4,573,200	6,935,900	9,615,100	10,560,300	12,297,000	13,486,200	15,117,200	16,789,007
2) Annual Surplus/Deficit before Amortization (Cumulative)		1,889,013	3,938,524	6,110,597	8,444,133	10,930,314	13,577,587	16,412,007	18,479,867	20,569,954	22,655,597	24,783,852
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		2.27	1.83	1.91	1.85	1.58	1.41	1.55	1.50	1.53	1.50	1.48



**Table 4-4**  
**Statement of Cash Flow – Indirect Method: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2025**

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Operating Transactions</b>												
Annual Surplus/Deficit		620,162	800,208	903,078	1,040,389	1,157,748	1,275,345	1,436,268	650,202	644,252	615,682	1,247,616
Add: Amortization of TCA's	4	1,268,851	1,249,303	1,268,995	1,293,147	1,328,433	1,371,928	1,398,152	1,417,658	1,445,835	1,469,961	880,639
Less: Earned Deferred Revenue	3	(803,571)	(809,481)	(822,392)	(822,392)	(822,392)	(845,084)	(854,794)	(51,223)	(51,223)	(51,223)	(51,223)
Add: Deferred Revenue Proceeds		257,478	275,641	268,282	260,823	253,365	245,175	265,729	282,657	300,360	318,761	337,943
Change in A/R (Increase)/Decrease		(483,585)	(25,109)	(24,185)	(25,462)	(27,116)	(28,668)	(27,297)	(9,999)	(10,133)	(9,874)	(9,874)
Change in A/P Increase/(Decrease)		239,952	2,748	7,440	3,084	4,512	3,408	6,228	5,352	5,448	8,448	2,796
Cash Provided by Operating Transactions		1,099,287	1,493,310	1,601,218	1,749,589	1,894,550	2,022,104	2,224,286	2,294,647	2,334,539	2,351,755	2,407,897
<b>Capital Transactions</b>												
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(832,000)	(1,325,700)	(1,038,000)	(1,377,500)	(2,362,700)	(2,679,200)	(945,200)	(1,736,700)	(1,189,200)	(1,631,000)	(1,671,807)
Cash Applied to Capital Transactions		(832,000)	(1,325,700)	(1,038,000)	(1,377,500)	(2,362,700)	(2,679,200)	(945,200)	(1,736,700)	(1,189,200)	(1,631,000)	(1,671,807)
<b>Financing Transactions</b>												
Proceeds from Debt Issue	2	174,200	183,500	-	-	322,500	323,000	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(679,516)	(702,770)	(726,998)	(745,414)	(764,296)	(795,063)	(826,738)	(39,316)	(40,692)	(42,117)	(43,591)
Cash Applied to Financing Transactions		(505,316)	(519,270)	(726,998)	(745,414)	(441,796)	(472,063)	(826,738)	(39,316)	(40,692)	(42,117)	(43,591)
Increase in Cash and Cash Equivalents		(238,029)	(351,660)	(163,780)	(373,325)	(909,946)	(1,129,159)	452,348	518,631	1,104,647	678,638	692,499
Cash and Cash Equivalents, beginning of year	1	(5,032,400)	(5,270,429)	(5,622,089)	(5,785,869)	(6,159,194)	(7,069,140)	(8,198,299)	(7,745,951)	(7,227,320)	(6,122,673)	(5,444,035)
<b>Cash and Cash Equivalents, end of year</b>	<b>1</b>	<b>(5,270,429)</b>	<b>(5,622,089)</b>	<b>(5,785,869)</b>	<b>(6,159,194)</b>	<b>(7,069,140)</b>	<b>(8,198,299)</b>	<b>(7,745,951)</b>	<b>(7,227,320)</b>	<b>(6,122,673)</b>	<b>(5,444,035)</b>	<b>(4,751,536)</b>



## Notes to Financial Plan

The financial plan format as outlined in Chapter 4 closely approximates the full accrual format used by municipalities on their audited financial statements. However, the financial plan is not an audited document and contains various estimates. In this regard, Section 3 (2) of O.Reg. 453/07 states the following:

“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).”

The information referred to in sub-subparagraphs 4 i A, B and C of subsection (1) includes:

- A. Total financial assets (i.e. cash and receivables);
- B. Total liabilities (i.e. payables, debt and deferred revenue);
- C. Net debt (i.e. the difference between A and B above).

The information referred to in sub-subparagraphs 4 iii A, C, E and F of subsection (1) includes:

- A. Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
- B. Investing transactions that are acquisitions and disposal of investments
- C. Change in cash and cash equivalents during the year
- D. Cash and cash equivalents at the beginning and end of the year

In order to show a balanced financial plan in a full accrual format for the Municipality, some of the items listed above have been estimated given that the Municipality does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).

The assumptions used have been documented below:



## 1. Cash, Receivables and Payables

It is assumed that the opening cash balances required to complete the financial plan are equal to:

Ending Reserve/Reserve Fund Balance

*Plus:* Ending Accounts Payable Balance

*Less:* Ending Accounts Receivable Balance

*Equals: Approximate Ending Cash Balance*

For the Municipality, receivable and payable balances were estimated for 2015 and the rest of the forecast period based on typical ratios of revenues and expenditures respectively. Therefore, the opening cash balance was estimated based on the above calculation.

## 2. Debt

Outstanding water related debt at the end of 2014 was approximately \$5.13 million. It is anticipated that additional debentures will be required over the forecast period. Principal repayments over the forecast period are scheduled as follows

Year	Principal Payments
2015	\$ 679,516
2016	\$ 702,770
2017	\$ 726,998
2018	\$ 745,414
2019	\$ 764,296
2020	\$ 795,063
2021	\$ 826,738
2022	\$ 39,316
2023	\$ 40,692
2024	\$ 42,117
2025	43,591
<b>Total</b>	<b>\$ 5,406,511</b>

For financial reporting purposes, debt principal payments represent a decrease in debt liability and the interest payments represent a current year operating expense.



### 3. Deferred Revenue

Deferred revenue is made up of water development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. In years when the water development charge reserve fund balance is negative, it is shown as an asset (accounts receivable – other) for financial reporting purposes, representing future amounts to be collected from developers.

### 4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
  - Linear Assets;
  - Buildings;
  - Machinery and Equipment;
  - Vehicles; and
  - Land Improvements.
- Amortization is calculated based on the straight-line approach with half-year amortization applied in the year of acquisition or construction and in the last year of the asset's useful life.
- Given the planned asset replacement forecast in the 2014 Rate Study, useful life on acquisitions of facility-related assets is assumed to be equal to the weighted average useful life for all facility assets on hand. However, useful life on acquisitions of linear infrastructure and vehicles is based on useful life applied to recent purchases within these categories.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposals are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.



- Contributed Assets, as described in subsection 3.2.1, are deemed to be insignificant/ unknown during the forecast period and are therefore assumed to be \$0.
- The Municipality is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized as follows:



Asset Historical Cost	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Opening Tangible Capital Asset Balance	46,677,571	47,509,571	48,835,271	49,873,271	51,250,771	53,613,471	56,292,671	57,237,871	58,974,571	60,163,771	61,794,771
Acquisitions	832,000	1,325,700	1,038,000	1,377,500	2,362,700	2,679,200	945,200	1,736,700	1,189,200	1,631,000	1,671,807
Disposals	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Tangible Capital Asset Balance</b>	<b>47,509,571</b>	<b>48,835,271</b>	<b>49,873,271</b>	<b>51,250,771</b>	<b>53,613,471</b>	<b>56,292,671</b>	<b>57,237,871</b>	<b>58,974,571</b>	<b>60,163,771</b>	<b>61,794,771</b>	<b>63,466,578</b>
Opening Accumulated Amortization	11,974,688	13,243,539	14,492,842	15,761,837	17,054,984	18,383,417	19,755,345	21,153,497	22,571,155	24,016,990	25,486,951
Amortization Expense	1,268,851	1,249,303	1,268,995	1,293,147	1,328,433	1,371,928	1,398,152	1,417,658	1,445,835	1,469,961	880,639
Amortization on Disposal	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Accumulated Amortization</b>	<b>13,243,539</b>	<b>14,492,842</b>	<b>15,761,837</b>	<b>17,054,984</b>	<b>18,383,417</b>	<b>19,755,345</b>	<b>21,153,497</b>	<b>22,571,155</b>	<b>24,016,990</b>	<b>25,486,951</b>	<b>26,367,590</b>
<b>Net Book Value</b>	<b>34,266,032</b>	<b>34,342,429</b>	<b>34,111,434</b>	<b>34,195,787</b>	<b>35,230,054</b>	<b>36,537,326</b>	<b>36,084,374</b>	<b>36,403,416</b>	<b>36,146,781</b>	<b>36,307,820</b>	<b>37,098,988</b>





## 5. Accumulated Surplus

Opening accumulated surplus for the forecast period is reconciled as follows:

Water	2015 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Development Charges	(4,480,801)
Reserves: Capital/Other	(551,599)
<b>Total Reserves Balance</b>	<b>(5,032,400)</b>
Less: Debt Obligations and Deferred Revenue	(650,221)
Add: Tangible Capital Assets	34,702,883
<b>Total Opening Balance</b>	<b>29,020,262</b>

The accumulated surplus reconciliation for all years within the forecast period is contained in Table 4-2.

## 6. Other Revenue

Other revenue includes interest and other non-operating general revenues (hydrant fees, meter fees, rental revenue, water distribution services, interest on overdue accounts, certificates, hydro reimbursement, and pump house sales).

## 7. Operating Expenses

Capital expenditures for items not meeting the definition of tangible capital assets have been reclassified as operating expenses and have been expensed in the year in which they occur.



# Chapter 5

## Process for Financial Plan Approval and Submission to the Province



## 5. Process for Financial Plan Approval and Submission to the Province

As mentioned in section 1.2, preparation of and approval of a financial plan for water assets that meets the requirements of the Act is mandatory for municipal water providers. Proof of the plan preparation and approval is a key submission requirement for municipal drinking water licensing and, upon completion, must be submitted to the Ministry of the Environment. As part of O.Reg. 453/07, the process established for plan approval, public circulation and filing is set out as follows:

1. The financial plan must be approved by resolution of Council of the municipality who owns the drinking water system or the governing body of the owner. (O.Reg. 453/07, Section 3(1)1.)
2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O.Reg. 453/07, Section 3(1)5.)
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3(1)6.)
4. The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32(5)2.ii.)



# Chapter 6

## Recommendations



## 6. Recommendations

This report presents the water financial plan for the Municipality in accordance with the mandatory reporting formats for water systems as detailed in O.Reg. 453/07. It is important to note that while mandatory, the financial plan is provided for Council's interest and approval however, for decision making purposes, it may be more informative to rely on the information contained within the 2014 Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Municipality of Port Hope Water Financial Plan prepared by Watson & Associates Economists Ltd. dated March 17, 2020 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated March 17, 2020 be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3(1)6).
4. The resolution of Council approving the Financial Plan be submitted to the Ministry of Environment, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32(5)2.ii.).
5. An updated Financial Plan be made publicly available and submitted to the Ministry of Municipal Affairs and Housing once the 2020 Water and Wastewater Rate Study is approved by Council.



# Appendices



# Appendix A

## 2014 Rate Study, as Updated – Water Summary Tables



**Table A-1**  
**Municipality of Port Hope**  
**Water Service**  
**Capital Budget Forecast**  
 Inflated \$

Description	Total	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Capital Expenditures</b>												
2014 Approved Commitments												
Water Master Planning & System-Wide Projects	1,336,200	115,000	117,900	120,800	123,800	135,200	169,700	133,400	136,700	140,100	143,600	-
Water Facility Projects	1,131,400	-	-	-	-	-	1,131,400	-	-	-	-	-
Water Treatment Plant Projects	2,147,700	95,000	278,800	162,800	245,500	143,500	45,300	40,600	811,900	18,300	306,000	-
Water Distribution System Projects (Non Growth)	10,894,900	629,000	857,900	875,200	1,039,200	1,858,600	1,364,500	904,600	924,800	1,116,100	1,325,000	-
Water Distribution System Projects (Growth Related)	728,000	84,000	183,500	-	-	322,500	138,000	-	-	-	-	-
Water Related Vehicles and Equipment	215,200	24,000	5,500	-	92,800	38,100	-	-	-	54,800	-	-
Provision for Lifecycle Needs	1,819,000	-	-	-	-	-	-	-	-	-	-	1,819,000
<b>Total Capital Expenditures</b>	<b>18,272,400</b>	<b>947,000</b>	<b>1,443,600</b>	<b>1,158,800</b>	<b>1,501,300</b>	<b>2,497,900</b>	<b>2,848,900</b>	<b>1,078,600</b>	<b>1,873,400</b>	<b>1,329,300</b>	<b>1,774,600</b>	<b>1,819,000</b>
<b>Capital Financing</b>												
Provincial/Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-
Development Charges Reserve Fund	-	-	-	-	-	-	-	-	-	-	-	-
Non-Growth Related Debenture Requirements	275,200	90,200	-	-	-	-	185,000	-	-	-	-	-
Growth Related Debenture Requirements	728,000	84,000	183,500	-	-	322,500	138,000	-	-	-	-	-
Operating Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Water Reserve	17,269,200	772,800	1,260,100	1,158,800	1,501,300	2,175,400	2,525,900	1,078,600	1,873,400	1,329,300	1,774,600	1,819,000
<b>Total Capital Financing</b>	<b>18,272,400</b>	<b>947,000</b>	<b>1,443,600</b>	<b>1,158,800</b>	<b>1,501,300</b>	<b>2,497,900</b>	<b>2,848,900</b>	<b>1,078,600</b>	<b>1,873,400</b>	<b>1,329,300</b>	<b>1,774,600</b>	<b>1,819,000</b>





**Table A-2**  
**Municipality of Port Hope**  
**Water Service**  
**Schedule of Non-Growth Related Debenture Repayments**  
 Inflated \$

Debenture Year	Principal (Inflated)	Forecast											
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
2015	90,200		6,347	6,347	6,347	6,347	6,347	6,347	6,347	6,347	6,347	6,347	6,347
2016	-			-	-	-	-	-	-	-	-	-	-
2017	-				-	-	-	-	-	-	-	-	-
2018	-					-	-	-	-	-	-	-	-
2019	-						-	-	-	-	-	-	-
2020	185,000							13,017	13,017	13,017	13,017	13,017	13,017
2021	-								-	-	-	-	-
2022	-									-	-	-	-
2023	-										-	-	-
2024	-											-	-
2025	-												-
<b>Total Annual Debt Charges</b>	<b>275,200</b>	-	6,347	6,347	6,347	6,347	6,347	19,363	19,363	19,363	19,363	19,363	19,363

**Table A-3**  
**Municipality of Port Hope**  
**Water Service**  
**Schedule of Growth Related Debenture Repayments**  
 Inflated \$

Debenture Year	Principal (Inflated)	Forecast											
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
2015	84,000		5,910	5,910	5,910	5,910	5,910	5,910	5,910	5,910	5,910	5,910	5,910
2016	183,500			12,911	12,911	12,911	12,911	12,911	12,911	12,911	12,911	12,911	12,911
2017	-				-	-	-	-	-	-	-	-	-
2018	-					-	-	-	-	-	-	-	-
2019	322,500						22,691	22,691	22,691	22,691	22,691	22,691	22,691
2020	138,000							9,710	9,710	9,710	9,710	9,710	9,710
2021	-								-	-	-	-	-
2022	-									-	-	-	-
2023	-										-	-	-
2024	-											-	-
2025	-												-
<b>Total Annual Debt Charges</b>	<b>728,000</b>	-	5,910	18,822	18,822	18,822	41,513	51,223	51,223	51,223	51,223	51,223	51,223



**Table A-4**  
**Municipality of Port Hope**  
**Water Service**  
**Water Reserves/ Reserve Funds Continuity**  
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Opening Balance	(551,599)	98	204,639	611,714	822,337	504,021	32	1,062,514	1,354,358	2,214,553	2,627,079
Transfer from Operating	1,324,497	1,464,641	1,565,875	1,711,923	1,857,084	2,021,910	2,141,082	2,165,244	2,189,495	2,187,126	2,231,857
Transfer to Capital	772,800	1,260,100	1,158,800	1,501,300	2,175,400	2,525,900	1,078,600	1,873,400	1,329,300	1,774,600	1,819,000
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	98	204,639	611,714	822,337	504,021	32	1,062,514	1,354,358	2,214,553	2,627,079	3,039,936

**Table A-5**  
**Municipality of Port Hope**  
**Water Service**  
**Water Development Charges Reserve Fund Continuity**  
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Opening Balance	(4,480,801)	(5,026,894)	(5,560,735)	(6,114,845)	(6,676,415)	(7,245,442)	(7,845,351)	(8,434,415)	(8,202,981)	(7,953,844)	(7,686,306)
Development Charge Proceeds	403,892	437,604	446,384	455,282	464,397	473,680	511,392	521,579	532,025	542,634	553,465
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	803,571	809,481	822,392	822,392	822,392	845,084	854,794	51,223	51,223	51,223	51,223
Transfer to Interim Financing Source	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	(4,880,480)	(5,398,772)	(5,936,743)	(6,481,956)	(7,034,410)	(7,616,846)	(8,188,753)	(7,964,059)	(7,722,179)	(7,462,433)	(7,184,064)
Interest	(146,414)	(161,963)	(178,102)	(194,459)	(211,032)	(228,505)	(245,663)	(238,922)	(231,665)	(223,873)	(215,522)
Required from Development Charges	84,000	183,500	-	-	322,500	138,000	-	-	-	-	-



**Table A-6**  
**Municipality of Port Hope**  
**Water Services**  
**Operating Budget Forecast**  
 Inflated \$

Description	Forecast											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
<b>Expenditures</b>												
<u>Administration and Overhead Costs</u>												
Admin	12,300	12,500	12,800	13,100	13,400	13,700	14,000	14,300	14,600	14,900	15,200	
Utilities	241,300	246,100	251,000	256,000	261,100	266,300	271,600	277,000	282,500	288,200	294,000	
Insurance	30,200	30,800	31,400	32,000	32,600	33,300	34,000	34,700	35,400	36,100	36,800	
Communications	18,600	19,000	19,400	19,800	20,200	20,600	21,000	21,400	21,800	22,200	22,600	
Conferences & Training	18,000	18,400	18,800	19,200	19,600	20,000	20,400	20,800	21,200	21,600	22,000	
Transfer to Engineering Admin	175,000	178,500	182,100	185,700	189,400	193,200	197,100	201,000	205,000	209,100	213,300	
Transfer to Finance	30,000	30,600	31,200	31,800	32,400	33,000	33,700	34,400	35,100	35,800	36,500	
Uncollectable Accounts	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
Water and Wastewater Rate Study	-	-	-	-	14,400	-	-	-	-	-	-	
<u>New Operating</u>												
Develop & Enhance GIS Asset Database (AMP Table 11, Item 1)	10,000	10,200	10,400	10,600	10,800	11,000	11,300	11,500	11,700	12,000	12,200	
Update Watermain Needs Study (AMP Table 11, Item 2)	-	-	26,000	-	-	-	-	-	-	-	-	
Update Hydraulic Model Demand Data	10,000	-	-	-	-	-	-	-	-	-	-	
Update Asset Inventory Database	3,500	3,600	3,600	3,700	3,800	3,900	3,900	4,000	4,100	4,200	4,300	
Asset Management Software Maintenance (AMP Section 4.8)	-	-	-	-	-	-	8,400	8,600	8,800	9,000	9,200	
Pilot Inspection and Assessment of Victoria Street (Arthur Street) BPS	-	15,300	-	-	-	-	-	-	-	-	-	
Inspection & Assessment of Jocelyn Street Reservoir and Pumping Station	-	-	15,600	-	-	-	-	-	-	-	-	
Inspection & Assessment of Dorset Street (Zone 1) Standpipe	-	-	-	21,200	-	-	-	-	-	-	-	
Inspection of Fox Road (Zone 2) Elevated Tank	-	-	-	-	-	-	-	-	-	23,900	-	
Annual Ongoing Inspection Updates (1 Facility Annually)	-	-	-	-	8,100	8,300	8,400	8,600	8,800	9,000	9,200	
Full Inspection and Assessment of WTP	25,000	-	-	-	-	-	-	-	-	-	-	
HVAC AHU-1 (McQuay) Maintenance	-	-	-	5,300	-	-	-	-	-	-	-	
2006 BW Gasalert Microclip (Gas detector)	-	3,900	-	-	-	-	-	-	-	-	-	
2005, Confined Space rescue basket	900	-	-	-	-	-	-	-	-	-	-	
1982 Oxy/ace Torches	-	400	-	-	-	-	-	-	-	-	-	
<u>Water Distribution Operating Costs</u>												
Buildings, Equipment & Maintenance	96,900	98,800	100,800	102,800	104,900	107,000	109,100	111,300	113,500	115,800	118,100	
Salaries/Wages & Benefits	477,100	486,600	496,300	506,200	516,300	526,600	537,100	547,800	558,800	570,000	581,400	
Water Distribution	122,600	125,100	127,600	130,200	132,800	135,500	138,200	141,000	143,800	146,700	149,600	
<u>Water Treatment Operating Costs</u>												
Buildings, Equipment & Maintenance	183,700	187,400	191,100	194,900	198,800	202,800	206,900	211,000	215,200	219,500	223,900	
Salaries/Wages & Benefits	447,300	456,200	465,300	474,600	484,100	493,800	503,700	513,800	524,100	534,600	545,300	
Water Treatment	95,700	97,600	99,600	101,600	103,600	105,700	107,800	110,000	112,200	114,400	116,700	
<b>Sub Total Operating</b>	<b>1,999,600</b>	<b>2,022,500</b>	<b>2,084,500</b>	<b>2,110,200</b>	<b>2,147,800</b>	<b>2,176,200</b>	<b>2,228,100</b>	<b>2,272,700</b>	<b>2,318,100</b>	<b>2,388,500</b>	<b>2,411,800</b>	



**Table A-6 (cont.)**  
**Municipality of Port Hope**  
**Water Services**  
**Operating Budget Forecast**  
 Inflated \$

Description	Forecast										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Capital-Related</b>											
Existing Debt (Principal) - Growth Related	679,516	696,610	714,134	732,099	750,516	769,396	788,751	-	-	-	-
Existing Debt (Interest) - Growth Related	124,055	106,961	89,437	71,472	53,055	34,175	14,820	-	-	-	-
New Growth Related Debt (Principal)	-	2,970	9,563	9,898	10,244	22,007	27,657	28,625	29,627	30,664	31,737
New Growth Related Debt (Interest)	-	2,940	9,259	8,924	8,577	19,506	23,566	22,598	21,596	20,559	19,486
Existing Debt (Principal) - Non-Growth Related	-	-	-	-	-	-	-	-	-	-	-
Existing Debt (Interest) - Non-Growth Related	-	-	-	-	-	-	-	-	-	-	-
New Non-Growth Related Debt (Principal)	-	3,190	3,301	3,417	3,536	3,660	10,330	10,692	11,066	11,453	11,854
New Non-Growth Related Debt (Interest)	-	3,157	3,045	2,930	2,810	2,686	9,033	8,672	8,298	7,910	7,509
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Reserve	1,324,497	1,464,641	1,565,875	1,711,923	1,857,084	2,021,910	2,141,082	2,165,244	2,189,495	2,187,126	2,231,857
<b>Sub Total Capital Related</b>	<b>2,128,068</b>	<b>2,280,469</b>	<b>2,394,614</b>	<b>2,540,662</b>	<b>2,685,823</b>	<b>2,873,341</b>	<b>3,015,239</b>	<b>2,235,831</b>	<b>2,260,081</b>	<b>2,257,712</b>	<b>2,302,444</b>
<b>Total Expenditures</b>	<b>4,127,668</b>	<b>4,302,969</b>	<b>4,479,114</b>	<b>4,650,862</b>	<b>4,833,623</b>	<b>5,049,541</b>	<b>5,243,339</b>	<b>4,508,531</b>	<b>4,578,181</b>	<b>4,646,212</b>	<b>4,714,244</b>
<b>Revenues</b>											
Base Charge	464,434	522,098	587,310	660,180	741,849	833,052	892,270	912,305	932,501	952,376	972,252
Water Distribution											
Hydrant Fee	10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800	12,000	12,200
Meter Fee	15,300	15,600	15,900	16,200	16,500	16,800	17,100	17,400	17,700	18,100	18,500
Rental Revenue	34,700	35,400	36,100	36,800	37,500	38,300	39,100	39,900	40,700	41,500	42,300
Water Distribution Services	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000	6,100
Water Treatment											
Interest on Accts	10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800	12,000	12,200
Certificates	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Hydro Reimbursement	4,300	4,400	4,500	4,600	4,700	4,800	4,900	5,000	5,100	5,200	5,300
Pumphouse Sales	18,400	18,800	19,200	19,600	20,000	20,400	20,800	21,200	21,600	22,000	22,400
Other Revenue											
Contributions from Development Charges Reserve Fund	803,571	809,481	822,392	822,392	822,392	845,084	854,794	51,223	51,223	51,223	51,223
Contributions from Reserves / Reserve Funds	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Revenue</b>	<b>1,368,205</b>	<b>1,433,779</b>	<b>1,513,902</b>	<b>1,588,772</b>	<b>1,672,441</b>	<b>1,788,436</b>	<b>1,859,464</b>	<b>1,078,028</b>	<b>1,100,324</b>	<b>1,122,399</b>	<b>1,144,475</b>
Water Billing Recovery - Operating	2,759,463	2,869,190	2,965,212	3,062,090	3,161,182	3,261,105	3,383,876	3,430,502	3,477,857	3,523,813	3,569,769
<b>Water Billing Recovery - Total</b>	<b>2,759,463</b>	<b>2,869,190</b>	<b>2,965,212</b>	<b>3,062,090</b>	<b>3,161,182</b>	<b>3,261,105</b>	<b>3,383,876</b>	<b>3,430,502</b>	<b>3,477,857</b>	<b>3,523,813</b>	<b>3,569,769</b>
<b>Total Revenues</b>	<b>4,127,668</b>	<b>4,302,969</b>	<b>4,479,114</b>	<b>4,650,862</b>	<b>4,833,623</b>	<b>5,049,541</b>	<b>5,243,339</b>	<b>4,508,531</b>	<b>4,578,181</b>	<b>4,646,212</b>	<b>4,714,244</b>