



Town of East Gwillimbury

JOINT CORPORATE SERVICES AND COMMUNITY INFRASTRUCTURE & ENVIRONMENTAL SERVICES REPORT CS2016-01

To: Committee of the Whole

Date: January 19, 2016

Subject: Drinking Water Systems - Financial Plan 2016-2021

Origin: Corporate Services and
Community Infrastructure & Environmental Services

RECOMMENDATIONS

1. THAT the Joint Corporate Services and Community Infrastructure & Environmental Services Report CS2016-01 entitled "Drinking Water Systems – Financial Plan, 2016-2021", dated January 19, 2016 be received;
2. THAT Council approve the Town of East Gwillimbury Water Financial Plan prepared by Watson & Associates Economists Ltd. dated November 30, 2015 which includes a forecast period from 2016 to 2021;
3. THAT staff submit the Water Financial Plan to the Ministry of Municipal Affairs and Housing and the Ministry of the Environment and Climate Change in accordance with the Safe Drinking Water Act; and
4. THAT staff publish notice of the availability of the Water Financial Plan, as prescribed by Ontario Regulation 453/07, in the local newspaper and on the Town's website.

PURPOSE

The purpose of this report is to obtain Council approval of the Water Financial Plan, as required under the Safe Drinking Water Act (SDWA). This financial plan is a prerequisite to the renewal of the Town's Municipal Drinking Water Licences (MDWL).

The six year financial plan sets out a forecast to achieve long term sustainable and effective asset management.

BACKGROUND

As part of the province's commitment to fulfill Justice O'Connor's Walkerton Inquiry recommendations, the Ministry of the Environment and Climate Change (MOECC) implemented a new approval framework under the SDWA for municipal residential

drinking water systems called the Municipal Drinking Water Licence (MDWL) Program.

The Financial Plan is the fourth and final requirement for the Town to renew their drinking water licence.

Owners of large municipal residential drinking water systems are required to satisfy the following five elements before the Ministry issues a MDWL:

1. Accepted Operational Plan
2. Drinking Water Works Permit
3. Accreditation of the Operating Authority
4. Financial Plan
5. Permit to take water (not required as York Region produces the water that is distributed to the Town's customers)

These conditions were satisfied in 2011 as such the MOECC issued licences for each one of the Town's three drinking water systems (Holland Landing/Queensville/Sharon, Mount Albert, and Yonge Green Lane). The licences are valid for a period of five years meaning the Town must renew its licences in 2016.

Application for licence renewal must be made 6 months prior to the expiration of the current licence, therefore this application renewal deadline is February 21, 2016.

The original licensing conditions apply to the renewal application. The first three conditions noted above (i.e. accepted Operational Plan, DWWP and Accredited Operating Authority) are maintained on a regular basis by the Operations Department of CIES. Staff confirm that the Operating Authority remains accredited through annual Provincial surveillance audits.

Adoption of the six-year Financial Plan by Council is the final requirement before the Town can reapply for its Municipal Drinking Water Licences.

Watson & Associates Economists Ltd. (Watson) was retained to undertake a water financial plan. The financial plan is attached as Appendix A to this report.

ANALYSIS

In accordance with Ontario Regulation 153/04, the Financial Plan requires four key statements. The plan prepared by Watson includes these four statements and is included in Section 4 of the plan as follows:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Change in Net Financial Assets/Debt
4. Statement of Cash Flow

1. Statement of Financial Position

The statement of financial position demonstrates the Town's water system has the ability to cover the cost of future operations. The Town currently does not have any water-related debt. It is projected that the Town's accumulated surplus will grow to a net financial position of \$52 million at 2021. It should be noted that the accumulated surplus is not a cash surplus but an accounting figure.

2. Statement of Operations

The statement of operations highlights the projected revenues and expenditures from 2015-2021. A key assumption on this table is the Town's water rates will continue to increase at a rate that is equal to one percent less than the Regional increase. Expenditures assume an annual inflationary increase.

Where revenues exceed expenditures, the resulting annual surplus is transferred to the water infrastructure reserve to ensure the Town has sufficient funds to support the repair and replacement of assets. Contributions to reserves are projected to be in the annual range of \$2.5 to \$3.9 million.

3. Statement of Change in Net Financial Assets/Debt

This statement builds from the statement of financial position and identifies the factors contributing to the change in financial position. Similar to the statement of financial position, this statement shows that the Town has future obligations to be funded from development charges related to developer front ended projects. Over the life span of the plan, the Town's financial position continues to grow with net financial assets exceeding \$15 million.

4. Statement of Cash Flow

The final requirement of the Financial Plan is the statement of cash flow. This statement highlights how the revenues generated will be expended. Specifically, the statement demonstrates that revenues generated from operating (water rates), investing, and financing (developer front ending) transactions are sufficient to funds the capital transactions to 2021.

NEED FOR PUBLIC CONSULTATION

The Financial Plan will be advertised in the local newspaper and on the Town’s website. The Safe Drinking Water Act requires that copies the water Financial Plan will be made available to the public at no charge.

FINANCIAL IMPLICATIONS

To ensure that the Water Financial plan projected a long term viable water system, Watson also completed an analysis of the Town’s water and wastewater rate structure. The proposed rate structure assumed that the Region of York rates would increase by 9% annually, and that the increase to residents in East Gwillimbury, assuming average consumption, would be 8% annually. On June 9, 2015 Council approved a resolution that “staff present to Council, a revised four year plan to reflect a less aggressive approach to addressing the infrastructure reserve shortfall”. The rate structure below provides a less aggressive forecast of rates in comparison to the previous Financial Plan prepared by Watson.

	2015	2016	2017	2018	2019	2020	2021
Water							
Delivery	\$45	\$54	\$64	\$74	\$86	\$99	\$113
Usage	\$2.22	\$2.28	\$2.33	\$2.39	\$2.45	\$2.51	\$2.58
Wastewater							
Delivery	\$45	\$53	\$61	\$70	\$80	\$90	\$102
Usage	\$1.91	\$1.97	\$2.04	\$2.11	\$2.18	\$2.26	\$2.33

The financial plan indicates that the rate structure is sufficient to meet the Town’s operating and capital needs, while continuing to make provisions to reserves for the long term repair and replacement of assets. The projected reserve balance for water infrastructure is projected to grow to over \$18 million and the wastewater reserve balance to grow to \$20 million, at the end of 2021. This, combined with the Town’s debt free status, strategically places the Town in a strong financial position with respect to the sustainability of our drinking water systems.

It is important to note that while the Financial Plan provides a 6 year forecast, the water and wastewater budget will be presented annually and the rates will be established accordingly, by Council.

The Town is currently in discussions with the Region and the Developers about the servicing of the 404/Green Lane employment lands. The cost of servicing these lands are still preliminary, however the most recent cost estimate assumes approximately \$5 million for the water infrastructure only. Although the ultimate funding structure is still under negotiation, staff have included these costs in the Financial Plan for forecasting purposes, pending completion of the various master plans. As this plan is submitted to the Province, staff felt it was prudent to have this project documented should the opportunity arise for grant funding. It is important to note however, that the inclusion of this project results in the Financial Plan indicating that the Town may be required to take on debt in 2018 to support this project, which would be funded through development charges. The assumption that debt may be required is for forecasting purposes only. Through discussions with the Region and Developers staff will pursue options that mitigate debt requirements.

ALIGNMENT WITH STRATEGIC PLAN

The contents of this report supports the Strategic Pillars as follows:

- #1. Providing quality, affordable programs and services for a safe, accessible and livable community
- #2. Building a complete community that provides healthy places to live, work, play and learn
- #3. A high performance municipal organization committed to service and excellence

CONCLUSION

This report outlines the legislative requirement for Council to consider and approve the Financial Plan for the Town's drinking water system. The financial sustainability of the Town's drinking water system has been evaluated in the Financial Plan and based on the financial statements and future projections, the Town's drinking water system is financial sustainable.

The adoption of the Financial Plan by Council is a prerequisite to the application for the renewal of the Town's Municipal Drinking Water Licences.

Prepared by,

Original Signed By

Janet Lee, Development Finance
Specialist

Prepared by,

Original Signed By

Larry Hollett,
Director of Operations

Approved for Submission by,

Original Signed By

Jennifer Nelson, Director of Finance
Deputy Treasurer

Reviewed and Recommended by,

Original Signed By

Mike Molinari,
General Manager, Community
Infrastructure & Environmental Services

Reviewed and Recommended by,

Original Signed By

Mark Valcic, General Manager,
Corporate Services

Reviewed and Recommended by,

Original Signed By

Tom Webster,
Chief Administrative Officer

Attachment: Appendix A
Water Financial Plan
2016-2021

Town of East Gwillimbury
Water
Ontario Regulation 453/07
Financial Plan

Financial Plan # 117-301A

November 30, 2015



Plaza Three
101-2000 Argentia Rd.
Mississauga, Ontario
Canada L5N 1V9

Phone: (905) 272-3600

Fax: (905) 272-3602

e-mail: info@watson-econ.ca

www.watson-econ.ca

 **Planning for growth**

Contents

	Page
1. Introduction	1-1
1.1 Study Purpose	1-1
1.2 Background.....	1-1
1.2.1 Financial Plan Defined	1-2
1.2.2 Financial Plan Requirements – New System	1-2
1.2.3 Financial Plan Requirements – Existing System	1-3
1.2.4 Financial Plan Requirements - General	1-4
1.2.5 Public Sector Accounting Board (P.S.A.B.) Requirements.....	1-4
2. Sustainable Financial Planning.....	2-1
2.1 Introduction	2-1
2.2 Sustainable Water and Sewage Systems Act.....	2-2
2.3 Water Opportunities Act, 2010 (Bill 72).....	2-2
2.4 Water and Wastewater Rate Study.....	2-3
3. Approach	3-1
3.1 Overview.....	3-1
3.2 Conversion Process.....	3-1
3.2.1 Calculate Tangible Capital Asset Balances.....	3-1
3.2.2 Convert Statement of Operations.....	3-2
3.2.3 Convert Statement of Financial Position	3-4
3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt.....	3-4
3.2.5 Verification and Note Preparation	3-6
4. Financial Plan	4-1
4.1 Introduction	4-1
4.2 Water Financial Plan.....	4-1
4.2.1 Statement of Financial Position (Table 4-1)	4-1
4.2.2 Statement of Operations (Table 4-2).....	4-2
4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4- 3).....	4-3
4.2.4 Statement of Cash Flow (Table 4-4)	4-3
5. Process for Financial Plan Approval and Submission to the Province.....	5-1
6. Recommendations.....	6-1
Appendix A – 2015 Water and Wastewater Rate Study – Water Summary Table	A-1

List of Acronyms

O.Reg.	Ontario Regulation
P.S.A.B.	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
S.W.S.S.A.	Sustainable Water and Sewage Systems Act

1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Town of East Gwillimbury (the Town) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the Safe Drinking Water Act, 2002. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting in regards to the Town's water systems has already been completed and documented by Watson within the "2015 Town of East Gwillimbury Water and Wastewater Rate Study" (2015 Rate Study). The objective of the report provided herein is to convert the findings of the 2015 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

1.2 Background

The Safe Drinking Water Act (S.D.W.A.) was passed in December, 2002 in order to address some of the recommendations made by the Walkerton Inquiry Part II report. 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; and
5. Obtain permit to take water.

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

1.2.1 Financial Plan Defined

Section 30 (1) of the S.D.W.A. provides the following definition of financial plans:

“financial plans’ means,

- a) financial plans that satisfy the requirements of subsection (2), but only if,
 - (i) Bill 175 (Sustainable Water and Sewage Systems Act, 2002, introduced on September 23, 2002) receives Royal Assent, and
 - (ii) sections 3 and 9 of Bill 175 (Sustainable Water and Sewage Systems Act, 2002) are in force, or
- b) financial plans that satisfy the requirements prescribed by the Minister, in any other case. 2002, c. 32, s. 30 (1).”

As of time of writing, the Sustainable Water and Sewage Systems Act, 2002 cited above has been repealed (see Section 2.2 of this report); however, the standards that it directs underpin the specific requirements of s.30 (1) part b as they are outlined in O.Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – New System

O.Reg. 453/07 provides the following parameters with regard to s.30 (1) part b of the S.D.W.A. for new water systems:

- Financial plans must be approved by Council resolution (or governing body) indicating that the drinking water system is financially viable;
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing when the system first serves the public);
- 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 Public Sector Accounting Board (P.S.A.B.) 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 plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – Existing System

O.Reg. 453/07 also provides details with regard to s.30 (1) part b of the S.D.W.A. for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by Council resolution (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 P.S.A.B.) 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 the P.S.A.B.) 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 the P.S.A.B.) 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 plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.4 Financial Plan Requirements - General

Given that the legislation falls under the S.D.W.A., a financial plan is mandatory for water systems and encouraged for wastewater 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, approved and submitted at the time of licence renewal (i.e. six months prior to licence expiry). Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary.

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

1.2.5 Public Sector Accounting Board (P.S.A.B.) 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 Chartered Professional Accountants Canada (previously 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.”

Both the Statement of Financial Position and the Statement of Operations were required for financial reporting purposes in pre-2009 reporting years; however, the format changed in 2009 to conform to the requirements of PS1200 and PS3150 (see Figures 1-1 and 1-2). Financial statements are now reported on a full accrual accounting basis, which will continue in future years. 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. Before 2009, financial results were reported on a modified cash basis of accounting, whereby revenues and expenses are recognized when cash is paid or received and only certain accrual-type items such as payables and receivables are recognized at year-end. The difference between the methods is in the timing of when transactions are reported. This timing difference has impacted the presentation of the statements in that various accounts have been added or deleted in order to properly report the transactions.

Moreover, since the 2009 fiscal year, additional information relating to the accounting treatment of tangible capital assets is included in annual reporting, as indicated by the requirements under section PS3150. Pre-2009, the costs to acquire, develop and/or construct capital assets were expensed in the year in which they occur. Going forward, tangible capital assets are capitalized so as to create an inventory of the assets owned and to account for their ability to provide future benefits. The reporting of tangible capital assets required further changes to the format of existing financial statements. From a financial planning perspective, this change is significant for water assets as they can represent a significant portion of the Town's total assets.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt (which is a new statement as of 2009) are required statements going forward. 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 (see Figure 1-3). 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 (see Figure 1-4).

It should be noted that the Statement of Reserves and Reserve Funds and the Statement of Capital, as used by the public sector pre-2009, have been eliminated by the new reporting format. The balances and transactions that make up these two statements have been transferred to either the Statement of Operations or the Statement of Financial Position depending on the nature of the account.

Figure 1-1
Statement of Financial Position

OLD FORMAT (PRE-2009)**2009 AND FUTURE**

<u>Assets</u>
Financial Assets
Cash
Accounts Receivable
Investments
Inventory for resale
Other Assets
Total Financial Assets
<u>Non-Financial Assets</u>
Inventory of Supplies
Prepaid Expenses
Total Non-Financial Assets
<u>Liabilities</u>
Accounts Payable & Accrued Liabilities
Debt (Principal only)
Other (DC Reserves-Deferred Revenue)
Total Liabilities
NET ASSETS
<u>Municipal Position</u>
Fund Balances
Current Fund
Capital Fund
Reserves and Reserve Funds
Amounts to be Recovered
From Future Revenues
From Reserves & Reserve Funds
TOTAL MUNICIPAL POSITION

<u>Financial Assets</u>
Cash
Accounts Receivable
Investments
Inventory for resale
Other Assets
Total Financial Assets
<u>Liabilities</u>
Accounts Payable & Accrued Liabilities
Debt (Principal only)
Other (DC Reserves-Deferred Revenue)
Total Liabilities
NET FINANCIAL ASSETS/(DEBT)
<u>Non-Financial Assets</u>
Tangible Capital Assets
Inventory of Supplies
Prepaid Expenses
Total Non-Financial Assets
ACCUMULATED SURPLUS/(DEFICIT)

Figure 1-2
Statement of Operations

OLD FORMAT (PRE-2009)

<u>Revenues</u>
Base Charge Revenue
Rate Based Revenue
Transfers from Reserves
Other Revenue
Total Revenues
<u>Expenditures</u>
Operating Expenses
Capital
Total Expenditures
Net Revenues for the year
Increase (decrease) in amounts to be recovered
Change in fund balances

2009 AND FUTURE

<u>Revenue</u>
Base Charge Revenue
Rate Based Revenue
Earned DC Revenue
Other Revenue
Total Revenue
<u>Expenses</u>
Operating Expenses
Interest on Debt
Amortization
Other
Total Expenses
Annual Surplus/(Deficit)
Accum. Surplus/(Deficit), beg. of year
Accum. Surplus/(Deficit), end of year

Figure 1-3
Statement of Change in Net Financial Assets/Debt

2009 AND FUTURE

Annual Surplus/(Deficit)
Less: Acquisition of tangible capital assets
Add: Amortization of tangible capital assets
(Gain)/Loss on disposal of tangible capital assets
Add: Proceeds on sale of tangible capital assets
Add: Write-downs of tangible capital assets
Sub-total
Less: Acquisition of supplies inventory
Less: Acquisition of prepaid expenses
Add: Consumption of supplies inventory
Add: Use of prepaid expenses
Sub-total
(Increase)/Decrease in net financial assets/net debt
Net financial assets/(net debt), beginning of year
Net financial assets/(net debt), end of year

Figure 1-4
Statement of Cash Flow¹

DIRECT METHOD	INDIRECT METHOD
<u>Operating Transactions</u> Cash received from: Water Operations Less: Cash paid for: Operating expenses Finance charges	<u>Operating Transactions</u> Annual Surplus/(Deficit) Add: Amortization of Tangible Capital Assets Loss/(Gain) on sale of Tangible Capital Assets Decrease/(Increase) in Accounts Receivable Increase/(Decrease) in Accounts Payable Decrease/(Increase) in Inventories for sale Other items
Cash provided by operating transactions	Cash provided by operating transactions
<u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets	<u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets
Cash applied to capital transactions	Cash applied to capital transactions
<u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments	<u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments
Cash provided by (applied to) investing transactions	Cash provided by (applied to) investing transactions
<u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (Principal only)	<u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (Principal only)
Cash applied to financing transactions	Cash applied to financing transactions
Increase in cash and cash equivalents	Increase in cash and cash equivalents
Cash and cash equivalents, beginning of year	Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year	Cash and cash equivalents, end of year

¹ The statement of cash flow can be prepared using either the direct or indirect methods. The indirect method derives cash flow by making adjustments to the net surplus/deficit reported on the statement of operations. The direct method calculates cash flow identifying the direct sources and uses of cash.

2. Sustainable Financial Planning

2.1 Introduction

In general, sustainability refers to the ability to maintain a certain position over time. While the S.D.W.A. requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, the Ministry of the Environment 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: Lifecycle 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

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)

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; to create opportunities for economic development and clean-technology jobs; and to 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 storm water.

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.

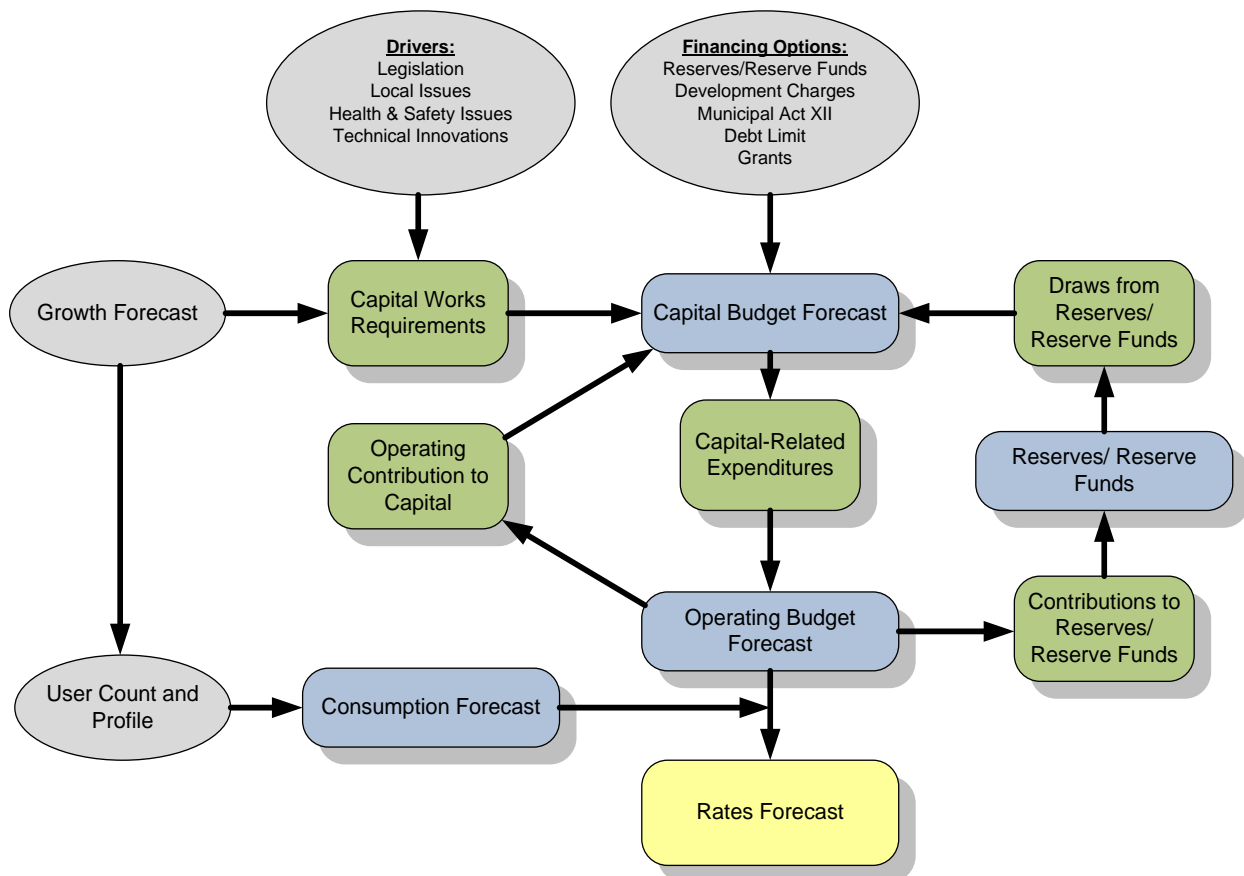
Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details with 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 Water and Wastewater Rate Study

As noted above, Watson has already completed extensive financial planning as documented in the 2015 Rate Study conducted on behalf of the Town. 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 2015 Rate Study provides a sound financial plan for the Town’s water systems 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 Town 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 2015 Rate Study are contained in Appendix A.

3. Approach

3.1 Overview

The 2015 Rate Study 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

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; and
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 within the 2015 Rate Study as well as part of the Town's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2015 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; and
- Disposals and related gains or losses for each year of the forecast period.

Future water capital needs have also been determined and summarized within the 2015 Rate Study. These estimates, however, only represent future assets that the Town anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no cost or partial cost to the Town). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and despite their non-monetary nature; the financial plan 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

As per subsection 1.2.5 above, the new Statement of Operations eliminates and/or adds certain transactions that have been reported differently by municipalities since 2009 (see Figure 3-1). A wide range of adjustments will be considered and will depend on the size and complexity of the system. For example, the revenues and expenses associated with the now obsolete Statement of Capital and Statement of Reserves and Reserve Funds (see subsection 1.2.5) will need to be adjusted for and included within the Statement of Operations. This includes all non-tangible capital asset costs previously included in the capital statement (i.e. expenses related to various studies) while at the same time eliminating all expenditures incurred to acquire tangible capital assets which will now form part of the tangible capital asset balance discussed in subsection 3.2.1. Transfers to and from reserves are no longer explicitly reported on the Statement of Operations. Instead, these transactions are represented by changes in cash and accumulated surplus. Also, debt repayment costs relating to the principal payment portion only need to be removed, as they no longer qualify as an expense for reporting purposes. Principal payments will now be reported as a decrease in debt liability on the Statement of Financial Position. Finally, expenses relating to tangible capital assets, such as amortization, write-offs and (gain)/loss on disposal of assets, will be 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.

Figure 3-1
Conversion Adjustments
Statement of Operations (Water)

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	1,111,640			1,111,640	Base Charge Revenue
Rate Based Revenue	2,777,360			2,777,360	Rate Based Revenue
Other Revenue	105,500		36,892	142,392	Other Revenue
Total Revenues	3,994,500			4,031,392	Total Revenues
Expenditures					Expenses
Operating	3,377,011	50,000		3,427,011	Operating Expenses
Capital					
Transfers to Reserves	575,489		575,489		
Transfers to Capital	42,000		42,000		
		830,570		830,570	Amortization
Total Expenditures	3,994,500			4,257,581	Total Expenses
Net Expenditures	-			(226,189)	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			32,651,115	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-		226,189	32,424,926	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		880,570	880,570		

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 Figure 3-2). As noted earlier, the applicable balances from the Statement of Capital and the Statement of Reserve and Reserve Funds will need to be transferred to this statement. The opening/actual balances for the remaining accounts, such as accounts receivable, inventory, accounts payable and 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 Town 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 Town 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 new 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, additional 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.

Figure 3-2
Conversion Adjustments
Statements of Financial Position (Water)

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
<u>ASSETS</u>					<u>ASSETS</u>
<u>Financial Assets</u>					<u>Financial Assets</u>
Cash	2,564,702			2,564,702	Cash
Accounts Receivable	1,021,670			1,021,670	Accounts Receivable
<i>Total Financial Assets</i>	3,586,372			3,586,372	<i>Total Financial Assets</i>
<u>LIABILITIES</u>					<u>Liabilities</u>
Accounts Payable & Accrued Liabilities	598,091			598,091	Accounts Payable & Accrued Liabilities
<i>Total Liabilities</i>	598,091			598,091	<i>Total Liabilities</i>
Net Assets/(Debt)	2,988,281			2,988,281	Net Financial Assets/(Debt)
		29,486,645	50,000	29,436,645	<u>Non-Financial Assets</u>
				29,436,645	Tangible Capital Assets
					Total Non-Financial Assets
<u>Municipal Position</u>					
Water Reserves	2,988,281	2,988,281			
Total Municipal Position	2,988,281		32,424,926	32,424,926	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		32,474,926	32,474,926		

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 Town 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 Town’s ledgers. It may not be possible, however, 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 Town’s amortization policy. Otherwise, an assumption will need to be made and applied consistently throughout the financial plan.

- 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 2015 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Town’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.

4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Town's water systems. 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 Town's water systems. It is not an audited document¹ and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

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 Town's water systems. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an estimation 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 at the end of 2015, the Town's water systems will be in a net financial asset position of approximately \$3.0 million. After increasing to over \$4.1 million in 2016, net financial assets decrease to just under \$800,000 in 2017. This is due to the proposed use of debt to pay for anticipated capital projects in that year. From 2018 to 2021, the financial plan forecasts an improving net financial asset position in each year, achieving a balance of just over \$15.1 million in 2021.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance. 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:

- Tangible capital assets such as water mains are imperative to water service delivery;

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

- 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; and
- 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 Town 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 tangible capital assets are expected to increase by approximately \$6.3 million over the forecast period. This indicates that the Town 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 systems 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, improving from 106% in 2015 to 67% by 2024. As a result, following an annual deficit of just under \$230,000 in 2015, the financial plan forecasts annual surpluses for each remaining year of the forecast period, from 2016 to 2021. In 2021, an annual surplus of over \$3.9 million is projected. 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 \$18.9 million to a 2014 accumulated surplus of approximately \$32.7 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 2017, the forecasted tangible capital asset acquisitions (net of amortization for the year) exceed the forecasted annual surplus/(deficit) resulting in a decrease to net financial assets. This is a result of more significant capital asset acquisitions forecasted in that year. In each of the other years within the forecast (i.e. 2015, 2016 and 2018 to 2021), forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization for the year) resulting in annual increases in net financial assets. This allows for a long-term plan of funding capital through accumulated surplus (i.e. reserves). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions achieving a value of 1.99 by 2021.¹

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how water systems are 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), make debt principal payments and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Town's water systems to increase annually, from approximately \$2.6 million at the end of 2015 to over \$16.6 million at the end of 2021. For further discussions on projected cash balances, please refer to the Notes to the Financial Plan.

¹ A desirable ratio is 1:1 or better.

Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Financial Assets								
Cash	1	2,564,702	3,517,885	5,004,331	7,027,049	9,667,852	12,858,409	16,644,634
Accounts Receivable	1	1,021,670	1,268,524	1,546,336	1,869,121	2,190,331	2,536,850	2,870,878
Total Financial Assets		3,586,372	4,786,409	6,550,667	8,896,170	11,858,183	15,395,259	19,515,512
Liabilities								
Accounts Payable & Accrued Liabilities	1	598,091	664,185	764,463	871,858	980,591	1,097,191	1,206,852
Debt (Principal only)	2	-	-	4,994,000	4,568,305	4,127,710	3,671,694	3,199,718
Total Liabilities		598,091	664,185	5,758,463	5,440,163	5,108,301	4,768,885	4,406,570
Net Financial Assets/(Debt)		2,988,281	4,122,224	792,204	3,456,007	6,749,882	10,626,374	15,108,942
Non-Financial Assets								
Tangible Capital Assets	4	29,436,645	31,915,885	37,702,960	38,160,200	37,383,361	37,033,000	36,479,232
Total Non-Financial Assets		29,436,645	31,915,885	37,702,960	38,160,200	37,383,361	37,033,000	36,479,232
Accumulated Surplus/(Deficit)	5	32,424,926	36,038,109	38,495,164	41,616,207	44,133,243	47,659,374	51,588,174

Financial Indicators	Total Change	2015	2016	2017	2018	2019	2020	2021
1) Increase/(Decrease) in Net Financial Assets	12,683,042	562,381	1,133,943	(3,330,020)	2,663,803	3,293,875	3,876,492	4,482,568
2) Increase/(Decrease) in Tangible Capital Assets	6,254,017	(788,570)	2,479,240	5,787,075	457,240	(776,839)	(350,361)	(553,768)
3) Increase/(Decrease) in Accumulated Surplus	18,937,059	(226,189)	3,613,183	2,457,055	3,121,043	2,517,036	3,526,131	3,928,800

Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Water Revenue								
Base Charge Revenue		1,111,640	1,450,681	1,986,139	2,650,621	3,375,851	4,204,659	5,068,111
Rate Based Revenue		2,777,360	3,377,970	3,900,006	4,464,207	4,961,668	5,451,888	5,859,918
Earned Development Charges Revenue	3	-	3,226,000	1,616,000	1,854,485	600,485	951,485	600,485
Other Revenue	6	142,392	158,493	181,235	211,067	248,491	293,021	344,833
Total Revenues		4,031,392	8,213,144	7,683,380	9,180,380	9,186,495	10,901,053	11,873,347
Water Expenses								
Operating Expenses	Sch. 4-1	3,427,011	3,750,201	4,316,400	4,922,787	5,536,729	6,249,091	6,814,270
Interest on Debt	2	-	-	-	174,790	159,891	144,470	128,509
Amortization	4	830,570	849,760	909,925	961,760	972,839	981,361	1,001,768
Total Expenses		4,257,581	4,599,961	5,226,325	6,059,337	6,669,459	7,374,922	7,944,547
Annual Surplus/(Deficit)		(226,189)	3,613,183	2,457,055	3,121,043	2,517,036	3,526,131	3,928,800
Accumulated Surplus/(Deficit), beginning of year	5	32,651,115	32,424,926	36,038,109	38,495,164	41,616,207	44,133,243	47,659,374
Accumulated Surplus/(Deficit), end of year		32,424,926	36,038,109	38,495,164	41,616,207	44,133,243	47,659,374	51,588,174
Note 5:								
Accumulated Surplus/(Deficit) Reconciliation:		2015	2016	2017	2018	2019	2020	2021
Reserve Balances								
Reserves: Development Charges		-	-	-	-	-	-	-
Reserves: Capital/Other		2,988,281	4,122,224	5,786,204	8,024,312	10,877,592	14,298,068	18,308,660
Total Reserves Balance		2,988,281	4,122,224	5,786,204	8,024,312	10,877,592	14,298,068	18,308,660
Less: Debt Obligations and Deferred Revenue		-	-	(4,994,000)	(4,568,305)	(4,127,710)	(3,671,694)	(3,199,718)
Add: Tangible Capital Assets	4	29,436,645	31,915,885	37,702,960	38,160,200	37,383,361	37,033,000	36,479,232
Total Ending Balance		32,424,926	36,038,109	38,495,164	41,616,207	44,133,243	47,659,374	51,588,174
Financial Indicators								
	Total Change	2015	2016	2017	2018	2019	2020	2021
1) Expense to Revenue Ratio		106%	56%	68%	66%	73%	68%	67%
2) Increase/(Decrease) in Accumulated Surplus	18,937,059	(226,189)	3,613,183	2,457,055	3,121,043	2,517,036	3,526,131	3,928,800

Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Operating Expenses								
Water Quality								
DWQMS		13,000	13,300	13,600	13,900	14,200	14,500	14,800
Flushing		12,000	12,200	12,400	12,600	12,900	13,200	13,500
Sampling		27,500	28,100	28,700	29,300	29,900	30,500	31,100
Chlorination/Testing		1,000	1,000	1,000	1,000	1,000	1,000	1,000
Swabbing		15,500	15,800	16,100	16,400	16,700	17,000	17,300
Sampling Stations		7,700	7,900	8,100	8,300	8,500	8,700	8,900
Lead Testing		7,500	7,700	7,900	8,100	8,300	8,500	8,700
Hydrants		14,900	15,200	15,500	15,800	16,100	16,400	16,700
Valves		9,700	9,900	10,100	10,300	10,500	10,700	10,900
Watermains		31,000	31,600	32,200	32,800	33,500	34,200	34,900
Water Connections		22,500	23,000	23,500	24,000	24,500	25,000	25,500
North Union System		3,000	3,100	3,200	3,300	3,400	3,500	3,600
Mount Albert Lions		3,000	3,100	3,200	3,300	3,400	3,500	3,600
Meters		71,000	72,400	73,800	75,300	76,800	78,300	79,900
Water Calibration & Testing		3,000	3,100	3,200	3,300	3,400	3,500	3,600
Tools		12,250	12,500	12,800	13,100	13,400	13,700	14,000
Administration		1,422,849	1,451,300	1,480,300	1,509,900	1,540,100	1,570,900	1,602,300
Operating/Administration (excluding chargebacks) on new units 1		-	74,879	193,454	282,686	367,829	450,438	494,939
Regional Water Charge-Existing		1,699,612	1,852,600	2,019,300	2,201,000	2,399,100	2,615,000	2,850,400
Regional Water Charge-Growth		-	111,522	358,046	658,401	953,200	1,276,552	1,578,632
Non TCA - Expenses from Capital Budget	7	50,000	-	-	-	-	54,000	-
TOTAL OPERATING EXPENSES		3,427,011	3,750,201	4,316,400	4,922,787	5,536,729	6,249,091	6,814,270

Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Annual Surplus/(Deficit)		(226,189)	3,613,183	2,457,055	3,121,043	2,517,036	3,526,131	3,928,800
Less: Acquisition of Tangible Capital Assets	4	(42,000)	(3,329,000)	(6,697,000)	(1,419,000)	(196,000)	(631,000)	(448,000)
Add: Amortization of Tangible Capital Assets	4	830,570	849,760	909,925	961,760	972,839	981,361	1,001,768
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-
		788,570	(2,479,240)	(5,787,075)	(457,240)	776,839	350,361	553,768
Increase/(Decrease) in Net Financial Assets/(Net Debt)		562,381	1,133,943	(3,330,020)	2,663,803	3,293,875	3,876,492	4,482,568
Net Financial Assets/(Net Debt), beginning of year		2,425,900	2,988,281	4,122,224	792,204	3,456,007	6,749,882	10,626,374
Net Financial Assets/(Net Debt), end of year		2,988,281	4,122,224	792,204	3,456,007	6,749,882	10,626,374	15,108,942

Financial Indicators	2015	2016	2017	2018	2019	2020	2021
1) Acquisition of Tangible Capital Assets (Cumulative)	42,000	3,371,000	10,068,000	11,487,000	11,683,000	12,314,000	12,762,000
2) Annual Surplus/Deficit before Amortization (Cumulative)	604,381	5,067,324	8,434,304	12,517,107	16,006,982	20,514,474	25,445,042
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)	14.39	1.50	0.84	1.09	1.37	1.67	1.99

Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Operating Transactions								
Annual Surplus/Deficit		(226,189)	3,613,183	2,457,055	3,121,043	2,517,036	3,526,131	3,928,800
Add: Amortization of TCA's	4	830,570	849,760	909,925	961,760	972,839	981,361	1,001,768
Less: Earned Deferred Revenue	3	-	(3,226,000)	(1,616,000)	(1,854,485)	(600,485)	(951,485)	(600,485)
Add: Deferred Revenue Net Proceeds/(Paybacks)		(416,900)	3,226,000	1,616,000	1,854,485	600,485	951,485	600,485
Change in A/R (Increase)/Decrease		(24,663)	(246,854)	(277,812)	(322,785)	(321,210)	(346,519)	(334,028)
Change in A/P Increase/(Decrease)		51,649	66,094	100,278	107,395	108,733	116,600	109,661
Less: Interest Proceeds		(36,892)	(50,892)	(71,435)	(99,066)	(134,291)	(176,519)	(226,033)
Cash Provided by Operating Transactions		177,575	4,231,291	3,118,011	3,768,347	3,143,107	4,101,054	4,480,168
Capital Transactions								
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(42,000)	(3,329,000)	(6,697,000)	(1,419,000)	(196,000)	(631,000)	(448,000)
Cash Applied to Capital Transactions		(42,000)	(3,329,000)	(6,697,000)	(1,419,000)	(196,000)	(631,000)	(448,000)
Investing Transactions								
Proceeds from Investments		36,892	50,892	71,435	99,066	134,291	176,519	226,033
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		36,892	50,892	71,435	99,066	134,291	176,519	226,033
Financing Transactions								
Proceeds from Debt Issue	2	-	-	4,994,000	-	-	-	-
Less: Debt Repayment (Principal only)	2	-	-	-	(425,695)	(440,595)	(456,016)	(471,976)
Cash Applied to Financing Transactions		-	-	4,994,000	(425,695)	(440,595)	(456,016)	(471,976)
Increase in Cash and Cash Equivalents		172,467	953,183	1,486,446	2,022,718	2,640,803	3,190,557	3,786,225
Cash and Cash Equivalents, beginning of year	1	2,392,235	2,564,702	3,517,885	5,004,331	7,027,049	9,667,852	12,858,409
Cash and Cash Equivalents, end of year	1	2,564,702	3,517,885	5,004,331	7,027,049	9,667,852	12,858,409	16,644,634

Water Notes to Financial Plan

The financial plan format, as outlined in Chapter 4, closely approximates the full accrual format used by municipalities (2009 onward) on their audited financial statements. The financial plan, however, 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); and
- 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; and
- 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 Town of East Gwillimbury, some of the items listed above have been estimated given that the Town 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

Receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on historical levels of water/wastewater receivables and accrued receivables as a percentage of annual revenues, applied to projected water revenues (source: Town staff);
- b) Payables: Based on historical levels of town-wide payables as a percentage of annual expenses incurred, applied to projected water expenses (source: prior years' audited financial statements).

2. Debt

The Town had no outstanding water related debt at the end of 2014. However, it is anticipated that debt proceeds may be required over the forecast period.

Principal repayments over the forecast period are estimated as follows:

Year	Principal Payments
2015	-
2016	-
2017	-
2018	425,695
2019	440,595
2020	456,016
2021	471,976
Total	\$ 1,794,282

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. The Town collects water development charges, however the financial plan proposes to fully utilize the proceeds to fund tangible capital asset purchases each year.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water-related assets in the following categories:
 - i. Infrastructure;
 - ii. Vehicles;
 - iii. Equipment; and
 - iv. Land.
- 2015 opening balances for tangible capital assets are reported in accordance with 2014 Financial Information Return amounts.
- Amortization is calculated based on the straight-line approach.
- Given the planned asset replacement forecast in the 2015 Rate Study, useful life on acquisitions is assumed to be equal to typical values assigned by the Town for each asset category.
- 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 shown as Developer Contributions, a revenue, on the Statement of Operations in the year of contribution, if applicable.
- The Town is unaware of any specific lead service piping in the Town's water systems.

The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2015	2016	2017	2018	2019	2020	2021
Opening Tangible Capital Asset Balance	47,823,450	47,847,097	51,170,050	57,860,680	59,203,132	59,309,291	59,773,894
Acquisitions	42,000	3,329,000	6,697,000	1,419,000	196,000	631,000	448,000
Disposals	18,353	6,047	6,370	76,548	89,841	166,397	329,054
Closing Tangible Capital Asset Balance	47,847,097	51,170,050	57,860,680	59,203,132	59,309,291	59,773,894	59,892,840
Opening Accumulated Amortization	17,598,235	18,410,452	19,254,165	20,157,720	21,042,932	21,925,930	22,740,894
Amortization Expense	830,570	849,760	909,925	961,760	972,839	981,361	1,001,768
Amortization on Disposal	18,353	6,047	6,370	76,548	89,841	166,397	329,054
Ending Accumulated Amortization	18,410,452	19,254,165	20,157,720	21,042,932	21,925,930	22,740,894	23,413,608
Net Book Value	29,436,645	31,915,885	37,702,960	38,160,200	37,383,361	37,033,000	36,479,232

5. Accumulated Surplus

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

Water	2015
Reserve Balances	
Reserves: Development Charges	416,900
Reserves: Capital/Other	2,425,900
Total Reserves Balance	2,842,800
Less: Debt Obligations and Deferred Revenue	(416,900)
Add: Tangible Capital Assets	30,225,215
Total Opening Balance	32,651,115

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

6. Other Revenue

Other revenue includes penalties and interest, as well as other non-operating general revenues.

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.

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

As mentioned in Section 1.2, the requirement to prepare the financial plan is provided in Section 32 (5) 2 ii of the S.D.W.A. Proof of the preparation of a financial plan is one of the submission requirements 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 the municipality who owns the drinking water systems or the governing body of the owner. (O.Reg. 453/07, Section 3 (1) 1)
2. The owner of the drinking water systems 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 systems 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 systems must provide proof satisfactory to the Ministry of the Environment 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)

6. Recommendations

This report presents the water financial plan for the Town of East Gwillimbury 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 2015 Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Town of East Gwillimbury Water Financial Plan prepared by Watson & Associates Economists Ltd. dated November 30, 2015 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan and the Council Resolution approving the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6).
4. The Financial Plan and the Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32 (5) 2 ii)).

Appendix A – 2015 Water and Wastewater Rate Study – Water Summary Tables

Table A-1
Town of East Gwillimbury
Water Service
Capital Budget Forecast
 Inflated \$

Description	Budget 2015	Total 2016-2021	Forecast					
			2016	2017	2018	2019	2020	2021
Capital Expenditures								
Adenosine Triphosphate ATP Sampling Equipment	6,000	-	-	-	-	-	-	-
Handheld GPS/Data Collection Unit	15,000	-	-	-	-	-	-	-
Tablet Replacement	21,000	-	-	-	-	-	-	-
Lifecycle:								
Water Meter		314,000	-	-	-	103,000	104,000	107,000
Water Service Connection		549,000	85,000	87,000	89,000	93,000	97,000	98,000
Vehicle Replacement:								
2011 Chevrolet Silverado Pickup Truck 1500 4WD ExtCab 4X4 White (3227ZV) T11 3/4 Tonne cargo van		100,000	-	-	-	-	-	100,000
2011 Dodge Ram Pick Up Truck 1500 Quad SLT 4X4 Bright White (3546Zp)		36,000	-	-	36,000	-	-	-
1 Ton Dump Truck		79,000	-	-	-	-	79,000	-
3/4 Ton Pickup Truck		40,000	-	-	40,000	-	-	-
2014 RAMPROMASTE Cargo Van		43,000	-	-	-	-	-	43,000
Equipment Replacement:								
Continual Residual Monitoring Equip't		-	-	-	-	-	-	-
Valve Exerciser / HURCO Valve & Vac 250G Trailer		70,000	-	-	-	-	-	70,000
Water Meter Transceiver (various)		30,000	-	-	-	-	-	30,000
Studies:								
Water Financial Plan Update	50,000	54,000	-	-	-	-	54,000	-
Growth Related:								
West side water distribution system - Mount Albert (IC1)		1,254,000	-	-	1,254,000	-	-	-
Colonel Waying watermain loop south of Mount Albert (missing Link)		180,000	180,000	-	-	-	-	-
Doane Road watermain Anchor Court to 2nd Con.		1,093,000	1,093,000	-	-	-	-	-
N/S Sharon collector watermain Green Lane to south limit of OP		476,000	476,000	-	-	-	-	-
Holland Landing Road watermain HLDG West Development Area		1,111,000	1,111,000	-	-	-	-	-
New Doane Road watermain 2nd Con. to Woodbine		1,616,000	-	1,616,000	-	-	-	-
N/S Sharon collector watermain - Mount Albert Road to Doane Road		351,000	-	-	-	-	351,000	-
Leslie Street watermain north of Farr Avenue to Wycliffe Lands		384,000	384,000	-	-	-	-	-
Eng-Air Provision		4,994,000	-	4,994,000	-	-	-	-
Total Capital Expenditures	92,000	12,774,000	3,329,000	6,697,000	1,419,000	196,000	685,000	448,000
Capital Financing								
Provincial/Federal Grants		-	-	-	-	-	-	-
Development Charges Reserve Fund		6,447,000	3,226,000	1,616,000	1,254,000	-	351,000	-
Non-Growth Related Debenture Requirements		-	-	-	-	-	-	-
Growth Related Debenture Requirements		4,994,000	-	4,994,000	-	-	-	-
Operating Contributions	42,000	-	-	-	-	-	-	-
W & WW Vehicle and Equipment Replacement Reserve		398,000	-	-	76,000	-	79,000	243,000
Rate Stabilization Reserve Fund		-	-	-	-	-	-	-
Water Reserve	50,000	935,000	103,000	87,000	89,000	196,000	255,000	205,000
Total Capital Financing	92,000	12,774,000	3,329,000	6,697,000	1,419,000	196,000	685,000	448,000

Table A-2
Town of East Gwillimbury
Water Service
Schedule of Non-Growth Related Debenture Repayments
 Inflated \$

Debenture Year	2015	Principal (Inflated)	Forecast					
			2016	2017	2018	2019	2020	2021
2016		-	-	-	-	-	-	-
2017		-	-	-	-	-	-	-
2018		-	-	-	-	-	-	-
2019		-	-	-	-	-	-	-
2020		-	-	-	-	-	-	-
2021		-	-	-	-	-	-	-
2022		-	-	-	-	-	-	-
Total Annual Debt Charges		-	-	-	-	-	-	-

Table A-3
Town of East Gwillimbury
Water Service
Schedule of Growth Related Debenture Repayments
 Inflated \$

Debenture Year	2015	Principal (Inflated)	Forecast					
			2016	2017	2018	2019	2020	2021
2016		-	-	-	-	-	-	-
2017		4,994,000	-	-	600,485	600,485	600,485	600,485
2018		-	-	-	-	-	-	-
2019		-	-	-	-	-	-	-
2020		-	-	-	-	-	-	-
2021		-	-	-	-	-	-	-
2022		-	-	-	-	-	-	-
Total Annual Debt Charges		-	-	-	600,485	600,485	600,485	600,485

Table A-4
Town of East Gwillimbury
Water Service
Water Reserves/ Reserve Funds Continuity
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021
Opening Balance	1,702,202	2,255,537	3,324,045	4,921,773	7,169,750	9,956,074	13,388,744
Transfer from Operating	575,489	1,130,470	1,623,965	2,248,462	2,859,410	3,522,376	4,176,979
Transfer to Capital	50,000	103,000	87,000	89,000	196,000	255,000	205,000
Transfer to Operating	-	-	-	-	-	-	-
Closing Balance	2,227,691	3,283,007	4,861,010	7,081,234	9,833,160	13,223,450	17,360,722
Interest	27,846	41,038	60,763	88,515	122,914	165,293	217,009

Table A-5
Town of East Gwillimbury
Water Service
W & WW Vehicle and Equipment Replacement Reserve
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021
Opening Balance	172,893	175,054	233,517	292,711	275,695	335,416	315,896
Transfer from Operating	-	55,580	55,580	55,580	55,580	55,580	55,580
Transfer to Capital	-	-	-	76,000	-	79,000	243,000
Transfer to Operating	-	-	-	-	-	-	-
Closing Balance	172,893	230,634	289,097	272,291	331,275	311,996	128,476
Interest	2,161	2,883	3,614	3,404	4,141	3,900	1,606

Table A-6
Town of East Gwillimbury
Water Service
Water Development Charges Reserve Fund Continuity
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021
Opening Balance	416,900	-	-	-	-	-	-
Development Charge Proceeds	59,500	201,675	314,120	230,405	215,160	203,735	99,280
Developer Front-Ending	-	3,226,000	1,616,000	1,854,485	600,485	951,485	600,485
Less Developer Front-Ending Payback	476,400	201,675	314,120	230,405	215,160	203,735	99,280
Transfer to Capital	-	3,226,000	1,616,000	1,254,000	-	351,000	-
Transfer to Operating	-	-	-	600,485	600,485	600,485	600,485
Closing Balance	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Required from Development Charges (Developer Front-Ending)	-	3,226,000	6,610,000	1,254,000	-	351,000	-

Table A-7
Town of East Gwillimbury
Water Service
Water Rate Stabilization Reserve Fund Continuity
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021
Opening Balance	550,805	557,690	564,661	571,719	578,866	586,102	593,428
Transfer from Operating	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-
Closing Balance	550,805	557,690	564,661	571,719	578,866	586,102	593,428
Interest	6,885	6,971	7,058	7,146	7,236	7,326	7,418

Table A-9
Town of East Gwillimbury
Water Services
Operating Budget Forecast
Inflated \$

Description	Budget 2015	Forecast					
		2016	2017	2018	2019	2020	2021
Expenditures							
Operating Costs							
Water Quality							
DWQMS	13,000	13,300	13,600	13,900	14,200	14,500	14,800
Flushing	12,000	12,200	12,400	12,600	12,900	13,200	13,500
Sampling	27,500	28,100	28,700	29,300	29,900	30,500	31,100
Chlorination/Testing	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Swabbing	15,500	15,800	16,100	16,400	16,700	17,000	17,300
Sampling Stations	7,700	7,900	8,100	8,300	8,500	8,700	8,900
Lead Testing	7,500	7,700	7,900	8,100	8,300	8,500	8,700
Hydrants	14,900	15,200	15,500	15,800	16,100	16,400	16,700
Valves	9,700	9,900	10,100	10,300	10,500	10,700	10,900
Watermains	31,000	31,600	32,200	32,800	33,500	34,200	34,900
Water Connections	22,500	23,000	23,500	24,000	24,500	25,000	25,500
North Union System	3,000	3,100	3,200	3,300	3,400	3,500	3,600
Mount Albert Lions	3,000	3,100	3,200	3,300	3,400	3,500	3,600
Meters	71,000	72,400	73,800	75,300	76,800	78,300	79,900
Water Calibration & Testing	3,000	3,100	3,200	3,300	3,400	3,500	3,600
Tools	12,250	12,500	12,800	13,100	13,400	13,700	14,000
Administration	1,422,849	1,451,300	1,480,300	1,509,900	1,540,100	1,570,900	1,602,300
Operating/Administration (excluding chargebacks) on new units ¹		74,879	193,454	282,686	367,829	450,438	494,939
Regional Water Charge-Existing	1,699,612	1,852,600	2,019,300	2,201,000	2,399,100	2,615,000	2,850,400
Regional Water Charge-Growth	-	111,522	358,046	658,401	953,200	1,276,552	1,578,632
Sub Total Operating	3,377,011	3,750,201	4,316,400	4,922,787	5,536,729	6,195,091	6,814,270
Capital-Related							
New Growth Related Debt (Principal)		-	-	425,695	440,595	456,016	471,976
New Growth Related Debt (Interest)		-	-	174,790	159,891	144,470	128,509
To Balance to Existing Rate	303,902						
Transfer to Veh./Equipment Replacement Reserve		55,580	55,580	55,580	55,580	55,580	55,580
Transfer to Capital	42,000	-	-	-	-	-	-
Transfer to Capital Reserve	575,489	1,130,470	1,623,965	2,248,462	2,859,410	3,522,376	4,176,979
Sub Total Capital Related	921,391	1,186,050	1,679,545	2,904,527	3,515,476	4,178,441	4,833,044
Total Expenditures	4,298,402	4,936,251	5,995,945	7,827,314	9,052,205	10,373,532	11,647,314
Revenues							
Base Charge	1,111,640	1,450,681	1,986,139	2,650,621	3,375,851	4,204,659	5,068,111
Other Revenue	105,500	107,600	109,800	112,000	114,200	116,500	118,800
Contributions from Development Charges Reserve Fund	-	-	-	600,485	600,485	600,485	600,485
Total Operating Revenue	1,217,140	1,558,281	2,095,939	3,363,106	4,090,536	4,921,644	5,787,397
Water Billing Recovery - Operating	3,081,262	3,377,970	3,900,006	4,464,207	4,961,668	5,451,888	5,859,918
Lifecycle Reserve Contribution (\$)							
Water Billing Recovery - Total	3,081,262	3,377,970	3,900,006	4,464,207	4,961,668	5,451,888	5,859,918