Watson & Associates ECONOMISTS LTD.

Municipality of North Middlesex

2024 Water and Wastewater Rate Study & Financial Plan

Council Presentation

May 15, 2024

Study Purpose

- Identify all current and future water and wastewater system capital needs;
- Identify cost recovery options for capital;
- Estimate future operating costs over the next 10 years; and
- Recommend new rates to recover the cost of the water and wastewater systems.

Timelines

- Study Initiation – January 2024
- Calculations, meetings with Municipal Staff – January to May 2024
- Council Meeting – May 15, 2024
- Release of Background Reports – following Council Meeting

Legislation for Water and Wastewater

- Since Walkerton, new legislation has been passed by the Province to enhance the provision of services. These include the following:
  - Safe Drinking Water Act;
  - Sustainable Water and Sewage Systems Act;
  - O.Reg. 453/07 - Safe Drinking Water Act;
  - Clean Water Act; and
  - Water Opportunities Act.
- Further Requirements:
  - Municipal Infrastructure Strategy
  - Infrastructure for Jobs and Prosperity Act, 2015

Principal of Full Cost Recover

Considerations as Part of Rate Analysis

- Municipality has a significant amount of watermains ($261M) which will need to be considered in financial planning (IJPA)
- Rate increases in the past have been lower than recommended as part of 2019 rate study
- Water purchases are large due to excessive water loss
- Debt capacity limitations due to large capital infrastructure projects

Principal of Full Cost Recover

Present 2023 Rates

- In 2019, it was recommended to go to a 100% fixed rate
- Subsequently it was determined to use a combination of the base charge and volume charge
- The current rate structure has been maintained for this analysis

Municipality of North Middlesex	
2023 - Water Billing Rates	
Annual Base Charge	
0 to 75	353
76 to 250	706
251 to 300	920
301 to 400	1,088
401 to 500	1,313
501 to 600	1,538
601 to 800	1,875
801 to 1,000	2,325
1,001 to 1,500	3,112
1,501 to 2,000	4,236
2,001 to 3,000	5,923
3,001 to 4,000	8,172
4,001 to 5,000	10,420
5,001 to 7,500	14,355
7,501 to 10,000	19,977
10,001 to 12,000	25,036
12,001 to 18,842	29,715
Volume Charge	
$ 0.44	0 to 75 cu.m
$ 0.87	75 cu.m+

Municipality of North Middlesex	
2023 - Wastewater Billing Rates	
Annual Base Charge	
0 to 75	384
76 to 250	768
251 to 300	768
301 to 400	768
401 to 500	768
501 to 600	1,563
601 to 800	1,985
801 to 1,000	2,548
1,001 to 1,500	3,533
1,501 to 2,000	4,940
2,001 to 3,000	7,051
3,001 to 4,000	9,866
4,001 to 5,000	12,680
5,001 to 7,500	17,606
7,501 to 10,000	24,642
10,001 to 12,000	30,975
12,001 to 18,842	36,831
Volume Charge	
$ 0.50	0 to 75 cu.m
$ 1.00	75 cu.m+

Existing Customer Profile

Metered	Water	Wastewater
0 to 75	441	223
76 to 250	1383	838
251 to 300	153	77
301 to 400	122	50
401 to 500	50	9
501 to 600	29	6
601 to 800	30	3
801 to 1,000	19	5
1,001 to 1,500	36	5
1,501 to 2,000	18	4
2,001 to 3,000	16	1
3,001 to 4,000	11	2
4,001 to 5,000	7	0
5,001 to 7,500	13	1
7,501 to 10,000	5	1
10,001 to 12,000	2	1
12,001 to 18,842	4	0
Total	**2,339**	**1,226**

Water Users Forecast

Water Customer Forecast	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Existing	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339
New - Growth	12	37	62	87	112	137	161	186	211	236	262
Total	**2,351**	**2,376**	**2,401**	**2,426**	**2,451**	**2,476**	**2,500**	**2,525**	**2,550**	**2,575**	**2,601**

Water Volume Forecast (cu.m)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
0 to 75	20,351	20,351	20,351	20,351	20,351	20,351	20,351	20,351	20,351	20,351	20,351
76 to 250	211,990	215,725	219,460	223,195	226,930	230,665	234,400	238,135	241,870	245,605	249,490
251 to 300	41,638	41,638	41,638	41,638	41,638	41,638	41,638	41,638	41,638	41,638	41,638
301 to 400	41,609	41,609	41,609	41,609	41,609	41,609	41,609	41,609	41,609	41,609	41,609
401 to 500	22,318	22,318	22,318	22,318	22,318	22,318	22,318	22,318	22,318	22,318	22,318
501 to 600	15,842	15,842	15,842	15,842	15,842	15,842	15,842	15,842	15,842	15,842	15,842
601 to 800	21,094	21,094	21,094	21,094	21,094	21,094	21,094	21,094	21,094	21,094	21,094
801 to 1,000	17,203	17,203	17,203	17,203	17,203	17,203	17,203	17,203	17,203	17,203	17,203
1,001 to 1,500	43,876	43,876	43,876	43,876	43,876	43,876	43,876	43,876	43,876	43,876	43,876
1,501 to 2,000	31,201	31,201	31,201	31,201	31,201	31,201	31,201	31,201	31,201	31,201	31,201
2,001 to 3,000	37,868	37,868	37,868	37,868	37,868	37,868	37,868	37,868	37,868	37,868	37,868
3,001 to 4,000	38,669	38,669	38,669	38,669	38,669	38,669	38,669	38,669	38,669	38,669	38,669
4,001 to 5,000	31,687	31,687	31,687	31,687	31,687	31,687	31,687	31,687	31,687	31,687	31,687
5,001 to 7,500	82,412	82,412	82,412	82,412	82,412	82,412	82,412	82,412	82,412	82,412	82,412
7,501 to 10,000	43,855	43,855	43,855	43,855	43,855	43,855	43,855	43,855	43,855	43,855	43,855
10,001 to 12,000	21,591	21,591	21,591	21,591	21,591	21,591	21,591	21,591	21,591	21,591	21,591
12,001 to 18,842+	62,977	62,977	62,977	62,977	62,977	62,977	62,977	62,977	62,977	62,977	62,977
Total	**786,181**	**789,916**	**793,651**	**797,386**	**801,121**	**804,856**	**808,591**	**812,326**	**816,061**	**819,796**	**823,681**

Wastewater Users Forecast

Wastewater Customer Forecast	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Existing	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226
New - Growth	12	37	62	87	112	137	161	186	211	236	262
Total	**1,238**	**1,263**	**1,288**	**1,313**	**1,338**	**1,363**	**1,387**	**1,412**	**1,437**	**1,462**	**1,488**

Wastewater Flows Forecast (cu.m)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
0 to 75	10,198	10,198	10,198	10,198	10,198	10,198	10,198	10,198	10,198	10,198	10,198
76 to 250	128,285	132,020	135,755	139,490	143,225	146,960	150,695	154,430	158,165	161,900	165,785
251 to 300	20,885	20,885	20,885	20,885	20,885	20,885	20,885	20,885	20,885	20,885	20,885
301 to 400	16,729	16,729	16,729	16,729	16,729	16,729	16,729	16,729	16,729	16,729	16,729
401 to 500	4,120	4,120	4,120	4,120	4,120	4,120	4,120	4,120	4,120	4,120	4,120
501 to 600	3,295	3,295	3,295	3,295	3,295	3,295	3,295	3,295	3,295	3,295	3,295
601 to 800	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985
801 to 1,000	4,308	4,308	4,308	4,308	4,308	4,308	4,308	4,308	4,308	4,308	4,308
1,001 to 1,500	4,561	4,561	4,561	4,561	4,561	4,561	4,561	4,561	4,561	4,561	4,561
1,501 to 2,000	7,181	7,181	7,181	7,181	7,181	7,181	7,181	7,181	7,181	7,181	7,181
2,001 to 3,000	2,149	2,149	2,149	2,149	2,149	2,149	2,149	2,149	2,149	2,149	2,149
3,001 to 4,000	6,805	6,805	6,805	6,805	6,805	6,805	6,805	6,805	6,805	6,805	6,805
4,001 to 5,000	-	-	-	-	-	-	-	-	-	-	-
5,001 to 7,500	6,571	6,571	6,571	6,571	6,571	6,571	6,571	6,571	6,571	6,571	6,571
7,501 to 10,000	-	-	-	-	-	-	-	-	-	-	-
10,001 to 12,000	-	-	-	-	-	-	-	-	-	-	-
12,001 to 18,842+	-	-	-	-	-	-	-	-	-	-	-
Total	**217,070**	**220,805**	**224,540**	**228,275**	**232,010**	**235,745**	**239,480**	**243,215**	**246,950**	**250,685**	**254,570**

Note: Above flows are water flows on which the wastewater billing will be calculated

Summary of Water/Wastewater User Forecasts

Water

Wastewater

Capital Infrastructure

- Capital needs were identified based on the 2024 10-year capital budget, and review of capital infrastructure replacement needs based on recommendations in the Municipality’s Asset Management Plan
- Capital works were identified by
  - Need;
  - Timing; and
  - Costs.

Water System Capital Needs 2024 to 2033

(Uninflated $)

Description	Total 2024 to 2033	Years Undertaken
Capital Expenditures		
Watermain Replacement (Leonard Ave from Ann St to Parkhill Main St)	1,320,000	2031 to 2032
Watermain Replacement (Ardross St from Catherine St to Parkhill Main St)	1,210,000	2032 to 2033
Watermain Replacement (Ann St from Leonard St to John St)	120,000	2033
New West Williams Pumping Station (Design)	275,000	2032
New West Williams Pumping Station	2,000,000	2033
McGillivray Booster Station	100,000	2032
Studies:		
Water Master Plan	200,000	2024
Growth Related:		
Queen Street Watermain - Phase 2 Construction (Ailsa Craig Main St to Mary St; water and sanitary sewer upgrade, and road and drainage improvements)	6,500,000	2024 to 2025
Mt Carmel Reservoir Construction	5,500,000	2029 to 2030
Parkhill Reservoir	3,500,000	2028
Total Capital Expenditures	**20,725,000**	

Wastewater System Capital Needs 2024 to 2033

(Uninflated $)

Description	Total 2024 to 2033	Years Undertaken
Capital Expenditures		
Bear Creek Pumping Station (SCADA Design)	75,000	2030
Bear Creek Pumping Station (SCADA Renewal)	175,000	2031
Station St Pumping Station (Design)	125,000	2032
Station St Pumping Station (Construction)	600,000	2033
Growth Related:		
Sewer Upgrades and Infrastructure Renewal- Annie Ada Shipley from Queen St to Henderson St	2,180,000	2031 to 2032
Sewer Upgrades on Henderson St from Annie Ada Shiplet to William St (113m)	240,000	2030 to 2031
Sewer Upgrades and Infrastructure Renewal on William St from Henderson to Pumping Station	1,950,000	2030 to 2031
Sewer Upgrades and Infrastructure Renewal on Hastings Street (356m)	120,000	2033
Sewer Upgrades on Mill Street (279m) and Station St (55m)	80,000	2033
Victoria Street Upgrades (Pump Station)	2,000,000	2028 to 2029
Replace and Upgrade Sewers on Petty Street - 1452m 300mm pipe and 16 Manhole Structures	3,322,000	2032 to 2033
New Ontario Pump Station Upgrade	446,000	2030
William St Pumping Station and Forcemain (Upgrade)	6,800,000	2027
De-Sludging of Lagoons	4,000,000	2024
Queen Street Watermain - Phase 2 Construction (Ailsa Craig Main St to Mary St; water and sanitary sewer upgrade, and road and drainage improvements)	2,500,000	2025
Parkhill Wastewater Treatment Plant (Phase 1) - additional 1,150 cu.m + Components for 2,300 cu.m	31,400,000	2033
Ailsa Craig Treatment Plant Expansion and Addition (including filter)	10,966,912	2029 to 2033
Total Capital Expenditures	**66,979,912**	

It is anticipated that the Parkhill Wastewater Treatment Plant (Phase 1) and Alisa Craig Treatment Plant Expansion will be cash flowed by the developing landowners.

Capital Financing Options

- ✓ Reserves
- ✓ Development Charges
- ✓ Debt
- ✓ Operating Budget Transfers (Funding Reserves)
- ✓ Grants
- Municipal Act (Part 12)

Due to minimal reserve balances, requirement to issue debt

Water: $5.50M
Wastewater: $19.23M

Debt Capacity Limitations:
21% of own revenues by end of forecast (25% max)

Reserve Balances – As of December 31, 2022

Reserve	Dec. 31 2022
Water	
Capital Reserve	426,868
Development Charges Reserve Fund	**122,237**
Lifecycle Reserve Fund	**-**
Wastewater	
Capital Reserve	**1,792,247**
Development Charges Reserve Fund	**801,362**

Proposed Capital Financing Programs 2024 to 2033

(Inflated $)

Description	Water	Wastewater
Capital Financing		
Provincial/Federal Grants	-	5,373,530
Development Charges Reserve Fund	1,203,580	9,515,495
Non-Growth Related Debenture Requirements	2,380,000	19,229,684
Growth Related Debenture Requirements	3,117,800	-
Front-Ending Contributions	-	37,862,434
Operating Contributions	-	-
Lifecycle Reserve Fund	-	-
Reserve	16,413,620	6,692,857
Total Capital Financing	**23,115,000**	**78,674,000**

Lifecycle Infrastructure Costs

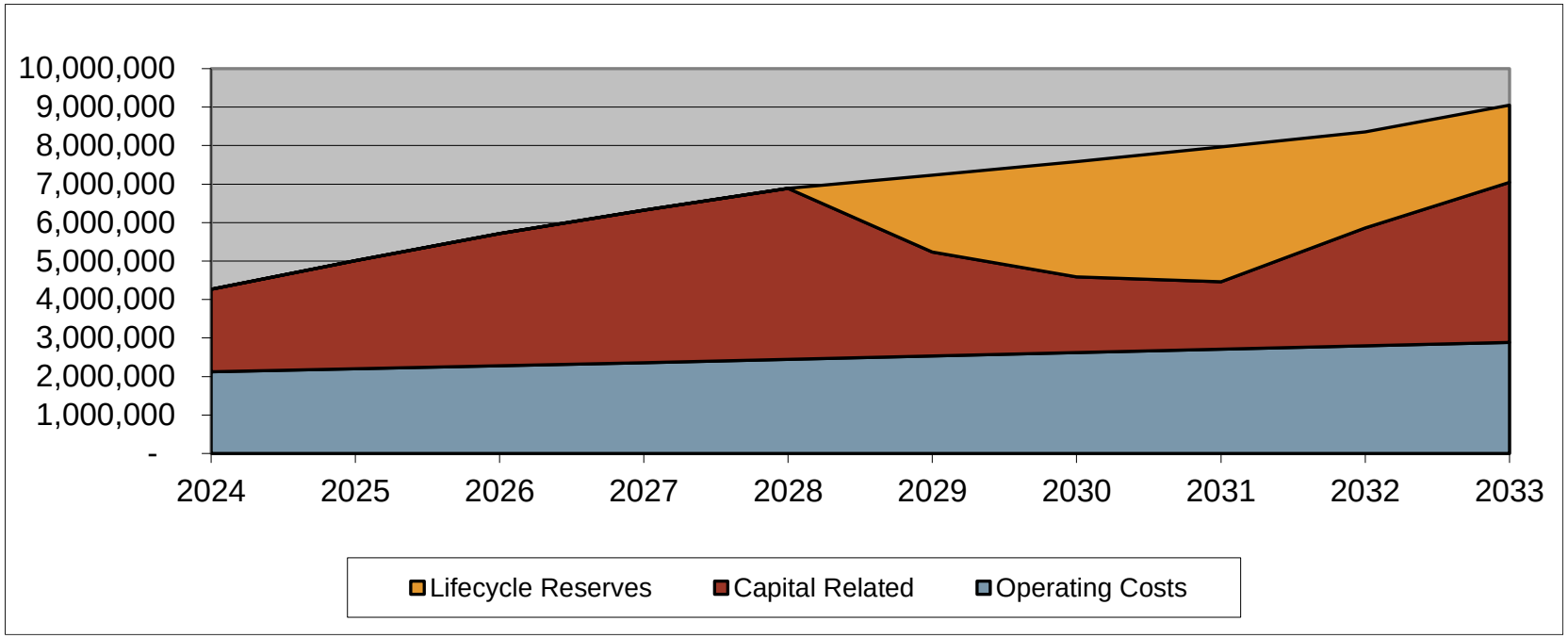
- The Municipality's Asset Management Plan (AMP) outlines the following:
  - The total value of existing water infrastructure is $260.70 million;
  - The total value of existing wastewater infrastructure is $55.91 million;
- The average annual level of investment recommended for lifecycle rehabilitation and replacement for water infrastructure is $3.50 million and for wastewater infrastructure is $0.87 million
- However, given the significant impact of this on the rates, the analysis herein includes less than the recommended lifecycle funding from the AMP:

Recommended	Included in Study
• Water: $35M • Wastewater: $8.7M	• Water: $13M • Wastewater: $3M

Operating Budgets

- Operating expenditures are increasing over the forecast to recognize:
  - Inflationary impacts
    - 5% for hydro, utilities, and chemicals
    - 2% for all other

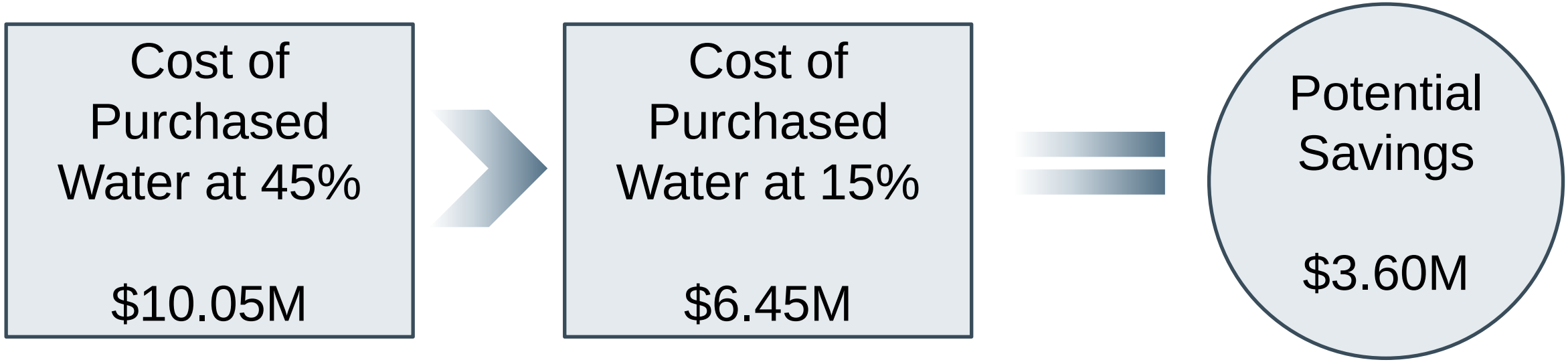
Water Operating Budget



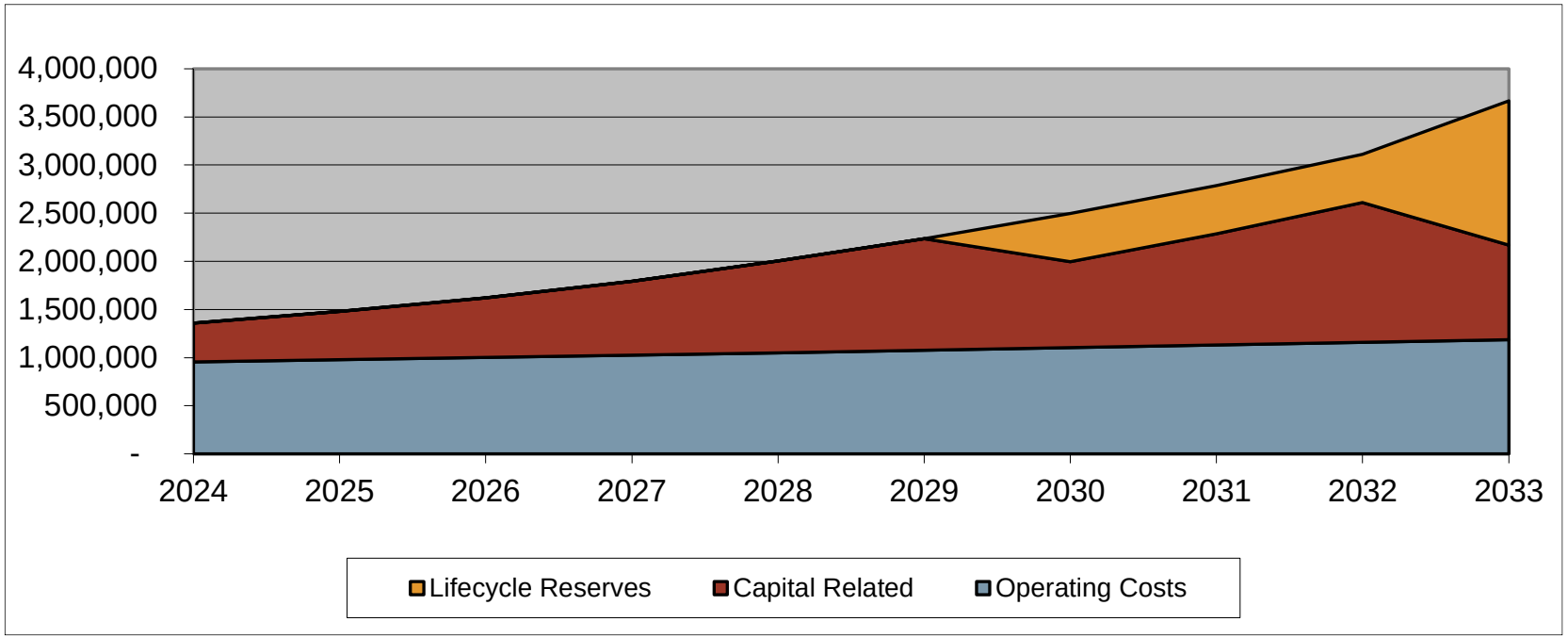
Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Costs	2,121,331	2,197,382	2,276,707	2,359,727	2,446,071	2,536,420	2,620,083	2,707,221	2,797,510	2,891,882
Capital Related	2,148,940	2,812,128	3,435,997	3,958,595	4,446,706	2,693,782	1,966,318	1,755,187	3,061,744	4,156,448
Lifecycle Reserves	-	-	-	-	-	2,000,000	3,000,000	3,500,000	2,500,000	2,000,000
Total	**4,270,271**	**5,009,510**	**5,712,704**	**6,318,321**	**6,892,778**	**7,230,202**	**7,586,400**	**7,962,409**	**8,359,253**	**9,048,330**

Water Operating Budget – Purchased Water

- Water purchases are one of the Municipality's biggest expenditures
- Currently water loss is 45%. Many municipalities observe loss of 15%



Wastewater Operating Budget



Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Costs	954,600	977,700	1,001,300	1,025,600	1,050,600	1,076,500	1,103,200	1,130,500	1,158,700	1,187,700
Capital Related	405,362	501,278	620,570	768,877	952,615	1,159,647	892,894	1,155,607	1,450,895	981,006
Lifecycle Reserves	-	-	-	-	-	-	500,000	500,000	500,000	1,500,000
Total	**1,359,962**	**1,478,978**	**1,621,870**	**1,794,477**	**2,003,215**	**2,236,147**	**2,496,094**	**2,786,107**	**3,109,595**	**3,668,706**

Water and Wastewater Rates

- The following are the annual base charge and volume rate increases required to meet the needs of the water and wastewater forecast:

Service	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Water	10%	16%	14%	12%	10%	5%	5%	5%	5%	5%
Wastewater	6%	7%	8%	9%	10%	10%	10%	10%	10%	10%

Water Rates

Rate Forecast

Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Water Billing Recovery	675,227	746,324	869,820	996,327	1,121,180	1,239,152	1,307,185	1,378,972	1,454,717	1,534,467	1,618,889
Total Weighted Volume (cu.m)	1,534,606	1,541,991	1,549,376	1,556,761	1,564,146	1,571,531	1,578,916	1,586,302	1,593,687	1,601,072	1,608,754
Constant Rate - 0 to 75 cu.m	**0.44**	**0.48**	**0.56**	**0.64**	**0.72**	**0.79**	**0.83**	**0.87**	**0.91**	**0.96**	**1.01**
Constant Rate - 75+ cu.m	**0.87**	**0.96**	**1.11**	**1.27**	**1.42**	**1.56**	**1.64**	**1.72**	**1.80**	**1.90**	**1.99**
Annual Percentage Change		**10%**	**16%**	**14%**	**12%**	**10%**	**5%**	**5%**	**5%**	**5%**	**5%**

Annual Flat Rate Category	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
0 to 75	353	388	450	513	575	633	664	697	732	769	807
76 to 250	706	777	901	1,027	1,150	1,265	1,328	1,395	1,465	1,538	1,615
251 to 300	920	1,012	1,173	1,338	1,498	1,648	1,730	1,817	1,908	2,003	2,103
301 to 400	1,088	1,197	1,389	1,583	1,773	1,950	2,048	2,150	2,258	2,371	2,489
401 to 500	1,313	1,444	1,676	1,910	2,139	2,353	2,471	2,594	2,724	2,860	3,003
501 to 600	1,538	1,692	1,962	2,237	2,506	2,756	2,894	3,039	3,191	3,350	3,518
601 to 800	1,875	2,063	2,393	2,728	3,055	3,361	3,529	3,705	3,890	4,085	4,289
801 to 1,000	2,325	2,557	2,967	3,382	3,788	4,167	4,375	4,594	4,823	5,065	5,318
1,001 to 1,500	3,112	3,423	3,971	4,527	5,070	5,577	5,856	6,149	6,456	6,779	7,118
1,501 to 2,000	4,236	4,660	5,406	6,162	6,902	7,592	7,972	8,370	8,789	9,228	9,690
2,001 to 3,000	5,923	6,515	7,558	8,616	9,649	10,614	11,145	11,702	12,288	12,902	13,547
3,001 to 4,000	8,172	8,989	10,427	11,887	13,313	14,644	15,376	16,145	16,953	17,800	18,690
4,001 to 5,000	10,420	11,462	13,296	15,158	16,976	18,674	19,608	20,588	21,618	22,699	23,833
5,001 to 7,500	14,355	15,791	18,317	20,882	23,388	25,726	27,013	28,363	29,782	31,271	32,834
7,501 to 10,000	19,977	21,975	25,491	29,059	32,546	35,801	37,591	39,471	41,444	43,516	45,692
10,001 to 12,000	25,036	27,540	31,946	36,419	40,789	44,868	47,112	49,467	51,941	54,538	57,264
12,001 to 18,842+	29,715	32,686	37,916	43,224	48,411	53,252	55,915	58,711	61,646	64,729	67,965
Annual Percentage Change		**10%**	**16%**	**14%**	**12%**	**10%**	**5%**	**5%**	**5%**	**5%**	**5%**

Wastewater Rates

Rate Forecast

Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Wastewater Billing Recovery	211,971	228,648	248,890	273,390	302,971	338,772	378,665	423,179	472,818	528,157	590,148
Total Weighted Volume (cu.m)	423,941	431,411	438,881	446,351	453,821	461,291	468,761	476,231	483,701	491,171	498,941
Constant Rate - 0 to 75 cu.m	**0.50**	**0.53**	**0.57**	**0.61**	**0.67**	**0.73**	**0.81**	**0.89**	**0.98**	**1.08**	**1.18**
Constant Rate - 75+ cu.m	**1.00**	**1.06**	**1.13**	**1.23**	**1.34**	**1.47**	**1.62**	**1.78**	**1.96**	**2.15**	**2.37**
Annual Percentage Change		**6%**	**7%**	**8%**	**9%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**

Annual Flat Rate Category	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
0 to 75	384	407	436	470	513	564	620	682	751	826	908
76 to 250	768	814	871	941	1,025	1,128	1,241	1,365	1,501	1,651	1,817
251 to 300	768	814	871	941	1,025	1,128	1,241	1,365	1,501	1,651	1,817
301 to 400	768	814	871	941	1,025	1,128	1,241	1,365	1,501	1,651	1,817
401 to 500	768	814	871	941	1,025	1,128	1,241	1,365	1,501	1,651	1,817
501 to 600	1,563	1,657	1,773	1,915	2,087	2,296	2,525	2,778	3,055	3,361	3,697
601 to 800	1,985	2,104	2,251	2,431	2,650	2,915	3,207	3,528	3,880	4,268	4,695
801 to 1,000	2,548	2,701	2,890	3,121	3,402	3,742	4,116	4,528	4,981	5,479	6,027
1,001 to 1,500	3,533	3,745	4,007	4,328	4,717	5,189	5,708	6,279	6,906	7,597	8,357
1,501 to 2,000	4,940	5,236	5,603	6,051	6,596	7,255	7,981	8,779	9,657	10,623	11,685
2,001 to 3,000	7,051	7,474	7,997	8,637	9,414	10,356	11,391	12,531	13,784	15,162	16,678
3,001 to 4,000	9,866	10,458	11,190	12,085	13,173	14,490	15,939	17,533	19,286	21,215	23,337
4,001 to 5,000	12,680	13,441	14,382	15,532	16,930	18,623	20,485	22,534	24,787	27,266	29,993
5,001 to 7,500	17,606	18,662	19,969	21,566	23,507	25,858	28,444	31,288	34,417	37,859	41,644
7,501 to 10,000	24,642	26,121	27,949	30,185	32,902	36,192	39,811	43,792	48,171	52,988	58,287
10,001 to 12,000	30,975	32,834	35,132	37,942	41,357	45,493	50,042	55,046	60,551	66,606	73,267
12,001 to 18,842+	36,831	39,041	41,774	45,116	49,176	54,094	59,503	65,453	71,999	79,198	87,118
Annual Percentage Change		**6%**	**7%**	**8%**	**9%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**

Average Annual Residential Bill – Based on 200 cu.m

Annual Bill for Residential User with 200 cu.m Volume	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Water											
Base Charge	706	777	901	1,027	1,150	1,265	1,328	1,395	1,465	1,538	1,615
Volume	142	156	181	206	231	254	267	280	294	309	324
Total Water Bill	**848**	**932**	**1,082**	**1,233**	**1,381**	**1,519**	**1,595**	**1,675**	**1,759**	**1,847**	**1,939**
Wastewater											
Base Charge	768	814	871	941	1,025	1,128	1,241	1,365	1,501	1,651	1,817
Volume	163	172	184	199	217	239	263	289	318	349	384
Total Wastewater Bill	**931**	**986**	**1,055**	**1,140**	**1,242**	**1,367**	**1,503**	**1,654**	**1,819**	**2,001**	**2,201**
Total Combined Bill	**1,778**	**1,919**	**2,137**	**2,373**	**2,623**	**2,886**	**3,098**	**3,329**	**3,578**	**3,847**	**4,140**
Annual Percentage Change		8%	11%	11%	11%	10%	7%	7%	7%	8%	8%

Annual Bill for Residential User with 200 cu.m Volume	2024	2025	2026	2027	2028	2029
Total Water and Wastewater Bill Forecast - 2019 Study	2,805	3,075	3,335	3,618	3,927	4,263
Total Water and Wastewater Bill Forecast - 2024 Study	1,919	2,137	2,373	2,623	2,886	3,098

Ontario Regulation 453/07 Water Financial Plan

- All municipalities providing water services are required to be licensed to operate the water system(s)
- Part of the licensing requirement is for the Municipality to submit a Financial Plan to the Province

Summary of O.Reg. 453/07 Requirements

- The plan is considered a living document but will need to be undertaken at a minimum every five years
- The plans are generally consistent with the "Watson" Approach in forecasting the capital, operating and reserve fund positions, providing detailed inventories, forecasting future volumes and calculation of the rates.
- The additional requirements include the PSAB information for each year of the forecast (i.e. total non-financial assets, tangible capital assets acquisitions, tangible capital asset construction, betterments, write downs, disposals, total liabilities and net debt)
- The financial plans must be made available upon request to the public (without charge) and on the Municipality's web site. The availability of this information must also be advertised

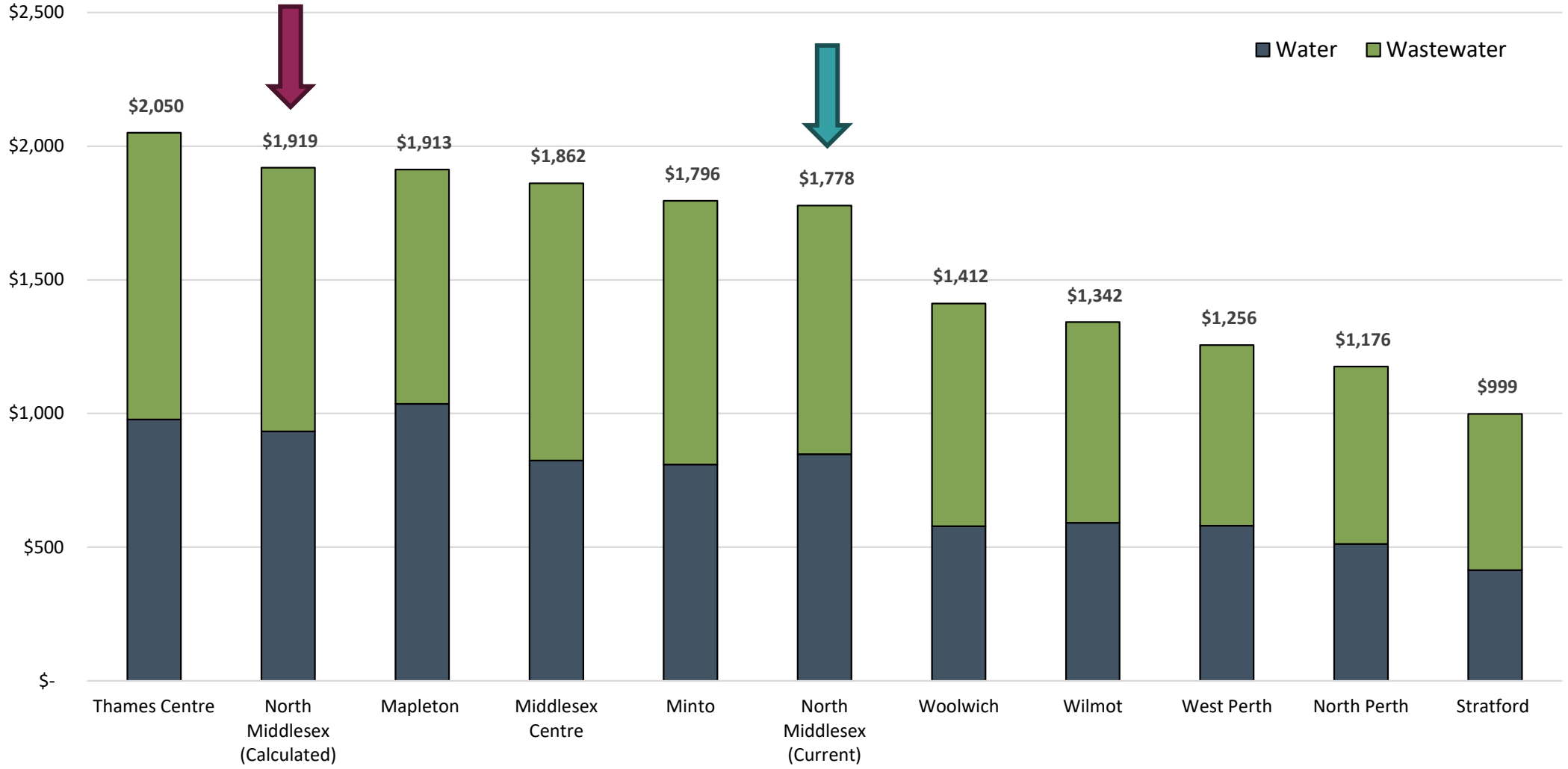
What Does All of This Mean?

- Reporting is mandatory for Water and encouraged for Wastewater services
- The intent of the legislation is for:
  - municipalities to project future activities for capital (including inventory renewal), operating, reserves and customers (and usage) and then
  - report it to the Province in PSAB 3150 financial statement format (projected into the future)
- The O. Reg. 453/07 Study must be approved but the forecasted rates (i.e. beyond 2024) do not have to be approved at this time (may be reviewed in detail during next budget cycle)
- The Rate study provides the basis projecting the financial information on which the O. Reg. report will be prepared

Rate Study vs. O.Reg 453.07 Reporting Format

Significant Revision Areas	Rate Study	O.Reg 453.07 Financial Plan
Approach	“Modified Cash Basis”	“Full Accrual Basis”
Capital Requirements	Capital Forecast	Tangible Capital Assets
Previously acquired assets	Lifecycle Cost Analysis (Future Replacement)	Tangible Capital Assets (Historical Cost)
Debt Payments	Principal & Interest Expense	Interest Expense Principal: Debt reduction
Amortization	Not Applicable	Included in Operating Expenses
Reserve Transfers	Included as an expense	Part of “Accumulated Surplus”
Development Charge Reserve Fund Balances	Reserve Fund Continuity Schedule	Deferred Revenue

Comparison of Residential Annual Combined Water and Wastewater Bill (Based on 200 cu.m)



Matters for Councils Consideration

1. Consider the Capital Program;
2. Consider the Operating Program;
3. Consider the Proposed Water Rates and Options; and
4. Consider the Proposed Wastewater Rates and Options.
5. Resolution to approve the Water Financial Plan for license submission requirements

Questions