

---

**Subject:** Water and Wastewater Financial Plan for O.Reg. 453/07

**Report to:** Public Works Committee

**Report date:** Tuesday, January 8, 2019

---

## Recommendations

1. That the following statements included in the Water and Wastewater Financial Plan **BE APPROVED** by a resolution of Regional Council in accordance with O.Reg. 453/07:
  - Pro forma Statement of Financial Position - Water
  - Pro forma Statement of Financial Operations - Water
  - Pro forma Statement of Cash Flow/Cash Receipts – Water
2. That the Water and Wastewater Financial Plan **BE APPROVED** to be used by staff as the guidance for the preparation of water and wastewater budgets for the 2019 to 2028 period of the plan;
3. That a copy of the Water and Wastewater Financial Plan **BE SUBMITTED** to the Ministry of Municipal Affairs and Housing; and,
4. That a copy of the Water and Wastewater Financial Plan **BE MADE** available on the Regional website.

## Key Facts

- Approval of the Water and Wastewater Financial Plan is a legislated requirement as per O.Reg. 453/07.
- O.Reg. 453/07 requires that the Financial Plan cover only water operations, however information for wastewater operations has also been included in the same format in order to show a more complete picture; especially given Niagara Region is experiencing greater fiscal challenges in wastewater operations related to both sustainability and growth. This approach is in line with the Province's principles of Financially Sustainable Water and Wastewater Services (Appendix 2), and is consistent with Niagara Region's financial planning process. Similarly, although the regulations only require a 6-year plan, Niagara has prepared a 10-year plan to coincide with the 2019 capital budget forecast timeframe.
- The Water and Wastewater Financial Plan presents a snapshot of Niagara Region's current and forecasted position, and requires approval by resolution of Regional Council prior to renewal of the Region's Drinking Water Licenses, which expire February 23, 2019.



- The Water and Wastewater Financial Plan was prepared based on the proposed 2019 water and wastewater operating budget and the proposed 2019-2028 water and wastewater capital budget and forecast. The Region's 2017 Asset Management Plan (AMP) and 2017 Water and Wastewater Master Servicing Plan (MSP) are the basis of the capital and operating budgets and thus the foundation of the Financial Plan as well.
- The Water and Wastewater Financial Plan proposes an annual rate increase for 10 years of 5.15% comprised of an annual increase to the water requisition of 3.8%, and an annual increase to the wastewater requisition of 6.0%.
- The Region's current Taxpayer Affordability Guidance Policy that ties annual budget guidance to inflation cannot be used going forward for the development of future water and wastewater budgets, as it does not put the water and wastewater systems in a position of sustainability.

## **Financial Considerations**

The Water and Wastewater Financial Plan was prepared based on the proposed 2019 water and wastewater operating budget and the proposed 2019-2028 water and wastewater capital budget and forecast.

The following guiding principles were used to help create the Water and Wastewater Financial Plan:

- Smooth the rate increases over the 10 year period
- Incorporate water and wastewater asset sustainability requirements in accordance with the approved Asset Management Plan
- Ensure funds are available to support growth related capital in accordance with the approved Water and Wastewater Master Servicing Plan
- Maintain minimum reserve balances at 2% of current asset value
- Balance the use of debt with needs of the Levy supported programs
- Use of reserves/pay-as-you-go for existing assets sustainability
- Use of debt for the Region portion of growth related infrastructure

Niagara Region's Water and Wastewater Operations division currently operates and maintains assets with an estimated replacement value of \$4.4 billion. The Region's Asset Management Plan (AMP) has identified that in order to properly sustain these assets, and clear an infrastructure backlog of \$360 million, a total of \$106 million in sustainability capital is required annually for the next 50 years. This is referred to as the Average Annual Renewal Investment (AARI). The current capital budget and forecast has taken steps to reduce the existing gaps and increase funding for sustainability, however on average only \$69 million a year in sustainability projects are included.



In addition to requirements to sustain existing infrastructure, Niagara Region's Water and Wastewater Master Serving Plan has also identified a significant amount of new infrastructure that is required to support growth. A total of \$557 million in growth related capital is included in the water and wastewater capital budget and forecast. While the majority of growth is funded externally from the collection of development charges, a total of \$172 million of the new infrastructure is considered a benefit to existing and therefore must be funded from regional funds.

Based on the guiding principles above; the need to significantly increase capital sustainability funding; and the need to fund the regional portion of growth; the Water and Wastewater Financial Plan has identified the need for an annual 5.15% rate increase in order to be sustainable and viable over the 10-year forecast period. The 5.15% increase is comprised of an annual increase to the water requisition of 3.8%, and an annual increase to the wastewater requisition of 6.0%.

Other municipalities are being faced with the same fiscal challenges as the Region in funding their water and wastewater systems as indicated in the page 5 of the Water and Wastewater Financial Plan (Appendix 3), which highlights annual rate increases in other jurisdictions of between 4.0% to as high as 9.0% per year.

Approval of the Water and Wastewater Financial Plan is an approval in principle only of the Plan. Separate approval of the Water and Wastewater Operating Budgets as well as the 10-year Capital Budget and Forecast are required annually and are not part of this report.

## **Analysis**

Niagara Region has five existing licenses, all of which require renewal in 2019. The Municipal Drinking Water Licensing Program was implemented under the Safe Drinking Water Act (2002) (SDWA) and requires system owners to meet the following five key requirements for licensing:

1. Drinking Water Works Permit
2. Permit to Take Water
3. Approved Operational Plan
4. Accredited Operating Authority
5. Financial Plan

Through the approvals recommended in this report related to the Financial Plan, Niagara Region can finalize and submit the applications for license renewals.

Niagara's Financial Plan has been prepared to meet the requirements of O.Reg. 453/07 and will serve as a valuable tool to ensure the long-term financial sustainability of the Region's drinking water systems.



Provided as Appendix 1 is a summary of the Financial Plan requirements as per O.Reg 453/07, along with an overview of the way in which Niagara Region is satisfying those requirements. The regulations provide specific requirements with respect to the timing, content, and structure of the financial plan, as well as the means by which transparency to the public is ensured.

Appendix 2 lists the principles of financial sustainability as outlined in the Ministry of the Environment's guideline, "Towards Financially Sustainable Drinking-Water and Wastewater Systems".

Appendix 3 provides the full Water and Wastewater Financial Plan, including the three key pro forma schedules required under the provincial regulations, which are:

- Statement of Financial Operations – summarizes annual revenues & expenditures
- Statement of Cash Flow/Cash Receipts – summarizes cash generation & utilization
- Statement of Financial Position – summarizes financial assets, tangible capital assets, and the accumulated surplus

## **Alternatives Reviewed**

The preparation of the Water and Wastewater Financial Plan and approval by Council is required as per O.Reg 453/07. Should the Region not have an approved Water and Wastewater Financial plan it would mean its Drinking Water Licenses would not be renewed and the Region would not be permitted to continue to provide drinking water to the residents, businesses, and visitors of Niagara.

An additional alternative is to prepare a financial plan based on only inflationary increases, however this plan would not show that the water and wastewater systems to be sustainable. Not only would this fail to satisfy the requirements of O.Reg 453/07, but it would also contradict the needs identified in the Region's approved AMP and the Water Wastewater MSP.

## **Relationship to Council Strategic Priorities**

The Water and Wastewater Financial Plan supports Council's performance outcome by maintaining existing infrastructure, while also supporting the fostering growth priority by providing new infrastructure to support growth and economic development in Niagara Region.



## Other Pertinent Reports

PW 13-2014, January 28, 2014, Financial Plan for Ontario Regulation 453/07

---

### Prepared by:

Michael Leckey  
Program Financial Specialist  
Water & Wastewater Services

---

### Recommended by:

Catherine Habermehl  
Acting Commissioner  
Public Works Department

---

### Submitted by:

Ron Tripp, P.Eng.  
Acting Chief Administrative Officer

*This report was prepared in consultation with Joseph Tonellato, P.Eng., Director W-WW and Helen Chamberlain Director Financial Planning & Management*

## Appendices

Appendix 1	Summary of O.Reg. 453/07	6
Appendix 2	Development of Long-Range Financial Plan, Water and Wastewater Operations, In Accordance with O.Reg. 453/07	7
Appendix 3	W-WW Ten Year Financial Plan	8



**Appendix 1 – Summary of O. Reg 453/07**

Item	O.Reg. 453/07 Requirement	Niagara Region's Status
Approval	The Financial Plan must be approved by a resolution that indicates that the drinking water system is financially viable that is passed by the Council of the municipality. S.3(1)1.i.	By way of this report, staff are recommending Regional Council approve the Pro Forma statements as presented.
Period	The Financial Plan must apply for a period of at least six years. S.3(1)2.	Niagara Region's plan covers a period of 10 years.
Contents	For each year in which the Financial Plan applies, it must include details of the proposed or projected financial position, financial operations, and gross cash receipts and payments for the drinking water system. S.3(4).	Required details are included in the Financial Plan for all drinking water systems as presented.
Public Transparency	The Financial Plan must be available free of charge to the public, published on the internet and notice of its availability provided to members of the public who are serviced by the drinking water system. S.3(5).	Niagara Region's Financial Plan will be made available to the public as required, once approved by Regional Council.
Submission	The owner of the drinking water system must give a copy of the Financial Plan to the Ministry of Municipal Affairs and Housing. S.3(6).	Niagara Region's Financial Plan will be submitted to the Ministry of Municipal Affairs and Housing once approved by Regional Council.
Multiple Systems	If two or more drinking water systems are solely owned by the same owner, they may be treated as if they were one drinking system. S.4.	Niagara Region prepared one Financial Plan, which applies to all of its systems.
Updates	Financial Plans may be updated at any time. S.5.  A new submission is required when drinking water licenses are renewed.	Niagara Region's Financial Plan will be regularly updated by staff to reflect future approvals in operating and capital spending and funding levels.



## Appendix 2 – Principles of Financial Sustainability

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:** Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.
- **Principle #5:** An asset management plan is a key input to the development of a financial plan.
- **Principle #6:** A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
- **Principle #7:** Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.
- **Principle #8:** Financial Plans are “living” documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.
- **Principle #9:** Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.



**Niagara Region Water and Wastewater  
Ten Year Financial Plan**

**Introduction:**

Niagara Region's ten-year Water and Wastewater Financial Plan was developed to provide a sustainable strategy for water and wastewater infrastructure over the next ten years. The Financial Plan is a requirement in order to renew Niagara Region's license to treat water, mandated by the Safe Drinking Water Act, O.Reg 453/07.

O.Reg 453/07 requires the Water and Wastewater Financial Plan only cover water operations however; information for wastewater operations has also been included in the same format in order to show a more complete picture. This is particularly important for the Region since it is experiencing greater fiscal challenges in wastewater operations related to both sustainability and growth. This approach is in line with the Province's Principles of Financial Sustainable Water and Wastewater Services. Regulations also only require a 6-year plan however; this plan covers a period of 10 years to coincide with the Region's capital budget and forecast planning horizon.

This Financial Plan will serve as a basis for future budget forecast recommendations, to ensure the long-term sustainability for both water and wastewater operations.

**Guiding Principles**

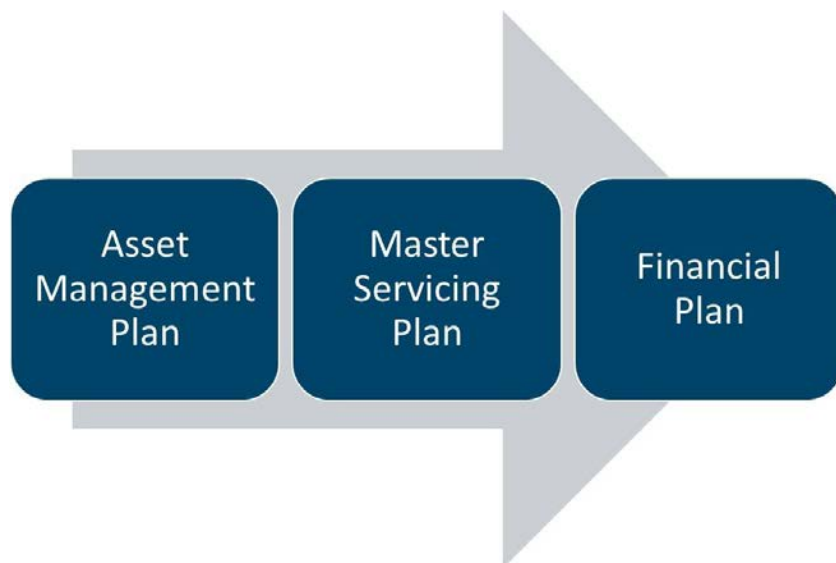
The following guiding principles have been used as the basis for the creation of the Water and Wastewater Financial Plan:

- Smooth the rate increases over the 10 year period
- Incorporate water and wastewater asset sustainability requirements in accordance with the approved Asset Management Plan
- Ensure funds are available to support growth related capital in accordance with the approved Water and Wastewater Master Servicing Plan
- Maintain minimum reserve balances at 2% of current asset value
- Balance the use of debt with needs of the Levy supported programs
- Use of reserves/pay-as-you-go for existing assets sustainability
- Use of debt for Region portion of growth related infrastructure



### Why Do We Need a Financial Plan Now?

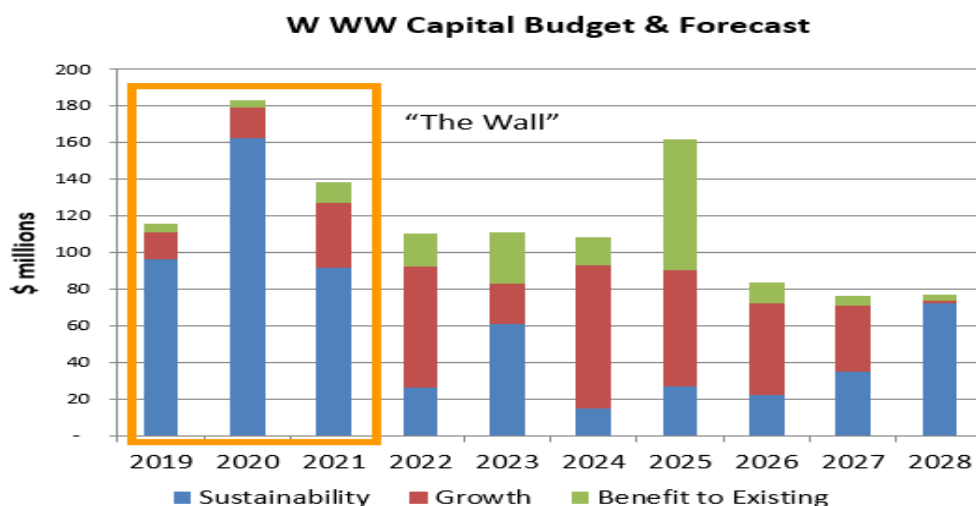
Water and wastewater assets have a current replacement value of \$4.4B. These assets are aging, and many will require upgrade or replacement within the next 5 to 15 years. Without a solid and viable financial plan, we will not be able to afford our sustainability and lifecycle infrastructure needs moving forward, nor will we be able to afford future growth.



Niagara Region has recently completed a detailed Asset Management Plan (AMP) as well as a detailed Water and Wastewater Master Serving Plan (MSP), both of which have been endorsed and approved by Regional Council. Information from both the AMP and MSP serves as the base for the Water and Wastewater Financial Plan.

### Proposed 2019 Capital Budget and Forecast

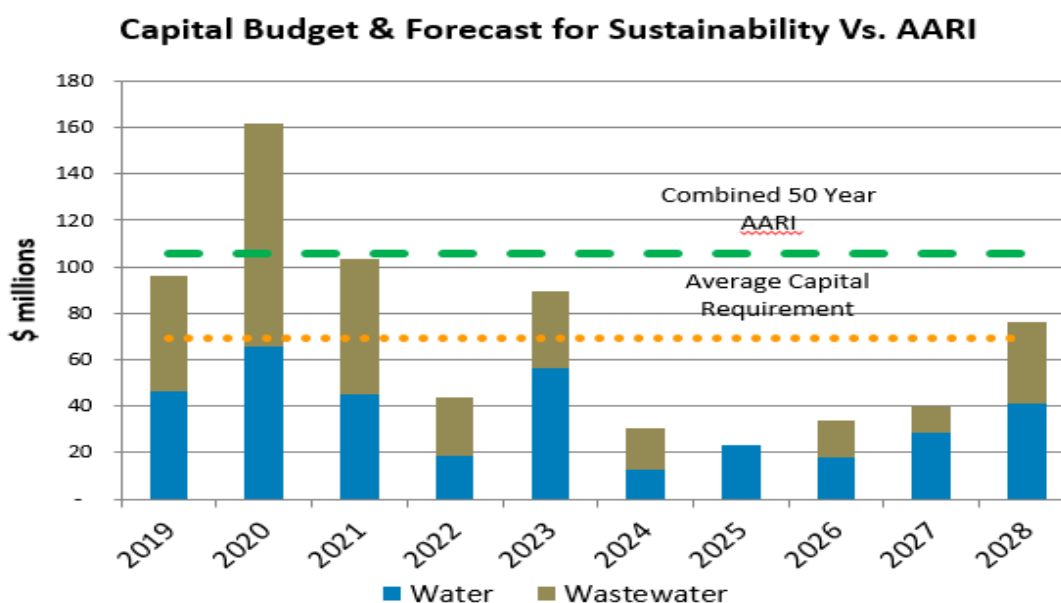
The proposed 2019 water and wastewater capital budget and 10-year forecast is \$1.17B. This is comprised of water capital of \$529M and wastewater capital of \$638M.





“The Wall” in 2019, 2020 and 2021 is a product of previous deferrals of sustainability projects, and will continue to grow without a sustainable plan in place to fund these projects. If the Region chooses to continue to defer projects and not follow a sustainable financial plan, the wall will continue to grow. This will ultimately lead to higher capital costs in the future, increased maintenance costs in operating budgets, and increased operational risk from equipment failure.

The Region’s AMP identified a target level of capital to be spent each year for water and wastewater in order to properly sustain its existing infrastructure. This target is called an Average Annual Renewal Investment (AARI). For water and wastewater, the amount is \$106M annually over 50 years in order to both clear the existing infrastructure backlog of \$360M as well as reach a level of sustainability for existing assets. The current capital budget and forecast helps to move water and wastewater towards where it needs to be, however full sustainability is not a quick fix. The capital budget and forecast provides an average of \$69M per year towards sustainability capital.



A plan is also required for large projects in the forecast such as the South Niagara Falls Wastewater Plant planned for 2025. Although this is a project driven by growth, the Region will have to fund the benefit to existing portion of costs. The forecast includes capital projects for growth totaling \$557M, of which \$172M is benefit to existing and must be funded by the Region.



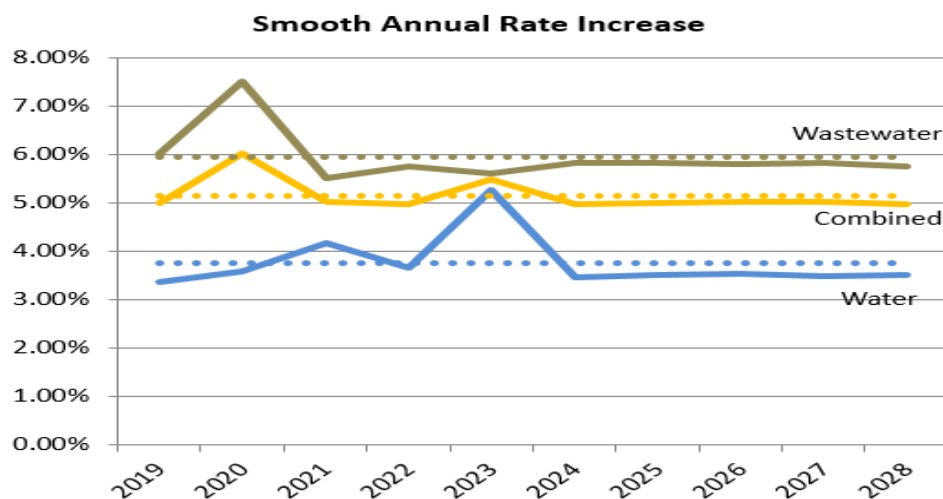
## Action Plan

The following action items have been identified as key items as part of the Water and Wastewater Financial Plan:

- **Smooth Rate Increase** - Increase water and wastewater requisitions by 5.15% annually over a 10-year period.
- **Increase Annual Capital Contribution** - move towards an Annual Average Renewal Investment that achieves \$106M over 50 years.
- **Maintain Minimum Reserves** - balances at 2% of current asset value.
- **Change Funding Practices** - use the right type of financing for the right type of asset.
- **Maintain Debt Levels** - as per provincial guidelines while maintaining Standard & Poor's (S&P) credit rating.

## Smooth Rate Increase

The Water and Wastewater Financial Plan includes a smooth year over year increase to both the water and wastewater requisition from local area municipalities.



This reduces the large peaks and valleys in the forecast and provides better cost certainty to the LAMs for their budgeting and rate setting requirements. The water budget increases by 3.8% per year, and wastewater by 6.0% per year for a combined increase of 5.15%. Included in this is the assumption that operating costs will continue to increase annually by inflation of 2%, with the exception of utilities, which have been increased annually by 6%, and the capital financing (debt and reserve transfers) required to move towards sustainability.

Niagara Region is not the only jurisdiction faced with water and wastewater funding challenges. The below chart is provided to show what other municipalities have done, or are planning to do to their



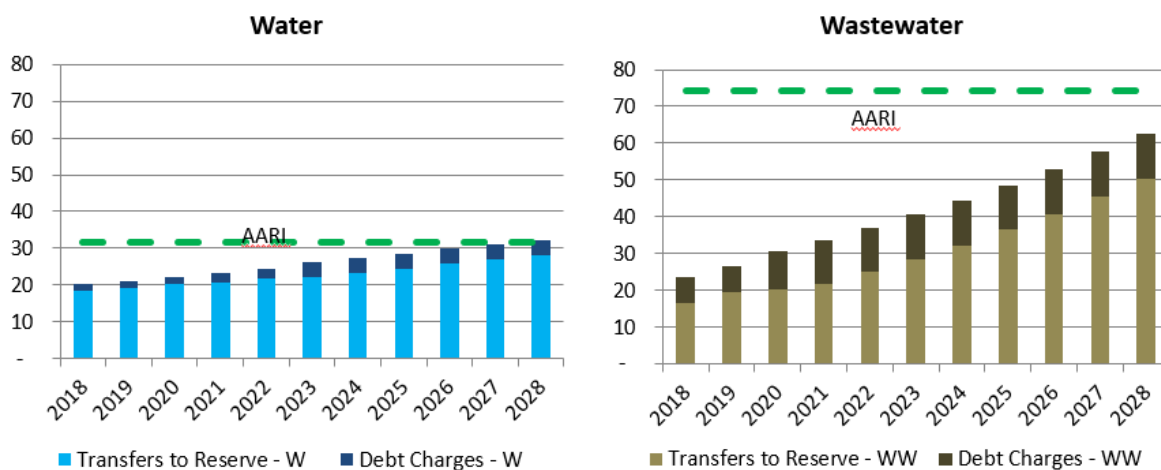
rates to address their needs. It is evident by looking at historic increases that Niagara has not been keeping pace with its peers.

Municipality	2015 rate increase	2016 rate increase	2017 rate increase	2018 rate increase	Proposed 2019 rate increase
Hamilton	4.20%	4.70%	4.85%	4.30%	4.62% / 4.71%
Toronto	8.00%	8.00%	5.00%	5.00%	n/a
Sudbury	4.00%	7.40%	7.40%	7.40%	7.40%
Peel	7.00%	9.00%	4.20%	5.00%	6.50%
York	n/a	9.00%	9.00%	9.00%	9.00%
Niagara	-0.41%	0.84%	-0.03%	2.05%	5.15%

### Increase Annual Capital Contribution

The Water and Wastewater Financial Plan includes increases each year to capital funding in the form of both transfers to reserve and debt. The charts below show the impact of the increased annual contributions.

### Summary of Internal Capital Funding from Operating

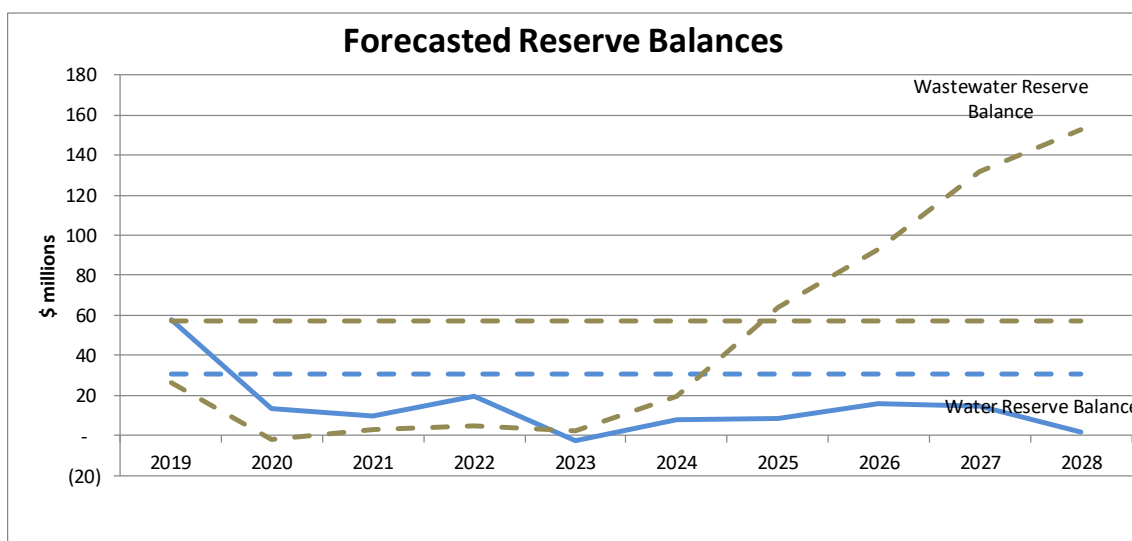


The contribution levels for both water and wastewater gradually increase to the point of meeting their respective AARL levels of \$32M for water and \$74M for wastewater. Water is able to eliminate the gap fully by the end of the forecast period; however more work is required in wastewater where the Region is experiencing most of its fiscal and operational challenges.



### Maintain Minimum Reserve Balances

The Water and Wastewater Financial Plan has been created with the guideline of maintaining minimum reserve balances at 2% of the replacement value of assets. This provides a water target balance of \$31M, and a wastewater target balance of \$57M. The below chart provides an annual summary of projected reserve balances. Water and wastewater reserves combined are below target in the beginning years of the forecast and at times drop below \$0. A conservative approach has been taken in providing these balances, and as such, things like funds being returned to reserves from closed projects are not included. The capital budget and forecast will be looked at in detail each year, including the funding required, and adjustments will be made if required based on the funding available.

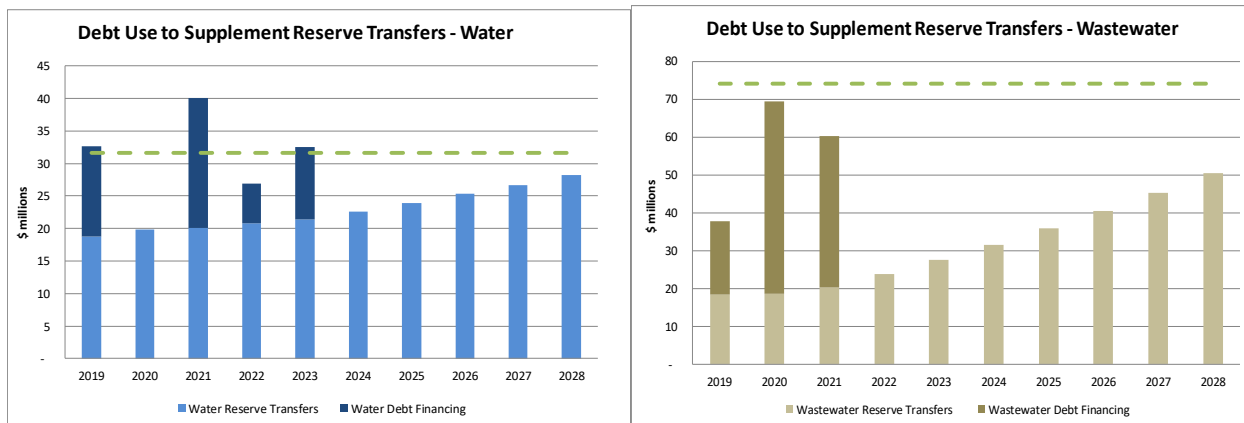


The wastewater reserve does climb above the target by the end of the forecast period. This provides additional financial flexibility should upper tier funding applications for the South Niagara Falls Wastewater Treatment Plant not be successful. Higher than targeted reserve balances could also be used to reduce any existing backlogs or close existing sustainability gaps at an accelerated pace.



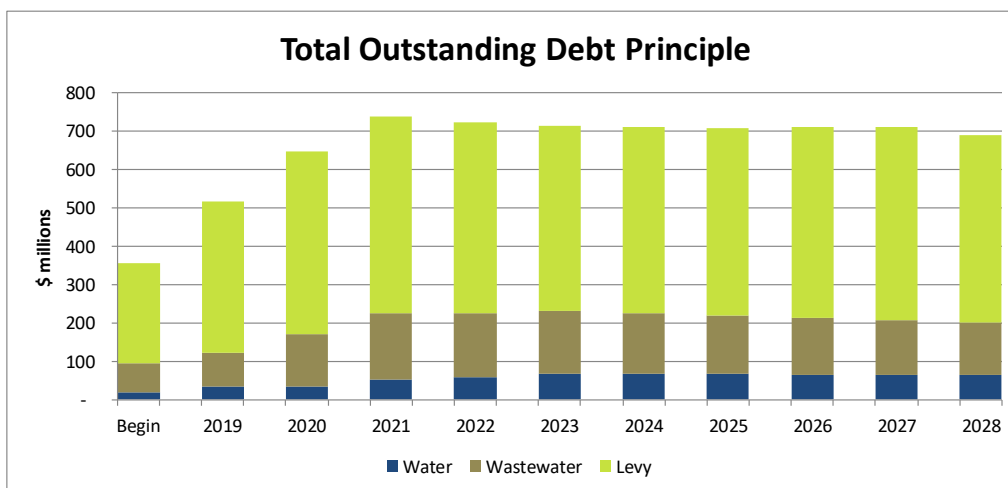
### Change Funding Practices:

The Water and Wastewater Financial Plan recommends the usage of the right type of financing for the right type of asset. Capital projects for existing asset sustainability will be funded by reserves where possible, while debt will be used to fund the Region's portion of growth related infrastructure.



The above chart shows the capital financing required for sustainability capital with both water and wastewater showing the transfer amounts increasing annually towards the required AARI levels. Debt will still need to be issued in 2019 and 2021 through 2023 in water, and in 2019 through 2021 for wastewater in order fund the existing backlog of capital for sustainability projects.

Water and wastewater will need to increase the total level of debt outstanding as part of the Water and Wastewater Financial Plan. It is important to note that water and wastewater has traditionally funded capital projects on a pay-as-you-go approach, meaning very little debt was issued and the majority of funding was provided by capital reserves. While debt levels in water and wastewater will increase, in comparison to debt levels for levy-supported programs, debt levels are still much lower as shown in the chart below.



Currently water and wastewater debt principal is \$93M, which is approximately only 2% when compared to the replacement value of existing assets of \$4.4B. Debt principle outstanding will peak at \$229M in 2023 and decline from that point going forward.



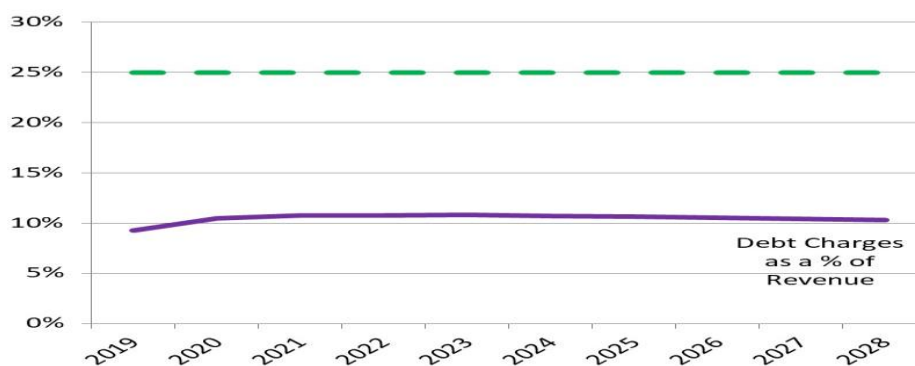
## Maintain Debt Levels

The Water and Wastewater Financial Plan ensures that debt levels remain sustainable and do not put future financial hardship on the Region. There are two key limits that are considered when evaluating debt levels.

1. The Province of Ontario Annual Repayment Limit (ARL)
2. Standard & Poor's (S&P) Debt Limit

### ***Annual Repayment Limit (ARL)***

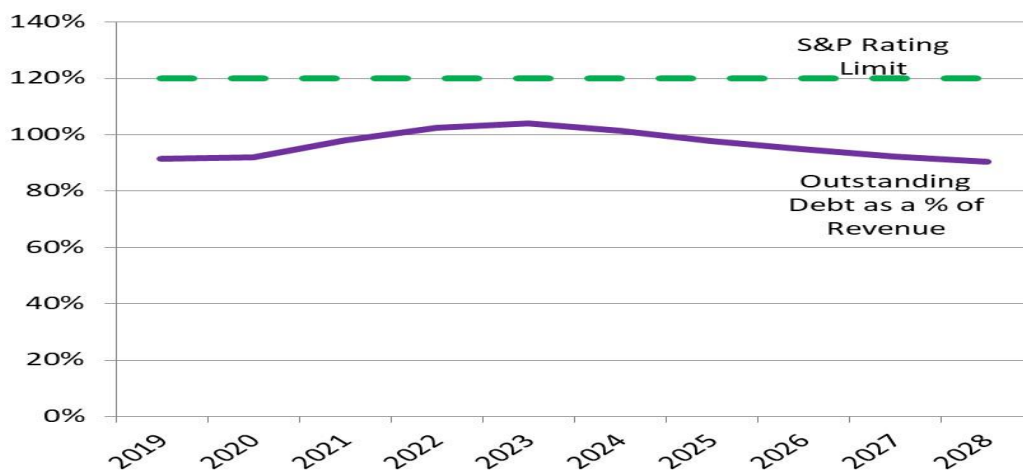
The Province of Ontario ARL is a limit imposed by the Province to ensure municipalities are issuing debt responsibly and are able to service future debt charges. The limit says that debt charges (principle and interest) cannot exceed 25% of own source revenues. The ARL looks at the Region's consolidated position, both Levy and Rate for this calculation. As shown by the below chart, the Region is well below the 25% provincial limit. Even with increasing levels of debt for water and wastewater, the ratio grows only slightly at the beginning of the forecast period and then declines in future years.





### ***Standard & Poor's Credit Rating***

Niagara Region currently has a Standard & Poor's credit rating of AA. It is important to maintain as high a credit rating as possible since the rating will impact the cost of borrowing for the Region. S&P measures the total outstanding debt principle compared to revenue. Debt principle from local area municipalities is included in this calculation since the Region issues debt on behalf of the LAMs. The S&P limit is debt principle at 120% of revenue. Exceeding this amount could jeopardize the Region's credit rating. The below chart shows that that the Region stays well below the S&P limit and peaks at only 104%.





## Financial Statements

### Water Statements (Required as per O.Reg. 453/07)

#### Statement of Financial Operations - Water

(\$000's)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Water Total Revenues</b>										
Rate Revenues	\$ 44,682	\$ 46,380	\$ 48,143	\$ 49,972	\$ 51,871	\$ 53,842	\$ 55,888	\$ 58,012	\$ 60,216	\$ 62,505
Other Revenues	424	432	441	450	459	468	477	487	496	506
Interest Revenues	1,199	610	188	237	126	24	117	182	227	94
<b>Total Revenues</b>	<b>\$ 46,305</b>	<b>\$ 47,423</b>	<b>\$ 48,771</b>	<b>\$ 50,659</b>	<b>\$ 52,456</b>	<b>\$ 54,334</b>	<b>\$ 56,483</b>	<b>\$ 58,681</b>	<b>\$ 60,939</b>	<b>\$ 63,105</b>
<b>Water Expenses</b>										
Compensation	\$ 7,178	\$ 7,322	\$ 7,468	\$ 7,618	\$ 7,770	\$ 7,925	\$ 8,084	\$ 8,246	\$ 8,411	\$ 8,579
Administrative	943	962	981	1,001	1,021	1,041	1,062	1,083	1,105	1,127
Operational & Supply	1,915	1,954	1,993	2,033	2,073	2,115	2,157	2,200	2,244	2,289
Occupancy & Infrastructure	6,191	6,467	6,759	7,065	7,388	7,729	8,088	8,466	8,865	9,286
Equipment, Vehicles & Technology	1,032	1,052	1,073	1,095	1,117	1,139	1,162	1,185	1,209	1,233
Partnerships, Rebate, Exemption	15	16	16	16	17	17	17	18	18	18
Intercompany Charges	4,821	4,917	5,015	5,116	5,218	5,322	5,429	5,537	5,648	5,761
Indirect Allocation	1,775	1,810	1,847	1,884	1,921	1,960	1,999	2,039	2,080	2,121
<b>Total Operating Expenses</b>	<b>\$ 23,870</b>	<b>\$ 24,500</b>	<b>\$ 25,152</b>	<b>\$ 25,826</b>	<b>\$ 26,525</b>	<b>\$ 27,248</b>	<b>\$ 27,997</b>	<b>\$ 28,774</b>	<b>\$ 29,579</b>	<b>\$ 30,414</b>
<b>Debt Charges</b>										
Debt Charges - Interest Payments	\$ 555	\$ 545	\$ 1,385	\$ 1,630	\$ 2,099	\$ 2,059	\$ 2,017	\$ 1,974	\$ 1,928	\$ 1,881
<b>Amortization Expense</b>										
Water Assets	8,929	10,876	12,843	14,833	16,380	18,013	19,291	19,823	19,934	20,211
<b>Total Expenses</b>	<b>\$ 33,354</b>	<b>\$ 35,922</b>	<b>\$ 39,380</b>	<b>\$ 42,289</b>	<b>\$ 45,004</b>	<b>\$ 47,320</b>	<b>\$ 49,306</b>	<b>\$ 50,570</b>	<b>\$ 51,441</b>	<b>\$ 52,506</b>
<b>Annual Surplus / (Deficit)</b>	<b>\$ 12,952</b>	<b>\$ 11,501</b>	<b>\$ 9,392</b>	<b>\$ 8,370</b>	<b>\$ 7,452</b>	<b>\$ 7,014</b>	<b>\$ 7,176</b>	<b>\$ 8,111</b>	<b>\$ 9,498</b>	<b>\$ 10,599</b>

#### Statement of Cash Flow/Cash Receipts - Water

(\$000's)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Total Revenues</b>	<b>\$ 46,305</b>	<b>\$ 47,423</b>	<b>\$ 48,771</b>	<b>\$ 50,659</b>	<b>\$ 52,456</b>	<b>\$ 54,334</b>	<b>\$ 56,483</b>	<b>\$ 58,681</b>	<b>\$ 60,939</b>	<b>\$ 63,105</b>
<b>Cash Paid For</b>										
Operating Costs	\$ (23,870)	\$ (24,500)	\$ (25,152)	\$ (25,826)	\$ (26,525)	\$ (27,248)	\$ (27,997)	\$ (28,774)	\$ (29,579)	\$ (30,414)
Debt Repayment - Debt Interest	(555)	(545)	(1,385)	(1,630)	(2,099)	(2,059)	(2,017)	(1,974)	(1,928)	(1,881)
<b>Transactions</b>	<b>\$ 21,880</b>	<b>\$ 22,377</b>	<b>\$ 22,235</b>	<b>\$ 23,203</b>	<b>\$ 23,832</b>	<b>\$ 25,027</b>	<b>\$ 26,468</b>	<b>\$ 27,933</b>	<b>\$ 29,432</b>	<b>\$ 30,811</b>
<b>Capital Transactions</b>										
Acquisition of TCA	\$ (69,791)	\$ (72,325)	\$ (75,046)	\$ (63,177)	\$ (67,407)	\$ (57,966)	\$ (35,895)	\$ (23,295)	\$ (28,607)	\$ (42,540)
<b>Finance Transactions</b>										
Proceeds from Debt Issues	\$ 13,884	\$ -	\$ 20,000	\$ 6,000	\$ 11,116	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from DCs	12,208	6,753	29,863	44,305	11,370	45,216	12,357	5,359	189	1,500
Proceeds from Gas Tax Funding	-	-	-	-	-	-	-	-	-	-
Proceeds from Other Grant Funding	-	-	-	-	-	-	-	-	-	-
Debt Repayment - Principal	(248)	(257)	(610)	(733)	(946)	(986)	(1,028)	(1,072)	(1,118)	(1,165)
<b>Increase / (Decrease) in Cash Equivaler</b>	<b>\$ (22,067)</b>	<b>\$ (43,453)</b>	<b>\$ (3,558)</b>	<b>\$ 9,597</b>	<b>\$ (22,035)</b>	<b>\$ 11,290</b>	<b>\$ 1,901</b>	<b>\$ 8,925</b>	<b>\$ (103)</b>	<b>\$ (11,394)</b>
<b>Cash and Cash Equivalents at Beginning Balance</b>	<b>\$ 81,000</b>	<b>\$ 58,933</b>	<b>\$ 15,480</b>	<b>\$ 11,922</b>	<b>\$ 21,520</b>	<b>\$ (516)</b>	<b>\$ 10,775</b>	<b>\$ 12,676</b>	<b>\$ 21,601</b>	<b>\$ 21,498</b>
<b>Cash and Cash Equivalents at Ending Bal:</b>	<b>\$ 58,933</b>	<b>\$ 15,480</b>	<b>\$ 11,922</b>	<b>\$ 21,520</b>	<b>\$ (516)</b>	<b>\$ 10,775</b>	<b>\$ 12,676</b>	<b>\$ 21,601</b>	<b>\$ 21,498</b>	<b>\$ 10,103</b>

**Note:** The acquisition of TCA via capital projects can occur over several periods, however have been reflected in the year of budget approval for the purposes of this schedule.



*Statement of Financial Position - Water*

(\$000's)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Financial Assets</b>										
Cash	\$ 58,933	\$ 15,480	\$ 11,922	\$ 21,520	\$ (516)	\$ 10,775	\$ 12,676	\$ 21,601	\$ 21,498	\$ 10,103
<b>Liabilities</b>										
Debt - Principal Outstanding	(33,793)	(33,535)	(52,925)	(58,192)	(68,362)	(67,375)	(66,347)	(65,275)	(64,157)	(62,992)
<b>Net Financial Assets</b>	<b>\$ 25,140</b>	<b>\$ (18,055)</b>	<b>\$ (41,003)</b>	<b>\$ (36,672)</b>	<b>\$ (68,877)</b>	<b>\$ (56,601)</b>	<b>\$ (53,671)</b>	<b>\$ (43,674)</b>	<b>\$ (42,660)</b>	<b>\$ (52,889)</b>
<b>Non-Financial Assets</b>										
Tangible Capital Assets	\$ 486,824	\$ 556,616	\$ 628,940	\$ 703,986	\$ 767,163	\$ 834,570	\$ 892,536	\$ 928,431	\$ 951,726	\$ 980,334
Additions to Tangible Capital Assets	69,791	72,325	75,046	63,177	67,407	57,966	35,895	23,295	28,607	42,540
Accumulated Amortization	(218,269)	(229,145)	(241,988)	(256,821)	(273,201)	(291,214)	(310,506)	(330,328)	(350,262)	(370,474)
Total Non-Financial Assets	\$ 338,347	\$ 399,795	\$ 461,999	\$ 510,342	\$ 561,369	\$ 601,322	\$ 617,926	\$ 621,398	\$ 630,071	\$ 652,400
Accumulated Surplus	\$ 363,487	\$ 381,741	\$ 420,995	\$ 473,670	\$ 492,492	\$ 544,721	\$ 564,255	\$ 577,724	\$ 587,412	\$ 599,511
<b>Cash as a % of Net Fixed Assets</b>	<b>17.4%</b>	<b>3.9%</b>	<b>2.6%</b>	<b>4.2%</b>	<b>-0.1%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>1.5%</b>
<b>Debt as a % of Net Fixed Assets</b>	<b>10.0%</b>	<b>8.4%</b>	<b>11.5%</b>	<b>11.4%</b>	<b>12.2%</b>	<b>11.2%</b>	<b>10.7%</b>	<b>10.5%</b>	<b>10.2%</b>	<b>9.7%</b>



**Wastewater Financial Statements (Not required as per O.Reg.453/07)**

*Statement of Financial Operations - Wastewater*

(\$000's)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Wastewater Total Revenues</b>										
Rate Revenues	\$ 72,234	\$ 76,568	\$ 81,163	\$ 86,032	\$ 91,194	\$ 96,666	\$ 102,466	\$ 108,614	\$ 115,131	\$ 122,039
Other Revenues	3,181	3,245	3,309	3,376	3,443	3,512	3,582	3,654	3,727	3,802
Interest Revenues	582	202	-	20	-	80	581	1,185	1,732	2,206
<b>Total Revenues</b>	<b>\$ 75,997</b>	<b>\$ 80,015</b>	<b>\$ 84,472</b>	<b>\$ 89,428</b>	<b>\$ 94,637</b>	<b>\$ 100,258</b>	<b>\$ 106,629</b>	<b>\$ 113,453</b>	<b>\$ 120,590</b>	<b>\$ 128,046</b>
<b>Wastewater Expenses</b>										
Compensation	\$ 9,584	\$ 9,776	\$ 9,972	\$ 10,171	\$ 10,375	\$ 10,582	\$ 10,794	\$ 11,010	\$ 11,230	\$ 11,454
Administrative	1,108	1,131	1,153	1,176	1,200	1,224	1,248	1,273	1,299	1,325
Operational & Supply	10,344	10,551	10,762	10,977	11,197	11,421	11,649	11,882	12,120	12,362
Occupancy & Infrastructure	11,716	12,302	12,920	13,573	14,262	14,991	15,761	16,574	17,433	18,341
Equipment, Vehicles & Technology	2,520	2,571	2,622	2,675	2,728	2,783	2,838	2,895	2,953	3,012
Partnerships, Rebate, Exemption	4,080	4,162	4,245	4,330	4,416	4,505	4,595	4,687	4,780	4,876
Intercompany Charges	7,100	7,242	7,386	7,534	7,685	7,839	7,995	8,155	8,318	8,485
Indirect Allocation	2,415	2,463	2,512	2,563	2,614	2,666	2,720	2,774	2,829	2,886
<b>Total Operating Expenses</b>	<b>\$ 48,868</b>	<b>\$ 50,197</b>	<b>\$ 51,573</b>	<b>\$ 52,999</b>	<b>\$ 54,477</b>	<b>\$ 56,010</b>	<b>\$ 57,600</b>	<b>\$ 59,250</b>	<b>\$ 60,963</b>	<b>\$ 62,741</b>
<b>Debt Charges</b>										
Debt Charges - Interest Payments	\$ 769	\$ 2,918	\$ 4,567	\$ 4,484	\$ 4,398	\$ 4,309	\$ 4,215	\$ 4,118	\$ 4,017	\$ 3,911
<b>Amortization Expense</b>										
Wastewater Assets	17,299	19,052	22,916	24,621	25,562	26,338	27,365	31,499	32,718	33,349
<b>Total Expenses</b>	<b>\$ 66,936</b>	<b>\$ 72,167</b>	<b>\$ 79,055</b>	<b>\$ 82,104</b>	<b>\$ 84,437</b>	<b>\$ 86,656</b>	<b>\$ 89,180</b>	<b>\$ 94,867</b>	<b>\$ 97,697</b>	<b>\$ 100,001</b>
<b>Annual Surplus / (Deficit)</b>	<b>\$ 9,061</b>	<b>\$ 7,848</b>	<b>\$ 5,417</b>	<b>\$ 7,324</b>	<b>\$ 10,201</b>	<b>\$ 13,602</b>	<b>\$ 17,449</b>	<b>\$ 18,586</b>	<b>\$ 22,893</b>	<b>\$ 28,045</b>

*Statement of Cash Flow/Cash Receipts - Wastewater*

(\$000's)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Total Revenues</b>	\$ 75,997	\$ 80,015	\$ 84,472	\$ 89,428	\$ 94,637	\$ 100,258	\$ 106,629	\$ 113,453	\$ 120,590	\$ 128,046
<b>Cash Paid For</b>										
Operating Costs	\$ (48,868)	\$ (50,197)	\$ (51,573)	\$ (52,999)	\$ (54,477)	\$ (56,010)	\$ (57,600)	\$ (59,250)	\$ (60,963)	\$ (62,741)
Debt Repayment - Debt Interest	(769)	(2,918)	(4,567)	(4,484)	(4,398)	(4,309)	(4,215)	(4,118)	(4,017)	(3,911)
<b>Transactions</b>	<b>\$ 26,360</b>	<b>\$ 26,901</b>	<b>\$ 28,333</b>	<b>\$ 31,945</b>	<b>\$ 35,762</b>	<b>\$ 39,940</b>	<b>\$ 44,814</b>	<b>\$ 50,085</b>	<b>\$ 55,610</b>	<b>\$ 61,393</b>
<b>Capital Transactions</b>										
Acquisition of TCA	\$ (59,051)	\$ (111,040)	\$ (63,515)	\$ (47,015)	\$ (44,040)	\$ (50,800)	\$ (125,790)	\$ (60,515)	\$ (47,740)	\$ (34,890)
<b>Finance Transactions</b>										
Proceeds from Debt Issues	\$ 19,226	\$ 50,884	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from DCs	2,278	9,850	5,400	22,005	10,555	33,025	51,180	44,910	36,350	-
Proceeds from Gas Tax Funding	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Proceeds from Other Grant Funding	-	-	-	-	-	-	80,000	-	-	-
Debt Repayment - Principal	(248)	(257)	(610)	(733)	(946)	(986)	(1,028)	(1,072)	(1,118)	(1,165)
<b>Increase / (Decrease) in Cash Equivaler</b>	<b>\$ (8,434)</b>	<b>\$ (20,663)</b>	<b>\$ 12,608</b>	<b>\$ 9,202</b>	<b>\$ 4,331</b>	<b>\$ 24,178</b>	<b>\$ 52,176</b>	<b>\$ 36,408</b>	<b>\$ 46,103</b>	<b>\$ 28,338</b>
<b>Cash and Cash Equivalents at Beginning Balance</b>	<b>\$ 42,000</b>	<b>\$ 33,566</b>	<b>\$ 12,903</b>	<b>\$ 25,511</b>	<b>\$ 34,713</b>	<b>\$ 39,044</b>	<b>\$ 63,222</b>	<b>\$ 115,398</b>	<b>\$ 151,805</b>	<b>\$ 197,908</b>
<b>Cash and Cash Equivalents at Ending Bal:</b>	<b>\$ 33,566</b>	<b>\$ 12,903</b>	<b>\$ 25,511</b>	<b>\$ 34,713</b>	<b>\$ 39,044</b>	<b>\$ 63,222</b>	<b>\$ 115,398</b>	<b>\$ 151,805</b>	<b>\$ 197,908</b>	<b>\$ 226,246</b>

**Note:** The acquisition of TCA via capital projects can occur over several periods, however have been reflected in the year of budget approval for the purposes of this schedule.



*Statement of Financial Position - Wastewater*

(\$000's)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Financial Assets</b>										
Cash	\$ 33,566	\$ 12,903	\$ 25,511	\$ 34,713	\$ 39,044	\$ 63,222	\$ 115,398	\$ 151,805	\$ 197,908	\$ 226,246
<b>Liabilities</b>										
Debt - Principal Outstanding	(89,302)	(135,976)	(171,808)	(167,495)	(163,031)	(158,410)	(153,626)	(148,670)	(143,536)	(138,216)
<b>Net Financial Assets</b>	<b>\$ (55,737)</b>	<b>\$ (123,073)</b>	<b>\$ (146,297)</b>	<b>\$ (132,782)</b>	<b>\$ (123,987)</b>	<b>\$ (95,188)</b>	<b>\$ (38,228)</b>	<b>\$ 3,135</b>	<b>\$ 54,372</b>	<b>\$ 88,030</b>
<b>Non-Financial Assets</b>										
Tangible Capital Assets	\$ 792,900	\$ 851,951	\$ 962,991	\$ 1,026,506	\$ 1,073,521	\$ 1,117,561	\$ 1,168,361	\$ 1,294,151	\$ 1,354,666	\$ 1,402,406
Additions to Tangible Capital Assets	59,051	111,040	63,515	47,015	44,040	50,800	125,790	60,515	47,740	34,890
Accumulated Amortization	(398,162)	(417,215)	(440,130)	(464,751)	(490,313)	(516,651)	(544,016)	(575,514)	(608,232)	(641,581)
Total Non-Financial Assets	\$ 453,789	\$ 545,777	\$ 586,376	\$ 608,770	\$ 627,248	\$ 651,711	\$ 750,136	\$ 779,152	\$ 794,174	\$ 795,716
Accumulated Surplus	\$ 398,052	\$ 422,704	\$ 440,079	\$ 475,988	\$ 503,261	\$ 556,522	\$ 711,908	\$ 782,287	\$ 848,546	\$ 883,745
<b>Cash as a % of Net Fixed Assets</b>	<b>7.4%</b>	<b>2.4%</b>	<b>4.4%</b>	<b>5.7%</b>	<b>6.2%</b>	<b>9.7%</b>	<b>15.4%</b>	<b>19.5%</b>	<b>24.9%</b>	<b>28.4%</b>
<b>Debt as a % of Net Fixed Assets</b>	<b>19.7%</b>	<b>24.9%</b>	<b>29.3%</b>	<b>27.5%</b>	<b>26.0%</b>	<b>24.3%</b>	<b>20.5%</b>	<b>19.1%</b>	<b>18.1%</b>	<b>17.4%</b>