

Town of Espanola
Municipal Drinking Water Licence
Financial Plan
for
2015 - 2021

Prepared Pursuant to Ontario Regulation 453/07

July 14, 2015

Introduction

Provincial reporting requirements

Pursuant to Section 31(1) of the *Safe Drinking Water Act, 2002*, Provincial licenses are required for the operation of municipal drinking water systems in Ontario. In obtaining these licenses, the Corporation of the Town of Espanola is required to meet five conditions under Section 44(1) of the SDWA, including the preparation of a financial plan for the water system. The form and content of financial plans for municipal water systems are prescribed under Ontario Regulation 453/07. Under the terms of the Regulation, the Town is required to prepare a financial plan that:

- i. Is approved through a Council resolution that indicates that the drinking water system is financially viable
- ii. Extends over a minimum of six years and includes a statement that the financial impacts of the drinking water system have been considered
- iii. For each year of the financial plan, includes details of the proposed or projected financial operations of the system itemized by:
 - Total revenues, further broken down into water rates, user charges and other revenues
 - Total expenses, further broken down into amortization expenses, interest expenses and other expenses
 - Annual surplus or deficit
 - Accumulated surplus or deficit
- iv. Includes details of the proposed or projected financial position of the system, itemized by:
 - Total financial assets
 - Total liabilities
 - Net debt
 - Non-financial assets
 - Changes in tangible capital assets
- v. Details the proposed or projected gross cash receipts and cash payments itemized by:
 - Operating transactions
 - Capital transactions
 - Investing transactions
 - Financing transactions
 - Changes in cash and cash equivalents during the year
 - Cash and cash equivalents at the beginning and end of year

The disclosure requirements prescribed in the Regulation are consistent with the financial statement requirements as outlined in the Public Sector Accounting Board Handbook of the Canadian Institute of Chartered Accountants, which comprise:

- A statement of operating results
- A statement of financial position
- A statement of cash flows
- A statement of changes in net financial assets

In connection with its financial plan, the Town is also required to ensure an appropriate level of public communication by:

- Making the financial plan available, on request, to members of the public at no charge
- Making the financial plans available to members of the public at no charge through the Internet (if the municipality maintains a website)
- Providing notice as deemed appropriate to advise the public of the availability of the financial plans

Once a system is licensed, the municipality's Financial Plan is required to be updated every 5 years, in conjunction with every application for license renewal. For more details see Appendix B: Ontario Regulation 453/07.

Notice to Reader

The financial plan outlined in this report represents a forecast of the financial performance of the Town's water services under a series of assumptions that are documented within the plan. **The financial plan (which has been prepared for the purposes of meeting regulatory requirements established by the Ministry) does not represent a formal, multi-year budget for water services. The approval of operating and capital budgets for water services is undertaken as part of the Town's overall annual budgeting process.** Accordingly, the financial performance outlined in this document is subject to change based on future decisions of Council with respect to operating and capital costs, rate increases, consumption changes and unforeseen revenues and expenses. It is the intention of the Town to adjust the financial plan on a regular basis to reflect the most recent budgetary decisions made by Council.

Espanola Water System

Existing Infrastructure

The Town's water infrastructure consists of a water treatment facility, a distribution network consisting of approximately 39 km of water mains, and an elevated water storage tank.

Key Financial Plan Assumptions

The preparation of a 6-year financial plan for water services necessarily requires the use of assumptions concerning future events. The key assumptions that have formed the basis of the forecasted financial performance of the Town's water services are highlighted below.

1. Financial Assets

Financial assets consist of cash and cash equivalents. These economic resources are a result of past transactions or events where future economic benefits are expected to be obtained.

2. Liabilities

Liabilities consist of accounts payable, accrued liabilities and long-term debt.

Accounts Payable & Accrued Liabilities

Not projected for this forecast (assumed zero).

Accounts payable and accrued liabilities represent the costs of goods and services acquired in the period and recognized whether or not payments have been made or invoices received.

Long Term Debt

The Town has incurred long-term debt, which consists of debentures with Infrastructure Ontario which bear interest at 3.59% per annum, with payments of \$198,038 due semi-annually and matures 2037. Forecasted principal and interest payments are based on existing debentures only.

3. Operating cost increases—see Schedule of Operating Expenses - pg. 18

Planned operating costs are based on the 2016 budget with provision for future inflationary increases. Generally inflation is expected to be 3% per annum for water costs, with the exception of hydro, which has a 5% inflation rate.

4. Non-Financial Assets

Non-financial assets consist of tangible capital assets (TCA), inventory supplies, and prepaid expenses. These are not available to discharge existing liabilities and are held for use in the provision of services.

Inventory Supplies & Prepaid Expenses—Not projected for this forecast

Tangible Capital Assets (TCAs)

Tangible capital assets are physical assets with useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. They are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Additions—Forecasted capital additions reflect estimated future capital project costs.

The quantification of forecasted capital investments is based on specific projects for the six year projection period, these values are speculative and possibly subject to material fluctuation.

Table II: Projected Capital Expenditure

Year	Project	Cost
2015	Phase 1F – Part 1	1,186,334
2016	Phase 1F – Part 2	1,186,333
2018	Trunk main replacement	1,200,000
2019	Trunk main replacement	500,000

***Infrastructure Renewal Plan (Phases) –Only water costs included*

Work In Progress (WIP)—A tangible capital asset that is under construction and will not be completed in the fiscal year, therefore these assets are not depreciated until they are put into service.

Disposals—Not projected for this forecast

Amortization—is the attribution of the historical cost of tangible capital assets across the useful life of the specific asset. The amortized cost becomes an expense on the Statement of Operations and the historical cost of the TCA is reduced by the same amount on the Statement of Financial Position. This process roughly allocates the costs of the TCA into the years of benefit.

- Capital works are assumed to have no residual value when they have reached the end of their projected life.

Table I: Expected Useful Life of Tangible Capital Assets

Asset	Useful Life
Land	N/A
Land Improvements	50 years
Buildings—Water Treatment Plant	50 years
Buildings—Water Storage Tower	40 years
Water Distribution System, incl. Water main, hydrants, valves, tees, etc.	75 years
Water Distribution—Equipment	<40 years
Water Treatment —Equipment—Miscellaneous	10-35 years

5. Lead Replacement Costs

Section 3(i)(iv) requires the Financial Plan to contain details relating directly to the replacement of lead service pipes (see Appendix B). The Town of Espanola conducts a lead monitoring and testing program to be in compliance with Ministry of Environment requirements. To date, sampling has not provided any indication of lead service pipes. However, if lead service pipes are encountered, the Town will proactively encourage the replacement of the service lines.

6. Source Water Protection Costs

Studies related to source protection have been completed. Therefore, there are no anticipated costs during the study period.

7. Contingencies

In addition to the key assumptions noted above, there are a number of other variables that have not been reflected in the financial plan. In the event that these variables materialize, whether in whole or in part, the potential exists for significant impacts (either positive or negative) on the projected financial plan.

Contingencies that were identified but not incorporated into the financial plan due to uncertainty as to quantum or probability of occurrence include:

- Potential operating savings resulting from the projected increase in capital spending. For example, the frequency and cost of repairing water main breaks may decrease as capital funding increases and reduces the overall age of the water main system.
- Potential operating savings related to on-going process reviews and technology enhancements
- Senior government grant revenues (including Federal Gas Tax revenue) for operating and/or capital purposes above the level of grant revenue noted in the financial plan
- New Ministry regulations that would have a significant impact on operating costs in excess of cost increases provided for the financial plan

Financial Plan Summary

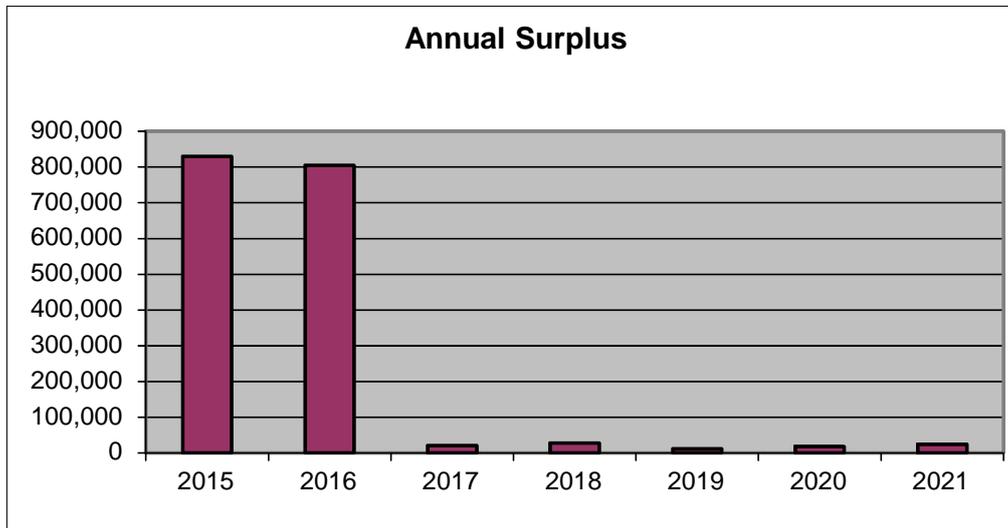
STATEMENT OF OPERATIONS (pg. 13)

The statement of operations reports the surplus or deficit from operations in the accounting period. The statement displays the cost of government services provided in the period, the revenues recognized in the period and the difference between them. It measures, in monetary terms, the extent to which the Town has maintained its net assets in the period.

Annual Surplus/-Deficit

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.

Figure IV: Espanola's Annual surplus/deficit



It is important to note that an annual surplus is required to ensure funding is available to fund non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments. 2015 and 2016 are high due to government grants for capital projects.

STATEMENT OF CASH FLOW (pg. 14)

The Statement of Cash Flow summarizes how the water system is expected to generate and use cash resources during the planning period. The transactions that provide/use cash are classified as operating, capital and financing activities. The Statement indicates that cash from operations will be used to fund capital transactions and build internal reserves and reserve funds over the forecast period. The financial plan developed for the Town shows that the cash generated from internal sources will just meet the forecasted demand of the water system and that other funding sources

such as short term borrowing may be required to manage the timing of planned capital infrastructure projects.

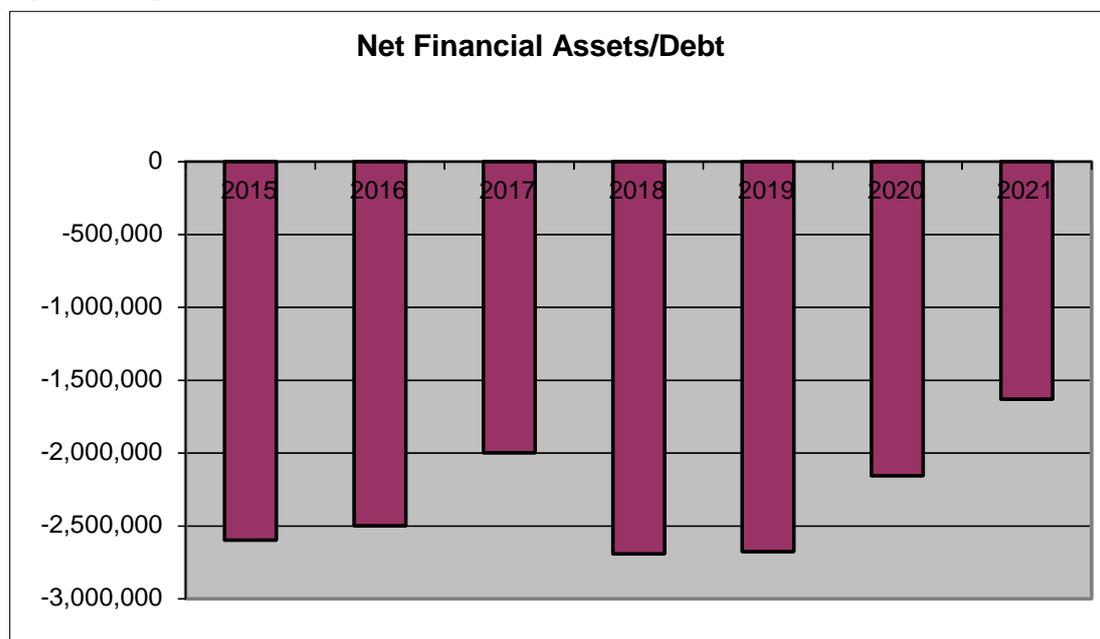
STATEMENT OF FINANCIAL POSITION (pg. 16)

The statement of financial position highlights the key figures that describe the financial position of the Town at the reporting date. For example, the net debt position of the Town is calculated as the difference between its liabilities and financial assets. The non-financial assets of the Town are assets that are normally for use in service provision (tangible capital assets).

Net Financial Assets/-Debt

One important marker of the financial position of a water system is the net financial assets/debt. Net financial assets as defined is the difference between financial assets and liabilities and is a key indicator in determining the water systems financial ability to replace its infrastructure. A positive number indicates that the system has the resources to deal with future capital and other needs. A negative number indicates that capital and other investments must be financed from future revenues.

Figure I: Espanola Water Net Financial Assets (-Debt)



The Town's Net Financial Debt decreases at a steady rate until 2017, increases and then continues to decline this reflects the projected additions to tangible capital assets and the financing of these through cash resources. The net debt position implies that the future revenues generated by the system will be needed to finance capital investments which ultimately benefit these future benefactors of the water system.

Tangible Capital Assets—Net Book Value

Communities are presently facing major challenges in financing deferred maintenance, renewal and replacement of aging capital assets. As the existing capital asset base ages and population grows, increased demands for new capital assets will place further pressures on the ability of local government to sustain those services. Information about the state of existing infrastructure, the lifecycle cost of its use, and the planning necessary for its replacement at the end of its lifecycle must be at the forefront of decision making.

Consideration of the value of tangible capital assets is part of PSAB compliance. Water systems have a great deal of resources tied up in tangible capital assets and managing these assets is critical to maintaining current levels of service. Tangible capital assets are constantly decreasing in value as the assets age. This is termed amortization. An increase in tangible capital assets is an indication that new assets have been added to the water system.

Figure II: Espanola Tangible Capital Assets

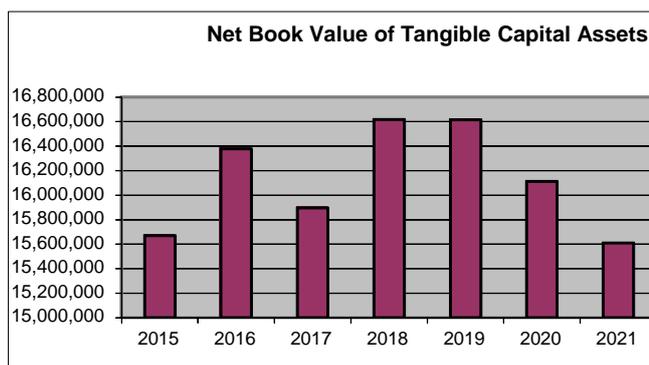
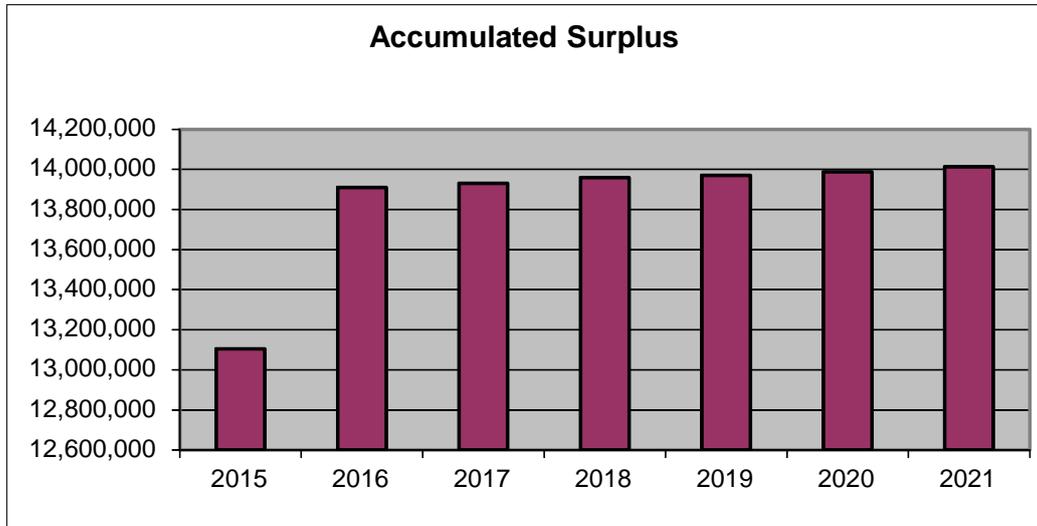


Figure II indicates that asset additions are forecasted in 2015, 2016 and 2018 and 2019.

Accumulated Surplus/-Deficit

Another important indicator is the accumulated surplus/deficit. This is essentially the accumulation of excess revenue over expenses over time. An accumulated surplus indicates that the available net resources are sufficient to provide for future needs. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual system costs. The accumulated surplus, as indicated in the Statement of Financial Position is predominately made up of a surplus as well as historic investments in tangible capital assets.

Figure III: Espanola Water Accumulated Surplus



STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/ DEBT (pg. 17)

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs. The Statement indicates that funds generated from annual operations are sufficient to purchase forecasted tangible capital asset additions for all years except 2018.

Conclusion

The financial impacts of the Town of Espanola Drinking Water System have been considered in this Financial Plan. The main conclusions of the Financial Plan are as follows:

- Evaluation of Existing Revenues (with 2.25% increase per annum)
 - The revenues are sufficient for meeting operating expenses for the projection horizon
- Statement of Operations
 - There is an annual surplus throughout the projection horizon
- Statement of Cash Flow
 - Some short term borrowing may be required to meet the projected shortfall between the timing of capital asset replacements and cash flows arising from operations.
- Statement of Financial Position

- The net financial asset value is negative throughout the projection horizon, due to the pre-existing long-term debt.

The detailed financial statements that were the basis for the above summary follow in Appendix A.

Council Resolution

A Council resolution was passed during a council meeting held on July 14, 2015. (See Appendix C)

Next Steps

The following next steps are required in accordance with the requirements of the Financial Plan Regulation:

1. Notice of the availability of the Financial Plan be advertised
2. The Financial Plan be made available, on request and without charge, to the members of the public that are served by the water system
3. The Financial Plan be made available on the Town of Espanola's website without charge
4. A copy of the Financial Plan, along with the council resolution be submitted to the Ministry of Municipal Affairs and Housing
5. The Financial Plan be updated and approved prior to applying for a licence renewal (i.e. every five years); A copy of the Council resolution will have to be submitted to the Ministry of the Environment with the licence renewal application.

APPENDIX A: FINANCIAL PLAN STATEMENTS

Financial Plan Statements

Included as Appendix A is the consolidated financial plan for the water system, which provides a financial forecast of the water system from 2011-2016, based on the proposed 2011 budget for water. The consolidated financial plan is comprised of:

- A Statement of Operations (pg. 13)
- A Statement of Cash Flow (pg. 14)
- A Statement of Financial Position (pg. 16)
- A Statement of Changes in Net Financial Assets/Debt (pg. 17)
- A Schedule of Operating Expense (pg. 18)

NOTE: THE FOLLOWING STATEMENTS ARE UNAUDITED AND FOR PLANNING PURPOSES ONLY—ACTUAL RESULTS WILL DIFFER AND THESE DIFFERENCES COULD BE MATERIAL.

**Town of Espanola
Statement of Operations**

Line	Item	2015	2016	2017	2018	2019	2020	2021
1	Revenues							
a.	Water Rates	1,581,600	1,617,186	1,653,573	1,690,778	1,728,821	1,767,719	1,807,493
b.	Government Grants	790,899	790,899	-	-	-	-	-
c.	User charges	3,300	3,374	3,450	3,528	3,607	3,688	3,771
c.	Total Revenue	2,375,799	2,411,459	1,657,023	1,694,306	1,732,428	1,771,407	1,811,264
2	Expenses							
a.	Operating	988,100	1,019,919	1,052,801	1,086,784	1,121,907	1,158,209	1,195,733
b.	Amortization	448,171	479,807	479,807	479,807	502,473	502,473	502,473
c.	Interest on long term debt	109,900	106,700	103,400	99,950	96,400	92,750	88,900
d.	Total Expenses	1,546,171	1,606,426	1,636,008	1,666,541	1,720,780	1,753,432	1,787,106
3	Annual surplus/-deficit	829,628	805,034	21,015	27,765	11,648	17,975	24,158
4	Accumulated surplus, beginning of period	12,275,481	13,105,109	13,910,143	13,931,158	13,958,922	13,970,570	13,988,545
5	Accumulated surplus, end of period	13,105,109	13,910,143	13,931,158	13,958,922	13,970,570	13,988,545	14,012,703

Line 1a: Revenue is expected to increase at 2.25% per annum.

Line 1b: Small Community Fund- Capital funding for 2/3 of Phase 1F (2015 & 2016)

Line 1c: User charges for miscellaneous services, water shut offs, connections, pipe thawing

Line 1d: Total Revenue = line 1a + line 1b + line 1c

Line 2a: See Schedule of Operating Expenses (pg. 18-20)

Line 2b: See Schedule of Tangible Capital Assets (pg. 22)

Line 2c: See Schedule of Long Term Debt (pg. 21)

Line 2d: Total expenses (line 2a + line 2b + line 2c)

Line 3: Annual Surplus/-deficit = line 1c - line 2d

Line 4: Accumulated surplus, beginning of period (2010) = line 5 – line 4

Line 5: Accumulated surplus, end of period, similar to line 8 of Statement of Financial Position (pg. 16)

**Town of Espanola
Statement of Cash Flow**

Line Item	2015	2016	2017	2018	2019	2020	2021
Operating Transactions							
Cash received from:							
1 Revenues	2,375,799	2,411,459	1,657,023	1,694,306	1,732,428	1,771,407	1,811,264
Cash paid for:							
2 Operating Costs	-988,100	-1,019,919	-1,052,801	-1,086,784	-1,121,907	-1,158,209	-1,195,733
3 Interest on long term debt	-109,900	-106,700	-103,400	-99,950	-96,400	-92,750	-88,900
4 Total Costs	-1,098,000	-1,126,619	-1,156,201	-1,186,734	-1,218,307	-1,250,959	-1,284,633
Cash provided from:							
5 Operating transactions	1,277,799	1,284,840	500,821	507,571	514,121	520,448	526,631
Capital Transactions							
6 Proceeds from disposal of TCAs	0	0	0	0	0	0	0
7 Acquisition of Tangible Capital Assets	-1,186,334	-1,186,334	0	-1,200,000	-500,000	0	0
8 Cash applied to capital transactions	-1,186,334	-1,186,334	0	-1,200,000	-500,000	0	0
Finance Transactions							
9 Proceeds from debt issues	0	0	0	0	0	0	0
10 Debt repayment (principal)	-88,138	-91,338	-94,638	-98,088	-101,638	-105,288	-109,138
11 Cash applied to finance transactions	-88,138	-91,338	-94,638	-98,088	-101,638	-105,288	-109,138
12 Increase/-decrease in cash and cash equivalents	3,328	7,169	406,184	-790,516	-87,517	415,161	417,494
13 Cash and cash equivalents, beginning of period	393,888	397,215	404,384	810,568	20,052	-67,465	347,696
14 Cash and cash equivalents, end of period	397,215	404,384	810,568	20,052	-67,465	347,696	765,190

Town of Espanola
Statement of Cash Flow

Line 1: Similar to line 1c of the Statement of Operations (pg. 13)

Line 2: See Schedule of Operating Expenses (pg. 18-20)

Line 3: See Schedule of Long term debt (pg. 21)

Line 4: Total costs = line 2 + line 3

Line 5: Cash provided from Operating transactions = line 1 - line 4

Line 6-7: See Schedule of Tangible Capital Assets (pg. 22)

Line 8: Cash applied to Capital transactions = line 6 + line 7

Line 9: Assuming no new debt until 2016 (See Schedule of Long Term Debt, pg. 21)

Line 10: See Schedule of Long Term Debt (pg. 21)

Line 11: Cash applied to finance transactions = line 9 + line 10

Line 12: Increase/-decrease in cash and cash equivalents = line 5 + line 8 + line 11

Line 13: Cash beginning of period (2010) is the reserve fund balance (which is assumed to be zero)

Line 14: Cash end of period = line 12 + line 13

**Town of Espanola
Statement of Financial Position**

Line Item	2015	2016	2017	2018	2019	2020	2021
1 Cash & Cash Equivalents	397,215	404,384	810,568	20,052	-67,465	347,696	765,190
Liabilities							
2 Long Term Debt							
a. OSIFA Loan - Water portion	2,994,708	2,903,370	2,808,733	2,710,645	2,609,008	2,503,720	2,394,583
3 Total Liabilities	2,994,708	2,903,370	2,808,733	2,710,645	2,609,008	2,503,720	2,394,583
4 Net Financial Assets/-Debt	-2,594,492	-2,498,986	-1,998,165	-2,690,593	-2,676,473	-2,156,024	-1,629,393
Non-financial Assets							
5 Tangible capital assets (Net book value)	15,670,765	16,377,292	15,896,486	16,617,679	16,615,206	16,112,733	15,610,260
6 Work in progress	31,836	31,836	31,836	31,836	31,836	31,836	31,836
7 Total non-financial assets	15,702,601	16,409,128	15,929,322	16,649,515	16,647,042	16,144,569	15,652,096
8 Accumulated surplus/-deficit	13,105,109	13,910,143	13,931,158	13,958,922	13,970,570	13,988,545	14,012,703

Line 1: Similar to line 17 of the Statement of Cash Flow (pg. 14)

Line 2: See Schedule of Long Term Debt (pg. 21)

Line 3: Total Liabilities = line 2a + line 2b + line 2c + line 2d

Line 4: Net financial assets/-debt = line 1 - line 3

Line 5-7: See Schedule of Tangible Capital Assets (pg. 22)

Line 8: Accumulated surplus/-deficit = line 4 + line 7

Town of Espanola
Statement of changes in net financial assets (debt)

Line Item	2015	2016	2017	2018	2019	2020	2021
1 Annual surplus (deficit)	829,628	805,034	21,015	27,765	11,648	17,975	24,158
2 Amortization	448,171	479,807	479,806	479,807	502,473	502,473	502,473
3 Acquisition of Tangible Capital Assets	-1,186,334	-1,186,335	0	-1,200,000	-500,000	0	0
4 Changes in net financial assets (debt)	91,465	98,506	500,821	-692,428	14,121	520,448	526,631
5 Net financial assets (debt) position, beg. of period	-2,688,957	-2,597,492	-2,498,986	-1,988,165	-2,690,593	-2,676,473	-2,156,024
6 Net financial assets (debt) position, end of period	-2,597,492	-2,498,986	-1,988,165	-2,690,593	-2,676,473	-2,156,024	-1,629,393

Line 1: Annual surplus, similar to line 3 of the Statement of Operations (pg. 13)

Line 2: See Schedule of Tangible Capital Assets (pg. 22)

Line 3: See Schedule of Tangible Capital Assets (pg. 22)

Line 4: Changes in net financial assets (debt) = line 1 + line 2 + line 3

Line 5: Net financial assets (debt) position beginning of period (2010) = line 6 – line 5

Line 6: Net financial assets (debt) position, end of period similar to line 4 of the Statement of Financial Position (pg. 16)

**Town of Espanola
SCHEDULE OPERATING EXPENSES**

	Notes	(Budget)				FORECAST					
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
DISTRIBUTION SYSTEM											
Salaries, Wages & Benefits	a.	68,001	60,917	104,858	87,500	90,125	92,829	95,614	98,482	101,436	104,480
Hydro	b.	3,268	3,582	3,879	3,800	3,990	4,190	4,399	4,619	4,850	5,092
Materials & Supplies	a.	3,968	5,060	9,511	6,750	6,953	7,161	7,376	7,597	7,825	8,060
Pipe & Parts	a.	6,256	10,303	3,877	6,000	6,180	6,365	6,556	6,753	6,956	7,164
Land Rental-Lease		102	-	-	100	103	106	109	113	116	119
Services	a.	5,020	3,514	9,113	10,950	11,279	11,617	11,965	12,324	12,694	13,075
Travel, Training & Conferences	a.	8,417	7,219	11,170	13,000	13,390	13,792	14,205	14,632	15,071	15,523
Outside Contractors	a.	30,863	54,192	81,275	46,000	47,380	48,801	50,265	51,773	53,327	54,926
TREATMENT PLANT OPERATIONS											
Salaries, Wages & Benefits	a.	-	27	737	500	515	530	546	563	580	597
Hydro	b.	105,661	96,018	100,077	105,000	110,250	115,763	121,551	127,628	134,010	140,710
Pipe & Parts	a.	14,048	7,702	24,120	27,000	27,810	28,644	29,504	30,389	31,300	32,239
Taxes	a.	90,798	88,677	83,811	86,500	89,095	91,768	94,521	97,357	100,277	103,286
Water Treatment Chemicals	a.	149,774	171,405	150,616	180,000	185,400	190,962	196,691	202,592	208,669	214,929
Outside Contractors	a.	386,858	415,625	427,041	415,000	427,450	440,274	453,482	467,086	481,099	495,532
TOTAL OPERATING EXPENSE		873,034	924,241	1,010,085	988,100	1,019,919	1,052,801	1,086,784	1,121,907	1,158,209	1,195,733

Note a: * 3% Inflation rate per year starting at 2016 Budgeted amount

Note b: Hydro * 5% Inflation rate per year starting at 2016 Budgeted Amount

APPENDIX B: ONTARIO REGULATION 453/07

Safe Drinking Water Act, 2002

ONTARIO REGULATION 453/07

FINANCIAL PLANS

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

Last amendment: O. Reg. 69/08.

This is the English version of a bilingual regulation.

Requirement to prepare financial plans

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

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

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

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

Financial plan requirements; new systems

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

1. The financial plans must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by,
 - i. the council of the municipality, if the owner of the drinking water system is a municipality, or

- ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
2. The financial plans,
 - i. must include a statement that the financial impacts of the drinking water system have been considered, and
 - ii. must apply for a period of at least six years.
 3. The first year to which the financial plan must apply is the year in which the drinking water system is expected to first serve the public.
 4. For each year in which the financial plans apply, the financial plans must include details of the proposed or projected financial operations of the drinking water system itemized by,
 - i. total revenues, further itemized by water rates, user charges and other revenues,
 - ii. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
 - iii. annual surplus or deficit, and
 - iv. accumulated surplus or deficit.
 5. The owner of the drinking water system must,
 - i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
 - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
 - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
 6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing.
O. Reg. 453/07, s. 2.

Financial plan requirements; licence renewal

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

1. The financial plans must be approved by a resolution that is passed by,
 - i. the council of the municipality, if the owner of the drinking water system is a municipality, or
 - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
2. The financial plans must apply to a period of at least six years.
3. The first year to which the financial plans must apply must be the year determined in accordance with the following rules:
 - i. If the financial plans are required by subsection 1 (2), the first year to which the financial plans must apply must be the year in which the drinking water system's existing municipal drinking water licence would otherwise expire.
 - ii. If the financial plans are required by a condition that was included in a municipal drinking water licence under subsection 1 (3), the first year to which the financial plans must apply must be the later of 2010 and the year in which the first licence for the system was issued.
4. Subject to subsection (2), for each year to which the financial plans apply, the financial plans must include the following:
 - i. Details of the proposed or projected financial position of the drinking water system itemized by,
 - A. total financial assets,
 - B. total liabilities,
 - C. net debt,
 - D. non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and
 - E. changes in tangible capital assets that are additions, donations, write downs and disposals.
 - ii. Details of the proposed or projected financial operations of the drinking water system itemized by,
 - A. total revenues, further itemized by water rates, user charges and other revenues,
 - B. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
 - C. annual surplus or deficit, and
 - D. accumulated surplus or deficit.

iii. Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by,

- A. operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges,
- B. capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,
- C. investing transactions that are acquisitions and disposal of investments,
- D. financing transactions that are proceeds from the issuance of debt and debt repayment,
- E. changes in cash and cash equivalents during the year, and
- F. cash and cash equivalents at the beginning and end of the year.

iv. Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.

5. The owner of the drinking water system must,

- i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
- ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
- iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.

6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing.
O. Reg. 453/07, s. 3 (1).

(2) Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:

- 1. Sub-subparagraphs 4 i A, B and C of subsection (1).

2. Sub-subparagraphs 4 iii A, C, E and F of subsection (1). O. Reg.

453/07, s. 3 (2).

Alternative requirements for two or more drinking water systems

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

Amendment of financial plans

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

Additional information

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

7. OMITTED (PROVIDES FOR COMING INTO FORCE OF PROVISIONS OF THIS REGULATION). O. Reg. 453/07, s. 7.

APPENDIX C: COUNCIL RESOLUTION