



The Municipality of Callander

Callander
Drinking Water System

Financial Plan

May 19, 2020

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1. Introduction

The Municipality of Callander (the Municipality) had retained the Ontario Clean Water Agency (OCWA) to develop a Financial Plan for the Callander Drinking Water System (DWS) in order to comply with the financial plan regulation (O. Reg. 453/07) made under the Safe Drinking Water Act for the previous Financial Plan dated February 10, 2016, which covered the seven (7) year financial plan from 2016 to 2022.

The Municipal Treasurer updated the Financial plan for the seven (7) year period from 2020 to 2026 as the previous plan indicated that the revised plan shall be completed by June 30, 2020.

The financial plan contained herein has been prepared in accordance with O. Reg. 453/07, as well as the provisions of the financial planning guidelines published by the Ministry of the Environment (MOE) in August 2007 entitled “Toward Financially Sustainable Drinking-Water and Wastewater Systems”.

The financial plan was prepared for the Callander DWS based on information supplied by the Municipality and OCWA operational staff, including future capital and major maintenance projects, water system financial information, as well as tangible capital asset information that the Municipality generated in accordance with the Public Sector Accounting Board (PSAB) standard PS 3150 requirements.

The information was based on the 2020 Budget to generate a financial operating plan that forecasted future annual expenditure requirements from the year 2020 through to 2026. A revenue plan, relying mostly on user fees was generated to support the expenditure requirements outlined in the operating plan. The information generated in the operating and revenue plans along with the tangible capital asset information was used to develop a financial plan for the Callander DWS covering a study period from 2020 to 2026 in accordance with O.Reg. 453/07 requirements (minimum six year study period).

1.1 Legislative Context to Financial Planning

There have been a number of legislative initiatives affecting water system management and operations over the past decade. These initiatives were a result of the water borne illness tragedy in Walkerton in 2000. Following this event, the Government of Ontario established a public inquiry chaired by the Honourable Dennis O’Connor to look into the tragedy. The Inquiry Report recommended a comprehensive approach to the delivery of safe drinking water in Ontario.

The MOE has responded to the Inquiry recommendations by making legislative changes. One change directly related to the development of this Financial Plan was the passage of the Safe Drinking Water Act, 2002 (SDWA). It requires owners of a municipal drinking water system to apply for and obtain a Municipal Drinking Water License. There are five elements that must be in place in order for the owner of a drinking water system to obtain a license:

- 1) A Drinking Water Works Permit to establish or alter a drinking-water system.

- 2) An accepted Operational Plan. The Drinking Water Quality Management Standard (DWQMS) is the standard upon which operational plans are based. The plan documents an operating authority's quality management system (QMS).
- 3) An Accredited Operating Authority. A third- party audit of an operating authority's QMS will be the basis for accreditation.
- 4) A Permit to Take Water.
- 5) A Financial Plan that must be prepared and approved in accordance with the prescribed requirements in the Financial Plans Regulation.

Under section 30 of the SDWA, the Financial Plan element of the license program must either be prepared in accordance with the Sustainable Water and Sewage System Act, 2002 (SWSSA) or in accordance with the requirements set by the Minister of the Environment. SWSSA regulations have not been published. Accordingly, the requirements set by the Minister of Environment apply as per the 2007 MOE guidelines.

Regulation 453/07 of the Safe Drinking Water Act was passed in 2007 and contains two key provisions that apply to an existing water system:

1. A person who makes an application under the Act for a municipal drinking water license shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements of Reg. 453/07. O. Reg. 453/07, S. 1(1).
2. As a condition in a municipal drinking water license that is issued in response to an application made under section 33 of the Act for a municipal drinking water license, 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 license for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed Reg. 453/07. O. Reg. 453, S. 1(3).

Several other provisions are also set out in the regulation that must be met by a municipality operating a water system:

- The financial plan must be approved by a resolution that is passed by the Council of the municipality.
- The financial plan must apply to a period of at least six years.
- The financial plan must be available, upon request, to members of the public at no charge and posted on the internet (if the municipality maintains a website).

- The municipality must provide notice as deemed appropriate to advise the public of the availability of the financial plan.

Once a system is licensed, the municipality's Financial Plan is required to be updated every five years, in conjunction with every application for license renewal. A full documentation of the financial plan regulation, O.Reg. 453/07 can be found in Attachment 1.

In June 2006, the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered accountants approved new municipal financial accounting and reporting standards requiring that tangible capital assets (TCA), including the assets of drinking water systems, be included in municipal financial statements. Stat 3150 came into effect on January 1, 2009.

The Clean Water Act, 2006 targets the protection of drinking water supplies through the development of collaborative, locally driven, science and watershed based source protection plans. According to the MOE financial planning guidelines, Financial Plans should include source water protection costs related to the provision of water services. Utilities are encouraged to have, at minimum, estimates of any current source protection costs as a separate cost item by the time that their Financial Plans are required in order to effectively align with the anticipated approval timelines for source protection plans (2010-2012).

In June 2007, the government of Ontario proposed a lead action plan. The Financial Plans regulation requires municipalities' Financial Plans to include the costs associated with replacing lead service pipes that are part of their drinking water system.

1.2 Municipality of Callander – Drinking Water System

The Callander Drinking Water System (DWS), located in the Municipality of Callander is owned by the Municipality and operated by the Ontario Clean Water Agency. Callander is located just a few kilometers south of North Bay, on the eastern shore of Callander Bay (off of Lake Nipissing). The DWS draws its water from Callander Bay through a 400mm intake pipe, extending about 1km into Lake Nipissing. A lakeside low lift pumping station pumps the raw water to the treatment facility where two Ecodyne package treatment plants are located. Sodium hydroxide may be added for pH adjustment, along with alum (for coagulation) and sodium hypochlorite for pre-chlorination.

The Callander Water Treatment Plant (WTP) consists of an in-line static mixer for the addition of the aluminum sulfate coagulate, two Ecodyne package treatment units each rated at 1500m³/day, a chlorine contact chamber (62.5m³), a two cell clearwell (231m³), chemical feed systems for sodium hypochlorite, aluminum sulfate and sodium hydroxide, online chlorine and turbidity analyzers and a 112kW diesel powered standby unit. Each Ecodyne unit contains flocculation and clarification zones with gravity flow filters (Activated Carbon/dual sand media filters).

The treated water travels to a clearwell, and is pumped by three 30HP vertical turbine high lift pumps (each rated at 2300m³/day) from the clearwell to the distribution system and a 2272m³ standpipe. The

distribution system is primarily comprised of 200mm ductile iron pipe installed in 1973, with PVC installations occurring in 2001-2002 in the newer residential developments.

2. Financial Operating Plan

The financial operating plan includes the full costs of operating the Callander DWS on an ongoing basis and includes capital investments, operating costs, maintenance costs, administration costs, debt repayment and interest charges.

A financial operating plan for the Callander DWS was developed using historical financial information and projecting the information forward to forecast the annual expenditure requirements, while taking into account inflation and any growth forecast.

2.1 Operating Expenses

Recurring operating expenses for the Callander DWS consists of wages for OCWA operators, utility costs, major maintenance and repair items for the upkeep of the drinking water system as well as other miscellaneous costs such as telephone bills, insurance, memberships and training costs. All operating costs are projected to increase on an annual basis at a rate of 2% per year up to the end of the study period. Hydro/Utility costs however, are projected to increase at a rate of 5% per year over the study period. The total water operating expenses (excluding capital items and amortization) for the Callander DWS have been budgeted at \$397,899 for 2020 and projected to increase to \$420,122 by the end of the study period.

2.2 Capital Costs

Although ongoing yearly maintenance and repair of the Callander DWS is forecasted, most of these costs will be considered as operating expenditures. There are however several items that will be capitalized during the study period. These include:

- Upgrade to the Intake Wet Well in 2020 (\$30,000);
- Upgrades to Water Treatment Plant SCADA for both treatment units in 2020 and in 2021 (\$20,000 each);
- Replacement of Filter Media Ecodyne gravity flow filter in 2017 and 2021 (\$19,042 each);
- Replacement of aging actuators and valves in 2020, 2022 and 2023 (\$10,000 annually);
- Replacement of laboratory equipment in 2020 (\$6,500);
- Upgrades to the elevated storage tank in 2021 (\$6,000);
- Upgrades to the PLC (Program Logic Controller) at the Water Treatment plant in 2022 (\$25,000);
- Replacement of the Ecodyne Package Treatment Units in 2022 (\$25,000);

- Replacement of the chemical dosing pumps and rehabilitate hydrants in 2023 (\$12,000)
- Replacement of the Generator at the Water Treatment Plant in 2023 (\$90,000).

All capital and major maintenance cost estimates include a 15% contingency.

2.3 Debt Management

The Municipality has apportioned 27% of their Lagoon Phase II debenture to the Callander DWS to finance costs incurred for the Water Tower Rehabilitation Project. The debt principal was \$372,600 at year end 2014 with annual payments of \$30,942 (both principal and interest) beginning in 2015. The debt principal is expected to decrease throughout the study period with a resulting principal of \$88,625 by year end 2026. The debt will be fully paid by the end of 2029. No additional debt is forecasted to be added to the existing debt during the study period.

2.4 Lead Pipe Replacement Costs

There are no costs associated with lead pipe replacement for the Callander DWS.

2.5 Source Water Protection Costs

There are no costs associated with source water protection for the Callander DWS.

3. Funding Plan

A funding plan was developed to ensure that the annual expenditures forecasted in the financial operating plan can be sustained over the study period. The funding plan relies on operating revenues from the direct users of the drinking water system through water rates, water hook ups and vacant lot charges. The plan did not require any transfers of funding from general reserves during this study. Capital cost projections were made based on OCWA's six (6) year capital plan recommendations from 2020 to 2025. Barring any unanticipated capital projects, the water system is self-sustaining for the full study period (2020-2026).

3.1 Water Rates

The Callander DWS currently (in 2020) services 726 residential connections as well as 87 commercial/industrial connections. The proposed water rates for the study period are shown in Table 1.1. The rates for all units (residential or commercial) are the same for all users. These rates are projected to increase by 2.1% each year from 2021 to 2026 as per the December 2019 Annual CPI rate from Statistics Canada for the province of Ontario which includes all items.

The forecasted rates were developed with the assumption that there will be five additional residential units connected to the system each year. In addition, water consumption of 142 m³/yr/connection for residential connections and 352 m³/yr/connection for commercial connections were assumed for the study period.

Figure 1.1 – Water Metered Rate Charge per Year

Water Rate (m ³ /yr) / % Increase Over Previous Year						
2020	2021	2022	2023	2024	2025	2026
\$4.01	\$4.09	\$4.18	\$4.27	\$4.35	\$4.45	\$4.54
2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%

3.2 Debt and Cash Reserves

As mentioned previously in section 2.3, The Callander DWS is carrying 27% of the Lagoon Phase II Debenture, which will be paid in full by 2029.

Based on the current revenue and expenditure forecasts for the study period, there will be no requirement to raise any additional funds through borrowing as the financial forecasts are self-funded through its own revenue sources. The Callander DWS reserve had an opening balance of \$186,481 as at January 1, 2020. The opening balance takes into account the municipal contribution from reserves -of \$561,508 for the Sewer Optimization Project. By the end of this study, the reserves are estimated to be at \$1,030,631. The increase in reserves will allow us to utilize water reserves to fund wastewater expenditures if required and to undertake any future unplanned capital projects and minimize any future long-term debt borrowing.

3.3 Government Grants

There are no grants reported in this study period.

4. Financial Plan Summary – Callander

This section provides a summary of principal features concerning the current and projected future state of the Callander DWS. The financial information is contained in financial statements covering at least six years (2020-2026) in compliance with O. Reg. 453. Detailed financial statements are set out in tabular form in Section 4. Notes regarding the financial statements are presented at the end of the financial statement section of this report.

4.1 Statement of Financial Position

An important feature of a water system is its net financial assets. A positive net financial asset indicates that the system has resources to deal with future capital and other needs. A negative number indicates that past capital and other investments must be financed from future revenues. The Callander DWS's net financial assets are shown in Figure 4.1 below.

Figure 4.1 – Callander Net Financial Assets

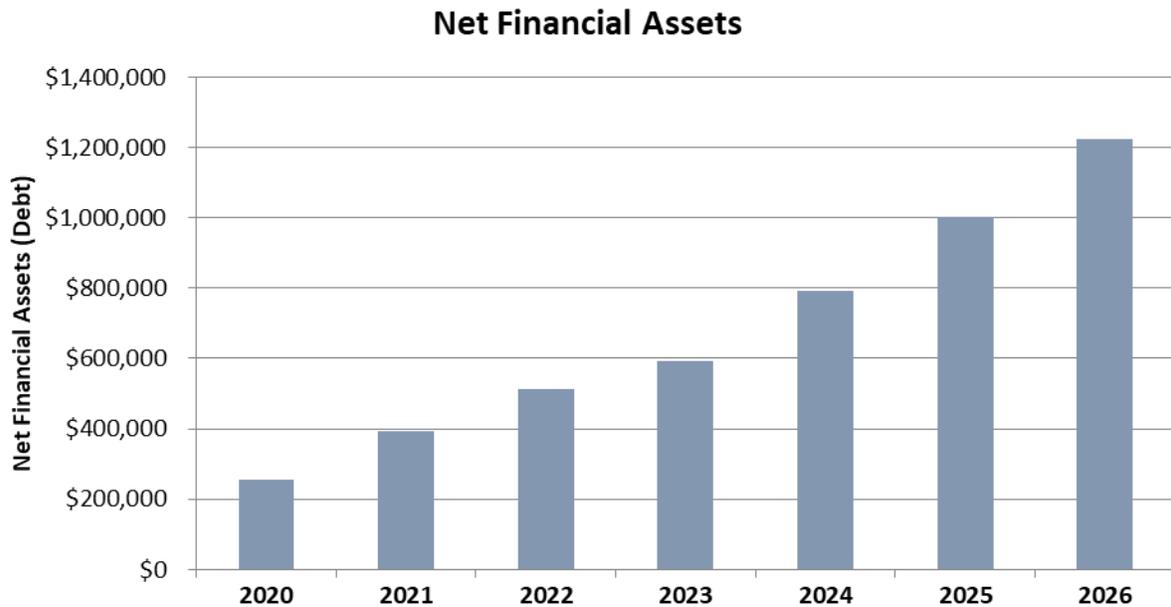


Figure 4.1 shows that positive net financial assets are projected up to the year 2026. The repayment of debt principal for the Water Tower Rehabilitation Project is also included in the chart and indicates long-term debt of \$243,46 in 2020 and \$88,625 in 2026. It will be paid in full by the end of 2029.

A second feature of the water system is the total value of the system’s tangible capital assets (plant equipment, watermains). Consideration of the value of tangible capital assets (TCA) is part of PSAB compliance. The current value of the capital assets is termed net book value (NBV). NBV is the difference between the original cost of an asset less the accumulated amortization.

Water systems have a great deal of resources tied up in tangible capital assets and managing these assets is critical to maintaining current and future levels of service. Tangible capital assets, once installed, are being used and are decreasing in value. An increase in net book value of tangible capital assets is an indication that assets have been renewed faster than they were used. A decrease in net book value indicates that assets are being used, or amortized, faster than they are renewed. The net book value of the assets is set out in Figure 4.2. As shown in the figure, the TCA NBV decreased from 2020 to 2026 as the yearly amortization was greater than the capital additions each year. The assets’ NBV decrease linearly according to the yearly amortization until the end of the study period.

Figure 4.2 – Callander Tangible Capital Assets

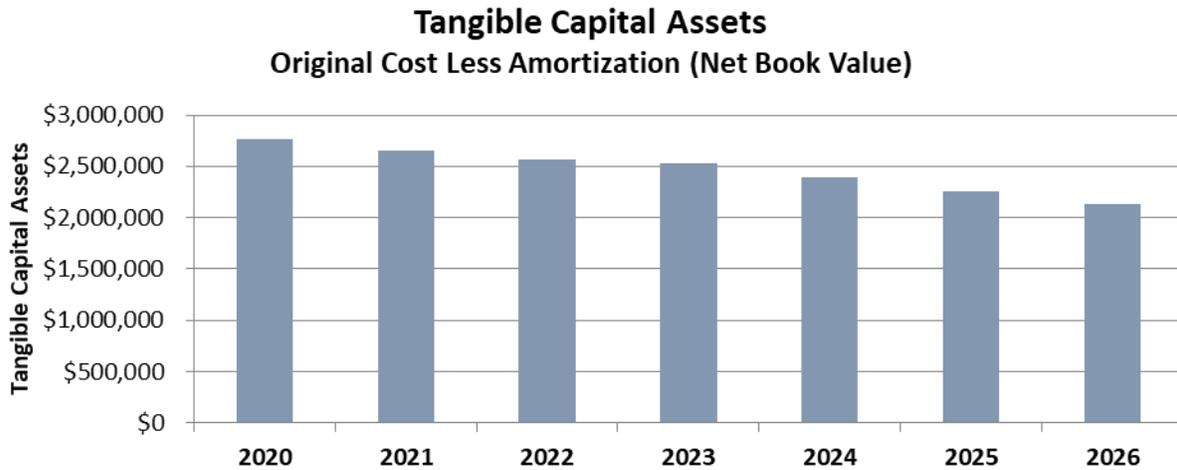
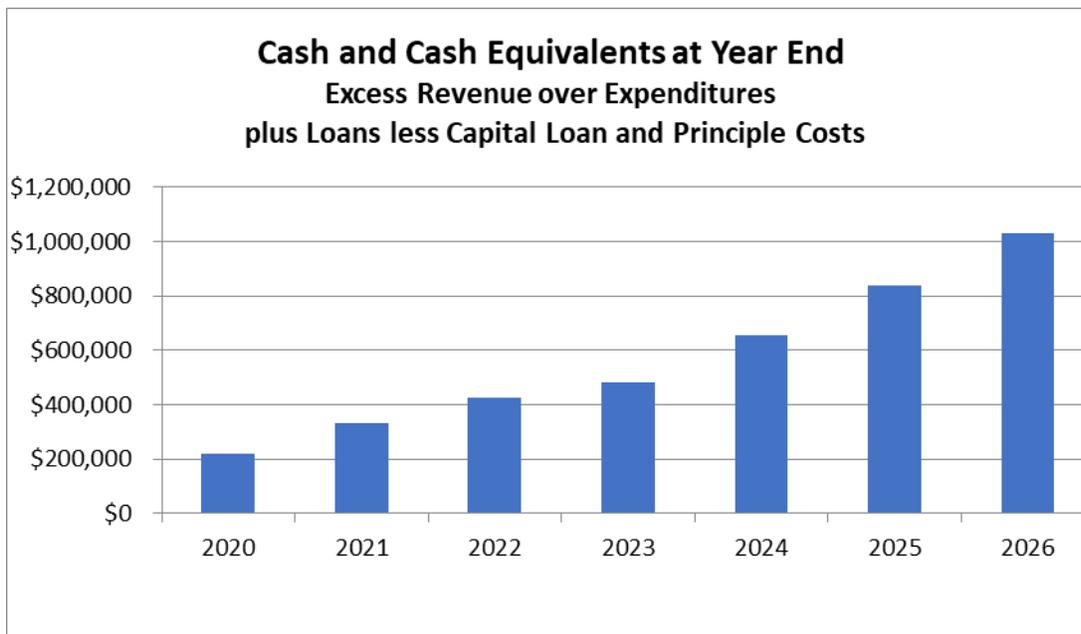


Figure 4.3 sets out the accumulated surplus, which represents cash on hand plus the net book value of tangible capital assets less debt. The water system is projected to show an increase in accumulated surplus from 2020 to 2026 during the study period. The Municipality also has some debt that is being paid off throughout the study period. Overall, the increase in accumulated surplus is attributed to the increase in water rate of 2.1%, decrease in long-term debt and increase in position of reserves throughout the study period.

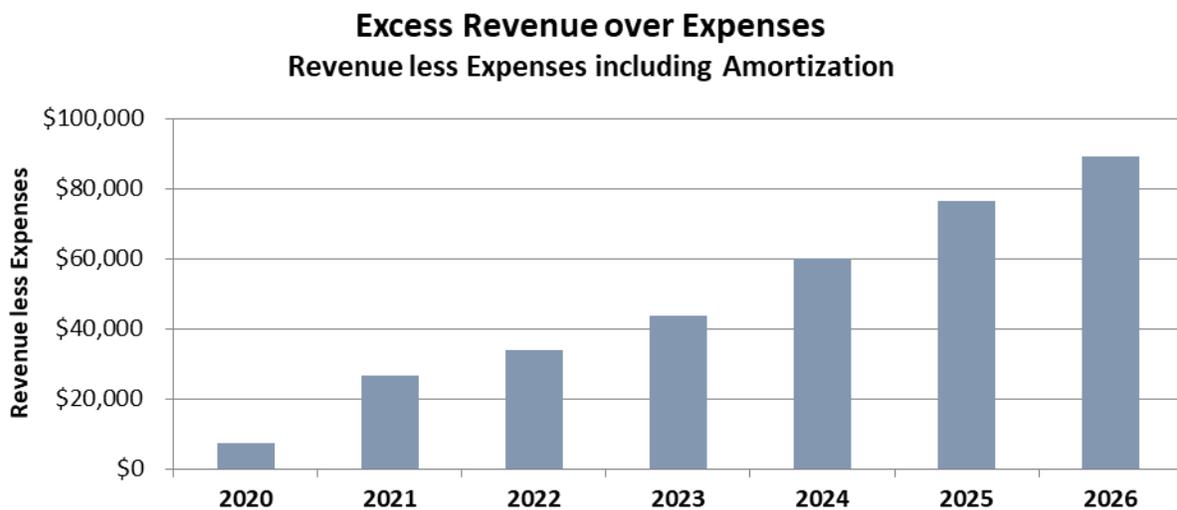
Figure 4.3 – Callander Accumulated Surplus



4.2 Statement of Operations

This statement summarizes revenues and expenditures. Revenue include user fees from connected users and contributions from development charges allocated to the water segment. Expenditures include ongoing operating costs, debt repayment, and asset amortization. Figure 4.4 projects that the system’s excess of revenues over expenses, including amortization, has increased from the beginning of the study indicated excess of \$7,309 in 2020 and projected to be \$89,277 by the end of 2026.

Figure 4.4 – Callander Excess Revenue over Expenses



4.3 Continuous Improvement

The SDWA requires renewal of Municipal Drinking Water Licenses every five (5) years. The Financial Plan regulation requires the preparation and approval of a financial plan before making an application for renewal of a Drinking Water License. Each Financial Plan will require updating at a minimum frequency of every five years. This on-going update will assist in revisiting the assumptions made in the original financial plan, to develop the operating and funding plans as well as re-assessing the need for capital renewal and major maintenance expenditures. For the Municipality, this means that this Financial Plan must be updated by June 2024.

4.4 Conclusion

Based on the proposed rates, the Callander DWS is a self-sustaining system financially and will do so within the six-year study period. Barring unforeseen capital project requirements, the financial statements reveal that the Callander DWS is projected be in good financial shape as time progresses and there is no need for additional borrowing over the next few years.

It is important to keep in mind that assumptions have been made concerning inflation, interest rates, and growth projections. Actual numbers may significantly deviate from these forecasts over time. In addition, capital and major maintenance cost estimates and schedule may vary from current projections. There is a need to monitor the progress of this plan and to proceed with adjustments as needed.

The detailed financial statements are set out in tabular form in the following Section and were the basis for the above summary.

5. Financial Statements

The detailed financial statements are set out in the following tables. Section 6 details the notes that correspond to the “notes” numbers on the right side of the tables.

Please note that these financial statements are unaudited and are for planning purposes only.

Actual results will differ from the above and these differences could be material.

Table 5.1 – Statement of Financial Position

Statement of Financial Position	2020	2021	2022	2023	2024	2025	2026	Notes
Financial Assets								
Cash/Cash Equivalents								
System Reserve	\$218,429	\$332,488	\$426,946	\$483,636	\$656,816	\$838,440	\$1,030,631	1
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Cash/Cash Equivalents	\$218,429	\$332,488	\$426,946	\$483,636	\$656,816	\$838,440	\$1,030,631	
Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Financial Assets	\$218,429	\$332,488	\$426,946	\$483,636	\$656,816	\$838,440	\$1,030,631	
Liabilities								
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Principal	\$243,467	\$219,573	\$194,944	\$169,558	\$143,392	\$116,423	\$88,625	2
Working Deficit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Liabilities	\$243,467	\$219,573	\$194,944	\$169,558	\$143,392	\$116,423	\$88,625	
Net Financial Assets (Debt)	(\$25,038)	\$112,915	\$232,002	\$314,078	\$513,424	\$722,017	\$942,007	
Non Financial Assets								
Tangible Capital Asset Cost (Closing)	\$6,932,206	\$6,968,926	\$7,031,350	\$7,139,593	\$7,139,593	\$7,139,593	\$7,139,593	3,4
Changes in Tangible Capital Assets - Additions	\$91,500	\$36,720	\$62,424	\$108,243	\$0	\$0	\$0	5
Changes in Tangible Capital Assets - Betterments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Changes in Tangible Capital Assets - Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Accumulated Amortization (closing)	\$4,165,756	\$4,314,041	\$4,461,885	\$4,608,645	\$4,747,935	\$4,880,198	\$5,010,910	4
Total Non Financial Assets	\$2,766,450	\$2,654,885	\$2,569,465	\$2,530,948	\$2,391,658	\$2,259,395	\$2,128,682	
Accumulated Surplus(deficit)	\$2,741,411	\$2,767,800	\$2,801,467	\$2,845,026	\$2,905,081	\$2,981,412	\$3,070,689	

Table 5.2 – Statement of Financial Operation

Statement of Financial Operations	2020	2021	2022	2023	2024	2025	2026
Total Revenues							
Revenue from Users							
East Ferris Water Revenues	\$3,523	\$3,597	\$3,673	\$3,750	\$3,828	\$3,909	\$3,991
Callander Water Revenues	\$535,834	\$549,992	\$564,508	\$579,390	\$594,649	\$610,294	\$626,333
Construction Revenues-Water	\$700	\$700	\$700	\$700	\$700	\$700	\$700
Meter Reading Revenues-Water	\$2,350	\$2,350	\$2,350	\$2,350	\$2,350	\$2,350	\$2,350
On/Off Request Revenues-Water	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Meter Adm. Fee-Water	\$333	\$333	\$333	\$333	\$333	\$333	\$333
Interest & Penalties	\$6,600	\$6,600	\$6,600	\$6,600	\$6,600	\$6,600	\$6,600
Development Charges	\$2,748	\$2,748	\$2,748	\$2,748	\$2,748	\$2,748	\$2,748
Contribution from General Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0
							6
Total Revenues	\$552,289	\$566,520	\$581,111	\$596,071	\$611,409	\$627,134	\$643,255
Expenses							7
Salaries, Wages & Benefits	\$9,871	\$10,068	\$10,270	\$10,475	\$10,684	\$10,898	\$11,116
Hydro & Heating	\$40,629	\$42,660	\$44,793	\$47,033	\$49,385	\$51,854	\$54,447
OCWA Service Agreement	\$263,100	\$267,294	\$271,564	\$275,094	\$278,672	\$282,299	\$285,122
Maintenance	\$20,400	\$0	\$988	\$1,008	\$1,028	\$1,049	\$0
Insurance	\$6,405	\$6,534	\$6,664	\$6,798	\$6,933	\$7,072	\$7,214
Contingency	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Other	\$37,493	\$38,243	\$39,008	\$39,788	\$40,584	\$41,396	\$42,224
Expenses before interest and amortization	\$397,899	\$384,799	\$393,288	\$400,196	\$407,287	\$414,568	\$420,122
Debt Interest	\$7,759	\$7,047	\$6,313	\$5,556	\$4,776	\$3,972	\$3,144
Amortization	\$139,322	\$148,285	\$147,844	\$146,760	\$139,291	\$132,263	\$130,713
							4
Total Expenses	\$544,979	\$540,131	\$547,445	\$552,512	\$551,354	\$550,803	\$553,978
Excess of Revenues over Expenses	\$7,309	\$26,389	\$33,666	\$43,559	\$60,055	\$76,331	\$89,277
Excess of Revenues over Expenses	\$7,309	\$26,389	\$33,666	\$43,559	\$60,055	\$76,331	\$89,277
Annual Surplus (Deficit) Beginning of year	\$2,734,102	\$2,741,411	\$2,767,800	\$2,801,467	\$2,845,026	\$2,905,081	\$2,981,412
Accumulated Surplus (Deficit) End of Year	\$2,741,411	\$2,767,800	\$2,801,467	\$2,845,026	\$2,905,081	\$2,981,412	\$3,070,689

Table 5.3 – Statement of Change in Cash Flow

Statement of Cash Flow	2020	2021	2022	2023	2024	2025	2026
Operating Transactions							
Cash received from Revenues	\$552,289	\$566,520	\$581,111	\$596,071	\$611,409	\$627,134	\$643,255
Cash paid for Operating Expenses	\$397,899	\$384,799	\$393,288	\$400,196	\$407,287	\$414,568	\$420,122
Cash paid for Financing Charges (Debt Interest)	\$7,759	\$7,047	\$6,313	\$5,556	\$4,776	\$3,972	\$3,144
Excess of Operating Revenues Over Operating Expenses	\$146,631	\$174,674	\$181,511	\$190,319	\$199,346	\$208,594	\$219,989
Working Capital Items							
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash provided by Operating Transactions	\$146,631	\$174,674	\$181,511	\$190,319	\$199,346	\$208,594	\$219,989
Capital							
Acquisition of TCAs	(\$91,500)	(\$36,720)	(\$62,424)	(\$108,243)	\$0	\$0	\$0
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash used in Capital Transactions	(\$91,500)	(\$36,720)	(\$62,424)	(\$108,243)	\$0	\$0	\$0
Investing							
Cash (used in)/Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increase (decrease) Cash Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing							
Forecasted deficit contributions	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Repayment of Long Term Debt (principal)	(\$23,183)	(\$23,895)	(\$24,629)	(\$25,386)	(\$26,166)	(\$26,970)	(\$27,798)
Cash Provided by (used) in Financing Activities	(\$23,183)	(\$23,895)	(\$24,629)	(\$25,386)	(\$26,166)	(\$26,970)	(\$27,798)
Increase (decrease) in Cash Equivalents	\$31,948	\$114,059	\$94,458	\$56,690	\$173,180	\$181,624	\$192,191
Cash and Cash Equivalents at the beginning of the Year	\$186,481	\$218,429	\$332,488	\$426,946	\$483,636	\$656,816	\$838,440
Cash and Cash Equivalents at the End of the Year	\$218,429	\$332,488	\$426,946	\$483,636	\$656,816	\$838,440	\$1,030,632

6. Notes on the Callander DWS Financial Plan

The Callander DWS Financial Plan represents a forecast of the financial performance of the drinking water system over a study period starting in 2020 through to 2026. The following notes are intended to document and/or clarify some of the assumptions made in generating the financial information contained in the tables. The reader is cautioned that the financial plan contains un-audited financial information and is subject to change.

1. The DWS had a reserve balance of \$186,481 at the beginning of 2020 which takes into account the depletion of \$561,508 from the combined water & wastewater reserves earmarked for the municipal contribution pertaining the Sewer Optimization Project which is planned for years 2020 to 2022. The total combined water reserve increased throughout the study period to a final balance of \$1,030,631 by the end of 2026.
2. The DWS had a debt principal of approximately \$372,600 at year end 2014. The debt principal decreases each year until the end of 2026 when it reaches a value of \$88,625.
3. Tangible Capital Assets Cost (Closing) includes changes (additions, betterments, disposals, write-downs) in tangible capital assets during the year.
4. Tangible Capital Assets (TCA) are assumed to have no residual value when they have reached the end of their projected useful life. The projected future costs of capital items include a 15% contingency. Amortization was determined using the straight- line method. One half of the annual amortization is charged in the year of acquisition and in the year of disposal.
5. TCA Additions – There are twelve (12) capital projects, including rehabilitation of intake wet well, Water Treatment Plant SCADA, treatment units, elevated storage tank, PLC (Program Logic Controller) and replacements of filter media, aging actuators and valves, laboratory equipment, Ecodyne package treatment units, chemical dosing pumps, hydrants and generator located at the Water Treatment plant.
6. General operating expenditures are forecasted to increase at a rate of 2% per year. Hydro is forecasted to increase at a rate of 5% per year. OCWA’s cost was determined based upon their proposed 10-year Service Agreement pricing schedule.

Attachment 1

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.