Municipality of Morris-Turnberry Council Meeting

Excerpt from the January 19, 2016

I, Nancy Michie, Administrator Clerk-Treasurer for the Municipality of Morris-Turnberry, do hereby certify that this is a true copy of Motion No. 29-2016 for the Municipality of Morris-Turnberry and has not been altered in any way.

9.2 Financial Plan:

9.2.1 Belgrave Water System Financial Plan

Motion: 29-2016
Moved by John Smuck
Seconded by Jamie Heffer

“That the Council of the Municipality of Morris-Turnberry approve the 2016 Belgrave Water System- Financial Plan No. 247-301 and that the Plan be submitted to the Ministry of Environment and Climate Change, in conjunction with the 2016 Licence renewal process.”

Disposition Carried

[Signature]

Nancy Michie, Administrator Clerk-Treasurer
January 22, 2016.
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PREAMBLE

Pursuant to the provisions of the Safe Drinking Water Act, 2002 Regulation 453/07 has been enacted which requires, as a condition of a municipal drinking water licence, that Financial Plans be prepared for municipal water systems. Financial Plans are also encouraged for wastewater systems.

To assist with the interpretation of Ontario Regulation 453/07, the Ministry of the Environment (MOE) has published a guide entitled “Towards Financially Sustainable Drinking- Water and Wastewater Systems”. The guide will be referred to in the development of Financial Plans for the;

- Belgrave Water System

Ontario Regulation 453/07 (hereinafter referred to as O.Reg. 453/07) is attached as Appendix “A” and the MOE publication “Towards Financially Sustainable Drinking – Water and Wastewater Systems (hereinafter referred to as FSDWW Guide) is attached as Appendix “B”.
**Requirements and Guiding Principles:**
Section 3 of O.Reg. 453/07 provides the Financial Plan requirements for licence renewals as follows:

**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.

(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).

Sections 4 and 5 of O.Reg. 453/07 provide details of the format of the Financial Plan (Section 4) and public notification (Section 5).
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.

Amendment of financial plans

5. Sections 2 or 3 do not prevent financial plans from being amended.

The FSDWW guide provides nine principles to help develop Financial Plans and to assist with the transition towards financial sustainability. The guidelines listed below will assist with the development and review of rate structures for the Belgrave Water Systems.

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.

Principal #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.
Historical Background

The Belgrave Water System is located in the Municipality of Morris-Turnberry and Township of North Huron. The water system provides services to the Hamlet of Belgrave. Belgrave is split along County Road 4 between the Municipality of Morris-Turnberry and the Township of North Huron.

The Municipality of Morris-Turnberry amalgamated in 2001 and consists of the former Township of Morris and Township of Turnberry. The Township of North-Huron amalgamated in 2001 consists of the former Village of Blyth, Township of East Wawanosh and Town of Wingham.

In March 2004, a Schedule B Class Environmental Assessment was completed to determine the most cost effective method of delivering water to Belgrave. Its recommendation was to interconnect the three existing small water systems (McCrea Street, Jane Street and Humphrey Water Works System) by constructing a new pumphouse and reservoir. The reservoir was sized such it could serve the entire Hamlet of Belgrave rather than the current serviced areas. The new pumphouse and reservoir were constructed from April 2006 until April 2007 and utilize the existing McCrea and Jane wells. The Humphrey well and three old pumphouses were decommissioned and abandoned.

The cost sharing between the two municipalities would be Township of North Huron 33.33% and Municipality of Morris-Turnberry 66.66%. The "bookkeeping" aspects relating to the operation of the water system are handled by the Municipality of Morris-Turnberry.

The Municipal Drinking Water Licence Number 247-101, was issued to the Municipality of Morris-Turnberry on the 4th day of August, 2011.

Historical Rates

Users of the McCrea and Jane Street Wells were charged separately and in accordance with the actual costs of their associated well's actual operation costs. Rates for both wells, while separate, were maintained at such a level to ensure the actual operation costs of each well system was funded from year to year. This resulted yearly changes to the user's fee and differences between users within the same town.

In 2007 a single user fee was implemented for all users connected to the Belgrave Water System. This rate has been maintained at a consistent level providing a consistent source of revenue and a steady and equitable fee for users.
The following chart provides a history of the water and sewer rates that have been utilized since 2003.


Table 1

<table>
<thead>
<tr>
<th>Year</th>
<th>McCrea Street Well</th>
<th>Jane Street Well</th>
<th>Belgrave Water System</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$50.36</td>
<td>$59.34</td>
<td>-</td>
</tr>
<tr>
<td>2004</td>
<td>$40.83</td>
<td>$44.54</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>$47.25</td>
<td>$53.78</td>
<td>-</td>
</tr>
<tr>
<td>2006</td>
<td>$45.83</td>
<td>$50.00</td>
<td>-</td>
</tr>
<tr>
<td>2007</td>
<td>-</td>
<td>-</td>
<td>$55.84</td>
</tr>
<tr>
<td>2008</td>
<td>-</td>
<td>-</td>
<td>$54.66</td>
</tr>
<tr>
<td>2009</td>
<td>-</td>
<td>-</td>
<td>$54.66</td>
</tr>
<tr>
<td>2010</td>
<td>-</td>
<td>-</td>
<td>$54.66</td>
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<tr>
<td>2011</td>
<td>-</td>
<td>-</td>
<td>$54.66</td>
</tr>
<tr>
<td>2012</td>
<td>-</td>
<td>-</td>
<td>$57.35</td>
</tr>
<tr>
<td>2013</td>
<td>-</td>
<td>-</td>
<td>$64.15</td>
</tr>
<tr>
<td>2014</td>
<td>-</td>
<td>-</td>
<td>$67.79</td>
</tr>
<tr>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>$74.16</td>
</tr>
</tbody>
</table>

### Development of a Financial Plan

O.Reg. Paragraph 4 of subsection 3(1) provides the requirements of Financial Plans. These requirements are shown below and many are marked with an asterisk. Subsection 3.2 of the Regulations allows certain categories of information to be excluded from the Financial Plans if it is not known at the time the plan is prepared.

### Financial Plans for Existing Drinking-Water Systems:

Paragraph 4 of subsection 3(1) of the Regulation requires that Financial Plans 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.

* Subsection 3(2) of the Regulation permits certain categories of information to be excluded from the Financial Plans if it is not known to the owner at the time the plan was prepared. This provision recognizes that some financial information may be consolidated on a municipal level across numerous departments and it may be difficult for that information to be allocated to the drinking-water system (e.g. total liabilities and net debt). If the information is known for the drinking-water system, however, it would have to be included in Financial Plans.

The FSDWW guide suggests a five step process to preparing a Financial Plan.

1. **Determine Service Needs**
   - determination of a method to properly measure the cost of services being provided
   - suggests a building block approach to create an understanding and awareness of costs which includes four distinct components.

2. **Determination of Current Period Expenses**
   - includes operating expenses and the relationship between capital expenditures and amortization expense
   - careful consideration is required to ensure that current capital expenditures are not less than future amortization expenses under accrual accounting
3. Long Term Capital Expenditure Planning
   - must identify the need to move beyond simply accounting for current period expenses
   - a recognition of the need for accounting surpluses to address the impacts of inflation in capital replacement costs, growth and any historic under-investment

4. Preparation of Funding Plans
   - address how the additional funds needed to cover projected operating and capital needs will be raised
   - expected that operating revenues will exceed operating expenses and that capital funding sources would be available through some or all of the following:
     i) cash flow from operations
     ii) a draw on cash reserves
     iii) new debt issuance

5. Revenue Sources and Rate Structures
   - a number of revenue sources available for consideration
   - can be structured and collected in different ways

Determining Asset Values

The Belgrave Water System was commissioned in 2007. Using the actual costs of construction the Municipality of Morris-Turnberry can accurately value the water system at approximately $3.5M.

The water system has been componentized consistent with recommendations in the implementation guide for PSAB 3150. The three major components; underground infrastructure(50%), building(15%) and treatment equipment(35%) have also been assigned an estimated useful life of 80yrs, 60yrs and 30yrs respectively. Amortization is calculated using the straight line method.

The allocation of costs to the components was provided by the consultants RJ Burnside & Associates Limited. The estimated useful lives were based on internal information, insights from consultants and industry trends.

Rate Calculations

Current monthly rates are maintained at a level to fund the operational expenses incurred in addition to growing a reserve fund for future capital expenses. The current rate since 2008 has provided sufficient funding these two objectives. A future review of the rate may be considered as operational expenses constantly fluctuate and capital expenses become payable. Small gradual increases over time are more favorable for users rather than large one time increase.

The Belgrave Water System will implement the use of water meters in the near future. A new meter rate based on usage will be established to fairly attribute the costs to heavy and light users of the water system. Funding for the purchase and installation of the meters is currently ongoing.
Belgrave Water Debenture

A large portion of the capital costs related to the construction of the Belgrave Water System were funded by a grant from the Ontario Small Town and Rural Development Initiative (OSTAR). The unfunded capital costs of the Belgrave Water System were equitably allocated to all properties with current or future access to the system. The property owners are responsible for reimbursing the Municipality for their share of the capital costs within a 30 year time period beginning August 1, 2010.

The Municipality has entered into a financing agreement with Ontario Infrastructure Projects Corporation for a 30 year debenture at a fixed interest rate of 4.36%. The terms and interest rate of this debenture were passed onto the property owners. This debenture offsets the large cash expenditure while the Municipality recovers the costs from the property owners over 30 year time period.

When a property is connected to the water system the owners must make a minimum annual repayment calculated by amortization schedule. This payment is included on their property tax billing. If a property is not connected to the system, the owner may defer payments up to 15 years, but they are still liable for any accrued interest. Repayment must begin no later then 2026 or earlier if connected to the system. All owners must pay their share in full by 2040.

The current liabilities associated to the day-to-day operation of the Belgrave Water System are difficult to itemize due to their inclusion with the municipality's other account payables.

Financial Position of the Belgrave Water System

The rate calculation will use ending 2015 "Asset" balances as the opening position for the Belgrave Water System. Using 2015 will provide a point-in-time view of the "Asset" position of the system. The analysis will remove 2016 capital expenditures from the calculations and replace with an amortization expense based on the current value replacement cost.

**Assets**

<table>
<thead>
<tr>
<th>Capital Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>$1,751,198</td>
</tr>
<tr>
<td>Building</td>
<td>$525,359</td>
</tr>
<tr>
<td>Equipment</td>
<td>$1,225,839</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated Amortization</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>-$218,900</td>
</tr>
<tr>
<td>Building</td>
<td>-$105,072</td>
</tr>
<tr>
<td>Equipment</td>
<td>-$408,613</td>
</tr>
</tbody>
</table>

Net Asset Position, as of December 31, 2015 $2,769,811
Rate Determination Model (Table 2)

The current monthly user rates fund the operational costs of the Belgrave Water System. As more users connect to the system the operational costs will be shared among more users. If a large number of users connect within the same year, a significant decrease in expenses per user may occur. The monthly user rates will have to be monitored regularly to ensure the ever-increasing costs of operation are sufficiently funded while not overcharging the current system users.

The Municipality completed an Asset Management Plan in 2013 and the resulting recommendations encouraged the recovery of both operational and capital costs. An asset management reserve was established to be funded through the user’s water rates. These funds will be held in reserve for future capital purchases and repairs. The annual contribution to the capital reserve will increase at a rate of $6,135 per year until a level of $92,000 per year is achieved. At such time the increases will discontinue and this level of funding will be maintained. The Municipality proposes to increase the monthly rates to effectively fund system operations and contribute to the capital reserve.

Additional Sources of Funding

Source Water Protection funding has been allocated for use by the Belgrave Water System in 2016. These funds will be use to conduct a video analysis of the underground components of the Belgrave Water System.
Belgrave Water System - Rate Calculation
Table 2

Asset Position, December 2015 exclusive of 2016 operations $2,769,811

Operating expenses have been increase by 2% per year for inflation
The monthly rate is increased at a rate to ensure operations & capital reserve contributions are fully funded
Number of Users have been increase by 2 each year to estimate the number of new users connecting to the system

<table>
<thead>
<tr>
<th>Number of Users</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues (water rates)</td>
<td>$110,699</td>
<td>$118,802</td>
<td>$126,945</td>
<td>$135,128</td>
<td>$143,353</td>
<td>$151,618</td>
</tr>
<tr>
<td>Source Water Funding</td>
<td>$19,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Funds from Reserve</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$129,699</td>
<td>$118,802</td>
<td>$126,945</td>
<td>$135,128</td>
<td>$143,353</td>
<td>$151,618</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital Reserve</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>$21,604</td>
<td>$33,874</td>
<td>$52,279</td>
<td>$76,819</td>
<td>$107,494</td>
<td>$144,304</td>
</tr>
<tr>
<td>From Revenues (water rates)</td>
<td>$12,270</td>
<td>$18,405</td>
<td>$24,540</td>
<td>$30,675</td>
<td>$36,810</td>
<td>$42,945</td>
</tr>
<tr>
<td>From Surplus</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Capital Reserve</td>
<td>$33,874</td>
<td>$52,279</td>
<td>$76,819</td>
<td>$107,494</td>
<td>$144,304</td>
<td>$187,249</td>
</tr>
</tbody>
</table>

Projected Monthly Operational Rates 78.85 83.19 87.43 91.55 95.57 99.49
Annual Rate Increase n/a 5.5% 5.1% 4.7% 4.4% 4.1%

With the proposed increase in water rates and funds raised for capital reserve, the Municipality proposes to manage a reserve to fund the replacement of Equipment (30yrs) Building (50yrs) and Distribution Lines (80yrs)

Any excess funds generated from operations will be contributed to the capital reserve.
Description of the Belgrave Water System

The Belgrave Water System consists of two groundwater wells (Jane Well and McCrea Well) a pumphouse containing treatment and control facilities, an in-ground storage reservoir and distribution system. The pumphouse is equipped with a dedicated standby generator to provide standby power in the event of a power outage. The pumphouse treats water from the McCrea Well and Jane Well, both of which are located in separate wellhead enclosures.

The system consists of approximately 410 meters of 75mm dia. watermains for the transport of raw water to the treatment plant and approximately 1,915 meters of 150mm dia. watermains for the distribution of the treated water to users. Construction of the pumphouse and reservoir was completed from April 2006 until April 2007.

The system was constructed with enough capacity to serve the entire Hamlet of Belgrave. The pumphouse and reservoir will be able to accommodate additional users when they connect in the future.

Lead Service Lines

No lead service lines are in use by the Belgrave Water System. Testing for lead is completed every 12 months by a certified laboratory is in accordance with Ontario Regulation 170/03.

Transparency, Review and Renewal

Morris-Turnberry Council has consistently maintained a transparent process with respect to water and sewage rates and has engaged public dialogue with respect to rates. Such dialogue and feedback was instrumental in setting fair and affordable rates for all users. The dialogue assisted Council and owners to develop a better appreciation of the needs of both parties. A hardcopy of the financial plan will be available for viewing at the Municipal office in addition to a copy posted on the municipal website.
SUMMARY

The Financial Sustainable Drinking – Water and Wastewater Systems guide provided some guiding principles to develop Financial Plans. It is useful to consider these principles in the context of the Plan that has been developed.

**Principle #1:** *Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.*

Past experience with public engagement and dialogue provided a better understanding of the impact of water rates in Belgrave. The use of questionnaires has allowed the Municipality to determine the preferences of the property owners while also informing them of any changes.

**Principle #2:** *An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.*

Currently the Belgrave Water System provides clean municipal water to users. Any future inclusion of a storm water system will have to take into consideration the current location of the Belgrave Water System’s infrastructure.

**Principle #3:** *Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.*

The Belgrave Water System is completely a user-pay system. Council recognizes any funds collected for water services will be used to meet the needs of the system.

**Principle #4:** *Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.*

The information that has been compiled along with documented location of all components of the Belgrave Water System will allow for the continuing long and short term life-cycle planning.

**Principle #5:** *An asset management plan is a key input to the development of a financial plan.*

Even though the Belgrave Water System will not require any large capital replacement in the immediate future, scheduled repair/replacement of assets as required will maintain the health and useful life of the system and decrease the likelihood of a sudden disruption.

**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.*

The rate structures that have been developed over the years and projected into the future allow the system to provide a reliable service that meet or exceed environmental protection standards. New users connecting to the system will share the costs of operation and the current rates will be sufficient in funding the day-today expenses.
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.

Council acknowledges that benefits of metering (fairness and conservation) but is also understands the large cost associated with the installation of meters. Funding for the purchase and installation of the meters is currently being pursued.

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.

Council, at least initially, intends to review the Financial Plan on an annual basis.

Principal #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

The Financial Plan has been developed using PSAB 3150 information, municipal staff knowledge, financial reports, system reports and statement of facts. The Financial Plan has been closely scrutinized and revised by Morris-Turnberry Council prior to approval.

That this Financial Plan has been approved and adopted by the Council of the Municipality of Morris-Turnberry on the 19th day of January, 2016.

Mayor Paul Gowing

Administrator Clerk-Treasurer- Nancy Michie
FINANCIAL PLANS

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.

(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.

(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.

(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.

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.

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.

(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).

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.

Amendment of financial plans
5. Sections 2 or 3 do not prevent financial plans from being amended.

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.

Commencement

7. This Regulation comes into force on the day it is filed.

Made by:

LAUREL C. BROten

Minister of the Environment

Date made: August 8, 2007.