



Staff Report

Report To: Council
Meeting Date: August 18, 2020
Prepared By: Lynda Ferguson, Director of Finance
Report Number: SR2020-115
Subject: 2020 Water Systems Financial Plan

Recommendation

THAT report SR2020-115 Water Systems Financial Plan be received and the 2020 Water Systems Financial Plan, attachments 1 to 3 of this report, be approved in accordance with Ontario Regulation 453/07 – Section 3 as it pertains to the renewal of the City of Brockville’s municipal drinking water licence and;

THAT staff provide Council with a detailed 10-year Capital Plan prior to the start of the 2021 budget process.

Background

The City’s drinking water licence, issued under the Safe Drinking Water Act, 2002, will expire in 2020. As part of the renewal process, Ontario Regulation 453/07 requires the approval by resolution a financial plan for the water system. The detailed requirements of the financial plan are included on attachment 4.

The main purpose of the financial plan is to demonstrate the financial sustainability of the water system. The main elements of the financial plan are:

- The council of the municipality must approve the financial plan by resolution
- The plan must apply to a period of at least 6 years, including the year in which the municipal drinking water licence will expire.
- The financial plan must include:
 - A projected statement of financial position
 - A projected statement of operations
 - A projected statement of cash flows.
- Details of the extent to which the information described as it relates to the replacement of lead service pipes. A lead service replacement program of \$150,000 per year was included in the 2020 budget.

Analysis

The 2020 Water Systems Financial Plan begins with the 2020 budget. As the financial plan is reported under full accrual accounting, adjustments have been made accordingly. The main differences between accrual accounting and fund accounting are:

- Accrual accounting includes:
 - Amortization
 - Tangible capital assets in the accumulated surplus
- Accrual accounting does not include:
 - Principal payments on long term debt
 - Cash payments for tangible capital assets
 - Any internal contributions to or from reserves

A schedule to explain the differences between the operating surplus on the Statement of Operations and the funding accounting surplus is included on the Statement of Operations. The Water Systems reserves do not dip below \$1.6 million over the course of the 2020 Water Systems Financial Plan.

When the 2020 budget was completed a consumer price index (CPI) factor of 1.7% was used to project certain expenses. This CPI was the September 2018 over September 2019 change in CPI. The most current CPI available is the June 2019 to June 2020 CPI factor of 0.4%. As such the CPI increases on operating costs such as materials and supplies has been applied in a range from 0.4% to 1.5% over the span of the financial plan.

The 2020 Water Systems Financial Plan identified two larger projects that need to be addressed within the next ten years. The first project is the construction of a second feeder main from the City's Water Treatment Plant to Perth Street. The second project is the refurbishment of the City's Water Tower on Perth Street. More details about these projects will be presented to Council during the review of the City's 10-year capital plan this fall, prior to the 2021 Budget considerations.

The proposed plan is a sustainable financial plan that would not increase the water and wastewater user rates above 4% or the equivalent of an increase of \$1.82 per month for a residential user.

The purpose of the Water Systems Financial Plan is to demonstrate that the City's Water Systems are self-sustaining and affordable with the ability to finance long-term capital requirements. It is a living document for Ministry reporting purposes and does not prohibit Council from future budget decisions.

Financial Implications

The 2020 Water Systems Financial Plan maintains a fairly consistent reserve level. Two million dollars of debt is proposed for 2024 in consideration of the construction of the feeder main at the Water Treatment Plant. Financing this project will be further considered during the review of an updated 10-year capital plan.

Policy Alignment

Council must approve by resolution a financial plan for the City's Water Systems to fulfill the requirements of Ontario Regulation 453/07 before application to renew the City's municipal drinking water licence may be submitted. A copy of the approved 2020 Water Systems Financial Plan will be filed with the Ministry of Municipal Affairs and Housing.

Conclusion

This financial plan demonstrates sustainability for the City's Water Systems and will fulfill regulatory requirements regarding financial planning. The 2020 Water Systems Financial Plan is a living document that will be updated as required for regulatory purposes.

Approved by:

Peter Raabe, Director of Environmental Services

Lynda Ferguson, Director of Finance

Janette Loveys, City Manager

Status:

Approved - 14 Aug 2020

Approved - 14 Aug 2020

Approved - 14 Aug 2020

Attachments:

[SR2020-115 A1](#)

[SR2020-115 A2](#)

[SR2020-115 A3](#)

[SR2020-115 A4](#)



2020 Water Systems Financial Plan

Statement of Financial Position

| | 2020* | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Financial Assets | | | | | | | |
| Cash | 4,344,353 | 3,546,247 | 3,500,376 | 4,301,745 | 3,709,493 | 3,128,039 | 2,693,447 |
| Accounts Receivable | 406,727 | 422,996 | 439,916 | 457,512 | 475,813 | 494,845 | 514,639 |
| Total cash and accounts receivables | 4,751,080 | 3,969,243 | 3,940,292 | 4,759,257 | 4,185,306 | 3,622,884 | 3,208,087 |
| Liabilities | | | | | | | |
| Debt | 414,835 | 299,816 | 181,792 | 2,047,193 | 1,817,928 | 1,583,828 | 1,344,790 |
| Total Liabilities | 414,835 | 299,816 | 181,792 | 2,047,193 | 1,817,928 | 1,583,828 | 1,344,790 |
| Net Financial Assets/(Liabilities) | 4,336,245 | 3,669,427 | 3,758,500 | 2,712,064 | 2,367,378 | 2,039,056 | 1,863,297 |
| Non-Financial Assets | | | | | | | |
| Tangible capital assets | 10,983,779 | 12,437,270 | 13,119,159 | 14,959,284 | 16,101,099 | 17,228,788 | 18,194,910 |
| Net Changes in Tangible Capital Assets. | 173,062 | 1,453,491 | 681,889 | 1,840,125 | 1,141,815 | 1,127,689 | 966,122 |

Note: 2020 opening balances were estimated



Attachment # 2

2020 Water Systems Financial Plan

Statement of Operations

| | 2020 Budget | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue | | | | | | | |
| Water Revenue | 4,067,269 | 4,229,960 | 4,399,158 | 4,575,124 | 4,758,129 | 4,948,455 | 5,146,393 |
| Miscellaneous Revenue | 147,000 | 213,000 | 218,317 | 222,990 | 228,004 | 232,891 | 237,886 |
| Total Revenues | 4,214,269 | 4,442,960 | 4,617,475 | 4,798,114 | 4,986,133 | 5,181,346 | 5,384,279 |
| Expenses | | | | | | | |
| Operating costs | | | | | | | |
| Salaries and Benefits | 1,891,353 | 1,938,637 | 1,987,103 | 2,036,760 | 2,087,700 | 2,139,892 | 2,193,390 |
| Materials, Supplies and Contracted Service | 1,311,045 | 1,316,289 | 1,404,452 | 1,418,487 | 1,432,682 | 1,454,172 | 1,475,984 |
| Amortization | 346,936 | 391,509 | 448,111 | 524,875 | 628,185 | 752,311 | 893,878 |
| Financing Charges | 12,781 | 9,852 | 6,847 | 24,273 | 40,438 | 35,603 | 30,665 |
| Total Expenses | 3,562,117 | 3,656,287 | 3,846,513 | 4,004,425 | 4,189,004 | 4,381,978 | 4,593,917 |
| Annual surplus/(deficit) | 652,152 | 786,672 | 770,962 | 793,689 | 797,129 | 799,368 | 790,362 |
| Surplus, beginning of period | 3,684,094 | 4,336,246 | 5,122,918 | 5,993,880 | 6,687,569 | 7,484,698 | 8,284,066 |
| Operating Surplus | 4,336,246 | 5,122,918 | 5,893,880 | 6,687,569 | 7,484,698 | 8,284,066 | 9,074,427 |
| Tangible Capital assets | 10,993,779 | 12,437,270 | 13,119,159 | 14,959,284 | 16,101,099 | 17,228,788 | 18,194,910 |
| Total Accumulated Surplus | 15,320,025 | 17,560,188 | 19,013,039 | 21,646,853 | 23,585,797 | 25,512,854 | 27,269,337 |
| Notes: | | | | | | | |
| 2020 Budget adjusted to Accrual Accounting | | | | | | | |
| Reconciliation of Accrual Surplus to Fund Accounting Surplus | | | | | | | |
| Operating Surplus-full accrual | 4,336,246 | 5,122,918 | 5,893,880 | 6,687,569 | 7,484,698 | 8,284,066 | 9,074,427 |
| Accrual Accounting Adjustments | | | | | | | |
| Add Amortization | 346,936 | 391,509 | 448,111 | 524,875 | 628,185 | 752,311 | 893,878 |
| Less Capital Additions | (370,000) | (1,845,000) | (1,130,000) | (865,000) | (1,770,000) | (1,880,000) | (1,860,000) |
| Less Principal Pmt | (112,090) | (115,019) | (118,024) | (134,599) | (229,265) | (234,100) | (239,038) |
| Cont (to)/From Reserves | 517,000 | (781,837) | (28,951) | 818,955 | (573,951) | (562,421) | (414,798) |
| Current Year Changes | 381,848 | (2,350,347) | (828,864) | 844,241 | (1,945,032) | (1,924,210) | (1,619,958) |
| Accumulated Changes | | 381,848 | (1,968,499) | (2,797,362) | (1,953,121) | (3,898,153) | (5,822,363) |
| Accumulated Fund Accounting Surplus | 4,718,094 | 3,154,419 | 3,096,518 | 4,734,448 | 3,586,545 | 2,461,703 | 1,632,107 |



2020 Water Systems Financial Plan

Attachment # 3

Statement of Cash Flow

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Operating Transactions | | | | | | | |
| Annual Surplus/(Deficit) | 652,152 | 786,672 | 770,962 | 793,689 | 797,129 | 799,368 | 790,362 |
| Items Not Involving Cash | | | | | | | |
| Amortization | 346,938 | 391,509 | 448,111 | 524,875 | 628,185 | 752,311 | 893,876 |
| Change in Accounts Receivable | 21,279 | (16,269) | (16,920) | (17,597) | (18,300) | (19,033) | (19,794) |
| Cash Provided from Operating Transactions | 1,020,369 | 1,161,912 | 1,202,153 | 1,300,968 | 1,407,013 | 1,532,646 | 1,664,446 |
| Financing Activities | | | | | | | |
| Proceeds from Debt Issuance | | | | 2,000,000 | | | |
| Debt Repayment | (112,090) | (115,019) | (118,024) | (134,599) | (229,265) | (234,100) | (239,038) |
| Cash Provided by Financing Activities | (112,090) | (115,019) | (118,024) | 1,865,401 | (229,265) | (234,100) | (239,038) |
| Capital Activities | | | | | | | |
| Acquisition of Tangible Capital Assets | (520,000) | (1,845,000) | (1,130,000) | (2,365,000) | (1,770,000) | (1,980,000) | (1,860,000) |
| Cash Applied to Capital Activities | (520,000) | (1,845,000) | (1,130,000) | (2,365,000) | (1,770,000) | (1,980,000) | (1,860,000) |
| Increase/(Decrease) in Cash and Cash Equivalents | 388,279 | (798,106) | (45,871) | 801,368 | (592,252) | (581,454) | (434,592) |
| Cash and Cash Equivalents, Beginning of Period | 3,956,075 | 4,344,353 | 3,546,247 | 3,500,376 | 4,301,745 | 3,709,493 | 3,128,039 |
| Cash and Cash Equivalents, End of Period | 4,344,353 | 3,546,247 | 3,500,376 | 4,301,745 | 3,709,493 | 3,128,039 | 2,693,447 |

Note: Lead service pipe replacement program included in 2020 capital budget \$150,000

Safe Drinking Water Act, 2002

Ontario Regulation 453/07

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).

CARRIED 8-0 on a recorded vote

Amended motion

Moved by: Councillor Fullarton

THAT report Habitat for Humanity Thousand Islands land request dated August 18, 2020, be received; and

THAT the properties located at 197 Bartholomew Street and at Schofield Ave (at Strowger Blvd.) be explored as a potential building sites for Habitat for Humanity housing as a donation.

For: Mayor Baker, Councillor Bursey, Councillor Earle, Councillor Fullarton, Councillor Journal, Councillor Kalivas, Councillor Wales, and Councillor Wren

CARRIED 8-0 on a recorded vote

4. July 2020 Variance Report

Moved by: Councillor Journal

THAT Council receives the Interim Variance Report for the period ended July 31st, 2020 for information purposes.

For: Mayor Baker, Councillor Bursey, Councillor Earle, Councillor Fullarton, Councillor Journal, Councillor Kalivas, Councillor Wales, and Councillor Wren

CARRIED 8-0 on a recorded vote

5. 2020 Water Systems Financial Plan

Moved by: Councillor Earle

THAT report SR2020-115 Water Systems Financial Plan be received and the 2020 Water Systems Financial Plan, attachments 1 to 3 of this report, be approved in accordance with Ontario Regulation 453/07 – Section 3 as it pertains to the renewal of the City of Brockville’s municipal drinking water licence and;

THAT staff provide Council with a detailed 10-year Capital Plan prior to the start of the 2021 budget process.

For: Mayor Baker, Councillor Bursey, Councillor Earle, Councillor Fullarton, Councillor Journal, Councillor Kalivas, Councillor Wales, and Councillor Wren

CARRIED 8-0 on a recorded vote

6. Municipal Household Special Waste Event

Moved by: Councillor Journal

THAT Report SR2020-113, Municipal Household Special Waste Event be approved.

For: Mayor Baker, Councillor Bursey, Councillor Earle, Councillor Fullarton, Councillor Journal, Councillor Kalivas, Councillor Wales, and Councillor Wren

CARRIED 8-0 on a recorded vote

7. Thomas Street Pump Station - Pump Failure

Moved by: Councillor Wales

THAT Council receive Report SR2020-114; and

THAT the City purchase a new pump from Sulzer Pumps Canada Incorporated; and

THAT the expenditure be funded from the Wastewater Working Capital Reserve/Operating.

For: Mayor Baker, Councillor Bursey, Councillor Earle, Councillor Fullarton, Councillor Journal, Councillor Kalivas, Councillor Wales, and Councillor Wren

CARRIED 8-0 on a recorded vote