



Norwood Water

Financial Plan

2019-2026

Background

As a result of the Justice O'Connor's Part II Walkerton Inquiry Report (2000) and the passing of Ontario's Safe Drinking Water Act (2002), the Province introduced a new Municipal Drinking Water Licensing Program. The Ministry of the Environment has established the following licensing requirements:

- Certificate of Approval for their Drinking Water Facilities – which will be referred to in the future as a Drinking Water Works Permit
- A Permit to Take Water – mandated under the Ontario Water Resources Act
- An approved Operation Plan – in compliance with the Drinking Water Quality Management Standard (DWQMS)
- Approved Financial Plan – (O.Reg. 453/07)
- Accreditation as an Operating Authority – which required the auditing of the Operational Plan by a 3rd party Accreditation Body.

This Financial Plan contains a forecast based on current and projected information. Projections are based on the operations for the past three years and capital requirements that have been noted. This is a living document and as such will be used as a guideline for staff and Council.

Study Area

The Township of Asphodel-Norwood is located in Peterborough County and rests on the boundaries of Douro-Dummer Township, Township of Havelock-Belmont-Methuen, The Municipality of Trent Hills and the Township of Otonabee South Monaghan.

The water system draws raw water from three groundwater wells with an additional well expected to be online before the exhaustion of this plan. The components within the Norwood Water System can be defined as follows:

- 1 water treatment plant
- 3 wells
- 2 pump houses
- 1 standpipe
- 1 chlorine contact pipe
- Distribution system that is approximately 13 kilometres

Objective

The objective of this report is to remain compliant with the requirements of the Financial Plan Regulation (O. Reg. 453/07) under the Safe Drinking Water Act (2002).

Regulatory Requirements

In 2007, as part of the Municipal Drinking Water Licensing Program, the Ministry of Environment released Ontario Regulation 453/07 that requires the preparation of a Financial Plan for all municipal drinking water systems.

Financial Plan requirements for license renewals defined under O.Reg 453/07 require that the plans:

- Be approved by Council or the applicable governing body (WUC)
- Apply to a period of at least six years.
- Include the year in which the license expires as part of the forecasted period (2021).
- Provide details of the projected financial position.
- Provide details of the projected statement of operations including total revenues, expenses, annual surplus and accumulated surplus.
- Provide projections of gross cash receipts and payments as included in a typical statement of cash flows, which include operating, capital and investing and financing transactions.
- Provide details of expenditures directly related to the replacement of lead service pipes.
- Be made available to the public without charge
- Be made available to the public on the internet, if the owner maintains a website on the internet.
- Be provided to the Ministry of Municipal Affairs and Housing.

Guidelines for the Plan

The Ministry of the Environment provided principles of financial stability to be utilized in preparation of the financial plans in its report in its 2007 guide “Toward Financially Sustainable Drinking – Water and Wastewater systems”. The principles provided are summarized below:

1. An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
2. Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services
3. Life-cycle planning with mid-course corrections is preferable to planning over the short term, or not planning at all.
4. An asset management plan is a key input to the development of a financial plan.
5. 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.
6. 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.

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

Replacement of Lead Service Pipes

In 2007 The Ministry of Environment implemented a regulated lead testing program which required municipalities and systems operators to undertake mandatory testing for lead in drinking water to ensure lead levels met the Ontario Drinking Water Standard. All required lead testing has been conducted and the water supply continues to meet the testing requirements of the province.

In accordance with O. Reg 453/07 the financial plan must include the financial implications directly related to the replacement of lead services. To date, the Township is unaware of any municipal lead services.

Water System Financial Plan

The detailed water system financial plan is provided in the Schedules attached to this report. A summary of the key statements and assumptions for each is summarized as follows:

1. Schedule of Capital Expenditures

This schedule details the capital projects that is known and therefore being planned for at the date of plan preparation.

2. Projected Statement of Operations

Water revenue is expected to grow at a rate of approximately 3-5% during the years of 2021 to 2023 to account for the additional users expected on the system associated with the residential growth predictions. The operating expenses are expected to increase at an average rate of 1% to create the ability to fund the long-term liability associated with the water standpipe debenture. The net loss for the system is expected to decrease from approximately \$80,000 to \$56,000 from 2019 to 2026. This net loss is not representative of the cash flow of the system as it incorporates depreciation, which is a non-cash expense.

3. Statement of Financial Position

The projected statement of financial position indicates projected cash and investments of \$11.9 million at the end of 2019 that will grow to approximately \$14.6 million by

2026. The projected growth in cash and reserves is required to facilitate larger than normal capital expenditures projected in 2021 associated with the construction of a new water standpipe. The project would be funded through debenture with payments starting in 2022. The plan assumes that the debenture would be facilitated through Infrastructure Ontario therefore; interest payments are consistent throughout the term of the loan.

The 2019-2026 Norwood Water Financial Plan will ensure that the Township is in compliance with O.Reg 453/07.

Schedules

Norwood Water System
 Schedule of Capital Expenditures

	2019	2020	2021	2022	2023	2024	2025	2026
<u>Capital Expenditures (\$)</u>								
CWWF Project – Well 4	155,000							
Unfunded Capital	50,002	50,002	50,002	50,002	50,002	50,002	50,002	50,002
Watermain Replacement – Elm St		355,000						
Water Meter Warranty Replacement		30,000	30,000	30,000				
GIS Mapping Project			13,800					
Water Tower Rehabilitation	30,000	68,250	65,000					
New Water Tower			2,000,000					
Industrial Drive Reconstruction						213,000		
Watermain Replacement Ridge St					40,000	40,000	40,000	
Pick-up Truck Replacement							20,000	20,000
Total Capital Expenditures	235,002	503,252	2,229,802	80,002	90,002	303,002	110,002	70,002

**Norwood Water System
Projected Statement of Operations**

Unaudited

	2019	2020	2021	2022	2023	2024	2025	2026
Revenue								
Water - Fixed	306,750	332,625	350,000	361,000	379,220	383,012	386,842	390,710
Water - Consumption	102,250	110,875	114,275	117,875	121,475	122,689	123,917	125,155
Hookup Fee	18,750	10,000	15,000	15,000	15,000	15,000	10,000	10,000
Shut off Fee	650	500	500	500	500	500	500	500
Interest on Accounts	2,250	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Total Revenue	430,650	456,000	481,775	496,375	518,195	523,201	523,259	528,365
Expenses								
Operating Expenses	210,707	211,454	215,683	217,840	220,018	222,218	224,440	226,684
Annual Change		0%	2%	1%	1%	1%	1%	1%
Interest expense - net	0	0	0	49,000	48,000	47,500	47,000	46,700
Depreciation	300,000	300,000	299,000	297,000	320,000	320,000	318,000	316,000
Total Expenses	510,707	511,454	514,683	563,840	588,018	589,718	589,440	589,384
Net Income or Annual Surplus (Loss)	(80,057)	(55,454)	(32,908)	(67,465)	(69,823)	(66,517)	(66,181)	(61,019)

**Norwood Water System
Projected Statement of Financial Position
Unaudited**

	2019	2020	2021	2022	2023	2024	2025	2026
Cash and Reserve Investments	208,000	220,000	290,000	360,000	430,000	230,000	250,000	300,000
Receivables and other current	7,000	7,500	8,000	8,500	9,000	9,000	9,000	9,000
Total Financial Assets	215,000	227,500	298,000	368,500	439,000	239,000	239,000	309,000
Property Plant and Equipment (000's)	11,700	11,800	11,900	13,900	14,000	14,200	14,200	14,300
Total Assets (000's)	11,915	12,027	12,198	14,268	14,439	14,439	14,439	14,609
Liabilities								
AP and other current liabilities	5,000	5,000	6,000	84,000	84,000	84,000	84,000	84,000
Total Current Liabilities	5,000	5,000	6,000	84,000	84,000	84,000	84,000	84,000
Long Term Borrowing	0	0	2,000	1,970	1,940	1,913	1,885	1,857
Total Liabilities	5,000	5,000	2,006	2,054	2,024	1,997	1,969	1,941
Accumulated Surplus (000's)	11,910	12,022	10,192	12,214	12,415	12,442	12,470	12,668
Total Equity or Accumulated Surplus (000's)	11,910	12,022	10,192	12,214	12,415	12,442	12,470	12,668
Total Liabilities and Equity (000's)	11,915	12,027	12,198	14,268	14,439	14,439	14,439	14,609
Current Ratio (Current Assets/Current Liabilities)	43.0	45.5	49.6	4.39	5.23	2.85	2.85	3.68
Debt/ Equity (Total Liabilities/Equity)	0%	0%	20%	17%	14%	14%	14%	16%