



The Township of St Joseph

Drinking Water System Financial Plan # 284-301

2015 - 2021

April 1, 2015

BACKGROUND

In 2007, the Ministry of Environment released Regulation 453/07 requiring all municipalities to complete a Financial Plan for their drinking water system. The Safe Drinking Water Act (SDWA) was passed in December, 2002 in order to address some of the recommendations made by the Walkerton Inquiry Part II report. One of the main requirements of the Act is the mandatory licensing of municipal water providers.

In order to become licensed, a municipality must satisfy five key requirements as per section 44 (1):

- 1) Obtain a drinking water works permit.
- 2) Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard.
- 3) Accreditation of the Operating Authority.
- 4) Prepare and provide a financial plan.
- 5) Obtain permit to take water.

The Township of St Joseph was successful in obtaining its new Drinking Water License in May 2011. The Township of St Joseph, with assistance from a contracted accredited Operating Authority, operates and maintains the water supply, treatment and distribution systems. The Township of St Joseph's top priority is to provide a safe, sustainable supply of drinking water, providing public health protection, fire protection and support for the community.

Through the development of the Quality Management System, the Township of St Joseph has been able to better manage risks, identify operational efficiencies, enhance staff knowledge and create public awareness of its commitment to provide safe drinking water. Through the development of this long term financial plan, the Township is addressing the financial impacts of the drinking water system. The financial plan is considered a "living" document and will be reviewed and updated annually as a part of the Township's budgeting process.

FACILITY

The Township services the community of Richards Landing with a water supply, treatment and distribution facility which was constructed in the early 1990s. The domestic water supply serving the connected residents of Richards Landing is sourced from drilled wells located adjacent to the water plant/pumphouse at the corner of on Llewellyn Street and Richards Street (Hwy 548) in Richards Landing. Approximately 160 homes, businesses and institutional uses are provided with a safe drinking water supply from this facility.

The water system includes disinfection facilities (sodium hypochlorite and ultraviolet), a 750,000 in ground storage reservoir, and high lift and fire pumps that discharge to the distribution system. Pressure tanks are provided to maintain distribution system pressure and a diesel generator is located on-site to provide emergency power. The system is monitored regularly by qualified staff to ensure a consistently safe drinking water supply.

FINANCIAL STATEMENTS

The financial impacts of the drinking water system have been considered through the projected financial statements for years ending December 31, 2015 to 2021, included in the next section. These financial statements are required by the Financial Plans Regulation to include a full-cost accounting, meaning that the all of the costs, whether operating, financial or capital, related to operating the drinking water system, must be included. The financial plan includes the following financial statements:

- Statement of Operations
- Statement of Cash Flow
- Statement of Financial Position

THE TOWNSHIP OF ST JOSEPH – WATER SYSTEM FINANCIAL PLAN # 284-301

PROJECTED STATEMENT OF OPERATIONS

The projected statement of operations includes the revenues and expenses of the water system.

Revenues include the quarterly water billings (based on a flat monthly rate for all users), connection and disconnection fees, and late payment penalties. The water billings have been projected with no rate increase in 2015 and then a 4% increase each year from 2016-2021.

Operating expenses include all costs associated with the operation and maintenance of the water system, including personnel costs, utilities, materials and supplies, and administrative costs. Equipment and projects over the forecast period includes specific equipment maintenance projects based on the budget projections for capital and operating maintenance expenditures provided by PUC. These costs have been indexed by 3% for inflation in the PUC budget and this indexing has been applied consistently to all of the operating costs.

Amortization is calculated on a straight line basis over the life of the asset.

Accumulated surplus at the beginning of the period is calculated as the sum of the net book value of the capital assets and the reserve fund balance from the end of the previous period.

| Township of St Joseph Drinking Water System Financial Plan Projected Statement of Operations 2015 - 2021 | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| DESCRIPTION | Forecast 2015 | Forecast 2016 | Forecast 2017 | Forecast 2018 | Forecast 2019 | Forecast 2020 | Forecast 2021 |
| Projected Rate Increase | 0.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Revenues | | | | | | | |
| User Fees Water Billings | 102,562 | 106,664 | 110,931 | 115,368 | 119,983 | 124,782 | 129,774 |
| Other Revenues | 683 | 683 | 683 | 683 | 683 | 683 | 683 |
| Total Revenues | 103,245 | 107,347 | 111,614 | 116,051 | 120,666 | 125,465 | 130,457 |
| Expenses | | | | | | | |
| Salaries & Benefits | 20,626 | 21,245 | 21,883 | 22,539 | 23,215 | 23,912 | 24,629 |
| Materials & Supplies | 17,950 | 18,489 | 19,043 | 19,614 | 20,203 | 20,809 | 21,433 |
| Equipment & Projects | 24,529 | 15,131 | 18,291 | 25,380 | 39,421 | 2,319 | 15,397 |
| Contracted Services | 46,700 | 48,101 | 49,544 | 51,030 | 52,561 | 54,138 | 55,762 |
| Total Operating Expenses | 109,805 | 102,966 | 108,761 | 118,564 | 135,400 | 101,177 | 117,222 |
| Amortization | 65,800 | 65,800 | 65,800 | 66,926 | 66,926 | 66,926 | 66,926 |
| Total Expenses | 175,605 | 168,766 | 174,561 | 185,490 | 202,326 | 168,103 | 184,147 |
| OPERATING SURPLUS (DEFICIT) | (72,360) | (61,418) | (62,947) | (69,439) | (81,660) | (42,637) | (53,691) |
| Accumulated Surplus(Deficit), beginning of year | 2,240,573 | 2,168,213 | 2,106,794 | 2,043,847 | 1,974,409 | 1,892,749 | 1,850,111 |
| Accumulated Surplus(Deficit), end of year | 2,168,213 | 2,106,794 | 2,043,847 | 1,974,409 | 1,892,749 | 1,850,111 | 1,796,421 |
| % of Costs recovered for Operations | 94% | 104% | 103% | 98% | 89% | 124% | 111% |
| % of Costs recovered for Amortization | -10% | 7% | 4% | -4% | -22% | 36% | 20% |

As can be seen from the cost recovery percentages at the bottom of the statement, in total over the forecast period the revenues will recover operating expenses in full (103% over the 7 years), but only a small portion of the amortization (in total 5% over the 7 years).

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PROJECTED STATEMENT OF CASH FLOW

The projected statement of cash flow summarizes the key transactions that either increase or decrease the Water Department’s cash balance. It is set out in three sections: operating transactions; capital transactions and financing transactions.

The projected operating transactions section is a summary of the projected cash to be received from revenues less cash to be used in operating expenses and for financing charges. Amortization expense is excluded since it is a non-cash expense.

Projected capital transactions show the capital additions and sale of assets, if any. The capital acquisitions included in the forecast period are back-up generators to be replaced in 2018 and UV systems to be replaced in 2021.

Projected investing/financing transactions outline any new debt that will be incurred and the amount of debt that will be repaid. There is no debt included in the forecast. In the forecast period, there will be sufficient cash flow and reserve balances to cover operating and capital expenditures.

The cash and cash equivalents balance consist of the reserve balances, including the Water Reserve and the Water Department's portion of the Capital Asset Replacement Reserve. The cash position at the beginning of 2015 is \$185,185 and it is projected to decline to \$116,503 by the end of 2021. Over the forecast period, the projected revenues are covering the operating expenses, but only a portion of the necessary capital expenditures, with the remainder being funded from reserves. As the water system ages, the cost to replace capital assets will increase and unless rates are increased to cover these costs, debt will need to be incurred.

| Township of St Joseph | | | | | | | |
|---|----------------|----------------|----------------|-----------------|-----------------|----------------|-----------------|
| Drinking Water System Financial Plan | | | | | | | |
| Projected Statement of Cash Flows 2015 - 2021 | | | | | | | |
| | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Operating Transactions | | | | | | | |
| Cash received from revenues | 103,245 | 107,347 | 111,614 | 116,051 | 120,666 | 125,465 | 130,457 |
| Cash paid for operating expenses | (109,805) | (102,966) | (108,761) | (118,564) | (135,400) | (101,177) | (117,222) |
| Cash paid for finance charges | - | - | - | - | - | - | - |
| Cash provided from Operating Transactions | (6,560) | 4,382 | 2,853 | (2,513) | (14,734) | 24,288 | 13,235 |
| Capital Transactions | | | | | | | |
| Proceeds on sale of capital assets | - | - | - | - | - | - | - |
| Cash used to acquire capital assets | - | - | - | (28,138) | - | - | (61,494) |
| Cash used for Capital Transactions | - | - | - | (28,138) | - | - | (61,494) |
| Investing/Financing Transactions | | | | | | | |
| Proceeds from disposal of investments | - | - | - | - | - | - | - |
| Cash used to acquire investments | - | - | - | - | - | - | - |
| Proceeds from issuance of debt | - | - | - | - | - | - | - |
| Debt repayment | - | - | - | - | - | - | - |
| Cash used for Investing/Financing Transactions | - | - | - | - | - | - | - |
| Change in cash and cash equivalents | (6,560) | 4,382 | 2,853 | (30,651) | (14,734) | 24,288 | (48,259) |
| Cash and cash equivalents, beginning of year | 185,185 | 178,625 | 183,006 | 185,859 | 155,208 | 140,474 | 164,762 |
| Cash and cash equivalents, end of year | 178,625 | 183,006 | 185,859 | 155,208 | 140,474 | 164,762 | 116,503 |

THE TOWNSHIP OF ST JOSEPH – WATER SYSTEM FINANCIAL PLAN # 284-301

PROJECTED STATEMENT OF FINANCIAL POSITION

The projected statement of financial position reflects both the financial and nonfinancial assets of the Township of St Joseph's water system.

Financial Assets: The financial assets of the water system consist of the reserve balances, including the Water Reserve and the Water Department's portion of the Capital Asset Replacement Reserve.

Non-Financial Assets: The non-financial assets are the capital assets, which represent the infrastructure required to provide safe drinking water to the community. This includes the water plant, pumping station, lift stations, water lines, and manholes. These capital assets are recorded at net book value, which is their original cost, less accumulated amortization.

Accumulated Surplus: The accumulated surplus is the accumulation of the water system's excess of revenues over expenses over time, combined with the value of non-financial assets.

| Township of St Joseph | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Drinking Water System Financial Plan | | | | | | | |
| Projected Statement of Financial Position 2015 - 2021 | | | | | | | |
| | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| DESCRIPTION | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Financial Assets | | | | | | | |
| Cash and Equivalents | 178,625 | 183,006 | 185,859 | 155,208 | 140,474 | 164,762 | 116,503 |
| Total Financial Assets | 178,625 | 183,006 | 185,859 | 155,208 | 140,474 | 164,762 | 116,503 |
| Liabilities | | | | | | | |
| Debt | - | - | - | - | - | - | - |
| Total Liabilities | - | - | - | - | - | - | - |
| Non-Financial Assets | | | | | | | |
| Buildings | 589,865 | 568,798 | 547,732 | 526,665 | 505,598 | 484,532 | 463,465 |
| Infrastructure | 1,399,723 | 1,354,990 | 1,310,256 | 1,292,535 | 1,246,676 | 1,200,817 | 1,216,453 |
| Total Non-Financial Assets | 1,989,588 | 1,923,788 | 1,857,988 | 1,819,200 | 1,752,275 | 1,685,349 | 1,679,918 |
| ACCUMULATED SURPLUS/(DEFICIT) | 2,168,212 | 2,106,794 | 2,043,847 | 1,974,409 | 1,892,749 | 1,850,111 | 1,796,421 |

SUMMARY

This Financial Plan has been prepared in accordance with the MOE Financial Plans Regulation (O. Reg. 453/07). The process in developing this plan has focused on the achievement of a balance between maintaining the water system in a safe and effective manner, while achieving full cost recovery for operations. This Financial Plan must be approved by a Township Council resolution, indicating that as a result of this plan, the Township of St Joseph's Water Operations are financially viable.