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**Watson
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Water Ontario Regulation 453/07 Financial Plan

St. Thomas Area Secondary Water Supply System

Financial Plan #190-301

June 19, 2026

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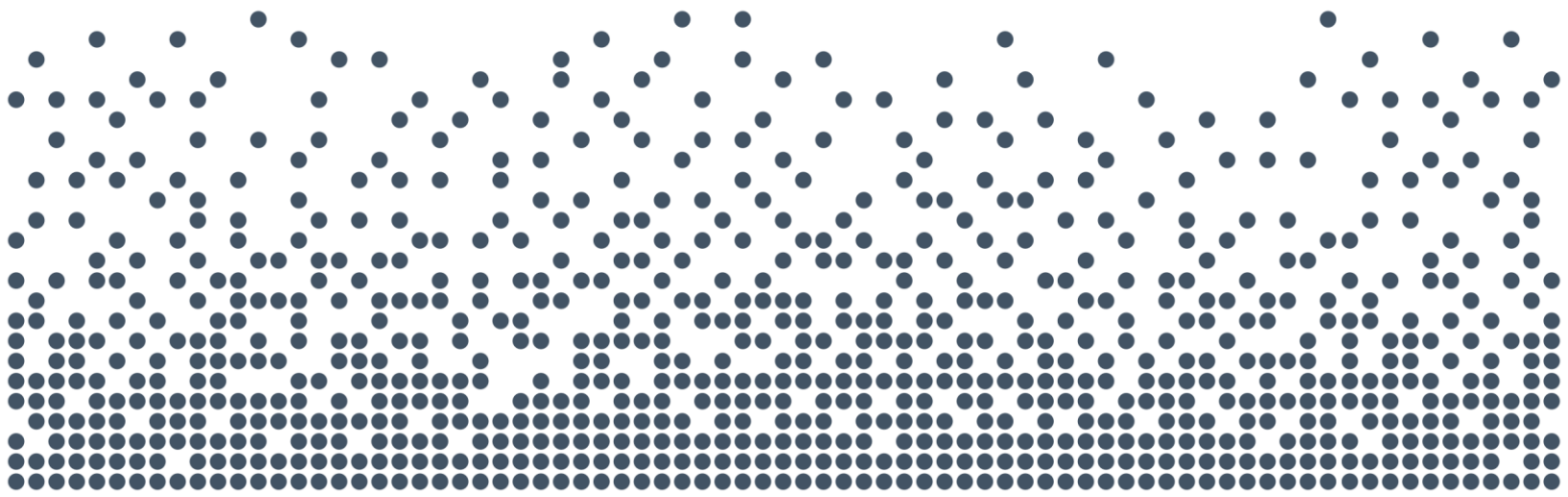
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List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
D.C.	Development Charge
F.I.R.	Financial Information Return
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
O. Reg.	Ontario Regulation
P.S.A.B.	Public Sector Accounting Board
S.D.W.A.	<i>Safe Drinking Water Act, 2002</i>
S.T.A.S.W.S.S.	St. Thomas Area Secondary Water Supply System
W.O.A.	<i>Water Opportunities Act, 2010</i>



Report



Chapter 1

Introduction



1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water licence as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting regarding the St. Thomas Area Secondary Water Supply System (S.T.A.S.W.S.S.) has already been completed and documented in the “2026 St. Thomas Area Secondary Water Supply System Rate Study” dated June 16, 2026 (2026 Rate Study).

The S.T.A.S.W.S.S. is governed by the Joint Board of Management (Board) and is supported by the Systems Administration.

The objective of the report provided herein is to convert the findings of the 2026 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation (O. Reg.) 453/07 and project the financial position over a ten-year forecast period. This Financial Plan will form part of the submission of the Board’s application to renew its drinking water licence.

1.2 Background

The *Safe Drinking Water Act, 2002* (S.D.W.A.) 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. Section 31 (1) specifically states,

“No person shall,

- a) establish a new municipal drinking water system or replace or carry out an alteration to a municipal drinking water system except under the authority of and in accordance with an approval under this Part or a drinking water works permit; or



- b) use or operate a municipal drinking water system that was established before or after this section comes into force except under the authority of and in accordance with an approval under this Part or municipal drinking water licence.”

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 preparation of a financial plan is a key requirement for licensing and as such, must be undertaken by all water providers.

1.2.1 Financial Plan Defined

Subsection 30 of the S.D.W.A. provides the following definition of financial plans:

“financial plans” means financial plans that satisfy the requirements prescribed by the Minister. 2017, c. 2, Sched. 11, s. 6 (3)

These requirements are outlined in O. Reg. 453/07 and will be examined in detail below.

1.2.2 Financial Plan Requirements – Existing System

O. Reg. 453/07 also provides details with regard to s.30 (1) part b of the S.D.W.A. for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by Council resolution (or governing body);



- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period, commencing in the year of licence expiry (i.e., 2026 for the S.T.A.S.W.S.S.);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the Public Section Accounting Board (P.S.A.B.)) for each year in which the financial plans apply;
- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per P.S.A.B.) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per P.S.A.B.) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – General

Given that the requirement for a financial plan is legislated under the Act, a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The 2026 to 2035 forecast included in this financial plan meets that requirement. The financial plan is to be completed and approved by resolution of Council or the governing body (e.g., in accordance with subsection 3 (1) 1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water licence renewal (i.e., six months prior to licence expiry).



A copy of the financial plan must be submitted to the Ministry of Municipal Affairs and Housing (MMAH). The financial plan does not need to be submitted to the Ministry of the Environment, Conservation, and Parks (MECP); however, the MECP may request it in the course of review of the licence renewal. Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary. The financial plan must contain on the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence.

1.2.4 Public Sector Accounting Board (P.S.A.B.) Requirements

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS 1201 of the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook:

“Financial statements should include a Statement of Financial Position, a Statement of Operations, a Statement of Change in Net Debt, and a Statement of Cash Flow.”

The format required is to conform to the requirements of PS 1201 and PS 3150. The financial statements are to be reported on a full accrual accounting basis. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of financial position.

The accounting treatment of tangible capital assets is prescribed under section PS 3150. Tangible capital assets are to be capitalized to ensure an inventory of the assets owned is recorded and to account for their ability to provide future benefits.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.



Chapter 2

Sustainable Financial Planning



2. Sustainable Financial Planning

2.1 Introduction

In general, sustainability refers to the ability to maintain a certain position over time. While the S.D.W.A. requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, the MECP released a guideline ("Towards Financially Sustainable Drinking-Water and Wastewater Systems") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water Services are provided below:

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system 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 services should ultimately be used to meet the needs of those services.

Principle #4: Lifecycle 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.



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

2.2 Water Opportunities Act, 2010

Since the passage of the S.D.W.A., changes and refinements to the legislation have been introduced, including the *Water Opportunities Act, 2010* (W.O.A). The W.O.A. was introduced into legislation on May 18, 2010, and received Royal Assent on November 29, 2010.

The purposes of the W.O.A. are to foster innovative water, wastewater and storm water technologies, services, and practices; create opportunities for economic development and clean-technology jobs; and conserve and sustain water resources. To achieve this, the W.O.A. provides for the creation of performance targets (financial, operational and maintenance related), which will vary by service type and location and the required submission of conservation and sustainability plans for water, wastewater, and stormwater.

The sustainability plan in the W.O.A. expands on interim legislation for financial plans included in O. Reg. 453/07, to include the following:

- an asset management plan for the physical infrastructure;
- financial plan;
- water conservation plan (for water service only);
- a risk assessment;
- a strategy for maintaining and improving the services; and
- additional information considered advisable.

Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details in regard to any time periods or time limits, contents of the plans, identifying which portions of the plan will require



certification, the public consultation process (if required), limitations updates and refinements.

2.3 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015

On June 4, 2015, the Province passed the *Infrastructure for Jobs and Prosperity Act, 2015* (I.J.P.A.), which, over time, will require prescribed broader public sector entities, which include municipalities and joint municipal water boards, to undertake and implement asset management plans for all the infrastructure they own.

On December 27, 2017, the Province of Ontario released O. Reg. 588/17 under I.J.P.A., which has three phases that municipalities must meet. The timelines associated with the three phases were later extended by O. Reg. 193/21, which was filed on March 15, 2021.

Every municipality in Ontario will have to prepare a strategic asset management policy by July 1, 2019. Municipalities will be required to review their strategic asset management policies at least every five years and make updates, as necessary. The subsequent phases are as follows:

- Phase 1 – Asset Management Plan (by July 1, 2022):
 - For core assets – Municipalities must have the following:
 - Inventory of assets;
 - Current levels of service, including some prescribed measures; and
 - Lifecycle management strategies and associated costs to maintain current levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2024):
 - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2025):
 - Builds on Phase 1 and 2 by adding:
 - Proposed levels of service; and
 - Financial strategy that supports achieving proposed levels of service.

In relation to water (which is considered a core asset), municipalities will need to have an asset management plan that addresses the related infrastructure by July 1, 2022 (Phase 1). O. Reg. 588/17 specifies that a municipality's asset management plan must include the following for each asset category:



- the current levels of service being provided;
 - determined in accordance with the following qualitative descriptions and technical metrics and based on data from at most the two calendar years prior to the year in which all information required under this section is included in the asset management plan.
- the current performance of each asset category;
- a summary of the assets in the category;
- the replacement cost of the assets in the category;
- the average age of the assets in the category, determined by assessing the average age of the components of the assets;
- the information available on the condition of the assets in the category;
- a description of the Administration's approach to assessing the condition of the assets in the category, based on recognized and generally accepted good engineering practices where appropriate; and
- the lifecycle activities that need to be undertaken to maintain the current levels of service.

Joint municipal water boards, including the S.T.A.S.W.S.S., are not currently subject to the asset management planning requirements under I.J.P.A. The Board, however, has incorporated asset management planning principles, including consideration of lifecycle costs and long-term sustainability, as part of its asset management processes.

2.4 Water Forecast

Financial planning for the S.T.A.S.W.S.S. has already been completed through its 2026 Rate Study. The rate study process is designed to address “full cost” principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the ten-year forecasts contained in the 2026 Rate Study provide the basis for the S.T.A.S.W.S.S. financial plan by including:

- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth;
- An analysis of required water rates that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves consultation with the main stakeholders including the Administration, Board, the general public (specifically the users of the



system) and others, with the aim of gaining input and collaboration on the sustainability of the financial plans.

The details of the water financial plan arising from the 2026 Rate Study are contained in Appendix A.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2026 Rate Study, along with additional detailed information provided by the Administration, has been used as a starting point to prepare the water financial plans. The water forecasts are prepared on a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plans along with the opening balances that will underpin the forecasts. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plans.

3.2 Conversion Process

The conversion from the existing modified cash basis financial plan to the full accrual reporting format required under O. Reg. 453/07 can be summarized in the following steps:

1. Calculate Tangible Capital Asset Balances
2. Convert Statement of Operations
3. Convert Statement of Financial Position
4. Convert Statement of Cash Flow and Net Assets/Debt
5. Verification and Note Preparation

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water and wastewater assets, an inventory has already been compiled and summarized by the Administration as part of their annual PS 3150 compliance processes. As required, for PS 3150 reporting purposes, the asset inventory listing included historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated



useful life for each asset and any anticipated salvage value is recorded. The following calculations are made to determine net book value:

- Accumulated amortization up to the year prior to the first forecast year.
- Amortization expense on existing assets for each year of the forecast period.
- Acquisition of new assets for each year of the forecast period.
- Disposals and related gains or losses for each year of the forecast period.

Future water capital needs have also been determined and summarized by the Administration. However, these estimates only represent future assets that the S.T.A.S.W.S.S. anticipates purchasing or constructing. At present, the S.T.A.S.W.S.S. does not anticipate any assets will be contributed by developers and other parties (at no or partial cost to the S.T.A.S.W.S.S.). If, over the forecast period, additional capital needs arise or contributed assets are anticipated, the financial plan may need to be adjusted to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

Once the historical cost, accumulated amortization, and amortization expenses are calculated as described above, the total net book value of the tangible capital assets can be determined and recorded on the Statement of Financial Position.

3.2.2 *Convert Statement of Operations*

A wide range of adjustments will be considered, dependent on the size and complexity of the system, in order to convert from the cash to full accrual basis. For example, debt repayment costs relating to the principal payment portion only need to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are reported on the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives and therefore are added in under the accrual basis.



Table 3-1
Conversion Adjustments
Statement of Operations (Water)

Modified Cash Basis	Budget 2026	Adjustments		Full Accrual Budget 2026	Accrual Basis
		DR	CR		
Revenues					Revenues
Rate Based Revenue	4,257,318			4,257,318	Rate Based Revenue
Other Revenue	-		10,735	10,735	Other Revenue
Total Revenues	4,257,318			4,268,053	Total Revenues
Expenditures					Expenses
Operating	3,392,505	-		3,392,505	Operating Expenses
Capital					
Transfers to Reserves	864,813		864,813		
		125,288		125,288	Amortization
Total Expenditures	4,257,318			3,517,793	Total Expenses
Net Expenditures	-			750,260	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			7,169,564	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	750,260	-	7,919,824	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		875,548	875,548		

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Table 3-2). The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS 1201.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Municipality and as such, will be difficult to isolate the information that is relevant to water. An example of this is accounts receivable, which may be administered centrally by the Finance Department. Ontario Regulation 453/07 allows for the exclusion of these numbers if they are not known at the time of preparing the financial plan. Please refer to the Financial Plan Notes in Chapter 4 for more details.

3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt

The Statement of Cash Flow summarizes how the Municipality financed its activities or in other words, how the costs of providing services were recovered. The statement is derived using comparative Statement of Financial Position, the current Statement of Operations and other available transaction data.

The Statement of Change in Net Financial Assets/Debt is a statement which reconciles the difference between the surplus or deficit from current operations and the change in net financial assets/debt for the year. This is significant, as net debt provides an indication of future revenue requirements. In order to complete the Statement of Net Financial Assets/Debt, information regarding any gains/losses on disposals of assets, asset write-downs, acquisition/use of supplies inventory, and the acquisition use of prepaid expenses is necessary, (if applicable). Although the Statement of Change in Net Financial Assets/Debt is not required under O. Reg. 453/07, it has been included in this report as a further indicator of financial viability.



Table 3-2
Conversion Adjustments
Statements of Financial Position (Water)

Modified Cash Basis	Budget 2026	Adjustments		Full Accrual Budget 2026	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	910,501			910,501	Cash
Accounts Receivable	805,527			805,527	Accounts Receivable
Total Financial Assets	1,716,028			1,716,028	Total Financial Assets
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	631,843			631,843	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	2,200,000			2,200,000	Debt (Principal only)
Deferred Revenue	-			-	Deferred Revenue
Total Liabilities	2,831,843			2,831,843	Total Liabilities
Net Assets/(Debt)	(1,115,815)			(1,115,815)	Net Financial Assets/(Debt)
					Non-Financial Assets
		9,035,639	-	9,035,639	Tangible Capital Assets
				9,035,639	Total Non-Financial Assets
Municipal Position					
Water Reserves	1,084,185	1,084,185	-		
Amounts to be Recovered	(2,200,000)	-	2,200,000		
Total Municipal Position	(1,115,815)		7,919,824	7,919,824	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		10,119,824	10,119,824		

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the S.T.A.S.W.S.S. at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

The Statement of Change in Net Financial Assets/Debt and the Statement of Financial Position are also linked in terms of reporting on net financial assets/debt. On the Statement of Financial Position, net financial assets/debt is equal to the difference between financial assets and liabilities and should equal net financial assets/debt as calculated on the Statement of Net Financial Assets/Debt.

While not part of the financial plan, the accompanying notes are important to summarize the assumptions and estimates made in preparing the financial plan. Some of the significant assumptions that need to be addressed within the financial plan are as follows:

- a) Opening Cash Balances – Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained within the S.T.A.S.W.S.S.'s ledgers. It may not, however, be possible to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

Ending Reserve/Reserve Fund Balance
Plus: Ending Accounts Payable Balance
Less: Ending Accounts Receivable Balance
Equals: Approximate Ending Cash Balance

- b) Amortization Expense – The method and timing of amortization should be based on the S.T.A.S.W.S.S.' amortization policy.



- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset, however derived, along with information on construction/acquisition date and useful life obtained from the capital asset listing provided.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the S.T.A.S.W.S.S.'s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation, especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of minor miscellaneous revenues.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the S.T.A.S.W.S.S. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the S.T.A.S.W.S.S. It is not an audited document¹ and contains various estimates as detailed in the “Notes to the Financial Plan” section below.

4.2 Water Financial Plan

4.2.1 *Statement of Financial Position (Table 4-1)*

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the S.T.A.S.W.S.S. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system’s “future revenue requirement.” A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that in 2026, the S.T.A.S.W.S.S. will be in a net debt position of approximately \$1.1 million. The financial plan forecasts that net debt will increase from 2026 to 2028 due to anticipated debt issuance, then improve over the remainder of the forecast period as accumulated surpluses are generated and debt is repaid.

Another important indicator in the Statement of Financial Position is the tangible capital asset balance. As noted earlier, providing this information is a requirement for municipalities as part of PS 3150 compliance and is significant from a financial planning perspective for the following reasons:

- Tangible capital assets such as water mains and treatment plants are imperative to water service delivery.

¹ O. Reg. 453/07 does not require an audited financial plan.



- These assets represent significant economic resources in terms of their historical and replacement costs. Therefore, ongoing capital asset management is essential to managing significant replacements and repairs.
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the S.T.A.S.W.S.S. or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. The use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows that the S.T.A.S.W.S.S.'s tangible capital assets are expected to increase by approximately \$8.2 million over the forecast period. This indicates that the S.T.A.S.W.S.S. plans to invest in tangible capital assets in excess of the anticipated use of existing assets over the forecast period.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the S.T.A.S.W.S.S. for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues at 82% in 2026 and initially increases to 95% in 2029, before decreasing to 87% by 2035. As a result, annual surpluses ranging from approximately \$246,200 to approximately \$853,600 are anticipated throughout the forecast period. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments in the future.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes adding approximately \$5.5 million to a 2026 accumulated surplus (at the beginning of the year) of approximately \$7.2 million over the forecast period. This accumulated surplus, as indicated in Table 4-



2, is predominantly composed of reserve and reserve fund balances, as well as historical investments in tangible capital assets.

4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)

The Statement of Change in Net Financial Assets/Debt indicates whether revenues generated were sufficient to cover operating and non-financial asset costs (i.e., inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

Table 4-3 indicates that in the years 2026, 2027, 2028 and 2032, forecasted tangible capital asset acquisitions exceed the forecasted annual surplus (before amortization), resulting in decreases in the net financial assets balance. This is due to the significant capital assets anticipated to be constructed over the forecast. This is further evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions, which gradually improves from 0.11 to 0.45 over the forecast period (note: a desirable ratio is 1:1 or better).

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the S.T.A.S.W.S.S. is expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash-based and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e., tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the S.T.A.S.W.S.S. to decrease from approximately \$6.0 million at the beginning of 2026 to a balance of approximately \$2.0 million by the end of 2035. For further discussion on projected cash balances please refer to the Notes to the Financial Plan.



Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Financial Assets											
Cash	1	910,501	-	-	-	133,199	438,171	221,677	715,714	1,307,529	2,004,839
Accounts Receivable	1	805,527	849,319	830,570	884,725	938,631	991,534	1,051,027	1,103,816	1,159,050	1,216,840
Total Financial Assets		1,716,028	849,319	830,570	884,725	1,071,830	1,429,705	1,272,704	1,819,530	2,466,579	3,221,679
Liabilities											
Accounts Payable & Accrued Liabilities	1	631,843	662,525	648,138	682,575	718,482	755,979	795,085	829,904	866,050	903,662
Debt (Principal only)	2	2,200,000	5,080,188	9,568,836	9,239,035	8,894,689	8,535,158	8,159,772	7,767,832	7,358,606	6,931,334
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-
Total Liabilities		2,831,843	5,929,507	10,363,644	9,990,350	9,613,171	9,291,137	8,954,857	8,597,736	8,224,656	7,834,996
Net Financial Assets/(Debt)		(1,115,815)	(5,080,188)	(9,533,074)	(9,105,625)	(8,541,341)	(7,861,432)	(7,682,153)	(6,778,206)	(5,758,077)	(4,613,317)
Non-Financial Assets											
Tangible Capital Assets	4	9,035,639	13,582,400	18,419,959	18,238,718	18,014,277	17,757,986	18,104,751	17,824,173	17,535,645	17,244,517
Total Non-Financial Assets		9,035,639	13,582,400	18,419,959	18,238,718	18,014,277	17,757,986	18,104,751	17,824,173	17,535,645	17,244,517
Accumulated Surplus/(Deficit)	5	7,919,824	8,502,212	8,886,885	9,133,093	9,472,936	9,896,554	10,422,598	11,045,967	11,777,568	12,631,200
Financial Indicators	Total Change										
1) Increase/(Decrease) in Net Financial Assets	(10,846,954)	(7,349,452)	(3,964,373)	(4,452,886)	427,449	564,284	679,909	179,279	903,947	1,020,129	1,144,760
2) Increase/(Decrease) in Tangible Capital Assets	16,308,590	8,099,712	4,546,761	4,837,559	(181,241)	(224,441)	(256,291)	346,765	(280,578)	(288,528)	(291,128)
3) Increase/(Decrease) in Accumulated Surplus	5,461,636	750,260	582,388	384,673	246,208	339,843	423,618	526,044	623,369	731,601	853,632



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Water Revenue											
Rate Based Revenue		4,257,318	4,488,765	4,389,671	4,675,887	4,960,789	5,240,388	5,554,816	5,833,812	6,125,734	6,431,158
Other Revenue	6	10,735	-	353	1,322	3,500	6,672	4,729	9,797	15,848	22,951
Total Revenues		4,268,053	4,488,765	4,390,024	4,677,209	4,964,289	5,247,060	5,559,545	5,843,609	6,141,582	6,454,109
Water Expenses											
Operating Expenses	Sch. 4-1	3,392,505	3,573,240	3,479,996	3,664,896	3,857,685	4,059,017	4,268,987	4,455,938	4,650,014	4,851,956
Interest on Debt	2	-	93,898	220,914	418,864	404,320	389,134	373,279	356,724	339,439	321,393
Amortization	4	125,288	239,239	304,441	347,241	362,441	375,291	391,235	407,578	420,528	427,128
Total Expenses		3,517,793	3,906,377	4,005,351	4,431,001	4,624,446	4,823,442	5,033,501	5,220,240	5,409,981	5,600,477
Annual Surplus/(Deficit)		750,260	582,388	384,673	246,208	339,843	423,618	526,044	623,369	731,601	853,632
Accumulated Surplus/(Deficit), beginning of year	5	7,169,564	7,919,824	8,502,212	8,886,885	9,133,093	9,472,936	9,896,554	10,422,598	11,045,967	11,777,568
Accumulated Surplus/(Deficit), end of year		7,919,824	8,502,212	8,886,885	9,133,093	9,472,936	9,896,554	10,422,598	11,045,967	11,777,568	12,631,200
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Reserve Balances											
Reserves: Capital/Other		1,084,185	-	35,762	133,410	353,348	673,726	477,619	989,626	1,600,529	2,318,017
Total Reserves Balance		1,084,185	-	35,762	133,410	353,348	673,726	477,619	989,626	1,600,529	2,318,017
Less: Debt Obligations and Deferred Revenue		(2,200,000)	(5,080,188)	(9,568,836)	(9,239,035)	(8,894,689)	(8,535,158)	(8,159,772)	(7,767,832)	(7,358,606)	(6,931,334)
Add: Tangible Capital Assets	4	9,035,639	13,582,400	18,419,959	18,238,718	18,014,277	17,757,986	18,104,751	17,824,173	17,535,645	17,244,517
Total Ending Balance		7,919,824	8,502,212	8,886,885	9,133,093	9,472,936	9,896,554	10,422,598	11,045,967	11,777,568	12,631,200
Financial Indicators	Total Change	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1) Expense to Revenue Ratio		82%	87%	91%	95%	93%	92%	91%	89%	88%	87%
2) Increase/(Decrease) in Accumulated Surplus	5,461,636	750,260	582,388	384,673	246,208	339,843	423,618	526,044	623,369	731,601	853,632



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Operating Expenses											
Salary, Wage and Benefits		152,500	157,100	161,800	166,700	171,700	176,900	182,200	187,700	193,300	199,100
Miscellaneous		68,500	70,600	72,700	74,900	77,100	79,400	81,800	84,300	86,800	89,400
Contracted Services		180,000	185,400	191,000	196,700	202,600	208,700	215,000	221,500	228,100	234,900
SCADA		52,000	53,600	55,200	56,900	58,600	60,400	62,200	64,100	66,000	68,000
Job Costing		13,000	13,400	13,800	14,200	14,600	15,000	15,500	16,000	16,500	17,000
Insurance		36,200	38,000	39,900	41,900	44,000	46,200	48,500	50,900	53,400	56,100
Water Purchases		2,765,305	2,908,040	2,808,196	2,969,596	3,138,085	3,314,117	3,497,887	3,657,438	3,823,414	3,996,056
Utilities		115,000	120,800	126,800	133,100	139,800	146,800	154,100	161,800	169,900	178,400
Chemical		10,000	10,300	10,600	10,900	11,200	11,500	11,800	12,200	12,600	13,000
Non TCA - Expenses from Capital Budget	7	-	16,000	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		3,392,505	3,573,240	3,479,996	3,664,896	3,857,685	4,059,017	4,268,987	4,455,938	4,650,014	4,851,956

Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Annual Surplus/(Deficit)		750,260	582,388	384,673	246,208	339,843	423,618	526,044	623,369	731,601	853,632
Less: Acquisition of Tangible Capital Assets	4	(8,225,000)	(4,786,000)	(5,142,000)	(166,000)	(138,000)	(119,000)	(738,000)	(127,000)	(132,000)	(136,000)
Add: Amortization of Tangible Capital Assets	4	125,288	239,239	304,441	347,241	362,441	375,291	391,235	407,578	420,528	427,128
		(8,099,712)	(4,546,761)	(4,837,559)	181,241	224,441	256,291	(346,765)	280,578	288,528	291,128
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(7,349,452)	(3,964,373)	(4,452,886)	427,449	564,284	679,909	179,279	903,947	1,020,129	1,144,760
Net Financial Assets/(Net Debt), beginning of year		6,233,637	(1,115,815)	(5,080,188)	(9,533,074)	(9,105,625)	(8,541,341)	(7,861,432)	(7,682,153)	(6,778,206)	(5,758,077)
Net Financial Assets/(Net Debt), end of year		(1,115,815)	(5,080,188)	(9,533,074)	(9,105,625)	(8,541,341)	(7,861,432)	(7,682,153)	(6,778,206)	(5,758,077)	(4,613,317)
Financial Indicators		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1) Acquisition of Tangible Capital Assets (Cumulative)		8,225,000	13,011,000	18,153,000	18,319,000	18,457,000	18,576,000	19,314,000	19,441,000	19,573,000	19,709,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		875,548	1,697,175	2,386,289	2,979,738	3,682,022	4,480,931	5,398,210	6,429,157	7,581,286	8,862,046
3) Ratio of Annual Surplus before Amortization to Acquisition of TCAs (Cumulative)		0.11	0.13	0.13	0.16	0.20	0.24	0.28	0.33	0.39	0.45



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Operating Transactions											
Annual Surplus/Deficit		750,260	582,388	384,673	246,208	339,843	423,618	526,044	623,369	731,601	853,632
Add: Amortization of TCAs	4	125,288	239,239	304,441	347,241	362,441	375,291	391,235	407,578	420,528	427,128
Change in A/R (Increase)/Decrease		100,621	(43,792)	18,749	(54,155)	(53,907)	(52,903)	(59,493)	(52,788)	(55,235)	(57,790)
Change in A/P Increase/(Decrease)		(14,552)	30,682	(14,387)	34,437	35,907	37,497	39,106	34,819	36,146	37,612
Less: Interest Proceeds		(10,735)	-	(354)	(1,321)	(3,498)	(6,671)	(4,729)	(9,798)	(15,847)	(22,951)
Cash Provided by Operating Transactions		950,882	808,517	693,122	572,410	680,786	776,832	892,163	1,003,180	1,117,193	1,237,631
Less: Cash Used to acquire Tangible Capital Assets	4	(8,225,000)	(4,786,000)	(5,142,000)	(166,000)	(138,000)	(119,000)	(738,000)	(127,000)	(132,000)	(136,000)
Cash Applied to Capital Transactions		(8,225,000)	(4,786,000)	(5,142,000)	(166,000)	(138,000)	(119,000)	(738,000)	(127,000)	(132,000)	(136,000)
Investing Transactions											
Proceeds from Investments		10,735	-	354	1,321	3,498	6,671	4,729	9,798	15,847	22,951
Cash Provided by (applied to) Investing Transactions		10,735	-	354	1,321	3,498	6,671	4,729	9,798	15,847	22,951
Financing Transactions											
Proceeds from Debt Issue	2	2,200,000	2,954,101	4,660,877	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	-	(73,913)	(172,229)	(329,801)	(344,345)	(359,531)	(375,386)	(391,941)	(409,225)	(427,272)
Cash Applied to Financing Transactions		2,200,000	2,880,188	4,488,648	(329,801)	(344,345)	(359,531)	(375,386)	(391,941)	(409,225)	(427,272)
Increase in Cash and Cash Equivalents		(5,063,383)	(1,097,295)	40,124	77,930	201,939	304,972	(216,494)	494,037	591,815	697,310
Cash and Cash Equivalents, beginning of year	1	5,973,884	910,501	(186,794)	(146,670)	(68,740)	133,199	438,171	221,677	715,714	1,307,529
Cash and Cash Equivalents, end of year	1	910,501	(186,794)	(146,670)	(68,740)	133,199	438,171	221,677	715,714	1,307,529	2,004,839



Water

Notes to Financial Plan

The financial plan format as outlined in Chapter 4 closely approximates the full accrual format used by municipalities (2009 onward) on their audited financial statements. However, the financial plan is not an audited document and contains various estimates. In this regard, Section 3 (2) of O. Reg. 453/07 states the following:

“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).”

The information referred to in sub-subparagraphs 4 i A, B and C of subsection (1) includes:

- A. Total financial assets (i.e., cash and receivables);
- B. Total liabilities (i.e., payables, debt, and deferred revenue);
- C. Net debt (i.e., the difference between A and B above).

The information referred to in sub-subparagraphs 4 iii A, C, E and F of subsection (1) includes:

- A. Operating transactions are cash received from revenues, cash paid for operating expenses and finance charges.
- B. Investing transactions that are acquisitions and disposal of investments.
- C. Changes in cash and cash equivalents during the year.
- D. Cash and cash equivalents at the beginning and end of the year.

In order to show a balanced financial plan in a full accrual format for the S.T.A.S.W.S.S., some of the items listed above have been estimated given that the S.T.A.S.W.S.S. does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).



The assumptions used have been documented below:

1. Cash, Receivables and Payables

It is assumed that the opening cash balances required to complete the financial plan are equal to:

Ending Reserve/Reserve Fund Balance
Plus: Ending Accounts Payable Balance
Less: Ending Accounts Receivable Balance
Equals: *Approximate Ending Cash Balance*

For the S.T.A.S.W.S.S., receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on historical levels of municipal-wide receivables as a percentage of annual municipal-wide revenue earned (as provided in the City's audited financial statements for 2022 through 2024); and
- b) Payables: Based on historical levels of municipal-wide receivables as a percentage of annual municipal-wide revenue earned (as provide in the City's audited financial statements for 2022 through 2024).

2. Debt

Outstanding water-related debt at the beginning of 2026 is \$0. New debt financing of approximately \$2.2 million is anticipated in 2026, with additional issuance anticipated in 2027 and 2028. No further debt issuance is anticipated over the remainder of the forecast period.



Estimated principal repayments over the forecast period are scheduled as follows:

Year	Principal Payments
2026	-
2027	73,913
2028	172,229
2029	329,801
2030	344,345
2031	359,531
2032	375,386
2033	391,941
2034	409,225
2035	427,272
Total	\$2,883,643

For financial reporting purposes, debt principal payments represent a decrease in debt liability and the interest payments represent a current year operating expense.

3. Deferred Revenue

Deferred revenue is typically made up of water development charge (D.C.), and Canada Community-Building Fund (C.C.B.F.) fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected.

The S.T.A.S.W.S.S. does not collect water D.C.s to fund growth-related water capital expenditures. The S.T.A.S.W.S.S. does not anticipate the use of C.C.B.F. funding over the forecast period.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Watermains;
 - ii. Valves;
 - iii. Water Chambers
 - iv. Facilities; and



v. Machinery and Equipment Assets.

- Amortization is calculated based on the straight-line approach with half year amortization applied in the year of acquisition or construction and in the last year of the asset's useful life.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced. To calculate the value of each asset disposal, the replacement value (of each new asset that has been identified as a "replacement") has been deflated (by weighted average useful life for all assets on hand in the respective asset category) to an estimated historical cost. This figure was used to calculate disposals only. Future assets are disposed of when fully amortized.
- Gains/losses on disposal for all assets except vehicles are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant or unknown during the forecast period and are therefore assumed to be \$0.
- The S.T.A.S.W.S.S. is not aware of any lead service piping in the system. The S.T.A.S.W.S.S., however, will replace any lead service pipes identified as older watermain are replaced.



The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Opening Tangible Capital Asset Balance	2,727,529	10,007,733	14,600,163	19,564,726	19,623,134	19,669,744	19,702,705	20,315,597	20,327,935	20,336,181
Acquisitions	8,225,000	4,786,000	5,142,000	166,000	138,000	119,000	738,000	127,000	132,000	136,000
Disposals	944,796	193,570	177,437	107,592	91,390	86,039	125,108	114,662	123,754	131,554
Closing Tangible Capital Asset Balance	10,007,733	14,600,163	19,564,726	19,623,134	19,669,744	19,702,705	20,315,597	20,327,935	20,336,181	20,340,627
Opening Accumulated Amortization	1,791,602	972,094	1,017,763	1,144,767	1,384,416	1,655,467	1,944,719	2,210,846	2,503,762	2,800,536
Amortization Expense	125,288	239,239	304,441	347,241	362,441	375,291	391,235	407,578	420,528	427,128
Amortization on Disposal	944,796	193,570	177,437	107,592	91,390	86,039	125,108	114,662	123,754	131,554
Ending Accumulated Amortization	972,094	1,017,763	1,144,767	1,384,416	1,655,467	1,944,719	2,210,846	2,503,762	2,800,536	3,096,110
Net Book Value	9,035,639	13,582,400	18,419,959	18,238,718	18,014,277	17,757,986	18,104,751	17,824,173	17,535,645	17,244,517



5. Accumulated Surplus

Opening accumulated surplus for the forecast period is reconciled as follows:

Water	2026 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	6,233,637
Total Reserves Balance	\$6,233,637
Add: Tangible Capital Assets	935,927
Total Opening Balance	\$7,169,564

The accumulated surplus reconciliation for all years within the forecast period is contained in Table 4-2.

6. Other Revenue

Other revenues include interest earned on reserve balances.

7. Operating Expenses

Capital expenditures for items not meeting the definition of tangible capital assets have been reclassified as operating expenses and have been expensed in the year in which they occur.



Chapter 5

Process for Financial Plan Approval and Submission to the Province



5. Process for Financial Plan Approval and Submission to the Province

As mentioned in section 1.2, preparation and approval of a financial plan for water assets that meets the requirements of the Act is mandatory for municipal water providers. Proof of the plan preparation and approval is a key submission requirement for municipal drinking water licensing and, upon completion, must be submitted to the MECP. The process established for plan approval, public circulation and filing is set out in O. Reg. 453/07 and can be summarized as follows:

1. The financial plan must be approved by resolution of Council of the municipality who owns the drinking water system or the governing body of the owner. (O. Reg. 453/07, section 3 (1) 1).
2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O. Reg. 453/07, section 3 (1) 5).
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6).
4. The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the *Safe Drinking Water Act*. (S.D.W.A. section 32 (5) 2. ii.).



Chapter 6

Recommendations



6. Recommendations

This report presents the water financial plan for the S.T.A.S.W.S.S. in accordance with the mandatory reporting formats for water systems as detailed in O. Reg. 453/07. It is important to note that while mandatory for water, the financial plan is provided for the Board's interest and approval, however, for decision making purposes, it may be more informative to rely on the information contained within the S.T.A.S.W.S.S.'s 2026 Rate Study. Nevertheless, the Board is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The St. Thomas Area Secondary Water Supply System Financial Plan prepared by Watson & Associates Economists Ltd. dated June 19, 2026, be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated June 19, 2026, be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, Section 3 (1) 6)
4. The Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, Conservation and Parks satisfying the requirements under the *Safe Drinking Water Act*. (S.D.W.A. Section 32 (5) 2 ii)).



Appendix A

2026 St. Thomas Area Secondary Water Supply System Rate Study Summary Tables



Table A-1
St. Thomas Area Secondary Water Supply System
Water Capital Budget Forecast (uninflated \$)

Description	Budget 2026	Forecast									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
S.T.A.S.W.S.S. Needs	8,225,000	4,640,000	4,800,000	150,000	120,000	100,000	600,000	100,000	100,000	100,000	100,000
Total Capital Expenditures	8,225,000	4,640,000	4,800,000	150,000	120,000	100,000	600,000	100,000	100,000	100,000	100,000

Table A-2
St. Thomas Area Secondary Water Supply System
Water Capital Budget Forecast and Recommended Capital Financing (inflated \$)

Description	Budget 2026	Forecast									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Secondary Charge Needs	8,225,000	4,802,000	5,142,000	166,000	138,000	119,000	738,000	127,000	132,000	136,000	141,000
Total Capital Expenditures	8,225,000	4,802,000	5,142,000	166,000	138,000	119,000	738,000	127,000	132,000	136,000	141,000
Capital Financing											
Non-Growth Related Debenture Requirements	2,200,000	2,954,101	4,660,877	-	-	-	-	-	-	-	-
Water Reserve	6,025,000	1,847,899	481,123	166,000	138,000	119,000	738,000	127,000	132,000	136,000	141,000
Total Capital Financing	8,225,000	4,802,000	5,142,000	166,000	138,000	119,000	738,000	127,000	132,000	136,000	141,000

Table A-3
St. Thomas Area Secondary Water Supply System
Water - Schedule of Non-Growth-Related Debenture Repayments (inflated \$)

Debenture Year	2026	Principal (Inflated)	Forecast									
			2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
2026		2,200,000	167,811	167,811	167,811	167,811	167,811	167,811	167,811	167,811	167,811	167,811
2027		2,954,101	-	225,332	225,332	225,332	225,332	225,332	225,332	225,332	225,332	225,332
2028		4,660,877	-	-	355,521	355,521	355,521	355,521	355,521	355,521	355,521	355,521
2029		-	-	-	-	-	-	-	-	-	-	-
2030		-	-	-	-	-	-	-	-	-	-	-
2031		-	-	-	-	-	-	-	-	-	-	-
2032		-	-	-	-	-	-	-	-	-	-	-
2033		-	-	-	-	-	-	-	-	-	-	-
2034		-	-	-	-	-	-	-	-	-	-	-
2035		-	-	-	-	-	-	-	-	-	-	-
2036		-	-	-	-	-	-	-	-	-	-	-
Total Annual Debt Charges	-	9,814,978	167,811	393,143	748,665	748,665	748,665	748,665	748,665	748,665	748,665	748,665



Table A-4
St. Thomas Area Secondary Water Supply System
Water Reserve/Reserve Fund Continuity (inflated \$)

Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Opening Balance	6,233,637	1,084,185	-	35,763	133,409	353,347	673,725	477,619	989,626	1,600,528	2,318,016
Transfer from Operating	864,813	763,714	516,532	262,326	354,440	432,707	537,165	629,209	727,055	830,537	940,208
Transfer to Capital	6,025,000	1,847,899	481,123	166,000	138,000	119,000	738,000	127,000	132,000	136,000	141,000
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	1,073,450	-	35,408	132,088	349,849	667,054	472,890	979,828	1,584,682	2,295,065	3,117,224
Interest	10,735	-	354	1,321	3,498	6,671	4,729	9,798	15,847	22,951	31,172

Table A-5
St. Thomas Area Secondary Water Supply System
Operating Budget Forecast – Water (inflated \$)

Description	Budget 2026	Forecast									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Expenditures											
<u>Operating Costs</u>											
Salary, Wage and Benefits	152,500	157,100	161,800	166,700	171,700	176,900	182,200	187,700	193,300	199,100	205,100
Miscellaneous	68,500	70,600	72,700	74,900	77,100	79,400	81,800	84,300	86,800	89,400	92,100
Contracted Services	180,000	185,400	191,000	196,700	202,600	208,700	215,000	221,500	228,100	234,900	241,900
SCADA	52,000	53,600	55,200	56,900	58,600	60,400	62,200	64,100	66,000	68,000	70,000
Job Costing	13,000	13,400	13,800	14,200	14,600	15,000	15,500	16,000	16,500	17,000	17,500
Insurance	36,200	38,000	39,900	41,900	44,000	46,200	48,500	50,900	53,400	56,100	58,900
Water Purchases	2,765,305	2,908,040	2,808,196	2,969,596	3,138,085	3,314,117	3,497,887	3,657,438	3,823,414	3,996,056	4,175,617
Utilities	115,000	120,800	126,800	133,100	139,800	146,800	154,100	161,800	169,900	178,400	187,300
Chemical	10,000	10,300	10,600	10,900	11,200	11,500	11,800	12,200	12,600	13,000	13,400
Sub Total Operating	3,392,505	3,557,240	3,479,996	3,664,896	3,857,685	4,059,017	4,268,987	4,455,938	4,650,014	4,851,956	5,061,817
<u>Capital-Related</u>											
New Non-Growth Related Debt (Principal)	-	73,913	172,229	329,801	344,345	359,531	375,386	391,941	409,225	427,272	446,115
New Non-Growth Related Debt (Interest)	-	93,898	220,914	418,864	404,320	389,134	373,279	356,724	339,439	321,393	302,550
Transfer to Capital Reserve	864,813	763,714	516,532	262,326	354,440	432,707	537,165	629,209	727,055	830,537	940,208
Sub Total Capital Related	864,813	931,525	909,675	1,010,991	1,103,104	1,181,371	1,285,830	1,377,874	1,475,720	1,579,202	1,688,872
Total Expenditures	4,257,318	4,488,765	4,389,671	4,675,887	4,960,789	5,240,388	5,554,816	5,833,812	6,125,734	6,431,158	6,750,689
Revenues											
Rate Based Revenues	4,257,318	4,488,765	4,389,671	4,675,887	4,960,789	5,240,388	5,554,816	5,833,812	6,125,734	6,431,158	6,750,689
Total Operating Revenue	4,257,318	4,488,765	4,389,671	4,675,887	4,960,789	5,240,388	5,554,816	5,833,812	6,125,734	6,431,158	6,750,689



Table A-6
St. Thomas Area Secondary Water Supply System
Water Rate Forecast Summary

Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Water Rates - St. Thomas Area Secondary Water Supply System											
Primary Rate (per m ³)	\$1.0699	\$1.1073	\$1.1405	\$1.1747	\$1.2099	\$1.2462	\$1.2836	\$1.3221	\$1.3618	\$1.4026	\$1.4447
Secondary Rate (per m ³)	\$0.6824	\$0.7110	\$0.7408	\$0.7718	\$0.8042	\$0.8379	\$0.8730	\$0.9095	\$0.9477	\$0.9874	\$1.0287
Total	\$1.7523	\$1.8183	\$1.8813	\$1.9465	\$2.0141	\$2.0841	\$2.1566	\$2.2316	\$2.3094	\$2.3900	\$2.4734
% Change - Primary Rate		3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
% Change - Secondary Rate		4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%