



The Corporation of the Township of North Glengarry

Municipal Water Supply and Distribution

Ontario Regulation 453/07

Financial Plan # 181-301A

for

**Licence #181-101 Alexandria Drinking Water System
Licence #181-102 Glen Robertson Drinking Water System**

**Authorized by Council on
September 12, 2011
Resolution #8**

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Background

The Township of North Glengarry provides water services to approximately 1,325 residential units as well as approximately 200 commercial units in Alexandria, Ontario as well as approximately 46 residential units and 1 commercial unit in Glen Robertson. Recent changes to maintenance standards and testing practices have put pressure on municipalities to conform to provincial health and safety standards. As uniform rates have been established in the Township of North Glengarry the Financial Plan will apply to both drinking water systems. Licence #181-101 was issued on April 15, 2011 for the Alexandria Drinking Water System and Licence #181-102 was issued on April 15, 2011 for the Glen Robertson Drinking Water System. The financial plan is due six months after the date the licence for the systems are issued.

The legislative framework under which water services are managed in Ontario have also changed with the introduction of the *Safe Drinking Water Act, 2007 (SDWA)*. *Ontario Regulation 453/07 of the SDWA* requires public providers of water services to submit a Financial Plan to the Ministry of Municipal Affairs and Housing. The Financial Plan is intended to provide information relating to the financial stability of the water systems. This information forms the basis for a strategy to ensure the safe and reliable delivery of water services over the long term.

Financial Plan Requirements for Existing Systems

Ontario Regulation 453/07 provides details with regards to s.30 (1) part b of the SDWA for existing water systems which are summarized as follows:

- Financial plans must be approved by Council resolution.
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six year period.
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit for each year in which the financial plan apply.
- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets for each year in which the financial plan apply, and
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transaction and financial transaction for each year in which the financial plan apply.
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are one drinking water system.
- Financial plans are to be made available to the public upon request and at no charge.
- If a web site is maintained, financial plans are to be made available to the public through publication on the internet at no charge.
- Notice of availability of the financial plan is to be given to the public, and

- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

Financial Plan Requirements - General

In view of the fact that the legislation falls under the SWDA, a financial plan is mandatory for water systems and encouraged for wastewater systems. The financial plans shall be for a period of at least six years and is to be completed and approved by the later of July 1, 2010 and the date that is six months after the first licence is issued. Financial plans may be amended and additional information beyond which is prescribed can be included if deemed necessary.

Where a licence has been issued, the financial plan must contain on the front page, the appropriate finance plan number as set out in Schedule A of the Municipal Drinking Water Licence document.

Operating Expenditures

Operating expenses can be generally defined as recurring expenses associated with providing a service. These are expenses that need to be made to keep the operation running on a day-to-day basis which are easily identifiable, measurable and readily verified as they are based on actual cash outlays and liabilities such as wages, materials and supplies, utilities and administration costs.

As this plan extends over many fiscal years, operating expenditures must be projected on estimation of service costs over time. This would include future customer demands, projected repair and maintenance costs, long term debt repayment as well as utility costs and treatment chemicals.

The Township of North Glengarry's 2011 operating budget for water treatment and distribution includes personnel costs, materials and supplies, utilities, long term debt repayments and are estimated at 1,136,443. The 2011 budget (adopted by council in 2011) included 8 months of payments for the estimated loan requirement of 1,140,000 (estimate based on 4% interest amortized over 10 years) to cover our portion of the Stimulus Project for the Water System Upgrades including the new water tower, the scada system and the dead end improvements for Elgin Street. The operating budget for long term debt expenses will have to be increased by about \$46,000 in future years to cover this. Overall operating expenses are projected to increase at an average of 3% each year to cover the above day to day operating costs.

Year	Operating	LTD Repayment	Total Operating
2011	856,071	280,372	1,136,443
2012	881,796	326,575	1,208,371
2013	908,250	326,575	1,234,825
2014	935,498	326,575	1,262,073
2015	963,563	326,575	1,290,138
2016	992,470	138,503	1,130,973
2017	1,022,244	138,503	1,160,747

Capital Expenditures

The water supply and distribution system for the Township of North Glengarry consists of land, buildings, distribution mains, equipment and vehicles for the capital value of approximately \$8,192,318. In 2011, a new water tower was installed as well as a new scada system for the filtration plant in Alexandria. These projects are being completed under the Canada Ontario Stimulus Fund. These assets provide for the safety of the delivery of safe drinking water to the residential and commercial properties in Alexandria.

The capital cost component of our municipal water supply and distribution system represents a substantial value. Major upgrades have been completed however replacement/renewal over time will form a significant component of this financial plan.

The Township of North Glengarry developed a 10 year capital plan in 2007 which consists mainly of the following improvements:

No	Description	Recommended Timeline	Completed
1	Complete the improvements to the North End.	Immediate	2007
2	Increase system operating pressure to 450kPa (65psi) and conduct leak detection survey. Repair leaks.	Immediate	2007
3	Complete the watermain replacement to Glengarry Memorial Hospital.	Immediate	2007
4	Verify model results based on improvements to service the north end.	1-2 years	No
5	Conduct hydrant flow tests on all hydrants. Relocate hydrants that fail to meet minimum MOE fire flow requirements. Repeat hydrant flow tests.	1-2 years	2010
6	Looping, rehabilitation and replacements of watermains. Priority should be based on hydrants which are still not achieving minimum MOE fire flow requirements.	1-3 years	On-Going
7	Complete the looping, rehabilitation and replacement as outlined within the report.	3-10 years	On-Going
8	Conduct Environment Assessment and provide additional water storage for the system	Within 5 years.	2010

The amount of 300,000 annually has been incorporated in our rates for the annual capital budget.

Debt Management

Debt management is the ability to repay debt over time, including both principle and interest charges. Funding for the Township’s major capital improvements has been commonly financed by issuing debt. All debts currently owed were incurred to fund direct capital cost improvements for the system. The total debt is expected to be repaid by the year 2021.

Year	Original Loan Amount In 2005 1,172,482	Estimate of Loan Amount in 2011 1,140,000	Total Payment
2011	188,072	92,300	280,372
2012	188,072	138,503	326,575
2013	188,072	138,503	326,575
2014	188,072	138,503	326,575
2015	188,072	138,503	326,575
2016		138,503	138,503
2017		138,503	138,503
2018		138,503	138,503
2019		138,503	138,503
2020		138,503	138,503
2021		138,503	138,503

The amount of Loan for 1,140,000 is an estimate only. The funds had not been borrowed at the time of this report. This was an estimate required for the 2011 budget which has already been adopted by council. The funds will only be borrowed towards the end of 2011. See Schedule C for Debt Repayment Schedule.

Total Cash Expenditures

The Township of North Glengarry has significant cash expenditure, including operating expenses, debt repayment/interest charges and capital costs. Total expenditures are projected at \$1.4 million for 2011 with an approximate increase of 3% for general operating costs thereafter.

Year	Operating	Debt Repayment	Total Operating & Debt Repayment	Capital	Total
2011	856,071	280,372	1,136,443	340,000	1,476,443
2012	881,796	326,575	1,208,371	300,000	1,508,371
2013	908,250	326,575	1,234,825	300,000	1,534,825
2014	935,498	326,575	1,262,073	300,000	1,562,073
2015	963,563	326,575	1,290,138	300,000	1,590,138
2016	992,470	138,503	1,130,973	300,000	1,430,973
2017	1,022,244	138,503	1,160,747	300,000	1,460,747

Water Consumption and Rates

Since 2003 water consumption in the Township of North Glengarry has declined due to the departure of a single large industrial user, Consoltex.

Year	Consumption cubic metres
2003	1,397,421
2004	1,018,157
2005	870,415
2006	689,065
2007	725,592
2008	704,595
2009	642,627
2010	596,745

As with most water utilities the Township has significant fixed costs, and as consumption decreases, these costs must be offset by increasing water rates. The last rate increase was adopted by council on June 22, 2009 by
By-Law #25-2009 which authorized the following:

Water Rates for Alexandria and Glen Robertson:

Residential	First 15 cubic metres	\$50.00
	Balance	\$1.37 per cubic metre
Commercial	First 15 cubic metres	\$50.00
	Balance	\$1.37 per cubic metre
Large Users	First 15 cubic metres	\$50.00
	Balance	\$1.37 per cubic metre

These rates were based on a budget estimate of Operating (1,215,697) and Capital of (300,000) for a total of 1,515,697 for North Glengarry Water with consumption based on 604,595 less 188,000 (1,572 residential units at 10 cubic metres per month times 12 months).

Projected Statement of Financial Position - Schedule A

The Projected Statement of Financial Position provides information that describes the financial assets and liabilities of the Township's water system. The first important indicator in determining the actual financial position of the water system is net financial assets, which is defined as the difference between financial assets and liabilities. This value is used to determine the systems's "future revenue requirement."

A net financial asset position occurs when financial assets are greater than liabilities implying that the system has the resources to finance future operations. However a net (debt) position implies that the system's future revenues must finance past transactions as well as future operations. (See Schedule A)

The accumulated surplus is the accumulation of excess revenues over expenses over time. An accumulated surplus indicates that the available net resources are sufficient to provide for future needs.

The tangible capital assets indicates that the assets have been acquired while a decrease in the tangible capital asset balance indicates a disposal, write down, or use of assets. A 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.

Statement of Operations - Schedule B

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. This statement includes the revenues less the expenses, arriving at the excess or net revenues over expenses.

The Revenues include both operating revenue and one-time government funding grants received. Expenses include a list of detailed projected expenses such as operating expenses such as salaries, wages, repairs and maintenance etc. Amortization is the "write off" of the capital assets for the water system infrastructure over its useful life, which does not represent a cash expenditure.

Debt Repayment Schedule - Schedule C

The Debt Repayment Schedule outlines the Principle and Interest costs on existing water infrastructure debt with the total projected repayment projected for the year 2021.

Statement of Cash Flow - Schedule D

The Statement of Cash Flow summarizes how the water system is expected to generate and use cash resources during the projected period. The transactions that provide/use cash are classified as operating, capital and financing transactions as shown in Schedule D. The water system will not accumulate a significant amount of cash on an annual basis until it repays the current debt. (Estimated at about 2 million dollars). These payments are expected to decline as debt is repaid and interest charges decrease. (See Schedule C). Total repayment is expected to occur in the year 2021.

Projected Budget 2011 - 2017 - Schedule E

The Projected Budget provides an overview of Revenues and Expenses for the years 2011 - 2017.

Conclusions:

With the completion of this Financial Plan document, staff are now in the position to more accurately project long-term capital investments over time. This will also assist in establishing future water rates to meet system demands. This document will also keep council members and the general public informed of projected costs related to water system infrastructure over the duration of the Financial Plan.

The Financial Plan provided in the attached schedules provides the necessary schedules and information to meet the requirements of Ontario Regulation 453/07.

This document has not been audited however this Financial Plan should be considered a living document which must be updated/reviewed as situational changes occur. Situational changes can be operational processes or new major unanticipated capital expenditures.

This document will be:

- made available to the public upon request and at no charge;
- made available to the public through publication on the internet at no charge;
- made available to the public by providing a public notice;
- submitted to the Ministry of Municipal Affairs and Housing.

**SCHEDULE A
PROJECTED STATEMENT OF FINANCIAL POSITION**

	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
FINANCIAL ASSETS							
Cash	\$96,857	\$13,486	-\$93,339	-\$198,852	-\$303,299	-\$218,867	-\$133,901
LIABILITIES							
Opening LTD							
Repayments	\$222,697	\$326,575	\$326,575	\$326,575	\$326,575	\$138,503	\$138,503
New Loans							
NET FINANCIAL ASSETS	-\$125,840	-\$313,089	-\$419,914	-\$525,427	-\$629,874	-\$357,370	-\$272,404
(Net Debt)							
NON FINANCIAL ASSETS							
Tangible Capital Assets	\$11,453,246	\$11,246,674	\$11,032,602	\$10,811,030	\$10,581,958	\$10,355,386	\$10,111,314
SURPLUS							
Opening	\$252,986	\$383,758	\$420,389	\$428,067	\$427,557	\$420,614	\$406,978
Excess revenues (Expenses)	\$130,772	\$36,631	\$7,678	-\$510	-\$6,943	-\$13,636	-\$20,602
Closing	\$383,758	\$420,389	\$428,067	\$427,557	\$420,614	\$406,978	\$386,376

**SCHEDULE B
STATEMENT OF OPERATIONS**

	Projected 2011 Budget Adopted	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Revenues:							
Operating Revenues	\$1,460,957	\$1,400,000	\$1,428,000	\$1,456,560	\$1,485,691	\$1,515,405	\$1,545,713
Grants	\$25,000	\$25,000					
Investment Income							
Transfer from Reserves							
	\$1,485,957	\$1,425,000	\$1,428,000	\$1,456,560	\$1,485,691	\$1,515,405	\$1,545,713
Expenses:							
Salary & Wages	\$323,000	\$332,690	\$342,671	\$352,951	\$363,539	\$374,446	\$385,679
Training & Employee Costs	\$56,890	\$58,597	\$60,355	\$62,165	\$64,030	\$65,951	\$67,930
Insurance & Taxes	\$46,231	\$47,618	\$49,046	\$50,518	\$52,033	\$53,594	\$55,202
Repairs & Maintenance	\$143,000	\$147,290	\$151,709	\$156,260	\$160,948	\$165,776	\$170,749
Materials & Supplies	\$147,100	\$151,513	\$156,058	\$160,740	\$165,562	\$170,529	\$175,645
Utilities	\$63,700	\$65,611	\$65,579	\$69,607	\$71,695	\$73,846	\$76,061
Services	\$76,192	\$78,478	\$80,832	\$83,257	\$85,755	\$88,327	\$90,977
Amortization	\$499,072	\$506,572	\$514,072	\$521,572	\$529,072	\$536,572	\$544,072
	\$1,355,185	\$1,388,369	\$1,420,322	\$1,457,070	\$1,492,634	\$1,529,041	\$1,566,315
Excess Revenues (Expenses)	\$130,772	\$36,631	\$7,678	-\$510	-\$6,943	-\$13,636	-\$20,602

**SCHEDULE D
STATEMENT OF CASH FLOW**

	2011	2012	2013	2014	2015	2016	2017
	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Operating Transactions:							
Cash Received from Revenues - Water	\$1,485,957	\$1,425,000	\$1,428,000	\$1,456,560	\$1,485,691	\$1,515,405	\$1,545,713
Cash paid for Operating Costs	<u>\$856,071</u>	<u>\$881,796</u>	<u>\$908,250</u>	<u>\$935,498</u>	<u>\$963,563</u>	<u>\$992,470</u>	<u>\$1,022,244</u>
	\$629,886	\$543,204	\$519,750	\$521,062	\$522,128	\$522,935	\$523,469
Capital Transactions:							
Acquisitions of tangible Capital Assets	<u>\$3,760,000</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>
	-\$3,130,114	\$243,204	\$219,750	\$221,062	\$222,128	\$222,935	\$223,469
Finance Transactions	\$1,140,000						
Stimulus Funding Grant	<u>\$2,280,000</u>						
	\$289,886	\$243,204	\$219,750	\$221,062	\$222,128	\$222,935	\$223,469
Debt Repayment	<u>\$280,372</u>	<u>\$326,575</u>	<u>\$326,575</u>	<u>\$326,575</u>	<u>\$326,575</u>	<u>\$138,503</u>	<u>\$138,503</u>
Increase (decrease) in cash flow	\$9,514	-\$83,371	-\$106,825	-\$105,513	-\$104,447	\$84,432	\$84,966
Cash and cash equivalent beginning of period	\$87,343	\$96,857	\$13,486	-\$93,339	-\$198,852	-\$303,299	-\$218,867
Cash and Cash equivalent, end of period	\$96,857	\$13,486	-\$93,339	-\$198,852	-\$303,299	-\$218,867	-\$133,901

**SCHEDULE E
PROJECTED BUDGET 2011 - 2017
DRINKING WATER SYSTEM FOR ALEXANDRIA AND GLEN ROBERTSON**

	Projected 2011 Budget Adopted	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Revenues:							
Operating Revenues	\$1,460,957	\$1,400,000	\$1,428,000	\$1,456,560	\$1,485,691	\$1,515,405	\$1,545,713
Grants	\$25,000	\$25,000					
Investment Income							
Transfer from Reserves							
	\$1,485,957	\$1,425,000	\$1,428,000	\$1,456,560	\$1,485,691	\$1,515,405	\$1,545,713
Expenses:							
Salary & Wages	\$323,000	\$332,690	\$342,671	\$352,951	\$363,539	\$374,446	\$385,679
Training & Employee Costs	\$56,890	\$58,597	\$60,355	\$62,165	\$64,030	\$65,951	\$67,930
Insurance & Taxes	\$46,231	\$47,618	\$49,046	\$50,518	\$52,033	\$53,594	\$55,202
Repairs & Maintenance	\$143,000	\$147,290	\$151,709	\$156,260	\$160,948	\$165,776	\$170,749
Materials & Supplies	\$147,100	\$151,513	\$156,058	\$160,740	\$165,562	\$170,529	\$175,645
Utilities	\$63,700	\$65,611	\$65,579	\$69,607	\$71,695	\$73,846	\$76,061
Services	\$76,192	\$78,478	\$80,832	\$83,257	\$85,755	\$88,327	\$90,977
Loan Repayments	\$222,697	\$326,575	\$326,575	\$326,575	\$326,575	\$138,503	\$138,503
Capital	\$340,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
	\$1,418,810	\$1,508,372	\$1,532,825	\$1,562,073	\$1,590,137	\$1,430,972	\$1,460,746
Excess Revenues (Expenses)	\$67,147	-\$83,372	-\$104,825	-\$105,513	-\$104,446	\$84,433	\$84,967