

City of Guelph - Water and Wastewater Financial Plan – O. Reg. 453/07

BMA MANAGEMENT CONSULTING

Table of Contents

Water and Wastewater Financial Plan—O.Reg. 453/07	2
Background Financial Plan	2
Regulatory and Legislative Environment.....	3
Analysis	4
Statement of Financial Operations—Water	6
Statement of Cash Flow/Cash Receipts—Water	7
Statement of Financial Position—Water	8
Statement of Financial Operations—Wastewater.....	9
Statement of Cash Flow/Cash Receipts—Wastewater.....	10
Statement of Financial Position—Wastewater.....	11

Water and Wastewater Financial Plan—O.Reg. 453/07

Background Financial Plan

The City of Guelph has prepared a Financial Plan for the time period 2024 – 2029 in accordance with the Financial Plan regulation (O.Reg. 453/07) made under the Safe Drinking Water Act as part of the requirements to renew their municipal drinking water licence. While the O. Reg. 453/07 only applies to Water, the City has taken a more comprehensive approach to utility funding and prepared statements for both water and wastewater operations. Paragraph 4 of subsection 3(1) of the regulation requires that Financial Plans include three statements including the Statement of Operations, the Gross Cash Receipts and the Financial Position. The following provides a summary of the principle features concerning the current and future state of the water and wastewater systems contained in the Financial Plan:

- ***Statement of Financial Operations*** - This statement summarizes the revenues and expenditures and annual surplus or deficit. The expenditures include ongoing operating costs plus amortization of the capital assets. This statement indicates that the system and its asset base are projected to be maintained with funds being available each year for future capital renewal or major maintenance.
- ***Cash Receipts or Gross Cash Payments (Cash Flows)*** - The cash flow statement summarizes how the water and wastewater system is expected to generate and utilize cash resources.
- ***Financial Position*** - There are three important indicators to review in the Statement of Financial Position described as follows:
 - Net Financial Assets
 - Tangible Capital Assets
 - Accumulated Surplus/Deficit

Lead Replacement - Ontario Regulation 453/07 also states that details regarding the replacement of lead service pipes must be identified as it related to the three schedules provided. The 2024-2029 Capital Program includes an allowance of \$4.7 million to support the cast-iron replacement program. The City of Guelph offers grants up to \$2,000 to help cover the cost of replacing lead pipes on residential properties. The grant usually covers 80% of the cost, depending on the length of the lead service line.

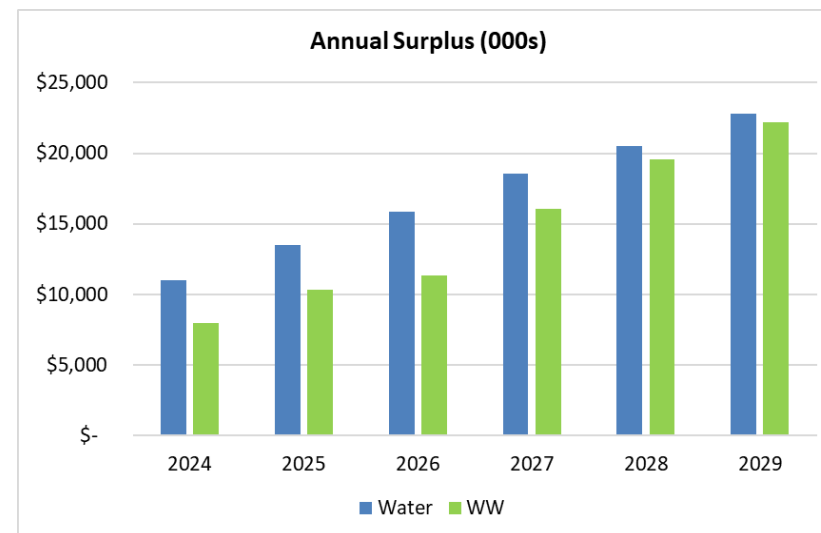
Regulatory and Legislative Environment

Municipalities across Ontario have consistently identified legislative and regulatory changes and requirements as a major factor driving the cost of service over the past 10 years and will continue to be a factor well into the future. Statutes and associated regulations that dictate service and service levels include:

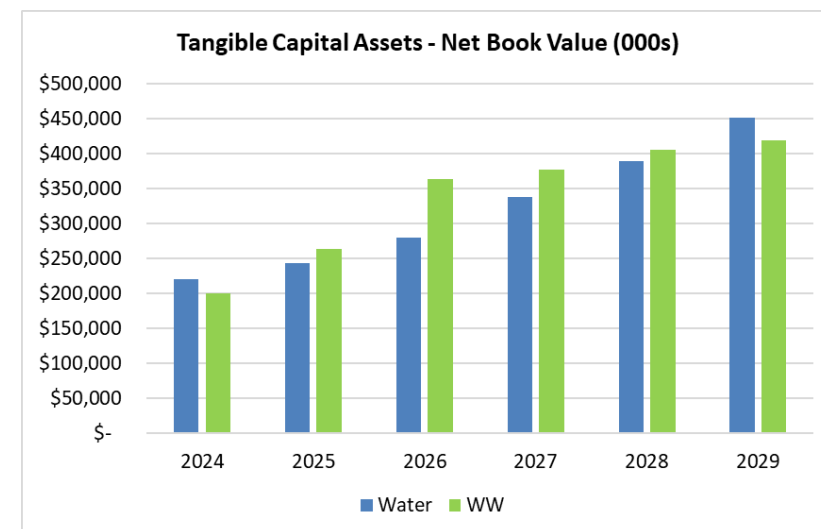
- Municipal Act;
- Clean Water Act;
- Water Opportunities Act;
- Ontario Water Resources Act;
- Safe Drinking Water Act (SDWA);
- Environmental Protection Act;
- Environmental Assessment Act;
- PSAB 3150, Tangible Capital Assets Reporting, and;
- More Housing Built Faster Act.

Analysis

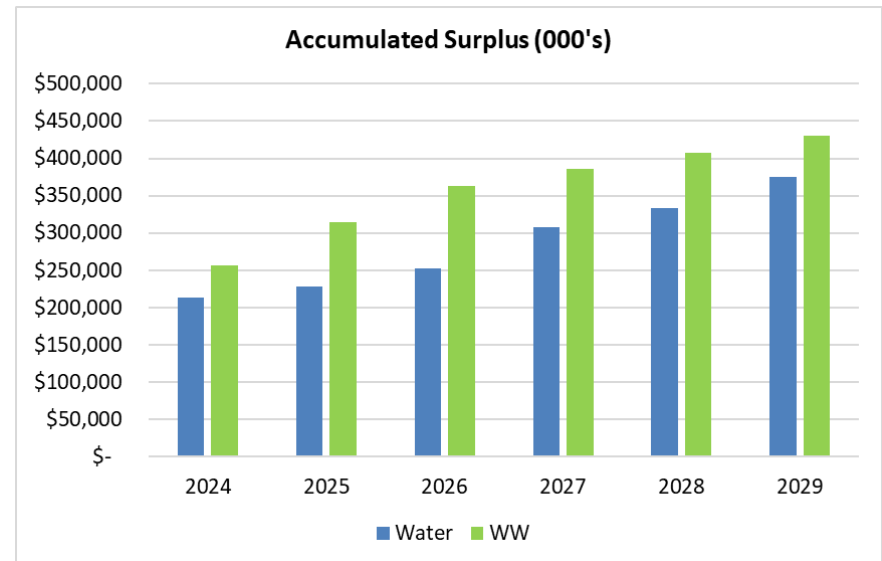
Annual Surplus—An important feature of a water and wastewater system is the annual surplus or deficit. A surplus indicates that the system is building the resources to deal with future capital and other needs. A deficit indicates that past capital and other investments must be financed from future revenues.



Tangible Capital Assets (Net Book Value) - An increase in net book value of tangible capital assets is an indication that assets have been renewed faster than they were used. A decrease in net book value indicates that assets are being used, or amortized, faster than they are renewed. The net book value is projected to increase for water and wastewater indicating that assets are being renewed faster than they are being used.



Accumulated Surplus—A third financial indicator which is reflected in the financial position statement is the accumulated surplus. This indicator represents cash on hand plus the net book value of tangible capital assets less debt. The accumulated surplus is forecast to increase from 2024 to 2029 for both water and wastewater. The increasing projected surpluses in water and wastewater operations indicate that if the City adheres to the Financial Plan, it will strengthen its combined cash and asset position.



Statement of Financial Operations—Water

	Budget				Projected	
(000's)	2024	2025	2026	2027	2028	2029
Water Total Revenues						
Rate Revenues	\$ 36,067	\$ 39,758	\$ 44,015	\$ 48,493	\$ 53,343	\$ 58,677
Miscellaneous Revenues	\$ 695	\$ 899	\$ 915	\$ 931	\$ 948	\$ 964
Total Operating Revenues	\$ 36,761	\$ 40,657	\$ 44,930	\$ 49,425	\$ 54,290	\$ 59,641
Interest Earned - Reserves	\$ (114)	\$ (225)	\$ (381)	\$ (11)	\$ 6	\$ (169)
Total Revenues	\$ 36,648	\$ 40,432	\$ 44,549	\$ 49,413	\$ 54,297	\$ 59,472
Water Total Expenses						
Operating Expenses						
Salary, Wage & Benefits	\$ 9,331	\$ 10,132	\$ 10,649	\$ 11,111	\$ 11,597	\$ 11,945
Purchased Goods	\$ 2,843	\$ 2,830	\$ 2,999	\$ 3,150	\$ 3,245	\$ 3,342
Purchased Services	\$ 2,876	\$ 2,919	\$ 1,920	\$ 1,922	\$ 1,980	\$ 2,039
Internal Charges/Recoveries	\$ 1,385	\$ 1,453	\$ 2,584	\$ 2,721	\$ 2,802	\$ 2,886
Other Transfers	\$ 1,587	\$ 1,612	\$ 1,637	\$ 1,662	\$ 1,692	\$ 1,722
Financial Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 18,022	\$ 18,946	\$ 19,789	\$ 20,566	\$ 21,316	\$ 21,935
Debt Charges						
Debt Charges - Interest Payments	\$ -	\$ -	\$ -	\$ -	\$ 1,350	\$ 2,612
Amortization Expense						
Water Assets	\$ 7,598	\$ 7,999	\$ 8,892	\$ 10,308	\$ 11,131	\$ 12,142
Total Expenses	\$ 25,620	\$ 26,945	\$ 28,681	\$ 30,874	\$ 33,797	\$ 36,689
Annual Surplus/(Deficit)	\$ 11,027	\$ 13,487	\$ 15,868	\$ 18,539	\$ 20,500	\$ 22,783

Statement of Cash Flow/Cash Receipts—Water

	Budget				Projected	
(000's)	2024	2025	2026	2027	2028	2029
Total Revenues	\$ 36,648	\$ 40,432	\$ 44,549	\$ 49,413	\$ 54,297	\$ 59,472
Cash Paid For						
Operating Costs	\$ 18,022	\$ 18,946	\$ 19,789	\$ 20,566	\$ 21,316	\$ 21,935
Debt Repayment - Debt Interest	\$ -	\$ -	\$ -	\$ -	\$ 1,350	\$ 2,612
Cash Provided From Operating Transactions	\$ 18,626	\$ 21,486	\$ 24,760	\$ 28,847	\$ 31,631	\$ 34,925
Capital Transactions						
Acquisition of TCA	\$ 36,611	\$ 31,028	\$ 45,229	\$ 67,283	\$ 63,423	\$ 72,974
Finance Transactions						
Proceeds from Debt	\$ -	\$ -	\$ -	\$ 30,000	\$ 29,000	\$ 7,000
Proceeds from DC	\$ 1,802	\$ 856	\$ 8,308	\$ 37,246	\$ 5,140	\$ 19,270
Debt Repayment - Principal	\$ -	\$ -	\$ -	\$ -	\$ 956	\$ 1,924
Increase/(Decrease) in Cash Equivalents	\$ (16,183)	\$ (8,687)	\$ (12,162)	\$ 28,811	\$ 1,392	\$ (13,703)
Cash and Cash Equivalents at Beginning Balance	\$ 8,732	\$ (7,451)	\$ (16,138)	\$ (28,299)	\$ 511	\$ 1,903
Cash and Cash Equivalents at Ending Balance	\$ (7,451)	\$ (16,138)	\$ (28,299)	\$ 511	\$ 1,903	\$ (11,800)

Statement of Financial Position—Water

	Budget				Projected	
(000's)	2024	2025	2026	2027	2028	2029
Financial Assets						
Cash	\$ (7,451)	\$ (16,138)	\$ (28,299)	\$ 511	\$ 1,903	\$ (11,800)
Liabilities						
Debt - Principal Outstanding	\$ -	\$ -	\$ -	\$ 30,000	\$ 58,044	\$ 63,120
Net Financial Assets	\$ (7,451)	\$ (16,138)	\$ (28,299)	\$ (29,489)	\$ (56,141)	\$ (74,920)
Non-Financial Assets						
Tangible Capital Assets	\$ 335,875	\$ 372,486	\$ 403,514	\$ 448,743	\$ 516,026	\$ 579,449
Additions to Tangible Capital Assets	\$ 36,611	\$ 31,028	\$ 45,229	\$ 67,283	\$ 63,423	\$ 72,974
Accumulated Amortization	\$ 151,529	\$ 159,528	\$ 168,420	\$ 178,728	\$ 189,860	\$ 202,002
Total Non-Financial Assets	\$ 220,957	\$ 243,986	\$ 280,323	\$ 337,298	\$ 389,590	\$ 450,422
Accumulated Surplus	\$ 213,506	\$ 227,848	\$ 252,024	\$ 307,809	\$ 333,449	\$ 375,502
Cash as a % of Net Fixed Assets	-3.4%	-6.6%	-10.1%	0.2%	0.5%	-2.6%
Debt as a % of Net Fixed Assets	0.0%	0.0%	0.0%	8.9%	14.9%	14.0%

Statement of Financial Operations—Wastewater

	Budget				Projected	
(000's)	2024	2025	2026	2027	2028	2029
Wastewater Total Revenues						
Rate Revenues	\$ 37,245	\$ 41,093	\$ 45,420	\$ 50,068	\$ 54,173	\$ 57,639
Miscellaneous Revenues	\$ 2,449	\$ 2,548	\$ 2,597	\$ 2,597	\$ 2,608	\$ 2,619
Total Operating Revenues	\$ 39,694	\$ 43,641	\$ 48,017	\$ 52,666	\$ 56,781	\$ 60,258
Interest Earned - Reserves	\$ 910	\$ 817	\$ (48)	\$ 121	\$ 6	\$ 173
Total Revenues	\$ 40,604	\$ 44,458	\$ 47,969	\$ 52,787	\$ 56,787	\$ 60,431
Wastewater Total Expenses						
Operating Expenses						
Salary, Wage & Benefits	\$ 6,840	\$ 7,346	\$ 7,697	\$ 7,922	\$ 8,288	\$ 8,536
Purchased Goods	\$ 5,776	\$ 6,155	\$ 6,539	\$ 6,685	\$ 6,885	\$ 7,092
Purchased Services	\$ 4,078	\$ 4,102	\$ 3,121	\$ 3,122	\$ 3,216	\$ 3,312
Internal Charges/Recoveries	\$ 4,544	\$ 4,681	\$ 5,957	\$ 6,157	\$ 6,342	\$ 6,532
Other Transfers	\$ 5,780	\$ 5,306	\$ 5,031	\$ 4,256	\$ 3,686	\$ 3,716
Financial Expenses	\$ 160	\$ 160	\$ 160	\$ 160	\$ 165	\$ 170
Total Operating Expenses	\$ 27,178	\$ 27,750	\$ 28,504	\$ 28,302	\$ 28,581	\$ 29,358
Debt Charges						
Debt Charges - Interest Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization Expense						
Wastewater Assets	\$ 5,490	\$ 6,377	\$ 8,144	\$ 8,440	\$ 8,643	\$ 8,850
Total Expenses	\$ 32,669	\$ 34,127	\$ 36,648	\$ 36,742	\$ 37,223	\$ 38,208
Annual Surplus/(Deficit)	\$ 7,936	\$ 10,331	\$ 11,322	\$ 16,045	\$ 19,563	\$ 22,223

Statement of Cash Flow/Cash Receipts—Wastewater

	Budget				Projected	
(000's)	2024	2025	2026	2027	2028	2029
Total Revenues	\$ 40,604	\$ 44,458	\$ 47,969	\$ 52,787	\$ 56,787	\$ 60,431
Cash Paid For						
Operating Costs	\$ 27,178	\$ 27,750	\$ 28,504	\$ 28,302	\$ 28,581	\$ 29,358
Debt Repayment - Debt Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Provided From Operating Transactions	\$ 13,426	\$ 16,708	\$ 19,465	\$ 24,485	\$ 28,206	\$ 31,073
Capital Transactions						
Acquisition of TCA	\$ 34,702	\$ 69,941	\$ 108,216	\$ 22,244	\$ 35,846	\$ 22,613
Finance Transactions						
Proceeds from Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from DC	\$ 8,831	\$ 47,449	\$ 35,395	\$ 7,863	\$ 737	\$ 1,506
Proceeds from Other	\$ -	\$ 203	\$ 1,614	\$ -	\$ -	\$ -
Debt Repayment - Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Increase/(Decrease) in Cash Equivalents	\$ (12,445)	\$ (5,581)	\$ (51,742)	\$ 10,104	\$ (6,903)	\$ 9,966
Cash and Cash Equivalents at Beginning Balance	\$ 68,324	\$ 55,880	\$ 50,299	\$ (1,443)	\$ 8,661	\$ 1,758
Cash and Cash Equivalents at Ending Balance	\$ 55,880	\$ 50,299	\$ (1,443)	\$ 8,661	\$ 1,758	\$ 11,724

Statement of Financial Position—Wastewater

	Budget				Projected	
(000's)	2024	2025	2026	2027	2028	2029
Financial Assets						
Cash	\$ 55,880	\$ 50,299	\$ (1,443)	\$ 8,661	\$ 1,758	\$ 11,724
Liabilities						
Debt - Principal Outstanding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Financial Assets	\$ 55,880	\$ 50,299	\$ (1,443)	\$ 8,661	\$ 1,758	\$ 11,724
Non-Financial Assets						
Tangible Capital Assets	\$ 351,140	\$ 385,841	\$ 455,782	\$ 563,999	\$ 586,242	\$ 622,088
Additions to Tangible Capital Assets	\$ 34,702	\$ 69,941	\$ 108,216	\$ 22,244	\$ 35,846	\$ 22,613
Accumulated Amortization	\$ 185,742	\$ 192,119	\$ 200,263	\$ 208,703	\$ 217,346	\$ 226,195
Total Non-Financial Assets	\$ 200,099	\$ 263,663	\$ 363,736	\$ 377,540	\$ 404,743	\$ 418,506
Accumulated Surplus	\$ 255,979	\$ 313,962	\$ 362,293	\$ 386,201	\$ 406,501	\$ 430,230
Cash as a % of Net Fixed Assets	27.9%	19.1%	-0.4%	2.3%	0.4%	2.8%
Debt as a % of Net Fixed Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%