

Prepared By:



City of Hamilton

## Hamilton Water Financial Plan:

Interim Report of the 10 Year Water System Financial Plan  
and Financial Statements

**GMBP File: 617107**

**May 25, 2018**



**Hamilton**

May 28, 2018  
Our File: 717107

City of Hamilton  
77 James Street North, Suite 400  
Hamilton, ON, L8R 2K3

Attn: Mr. Bert Posedowski

Re: City of Hamilton – Water Financial Plan Development – Category 32

Dear Mr. Posedowski:

GM BluePlan Engineering Limited is pleased to submit the final draft of our interim report for the above noted project. The enclosed report describes the water system financial plan and financial statements as detailed under Regulation 453/07 - Financial Plans made under the Safe Drinking Water Act, 2002.

We appreciate the efforts of staff throughout the City of Hamilton over the course of this project.

Yours truly,

**GM BLUEPLAN ENGINEERING LIMITED**



Nick Larson, MEPP, P.Eng.

## Table of Contents

1.0 Introduction .....	1
2.0 Background.....	2
3.0 Approach .....	3
3.1 Financial Plan Documentation .....	5
4.0 Sources of Information.....	6
5.0 Financial Statements.....	8
6.0 Summary and Conclusions.....	13
7.0 Glossary of Terms .....	14
7.1 Statement of Financial Position.....	14
7.2 Statement of Operations .....	16
7.3 Statement of Cash Flows.....	17

## 1.0 Introduction

In 2017 GM BluePlan (GMBP) was retained by the City of Hamilton to prepare:

- 1) A 10 year Financial Plan with associated Financial Statements for the City of Hamilton's water system to support a regulatory compliance issue specific to the water licensing requirements defined within the Drinking Water Quality Management System (DWQMS) and more specifically detailed under *Regulation 453/07 - Financial Plans* made under the Safe Drinking Water Act, 2002 (SDWA).
- 2) Long Term Financial Plans for the water, wastewater and stormwater systems to support Asset Management (AM) processes in the City of Hamilton. The Long Term Financial Plans will provide a long range understanding of the revenues and expenditures that are required to achieve the City's desired levels of service (LOS) for the water, wastewater and stormwater systems. This understanding is a requirement of *Regulation 588/17 – Asset Management Planning for Municipal Infrastructure* made under the Infrastructure for Jobs and Prosperity Act, 2015. A short description of the practical differences between Regulation 437/07 and 588/17 is explained in Section 2.0 Background.

This interim report provides a Financial Plan and Financial Statements for the water systems to support the City's application for an updated drinking water license per *Regulation 453/07*. It also documents the approach and sources of information used to generate the Financial Statements. A subsequent report will be prepared at a later date when the Long Term Financial Plans for the water, wastewater and stormwater systems have been completed.

## 2.0 Background

*Regulation 588/17 – Asset Management Planning for Municipal Infrastructure* made under the Infrastructure for Jobs and Prosperity Act, 2015 was implemented on January 1, 2018. The new regulation will require municipalities to develop a strategic asset management policy by July 2019. The policy must include the process by which the asset management plan is to be considered in the development of the municipality's budget or of any long-term financial plans of the municipality that take into account municipal infrastructure assets. The policy must also outline actions that may be required to address the vulnerabilities that may be caused by climate change to the municipality's infrastructure assets, in respect of such matters as operations, such as increased maintenance schedules, levels of service, and lifecycle management.

A strategic asset management plan for core municipal assets must be developed by July 2021 and all other assets by July 2023. The regulation defines the core assets as water, wastewater, stormwater, roads, bridges and culverts. The 2021 asset management plan must include the current LOS and performance of each asset group and the cost to sustain the LOS. The asset management plan must include the proposed LOS and performance measures for a 10 year projection and the cost to achieve the proposed LOS by July 2024. In the case that the cost required to achieve proposed LOS is greater than the available funding, an explanation of how the municipality will manage the risks associated with not undertaking any of the lifecycle activities previously identified. The asset management plan must also include the financial plans related to the municipality's water assets including any financial plans prepared under the Safe Drinking Water Act, 2002.

*Regulation 453/07 - Financial Plans* made under the Safe Drinking Water Act, 2002 mandates that a Financial Plan be prepared in order to obtain a municipal drinking water license. The Financial Plan required as part of *Regulation 453/07* is represented as a series of financial statements for a minimum time period of 6 years.

The most significant practical differences between the Financial Plan mandated through *Regulation 453/07* and the financial planning that is required to support *Regulation 588/17* are summarized as follows:

- *Regulation 453/07* Financial Plans are not required to align with the current or desired LOS.
- *Regulation 453/07* Financial Plans are mandated to be manifested as a series of three financial statements. *Regulation 588/17* does require financial statements, but rather provides more flexibility to use financial planning processes to support the development of an asset management plan to achieve the desired LOS.

### 3.0 Approach

The approach to completing the 10 year Financial Plan and the development of the Financial Statements for the water system followed the methodology that was used to develop the previous two 10 year Financial Plans for the water system in 2009 and 2013. It aligns with the requirements outlined in *Regulation 453/07 - Financial Plans*, as summarized below:

- 1) Details of the proposed or projected financial position of the drinking water system itemized by,
  - a) total financial assets,

- b) total liabilities,
  - c) net debt,
  - d) non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and
  - e) changes in tangible capital assets that are additions, donations, write downs and disposals.
- 2) Details of the proposed or projected financial operations of the drinking water system itemized by,
- a) total revenues, further itemized by water rates, user charges and other revenues,
  - b) total expenses, further itemized by amortization expenses, interest expenses and other expenses,
  - c) annual surplus or deficit, and
  - d) accumulated surplus or deficit.
- 3) Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by,
- a) operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges,
  - b) capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,
  - c) investing transactions that are acquisitions and disposal of investments,
  - d) financing transactions that are proceeds from the issuance of debt and debt repayment,
  - e) changes in cash and cash equivalents during the year, and
  - f) cash and cash equivalents at the beginning and end of the year.
- 4) Details of the extent to which the information described in subparagraphs 1, 2 and 3 relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.

### 3.1 Financial Plan Documentation

In accordance with SDWA regulations, the Financial Plan will be represented in the following Financial Statements:

1) *Statement of Financial Position (Balance Sheet)*

This statement highlights four key figures that describe the financial position of the City's water system at the reporting date, including the cash resources, net debt position, non-financial assets and accumulated surplus or deficit.

In support of this Statement of Financial Position, two additional statements were prepared. The financial statements listed below illustrate the change in one of these four key aspects of the water system's financial position.

2) *Statement of Operations (Income Statement)*

3) *Statement of Cash Flow*

These statements coincide with the Financial Plan requirements for water systems licensing based on the specific requirements of Section 4(iii) of Regulation 453/07. A further description of these statements are included in *Section 5 - Financial Statements* of this report.

A minimum reporting period of 6 years is required for the statements under the regulation. The information developed in this project includes these financial statements covering a period of 10 years. This is consistent with and supports the City's budget process which covers a 10 year period.



The report that will be submitted at a later date will document the Long Term Financial Plan that aligns with the forecasted infrastructure lifecycle expenditures needs (both capital and operating) to achieve the desired LOS of the systems. The Long Term Financial Plans for water, wastewater, and stormwater systems will assist Hamilton in long-term, strategic planning to move to a sustainable funding program for the financing of its infrastructure. The approach to the analysis is not summarized in this interim report.

## 4.0 Sources of Information

The City's financial data and business processes were reviewed by members of the consulting team to determine the availability of information required to develop the 10 year Financial Plan and the Financial Statements. City staff were engaged throughout the project to inform any assumptions or interpretation of data required to develop the 10 year Financial Plan and Financial Statements.

The major assumptions that were made include:

- Fixed and variable water rate increases of 4.5% per annum.
- Operating expenditures increases of 3% per annum.
- Water use efficiency would increase at the same rate of population increase resulting in no increase to total water demand.
- Demand for ICI customers was determined from 2018 revenue.
- The City provided the loan repayment schedule on existing loans. New loans followed the same rules regarding serviceability of debt.

Table 1 summarizes the information that was used to generate the 10 year Financial Plan for the water system.

Table 1: Information sources used to develop the financial statements.

<b>Input</b>	<b>Source of Data</b>
<b>Base Financial Data</b>	<ul style="list-style-type: none"> <li>• 2018 5 Year Actuals vs Budget spreadsheet</li> <li>• 2018 Rate Budget Book</li> </ul>
<b>Current Demands and Future Demand Estimates</b>	<ul style="list-style-type: none"> <li>• DC Report and Bylaws for population forecast</li> <li>• 2018 Rate Budget Book for water consumption demand</li> </ul>
<b>Water Rates</b>	<ul style="list-style-type: none"> <li>• 2018 Rate Budget Book for the fixed and volumetric rates</li> </ul>
<b>Revenues</b>	<ul style="list-style-type: none"> <li>• 2018 Rate Budget Book for the non-metered revenues</li> </ul>
<b>Operations and Maintenance Costs</b>	<ul style="list-style-type: none"> <li>• 2018 Rate Budget Book for the operating expenses</li> <li>• 2018 5 Year Actuals vs Budget spreadsheet</li> </ul>
<b>Development Charges Information</b>	<ul style="list-style-type: none"> <li>• DC Report and Bylaws</li> <li>• 2018 Rates DC Reserve Forecast spreadsheet</li> </ul>
<b>Capital Plan</b>	<ul style="list-style-type: none"> <li>• 2018 Rate Budget Book</li> </ul>
<b>Amortization Data</b>	<ul style="list-style-type: none"> <li>• 2017 TCA Information</li> </ul>
<b>Project Funding Sources</b>	<ul style="list-style-type: none"> <li>• 2018 Rate Budget Book</li> </ul>
<b>Debt Service Information</b>	<ul style="list-style-type: none"> <li>• Debtrow 53-159 Existing Outstanding Future Forecast spreadsheet</li> <li>• 2018 External Debt 2017 Budget Forecast spreadsheet</li> </ul>

## 5.0 Financial Statements

This section describes and presents the three Financial Statements that comprise the 10 year Financial Plan for the water system.

The Financial Position statement highlights four key figures that describe the financial position of the water system at the reporting date.

- The cash resources are cash and cash equivalents.
- The net debt position is calculated as the difference between liabilities and financial assets.
- The non-financial assets are assets that are, by nature, normally for use in service provision and include purchased, constructed, developed or leased tangible capital assets, inventories of supplies and prepaid expenses.
- The accumulated surplus or deficit is calculated as the sum of the net debt and non-financial assets. This indicator represents the net assets of the water system.

The two remaining statements illustrates the change in one of these aspects of the water system's financial position.

- The *statement of operations* reports the surplus or deficit from operations in the accounting period. The statement displays the cost of water services provided in the period, the revenues recognized in the period and the difference between them. It measures, in monetary terms, the extent to which an organization has maintained its net assets in the period.
- The *statement of cash flow* reports the change in cash and cash

equivalents in the accounting period, and how the water system financed its activities in the period and met its cash requirements.

The following financial statements representing the 10 year Financial Plan for the Water System are included below:

- 1) Statement of Financial Position
- 2) Statement of Operations
- 3) Statement of Cash Flow

In addition a Glossary of Terms follows the Financial Statements providing further explanations of the meaning and interpretation of specific categories or line item terms in the statements. These should be read in conjunction with the respective statements.

## 1. Statement of Financial Position for the Water System

**City of Hamilton - Water Infrastructure Statement  
of Financial Position  
As at December 31 (in thousands of dollars)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Financial Assets</b>										
Cash and cash equivalents	\$199,264	\$189,878	\$189,112	\$181,083	\$194,835	\$195,988	\$208,981	\$190,672	\$209,766	\$205,031
Accounts receivable - rate revenues	\$8,015	\$8,376	\$8,753	\$9,147	\$9,558	\$9,988	\$10,438	\$10,907	\$11,398	\$11,911
Accounts receivable - other revenue sources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$207,279</b>	<b>\$198,254</b>	<b>\$197,865</b>	<b>\$190,229</b>	<b>\$204,393</b>	<b>\$205,976</b>	<b>\$219,419</b>	<b>\$201,580</b>	<b>\$221,164</b>	<b>\$216,942</b>
<b>Liabilities</b>										
Accounts payable - wages	\$630	\$648	\$668	\$688	\$709	\$730	\$752	\$774	\$797	\$821
Accounts payable - other payables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DC reserve (Deferred revenue)	\$23,419	\$17,832	\$1,704	\$2,007	\$6,520	\$17,038	\$23,499	\$11,001	\$9,231	\$6,426
Short term debt	\$8,433	\$12,745	\$17,306	\$9,052	\$16,420	\$8,868	\$9,374	\$9,898	\$27,952	\$8,824
Long term debt	\$53,847	\$62,686	\$72,487	\$71,342	\$68,051	\$59,202	\$56,971	\$54,216	\$51,715	\$54,254
<b>Total</b>	<b>\$86,328</b>	<b>\$93,912</b>	<b>\$92,164</b>	<b>\$83,090</b>	<b>\$91,701</b>	<b>\$85,837</b>	<b>\$90,596</b>	<b>\$75,889</b>	<b>\$89,696</b>	<b>\$70,325</b>
<b>Net Financial Assets (Liabilities)</b>	<b>\$120,951</b>	<b>\$104,342</b>	<b>\$105,701</b>	<b>\$107,139</b>	<b>\$112,692</b>	<b>\$120,139</b>	<b>\$128,823</b>	<b>\$125,691</b>	<b>\$131,468</b>	<b>\$146,616</b>
<b>Non-financial Assets</b>										
Tangible capital assets										
TCA used in production	\$776,581	\$846,992	\$948,681	\$1,007,832	\$1,065,738	\$1,118,990	\$1,187,512	\$1,281,163	\$1,363,728	\$1,456,337
Work in progress	\$34,533	\$46,480	\$25,961	\$35,303	\$36,632	\$38,757	\$32,645	\$36,576	\$36,235	\$21,875
Less accumulated amortization	-\$365,327	-\$392,201	-\$420,996	-\$450,990	-\$481,893	-\$513,541	-\$546,451	-\$580,830	-\$616,570	-\$654,096
Total TCA	\$445,787	\$501,270	\$553,646	\$592,145	\$620,477	\$644,206	\$673,706	\$736,909	\$783,393	\$824,116
Inventories of supplies	\$1,203	\$1,239	\$1,276	\$1,315	\$1,354	\$1,395	\$1,436	\$1,480	\$1,524	\$1,570
Prepaid expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$446,990</b>	<b>\$502,510</b>	<b>\$554,923</b>	<b>\$593,459</b>	<b>\$621,831</b>	<b>\$645,601</b>	<b>\$675,143</b>	<b>\$738,388</b>	<b>\$784,917</b>	<b>\$825,686</b>
<b>Accumulated Surplus</b>	<b>\$567,941</b>	<b>\$606,851</b>	<b>\$660,623</b>	<b>\$700,598</b>	<b>\$734,524</b>	<b>\$765,739</b>	<b>\$803,966</b>	<b>\$864,079</b>	<b>\$916,385</b>	<b>\$972,302</b>

## 2. Statement of Operations for the Water System

**City of Hamilton - Water Infrastructure Statement  
of Financial Position  
As at December 31 (in thousands of dollars)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Revenues</b>										
Rate revenues	\$96,181	\$100,509	\$105,032	\$109,758	\$114,697	\$119,859	\$125,253	\$130,889	\$136,779	\$142,934
Less provision for bad debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest earned on cash and cash equivalents	\$2,000	\$1,993	\$1,899	\$1,891	\$1,811	\$1,948	\$1,960	\$2,090	\$1,907	\$2,098
Earned DC revenue	\$9,752	\$16,078	\$30,319	\$13,089	\$4,094	\$818	\$5,207	\$24,509	\$14,133	\$15,530
Other revenues	\$6,617	\$6,740	\$6,999	\$7,184	\$7,431	\$7,620	\$7,823	\$8,054	\$8,266	\$8,507
<b>Total Revenues</b>	<b>\$114,550</b>	<b>\$125,320</b>	<b>\$144,249</b>	<b>\$131,923</b>	<b>\$128,034</b>	<b>\$130,245</b>	<b>\$140,243</b>	<b>\$165,542</b>	<b>\$161,085</b>	<b>\$169,068</b>
<b>Operating Expenses</b>										
Total EMPLOYEE RELATED COST	\$15,109	\$15,562	\$16,029	\$16,510	\$17,005	\$17,515	\$18,041	\$18,582	\$19,140	\$19,714
Total MATERIAL AND SUPPLY	\$4,812	\$4,956	\$5,105	\$5,258	\$5,416	\$5,578	\$5,746	\$5,918	\$6,096	\$6,279
Total VEHICLE EXPENSES	\$513	\$528	\$544	\$561	\$577	\$595	\$613	\$631	\$650	\$669
Total BUILDING AND GROUND	\$6,840	\$7,045	\$7,257	\$7,475	\$7,699	\$7,930	\$8,168	\$8,413	\$8,665	\$8,925
Total CONSULTING	\$13	\$13	\$13	\$14	\$14	\$15	\$15	\$15	\$16	\$16
Total CONTRACTUAL	\$12,135	\$12,499	\$12,874	\$13,260	\$13,658	\$14,067	\$14,489	\$14,924	\$15,372	\$15,833
Total AGENCIES and SUPPORT PAYMENTS	\$62	\$64	\$66	\$68	\$70	\$72	\$75	\$77	\$79	\$81
Total RESERVES / RECOVERIES	\$5,724	\$5,895	\$6,072	\$6,254	\$6,442	\$6,635	\$6,834	\$7,039	\$7,250	\$7,468
Total COST ALLOCATIONS	\$9,130	\$9,404	\$9,686	\$9,977	\$10,276	\$10,585	\$10,902	\$11,229	\$11,566	\$11,913
Total FINANCIAL	\$1,125	\$1,158	\$1,193	\$1,229	\$1,266	\$1,304	\$1,343	\$1,383	\$1,425	\$1,467
<b>Total Operating Expenses</b>	<b>\$55,463</b>	<b>\$57,126</b>	<b>\$58,840</b>	<b>\$60,605</b>	<b>\$62,424</b>	<b>\$64,296</b>	<b>\$66,225</b>	<b>\$68,212</b>	<b>\$70,258</b>	<b>\$72,366</b>
<b>Net Operating Revenue</b>	<b>\$59,087</b>	<b>\$68,194</b>	<b>\$85,408</b>	<b>\$71,317</b>	<b>\$65,610</b>	<b>\$65,948</b>	<b>\$74,017</b>	<b>\$97,330</b>	<b>\$90,826</b>	<b>\$96,702</b>
Less amortization of tangible assets	-\$25,527	-\$26,875	-\$28,794	-\$29,995	-\$30,902	-\$31,648	-\$32,910	-\$34,379	-\$35,740	-\$37,526
<b>Earnings Before Interest</b>	<b>\$33,561</b>	<b>\$41,319</b>	<b>\$56,614</b>	<b>\$41,323</b>	<b>\$34,708</b>	<b>\$34,300</b>	<b>\$41,107</b>	<b>\$62,951</b>	<b>\$55,086</b>	<b>\$59,176</b>
Less Interest on short term debt	\$0	\$0	-\$16	-\$209	-\$17	-\$179	\$0	\$0	\$0	-\$408
Less Interest on long term debt	-\$2,020	-\$2,409	-\$2,826	-\$2,842	-\$2,773	-\$2,518	-\$2,502	-\$2,468	-\$2,420	-\$2,498
<b>Annual Surplus (Deficit)</b>	<b>\$31,540</b>	<b>\$38,910</b>	<b>\$53,772</b>	<b>\$38,271</b>	<b>\$31,918</b>	<b>\$31,603</b>	<b>\$38,605</b>	<b>\$60,483</b>	<b>\$52,667</b>	<b>\$56,270</b>
<b>Accumulated Surplus at beginning of year</b>	<b>\$536,401</b>	<b>\$567,941</b>	<b>\$606,851</b>	<b>\$662,327</b>	<b>\$702,606</b>	<b>\$734,136</b>	<b>\$765,361</b>	<b>\$803,596</b>	<b>\$863,718</b>	<b>\$916,032</b>
<b>Accumulated Surplus at end of year</b>	<b>\$567,941</b>	<b>\$606,851</b>	<b>\$660,623</b>	<b>\$700,598</b>	<b>\$734,524</b>	<b>\$765,739</b>	<b>\$803,966</b>	<b>\$864,079</b>	<b>\$916,385</b>	<b>\$972,302</b>

### 3. Statement of Cash Flow for the Water System

**City of Hamilton - Water Infrastructure Statement  
of Financial Position  
As at December 31 (in thousands of dollars)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Cash from Operations</b>										
Earnings before interest expenses	\$33,561	\$41,319	\$56,614	\$41,323	\$34,708	\$34,300	\$41,107	\$62,951	\$55,086	\$59,176
Plus amortization of tangible capital assets	\$25,527	\$26,875	\$28,794	\$29,995	\$30,902	\$31,648	\$32,910	\$34,379	\$35,740	\$37,526
Total	\$59,087	\$68,194	\$85,408	\$71,317	\$65,610	\$65,948	\$74,017	\$97,330	\$90,826	\$96,702
<b>Cash from the Movement of Balance Sheet Account</b>										
Accounts payable - increase/(decrease)	\$0	\$19	\$19	\$20	\$21	\$21	\$22	\$23	\$23	\$24
Pensions and other employee benefits - increase/(decrease)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DC reserve - increase/(decrease)	\$456	-\$5,587	-\$17,832	\$0	\$6,908	\$10,508	\$6,453	-\$12,507	-\$1,779	-\$2,814
Accounts receivable - (increase)/decrease	-\$197	-\$361	-\$377	-\$394	-\$412	-\$430	-\$449	-\$470	-\$491	-\$513
Inventory - (increase)/decrease	\$0	-\$36	-\$37	-\$38	-\$39	-\$41	-\$42	-\$43	-\$44	-\$46
Prepaid expenses - (increase)/decrease	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$260	-\$5,965	-\$18,227	-\$412	\$6,477	\$10,059	\$5,983	-\$12,997	-\$2,291	-\$3,349
<b>Proceeds of New Debt</b>										
Short term loans	\$11,392	\$14,956	\$20,829	\$765	\$10,146	\$0	\$0	\$0	\$18,309	\$0
DC debt	\$0	\$0	\$1,704	\$2,179	\$0	\$0	\$0	\$0	\$0	\$0
Long term loans	\$12,176	\$16,301	\$17,720	\$7,143	\$5,100	\$18	\$7,143	\$7,143	\$7,143	\$11,363
Total	\$23,568	\$31,257	\$40,253	\$10,087	\$15,246	\$18	\$7,143	\$7,143	\$25,451	\$11,363
<b>Capital Finance</b>										
Interest costs	-\$2,020	-\$2,409	-\$2,842	-\$3,052	-\$2,790	-\$2,697	-\$2,502	-\$2,468	-\$2,420	-\$2,906
Repayment of short-term debt	-\$9,446	-\$11,618	-\$16,726	-\$9,386	-\$2,882	-\$8,030	\$0	\$0	\$0	-\$18,309
Repayment of DC debt	\$0	\$0	\$0	-\$172	-\$387	-\$379	-\$370	-\$361	-\$352	-\$343
Repayment of long-term debt	-\$5,615	-\$6,486	-\$7,462	-\$7,920	-\$8,287	-\$8,390	-\$8,868	-\$9,374	-\$9,898	-\$9,643
Total	-\$17,081	-\$20,514	-\$27,030	-\$20,529	-\$14,346	-\$19,496	-\$11,740	-\$12,203	-\$12,669	-\$31,202
<b>Acquisition of Tangible Capital Assets</b>										
New project investments	-\$66,570	-\$82,358	-\$81,170	-\$68,493	-\$59,235	-\$55,377	-\$62,410	-\$97,582	-\$82,224	-\$78,249
Total	-\$66,570	-\$82,358	-\$81,170	-\$68,493	-\$59,235	-\$55,377	-\$62,410	-\$97,582	-\$82,224	-\$78,249
Cash Surplus (Deficit)	-\$736	-\$9,386	-\$765	-\$8,030	\$13,752	\$1,153	\$12,993	-\$18,309	\$19,093	-\$4,735
Cash and cash equivalents, start of year	\$200,000	\$199,264	\$189,878	\$189,112	\$181,083	\$194,835	\$195,988	\$208,981	\$190,672	\$209,766
Cash and cash equivalents, end of year	\$199,264	\$189,878	\$189,112	\$181,083	\$194,835	\$195,988	\$208,981	\$190,672	\$209,766	\$205,031

## 6.0 Summary and Conclusions

The intent of this interim report was to provide a Financial Plan for the City's water system to meet the regulatory requirement under the Safe Drinking Water Act, Regulation 453/07 - Financial Plans. The Financial Statements in this report have been developed using readily available information. Where information was not available reasonable assumptions were made to fill any gaps.

The Financial Statements indicate that suitable financial resources are allocated to the system over the next 10 years based on the planned capital expenditures and the cost to operate the system.

The next phase of this project will be to develop Long Term Financial Plans for the water, wastewater and stormwater systems. The Long Term Financial Plans will support a long term understanding of the revenues and expenditures that are required to achieve the City's desired LOS for the water, wastewater and stormwater systems.

The preliminary review of the long term infrastructure expenditure needs indicates that the capital expenditures that are required to maintain the current LOS provided by the systems are significantly higher than the current level of planned capital expenditures. The Long Term Financial Plan will be used to understand the revenues that would be required to fund the capital expenditures to both maintain current LOS and achieve the desired LOS. The Long Term Financial Plan will also examine options for collecting revenues.

Additional conclusions will be able to be drawn after the development of the Long Term Financial Plan.



## 7.0 Glossary of Terms

### 7.1 Statement of Financial Position

**Financial Assets** - assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash, investments, accounts receivable, etc.

Physical assets (such as inventories of supplies, tangible capital assets), and leased assets are not financial assets. Control of such assets creates an opportunity to produce or supply goods and services, rent to others, use for administrative purposes or for the development, construction or repair of other tangible capital assets. Control of such assets does not give rise to a present right to receive cash or another financial asset.

Assets, such as prepaid expenses, for which the future economic benefit is the receipt of goods or services rather than the right to receive cash or another financial asset, are not financial assets. Similarly, certain deferred liabilities are not financial liabilities when the outflow of economic benefits associated with them is in the nature of goods or services rather than a contractual obligation to pay cash or another financial asset.

**Liabilities** - present obligations of a local government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. Liabilities have three essential characteristics:

- They embody a duty or responsibility to others, leaving a local government little or no discretion to avoid settlement of the obligation;
- The duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic

settlement at a specified or determinable date, on occurrence of a specified event, or on demand;

- The transactions or events obligating the local government have already occurred.

**Net Debt** - a term used to describe the first indicator of a government's financial position. The net assets of a government represent the net economic resources recognizable by the government. The two dimensions of the government's financial position are combined to calculate this second indicator of a government's financial position, called its accumulated surplus or deficit.

Net debt is measured as the difference between a government's liabilities and financial assets. This difference bears directly on the government's future revenue requirements and on its ability to finance its activities and meet its liabilities and contractual obligations. Net debt provides a measure of the future revenues required to pay for past transactions and events. The extent of a government's net debt and the financial ability of the government to service that debt is an important test of the sustainability of that government. It is possible, however, that a government's financial assets could exceed its liabilities. In such circumstances, this indicator of a government's financial position would be called "net financial resources" and it would provide a measure of the net financial assets on hand that can provide resources to finance future operations.

A government's net debt is an important indicator of a government's financial position, highlighting the financial affordability of future government service provision. A net debt position represents a "lien" on the ability of the government to apply financial resources and future revenues to provide services. Non-financial assets are added to net debt to calculate the other indicator of a government's financial position — its accumulated surplus or deficit. Non-financial

assets are "prepaid service potential". Reporting a government's recognized non-financial resources as part of its financial position provides information necessary for a more complete understanding of a government's debt position, financial position and future operating requirements.

**Non-financial Assets** - tangible capital assets and other assets such as prepaid expenses and inventories of supplies. Non-financial assets are acquired, constructed or developed assets that are normally employed to deliver local government services, may be consumed in the normal course of operations and are not for sale in the normal course of operations.

Certain non-financial resources are, however, not given accounting recognition in government financial statements. For example, all government intangibles, and all natural resources and Crown lands that have not been purchased by the government, are not given accounting recognition in government financial statements.

**Accumulated Surplus or Deficit** - calculated as the sum of the net debt of the government and its non-financial assets. This indicator represents the net assets of the government. The accumulated surplus or deficit of a government, or its net assets, is the residual interest in its assets after deducting its liabilities.

## 7.2 Statement of Operations

**Revenues** - including gains, can arise from: taxation; the sale of goods; the rendering of services; the use by others of local government economic resources yielding rent, interest, royalties or dividends; or receipt of contributions such as grants, donations and bequests. Revenues do not include borrowings, such as proceeds from debt issues or transfers from other local governmental units in a local government reporting entity.

**Expenses** - including losses, are decreases in economic resources, either by way of outflows or reductions of assets or incurrence of liabilities, resulting from the operations, transactions and events of the accounting period. Expenses include transfer payments due where no value is received directly in return. Expenses include the cost of economic resources consumed in, and identifiable with, the operations of the accounting period. For example, the cost of tangible capital assets is amortized to expenses as the assets are used in delivering local government programs. Expenses do not include debt repayments or transfers to other local governmental units in a local government reporting entity.

**Surplus** - a term used to describe the difference between the revenues and expenses in the period.

### 7.3 Statement of Cash Flows

The statement of cash flow should report how a government generated and used cash and cash equivalents in the accounting period and the change in cash and cash equivalents in the period. The statement of cash flow should report the cash and cash equivalents at both the beginning and end of the accounting period.

The statement of cash flow should report cash flows during the period classified by:

- Operating
- Capital
- Investing
- Financing activities