

**Public Works Committee
January 13, 2014
Item 7.1**



Hamilton
Public Works



HAMILTON WATER
WATER IS LIFE

City of Hamilton – Water Infrastructure Financial Plan



“Protecting Public Health, Property and the Environment”



- Community
- People
- Processes
- Finance



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Presentation Overview

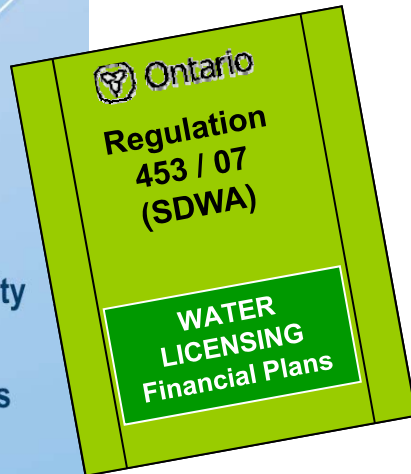
City of Hamilton Water Infrastructure Financial Plan

1. Rationale for the Financial Plan
2. Define “Financial Plan” and context with related financial information and reports
3. Results – financial statements
4. Key Messages



1. Rationale for Financial Plan

A Regulatory Requirement



- Walkerton events in 2000
- Safe Drinking Water Act Regulation 453/07 *Financial Plans* – submit a Financial Plan to the Province of Ontario by January 2014
- Water System License O.Reg. 188/07

Asset Management Process

- Financial Plan information is key to fiscal and social responsibility supported through good Infrastructure Management programming.

2. Defining Form of Financial Plan

Two components:

- i. **Investment plan** – lifecycle investment profile including linear and facilities incorporating costs for sustainability (i.e. deterioration), compliance / system improvement and growth
- ii. **Revenue plan** – a review of financing / funding of the systems investment profiles

These two components are presented in a series of financial statements as defined in the regulation

2. Defining Form of Financial Plan

Financial statements per Regulation 453/07

Statement of Financial Position (balance sheet)

In support of this statement several additional statements are prepared illustrating a change in aspects of the City's financial position:

Statement of Financial Position
1. Statement of Operations
2. Statement of Cash Flow
3. TCA Continuity Statement

- Statement of Operations (Income statement)
- Statement of Cash Flow
- Tangible Capital Assets Continuity schedule



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2. Defining Form of Financial Plan

Primary Data Sources:

- 2013 Rate Book (Rates, DC, Grants)
- 2012 Financial Information Return
- Planning and Growth Projection
- Future Forecast of Rate Increases

Project Team:

Collaboration with the following Corporate Divisions was undertaken to obtain and review financial information for both facility and piping systems responsible for Hamilton water delivery:

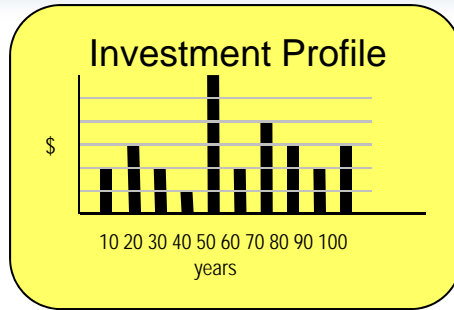
- | | |
|--------------------------------------|--------------------|
| • Hamilton Water | Public Works |
| • Engineering Services | Public Works |
| • Financial Planning and Policy | Corporate Services |
| • Financial Services | Corporate Services |
| • Finance Admin & Revenue Generation | Corporate Services |

Project Consultant support providing financial planning expertise:

- RV Anderson Associates Limited
- TCA Consulting Limited

2. Defining Form of Financial Plan

OUTPUTS



Revenue from:

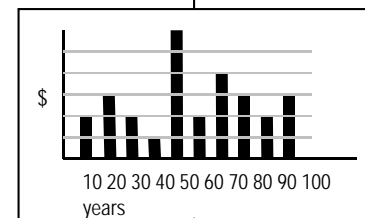
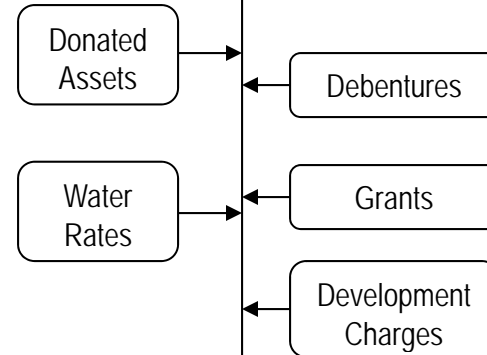
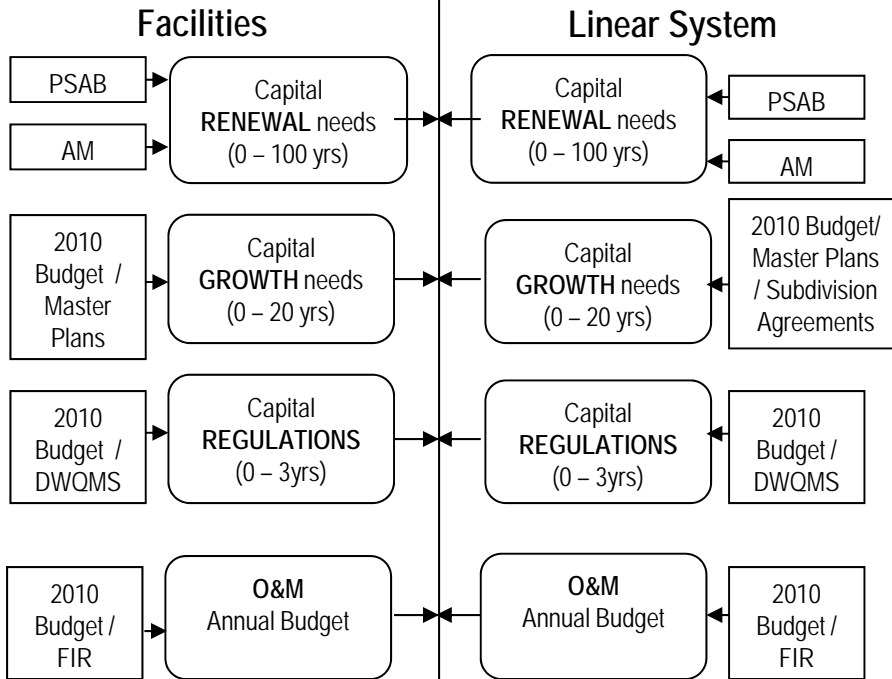
- Rates (\$)
- DC's (\$)
- Other (\$)

INVESTMENTS

REVENUES

FINANCIAL PLAN (Regulated Documents)

INFORMATION / SOURCES



Statement of Financial Position (Balance Sheet)

Statement of Operations (Income Statement)

Cash Flow Statement

Continuity Schedule



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2. Defining Form of Financial Plan

The Water Infrastructure Financial Plan

- does not replace any of the City's existing financial reporting processes, annual capital budgets, provincial financial information returns, etc.
- does reflect the second round of full accrual financial reporting based on the PSAB 3150 framework representing the tangible capital assets of the City in the context of these new reporting requirements.
- does reflect information in the City's rate based budget and anticipated revenues from projected Development Charges.
- does provide information to help guide intergenerational equity among rate payers.

3. Results – Financial Statements

WATER – Statement of Operations

City of Hamilton - Water Infrastructure
Statement of Operations
For the year ended December 31,
(in thousands of dollars)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues										
Water Rates	81,638	86,291	91,217	96,435	101,962	107,812	114,010	120,574	127,527	134,892
Government Grants	87	92	97	103	109	115	122	129	136	144
Development Charges	2,848	4,855	6,280	7,922	9,295	9,926	10,626	11,390	11,828	12,262
Contributed Tangible Capital Assets	5,870	5,870	5,870	6,751	6,751	6,751	9,686	9,686	9,686	9,686
Revenue from Other Municipalities	2,751	2,908	3,074	3,250	3,436	3,633	3,842	4,063	4,297	4,545
Investment Income	640	676	715	756	799	845	894	945	999	1,057
Other	3	3	3	3	3	3	3	3	3	3
Total Revenues	93,837	100,695	107,256	115,220	122,355	129,085	139,183	146,790	154,476	162,589
Expenses										
Salary & Benefits	12,180	12,424	12,672	12,925	13,184	13,448	13,717	13,991	14,271	14,556
Operating and General Expenditures	25,954	26,934	27,901	28,962	30,054	31,076	32,250	33,397	34,605	35,832
Amortization	17,449	18,710	19,530	20,393	21,321	21,831	22,203	22,539	22,820	23,079
Interest	2,798	5,814	8,044	9,735	10,497	10,419	10,247	10,077	9,664	9,219
Total Expenses	58,381	63,882	68,147	72,015	75,056	76,774	78,417	80,004	81,360	82,686
Annual Surplus (Deficit)	35,456	36,813	39,109	43,205	47,299	52,311	60,766	66,786	73,116	79,903
Accumulated surplus at beginning of year	601,922	637,378	674,191	713,300	756,505	803,804	856,115	916,881	983,667	1,056,783
Accumulated surplus at end of year	637,378	674,191	713,300	756,505	803,804	856,115	916,881	983,667	1,056,783	1,136,686



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3. Results – Financial Statements



WATER – Statement of Cash Flow

City of Hamilton - Water Infrastructure
 Statement of Cash Flow
 For the year ended December 31,
 (in thousands of dollars)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operating transactions										
Annual Surplus/(Deficit)	35,456	36,813	39,109	43,205	47,299	52,311	60,766	66,786	73,116	79,903
Non- Cash items - amortization	17,449	18,710	19,530	20,393	21,321	21,831	22,203	22,539	22,820	23,079
Decrease (Increase) in accounts receivable	-1,414	-1,498	-1,586	-1,680	-1,779	-1,883	-1,995	-2,113	-2,238	-2,371
Increase (decrease) in accounts payable	372	394	417	441	468	495	524	555	588	623
Increase (decrease) in deferred revenue - general	42	45	47	50	53	56	59	63	67	71
Increase (decrease) in deferred revenue - obligatory	7,857	6,186	5,298	3,969	2,882	2,533	2,109	1,613	1,445	1,283
Increase (decrease) in post employment benefits	219	232	245	260	275	291	308	327	346	367
(Increase) decrease in inventory	-44	-46	-49	-52	-55	-58	-62	-65	-69	-73
(Increase) decrease in prepaid expenses	-24	-25	-27	-29	-30	-32	-34	-36	-38	-40
Cash provided by operating transactions	59,913	60,811	62,984	66,557	70,434	75,544	83,878	89,669	96,037	102,842
Capital transactions										
Acquisition of tangible capital assets	94,201	44,769	51,951	55,352	34,922	30,516	32,635	29,670	29,882	28,905
Cash applied to capital transactions	94,201	44,769	51,951	55,352	34,922	30,516	32,635	29,670	29,882	28,905
Investing transactions										
Increase (decrease) in investments	1,917	2,030	2,149	2,276	2,411	2,552	2,704	2,864	3,033	3,213
Cash provided by investing transactions	1,917	2,030	2,149	2,276	2,411	2,552	2,704	2,864	3,033	3,213
Financing transactions										
Debenture issued	75,001	52,671	48,591	35,506	15,350	3,940	13,500	5,530	5,400	5,400
Debenture principal payment	-3,519	-6,187	-8,485	-10,455	-11,801	-12,622	-13,423	-14,293	-15,081	-15,894
Cash provided by financing transactions	71,482	46,484	40,106	25,051	3,549	-8,682	77	-8,763	-9,681	-10,494
Increase (decrease) in cash	35,277	60,496	48,990	33,980	36,650	33,794	48,616	48,372	53,441	60,230
Cash, Beginning of Year	2,726	38,003	98,499	147,489	181,469	218,119	251,913	300,529	348,901	402,342
Cash, End of Year	38,003	98,499	147,489	181,469	218,119	251,913	300,529	348,901	402,342	462,572

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3. Results – Financial Statements



WATER – TCA Continuity Statement

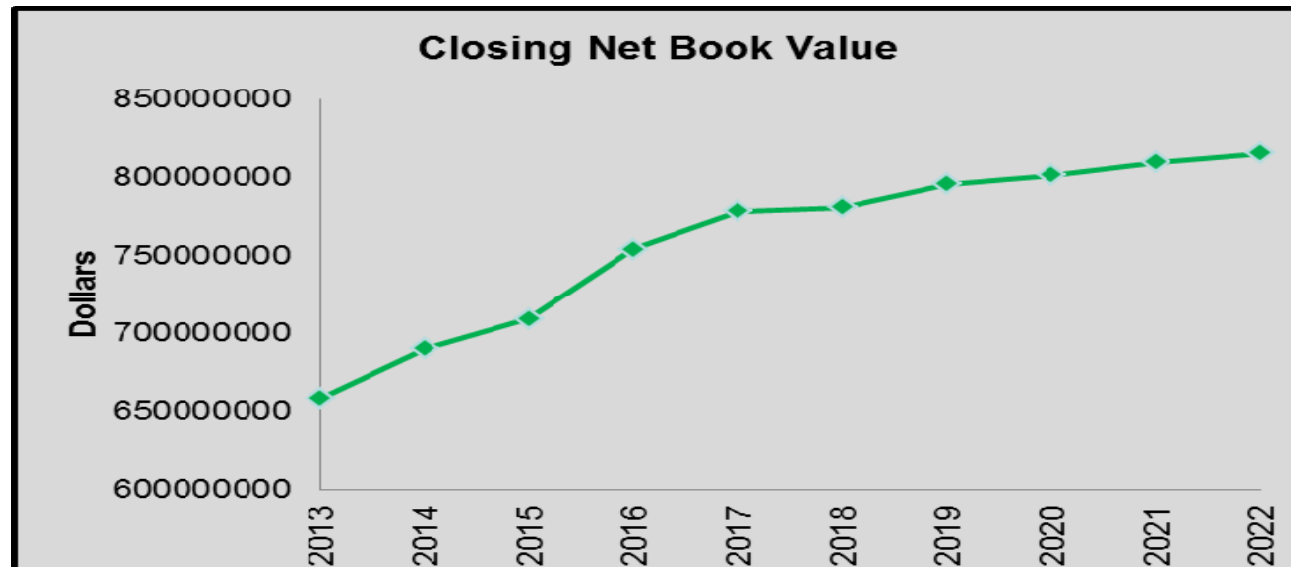
City of Hamilton - Water Infrastructure
Tangible Capital Assets Continuity Schedule

Year	Jan 1 NBV	Cost (Historical Cost)				Amortization					Closing NBV
		Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Annual Amortization	Amortization Disposal	Closing Amortization		
2013	595,057,884	844,668,427	84,030,200	2,471,003	926,227,624	249,610,543	21,040,132	2,471,005	268,179,671	658,047,953	
2014	658,047,953	926,227,624	51,380,200	2,103,094	975,504,730	268,179,671	19,291,446	2,103,094	285,368,023	690,136,707	
2015	690,136,707	975,504,730	39,320,200	800,632	1,014,024,298	285,368,023	20,012,905	800,632	304,580,296	709,444,002	
2016	709,444,002	1,014,024,298	65,549,730	2,218,967	1,077,355,060	304,580,296	20,809,544	2,218,967	323,170,873	754,184,188	
2017	754,184,188	1,077,355,060	45,989,730	1,307,409	1,122,037,381	323,170,873	21,632,875	1,307,409	343,496,339	778,541,042	
2018	778,541,042	1,122,037,381	24,479,730	872,611	1,145,644,500	343,496,339	22,040,285	872,611	364,664,013	780,980,486	
2019	780,980,486	1,145,644,500	36,974,830	621,338	1,181,997,992	364,664,013	22,321,996	621,338	386,364,672	795,633,319	
2020	795,633,319	1,181,997,992	28,534,830	594,813	1,209,938,009	386,364,672	22,592,215	594,813	408,362,075	801,575,934	
2021	801,575,934	1,209,938,009	30,914,830	646,357	1,240,206,481	408,362,075	22,856,786	646,357	430,572,503	809,633,978	
2022	809,633,978	1,240,206,481	28,924,830	628,166	1,268,503,145	430,572,503	23,111,123	628,166	453,055,460	815,447,685	

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3. Results – Financial Statements

WATER – Statement of Financial Position

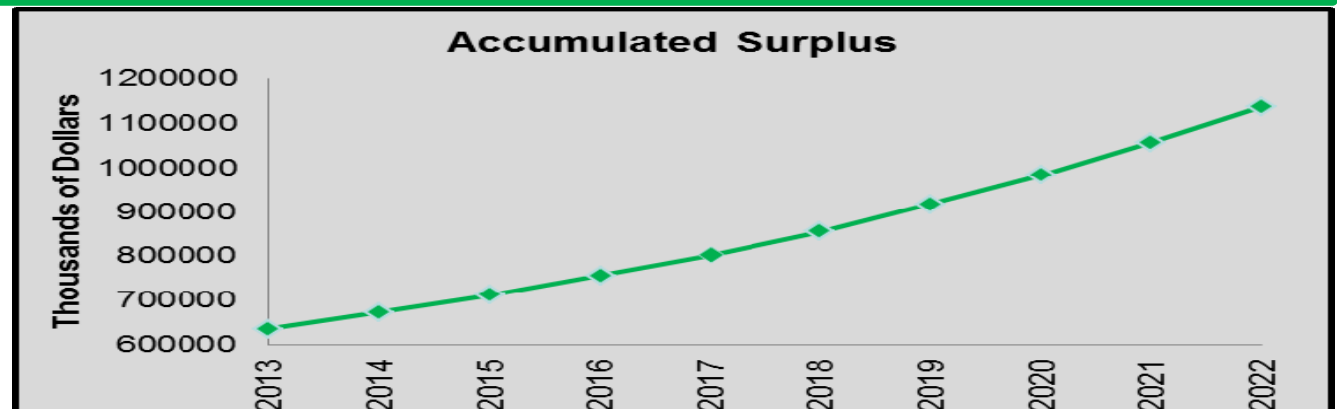
City of Hamilton - Water Infrastructure
Statement of Financial Position
As at December 31 (in thousands of dollars)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Financial Assets										
Cash	38,003	98,499	147,489	181,469	218,119	251,913	300,529	348,901	402,342	462,572
Accounts Receivable	26,279	27,777	29,363	31,043	32,822	34,705	36,700	38,813	41,051	43,422
Investments	35,618	37,648	39,797	42,073	44,484	47,036	49,740	52,604	55,637	58,850
Total	99,900	163,924	216,649	254,585	295,425	333,654	386,969	440,318	499,030	564,844
Liabilities										
Accounts payable & accrued liabilities	6,905	7,299	7,716	8,157	8,625	9,120	9,644	10,199	10,787	11,410
Deferred revenue - general	782	827	874	924	977	1,033	1,092	1,155	1,222	1,293
Deferred revenue - obligatory reserve funds	34,639	40,825	46,123	50,092	52,974	55,507	57,616	59,229	60,674	61,957
Long term debt	101,133	147,617	187,724	212,776	216,326	207,645	207,723	198,962	189,282	178,776
Post employment benefits	4,063	4,295	4,540	4,800	5,075	5,366	5,674	6,001	6,347	6,714
Total	147,522	200,863	246,977	276,749	283,977	278,671	281,749	275,546	268,312	260,150
Net Financial Assets (Liabilities)	-47,622	-36,939	-30,328	-22,164	11,448	54,983	105,220	164,772	230,718	304,694
Non Financial Assets										
Tangible Capital Assets	658,048	690,137	709,444	754,184	778,541	780,980	795,633	801,576	809,634	815,448
Tangible Capital Assets Under Construction	25,690	19,660	32,775	22,995	12,240	18,487	14,267	15,457	14,462	14,462
Inventory	815	861	910	962	1,017	1,075	1,137	1,202	1,271	1,344
Prepaid Expenses	447	472	499	528	558	590	624	660	698	738
Total	685,000	711,130	743,628	778,669	792,356	801,132	811,661	818,895	826,065	831,992
Accumulated Surplus	637,378	674,191	713,300	756,505	803,804	856,115	916,881	983,667	1,056,783	1,136,686

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4. Key Messages



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Water Infrastructure Financial Plan Statement Observations

Over the next 10 years, financial data for the water system reflects a financially viable state.

Suitable resources are being allocated to the system over this time period based on the planned capital expenditures and the cost to operate the system.



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4. Key Messages

Regulatory requirements (per Reg. 453/07)

- a) The Water Financial Plan is due to the Provincial Ministry of Municipal Affairs early in 2014, upon approval by Council.
- b) The province requires Council approval of the Water Financial Plan by a resolution that indicates the drinking water system is financially viable.
- c) Financial Plan information developed meets the minimum 6 year forecast requirement.
- d) Water Financial Plan must be made available to the public, including a copy on the municipal website.
- e) The Water Infrastructure Financial Plan supports the City of Hamilton license for Drinking Water Systems.



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Questions ?