

FINAL REPORT

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MUNICIPALITY OF TWEED WATER FINANCIAL PLAN

March 2021

Water Financial Plan Number: 168-301A



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1. INTRODUCTION

The Municipality of Tweed provides potable water to its customers through its extensive water distribution network. The drinking water is sourced from two groundwater wells and treated at the Municipality's Water Treatment Facility that was constructed in 1999. The Municipality's fee structure for water service includes a minimum charge with an additional consumption charge levied for each cubic meter of water consumed over the base consumption for three months. The minimum charge and base consumption are determined based on the size of the meter or the number of customers per water meter. The Municipality recovers its costs through user fees charged to its customers on the basis of a full cost recovery system.

The Municipality's Drinking Water Licence is set to expire in 2021 and needs to be updated for renewal. It should be noted that this exercise has not been undertaken to calculate/determine the utility rates over the long-term. Annual budgeting exercises to determine the in-year utility rates required to fund expenditures will supersede any revenue forecasts outlined in this document.

The purpose of this document is to present a water financial plan for the Municipality of Tweed that is prepared consistent with the requirements of the *Safe Drinking Water Act, 2002* (the SDWA) and its associated regulation, *Ontario Regulation 453/07*. The water financial plan prepared is part of the process required for the Municipality to renew its municipal drinking water license under the SDWA. The preparation of a financial plan requires a thorough analysis of operating and capital needs, as well as consideration of available funding sources.

The financial plan includes specific statements such as: statement of operations, statement of financial position, and statement of cash flow. In addition, a statement of net financial assets/debt has been prepared. Although this statement is not required under O. Reg. 453/07, it does provide further information about the financial performance of the Municipality's water system. Section two of the report explains each statement in greater detail.

The financial plan is prepared for a 10-year forecast period from 2021-2031 with 2021 being the base year. For the purpose of this report, 2021 will be used as the reference year for the report, although the first year of the plan is considered to be 2021 representing the year in which the licence is set to expire.

2. BACKGROUND

In 2015, the Municipality of Tweed approved a Water Financial Plan prepared as one of the submission requirements necessary in renewing their municipal drinking water licence under the *Safe Drinking Water Act, 2002* (SDWA). The Municipality is now required to update the Financial Plan to again renew its drinking water license.

Financial Plans are defined in section 30(1) of the SDWA as follows: Financial plans that satisfy the requirements prescribed by the Minister, in any other case, 2002, c. 32, s. 30(1).

At this time, the *Sustainable Water and Sewage Systems Act, 2002* has been repealed, however, the standards identified underpin the specific requirements of s. 30 outlined in O. Reg. 453/07.

The SDWA and O. Reg. 453/07 include the following general requirements for a financial plan:

- Mandatory for all municipal water systems and recommended for wastewater systems;
- Includes a planning horizon of at least six years (commencing when the system first serves the public, for new systems);
- Must be completed and approved by the later of July 1, 2010 and the date that is six months after the first licence is issued;
- May be amended and additional information may be included beyond what is prescribed, as necessary; and
- Must be approved by Council resolution indicating that the drinking water system is financially viable.

The Municipality is now required to update the Financial Plan to renew its drinking water licence. The Financial Plan requirement for a licence renewal generally mirrors the requirements to obtain a licence for a new system under the SDWA. In accordance with the regulation, this Financial Plan will apply to the first year to which the drinking water system's existing municipal drinking water licence would expire (in 2021).

In addition to the above noted general requirements, the following specific statements are required in the financial plan:

Statement of Operations

This statement includes details on the projected financial operations itemized by total revenues, total expenses, annual surplus/deficit, and the cumulative surplus/deficit for each year in which the financial plan applies. An annual surplus represents funds available to the Municipality to fund non-operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve and reserve funds. The Statement of Operations is discussed in more detail later in this report, and is included as Table 1.

Statement of Financial Position

This statement includes details on the financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets. In recording the tangible capital assets the Municipality is able to account for its ability to provide for future benefits. A net financial asset position on this statement indicates whether the water system has the financial resources necessary to fund its future operations. The Statement of Financial Position is discussed in more detail later in this report, and is included as Table 2.

Statement of Cash Flow

This statement provides information on the generation and use of cash resources. The gross cash receipts/payments are itemized by: operating; capital; investing and financial transactions. Itemizing the cash receipts and payments by category allows the reader to understand where the cash is being generated (e.g. water rates), and how the cash is being used (e.g. capital and operating expenses).

Statement of Net Financial Assets/Debt

Although this statement is not required under O. Reg. 453/07, it does provide further information about the financial performance of the Municipality's water systems. The Statement of Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital asset costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

The remainder of this study sets out the information and analysis upon which the statements were prepared.

Section III includes a discussion on the key inputs and documents used to develop the financial plan consistent with the governing legislation.

Section IV includes the Statement of Operations, Statement of Financial Position, Statement of Cash Flows, and Statement of Change in Net Financial Assets/Debt that form the Financial Plan for Water Services.

Section V includes the Notes and Assumptions to the Financial Plan.

3. KEY INPUTS

This chapter discusses the key inputs and documents used to develop the financial plan consistent with the governing legislation. The costs, revenues and assumptions used in preparing the financial projections are based on the Municipality's data such as the 2021 operating budget and 10-year capital plan, 2019 Water Asset Study, year-end reserve continuity schedules and other relevant information provided by staff. The five key financial inputs discussed below drive the prescribed statements outlined in Section II and are described in more detail in Section IV of this report.

I. EXPENDITURE AND REVENUE FORECAST

The expenditure and revenue forecast is based upon the information obtained from the Municipality's 2021 operating budget and the 10-year capital plan. This forecast includes a forecast of operating expenditures and revenues to 2031 with the provision for annual contributions to reserves for the purpose of asset repair and replacement. The Municipality recovers most of its costs through user fees charged to its customers that include a quarterly fixed fee, with an additional consumption charge for each cubic metre of water consumed, and differentiated into two consumption blocks.

Some main assumptions used to derive the operating and revenue projections are as follows:

Expenditures will increase annually as follows:

- Salaries & Benefits and Training – 0.5% per annum;
- OCWA – 3.0% per annum;
- Other Expenditures – 2.0%;
- Hydro & Utilities – 5.0% per annum.
- Other Water revenues will increase at 2.0% per annum;
- The water rate related revenues from the existing base is proposed to increase at a rate of 1.5% per annum. The rate increases implemented will be subject to annual budget reviews.

It should be noted that new additional revenues will be generated from new growth as a result the 3rd Lagoon Cell, which will come online mid-2022.

II. CAPITAL EXPENDITURES

The Municipality's capital budget forecast was used in preparing the financial plan. The plan identifies the cumulative cost for all in-year capital projects over the planning period and identifies the annual funding sources as outlined by Municipality staff and Council.

III. RESERVE FUND STATEMENTS

Water Reserves

The 2020 Water Reserve Fund opening balance was provided by municipal staff. The Water Reserve Fund is used to fund non-growth related capital projects as well as the repair and replacement of water assets. Additionally, these funds can be used to address revenue shortfalls that can arise from fluctuating annual water consumption (i.e. less water is billed during wet summers).

IV. DEBT REPAYMENT

The Municipality of Tweed has no existing debt on the water system and no debt is anticipated to be incurred over the planning period. That said, the Municipality's debenture requirements should be assessed at the time of the capital expenditure is incurred to determine whether debt will be required.

V. TANGIBLE CAPITAL ASSET ANALYSIS (TCA)

The Municipality's internal TCA data was used to develop financial information related to the water systems assets. The statements included are not audited documents and contain estimates and assumptions as described below.

The following assumptions were made in regard to tangible capital assets:

- The amortization of assets is based on straight line depreciation;
- The useful life of each asset, as included in the Municipality's asset register, was included in the calculation of amortization;
- It is assumed that no write-offs occurred in any of the years;
- It is assumed that there were no gains or losses on the disposal of assets (assets were disposed when they had reached the end of their useful life and therefore the historic cost is equal to accumulated depreciation); and
- Contributed assets were unknown and therefore not included in the forecast.

A summary of the tangible capital asset balances for the Municipality's water system is as follows:

Municipality of Tweed TCA Analysis

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Opening Tangible Capital Assets	\$3,514	\$3,515	\$3,538	\$3,741	\$3,948	\$4,160	\$4,376	\$4,556	\$4,739	\$4,975	\$5,247	\$5,596
Plus: Acquisitions - Repair/Replacement	\$0	\$22	\$203	\$207	\$212	\$216	\$180	\$184	\$236	\$272	\$349	\$295
Less: Disposals	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Tangible Capital Assets	\$3,515	\$3,538	\$3,741	\$3,948	\$4,160	\$4,376	\$4,556	\$4,739	\$4,975	\$5,247	\$5,596	\$5,890
Opening Accumulated Amortization	\$2,050	\$2,068	\$2,196	\$2,318	\$2,440	\$2,551	\$2,663	\$2,774	\$2,886	\$2,975	\$3,065	\$3,154
Plus: Amortization Expense	\$118	\$127	\$122	\$122	\$112	\$112	\$112	\$112	\$89	\$89	\$89	\$89
Less: Amortization of Disposals	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Accumulated Amortization	\$2,169	\$2,196	\$2,318	\$2,440	\$2,551	\$2,663	\$2,774	\$2,886	\$2,975	\$3,065	\$3,154	\$3,243
Net Book Value	\$1,347	\$1,342	\$1,423	\$1,509	\$1,609	\$1,713	\$1,781	\$1,853	\$2,000	\$2,182	\$2,442	\$2,648

Note: The net book value is estimated based on the water component share of infrastructure. All values are unaudited figures.

4. WATER FINANCIAL PLAN

This section summarizes the complete financial plan for the Municipality of Tweed's water system, which represents a forecast or projection of the Municipality's future financial position. The statements included in this study are not audited documents and contain estimates and assumptions as described in Section V of this report.

A. STATEMENT OF OPERATIONS – TABLE 1

The Statement of Operations provides information on the revenues and expenses generated from the water system in each year. An annual surplus will be generated where annual revenues exceed annual expenses for the year. Conversely, where the expenses exceed the revenues, an annual deficit will result. The annual surplus is available to fund non-operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve funds.

In 2021, the projected revenue is \$433,000 with expenditures of \$434,000. As expenses exceed revenues, an annual deficit is projected of approximately \$1,000. The beginning period accumulated surplus of \$1.99 million is equal to the opening reserve fund balances, plus tangible capital assets, and less any debt obligations and deferred revenue. A reconciliation of this amount can be found in Table 5. The Municipality's forecasted Statement of Operations indicates an annual surplus in each of the years projected, with the accumulated surplus growing by approximately \$580,700. This supports the Municipality's need to grow its reserve funds to pay for the repair and replacement of the Municipality's capital assets.

B. STATEMENT OF FINANCIAL POSITION – TABLE 2

The Statement of Financial Position provides information on the assets and liabilities of the Municipality's water system. Net Financial Assets/(Debt) is the difference between assets and liabilities. A position of net financial assets occurs when assets are greater than liabilities. Conversely, net financial debt occurs when liabilities exceed their assets. A net financial assets position implies that the system has the financial resources required to fund its future operations. A net financial debt position indicates that future revenues will be required to pay for past transactions.

Table 1
Municipality of Tweed
Statement of Operations
in \$000's

	Budget	Forecast									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues											
<i>Water Sales</i>											
Metered	\$432	\$444	\$462	\$481	\$497	\$514	\$527	\$541	\$554	\$568	\$582
Other	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
<i>Total Revenue</i>	\$433	\$445	\$463	\$481	\$498	\$515	\$528	\$541	\$555	\$568	\$582
Expenditures											
Amortization Expense	\$127	\$122	\$122	\$112	\$112	\$112	\$112	\$89	\$89	\$89	\$89
Operating Expense	\$307	\$315	\$323	\$331	\$340	\$349	\$358	\$368	\$378	\$388	\$398
<i>Total Expenditures</i>	\$434	\$437	\$444	\$443	\$451	\$460	\$470	\$457	\$467	\$477	\$487
Annual Surplus/(Deficit)	(\$1)	\$8	\$18	\$38	\$46	\$54	\$58	\$84	\$88	\$92	\$95
Annual Surplus/(Deficit)	(\$1)	\$8	\$18	\$38	\$46	\$54	\$58	\$84	\$88	\$92	\$95
Accumulated Surplus, Beginning of Period	\$1,995	\$1,993	\$2,001	\$2,019	\$2,058	\$2,104	\$2,159	\$2,217	\$2,301	\$2,389	\$2,480
Accumulated Surplus, End of Period	\$1,993	\$2,001	\$2,019	\$2,058	\$2,104	\$2,159	\$2,217	\$2,301	\$2,389	\$2,480	\$2,576

Table 2
Municipality of Tweed
Statement of Financial Position
in \$000's

	Budget	Forecast									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Financial Assets											
Cash	\$651	\$578	\$511	\$449	\$391	\$377	\$364	\$301	\$207	\$39	(\$72)
Total Assets	\$651	\$578	\$511	\$449	\$391	\$377	\$364	\$301	\$207	\$39	(\$72)
Liabilities											
Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Financial Assets/(Debt)	\$651	\$578	\$511	\$449	\$391	\$377	\$364	\$301	\$207	\$39	(\$72)
Non-Financial Assets											
Tangible Capital Assets	\$1,342	\$1,423	\$1,509	\$1,609	\$1,713	\$1,781	\$1,853	\$2,000	\$2,182	\$2,442	\$2,648
Accumulated Surplus/(Deficit)	\$1,993	\$2,001	\$2,019	\$2,058	\$2,104	\$2,159	\$2,217	\$2,301	\$2,389	\$2,480	\$2,576

In 2021, there are no liabilities and financial assets are approximately \$651,000. Overall, the Municipality maintains a net financial asset position throughout most years of the forecast with the exception of 2031. The net financial debt position is a result of the decreasing cash position as the Municipality expends funds to carry-out the fairly extensive capital asset repair and replacement program.

The Statement of Financial Position also provides information on the Municipality's tangible capital assets. The reporting of tangible capital assets is a requirement under PS3150 of the Public Sector Accounting Board. Prior to 2009, the costs to acquire or construct capital assets were expensed in the year in which they occur. As of 2009, municipalities are required to capitalize their assets and account for their ability to provide future benefits. An increase in the tangible capital asset balance suggests that new assets have been acquired, and a decrease in the balance indicates the disposal, write down or use of assets. The Municipality's tangible capital assets are valued at \$1.34 million in 2021 and are anticipated to grow to \$2.65 million by the end of the period.

C. STATEMENT OF CASH FLOW – TABLE 3

The Statement of Cash Flow provides information on the generation and use of cash resources in the following categories: operating; capital; investments; and financing activities. The statement describes how the cash from operations (\$126,000) will be used to support the 2021 capital transactions (\$22,000). The difference between the total cash generated and cash used results in an increase or decrease in cash and cash equivalents. The beginning of period cash and cash equivalents is equal to the water reserve funds on hand at the start of the period.

In 2021, the Municipality will see a \$104,000 increase in cash equivalents, however, the Municipality will see a decrease in cash equivalents over the planning period until 2031. The Municipality's cash position will decrease from \$651,000 in 2021 to negative \$72,000 in 2031, resulting from the Municipality carrying out the non-growth related capital program. Please note, the Municipality may require debt financing to carry-out the capital program if funds on hand are insufficient.

D. STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/DEBT – TABLE 4

The Statement of Change in Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital asset costs. The statement also reconciles the difference between the annual surplus/deficit and the

change in net financial assets/debt for the period. The statement outlines that the deficit of \$1,000 and amortization (\$127,000) exceeds the forecasted capital expenditures of \$22,000, resulting in an increase in net financial assets for the year. Net financial assets remain negative throughout the years as the capital asset repair and replacement requirements outweigh the annual surplus plus the annual amortization of existing assets.

Table 3
Municipality of Tweed
Statement of Cash Flow
In \$000's

	Budget	Forecast									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Transactions											
Annual Surplus/(Deficit)	(\$1)	\$8	\$18	\$38	\$46	\$54	\$58	\$84	\$88	\$92	\$95
Add: Amortization of TCA's	\$127	\$122	\$122	\$112	\$112	\$112	\$112	\$89	\$89	\$89	\$89
Less: Interest Proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Provided by Operating :	\$126	\$130	\$140	\$150	\$158	\$166	\$170	\$174	\$177	\$181	\$184
Capital Transactions											
Proceeds on Sale of Tangible Capital Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Cash Used to Acquire Tangible Capital Assets	(\$22)	(\$203)	(\$207)	(\$212)	(\$216)	(\$180)	(\$184)	(\$236)	(\$272)	(\$349)	(\$295)
Cash Applied to Capital	(\$22)	(\$203)	(\$207)	(\$212)	(\$216)	(\$180)	(\$184)	(\$236)	(\$272)	(\$349)	(\$295)
Investing Transactions											
Proceeds from Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Cash Used to Acquire Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Provided by Investing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing Transactions											
Proceeds from Debt Issues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Debt Repayment (principal only)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Applied to Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increase/(Decrease) in Cash and Cash Equivalents	\$104	(\$73)	(\$67)	(\$62)	(\$58)	(\$14)	(\$14)	(\$62)	(\$94)	(\$168)	(\$111)
Cash and Cash Equivalents											
Beginning of Period	\$548	\$651	\$578	\$511	\$449	\$391	\$377	\$364	\$301	\$207	\$39
Increase/(Decrease)	\$104	(\$73)	(\$67)	(\$62)	(\$58)	(\$14)	(\$14)	(\$62)	(\$94)	(\$168)	(\$111)
End of Period	\$651	\$578	\$511	\$449	\$391	\$377	\$364	\$301	\$207	\$39	(\$72)

Table 4
Municipality of Tweed
Statement of Change in Net Financial Assets/(Debt)
in \$000's

	Budget	Forecast									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Annual Surplus/(Deficit)	(\$1)	\$8	\$18	\$38	\$46	\$54	\$58	\$84	\$88	\$92	\$95
Add: Amortization of Tangible Capital Assets	\$127	\$122	\$122	\$112	\$112	\$112	\$112	\$89	\$89	\$89	\$89
Less: Acquisition of Tangible Capital Assets	(\$22)	(\$203)	(\$207)	(\$212)	(\$216)	(\$180)	(\$184)	(\$236)	(\$272)	(\$349)	(\$295)
<i>Change in Net Financial Assets/(Debt)</i>	\$104	(\$73)	(\$67)	(\$62)	(\$58)	(\$14)	(\$14)	(\$62)	(\$94)	(\$168)	(\$111)
<i>Net Financial Assets/(Debt)</i>											
Beginning of Period	\$548	\$651	\$578	\$511	\$449	\$391	\$377	\$364	\$301	\$207	\$39
Increase/(Decrease)	\$104	(\$73)	(\$67)	(\$62)	(\$58)	(\$14)	(\$14)	(\$62)	(\$94)	(\$168)	(\$111)
End of Period	\$651	\$578	\$511	\$449	\$391	\$377	\$364	\$301	\$207	\$39	(\$72)

5. NOTES AND ASSUMPTIONS TO FINANCIAL PLAN

Section 3(2) of O. Reg. 453/07 states that the information is required only if the information is known to the owner at the time the financial plan is prepared. The assumptions used in preparing the financial plan are noted below.

I. CASH

The beginning of period Cash and Cash equivalents contained in the Statement of Cash Flows is the total of the opening balance of reserve funds. The opening balances were unaudited at the time the Financial Plan was prepared and may change.

II. RECEIVABLES AND PAYABLES

It is assumed that the water receivables and payables are not significant and therefore have not been identified.

III. DEBT

The Municipality of Tweed has no existing debt on the water system and no debt is anticipated to be incurred over the planning period. However, the Municipality's debenture requirements will be assessed at the time of the capital expenditure is incurred and subject to Council decision.

IV. DEFERRED REVENUE

Deferred revenue represents the development charge reserve fund balance. For financial reporting purposes, development charges are deemed a liability until they are used to acquire or construct the infrastructure for which they were collected. The Municipality does not levy development charges and therefore no deferred revenues.

V. ACCUMULATED SURPLUS

The accumulated surplus for all years in the forecast period is contained in Table 5.

Table 5
Municipality of Tweed
Reconciliation of Accumulated Surplus
in \$000's

	Budget	Forecast									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Accumulated Surplus consists of:											
Opening Reserve Balance											
<i>Development Charges</i>	\$0										
<i>Water Reserve</i>	\$548										
Total Reserve Balance	\$548										
<i>Less: Debt Obligations and Deferred Revenue</i>	\$0										
<i>Add: Tangible Capital Assets</i>	\$1,447										
Total Opening Balance	\$1,995	\$1,993	\$2,001	\$2,019	\$2,058	\$2,104	\$2,159	\$2,217	\$2,301	\$2,389	\$2,480
<i>Add: Contributions to/(from) Reserves (excl DC)</i>											
<i>Water Reserve</i>	\$104	(\$73)	(\$67)	(\$62)	(\$58)	(\$14)	(\$14)	(\$62)	(\$94)	(\$168)	(\$111)
Total Change in Reserve	\$104	(\$73)	(\$67)	(\$62)	(\$58)	(\$14)	(\$14)	(\$62)	(\$94)	(\$168)	(\$111)
<i>Add: Changes in TCA during the year</i>											
<i>Capital Assets Acquired/(Disposed)</i>	\$22	\$203	\$207	\$212	\$216	\$180	\$184	\$236	\$272	\$349	\$295
<i>Amortization of Capital Assets</i>	(\$127)	(\$122)	(\$122)	(\$112)	(\$112)	(\$112)	(\$112)	(\$89)	(\$89)	(\$89)	(\$89)
Total Changes in Tangible Capital Assets	(\$105)	\$81	\$86	\$100	\$104	\$68	\$72	\$147	\$182	\$260	\$206
Subtract Changes in Debt Position											
<i>New Debt</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Debt Repayment</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Change in Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ending Balance	\$1,993	\$2,001	\$2,019	\$2,058	\$2,104	\$2,159	\$2,217	\$2,301	\$2,389	\$2,480	\$2,576

VI. LEAD PIPES

Ontario Regulation 453/07 regulation contains a requirement for municipalities to include in the Financial Plan the cost associated with replacing lead pipes that are part of the drinking water system. The Municipality currently does not have to replace any lead pipes and does not expect to replace any in the future. Therefore, no provision for lead pipe replacement is required for this plan.

6. OVERVIEW OF RESULTS

The main purpose of this report is intended to illustrate the financial viability of the water system over a 10-year planning period to 2031. The financial plan contained in this document outlines that the Municipality's drinking water systems are financially viable, although, some important items should be considered.

- In developing this Water Financial Plan, the Municipality recognizes that this is a living document and it is expected to be reviewed again if a more fulsome utility rate analysis is prepared.
- In addition to annual operating, maintenance and debt servicing costs, water infrastructure will require periodic rehabilitation and eventual replacement. When assets require rehabilitation or are due for replacement, the source of funds are essentially limited to reserves or contributions from operating. In maintaining a user-pay approach, it is important for the Municipality to continue to build sufficient reserves for the scheduled replacement of infrastructure through contributions from operating. As the Municipality's water infrastructure ages, maintaining assets in a state of good repair will ensure these assets continue to maintain service levels and the services are operated in accordance with Provincial legislation that guarantees safety, quality and reliability. The contribution requirements are intended to be informed through the Municipality's Asset Management Plan which will continue to be refined over the coming years.
- Based on the results of the water asset needs analysis, the Municipality does expect to experience significant non-growth-related capital pressures over the next several years. This means that these projects will require careful monitoring to continue to ensure financial sustainability.
 - The non-growth related capital expenditures over the forecast period equate to over \$2.38 million, which would need to be funded from utility rates. The statements in this plan, which would illustrate decrease in cash and cash equivalents and net deficit positions in some intervening years can be attributed to the funding of this infrastructure. Although, this financial plan looks at the immediate future in which the costs are being absorbed, some of these projects may need be deferred over a longer-term to mitigate any immediate financial pressures. As a result, the Municipality should continue to exercise caution in planning for these projects to ensure the projects can properly be funded from the water utility system without support from other reserves to interim fund

operations. In addition, the Municipality can also utilize debenture financing to carry-out any immediate capital requirements, however, the use of debt will be assessed at the time of the capital expenditure is incurred and subject to Council decision.

- Also of note, The Municipality is expecting to see new units come online in mid-2022 following completion of the 3rd lagoon cell, which will increase capacity of the wastewater system. This additional growth will help offset the cost of the repair and replacement activities anticipated and a share of those revenues have been assumed in this analysis.

It is fiscally prudent the Municipality continue to monitor their water operations to compare the accuracy of the financial projections with the actual results, as this will lead to improved planning in the future.

APPENDIX A

SUPPORTING TABLES

Appendix A - Table 1
Municipality of Tweed
Operating Budget Forecast
in \$000's

	BUDGET	FORECAST									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Expenditures											
Operating Costs											
OCWA	\$190	\$196	\$202	\$208	\$214	\$220	\$227	\$234	\$241	\$248	\$255
Salaries & Wages	\$65	\$65	\$66	\$66	\$66	\$67	\$67	\$67	\$68	\$68	\$68
Other Operating	\$52	\$54	\$56	\$58	\$60	\$62	\$64	\$67	\$69	\$72	\$75
	\$307	\$315	\$323	\$331	\$340	\$349	\$358	\$368	\$378	\$388	\$398
Capital Related Costs											
Capital Costs	\$22	\$203	\$207	\$212	\$216	\$180	\$184	\$236	\$272	\$349	\$295
Capital Related Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$22	\$203	\$207	\$212	\$216	\$180	\$184	\$236	\$272	\$349	\$295
Reserve Contribution											
Contributions to/(from) Water Reserves	\$104	\$60	\$136	\$88	\$175	\$141	\$145	\$148	\$151	\$154	\$157
Contributions to/(from) Water Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$104	\$60	\$136	\$88	\$175	\$141	\$145	\$148	\$151	\$154	\$157
Total Expenditures	\$433	\$578	\$666	\$631	\$731	\$670	\$686	\$752	\$800	\$891	\$850
Revenues											
Water Billing Revenue	\$432	\$444	\$462	\$481	\$497	\$514	\$527	\$541	\$554	\$568	\$582
Other Non-Rate Revenue	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
Transfer from Reserve for Capital	\$0	\$133	\$203	\$149	\$233	\$155	\$159	\$210	\$246	\$322	\$268
	\$433	\$578	\$666	\$631	\$731	\$670	\$686	\$752	\$800	\$891	\$850

Appendix A - Table 2
Municipality of Tweed
Capital Budget Forecast
in \$000's

	BUDGET	FORECAST									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital Program											
Growth Related	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-Growth Related	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Repair and Replacement	\$22	\$203	\$207	\$212	\$216	\$180	\$184	\$236	\$272	\$349	\$295
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$22	\$203	\$207	\$212	\$216	\$180	\$184	\$236	\$272	\$349	\$295
Funding Sources											
Reserve Fund	\$22	\$203	\$207	\$212	\$216	\$180	\$184	\$236	\$272	\$349	\$295
Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Funding	\$22	\$203	\$207	\$212	\$216	\$180	\$184	\$236	\$272	\$349	\$295

Appendix A - Table 3
Municipality of Tweed
Reserve and Reserve Fund Continuity
in \$000's

	BUDGET	FORECAST									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water Reserves											
Opening Balance	\$548	\$651	\$578	\$511	\$449	\$391	\$377	\$364	\$301	\$207	\$39
Transfer from Operating	\$104	\$60	\$136	\$88	\$175	\$141	\$145	\$148	\$151	\$154	\$157
Transfer to Capital	\$0	(\$133)	(\$203)	(\$149)	(\$233)	(\$155)	(\$159)	(\$210)	(\$246)	(\$322)	(\$268)
Ending Balance	\$651	\$578	\$511	\$449	\$391	\$377	\$364	\$301	\$207	\$39	(\$72)
Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

	BUDGET	FORECAST									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water Reserve Fund - Village Infrastructure											
Opening Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer to/(from) Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Note: Reserves and Reserve Funds have historically been combined with sewer services. For the purposes of this plan, only the water reserve component is reflected.

Appendix A - Table 4
Municipality of Tweed
Non- Growth Related Debenture Schedule
in \$000's

	2021		2022		2023		2024		2025		2026		2027		2028		2029		2030		2031	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Existing Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0