

REPORT

PREPARED BY HEMSON FOR TOWN OF NEW TECUMSETH

TOWN OF NEW TECUMSETH WATER FINANCIAL PLAN

December 2020

Drinking Water Licence Number: 123-101

Drinking Water Licence Number: 123-102



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1. INTRODUCTION

The Town of New Tecumseth provides potable water to approximately 10,000 accounts through its Tottenham and Alliston water supply systems. The fee structure for water services in the Town includes a consumption charge for each cubic metre of water consumed. The Town recovers its costs through user fees charged to its customers on the basis of a full cost recovery system.

In 2016, Hemson completed a Water Financial Plan for the Town consistent with the requirements of the *Safe Drinking Water Act, 2002* (the SDWA) and its associated regulation *Ontario Regulation 453/07* (O. Reg. 453/07). The plan was prepared as part of a five submission requirement process for obtaining a municipal drinking water licence under the SDWA. The Town's Drinking Water Licence is set to expire in 2021 and is required to be updated, which therefore initiated this study process. 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 updated Water Financial Plan will be prepared consistent with the requirements of the *Safe Drinking Water Act* (the SDWA) and its associated regulation *Ontario Regulation 453/07*. The Water Financial Plan is part of the process required for the Town to renew its municipal drinking water licence 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 Town's water system. Section two of the report explains each statement in greater detail.

The financial plan is prepared for a six-year period from 2021-2026. For the purpose of this report, 2021 will be used as the reference year.

2. KEY CONSIDERATIONS AND RESULTS

In developing this Water Financial Plan, the Town recognizes that this is a living document and it is expected to be reviewed again if a more fulsome utility rate analysis is prepared. With this said, in reviewing the reporting requirements of this financial plan at this time, the Town continues to be financially sustainable as it relates to operational expenditures. However, the Town expects to experience significant capital pressures over the next few years that will require careful monitoring to continue to ensure financial sustainability. The following outlines a few important points for consideration:

- 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 Town to continue to build sufficient reserves for the scheduled replacement of infrastructure through contributions from operating. As the Town'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 Town is expecting to develop an asset management plan over the short-term to meet additional asset management regulatory requirements. It is expected that the plan will help inform what the level of capital reserve contributions should ideally be, and once complete will be used to update this financial plan.
- Over the past two-to-three years, the Town has experienced development trends lower than what has been realized in the Town preceding 2018. As a result, development charge revenues have correspondingly declined over the same period. Recognizing that development in the Town is not projected to continue at historical highs in the immediate future, debenture financing will be required to fund growth-related capital to facilitate new development. Furthermore, if development trends continue to decline beyond the immediate term, the Town will need to give consideration to additional debt to interim fund the projects until the development comes online or capital expenditures would be deferred. It should be recognized that undertaking debt for significant infrastructure is not without risks, therefore new debt should be considered carefully before undertaking such options and monitoring of debt levels should continue on a frequent basis.

- At the time of preparing this document, there are a series of projects, which are in the early planning stages of being considered by the Town. Although these projects have been identified by Town staff, they are not included in this financial plan as the information surrounding timing, viability and costs are undetermined. If these projects are required, it may put additional financial pressure on the Town to fund these works. Also, if these works are undertaken, this plan should be updated accordingly.
- Lastly, New Tecumseth water and wastewater rates are on the lower-end of the spectrum relative to other neighbouring communities in Simcoe County and many northern York Region communities. The Town will need to continue to closely monitor the utility rates to ensure the services are properly funded and the Town adequately plans for the future repair and replacement of the existing assets. Once the Town's asset management program is more fully developed (and inclusive of the growth-assets), adjustments to the rates may be required to advance the program.

Overview of Results:

The main purpose of this report is intended to illustrate the financial viability of the water system over a 6-year planning period to 2026. The financial plan contained in this document outlines that the Town's drinking water systems are financially viable, although, some important items should be considered.

- The Town generates sufficient revenues to fund system operation expenses, carry-out projected non-growth related capital improvements and the Town continues to build the water reserves over the long-term to carry out future asset repair and replacement activities.
- The growth-related infrastructure needs of the Town is quite substantial and the ability to emplace this infrastructure to facilitate new development could be financially challenging. The growth-related capital expenditures over the forecast 6-year period equate to over \$110 million which would need to be funded from development charges. The funds required to facilitate this program is not readily available and these costs will be funded over the long-term through DCs. The statements in this plan which would illustrate decrease in cash and cash equivalents and net deficit positions can be attributed to the funding of this growth-related infrastructure. Although, this financial plan looks at the immediate future in which the costs are being absorbed, the DC revenues would be received over the long-term and extend well beyond the 6-year period to which this plan applies. As a result, the Town 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. If interim funding support is required, future Water DCs collected can be used to repay other non water-related reserve funds.

- It is important to note that the Town will be undertaking an update to the DC Study over the upcoming year, which will further adjust the quantum and timing of capital projects to correspond with the development outlook.
- It is fiscally prudent the Town 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.

3. BACKGROUND

In 2016, the Town of New Tecumseth approved the 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 Town 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;
- Must include a planning horizon of at least six years (commencing when the system first serves the public, for new systems);
- 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 Town 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. 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 Town 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 Town'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.

4. 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 Town's data such as the operating budget and capital budget, the 2018 Development Charges Background Study, year-end reserve continuity schedules, long-range financial plan and ongoing asset management plan. 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 Town's 2020 operating budgets and the approved capital budget and ten-year capital budget developed based on the Long-term Financial Plan and ongoing Asset Management Plan. This forecast includes a forecast of operating expenditures and revenues to 2026 with the provision for annual contributions to reserves for the purpose of asset repair and replacement. The Town recovers most of its costs through user fees charged to its customers that include a consumption charge for each cubic metre of water consumed. The forecast of expenditures and revenues is included as Appendix A - Table 1.

Operating and revenue projections assume the following increases in expenditures and non-rate revenues:

- Administration Expenses – 2.0% per annum;
- Cost of Service Delivery – 2.0% per annum;
- Annual Water Purchase - 3.5% per annum;
- Facility Expenses – 2.0% per annum;
- Professional Services – 2.0% per annum;
- Salaries and Benefits – 2.0% per annum;
- Non-metered water revenues will increase at 2.0% per annum;
- Annual metered water billings are projected to increase at a rate of 4.0% per annum to 2024 and increase to 6% thereafter. It is assumed that as development increases, rate revenues would correspondingly increase.

The Town will need to monitor revenues very close over the coming years to ensure rates continue to fund the full cost of providing services. Importantly, annual budgeting exercises to determine the in-year utility rates required to fund expenditures will supersede any revenue forecasts outlined in this document.

Lastly. It is assumed that over the short-term no significant changes will occur to the billing structure for water supply to other municipalities. Costs associated with purchasing water from the Town of Collingwood is based on the 2020 budget and these costs have been adjusted at a rate of 3.5%. Negotiations between the Town of New Tecumseth and the Town of Collingwood regarding the supply of water to New Tecumseth from the Raymond A. Barker Water Filtration Plant continue to progress and at the time of writing this plan, these negotiations are still underway. Therefore, no significant modifications (or deviations) to the existing revenues received from the Town of New Tecumseth under the existing agreement have been incorporated into this plan. It is important that once the Town of New Tecumseth understands the total full cost of purchasing water services, in conjunction with the shared capital expansion costs associated with expanding the plant, the updated terms of the agreement can be integrated into the long-term rate analysis and subsequently reflected in the financial plan.

II. CAPITAL EXPENDITURES

The Town's capital budget forecast used in preparing the financial plan is outlined in Appendix A - Table 2. This table identifies the cumulative cost for all in-year capital projects over the planning period and identifies the annual funding sources as outlined by Town staff and Council.

III. RESERVE FUND STATEMENTS

Water Reserves

The 2020 Water Reserve Fund opening balance was provided by municipal staff and accounts for the cumulative water reserve funds available for the water system. The projected transfers to and from the Water Reserve Fund are outlined in Appendix A - Table 3.

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).

Development Charge Reserve Fund – Water Services

The Development Charge Reserve Fund is used to fund growth-related capital projects outlined in the Town's Development Charges Background Study. The timing and costs of each project is subject to change based on annual capital budget reviews. It is important to

note that the Town will be undertaking an update to the DC Study over the upcoming year, which will likely further adjust the quantum and timing of capital projects to correspond with the development outlook. Furthermore, the revenues identified in this plan are based on existing rates and the growth trends identified therein, which would also be amended with the completion of a new study.

IV. DEBT REPAYMENT

As of December 2020, the Town had outstanding water-related debt of \$3.0 million relating to the Parsons Road Reservoir. Council approved the repayment of this debt from the Town's DC water reserve fund. The Town is anticipated to require additional debt financing of \$94.9 million to carry out the growth-related capital program – the debt will be paid by development charges. A summary of existing debt and the resulting debt payment schedules to carry out the capital program is illustrated in Appendix A as Table 4.

V. TANGIBLE CAPITAL ASSET ANALYSIS (TCA)

The Town'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 Town'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);
- Contributed assets were unknown and therefore not included in the forecast; and

A summary of the tangible capital asset balances for the Town water system is outlined in the table below. As indicated in the TCA Summary table below, the Town should be cognizant that as net assets continue to grow as the Town acquires new infrastructure to facilitate development, these assets would need to be maintained, repaired and replaced over the long-term and the source of these funds needed are essentially limited to water rates. Development Charges would only be used to fund the initial capital acquisition costs.

Town of New Tecumseth TCA Analysis (000's)

(In \$000)	2020	2021	2022	2023	2024	2025	2026
Opening Tangible Capital Assets	\$59,874	\$72,910	\$104,690	\$124,876	\$143,993	\$171,144	\$177,187
Plus: Acquisitions - Repair/Replacement	\$572	\$610	\$2,134	\$1,495	\$457	\$1,492	\$475
Plus: Acquisitions - Growth Related	\$12,464	\$31,170	\$18,052	\$17,622	\$26,694	\$4,550	\$14,439
Less: Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Tangible Capital Assets	\$72,910	\$104,690	\$124,876	\$143,993	\$171,144	\$177,187	\$192,100
Opening Accumulated Amortization	\$19,171	\$20,210	\$21,391	\$22,900	\$24,562	\$26,307	\$28,186
Plus: Amortization Expense	\$1,040	\$1,181	\$1,508	\$1,663	\$1,745	\$1,878	\$1,914
Less: Amortization of Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Accumulated Amortization	\$20,210	\$21,391	\$22,900	\$24,562	\$26,307	\$28,186	\$30,100
Net Book Value	\$52,700	\$83,298	\$101,977	\$119,431	\$144,837	\$149,001	\$162,001

Note: Amounts are unaudited for planning purposes only. Actual results will differ from the above.

Source: 2020 Opening balance based on Town's 2019 FIR

5. WATER FINANCIAL PLAN

This section summarizes the complete financial plan for the Town of New Tecumseth's water system. The financial plan represents a forecast or projection of the Town'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 \$13.19 million with expenditures of \$7.40 million. As revenues exceed expenses, an annual surplus is projected of approximately \$5.79 million. It should be noted that the projected surplus is a result of including earned DC revenue to pay for identified in-year growth-related capital transactions into the calculations and does not represent available year-over-year cash surpluses on hand. The cash-flow statement (Table 3) and resulting cash and cash equivalents illustrates the cumulative funds available in reserve (rate reserve and DC Water reserve fund).

The beginning period accumulated surplus of \$41.70 million (in 2020) 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 Town's forecasted Statement of Operations indicates an annual surplus for the entire 6-year projection, with the accumulated surplus growing by approximately \$55.13 million. This supports the Town's need to grow its reserve funds to pay for the repair and replacement of capital assets.

B. STATEMENT OF FINANCIAL POSITION – TABLE 2

The Statement of Financial Position provides information on the assets and liabilities of the Town'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. The Town's water system has a net financial debt position throughout the planning period. In 2021, liabilities total \$48.05 million due to debt and deferred revenues, while financial assets are approximately \$15.07 million – this results in a debt position of \$32.97 million. This net debt position is related to the growth-related infrastructure needs of the Town being quite substantial and the ability to emplace this infrastructure to facilitate new development being financially challenging in the short-term.

Table 1
Town of New Tecumseth
Statement of Operations
in \$000's

	2020	2021	2022	2023	2024	2025	2026
Revenues							
<i>Water Sales</i>							
Metered	\$6,720	\$6,989	\$7,268	\$7,559	\$7,861	\$8,333	\$8,833
<i>Non-Rate Revenue</i>	\$565	\$576	\$588	\$600	\$612	\$624	\$636
<i>Earned DC Revenue ⁽¹⁾</i>	\$2,465	\$5,624	\$11,315	\$8,204	\$12,726	\$8,427	\$8,958
<i>Total Revenue</i>	<i>\$9,750</i>	<i>\$13,189</i>	<i>\$19,171</i>	<i>\$16,362</i>	<i>\$21,199</i>	<i>\$17,384</i>	<i>\$18,427</i>
Expenditures							
Amortization Expense	\$1,040	\$1,181	\$1,508	\$1,663	\$1,745	\$1,878	\$1,914
Interest on Debt Expense	\$123	\$326	\$567	\$558	\$540	\$2,033	\$1,979
Operating Expense	\$5,754	\$5,891	\$6,033	\$6,177	\$6,326	\$6,478	\$6,635
<i>Total Expenditures</i>	<i>\$6,916</i>	<i>\$7,398</i>	<i>\$8,108</i>	<i>\$8,398</i>	<i>\$8,611</i>	<i>\$10,389</i>	<i>\$10,528</i>
Annual Surplus/(Deficit) ⁽²⁾	\$2,834	\$5,791	\$11,063	\$7,965	\$12,588	\$6,994	\$7,899
Annual Surplus/(Deficit)	\$2,834	\$5,791	\$11,063	\$7,965	\$12,588	\$6,994	\$7,899
Accumulated Surplus, Beginning of Period	\$41,700	\$44,533	\$50,324	\$61,387	\$69,352	\$81,940	\$88,934
Accumulated Surplus, End of Period	\$44,533	\$50,324	\$61,387	\$69,352	\$81,940	\$88,934	\$96,834

Note 1: Indicates the amount of funds needed to support in-year growth related capital transactions.

Note 2: It should be noted that the projected surplus is a result of including earned DC revenue to pay for identified in-year growth-related capital transactions into the calculations and does not represent available year-over-year cash surpluses on hand. The cash-flow statement (Table 3) and resulting cash and cash equivalents illustrates the cumulative funds available in reserve (rate reserve and DC Water reserve fund).

Table 2
Town of New Tecumseth
Statement of Financial Position
in \$000's

	2020	2021	2022	2023	2024	2025	2026
Financial Assets							
Cash	\$15,414	\$15,074	\$7,568	\$4,243	(\$2,106)	(\$4,541)	(\$5,806)
Total Assets	\$15,414	\$15,074	\$7,568	\$4,243	(\$2,106)	(\$4,541)	(\$5,806)
Liabilities							
Debt	\$13,349	\$39,221	\$46,525	\$56,501	\$71,009	\$69,166	\$76,626
Deferred Revenue	\$10,231	\$8,828	\$1,632	(\$2,179)	(\$10,219)	(\$13,640)	(\$17,265)
Total Liabilities	\$23,580	\$48,049	\$48,157	\$54,322	\$60,790	\$55,526	\$59,361
Net Financial Assets/(Debt)	(\$8,166)	(\$32,974)	(\$40,589)	(\$50,079)	(\$62,896)	(\$60,066)	(\$65,167)
Non-Financial Assets							
Tangible Capital Assets	\$52,700	\$83,298	\$101,977	\$119,431	\$144,837	\$149,001	\$162,001
Accumulated Surplus/(Deficit)	\$44,533	\$50,324	\$61,387	\$69,352	\$81,940	\$88,934	\$96,834

The Statement of Financial Position also provides information on the Town'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 Town's tangible capital assets are valued at an estimated \$83.30 million in 2021 and are anticipated to grow to \$162.00 million by the end of the period in 2026.

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 (\$5.57 million) will be used to support the 2021 capital transactions (\$31.78 million). 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 Town will see a \$340,000 decrease in cash equivalents, mainly due to the timing of capital related expenditures. The Town's cash position will reach a negative position in 2024 of \$2.11 million and will maintain a negative balance until 2026. It should be noted that this negative reserve position is related to the growth-related infrastructure needs of the Town being quite substantial and the ability to emplace this infrastructure to facilitate new development being financially challenging in the short-term. Although, this financial plan looks at the immediate future in which the costs are being absorbed, the DC revenues would be received over the long-term and extend well beyond the 6-year period to which this plan applies. As a result, the Town 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. If interim funding support is required, future Water DCs collected can be used to repay other non water-related reserve funds. It is important to note that the Town will be undertaking an update to the DC Study over the upcoming year, which will further adjust the quantum and timing of capital projects to correspond with the development outlook.

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 surplus (\$5.79 million) and amortization (\$1.18 million) is less than the forecasted capital expenditures of \$31.78 million. The net financial assets remain negative for most years throughout the period.

Table 3
Town of New Tecumseth
Statement of Cash Flow
In \$000's

	2020	2021	2022	2023	2024	2025	2026
Operating Transactions							
Annual Surplus/(Deficit)	\$2,834	\$5,791	\$11,063	\$7,965	\$12,588	\$6,994	\$7,899
Add: Amortization of TCA's	\$1,040	\$1,181	\$1,508	\$1,663	\$1,745	\$1,878	\$1,914
Less: DC Revenue ⁽¹⁾	(\$2,465)	(\$5,624)	(\$11,315)	(\$8,204)	(\$12,726)	(\$8,427)	(\$8,958)
Add: Development Charge Proceeds ⁽²⁾	\$3,941	\$4,220	\$4,119	\$4,393	\$4,686	\$5,006	\$5,333
Cash Provided by Operating :	\$5,349	\$5,568	\$5,375	\$5,816	\$6,293	\$5,452	\$6,188
Capital Transactions							
Proceeds on Sale of Tangible Capital Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Cash Used to Acquire Tangible Capital Assets	(\$13,036)	(\$31,780)	(\$20,186)	(\$19,117)	(\$27,151)	(\$6,043)	(\$14,914)
Cash Applied to Capital	(\$13,036)	(\$31,780)	(\$20,186)	(\$19,117)	(\$27,151)	(\$6,043)	(\$14,914)
Investing Transactions							
Proceeds from Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Cash Used to Acquire Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Provided by Investing	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing Transactions							
Proceeds from Debt Issues	\$10,353	\$26,273	\$7,923	\$10,612	\$15,154	\$0	\$9,348
Less: Debt Repayment (principal only)	(\$231)	(\$401)	(\$619)	(\$636)	(\$646)	(\$1,844)	(\$1,888)
Cash Applied to Financing	\$10,122	\$25,872	\$7,304	\$9,976	\$14,508	(\$1,844)	\$7,460
Increase/(Decrease) in Cash and Cash Equivalents	\$2,435	(\$340)	(\$7,506)	(\$3,325)	(\$6,349)	(\$2,434)	(\$1,265)
Cash and Cash Equivalents							
Beginning of Period	\$12,979	\$15,414	\$15,074	\$7,568	\$4,243	(\$2,106)	(\$4,541)
Increase/(Decrease)	\$2,435	(\$340)	(\$7,506)	(\$3,325)	(\$6,349)	(\$2,434)	(\$1,265)
End of Period	\$15,414	\$15,074	\$7,568	\$4,243	(\$2,106)	(\$4,541)	(\$5,806)

Note 1: Indicates the amount of funds needed to support in-year growth related (e.g. development charge) capital transactions.

Note 2: Indicates the amount of funds generated annually from development charges (water component only)

Table 4
Town of New Tecumseth
Statement of Change in Net Financial Assets/(Debt)
in \$000's

	2020	2021	2022	2023	2024	2025	2026
Annual Surplus/(Deficit)	\$2,834	\$5,791	\$11,063	\$7,965	\$12,588	\$6,994	\$7,899
Amortization of Tangible Capital Assets	\$1,040	\$1,181	\$1,508	\$1,663	\$1,745	\$1,878	\$1,914
Less: Acquisition of Tangible Capital Assets	(\$13,036)	(\$31,780)	(\$20,186)	(\$19,117)	(\$27,151)	(\$6,043)	(\$14,914)
<i>Change in Net Financial Assets/(Debt)</i>	(\$9,163)	(\$24,808)	(\$7,615)	(\$9,489)	(\$12,818)	\$2,830	(\$5,100)
<i>Net Financial Assets/(Debt)</i>							
Beginning of Period	\$996	(\$8,166)	(\$32,974)	(\$40,589)	(\$50,079)	(\$62,896)	(\$60,066)
Increase/(Decrease)	(\$9,163)	(\$24,808)	(\$7,615)	(\$9,489)	(\$12,818)	\$2,830	(\$5,100)
End of Period	(\$8,166)	(\$32,974)	(\$40,589)	(\$50,079)	(\$62,896)	(\$60,066)	(\$65,167)

6. 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

Budgeted debt of \$3.00 million existed at the beginning of 2021. The annual financing costs associated with this debt have been incorporated into the analysis and will be funded through the water rates. Additional growth related debt is expected over the planning period to 2026. The Town is not anticipated to incur any non-growth related rate funded debt over the period to carry-out the water capital program.

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.

V. ACCUMULATED SURPLUS

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

Table 5
Town of New Tecumseth
Reconciliation of Accumulated Surplus
in \$000's

	2020	2021	2022	2023	2024	2025	2026
Accumulated Surplus consists of:							
Opening Reserve Balance							
<i>Development Charges</i>	\$8,756	\$10,231	\$8,828	\$1,632	(\$2,179)	(\$10,219)	(\$13,640)
<i>Water Reserves</i>	\$4,223	\$5,183	\$6,246	\$5,936	\$6,422	\$8,113	\$9,099
Total Reserve Balance	\$12,979	\$15,414	\$15,074	\$7,568	\$4,243	(\$2,106)	(\$4,541)
<i>Less: Debt Obligations and Deferred Revenue</i>	(\$11,983)						
<i>Add: Tangible Capital Assets</i>	\$40,704	\$52,700	\$83,298	\$101,977	\$119,431	\$144,837	\$149,001
Total Opening Balance	\$41,700	\$44,533	\$50,324	\$61,387	\$69,352	\$81,940	\$88,934
<i>Add: Contributions to/(from) Reserves (excl DC)</i>							
<i>Water Reserve</i>	\$960	\$1,064	(\$310)	\$486	\$1,691	\$986	\$2,360
Total Change in Reserve	\$960	\$1,064	(\$310)	\$486	\$1,691	\$986	\$2,360
<i>Add: Changes in TCA during the year</i>							
<i>Capital Assets Acquired/(Disposed)</i>	\$13,036	\$31,780	\$20,186	\$19,117	\$27,151	\$6,043	\$14,914
<i>Amortization of Capital Assets</i>	(\$1,040)	(\$1,181)	(\$1,508)	(\$1,663)	(\$1,745)	(\$1,878)	(\$1,914)
Total Changes in Tangible Capital Assets	\$11,996	\$30,599	\$18,678	\$17,454	\$25,406	\$4,164	\$13,000
Subtract Changes in Debt Position							
<i>New Debt</i>	(\$10,353)	(\$26,273)	(\$7,923)	(\$10,612)	(\$15,154)	\$0	(\$9,348)
<i>Debt Repayment (principal only)</i>	\$231	\$401	\$619	\$636	\$646	\$1,844	\$1,888
Total Change in Debt	(\$10,122)	(\$25,872)	(\$7,304)	(\$9,976)	(\$14,508)	\$1,844	(\$7,460)
Total Ending Balance	\$44,533	\$50,324	\$61,387	\$69,352	\$81,940	\$88,934	\$96,834

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 Town 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.

APPENDIX A

SUPPORTING TABLES

Appendix A - Table 1
Town of New Tecumseth
Operating Budget Forecast
in \$000's

	Budget	FORECAST					
	2020	2021	2022	2023	2024	2025	2026
Expenditures							
Operating Costs							
Administration Expenses	\$137	\$140	\$143	\$146	\$148	\$151	\$154
Cost of Service Delivery	\$2,498	\$2,570	\$2,645	\$2,722	\$2,801	\$2,883	\$2,968
Facility Expenses	\$483	\$493	\$503	\$513	\$523	\$533	\$544
Professional Services	\$48	\$48	\$49	\$50	\$51	\$52	\$53
Salaries and Benefits	\$2,121	\$2,164	\$2,207	\$2,251	\$2,296	\$2,342	\$2,389
Debt - Parsons Road	\$353	\$344	\$335	\$326	\$318	\$309	\$300
Future Assumed Debt	\$0	\$383	\$850	\$868	\$868	\$3,568	\$3,568
Utilities and Maintenance (Water Share)	\$467	\$477	\$486	\$496	\$506	\$516	\$526
	\$6,107	\$6,619	\$7,218	\$7,372	\$7,511	\$10,355	\$10,502
Capital Related Costs							
Non-Growth Capital	\$572	\$610	\$2,134	\$1,495	\$457	\$1,492	\$475
Growth-Related Capital	\$12,464	\$31,170	\$18,052	\$17,622	\$26,694	\$4,550	\$14,439
Future Debt Financing	(\$10,353)	(\$26,273)	(\$7,923)	(\$10,612)	(\$15,154)	\$0	(\$9,348)
	\$2,683	\$5,507	\$12,263	\$8,505	\$11,997	\$6,043	\$5,565
Reserve Contribution							
Contributions to/(from) Water Reserve (Sustainability)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contributions to/(from) Water Reserve	\$1,405	\$1,545	\$1,692	\$1,847	\$2,010	\$2,339	\$2,692
Contributions to/(from) Water Reserve (Vehicle)	\$126	\$129	\$132	\$134	\$137	\$140	\$142
	\$1,531	\$1,674	\$1,824	\$1,981	\$2,147	\$2,479	\$2,835
Total Expenditures	\$10,322	\$13,799	\$21,305	\$17,857	\$21,655	\$18,876	\$18,902
Revenues							
Non-User Rate Revenue	\$565	\$576	\$588	\$600	\$612	\$624	\$636
Water Billing Revenue ⁽¹⁾	\$6,720	\$6,989	\$7,268	\$7,559	\$7,861	\$8,333	\$8,833
Contribution from Reserve	\$572	\$610	\$2,134	\$1,495	\$457	\$1,492	\$475
Contribution from DC Reserves (Debt)	\$353	\$727	\$1,186	\$1,194	\$1,185	\$3,877	\$3,868
Transfer from DC Reserve	\$2,112	\$4,897	\$10,129	\$7,010	\$11,540	\$4,550	\$5,090
	\$10,322	\$13,799	\$21,305	\$17,857	\$21,655	\$18,876	\$18,902

Note 1: Assumes a 4% increase per annum in billing revenue to 2024 and 6% per annum thereafter

Appendix A - Table 2
Town of New Tecumseth
Capital Budget Forecast
in \$000's

	2020	2021	2022	2023	2024	2025	2026
Capital Program							
Growth Related	\$12,464	\$31,170	\$18,052	\$17,622	\$26,694	\$4,550	\$14,439
Non-Growth Related	\$572	\$610	\$2,134	\$1,495	\$457	\$1,492	\$475
Total	\$13,036	\$31,780	\$20,186	\$19,117	\$27,151	\$6,043	\$14,914
Revised Total	\$13,036	\$31,780	\$20,186	\$19,117	\$27,151	\$6,043	\$14,914
Funding Sources							
Operating Contributions	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer from Water Reserve	\$572	\$0	\$2,134	\$1,495	\$457	\$1,492	\$475
Transfer From Development Charges Reserve	\$2,112	\$4,897	\$10,129	\$7,010	\$11,540	\$4,550	\$5,090
Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Growth Related Debenture Requirements	\$10,353	\$26,273	\$7,923	\$10,612	\$15,154	\$0	\$9,348
Gas Tax Funding	\$0	\$610	\$0	\$0	\$0	\$0	\$0
Total Funding	\$13,036	\$31,780	\$20,186	\$19,117	\$27,151	\$6,043	\$14,914

Note 1: Growth related debenture financing may be required if DC funds are unavailable

Appendix A - Table 3
Town of New Tecumseth
Reserve and Reserve Fund Continuity
in \$000's

	2020	2021	2022	2023	2024	2025	2026
Water Reserves							
Opening Balance	\$4,223	\$5,183	\$6,246	\$5,936	\$6,422	\$8,113	\$9,099
Transfer from Operating	\$1,531	\$1,674	\$1,824	\$1,981	\$2,147	\$2,479	\$2,835
Transfer to Capital	(\$572)	(\$610)	(\$2,134)	(\$1,495)	(\$457)	(\$1,492)	(\$475)
Transfer to Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$5,183	\$6,246	\$5,936	\$6,422	\$8,113	\$9,099	\$11,459
Debenture Requirements	\$0						

	2020	2021	2022	2023	2024	2025	2026
Development Charge Reserve							
Opening Balance	\$8,756	\$10,231	\$8,828	\$1,632	(\$2,179)	(\$10,219)	(\$13,640)
Revenue ⁽¹⁾	\$3,941	\$4,220	\$4,119	\$4,393	\$4,686	\$5,006	\$5,333
Transfer to Capital	(\$2,112)	(\$4,897)	(\$10,129)	(\$7,010)	(\$11,540)	(\$4,550)	(\$5,090)
Transfer to Operating Existing ⁽²⁾	(\$353)	(\$344)	(\$335)	(\$326)	(\$318)	(\$309)	(\$300)
Transfer to Operating Future ⁽³⁾	\$0	(\$383)	(\$850)	(\$868)	(\$868)	(\$3,568)	(\$3,568)
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$10,231	\$8,828	\$1,632	(\$2,179)	(\$10,219)	(\$13,640)	(\$17,265)
Debenture Requirements	\$10,353	\$26,273	\$7,923	\$10,612	\$15,154	\$0	\$9,348

Note 1: Anticipated revenues based on those projections outlined in the DC Study. This will be revised when the DC Study is updated in 2021.

Note 2: Transfer to operating related to future debt funded projects.

Note 3: Transfer to operating related to future debt funded projects.

Appendix A - Table 4
Town of New Tecumseth
Debenture Schedule ⁽¹⁾
in \$000's

	2020		2021		2022		2023		2024		2025		2026	
	Principal	Interest												
Parsons Rd Reservoir (\$4,379,500, 3.87%)	\$231	\$123	\$231	\$114	\$231	\$105	\$231	\$96	\$231	\$87	\$231	\$78	\$231	\$69
3-413-317009 - TOTTENHAM TRANSMISSION MAIN AND MILL ST RESERVOIR	\$0	\$0	\$10	\$10	\$61	\$61	\$70	\$70	\$70	\$70	\$500	\$629	\$514	\$615
DC-317009 - Addn- Funding- Transmission Main & Mill Street Reservoir Improvements - Construction	\$0	\$0	\$0	\$0	\$162	\$203	\$166	\$199	\$171	\$194	\$176	\$190	\$180	\$185
DC-Z-P1-319013 - Collingwood WTP Upgrades	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$758	\$953	\$779	\$932
DC-Z-P1-319013 - Collingwood WTP Upgrades	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3-413-320043 - New Groundwater Well(s) - Phase 3	\$0	\$0	\$161	\$202	\$165	\$198	\$170	\$193	\$175	\$189	\$179	\$184	\$184	\$179
	\$231	\$123	\$401	\$326	\$619	\$567	\$636	\$558	\$646	\$540	\$1,844	\$2,033	\$1,888	\$1,979

Note 1: Annual debt payments are funded through development charges