



**Attachment-2**

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

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

### *Background Financial Plan*

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

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

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

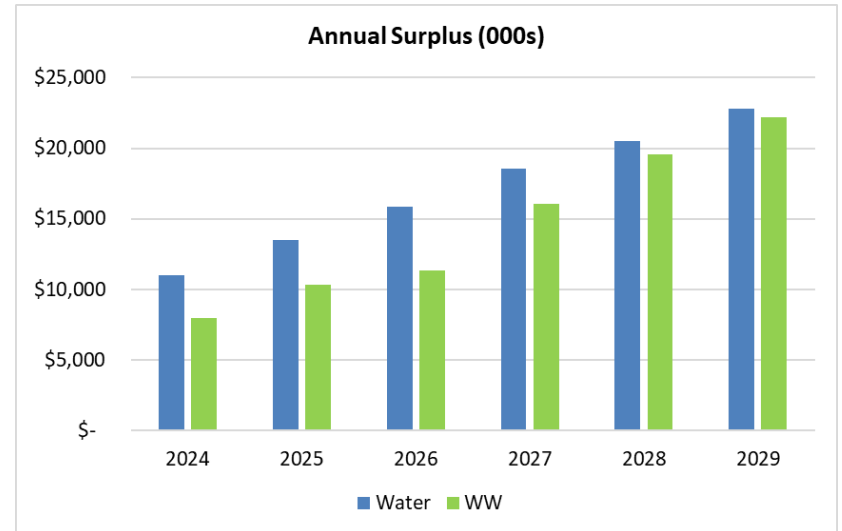
### *Regulatory and Legislative Environment*

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

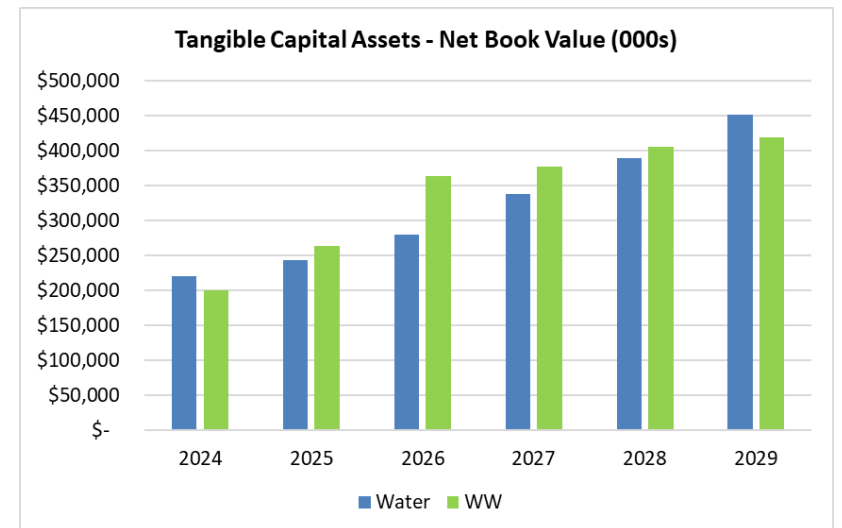
- Municipal Act;
- Clean Water Act;
- Water Opportunities Act;
- Ontario Water Resources Act;
- Safe Drinking Water Act (SDWA);
- Environmental Protection Act;
- Environmental Assessment Act;
- PSAB 3150, Tangible Capital Assets Reporting, and;
- More Housing Built Faster Act.

## Analysis

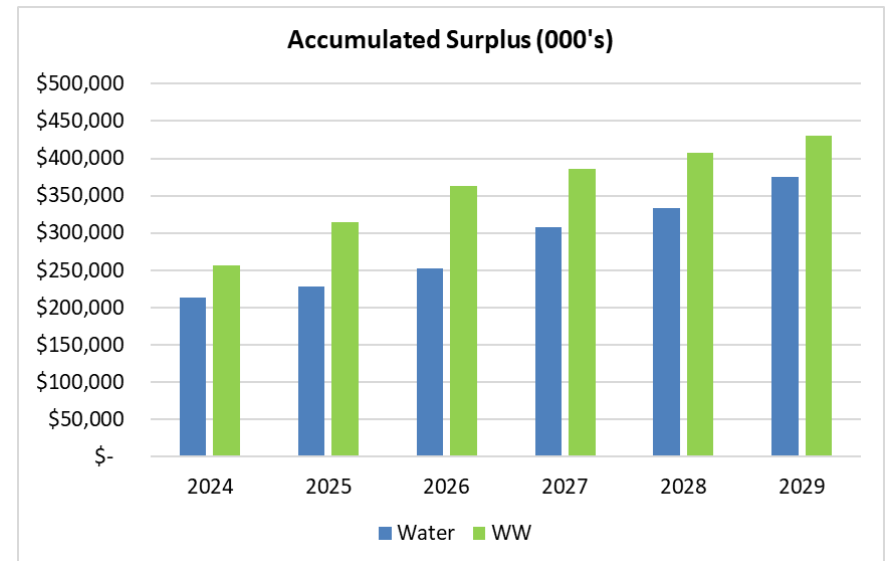
**Annual Surplus**—An important feature of a water and wastewater system is the annual surplus or deficit. A surplus indicates that the system is building the resources to deal with future capital and other needs. A deficit indicates that past capital and other investments must be financed from future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



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



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



*Statement of Financial Operations—Water*

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

*Statement of Cash Flow/Cash Receipts—Water*

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



*Statement of Financial Position—Water*

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

*Statement of Financial Operations—Wastewater*

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

*Statement of Cash Flow/Cash Receipts—Wastewater*

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

*Statement of Financial Position—Wastewater*

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