



Ontario Regulation 453/07 Water and Wastewater Financial Plan

Town of Orangeville
April 14, 2025

Agenda



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2. Legislation
3. Requirements for the Municipal Drinking Water Licence
4. Rate Study/Budget vs. Ontario Regulation 453/07 Reporting Requirements
5. Summary of Financial Indicators
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Study Purpose



- The Town of Orangeville (Town) retained Watson to prepare Water and Wastewater Financial Plans (Financial Plans) following the completion of the 2024 Water and Wastewater Rate Study.
 - The Water Financial Plan is required as part of the submission to renew the Town's municipal drinking water licence under the *Safe Drinking Water Act, 2002*.
- The Financial Plans are based on the detailed financial planning and forecasting found in the Town's 2024 Water and Wastewater Rate Study.

Background



- Over the past 20+ years, significant legislated changes have occurred in the municipal water and wastewater sector.
- The *Safe Drinking Water Act, 2002* established many of the rules and protocol surrounding how regulated entities provide water to its constituents.
- One of the requirements is for all municipalities/local service boards providing water service to be licensed to operate the water system(s) – note, part of the licensing requirement is for the Town to submit a Financial Plan to the Province.

Legislation



In August 2007, the province issued Ontario Regulation (O. Reg.) 453/07 and the Guideline “Towards Financially Sustainable Drinking-Water and Wastewater Systems”. A summary of key elements of O. Reg. 453/07 is provided below:

- The financial plan represents one of the five key elements for obtaining your Municipal Drinking-Water Licence.
- The plan is to be completed and submitted as part of your application for the drinking water licence.
- The financial plans shall be for a period of a least six years but longer planning horizons are encouraged.
- As the regulation is under the *Safe Drinking Water Act, 2002*, the preparation of the plan is mandatory for water and encouraged for wastewater

5 Requirements for the Municipal Drinking Water Licence



1. Drinking Water Works Permit (DWWP)
2. Accepted Operational Plan, based on the Drinking Water Quality Management Standard (DWQMS)
3. Accreditation of the Operating Authority
4. **Financial Plan**
5. Permit to Take Water (PTTW)

Financial Plan Requirements – Existing System Licence Renewal



- s.3 of O. Reg. 453/07 governs licence renewal and includes the following requirements:
 - s.3 (1) 1 – approval by Council resolution (or governing body).
 - s.3 (1) 2 & s.3 (1) 3 – that the financial impacts have been considered and apply for a minimum six-year period (with the first year of the financial plan being the year in which the current licence expires)

Financial Plan Requirements



➤ s.3 requirements (cont'd):

- s.3 (1) 4 – financial plan must include annual projections for:
 - i. Statement of Financial Position;
 - Financial assets, liabilities, net debt, non-financial assets
 - ii. Statement of Operations;
 - Revenues, expenses, annual surplus, accumulated surplus
 - iii. Statement of Cash Flows;
 - Operating, capital, investing, financing transactions
 - iv. Information relating to the replacement of lead service pipes within the above referenced statements.

Financial Plan Requirements



➤ s.3 requirements (cont'd):

- s.3 (1) 5 i – financial plans to be made available upon request without charge;
- s.3 (1) 5 ii – financial plans to be made available through publication on the internet (if website is maintained);
- s.3 (1) 5 iii – provide notice of availability of financial plans, that in the opinion of the owner will bring notice to the attention of the members of the public who are served by the drinking-water system.
- s.3 (1) 6 – copy of the financial plans must be submitted to the Ministry of Municipal Affairs and Housing

Financial Plan Requirements



- s.3 requirements (cont'd):
 - s.3 (2) – Information in the following areas apply only if the information is known at the time of financial plan preparation:
 - Financial assets, liabilities, net debt
 - Cash flow: operating, investing, change in cash, cash balances
- s.4 – if applicable for two or more solely owned drinking-water systems the financial plans can be prepared as if they were one drinking-water system
- s.5 – financial plans prepared for new systems or licence renewal/initial licence may be amended
- s.6 – information in addition to that being prescribed may be included in the financial plans

Rate Study/Budget vs. O.Reg. 453/07 Reporting Requirements



Significant Revision Areas	Rate Study/Budget	O.Reg 453.07 Financial Plan
Approach	“Modified Cash Basis”	“Full Accrual Basis”
Capital Requirements	Capital Forecast	Tangible Capital Assets
Previously Acquired Assets	Lifecycle Cost Analysis (Future Replacement)	Tangible Capital Assets (Historical Cost)
Debt Payments	Principal and Interest Expense	Interest Expense Principal: Debt reduction
Amortization	Not Applicable	Included in Operating Expenses
Reserve Transfers	Included as an Expense	Part of “Accumulated Surplus”
Development Charge Reserve Fund Balances	Reserve Fund Continuity Schedule	Deferred Revenue

Summary of Financial Indicators - Water



Description	2025 to 2034	2025	2034
Statement of Financial Position: Water Services			
1) Increase/(Decrease) in Net Financial Assets	(\$68,558,418)		
2) Increase/(Decrease) in Tangible Capital Assets	\$90,271,007		
3) Increase/(Decrease) in Accumulated Surplus	\$21,712,589		
Statement of Operations: Water Services			
1) Expense to Revenue Ratio		70%	91%
2) Increase/(Decrease) in Accumulated Surplus	\$21,712,589		
Statement of Changes in Net Financial Assets/Debt: Water Services			
1) Acquisition of Tangible Capital Assets (Cumulative)	\$120,472,000		
2) Annual Surplus/Deficit before Amortization (Cumulative)	\$51,913,582		
3) Ratio of Annual Surplus before Amortization to Acquisition of TCAs (Cumulative)		0.36	0.43
Statement of Cash Flow - Indirect Method: Water Services			
Cash and Cash Equivalents, end of year		\$13,219,642	(\$243,565)

Summary of Financial Indicators - Wastewater



Description	2025 to 2034	2025	2034
Statement of Financial Position: Wastewater Services			
1) Increase/(Decrease) in Net Financial Assets	(\$31,923)		
2) Increase/(Decrease) in Tangible Capital Assets	\$31,925,642		
3) Increase/(Decrease) in Accumulated Surplus	\$31,893,719		
Statement of Operations: Wastewater Services			
1) Expense to Revenue Ratio		86%	68%
2) Increase/(Decrease) in Accumulated Surplus	\$31,893,719		
Statement of Changes in Net Financial Assets/Debt: Wastewater Services			
1) Acquisition of Tangible Capital Assets (Cumulative)	\$45,821,000		
2) Annual Surplus/Deficit before Amortization (Cumulative)	\$45,789,077		
3) Ratio of Annual Surplus before Amortization to Acquisition of TCAs (Cumulative)		0.30	1.00
Statement of Cash Flow - Indirect Method: Wastewater Services			
Cash and Cash Equivalents, end of year		\$2,374,711	\$9,653,151

Recommendations



- The Town of Orangeville Water and Wastewater Financial Plans prepared by Watson & Associates Economists Ltd. dated March 31, 2025, be approved.
- Notice of availability of the Water Financial Plan be advertised.
- The Water Financial Plan dated March 31, 2025, be submitted to the Ministry of Municipal Affairs and Housing. (as per O. Reg. 453/07, Section 3 (1) 6).
- The resolution of Council approving the Water Financial Plan be submitted to the Ministry of Environment, Conservation and Parks, satisfying the requirements under the *Safe Drinking Water Act, 2002*. (Section 32 (5) 2 ii).