

**FINAL REPORT**

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# CITY OF OWEN SOUND WATER FINANCIAL PLAN

June 3, 2020

Drinking Water Licence Number: 092-101



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# 1. INTRODUCTION

The City of Owen Sound provides potable water to its customers through its extensive water distribution network. The City's fee structure for water service includes a monthly fixed fee with an additional consumption charge levied for each cubic metre of water consumed. The consumption charge is levied on two-tier inclining block rate structure: consumption above 110 cubic metres per month is subject to a higher rate per cubic metre than the first 110 cubic metres consumed. In addition, rural customers are charged twice the urban rate for each type of fee (fixed and variable). The City recovers its costs through user fees charged to its customers on the basis of a full cost recovery system.

The City's Drinking Water Licence is set to expire in 2020 and needs to be updated for renewal. The City last rate study and financial plan was completed in 2015, and since that time, changes in water consumption, operating and capital costs have prompted an updated utility rate study to ensure the City continues to recover the full cost of providing water services. The results of the utility rate study are used to inform the financial plan and summarized in the appendix of this plan. The results of the rate study was presented to Council on May 11<sup>th</sup> 2020, in which Council directed that the existing rates be maintained for one year. Utility rate increases, starting in 2021, would be considered by Council during 2021 budget deliberations.

The purpose of this document is to present a water financial plan for the City of Owen Sound that is 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 prepared is part of the process required for the City 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 City's water system. Section two of the report explains each statement in greater detail.

The financial plan is prepared for a ten-year forecast period from 2021-2030 with 2020 being the base year. For the purpose of this report, 2020 will be used as the reference year.

## 2. BACKGROUND

In April 2015, the City of Owen Sound 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 City 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:

- (a) Financial plans that satisfy the requirements of subsection (2), but only if,
  - (i) Bill 175 (Sustainable Water and Sewage Systems Act, 2002) receives Royal Assent, and
  - (ii) Sections 3 and 9 of Bill 175 (Sustainable Water and Sewage Systems Act, 2002) are in force, or
- (b) Financial plans that satisfy the requirements prescribed by the Minister, in any other case, 2002, c. 32, s. 30(1).

At this time, Bill 175 (*Sustainable Water and Sewage Systems Act, 2002*) as noted above, is not in force; however, the specific requirements of s.30 (1) part b are 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.

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 2020).

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 City 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 City 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 City'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 City's data such as the 2020 operating budget and ten-year capital plan, the 2019 Development Charges Background 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 City's 2020 operating budget and the ten-year capital plan. This forecast includes a forecast of operating expenditures and revenues to 2030 with the provision for annual contributions to reserves for the purpose of asset repair and replacement. The City recovers most of its costs through user fees charged to its customers that include an annual fixed fee that is differentiated by meter size, with an additional consumption charge for each cubic metre of water consumed, differentiated into two consumption blocks. In addition, the rates for rural customers are double those of the urban customers. The forecast of expenditures and revenues is included as Appendix A - Table A-1.

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

Expenditures will increase annually as follows:

- Salaries, Wages, Benefits, and Pensions - 2% per annum;
- Materials, Contracts and Services – 2% per annum; and
- Hydro and Utilities – 5% per annum.
- Non-metered water revenues will increase at 2% per annum.
- The fixed fee and variable water rates are proposed to remain the same to 2021, and then increase at a rate of 5.95% per annum thereafter. The rate increases will be subject to annual budget reviews.

### II. CAPITAL EXPENDITURES

The City's capital budget forecast used in preparing the financial plan is outlined in Appendix A - Table A-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 City staff and Council.

### **III. RESERVE FUND STATEMENTS**

#### **Water Reserves**

The 2020 Water Reserve Fund opening balance was provided by municipal staff. The projected transfers to and from the Water Reserve Fund are outlined in Appendix A - Table A-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 City’s Development Charges Background Study. The 2020 opening balance was provided by municipal staff. The timing and costs of each project is subject to change based on annual capital budget reviews. Please note that the reserve funds identified in this study reflect the reserve fund balances and projects associated with the City-wide DC.

### **IV. DEBT REPAYMENT**

As of April 2020, the City had outstanding water-related debt of \$811,000 relating to the RRC Water, 9<sup>th</sup> Street Bridge, and frozen water services projects. Due to the relatively large ten-year capital program, further debt will be required in order to finance other key projects in 2021 and 2023. The annual financing costs associated with the new debt have been incorporated into the analysis and will be funded through the water rates. Please note the total amount required to be debt financed and the terms of the debt will be determined at the time of the capital expenditure.

### **V. TANGIBLE CAPITAL ASSET ANALYSIS (TCA)**

The City’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 City’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 City’s water system is as follows:

City of Owen Sound TCA Analysis (\$000s)											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Opening Tangible Capital Assets</b>	\$45,086	\$48,502	\$51,984	\$55,111	\$59,034	\$61,962	\$65,554	\$68,235	\$71,479	\$77,046	\$81,104
Plus: Acquisitions - Repair/Replacement	\$3,332	\$3,399	\$2,993	\$3,390	\$2,844	\$3,485	\$2,597	\$3,161	\$5,483	\$3,974	\$3,244
Plus: Acquisitions - Growth Related	\$84	\$84	\$134	\$534	\$84	\$106	\$84	\$84	\$84	\$84	\$55
Less: Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Closing Tangible Capital Assets</b>	<b>\$48,502</b>	<b>\$51,984</b>	<b>\$55,111</b>	<b>\$59,034</b>	<b>\$61,962</b>	<b>\$65,554</b>	<b>\$68,235</b>	<b>\$71,479</b>	<b>\$77,046</b>	<b>\$81,104</b>	<b>\$84,402</b>
<b>Opening Accumulated Amortization</b>	<b>\$24,506</b>	<b>\$25,122</b>	<b>\$25,762</b>	<b>\$26,466</b>	<b>\$27,192</b>	<b>\$27,960</b>	<b>\$28,745</b>	<b>\$29,576</b>	<b>\$30,471</b>	<b>\$31,397</b>	<b>\$32,385</b>
Plus: Amortization Expense	\$616	\$640	\$704	\$726	\$768	\$785	\$831	\$895	\$926	\$988	\$912
Less: Amortization of Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Closing Accumulated Amortization</b>	<b>\$25,122</b>	<b>\$25,762</b>	<b>\$26,466</b>	<b>\$27,192</b>	<b>\$27,960</b>	<b>\$28,745</b>	<b>\$29,576</b>	<b>\$30,471</b>	<b>\$31,397</b>	<b>\$32,385</b>	<b>\$33,297</b>
<b>Net Book Value</b>	<b>\$23,379</b>	<b>\$26,222</b>	<b>\$28,645</b>	<b>\$31,842</b>	<b>\$34,002</b>	<b>\$36,809</b>	<b>\$38,658</b>	<b>\$41,008</b>	<b>\$45,649</b>	<b>\$48,719</b>	<b>\$51,105</b>

## VI. PROJECTION OF RATES

Council has approved a 0% rate increase in 2020, and will continue to evaluate the proposed rate increases on an annual basis going forward. The calculated rates are projected to increase by 5.95% per annum, starting in 2021. The calculated rates for 2020-2030 are as follows:

Calculated Water Rates (Mid-Year to Mid-Year)											
	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Variable Rate (per m2 of Water)</b>											
Block 1: 0-110 m2	\$1.40	\$1.48	\$1.57	\$1.66	\$1.76	\$1.87	\$1.98	\$2.10	\$2.22	\$2.35	\$2.49
Block 2: 110 m2+	\$2.80	\$2.96	\$3.14	\$3.33	\$3.53	\$3.74	\$3.96	\$4.19	\$4.44	\$4.71	\$4.99
<b>Monthly Fixed Rate by Meter Size</b>											
15mm	\$ 24.77	\$ 26.24	\$ 27.81	\$ 29.46	\$ 31.21	\$ 33.07	\$ 35.04	\$ 37.12	\$ 39.33	\$ 41.67	\$ 44.15
18mm	\$ 30.16	\$ 31.95	\$ 33.86	\$ 35.87	\$ 38.00	\$ 40.27	\$ 42.66	\$ 45.20	\$ 47.89	\$ 50.74	\$ 53.76
25mm	\$ 39.06	\$ 41.38	\$ 43.85	\$ 46.46	\$ 49.22	\$ 52.15	\$ 55.25	\$ 58.54	\$ 62.02	\$ 65.71	\$ 69.62
38mm	\$ 56.98	\$ 60.37	\$ 63.96	\$ 67.77	\$ 71.80	\$ 76.07	\$ 80.60	\$ 85.39	\$ 90.48	\$ 95.86	\$ 101.56
50mm	\$ 111.04	\$ 117.65	\$ 124.65	\$ 132.06	\$ 139.92	\$ 148.25	\$ 157.07	\$ 166.41	\$ 176.31	\$ 186.80	\$ 197.92
75mm	\$ 182.46	\$ 193.32	\$ 204.82	\$ 217.01	\$ 229.92	\$ 243.60	\$ 258.09	\$ 273.45	\$ 289.72	\$ 306.96	\$ 325.22
100mm	\$ 272.06	\$ 288.25	\$ 305.40	\$ 323.57	\$ 342.82	\$ 363.22	\$ 384.83	\$ 407.73	\$ 431.99	\$ 457.69	\$ 484.92
150mm	\$ 361.65	\$ 383.17	\$ 405.97	\$ 430.12	\$ 455.71	\$ 482.83	\$ 511.56	\$ 541.99	\$ 574.24	\$ 608.41	\$ 644.61
200mm	\$ 540.86	\$ 573.04	\$ 607.14	\$ 643.26	\$ 681.54	\$ 722.09	\$ 765.05	\$ 810.57	\$ 858.80	\$ 909.90	\$ 964.04

Note: water rates for rural customers are twice the variable and fixed rates.

## 4. WATER FINANCIAL PLAN

This section summarizes the complete financial plan for the City of Owen Sound's water system, which represents a forecast or projection of the City'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 2020, the projected revenue is \$6.01 million with expenditures of \$4.25 million. As revenues exceed expenses, an annual surplus is projected of approximately \$1.76 million. The beginning period accumulated surplus of \$21.28 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 City's forecasted Statement of Operations indicates an annual surplus in each of the years projected, with the accumulated surplus growing by approximately \$31.54 million. This supports the City's need to grow its reserve funds to pay for the repair and replacement of the City's capital assets.

### B. STATEMENT OF FINANCIAL POSITION – TABLE 2

The Statement of Financial Position provides information on the assets and liabilities of the City'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 City's water system has a net financial debt position for nearly the entirety of the forecasted years due to debt and deferred revenues.

**Table 1**  
**City of Owen Sound**  
**Statement of Operations**  
**in \$000's**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Revenues</b>											
<i>Water Sales</i>											
Metered	\$5,866	\$5,854	\$6,211	\$6,589	\$6,990	\$7,416	\$7,868	\$8,347	\$8,855	\$9,394	\$9,967
Non Rate Revenue	\$60	\$61	\$62	\$64	\$65	\$66	\$68	\$69	\$1,094	\$1,626	\$73
Earned DC Revenue	\$84	\$84	\$134	\$534	\$84	\$106	\$84	\$84	\$84	\$84	\$55
Interest Earned	\$0	\$3	\$10	\$2	\$16	\$14	\$10	\$19	\$26	\$25	\$48
<b>Total Revenue</b>	<b>\$6,010</b>	<b>\$6,002</b>	<b>\$6,417</b>	<b>\$7,189</b>	<b>\$7,154</b>	<b>\$7,602</b>	<b>\$8,028</b>	<b>\$8,518</b>	<b>\$10,059</b>	<b>\$11,129</b>	<b>\$10,142</b>
<b>Expenditures</b>											
Amortization Expense	\$616	\$640	\$704	\$726	\$768	\$785	\$831	\$895	\$926	\$988	\$912
Interest on Debt Expense	\$24	\$19	\$96	\$91	\$172	\$164	\$156	\$152	\$147	\$142	\$139
Operating Expense	\$3,610	\$3,696	\$3,784	\$3,875	\$3,968	\$4,064	\$4,162	\$4,264	\$4,368	\$4,476	\$4,586
<b>Total Expenditures</b>	<b>\$4,250</b>	<b>\$4,355</b>	<b>\$4,584</b>	<b>\$4,692</b>	<b>\$4,908</b>	<b>\$5,013</b>	<b>\$5,150</b>	<b>\$5,310</b>	<b>\$5,441</b>	<b>\$5,606</b>	<b>\$5,638</b>
<b>Annual Surplus/(Deficit)</b>	<b>\$1,760</b>	<b>\$1,647</b>	<b>\$1,833</b>	<b>\$2,497</b>	<b>\$2,246</b>	<b>\$2,589</b>	<b>\$2,878</b>	<b>\$3,208</b>	<b>\$4,618</b>	<b>\$5,523</b>	<b>\$4,505</b>
Annual Surplus/(Deficit)	\$1,760	\$1,647	\$1,833	\$2,497	\$2,246	\$2,589	\$2,878	\$3,208	\$4,618	\$5,523	\$4,505
Accumulated Surplus, Beginning of Period	\$21,284	\$23,043	\$24,691	\$26,523	\$29,020	\$31,266	\$33,855	\$36,733	\$39,941	\$44,559	\$50,082
Accumulated Surplus, End of Period	\$23,043	\$24,691	\$26,523	\$29,020	\$31,266	\$33,855	\$36,733	\$39,941	\$44,559	\$50,082	\$54,586

**Table 2**  
**City of Owen Sound**  
**Statement of Financial Position**  
**in \$000's**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Financial Assets</b>											
Cash	\$633	\$1,409	\$694	\$1,650	\$1,610	\$1,243	\$2,276	\$3,141	\$3,127	\$5,594	\$7,761
<b>Total Assets</b>	<b>\$633</b>	<b>\$1,409</b>	<b>\$694</b>	<b>\$1,650</b>	<b>\$1,610</b>	<b>\$1,243</b>	<b>\$2,276</b>	<b>\$3,141</b>	<b>\$3,127</b>	<b>\$5,594</b>	<b>\$7,761</b>
<b>Liabilities</b>											
Debt	\$653	\$2,531	\$2,365	\$4,374	\$4,144	\$3,906	\$3,792	\$3,674	\$3,550	\$3,422	\$3,292
Deferred Revenue	\$315	\$410	\$451	\$99	\$203	\$291	\$409	\$534	\$667	\$809	\$988
<b>Total Liabilities</b>	<b>\$969</b>	<b>\$2,940</b>	<b>\$2,816</b>	<b>\$4,472</b>	<b>\$4,347</b>	<b>\$4,197</b>	<b>\$4,201</b>	<b>\$4,208</b>	<b>\$4,218</b>	<b>\$4,231</b>	<b>\$4,280</b>
<b>Net Financial Assets/(Debt)</b>	<b>(\$336)</b>	<b>(\$1,531)</b>	<b>(\$2,122)</b>	<b>(\$2,822)</b>	<b>(\$2,737)</b>	<b>(\$2,954)</b>	<b>(\$1,925)</b>	<b>(\$1,067)</b>	<b>(\$1,090)</b>	<b>\$1,363</b>	<b>\$3,481</b>
<b>Non-Financial Assets</b>											
Tangible Capital Assets	\$23,379	\$26,222	\$28,645	\$31,842	\$34,002	\$36,809	\$38,658	\$41,008	\$45,649	\$48,719	\$51,105
<b>Accumulated Surplus/(Deficit)</b>	<b>\$23,043</b>	<b>\$24,691</b>	<b>\$26,523</b>	<b>\$29,020</b>	<b>\$31,266</b>	<b>\$33,855</b>	<b>\$36,733</b>	<b>\$39,941</b>	<b>\$44,559</b>	<b>\$50,082</b>	<b>\$54,586</b>

In 2020, liabilities total \$969,000 while financial assets are approximately \$633,000. Overall, the net financial position is expected to increase to \$3.48 million in 2030.

The Statement of Financial Position also provides information on the City'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 City's tangible capital assets are valued at \$23.38 million in 2020 and are anticipated to grow to \$51.11 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 (\$2.46 million) will be used to support the 2020 capital transactions (\$3.42 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 2020, the Municipality will see a \$1.11 million decrease in cash equivalents. The Municipality's cash position improves from \$1.74 million in 2020 to \$7.76 million in 2030 despite some intervening years in which a decrease in cash position is realized in order to carry out the capital program.

### **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 (\$1.76 million) and amortization (\$616,000) does not exceed the forecasted capital expenditures of \$3.42 million, resulting in a decrease in net financial assets for the year. Net financial assets remain negative for some of the years throughout the period due to the size of the capital program, ending with a positive net financial asset of \$3.48 million.

**Table 3**  
**City of Owen Sound**  
**Statement of Cash Flow**  
**In \$000's**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Operating Transactions</b>											
Annual Surplus/(Deficit)	\$1,760	\$1,647	\$1,833	\$2,497	\$2,246	\$2,589	\$2,878	\$3,208	\$4,618	\$5,523	\$4,505
Add: Amortization of TCA's	\$616	\$640	\$704	\$726	\$768	\$785	\$831	\$895	\$926	\$988	\$912
Less: DC Revenues	(\$84)	(\$84)	(\$134)	(\$534)	(\$84)	(\$106)	(\$84)	(\$84)	(\$84)	(\$84)	(\$55)
Add: DC Proceeds	\$170	\$178	\$175	\$181	\$188	\$194	\$201	\$209	\$217	\$225	\$234
Less: Interest Proceeds	\$0	(\$3)	(\$10)	(\$2)	(\$16)	(\$14)	(\$10)	(\$19)	(\$26)	(\$25)	(\$48)
<b>Cash Provided by Operating :</b>	<b>\$2,462</b>	<b>\$2,378</b>	<b>\$2,568</b>	<b>\$2,868</b>	<b>\$3,102</b>	<b>\$3,448</b>	<b>\$3,818</b>	<b>\$4,209</b>	<b>\$5,651</b>	<b>\$6,628</b>	<b>\$5,548</b>
<b>Capital Transactions</b>											
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	(\$3,416)	(\$3,482)	(\$3,127)	(\$3,924)	(\$2,928)	(\$3,591)	(\$2,681)	(\$3,244)	(\$5,567)	(\$4,057)	(\$3,299)
<b>Cash Applied to Capital</b>	<b>(\$3,416)</b>	<b>(\$3,482)</b>	<b>(\$3,127)</b>	<b>(\$3,924)</b>	<b>(\$2,928)</b>	<b>(\$3,591)</b>	<b>(\$2,681)</b>	<b>(\$3,244)</b>	<b>(\$5,567)</b>	<b>(\$4,057)</b>	<b>(\$3,299)</b>
<b>Investing Transactions</b>											
Proceeds from Investments	\$0	\$3	\$10	\$2	\$16	\$14	\$10	\$19	\$26	\$25	\$48
Less: Cash Used to Acquire Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Cash Provided by Investing</b>	<b>\$0</b>	<b>\$3</b>	<b>\$10</b>	<b>\$2</b>	<b>\$16</b>	<b>\$14</b>	<b>\$10</b>	<b>\$19</b>	<b>\$26</b>	<b>\$25</b>	<b>\$48</b>
<b>Financing Transactions</b>											
Proceeds from Debt Issues	\$0	\$2,040	\$0	\$2,181	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Debt Repayment (principal only)	(\$158)	(\$162)	(\$166)	(\$172)	(\$230)	(\$238)	(\$114)	(\$119)	(\$123)	(\$128)	(\$131)
<b>Cash Applied to Financing</b>	<b>(\$158)</b>	<b>\$1,878</b>	<b>(\$166)</b>	<b>\$2,009</b>	<b>(\$230)</b>	<b>(\$238)</b>	<b>(\$114)</b>	<b>(\$119)</b>	<b>(\$123)</b>	<b>(\$128)</b>	<b>(\$131)</b>
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(\$1,111)</b>	<b>\$776</b>	<b>(\$715)</b>	<b>\$956</b>	<b>(\$40)</b>	<b>(\$367)</b>	<b>\$1,033</b>	<b>\$865</b>	<b>(\$13)</b>	<b>\$2,467</b>	<b>\$2,167</b>
<b>Cash and Cash Equivalents</b>											
Beginning of Period	\$1,744	\$633	\$1,409	\$694	\$1,650	\$1,610	\$1,243	\$2,276	\$3,141	\$3,127	\$5,594
Increase/(Decrease)	(\$1,111)	\$776	(\$715)	\$956	(\$40)	(\$367)	\$1,033	\$865	(\$13)	\$2,467	\$2,167
End of Period	\$633	\$1,409	\$694	\$1,650	\$1,610	\$1,243	\$2,276	\$3,141	\$3,127	\$5,594	\$7,761

**Table 4**  
**City of Owen Sound**  
**Statement of Change in Net Financial Assets/(Debt)**  
**in \$000's**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual Surplus/(Deficit)	\$1,760	\$1,647	\$1,833	\$2,497	\$2,246	\$2,589	\$2,878	\$3,208	\$4,618	\$5,523	\$4,505
Amortization of Tangible Capital Assets	\$616	\$640	\$704	\$726	\$768	\$785	\$831	\$895	\$926	\$988	\$912
Less: Acquisition of Tangible Capital Assets	(\$3,416)	(\$3,482)	(\$3,127)	(\$3,924)	(\$2,928)	(\$3,591)	(\$2,681)	(\$3,244)	(\$5,567)	(\$4,057)	(\$3,299)
<b>Change in Net Financial Assets/(Debt)</b>	<b>(\$1,040)</b>	<b>(\$1,196)</b>	<b>(\$590)</b>	<b>(\$701)</b>	<b>\$86</b>	<b>(\$217)</b>	<b>\$1,029</b>	<b>\$858</b>	<b>(\$23)</b>	<b>\$2,454</b>	<b>\$2,118</b>
<b>Net Financial Assets/(Debt)</b>											
Beginning of Period	\$704	(\$336)	(\$1,531)	(\$2,122)	(\$2,822)	(\$2,737)	(\$2,954)	(\$1,925)	(\$1,067)	(\$1,090)	\$1,363
Increase/(Decrease)	(\$1,040)	(\$1,196)	(\$590)	(\$701)	\$86	(\$217)	\$1,029	\$858	(\$23)	\$2,454	\$2,118
End of Period	(\$336)	(\$1,531)	(\$2,122)	(\$2,822)	(\$2,737)	(\$2,954)	(\$1,925)	(\$1,067)	(\$1,090)	\$1,363	\$3,481

## 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

Outstanding debt of \$811,000 existed at the beginning of 2020 relating to the 9<sup>th</sup> Street Bridge, RRC Water and frozen water services projects. Due to the relatively large ten-year capital program, further debt will be required in order to finance several key projects. As a result, the financial plan shows new debt being incurred in 2021 and 2023 for select projects. The annual financing costs associated with the new debt have been incorporated into the analysis and will be funded through the water rates. Please note the total amount required to be debt financed and the terms of the debt will be determined at the time of the capital expenditure.

### 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**  
**City of Owen Sound**  
**Reconciliation of Accumulated Surplus**  
**in \$000's**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Accumulated Surplus consists of:											
<b>Opening Reserve Fund Balance</b>											
<i>DC Reserve Fund</i>	\$229	\$315	\$410	\$451	\$99	\$203	\$291	\$409	\$534	\$667	\$809
<i>Water Reserve Fund</i>	\$1,515	\$317	\$999	\$243	\$1,551	\$1,407	\$952	\$1,867	\$2,607	\$2,460	\$4,786
<b>Total Reserve Fund Balance</b>	<b>\$1,744</b>	<b>\$633</b>	<b>\$1,409</b>	<b>\$694</b>	<b>\$1,650</b>	<b>\$1,610</b>	<b>\$1,243</b>	<b>\$2,276</b>	<b>\$3,141</b>	<b>\$3,127</b>	<b>\$5,594</b>
<i>Less: Debt Obligations and Deferred Revenue</i>	(\$1,040)										
<i>Add: Tangible Capital Assets</i>	\$20,580	\$26,222	\$28,645	\$31,842	\$34,002	\$36,809	\$38,658	\$41,008	\$45,649	\$48,719	\$51,105
<b>Total Opening Balance</b>	<b>\$21,284</b>	<b>\$23,043</b>	<b>\$24,691</b>	<b>\$26,523</b>	<b>\$29,020</b>	<b>\$31,266</b>	<b>\$33,855</b>	<b>\$36,733</b>	<b>\$39,941</b>	<b>\$44,559</b>	<b>\$50,082</b>
<i>Add: Contributions to/(from) Reserve Funds (excl DC)</i>											
<i>Water Reserve Fund</i>	(\$1,198)	\$682	(\$757)	\$1,309	(\$144)	(\$455)	\$915	\$740	(\$147)	\$2,325	\$1,987
<b>Total Change in Reserve Funds</b>	<b>(\$1,198)</b>	<b>\$682</b>	<b>(\$757)</b>	<b>\$1,309</b>	<b>(\$144)</b>	<b>(\$455)</b>	<b>\$915</b>	<b>\$740</b>	<b>(\$147)</b>	<b>\$2,325</b>	<b>\$1,987</b>
<i>Add: Changes in TCA during the year</i>											
<i>Capital Assets Acquired/(Disposed)</i>	\$3,416	\$3,482	\$3,127	\$3,924	\$2,928	\$3,591	\$2,681	\$3,244	\$5,567	\$4,057	\$3,299
<i>Amortization of Capital Assets</i>	(\$616)	(\$640)	(\$704)	(\$726)	(\$768)	(\$785)	(\$831)	(\$895)	(\$926)	(\$988)	(\$912)
<b>Total Changes in Tangible Capital Assets</b>	<b>\$2,800</b>	<b>\$2,843</b>	<b>\$2,423</b>	<b>\$3,197</b>	<b>\$2,160</b>	<b>\$2,806</b>	<b>\$1,850</b>	<b>\$2,350</b>	<b>\$4,641</b>	<b>\$3,069</b>	<b>\$2,387</b>
<b>Subtract Changes in Debt Position</b>											
<i>New Debt</i>	\$0	(\$2,040)	\$0	(\$2,181)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Debt Repayment</i>	\$158	\$162	\$166	\$172	\$230	\$238	\$114	\$119	\$123	\$128	\$131
<b>Total Change in Debt</b>	<b>\$158</b>	<b>(\$1,878)</b>	<b>\$166</b>	<b>(\$2,009)</b>	<b>\$230</b>	<b>\$238</b>	<b>\$114</b>	<b>\$119</b>	<b>\$123</b>	<b>\$128</b>	<b>\$131</b>
<b>Total Ending Balance</b>	<b>\$23,043</b>	<b>\$24,691</b>	<b>\$26,523</b>	<b>\$29,020</b>	<b>\$31,266</b>	<b>\$33,855</b>	<b>\$36,733</b>	<b>\$39,941</b>	<b>\$44,559</b>	<b>\$50,082</b>	<b>\$54,586</b>

## **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 City 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**  
**City of Owen Sound**  
**Operating Budget Forecast**  
**in \$000's**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Expenditures</b>											
<b>Operating Costs</b>											
Salaries/Benefits/Wages	\$1,314.4	\$1,340.7	\$1,367.5	\$1,394.9	\$1,422.8	\$1,451.2	\$1,480.3	\$1,509.9	\$1,540.1	\$1,570.9	\$1,602.3
Materials/Contracts/Services	\$1,843.4	\$1,880.3	\$1,917.9	\$1,956.3	\$1,995.4	\$2,035.3	\$2,076.0	\$2,117.5	\$2,159.9	\$2,203.1	\$2,247.1
Hydro/Utilities	\$452.3	\$474.9	\$498.7	\$523.6	\$549.8	\$577.3	\$606.1	\$636.4	\$668.3	\$701.7	\$736.7
	<b>\$3,610.2</b>	<b>\$3,695.9</b>	<b>\$3,784.1</b>	<b>\$3,874.7</b>	<b>\$3,967.9</b>	<b>\$4,063.8</b>	<b>\$4,162.4</b>	<b>\$4,263.8</b>	<b>\$4,368.2</b>	<b>\$4,475.6</b>	<b>\$4,586.2</b>
<b>Capital Related Costs</b>											
Non-Growth Capital	\$3,331.9	\$3,398.7	\$2,993.1	\$3,389.9	\$2,844.3	\$3,485.3	\$2,597.1	\$3,160.7	\$5,483.5	\$3,973.8	\$3,243.9
Growth-Related Capital	\$83.7	\$83.7	\$133.7	\$533.7	\$83.7	\$106.1	\$83.7	\$83.7	\$83.7	\$83.7	\$54.6
Debt Financing Costs	\$181.7	\$181.7	\$262.6	\$262.6	\$402.3	\$402.3	\$270.2	\$270.2	\$270.2	\$270.2	\$270.2
New Capital Related Debt	\$0.0	(\$2,040.0)	\$0.0	(\$2,181.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	<b>\$3,597.3</b>	<b>\$1,624.1</b>	<b>\$3,389.4</b>	<b>\$2,005.2</b>	<b>\$3,330.3</b>	<b>\$3,993.6</b>	<b>\$2,951.0</b>	<b>\$3,514.6</b>	<b>\$5,837.3</b>	<b>\$4,327.7</b>	<b>\$3,568.7</b>
<b>Reserve Fund Contribution</b>											
Contributions to/(from) Water Reserve Fund	\$1,021.3	\$679.0	(\$766.8)	\$1,306.3	(\$159.5)	(\$469.2)	\$905.4	\$720.9	(\$172.7)	\$2,300.8	\$1,939.5
Contributions from DC Water Reserve Fund	(\$83.7)	(\$83.7)	(\$133.7)	(\$533.7)	(\$83.7)	(\$106.1)	(\$83.7)	(\$83.7)	(\$83.7)	(\$83.7)	(\$54.6)
	<b>\$937.7</b>	<b>\$595.3</b>	<b>(\$900.5)</b>	<b>\$772.6</b>	<b>(\$243.2)</b>	<b>(\$575.3)</b>	<b>\$821.7</b>	<b>\$637.2</b>	<b>(\$256.4)</b>	<b>\$2,217.1</b>	<b>\$1,884.9</b>
<b>Total Expenditures</b>	<b>\$8,145.1</b>	<b>\$5,915.3</b>	<b>\$6,273.0</b>	<b>\$6,652.5</b>	<b>\$7,055.1</b>	<b>\$7,482.1</b>	<b>\$7,935.1</b>	<b>\$8,415.6</b>	<b>\$9,949.2</b>	<b>\$11,020.4</b>	<b>\$10,039.8</b>
<b>Revenues</b>											
Water Billing Revenue	\$5,866.2	\$5,854.1	\$6,210.6	\$6,588.8	\$6,990.1	\$7,415.8	\$7,867.5	\$8,346.7	\$8,855.1	\$9,394.4	\$9,966.7
Transfer From Reserves for Capital	\$2,218.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-User Rate Revenues	\$60.0	\$61.2	\$62.4	\$63.7	\$64.9	\$66.2	\$67.6	\$68.9	\$1,094.1	\$1,626.0	\$73.1
	<b>\$8,145.1</b>	<b>\$5,915.3</b>	<b>\$6,273.0</b>	<b>\$6,652.5</b>	<b>\$7,055.1</b>	<b>\$7,482.1</b>	<b>\$7,935.1</b>	<b>\$8,415.6</b>	<b>\$9,949.2</b>	<b>\$11,020.4</b>	<b>\$10,039.8</b>

**Appendix A-Table 2  
City of Owen Sound  
Capital Budget Forecast  
in \$000's**

<b>Capital Budget Forecast</b>											
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
<b>Capital Program</b>											
Non-Growth Related	\$3,332	\$3,399	\$2,993	\$3,390	\$2,844	\$3,485	\$2,597	\$3,161	\$5,483	\$3,974	\$3,244
Growth Related <sup>(1)</sup>	\$84	\$84	\$134	\$534	\$84	\$106	\$84	\$84	\$84	\$84	\$55
<b>Total</b>	<b>\$3,416</b>	<b>\$3,482</b>	<b>\$3,127</b>	<b>\$3,924</b>	<b>\$2,928</b>	<b>\$3,591</b>	<b>\$2,681</b>	<b>\$3,244</b>	<b>\$5,567</b>	<b>\$4,057</b>	<b>\$3,299</b>
<b>Funding Sources</b>											
Transfer From Reserve for Capital	\$2,219	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debenture Requirements	\$0	\$2,040	\$0	\$2,181	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer from DC Reserves	\$84	\$84	\$134	\$534	\$84	\$106	\$84	\$84	\$84	\$84	\$55
Operating Contributions	\$1,113	\$1,359	\$2,993	\$1,209	\$2,844	\$3,485	\$2,597	\$3,161	\$5,483	\$3,974	\$3,244
<b>Total Funding</b>	<b>\$3,416</b>	<b>\$3,482</b>	<b>\$3,127</b>	<b>\$3,924</b>	<b>\$2,928</b>	<b>\$3,591</b>	<b>\$2,681</b>	<b>\$3,244</b>	<b>\$5,567</b>	<b>\$4,057</b>	<b>\$3,299</b>

**Appendix A - Table 3**  
**City of Owen Sound**  
**Reserve Fund Continuity**  
**in \$000's**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Water Reserve Fund</b>											
Opening Balance	\$1,515	\$317	\$999	\$243	\$1,551	\$1,407	\$952	\$1,867	\$2,607	\$2,460	\$4,786
Transfer to Reserve Funds	\$1,021	\$679	(\$767)	\$1,306	(\$159)	(\$469)	\$905	\$721	(\$173)	\$2,301	\$1,940
Transfer from Reserves (To Capital)	(\$2,219)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earned	\$0	\$3	\$10	\$2	\$16	\$14	\$10	\$19	\$26	\$25	\$48
Ending Balance	\$317	\$999	\$243	\$1,551	\$1,407	\$952	\$1,867	\$2,607	\$2,460	\$4,786	\$6,773
<b>Debenture Requirements</b>	<b>\$0</b>	<b>\$2,040</b>	<b>\$0</b>	<b>\$2,181</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Development Charges Water Reserve Fund</b>											
Opening Balance	\$229	\$315	\$410	\$451	\$99	\$203	\$291	\$409	\$534	\$667	\$809
Revenue	\$170	\$178	\$175	\$181	\$188	\$194	\$201	\$209	\$217	\$225	\$234
Transfer to Capital	(\$84)	(\$84)	(\$134)	(\$534)	(\$84)	(\$106)	(\$84)	(\$84)	(\$84)	(\$84)	(\$55)
Transfer to Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$315	\$410	\$451	\$99	\$203	\$291	\$409	\$534	\$667	\$809	\$988
<b>Debenture Requirements</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>Note: Reserve fund balances are unaudited at the time of study</i>											

**Appendix A - Table 4**  
**City of Owen Sound**  
**Non- Growth Related Debenture Schedule**  
**in \$000's**

	2020		2021		2022		2023		2024		2025	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
New Debt	\$0.0	\$0.0	\$0	\$0	\$49	\$82	\$51	\$80	\$105	\$165	\$110	\$161
Existing Debt	\$158	\$24	\$162	\$19	\$117	\$15	\$121	\$11	\$124	\$8	\$128	\$4
<b>Total</b>	<b>\$158</b>	<b>\$24</b>	<b>\$162</b>	<b>\$19</b>	<b>\$166</b>	<b>\$96</b>	<b>\$172</b>	<b>\$91</b>	<b>\$230</b>	<b>\$172</b>	<b>\$238</b>	<b>\$164</b>

	2026		2027		2028		2029		2030		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
New Debt	\$114	\$156	\$119	\$152	\$123	\$147	\$128	\$142	\$131	\$139	\$929	\$1,223
Existing Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$811	\$81
<b>Total</b>	<b>\$114</b>	<b>\$156</b>	<b>\$119</b>	<b>\$152</b>	<b>\$123</b>	<b>\$147</b>	<b>\$128</b>	<b>\$142</b>	<b>\$131</b>	<b>\$139</b>	<b>\$1,740</b>	<b>\$1,304</b>