



**DRINKING WATER QUALITY
MANAGEMENT SYSTEM**

FINANCIAL PLAN

NUMBER: 213-101

O.REG. 453/07

As part of the Municipal Drinking Water Licensing Program, the Ministry of Environment released the Ontario Regulation 453/07. This new regulation requires holders of a Drinking Water License to develop and implement a comprehensive Financial Plan that addresses long-term capital and operating costs for the municipal drinking water system over the set timeframe.

In order to be issued a license, the Municipality must follow the new Municipal Drinking Water Licensing Program. The Ministry established the following requirements:

- (1) A Drinking Water Works Permit (DWWP)
 - A permit to establish or alter a drinking water system
 - A DWWP together with a license, has replaced the certificates of approval
- (2) An Accepted Operational Plan
 - The Operational Plan is based on the Drinking Water Quality management Standards (DWQMS)
 - The Operational Plan will document an Operating Authority's Quality Management System (QMS)
- (3) Accreditation of the Operating Authority
 - A third-party audit of an Operating Authority's Quality Management System (QMS) will be the basis for accreditation
- (4) A Financial Plan
 - As required under the Financial Plans Regulation, O.Reg. 453/07.
- (5) A Permit to take Water (PTTW)
 - A valid PTTW is required to be in place
- (6) Director Satisfaction
 - Before a license is issued, the Director appointed under the Safe Drinking water Act, 2002 (SDWA) must be satisfied that the system will be operated in accordance with the requirements under the SDWA and the proposed conditions of the license.

The Corporation of the Town of Kapuskasing is the owner and operating authority of the drinking water system which services approximately 7,500 residents, including industrial, commercial and institutional establishments.

The drinking water system is comprised of a treatment facility (Lime softening Treatment Plant) and distribution system. The distribution system is comprised of approximately:

- 60 km of distribution watermain
- 330 fire hydrants
- 900 valves (not including the service valves or hydrant valves)
- One elevated water storage tank

The 60 km of distribution watermain is constructed with a combination of copper, PVC, cast iron and ductile iron.

As the owner and Operating Authority, The Corporation of the Town of Kapuskasing must prepare a Financial Plan for the Drinking Water System in order to meet the requirements of the municipal drinking water license. The Financial Plan must be updated at a minimum every five years.

This Financial Plan must demonstrate that the municipal water system is financially sustainable. Through the process of developing this Financial Plan, the Town of Kapuskasing, set out to achieve the following:

- ✓ Financial viability;
- ✓ Provide safe drinking water;
- ✓ Enable the long term plan for capital renewal to be realized;
- ✓ Achieve full cost recover over the long-term; and
- ✓ Maintain current service level.

Here are the general requirements that apply:

- The Financial Plan must include a statement that the financial impacts of the drinking water system have been considered;
- The Financial Plan shall be for a period of at least six years;
- The Financial Plan must be made available on request and without charge to members of the public that are served by the water system;
- The Financial Plan must be published on the internet, but only if the owner maintains an internet website;
- The Owner must provide a notice informing the public of the availability of the Financial Plan in a manner that the owner deems fit to bring the notice to the attention of the members of the public that are served by the water system;
- The Financial Plan must be approved by council resolution that indicates that the drinking water system is financially viable;
- A copy of the Financial Plan, along with the resolution must be submitted to the Ministry of municipal Affairs and Housing (MMHA); and

- The Financial Plan should be updated and approved prior to applying for a license renewal.
- In addition to the general requirements, each Financial Plan is required to document projected financial operating expenditures for each fiscal year that the plan is in effect. This information must be itemized by:
 - Total revenues (water rates, user charges and other revenues);
 - Total expenses (amortization expenses, interest expenses and other expenses);
 - Annual and accumulated surplus or deficit;
 - Statement of financial position; and
 - Statement of cash flow.

Municipal Drinking Water License information:

System owner:	The Corporation of the Town of Kapuskasing
License Number:	213-101
License Issue Date:	August 23, 2011
License Expiry Date:	August 21, 2016
Application for License Renewal:	February 20, 2016

The raw water source feeding the municipal water system is Well #1, 2 and 3. The Town obtained a Permit to Take Water (PTTW), issued April 1, 1998. This permit was renewed on August 11, 2011. The PTTW number is 2877-8KKQ2C.

The Town of Kapuskasing is the accredited Operating Authority for the Kapuskasing Water Treatment Plant and the Distribution System. The Town of Kapuskasing is committed to providing safe drinking water in the short-term and long term. The Town's Operational Plan includes its day to day operations maintaining and administering the drinking water system.

Capital Expenditures:

The Water Treatment Plant and distribution system for the Town of Kapuskasing is valued at an estimated 30 million dollars.

Future projects include the completion of phase 2 of the connecting link from Riverside Drive to Golf Street as well as phase 3 from Golf Street to Brunelle Road North.

Other projects include full reconstruction of Ottawa street, Spruce Street, Lemarier Street and possibly Superior Street.

These projects include the full replacement of piping and appurtenances up to the residential property lines including, water mains, hydrants, valves and residential services.

Water Consumption:

The following chart outlines the Raw Water Flows for the Town of Kapuskasing. The Town's current permit to take water (PTTW) from the Three Wells is for 6566.4 m3/day.

RAW WATER FLOWS (m3)			
Year	Monthly Daily Average	Daily Maximum	Yearly Total
2011	2,802	3,398	1, 022, 885
2012	2,843	4,764	1, 040, 810
2013	2,814	5,799	1, 027, 084
2014	3,065	5,263	1, 119, 006
2015	2, 963	4,929	1, 084, 029

Water Rates:

Water rates are reviewed and set as part of the budget process and the Town's water financial plan is used to determine these rates. All cost associated with the operations of the water system are paid through water rates on a user pay basis. The attached schedule outlines water rates through 2021.

In conclusion, continued long-term planning is instrumental in developing a comprehensive understanding of the Town's infrastructure and creating a financial structure that puts in place resources to maintain the water system in a safe and effective manner, while maintaining financial viability. The Town recognizes that the integrity of its finances is critical to the successful operation of the municipality and to its reputation and trust by ratepayers.

Attached is the Financial Plan that includes the financial statements. These statements include a projected statement of financial position, projected statement of operations and projected statement of cash flow for the period of Dec 31, 2015 to 2021.

As required, these statements are in accordance with the new Public Sector Accounting Standards. Actual results will vary from the projections herein and the differences may be material.

TOWN OF KAPUSKASING - PROPOSED WATER RATES

	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$
<u>WATER RATES</u>							
Per Cubic Meter	\$ 2.32	\$ 2.36	\$ 2.40	\$ 2.44	\$ 2.48	\$ 2.52	\$ 2.57
<u>WATER RATES</u>							
Minimum Monthly Charge	\$ 21.10	\$ 21.52	\$ 21.95	\$ 22.38	\$ 22.82	\$ 23.27	\$ 23.73

TOWN OF KAPUSKASING

PROJECTED STATEMENT OF FINANCIAL POSITION

	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$
Financial Assets							
Cash and cash equivalents	2,571,822	2,666,828	2,735,176	2,753,583	2,760,395	2,755,696	2,758,230
Long Term Debt	753,858	1,380,441	1,614,002	1,666,786	1,704,864	1,702,249	1,708,915
Net Financial Assets (Liabilities)	1,817,964	1,286,387	1,121,174	1,086,797	1,055,531	1,053,447	1,049,315
Non Financial Assets							
Tangible Capital Assets	21,288,985	22,220,826	22,367,996	22,128,844	21,878,856	21,543,055	21,203,654
Accumulated Surplus	23,106,949	23,507,213	23,489,170	23,215,641	22,934,387	22,596,502	22,252,969
Accumulated Surplus							
Opening	594,300	83,978	484,241	466,198	192,669	(88,585)	(426,470)
Excess revenues over expenses	(510,322)	400,264	(18,043)	(273,529)	(281,254)	(337,885)	(343,533)
Closing	83,978	484,241	466,198	192,669	(88,585)	(426,470)	(770,003)
Opening surplus in TCA and LTD	23,022,972	23,022,972	23,022,972	23,022,972	23,022,972	23,022,972	23,022,972
Accumulated surplus	23,106,950	23,507,213	23,489,170	23,215,641	22,934,387	22,596,502	22,252,969
Tangible Capital Assets							
Cost, beginning of the year	30,776,613	30,971,163	32,733,714	33,731,214	34,353,714	34,976,214	35,523,714
Additions	194,550	1,762,551	997,500	622,500	622,500	547,500	555,000
Disposal	-	-	-	-	-	-	-
Total Cost	30,971,163	32,733,714	33,731,214	34,353,714	34,976,214	35,523,714	36,078,714
Accumulated Depreciation, beginning	8,885,038	9,682,178	10,512,888	11,363,218	12,224,870	13,097,358	13,980,659
Amortization	797,140	830,710	850,330	861,652	872,488	883,301	894,401
Disposal	-	-	-	-	-	-	-
Accumulated Amortization	9,682,178	10,512,888	11,363,218	12,224,870	13,097,358	13,980,659	14,875,060
Net book value	21,288,985	22,220,826	22,367,996	22,128,844	21,878,856	21,543,055	21,203,654

TOWN OF KAPUSKASING

PROJECTED STATEMENT OF OPERATIONS

	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Water Rates	1,825,600	1,862,112	1,899,354	1,937,341	1,976,088	2,015,610	2,055,922
Meter Replacement	2,500	2,000	2,000	2,000	2,000	2,000	2,000
Connection & Others	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Interest on Water	13,200	13,500	13,500	13,500	13,500	13,500	13,500
Grants	90,788	1,037,386	643,500	410,850	410,850	361,350	361,350
Transfer from Reserve	94,161	24,000	22,500	22,500	22,500	22,500	30,000
	<u>2,027,749</u>	<u>2,940,498</u>	<u>2,582,354</u>	<u>2,387,691</u>	<u>2,426,438</u>	<u>2,416,460</u>	<u>2,464,272</u>
Expenses							
General operating	1,627,546	1,660,097	1,693,299	1,727,165	1,761,708	1,796,942	1,832,881
Expenditures financed by reserve	94,161	24,000	22,500	22,500	22,500	22,500	30,000
Debt Interest	19,224	25,427	34,269	49,903	50,996	51,602	50,523
Amortization	797,140	830,710	850,330	861,652	872,488	883,301	894,401
	<u>2,538,071</u>	<u>2,540,234</u>	<u>2,600,398</u>	<u>2,661,220</u>	<u>2,707,692</u>	<u>2,754,345</u>	<u>2,807,805</u>
Excess Revenues over Expenses	(510,322)	400,264	(18,043)	(273,529)	(281,254)	(337,885)	(343,533)
Opening accumulated surplus	594,300	83,978	484,241	466,198	192,669	(88,585)	(426,470)
Accumulated surplus	<u>83,978</u>	<u>484,241</u>	<u>466,198</u>	<u>192,669</u>	<u>(88,585)</u>	<u>(426,470)</u>	<u>(770,003)</u>

TOWN OF KAPUSKASING

PROJECTED STATEMENT OF CASH FLOW

	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$
Projected excess of revenues over expenses	(510,322)	400,264	(18,043)	(273,529)	(281,254)	(337,885)	(343,533)
Amortization	797,140	830,710	850,330	861,652	872,488	883,301	894,401
Cash provided by operations	286,818	1,230,974	832,287	588,123	591,234	545,416	550,868
Capital Transactions							
Acquisition of Tangible Capital Assets	(194,550)	(1,762,551)	(997,500)	(622,500)	(622,500)	(547,500)	(555,000)
Financial Transactions							
Proceeds from debt issues	15,889	701,165	331,500	189,150	189,150	163,650	163,650
Debt Repayment	(57,230)	(74,582)	(97,939)	(136,366)	(151,072)	(166,265)	(156,984)
	(41,341)	626,583	233,561	52,784	38,078	(2,615)	6,666
Increase (Decrease) in Cash Equivalents	50,927	95,006	68,347	18,407	6,812	(4,699)	2,534
Cash equivalents, beginning of the year	2,520,895	2,571,822	2,666,828	2,735,176	2,753,583	2,760,395	2,755,696
Cash equivalents, end of the year	2,571,822	2,666,828	2,735,176	2,753,583	2,760,395	2,755,696	2,758,230