

CORPORATION OF THE
TOWNSHIP OF ORO-MEDONTE

Communal Tire Financial Plan

October 23, 2023

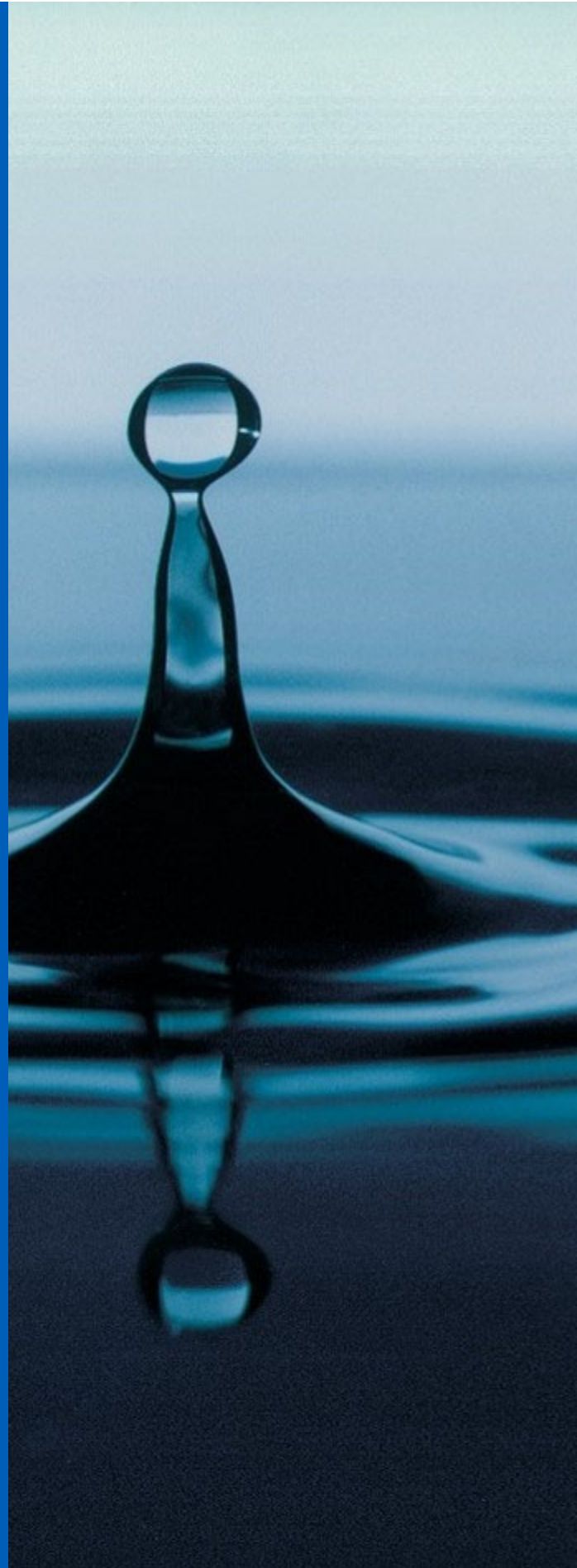
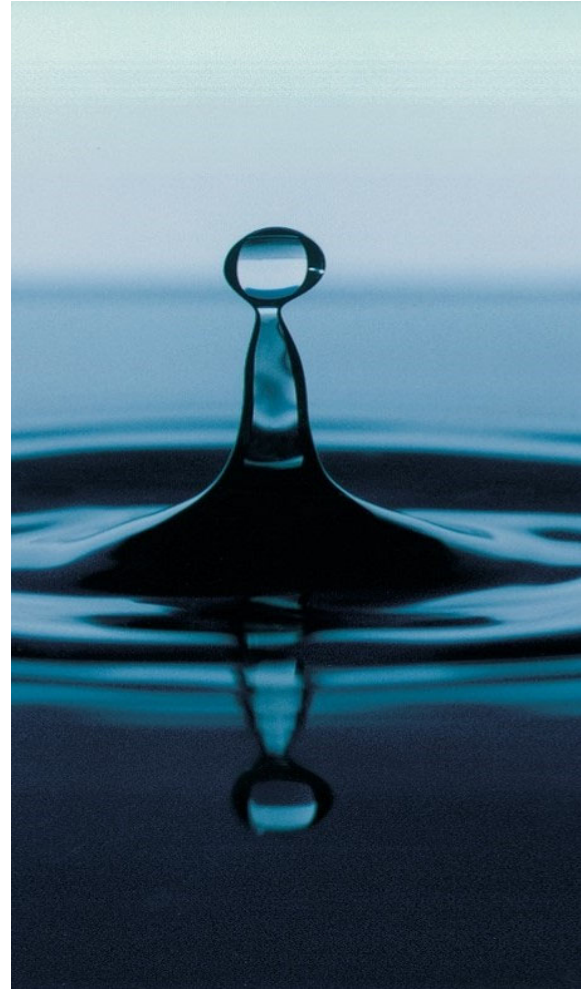


Table of Contents

INTRODUCTION	3
OVERVIEW OF THE ORO-MEDONTE COMMUNAL TILE SYSTEM	7
KEY ASSUMPTIONS	8
FINANCIAL PLAN HIGHLIGHTS	9
CONGRUENCE WITH SUSTAINABILITY PRINCIPLES	10



Introduction

PROVINCIAL REPORTING REQUIREMENTS

Pursuant to Section 31(1) of the *Safe Drinking Water Act, 2002* (the “SDWA”), municipal drinking water licenses (“MDWL”) are required for the use or operation of municipal drinking water systems in Ontario. In obtaining MDWLs, the Township of Oro-Medonte (the “Township”) is required to meet five conditions under Section 44 (1) of the SDWA, including the preparation of a financial plan for the municipal drinking water system(s). The form and content of financial plans for municipal drinking water systems are prescribed under Ontario Regulation 453/07 (the “Regulation”).

Currently, there are no Provincial financial reporting requirements for communal tile systems. However, as a best management practice, the Township has elected to complete a Financial Plan for Communal Tile Services. In this regard, the preparation of the Communal Tile Financial Plan mirrors the form and content of financial plans as prescribed under the Regulation for drinking water systems. More specifically, the plan for communal tile beds:

- i. Is approved through a Council resolution that indicates that the communal tile system is financially viable
- ii. Extends over a minimum of six years and include a statement that the financial impacts of the communal tile system have been considered,
- iii. For each year of the financial plan, includes details of the proposed or projected financial operations of the system itemized by:
 - Total revenues, further broken down into communal tile rates, user charges and other revenues,
 - Total expenses, further broken down into amortization expenses, interest expenses and other expenses,
 - Annual surplus or deficit
 - Accumulated surplus or deficit
- iv. Includes details of the proposed or projected financial position of the system, itemized by:
 - Total financial assets
 - Total liabilities
 - Net debt
 - Non-financial assets
 - Changes in tangible capital assets
- v. Details the proposed or projected gross cash receipts and cash payments itemized by:
 - Operating transactions
 - Capital transactions
 - Investing transactions
 - Financing transactions
 - Changes in cash and cash equivalents during the year
 - Cash and cash equivalents at the beginning and end of year

The disclosure requirements prescribed in the Regulation are consistent with financial statement requirements as outlined in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Professional Accountants, which comprise:

- A statement of operating results
- A statement of financial position
- A statement of cash flows
- A statement of changes in net financial assets

The Regulation requires a six year financial planning horizon. However to be consistent with the Township's general approach to financial planning for environmental services, the financial plan considers a 10-year planning horizon.

In connection with its financial plan, the Township is also required to ensure an appropriate level of public communication by:

- Making the financial plan available, on request, to members of the public at no charge
- Making the financial plan available to members of the public at no charge through the internet (if the municipality maintains a website)
- Providing notice as deemed appropriate to advise the public of the availability of the financial plan

FINANCIAL PLAN METHODOLOGY

In order to assist municipalities with the preparation of financial plans, the Ministry of the Environment released a document entitled *Toward Financially Sustainable Drinking-Water and Wastewater Systems* (the "Ministry Document") that outlines suggested principles of financial sustainability for water and wastewater systems as well as possible approaches to implementing these principles. These principles have been adopted for the preparation of the financial plan for the Township's communal tile system.

SUSTAINABILITY PRINCIPLES

As outlined in the Ministry Document, financial sustainability is intended to ensure that residents enjoy services that are provided on a reliable basis over the long-term in a manner that maintains environmental protection. The attainment of financial sustainability, which the Ministry Document recognizes does not necessarily need to occur at once but rather can involve a transition, can be supported by the adoption of nine principles that can be used to inform financial plans.

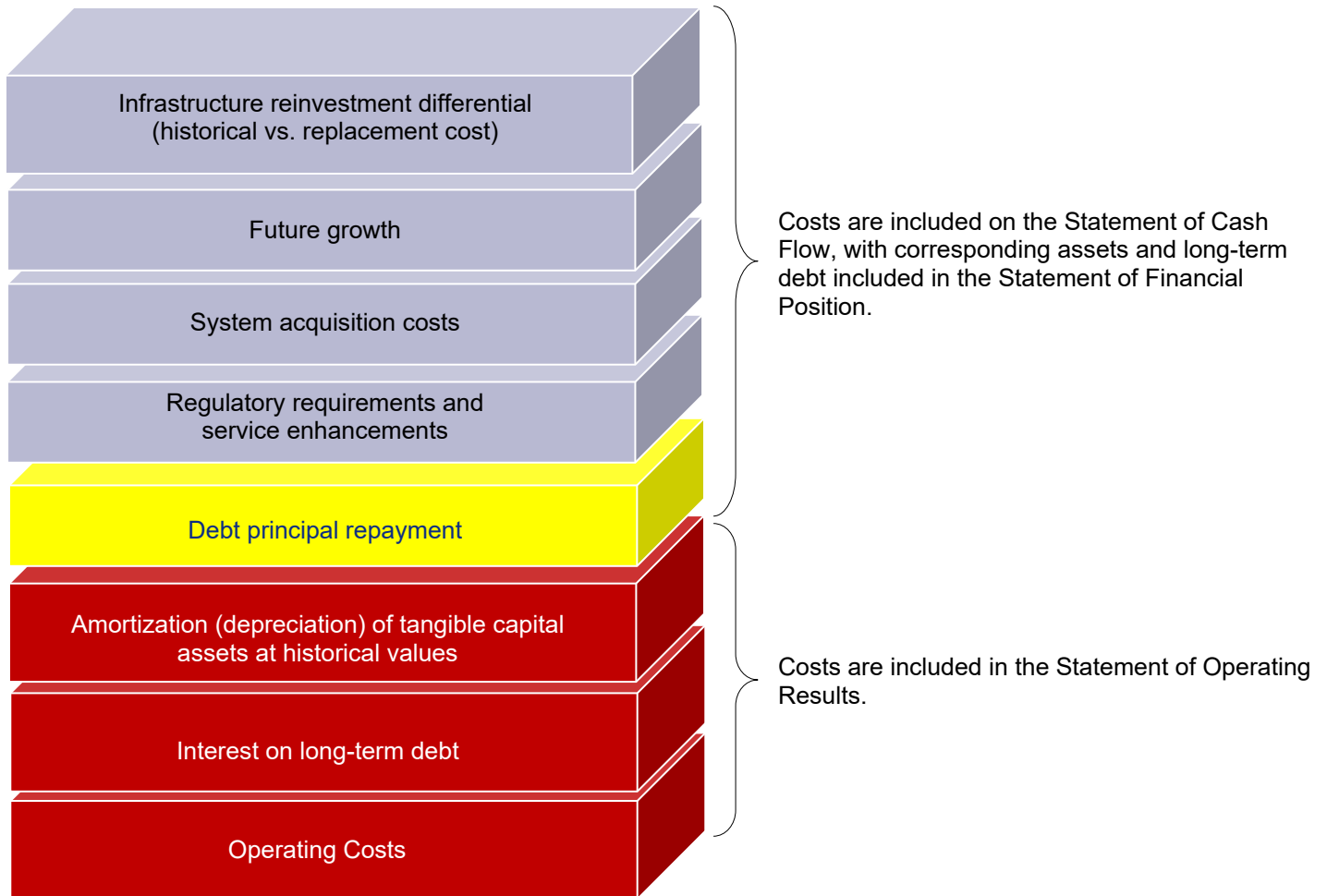
1. Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
2. An integrated approach to planning among water, wastewater and storm water systems is desirable given the inherent relationship among these services.
3. Revenues collected for the provision of services should ultimately be used to meet the needs of those services.
4. Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.
5. An asset management plan is a key input to the development of a financial plan.
6. A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
7. Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.
8. Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.

9. Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff and municipal council.

The financial plan developed by the Township incorporates each of these principles, as further discussed in Section entitled "Congruence with Sustainability Principles."

APPROACH TO THE FINANCIAL PLAN

In developing the financial plan, the Township has adopted the so-called "building-block" approach outlined in the Ministry Document, which considers both the current and anticipated operating and capital funding requirements for communal tile services. A graphical depiction of the building-block approach utilized in the development of the Township's plan is provided below.



NOTICE TO READER

The financial plan outlined in this report represents a forecast of the financial performance of the Township's communal tile services under a series of assumptions that are documented within the plan. The financial plan (which has been prepared for the purposes of meeting regulatory requirements established by the Ministry) does not represent a formal, multi-year budget for communal tile services. The approval of operating and capital budgets for communal tile services is undertaken as part of the Township's overall annual budgeting process. Accordingly, the financial performance outlined in this document is subject to change based on future decisions of Council with respect to operating and capital costs, rate increases and unforeseen revenues and expenses.

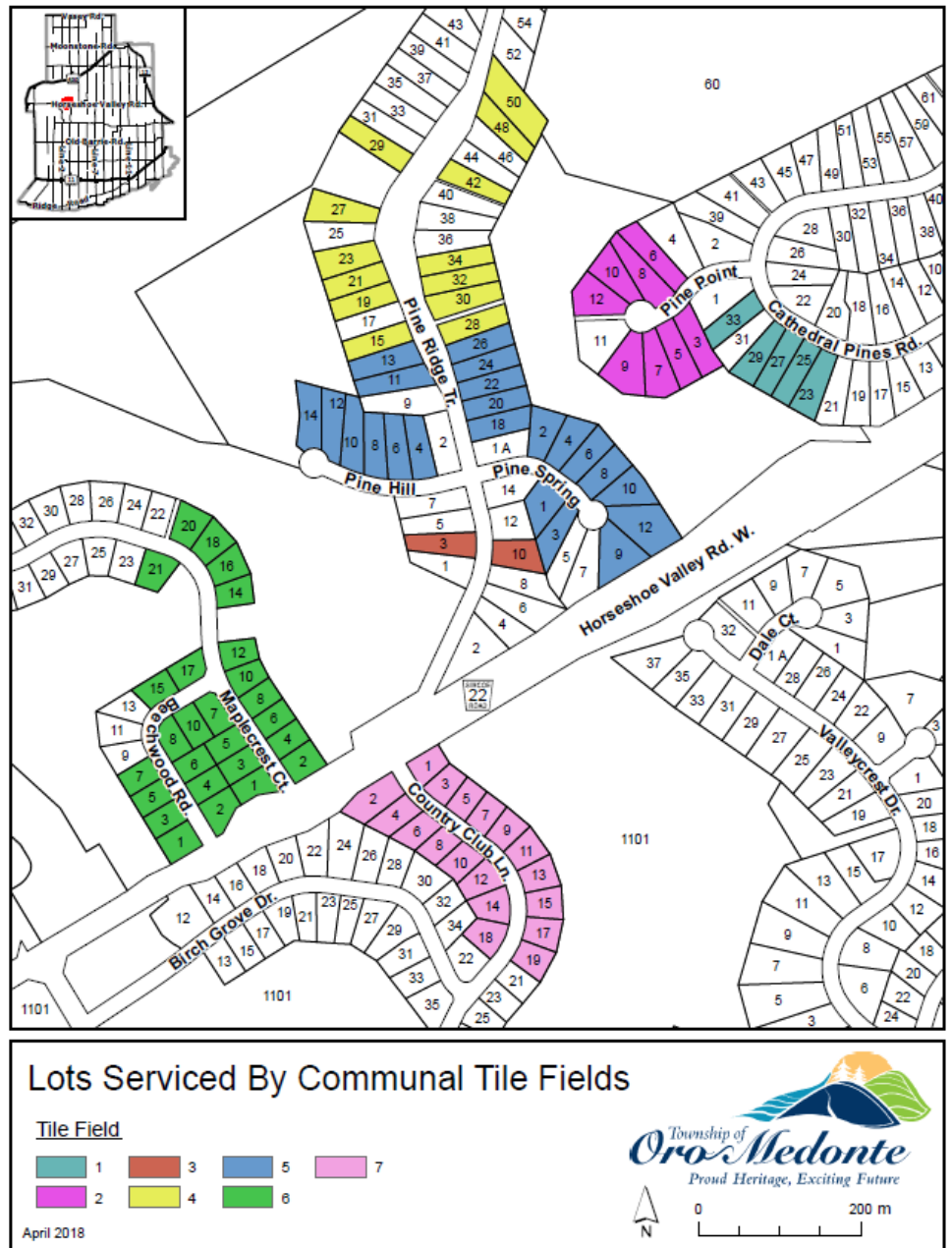
This report, including the attached appendices, must be considered in its entirety by the reader.

Overview of the Oro-Medonte Communal Tile System

The Township currently maintains seven communal tile fields (septic tanks and associated field beds), which provide wastewater service to less than 100 households in the community. The communal tile fields are operated in accordance with Environmental Compliance Approvals obtained from the Ministry of the Environment, Conservation and Parks.

The annual cost for communal tile customers in 2023 is \$730, consisting of \$490 for operating costs and \$240 for capital. These fees are invoiced quarterly, with the current quarterly rate set at \$182.50.

The Township does not anticipate additional connections in the future.



Key Assumptions

The preparation of the financial plan for communal tile services requires the use of assumptions concerning future events, with the more salient assumptions listed below.

SYSTEMS IN OPERATION

The financial plan assumes that the Township will continue to operate seven communal tile fields, with no expansion of the system during the projection period.

CUSTOMER LEVELS

Customer levels are expected to remain constant over the projection period, with no significant connections anticipated during the projection period. At the same time, it is also assumed that there will be no disconnections of current customers.

OPERATING COSTS

Projected operating costs relate to the ongoing maintenance of the communal tile fields. For the purposes of the financial plan:

— Operating costs for 2024 are based on the Township's approved multi-year budget

— Operating costs are projected to increase at the following rates:

2025	Decrease from prior year due to revision of budget estimates and cost allocations
------	---

2026 to 2023	2.50% per year
--------------	----------------

CAPITAL INVESTMENT REQUIREMENTS

No significant capital investments are anticipated during the projection period.

CONTINGENCIES

In addition to the key assumptions noted above, there are a number of other variables that have not been reflected in the financial plan which, in the event that these materialize (whether in whole or in part), may have a significant impact (either positive or negative) on the projected financial plan.

Contingencies that were identified but not incorporated into the financial plan due to uncertainty as to quantum or probability of occurrence include:

- The increase in capacity of the current communal tile system through the additional of new field beds.
- The potential for amalgamation.
- The potential discontinuance of existing communal tile systems by the Township.
- Government grant revenues for operating and/or capital purposes above the level of grant revenue noted in the financial plan.
- Unforeseen capital expenditure.
- New Ministry regulations that would have a significant impact on operating costs.

Financial Plan Highlights

Included as Appendix A is the financial plan for communal tile services, which provides a financial forecast of communal tile revenues and expenditures for the period 2024 to 2033 (and incorporates budget information for 2023 and 2024 for reference). The financial plan is comprised of:

- A Statement of Projected Operations and Accumulated Surplus
- A Statement of Projected Financial Position
- A Statement of Changes in Net Financial Assets
- A Statement of Cash Flow

In addition to these statements, the financial plan also includes continuity schedules for reserves and tangible capital assets.

As noted in the financial plan, total revenues are projected to increase from the 2023 budget of \$59,000 to \$107,000 in 2033, reflecting the ongoing impacts of inflation and the depletion of reserves for communal tile services.

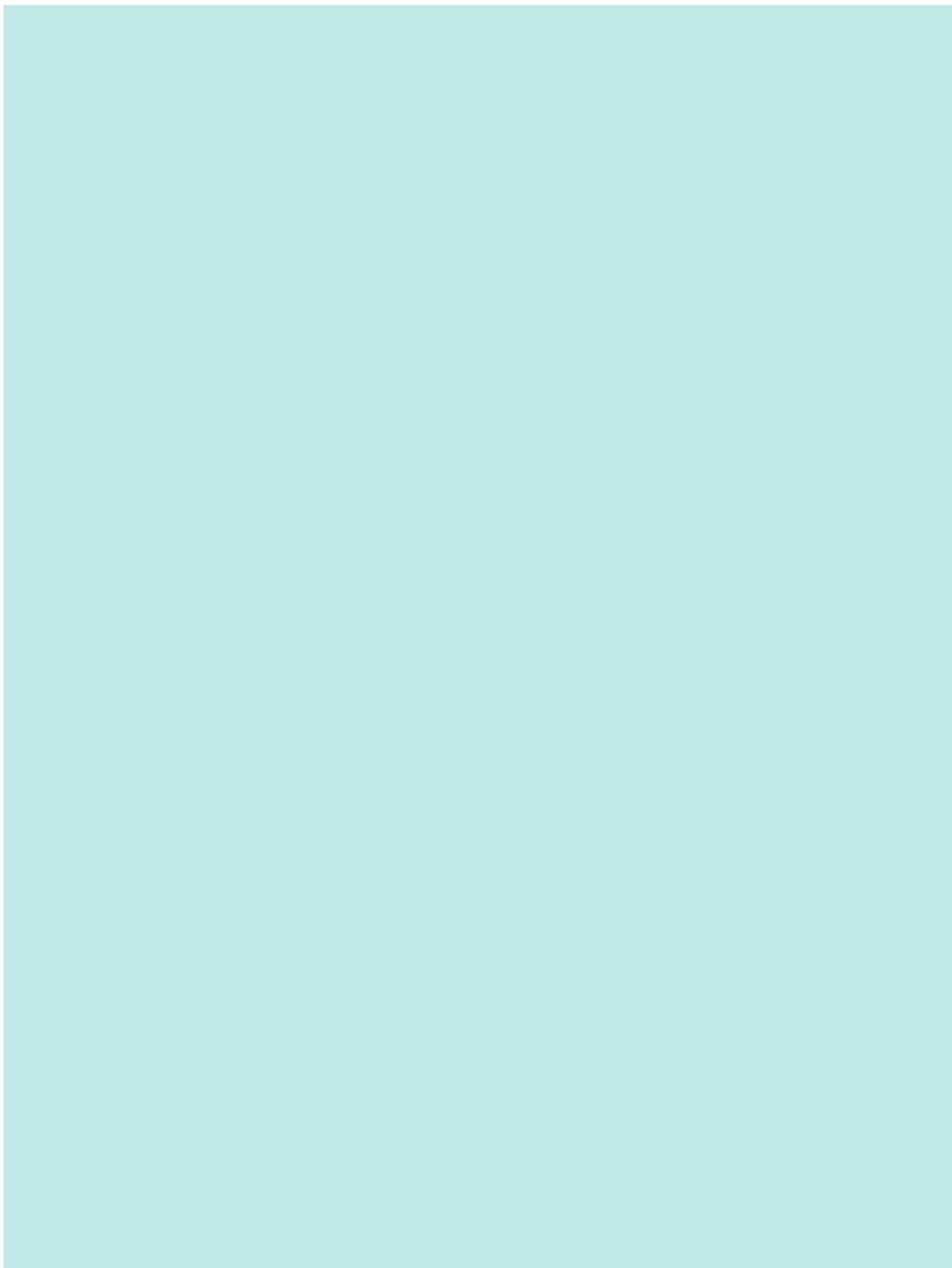
Based on the financial plan, we have summarized below the Township’s calculated communal tile rates for each of the years 2023 to 2033. These rates reflect the anticipated total cost of services (capital and operating), the depletion of reserves in 2024 and the continuation of the Township’s past practice of “smoothing” rates so as to achieve a consistent rate of increase over a long-term period (as opposed to differing levels of rate increases based on short-term requirements). Based on the financial model and key assumptions, communal tile rates are projected to increase by 6% annually from 2023 to 2033. Overall, the annual cost of communal tile services for customers is projected to increase from \$730 in 2023 to \$1,307 in 2033.

Year	Quarterly Charge			Projected Annual Cost		
	Operating	Capital	Total	Total Cost	Annual Increase	Percentage Increase
2023	\$122.50	\$60.00	\$182.50	\$730.00		
2024	\$129.85	\$63.60	\$193.45	\$773.80	\$43.80	6.00%
2025	\$137.65	\$67.43	\$205.08	\$820.30	\$46.50	6.01%
2026	\$145.90	\$71.48	\$217.38	\$869.50	\$49.20	6.00%
2027	\$154.65	\$75.78	\$230.43	\$921.70	\$52.20	6.00%
2028	\$163.93	\$80.33	\$244.25	\$977.00	\$55.30	6.00%
2029	\$173.75	\$85.15	\$258.90	\$1,035.60	\$58.60	6.00%
2030	\$184.18	\$90.25	\$274.43	\$1,097.70	\$62.10	6.00%
2031	\$195.23	\$95.68	\$290.90	\$1,163.60	\$65.90	6.00%
2032	\$206.95	\$101.43	\$308.38	\$1,233.50	\$69.90	6.01%
2033	\$219.38	\$107.50	\$326.88	\$1,307.50	\$74.00	6.00%

As indicated earlier in the document, the financial plan does not represent a formal, multi-year budget for communal tile services. The approval of operating and capital budgets for communal tile services is undertaken as part of the Township’s overall annual budgeting process. Accordingly, the financial performance outlined in this document is subject to change based on future decisions of Council with respect to operating and capital costs, rate increases and unforeseen revenues and expenses.

Congruence With Sustainability Principles

Principle	How Addressed	Conclusion
1. Public engagement and transparency	<ul style="list-style-type: none"> Financial plan will be presented at public council meeting Public access to financial plan will be provided consistent with the Regulation 	Achieved
2. Integrated approach to planning	<ul style="list-style-type: none"> Future planning will incorporate wastewater services if these are assumed by the Township. Capital planning also considers other Township infrastructure (e.g. roads) 	Achieved
3. Revenues should be used to meet water and wastewater needs	<ul style="list-style-type: none"> Financial model anticipates that all revenues will be used to fund communal tile operating and capital costs. 	Achieved
4. Life cycle planning with mid-course corrections is preferable	<ul style="list-style-type: none"> Planning considers ongoing infrastructure replacement 	Achieved
5. Asset management plan is a key input	<ul style="list-style-type: none"> The Township has undertaken asset management planning with consideration given to the useful life of assets 	Achieved
6. Sustainable level of revenue considers operating and capital requirements	<ul style="list-style-type: none"> Revenue is sufficient to fund all operating costs 	Achieved
7. Users pay for services they receive	<ul style="list-style-type: none"> Rates are determined based on actual operating costs. No tax subsidization is incorporated into the financial plan. 	Achieved
8. Financial plans are living documents	<ul style="list-style-type: none"> Township intends to update financial plan to reflect major changes to operations 	Achieved
9. Financial plans benefit from close collaboration	<ul style="list-style-type: none"> Preparation included involvement from infrastructure and finance groups, as well as external advisors 	Achieved



TOWNSHIP OF ORO-MEDONTE
Communal Tile Financial Plan

Statement of Projected Operations
For the Years Ending December 31
(in thousands)
(Unaudited - See Notice to Reader)

	Budget	Budget	Forecast									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Revenues:												
User fees	\$ 59	63	67	71	75	80	85	90	95	101	107	
Municipal taxation support	-	-	-	-	-	-	-	-	-	-	-	
Other revenues	-	-	-	-	-	-	-	-	-	-	-	
	59	63	67	71	75	80	85	90	95	101	107	
Operating expenses	86	89	75	78	80	82	84	86	88	90	92	
Surplus before reserve transfers	(27)	(26)	(8)	(7)	(5)	(2)	1	4	7	11	15	
Transfers from (to) reserves	27	26	(19)	-	-	-	-	-	-	-	-	
Surplus (deficit) for budgeting purposes	-	-	(27)	(7)	(5)	(2)	1	4	7	11	15	
Add (less):												
Transfers to (from) reserves	(27)	(26)	19	-	-	-	-	-	-	-	-	
Amortization of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-	
Surplus (deficit) for financial reporting purposes	\$ (27)	(26)	(8)	(7)	(5)	(2)	1	4	7	11	15	
Accumulated surplus, beginning of year	359	332	306	298	291	286	284	285	289	296	307	
Accumulated surplus, end of year	\$ 332	306	298	291	286	284	285	289	296	307	322	

TOWNSHIP OF ORO-MEDONTE
Communal Tile Financial Plan

Statement of Projected Financial Position
As at December 31
(in thousands)
(Unaudited - See Notice to Reader)

	Budget	Budget	Forecast								
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial assets (debt):											
Due from (to) Township of Oro-Medonte	\$ 7	(19)	(27)	(34)	(39)	(41)	(40)	(36)	(29)	(18)	(3)
Net financial assets (debt)	7	(19)	(27)	(34)	(39)	(41)	(40)	(36)	(29)	(18)	(3)
Non-financial assets:											
Tangible capital assets	325	325	325	325	325	325	325	325	325	325	325
Accumulated surplus	\$ 332	306	298	291	286	284	285	289	296	307	322
Accumulated surplus is comprised of:											
Equity in tangible assets	\$ 325	325	325	325	325	325	325	325	325	325	325
Unrestricted surplus (deficit)	-	-	(27)	(34)	(39)	(41)	(40)	(36)	(29)	(18)	(3)
Reserves and reserve funds	7	(19)	-	-	-	-	-	-	-	-	-
	\$ 332	306	298	291	286	284	285	289	296	307	322

TOWNSHIP OF ORO-MEDONTE
Communal Tile Financial Plan

Statement of Projected Changes in Net Financial Liabilities
As at December 31
(in thousands)
(Unaudited - See Notice to Reader)

	Budget	Budget	Forecast								
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Annual surplus (deficit) for financial reporting purposes	\$ (27)	(26)	(8)	(7)	(5)	(2)	1	4	7	11	15
Acquisition of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-
Amortization of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-
Change in net financial assets (debt)	(27)	(26)	(8)	(7)	(5)	(2)	1	4	7	11	15
Net financial assets (debt), beginning of year	34	7	(19)	(27)	(34)	(39)	(41)	(40)	(36)	(29)	(18)
Net financial assets (debt), end of year	\$ 7	(19)	(27)	(34)	(39)	(41)	(40)	(36)	(29)	(18)	(3)

TOWNSHIP OF ORO-MEDONTE
Communal Tile Financial Plan

Statement of Projected Cash Flows
As at December 31
(in thousands)
(Unaudited - See Notice to Reader)

	Budget	Budget	Forecast								
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Cash provided by (used in):											
Operating activities:											
Annual surplus	\$ (27)	(26)	(8)	(7)	(5)	(2)	1	4	7	11	15
Items not involving cash:											
Amortization of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-
Net change in cash from operating activities	(27)	(26)	(8)	(7)	(5)	(2)	1	4	7	11	15
Financing activities:											
Issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Net change in cash from financing activities	-	-	-	-	-	-	-	-	-	-	-
Capital activities:											
Acquisition of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-
Net change in cash from capital activities	-	-	-	-	-	-	-	-	-	-	-
Net change in cash	(27)	(26)	(8)	(7)	(5)	(2)	1	4	7	11	15
Cash (due to/from Township of Oro-Medonte), beginning of year	34	7	(19)	(27)	(34)	(39)	(41)	(40)	(36)	(29)	(18)
Cash (due from Township of Oro-Medonte), end of year	\$ 7	(19)	(27)	(34)	(39)	(41)	(40)	(36)	(29)	(18)	(3)