BMA
Management Consulting Inc.

Water Study and Financial Plan

Township of Mulmur

June 2025

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Executive Summary

Executive Summary

The Township of Mulmur engaged BMA Management Consulting Inc. to develop a Financial Plan for its water system, in compliance with Ontario Regulation 453/07 under the Safe Drinking Water Act, 2002. The plan is essential for renewing the Township's Municipal Drinking Water Licence and ensuring long-term financial sustainability.

Key Objectives & Regulatory Framework - The plan incorporates principles of financial sustainability, ensuring affordability, revenue stability, and adherence to provincial regulations. It follows guidelines set by the Ministry of the Environment, emphasizing transparency, asset management, and full-cost recovery.

Challenges & Risks - Mulmur faces a significant infrastructure replacement funding gap, requiring annual capital reserve contributions to grow over time. Rising costs, regulatory requirements, and the absence of commercial and industrial users add to financial pressures. The plan recommends a gradual increase in reserve contributions to balance financial sustainability with affordability.

Rate Structure & Financial Forecast - Mulmur uses a fixed and volumetric water rate structure, aligning with industry standards. The plan recommends maintaining the existing balance to ensure revenue stability while keeping rates affordable. The forecasted water rates will increase by 5% annually, with no expected growth in system connections or consumption.

10-Year Financial Outlook

- Operating Budget: Expected annual increases of 5% to cover rising costs and capital investments.
- Capital Budget: $495,700 in planned expenditures funded through reserves.
- Reserve Funds: Continued contributions to stabilize future investments and mitigate financial risks.

The financial strategy supports the Township's ability to meet regulatory requirements while promoting long-term financial health. Regular updates to the plan are recommended to adapt to changing needs, ensuring sustainability and effective water service management.

Introduction – Water Financial Plan

Purpose of Financial Plan

BMA Management Consulting Inc. was engaged by the Township of Mulmur to assist in the preparation of a Financial Plan for its water system.

The development of a Water Financial Plan is a requirement of the Safe Drinking Water Act, 2002 (SDWA) to renew a Municipal Drinking Water Licence. Municipal Drinking Water licences must be renewed every five years. The Act requires that the Financial Plan be prepared in accordance with the prescribed requirements in the Financial Plans Regulation (O. Reg 453/07).

The purpose of this report is to propose a financially viable multi-year Financial Plan for the Water Operations as required by Regulation (O. Reg. 453/07).

Review of Regulatory Requirements

Financial Plan provisions set out in the Financial Plans Regulation that must be met include:

- Approved by Council resolution indicating that the drinking water system is financially viable.
- Detail regarding proposed or projected financial operations:
    - A statement that the financial impacts have been considered and apply for a minimum six-year period.
    - Financial Plans are to be made available to the public upon request and at no charge.
    - Notice of the availability of the Financial Plans is to be given to the public.
    - Must be given to Ministry of Municipal Affairs and Housing.

Principles of Financial Sustainability

The Ministry of the Environment released a guideline ("Towards Financially Sustainable Drinking-Water Systems") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable were used in the context the Water Financial Plan:

- **Principle #1**: Ongoing public engagement and transparency
- **Principle #2**: An integrated approach to planning among water systems is desirable given the inherent relationship among these services.
- **Principle #3**: Revenues collected for the provision of water should ultimately be used to meet the needs of those services.
- **Principle #4**: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.
- **Principle #5**: An asset management plan is a key input to the development of a financial plan.
- **Principle #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.
- **Principle #7**: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation.
- **Principle #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.
- **Principle #9**: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

As a best practice, The Ministry of the Environment document entitled "Toward Financial Sustainability" suggests that Financial Plans should be updated on an annual forward-looking basis. By doing so, continuous improvement will be fostered, and results can be considered as part of the annual budget process.

Guiding Principles and General Approach

Guiding Principles

The following guiding principles were used as the basis for the creation of the Water Financial Plan to meet the requirements of O.Reg. 453/07:

- Ensure reasonable degree of stability and predictability in the rate burden;
- A fair sharing in the distribution of resources between current and future ratepayers;
- Maintain programs and services at their desired levels; and
- Balance increased capital investment with affordability.

The Financial Plan will be instrumental in the Township's ability to meet the Provincial reporting requirements included in O.Reg. 453/07 for Water operations and has been developed in recognition of the above noted principles.

General Approach to Preparing the Financial Plan

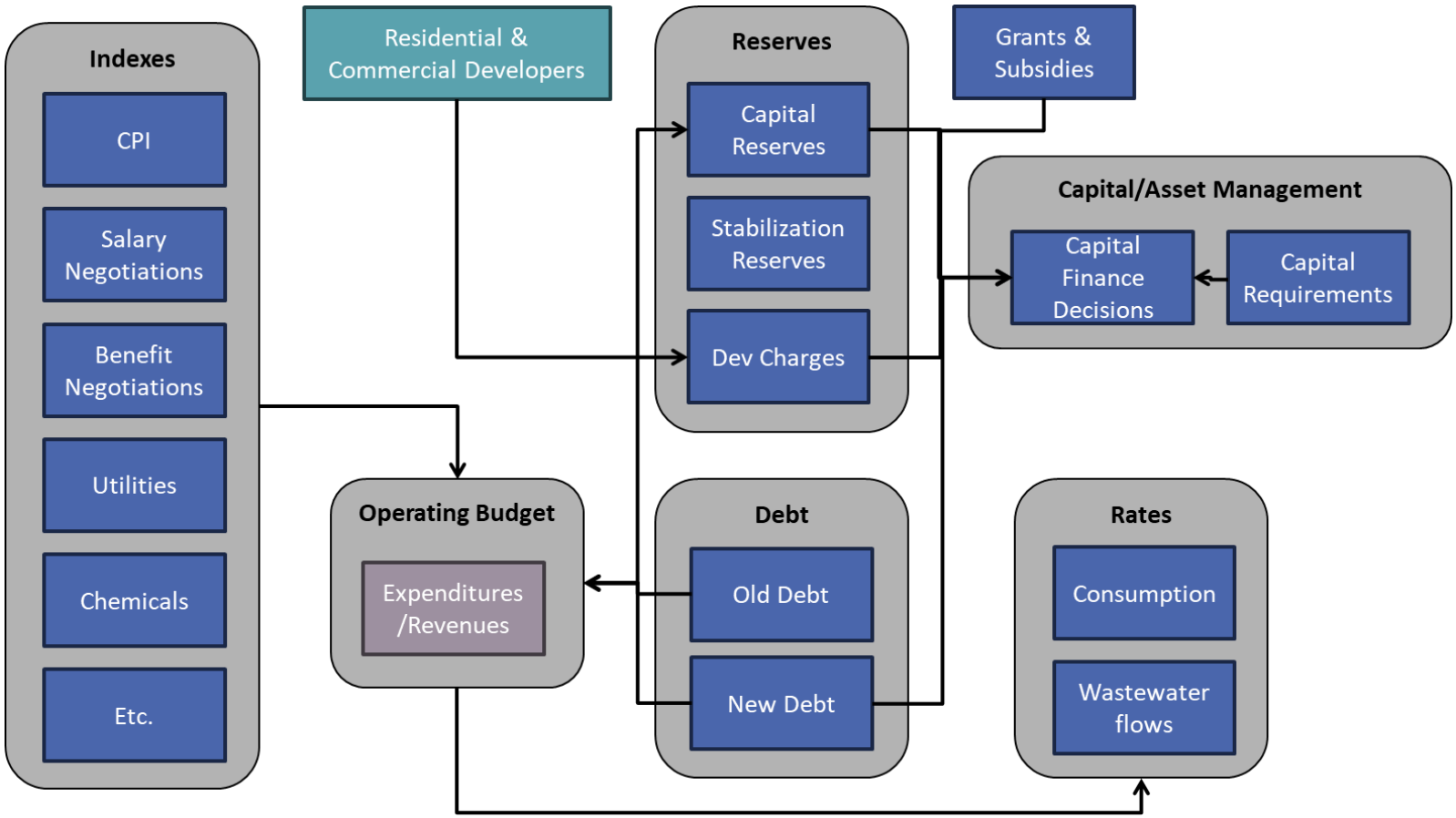
The Financial Plan takes a full cost recovery approach to achieve long-term financial sustainability.

As part of full cost recovery, the following costs were considered:

- Expected operating and capital outlays for each year of the plan;
- Expected revenues for each year and their source; and
- Reserve contributions to enable assessment of the Financial Plan.

Model Development

The Financial Plan was developed based on an analysis of all factors impacting the water capital and operating budgets. As shown below, due to the inter-relationship between all components of the plan, changes in any of the assumptions will potentially have an impact throughout the Financial Plan.



Challenges, Risks and Opportunities

Challenges, Risks and Opportunities

The following summarizes the key challenges, risks and opportunities to long-term financial sustainability which have been addressed as part of the Financial Plan:

- **Asset Renewal/Replacement**—The Township has $13 million of water capital assets and like most municipalities in Canada, the Township faces a continued struggle to fund the replacement of existing assets. As will be shown in the next section of the report, there is an asset replacement infrastructure gap and strategies have been brought forward to address this challenge.
- **Increasing Costs, Many of Which are Uncontrollable**—Several of the operating costs are increasing faster than inflation and there has been a rapid escalation of the cost of constructing infrastructure.
- **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. Statutes and associated regulations that dictate service levels include:
    - Municipal Act;
    - Clean Water Act;
    - Water Opportunities Act;
    - Ontario Water Resources Act;
    - Safe Drinking Water Act (SDWA);
    - Sustainable Water and Sewage Systems Act;
    - PSAB 3150, Tangible Capital Assets Reporting;
    - Asset Management Regulation; and
    - Development Charges Act.

Background Information Used to Prepare Water Financial Plan

Water Distribution System Overview

The Township is responsible for distributing water to local consumers through its own network of distribution pipes. The system consists of approximately 8.8 kilometers of water mains. The replacement cost of the Township's water assets is approximately $13 million.

Asset Segment	Quantity	Replacement Cost
Hydrants	22	$ 91,000
Municipal Wells	6	$ 342,000
Valves & Fittings	385	$ 2,059,000
Water Buildings	7	$ 4,105,000
Water Equipment	3	$ 186,000
Water Mains	8,785 m	$ 6,159,000
Water Meters	154	$ 54,000
Total		$ 12,996,000

Source: Mulmur Asset Management Plan, 2024

Annual Funding Shortfall

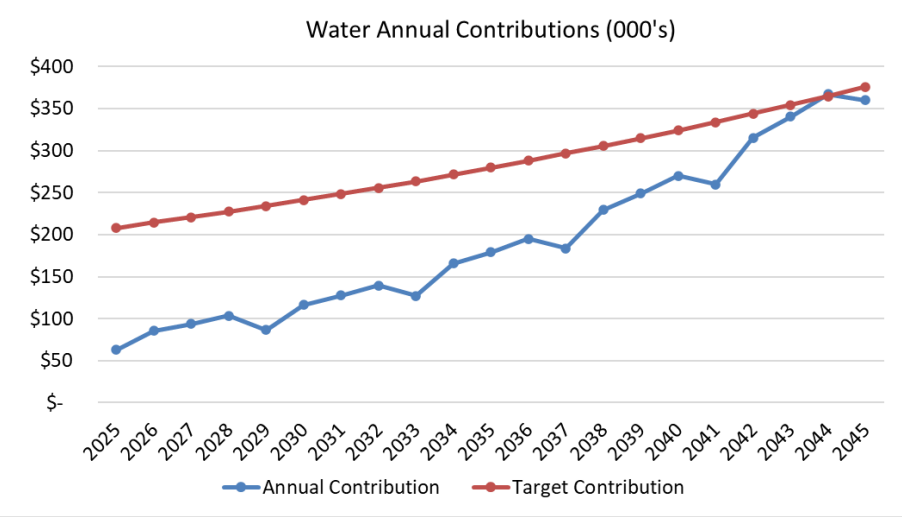
- The Asset Management Plan (AMP) determined the required average annual capital reserve contribution to meet projected needs over a 20-year period. The report identified that $208,000 (inflated) is required annually in water. As illustrated below there is a significant annual funding gap.

2025 Capital Contributions (000's)	Water
Current Capital Contribution for Asset Replacement	$ 63
Recommended Annual Average Contribution (AMP)	$ 208
Estimated Annual Funding Gap	$ (145)

- There is an annual funding shortfall in the water capital program of approximately $145,000.
- This shortfall will require an increase in the water revenues.
- The Financial Plan recommends a gradual phase-in of increased capital reserve contributions to capital to achieve the recommended target. This approach balances ratepayer affordability with financial sustainability.

Asset Replacement Strategies

- The strategy in the Financial Plan is to increase contributions to the reserves over a 20-year period. This will provide a financially sustainable base upon which assets and infrastructure can be replaced on a timely basis while maintaining rate payer affordability.
- The graph reflects the increases necessary in capital contributions to move toward the recommended annual replacement funding requirements.
- By 2045, the annual contribution will be equal to the required annual contributions in water, as identified in the AMP (target has been inflated annually by 3%).
- This approach comes with risks as the recommended annual contribution to the Capital Reserve would not be met until 2045.
- The AMP provided several options that may be considered to help mitigate these risks including:
    - Maintaining existing assets versus installing new assets
    - External funding sources
    - Capital prioritization
    - Changes to levels of service



Source of Data and Key Financial Assumptions

- ***Operating Budget***—The 2025 Water Operating Budget. Expenditures yearly indexing set at 3%.
- ***Financial Information Return (FIRs) 2023***
- ***Asset Management Plan (AMP)*** – Township of Mulmur prepared report 2024.
- ***Historical Rates*** – A review was undertaken to gain perspective into the strategies that been deployed to support financial sustainability.
- ***Consumption and customer accounts by meter size***—Actual 2024 billing file provided by the Township, with an 0% increase from 2025 onwards. The total consumption in 2024 was approximately 28,000 m^3. It is not anticipated that there will be any growth in the water system. As such, there is no forecast increase in connections or water consumption in the system over the forecast period.
- ***Water Capital Replacement and Rate Stabilization Reserve Funds*** - 2025 opening balances, with interest earnings at 2% per year.
- ***10-year Capital Plan (2025-2034)*** inflated and includes:
    - $495,700 for water capital expenditures, which is recovered from rate revenues.
- ***Debt Outstanding*** – There is no existing rate-funded debt outstanding.
- ***Debt Issuance***—The plan does not include the issuance of new debt.

Historical Rates

From 2021 to 2025 the Township increased their water rates annually to support financial sustainability to ensure that funds are available for the timely replacement of assets. The following table reflects the rates over the past 5 years:

		2021	2022	2023	2024	2025
Water						
Volumetric Charges per cubic metre		$ 4.630	$ 4.860	$ 5.110	$ 5.360	$ 5.630
Base Charges based on Meter Sizes each Quarter	5/8"	$ 91.00	$ 95.55	$ 100.33	$ 105.35	$ 110.62
	3/4"	$ 91.00	$ 95.55	$ 100.33	$ 105.35	$ 110.62
	1"	$ 154.70	$ 162.44	$ 170.56	$ 179.09	$ 188.05
	1.5"	$ 300.30	$ 315.32	$ 331.09	$ 347.65	$ 365.04
	2"	$ 482.30	$ 506.42	$ 531.75	$ 558.35	$ 586.28
	3"	$ 910.00	$ 955.52	$ 1,003.31	$ 1,053.49	$ 1,106.19
	4"	$ 1,519.70	$ 1,595.71	$ 1,675.53	$ 1,759.33	$ 1,847.33
	6"	$ 3,030.30	$ 3,181.87	$ 3,341.02	$ 3,508.13	$ 3,683.60
Volumetric Charges Change %			5.0%	5.1%	4.9%	5.0%
Base Charges Change %			5.0%	5.0%	5.0%	5.0%

The Township has a fixed rate that is based on meter size and a uniform volumetric rate.

Water Cost of Service

- An analysis of the 2025 water rates in Mulmur was undertaken against Dufferin and Simcoe Counties' municipalities.

- As shown in the table to the right, the customer cost of water services in Mulmur is approximately 106% higher than the peer average for a residential customer that consumes 180 m^3 per year. In Mulmur, a customer pays $1,456 annually compared with the Dufferin & Simcoe average of $706.

- Differences in rates are impacted by the overall age of the system, the condition of the infrastructure, the complexity of the system and the strategies used to address infrastructure gaps.

- With so few customers and the need for the infrastructure to provide the service, Mulmur is at a disadvantage in terms of the cost of service. In addition, there are limited commercial and industrial accounts which help to reduce the cost of service for residential customers.

Residential 180 m3 Annual 5/8"	Water
Adjala-Tosorontio	$ 944
Amaranth	$ 1,025
Barrie	$ 556
Clearview	$ 713
Collingwood	$ 433
East Garafraxa	$ 1,401
Grand Valley	$ 395
Kawartha Lakes	$ 967
Mono	$ 620
Orangeville	$ 537
Penetanguishene	$ 444
Shelburne	$ 540
Springwater	$ 605
Average	**$ 706**
Median	**$ 605**
Mulmur	$ 1,456
Difference to Avg	106%

Source: 2025 Rate by-laws

Rate Structure - Goals and Objectives

The following provides a set of goals and objectives that were considered in developing the rate structure:

- ✓ ***Affordability***—The rate structure should incorporate policies that support affordable water services for all customers while at the same time ensuring that the full cost of service is being recovered. Further, the allocation of costs to different customer groups must be rationalized.

- ✓ ***Revenue Stability and Rate Predictability***—The rate structure should provide for a steady and predictable stream of revenues such that the Township is capable of meeting its current financial requirements. To the extent possible, cash flows should be matched with expenditures. Any rate setting practice employed by the Township will consider the impact on revenue stability and take the appropriate actions to maintain/improve revenue stability.

- ✓ ***Fairness and Equity***—The rate structure should ensure that customers are contributing equitably towards revenue requirements. Equity should be based on the user pay principle.

- ✓ ***Conservation***—The rate structure should encourage the efficient and justifiable uses of water as well as assist in managing system demand. Programs that promote efficient water usage may reduce operating costs and capital investment needs over time. The less water consumed and hence less sewage generated will result in deferral of plant expansions, thereby avoiding capital expenditures for all customers.

- ✓ ***Practical (Simple to Understand and Update)*** - The rate structure should support principles or fairness and equity but at the same time it should be simple to understand, rational and easy to update and administer.

- ✓ ***Economic Development*** - The rate structure should align with other economic development initiatives and should consider the competitive positioning of commercial and industrial properties in Mulmur and the Township's ability to attract new business to the community.

Rate Structure Options—Fixed Vs. Volumetric

- As stated by the Canadian Waterworks Association (CWWA), at the heart of the methodology for setting water rates is the concept of a two-part rate structure; a volumetric charge and a fixed charge.
- Municipalities must determine whether to separately charge a fixed cost to its customers and to determine the types of costs that are to be recovered from a monthly charge. These decisions are made, as well, based on the overall objectives of the municipality.
- The extent to which the amount recovered from a fixed monthly fee varies considerably across Ontario based on underlying goals and principles.
- For example, a high allocation to the fixed charge is generally not practical since it results in a volumetric charge that is too low relative to the fixed charge. This is not recommended if water efficiency is an important objective in rate setting. While a high allocation of capital costs to volume will promote water efficiency, there is increased revenue risk brought about by the increased reliance on the volumetric charge to recover fixed costs.
- Consistent with the approach in Mulmur, approximately 90% of 110+ Ontario municipalities surveyed have a fixed and volumetric rate structure.

Water Rate Revenues	2025 Budget ($)	% of Total
Fixed	$ 151,526	32.2%
Volumetric	$ 72,124	67.8%
Total	$ 223,650	100%

Source: 2025 Water Operating Budget

- As shown in the table, approximately 32% of the water costs are recovered from the fixed monthly charge. Maintaining a mid to high-cost recovery from the fixed monthly fee to support revenue stability is appropriate.
- Any reduction in the fixed allocation would increase revenue instability and any increase in the fixed allocation would increase the cost of service to low volume customers.
- A comparison was made using a typical residential customer that consumes 180 m^3 annually. Across the Dufferin & Simcoe municipalities, the allocation of costs to be recovered from fixed ranges from a low of 25% in Adjala-Tosorontio and Clearview to a high of 100% in Amaranth, East Garafraxa with the average at 54%. On a typical residential customer consuming 180 m^3 annually, the amount of the bill that is fixed is 30% in the Township of Mulmur.

Rate Structure Options—Volumetric Rates

There are a number of different rate structures used by municipalities. The following summarizes the most common types of rate structures:

- Declining (Regressive) Block Rate Structure - In a declining block rate structure, the unit price of water decreases as the volume consumed increases. This structure charges low volume users the highest rate, which is often residential consumers. Declining rate structures are the second most common type of rate structure. This is used primarily in municipalities with large industries.
- Inclining (Progressive) Rate Structure - The main objective of an increasing block structure is to encourage conservation. The rates in an inclining (progressive) rate structure increase as consumption increases by establishing thresholds or blocks at which the rate would change. For inclining block rate structures, the block (quantity) shift points are generally based upon the unique demand characteristics of each user class and are focused on user demand points to enhance water usage awareness. Customer awareness, combined with price incentives, are critical elements in modifying consumption behavior.
- Humpback Rate Structure - A humpback rate structure uses a combination of increasing and decreasing block rates: rates first increase, then decrease in steps as consumption increases. This approach targets high volume users, and then provides lower cost for very high-volume users.
- Uniform Rate Structure - The most common rate structure is the uniform rate for water services. A uniform rate structure means that the price per unit remains constant despite consumption and despite the class of user. The cost is calculated by dividing the total cost of the service by the total volume used by customers.
    - This is the approach used in the Township of Mulmur and most Dufferin and Simcoe municipalities.

The recommended approach in setting the rates is to maintain the same rate proportion of fixed and volumetric charges. The existing allocation continues to support affordability objectives and with approximately 32% from the fixed monthly charges, there is an adequate level of revenue stability. As the average consumption in Mulmur is approximately 172 m^3 annually which is comparatively low, the uniform rate is appropriate.

Water Financial Plan – 10 Year Forecast

Summary of Water Operating Budget Forecast

The Township's objective is to set rates that adequately cover current operating costs, maintain, rehabilitate and repair its existing asset base and replace assets where appropriate.

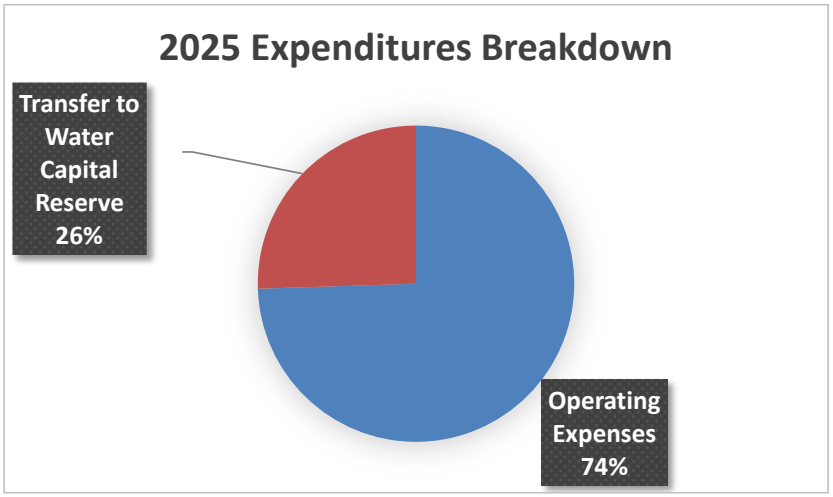
The following table reflects a summary of the 10-year Water Operating Budget forecast from 2025 to 2034.

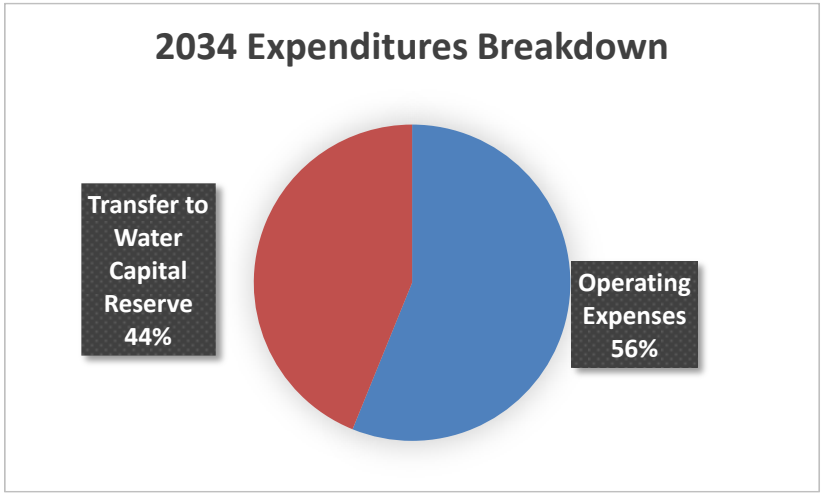
Water	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Rate Revenues	$ 223,650	$ 234,833	$ 246,574	$ 258,903	$ 271,848	$ 285,440	$ 299,712	$ 314,698	$ 330,433	$ 346,955
Other Revenues	$ 21,800	$ 18,134	$ 19,782	$ 21,902	$ 20,285	$ 19,412	$ 22,099	$ 24,731	$ 27,767	$ 30,555
Total Revenues	**$ 245,450**	**$ 252,966**	**$ 266,356**	**$ 280,805**	**$ 292,133**	**$ 304,852**	**$ 321,812**	**$ 339,429**	**$ 358,200**	**$ 377,509**
Operating Expenses	$ 182,840	$ 167,401	$ 172,408	$ 177,565	$ 205,388	$ 188,349	$ 193,984	$ 199,789	$ 231,103	$ 211,925
Transfer to Water Capital Reserve	$ 62,610	$ 85,565	$ 93,948	$ 103,240	$ 86,746	$ 116,504	$ 127,827	$ 139,640	$ 127,097	$ 165,584
Debt Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Expenditures	**$ 245,450**	**$ 252,966**	**$ 266,356**	**$ 280,805**	**$ 292,133**	**$ 304,852**	**$ 321,812**	**$ 339,429**	**$ 358,200**	**$ 377,509**
Rate Revenues % Change	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

The increase in rate-revenue requirements is projected to be partially recovered from a 0% increase in annual consumption. The net impact on the ratepayers is approximately 5% annually. The water rate increases have been forecasted such that the rates have been sufficient to fund the long-term capital needs of the system.

Summary of Water Operating Budget Breakdown

The following graph reflects the 10-year forecast for water operations, breaking down the costs into operating and maintenance costs, and the required capital financing contributions.

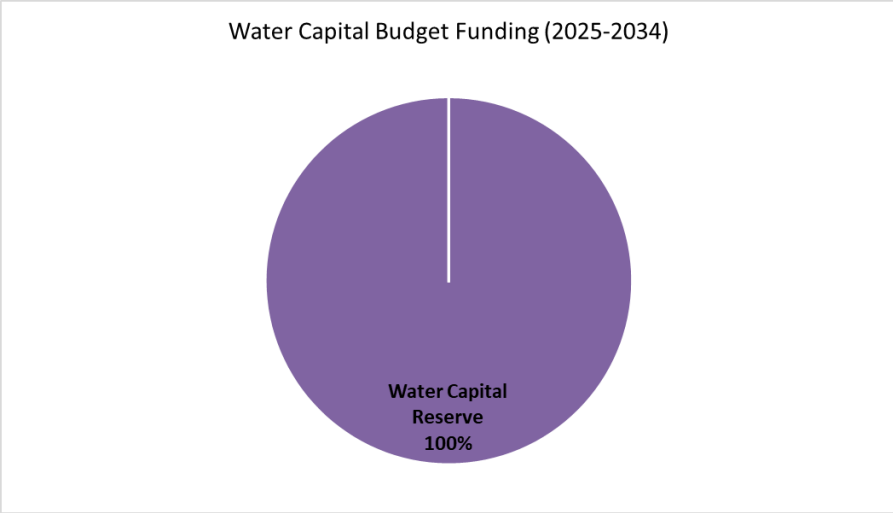




There is a shift in the allocation of costs between operating expenses and contributions to the Capital Reserve from 2025 to 2034 whereby 26% of the operating budget in 2025 was related to contributions to reserves compared with 44% in 2034.

Summary of Water Capital Budget Forecast

To maintain the current levels of service, the Township planned the replacement and expansion requirements for the next 10 years. The total expenditure is $495,700 which is to be fully funded from the water capital replacement reserve fund. This is based on the 2024 AMP, inflated annually by 3%.

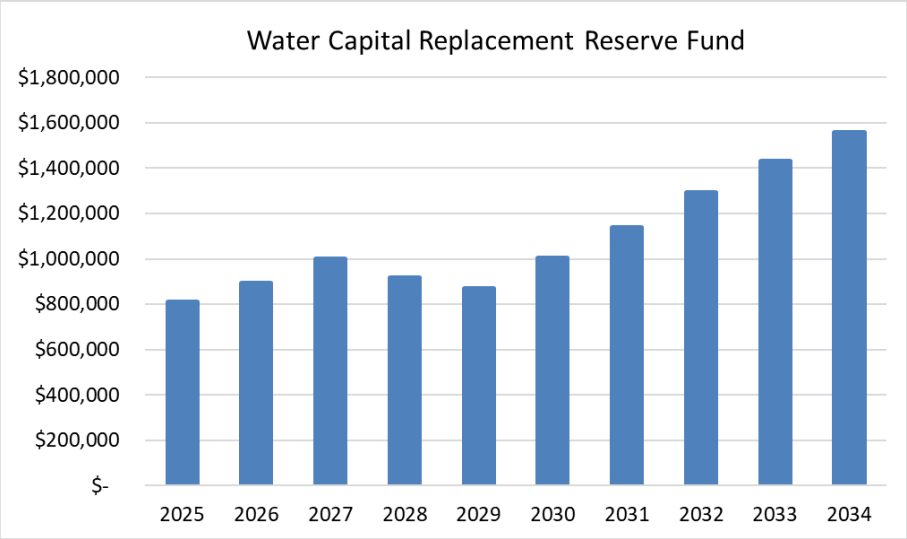


Water Capital Budget	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Capital Requirements per Asset	$ -	$ 20,157	$ 6,556	$ 204,843	$ 149,546	$ 418	$ 17,218	$ 11,401	$ 14,353	$ 71,228	$ 495,720
Hydrants	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal Wells	$ -	$ -	$ -	$ 10,130	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,130
Valves & Fittings	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,218	$ -	$ 14,353	$ -	$ 31,571
Water Buildings	$ -	$ 20,157	$ -	$ -	$ 88,105	$ -	$ -	$ 11,401	$ -	$ -	$ 119,663
Water Equipment	$ -	$ -	$ 6,556	$ 194,713	$ -	$ -	$ -	$ -	$ -	$ 71,228	$ 272,497
Water Mains	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Water Meters	$ -	$ -	$ -	$ -	$ 61,442	$ 418	$ -	$ -	$ -	$ -	$ 61,859
Total	**$ -**	**$ 20,157**	**$ 6,556**	**$ 204,843**	**$ 149,546**	**$ 418**	**$ 17,218**	**$ 11,401**	**$ 14,353**	**$ 71,228**	**$ 495,720**

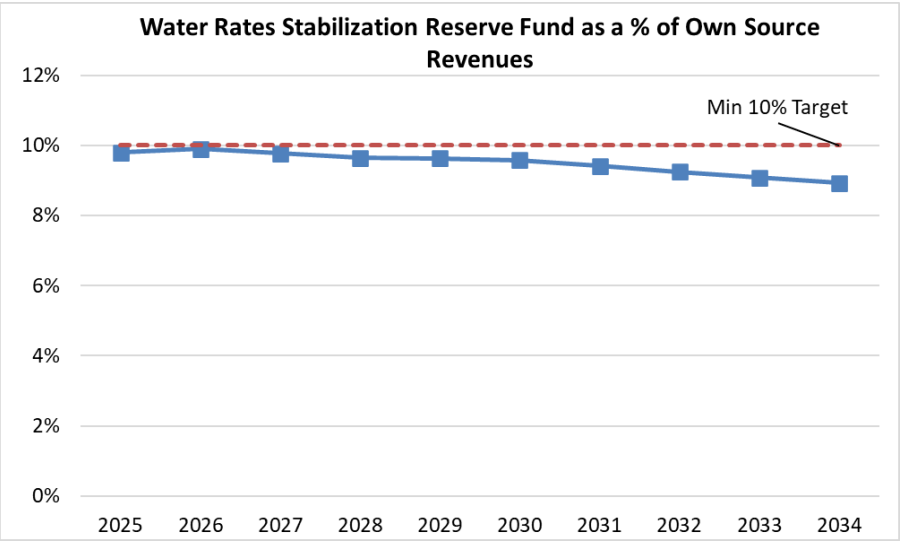
Summary of Water Reserve Funds

There are two Reserve Funds.

The Capital Replacement Reserve Fund which is used to support the AMP. Note that there are significant future expenditures beyond the 10-year timeframe which is why the Reserve Fund is required to grow.



The Township also maintains a Stabilization Reserve Fund to address any unforeseen expenditures that may occur on an annual basis. A leading practice is for municipalities to maintain a minimum balance of 10% of Water Own Source Revenues.



Rate Forecast

		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Water											
Volumetric Charges per cubic metre		$ 5.630	$ 5.910	$ 6.210	$ 6.520	$ 6.850	$ 7.190	$ 7.550	$ 7.930	$ 8.320	$ 8.740
Base Charges based on Meter Sizes each Quarter	5/8"	$ 110.62	$ 116.15	$ 121.96	$ 128.06	$ 134.46	$ 141.18	$ 148.24	$ 155.65	$ 163.43	$ 171.60
	3/4"	$ 110.62	$ 116.15	$ 121.96	$ 128.06	$ 134.46	$ 141.18	$ 148.24	$ 155.65	$ 163.43	$ 171.60
	1"	$ 188.05	$ 197.45	$ 207.32	$ 217.69	$ 228.57	$ 240.00	$ 252.00	$ 264.60	$ 277.83	$ 291.72
	1.5"	$ 365.04	$ 383.29	$ 402.45	$ 422.57	$ 443.70	$ 465.89	$ 489.18	$ 513.64	$ 539.32	$ 566.29
	2"	$ 586.28	$ 615.59	$ 646.37	$ 678.69	$ 712.62	$ 748.25	$ 785.66	$ 824.94	$ 866.19	$ 909.50
	3"	$ 1,106.19	$ 1,161.50	$ 1,219.58	$ 1,280.56	$ 1,344.59	$ 1,411.82	$ 1,482.41	$ 1,556.53	$ 1,634.36	$ 1,716.08
	4"	$ 1,847.33	$ 1,939.70	$ 2,036.69	$ 2,138.52	$ 2,245.45	$ 2,357.72	$ 2,475.61	$ 2,599.39	$ 2,729.36	$ 2,865.83
	6"	$ 3,683.60	$ 3,867.78	$ 4,061.17	$ 4,264.23	$ 4,477.44	$ 4,701.31	$ 4,936.38	$ 5,183.20	$ 5,442.36	$ 5,714.48
Volumetric Charges Change %		5.0%	5.0%	5.1%	5.0%	5.1%	5.0%	5.0%	5.0%	4.9%	5.0%
Base Charges Change %		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

The fixed and volumetric rates are forecast to increase by 5% annually. This balances ratepayer affordability and financial sustainability.

Projected Water Rates' Residential Impact

Based on the assumptions in terms of the rate revenue requirement, consumption and growth, the following provides a summary of the forecast rates over the forecast period for a residential customer consuming 180 m^3 annually.

180 m^3 residential impact - 3/4"					
	Water		Cost of service		
Year	Fixed Quarterly	Volumetric	Total Water	Blended % Increase from Prior Year	Blended $ Increase from Prior Year
2025	$ 110.62	$ 5.630	$ 1,456		
2026	$ 116.15	$ 5.910	$ 1,528	5.0%	$ 73
2027	$ 121.96	$ 6.210	$ 1,606	5.1%	$ 77
2028	$ 128.06	$ 6.520	$ 1,686	5.0%	$ 80
2029	$ 134.46	$ 6.850	$ 1,771	5.0%	$ 85
2030	$ 141.18	$ 7.190	$ 1,859	5.0%	$ 88
2031	$ 148.24	$ 7.550	$ 1,952	5.0%	$ 93
2032	$ 155.65	$ 7.930	$ 2,050	5.0%	$ 98
2033	$ 163.43	$ 8.320	$ 2,151	4.9%	$ 101
2034	$ 171.60	$ 8.740	$ 2,260	5.0%	$ 108

On a blended average annual basis, the cost of water service for a typical customer is approximately 5% over the forecast period.

Summary

The Water Financial Plan has been developed to provide the Township with a realistic and informed view of operating and capital expenditures needed over time to maintain the integrity and health of its physical infrastructure and accommodate growth. Although great effort has been made to present accurate financial projections, based upon the most recent data, the Financial Plan is a "living" document and should be updated and re-evaluated, on an ongoing basis. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.

Council priorities, planning policies, changes to service levels, consumption projections and infrastructure requirements, will certainly lead to changes and the Financial Plan should be adjusted to reflect these changes as they occur.

The Financial Plan has been prepared to meet the regulatory requirements of the Safe Drinking Water Act, 2002 and are not binding on Council, however, they provide a framework for guiding future operating and capital budgets.

It is well recognized that a Financial Plan is a ***dynamic document*** that should be updated and re-evaluated, on an ***ongoing*** basis to:

- Amend the assumptions, projections and strategies based on changes in the municipal environment;
- Continue building awareness of the results of projections of current operating and capital spending and funding levels;
- Assist the Township in determining the extent of its financial challenges;
- Reconfirm the key financial goals and strategies that should guide future planning; and
- Spur the development of actions in future business plans that would respond to the long-term strategies.

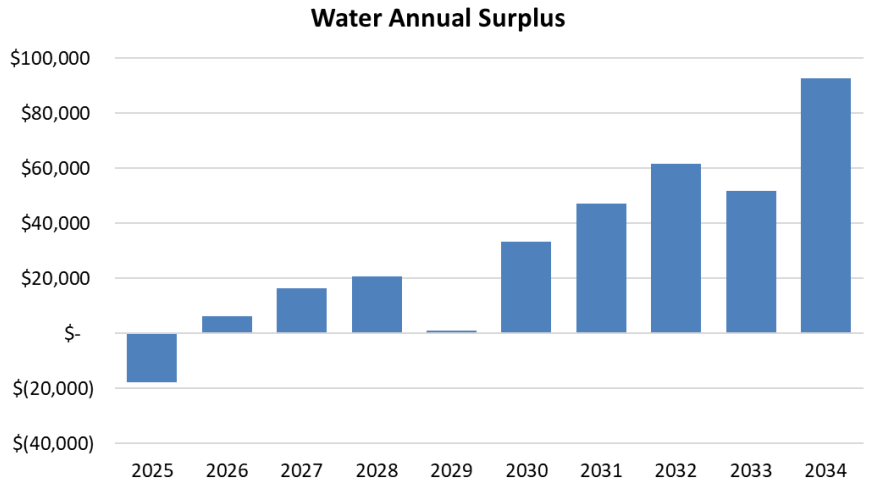
Reporting Requirements

O.Reg. 453/07

Water Financial Plan—O.Reg. 453/07

The Financial Plan has been prepared in accordance with the regulation (O.Reg. 453/07) made under the *Safe Drinking Water Act*. The Financial Plan regulation requires that the plans be updated every five years along with the request for the renewal of the drinking water licence. This ongoing update will assist in revisiting the assumptions made to develop the operating and funding plans as well as reassessing the needs for capital renewal and major maintenance expenses.

- ***Statement of Financial Operations*** - This statement summarizes the revenues and expenditures. The expenditure includes ongoing operating costs plus asset amortization. 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. As shown in the statements of financial operations and the graph below, the Township is generating excess revenues over expenses including amortization for water from 2026 onwards.

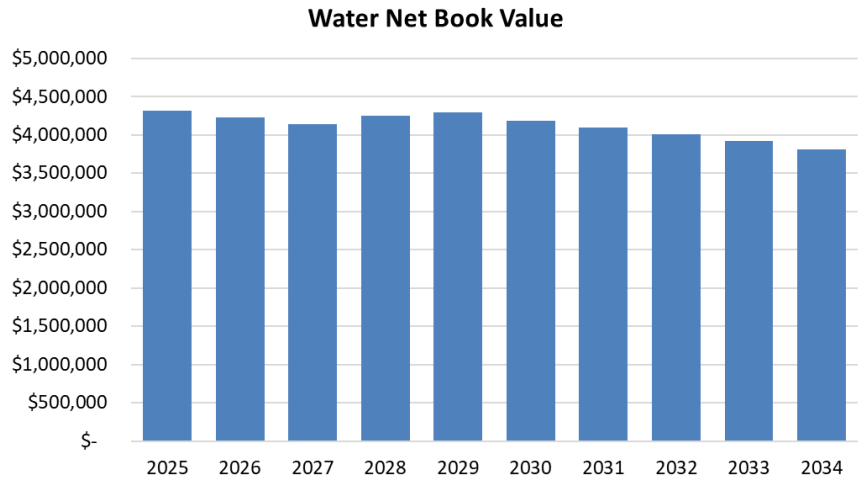


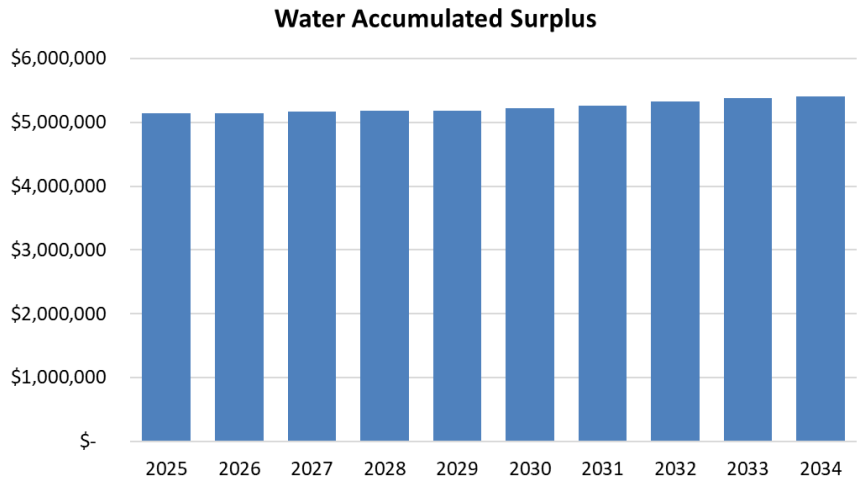
- ***Statement of Cash Flow/Cash Receipts*** - The cash flow statement summarizes how the water system is expected to generate and utilize cash resources. The transactions that generate and use cash include the projection of cash to be received from revenues, cash to be used for operating expenditures and financing charges, cash projected to be used to acquire capital assets and projected financial transactions that are the proceeds from debt or debt principal repayment. Cash balances are positive throughout the forecast period, as reflected in the Financial Statements.

- ***Statement of Financial Position –*** There are two financial important indicators to review in the Statement of Financial Position described as follows:

    1. ***Non-Financial 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. It is projected that in 2034 the cost of tangible capital assets is $6.7 million while the Net Book Value (net costs of remaining useful life of those assets) is $3.8 million.

    2. ***Accumulated Surplus***—A second 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 outstanding. The accumulated surplus is forecast to increase from $5.1 million in 2026 to $5.4 million in 2034. The increasing projected surpluses in water supply operations indicate that if the Region adheres to the financial plan, it will strengthen its combined cash and asset position.





Statement of Financial Operations—Water

		Projected								
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenues										
User Fees	$ 223,650	$ 234,833	$ 246,574	$ 258,903	$ 271,848	$ 285,440	$ 299,712	$ 314,698	$ 330,433	$ 346,955
Other Revenues	$ 21,800	$ 18,134	$ 19,782	$ 21,902	$ 20,285	$ 19,412	$ 22,099	$ 24,731	$ 27,767	$ 30,555
Interest Earnings	$ 16,331	$ 17,976	$ 20,093	$ 18,473	$ 17,596	$ 20,280	$ 22,908	$ 25,941	$ 28,724	$ 31,196
Total Revenues	**$ 261,781**	**$ 270,942**	**$ 286,449**	**$ 299,278**	**$ 309,729**	**$ 325,132**	**$ 344,719**	**$ 365,369**	**$ 386,924**	**$ 408,705**
Operating Expenses										
Hydro	$ 12,240	$ 12,607	$ 12,985	$ 13,375	$ 13,776	$ 14,190	$ 14,615	$ 15,054	$ 15,505	$ 15,970
Repairs & Maintenance	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255	$ 11,593	$ 11,941	$ 12,299	$ 12,668	$ 13,048
Monitoring	$ 10,000	$ 10,300	$ 10,609	$ 10,927	$ 11,255	$ 11,593	$ 11,941	$ 12,299	$ 12,668	$ 13,048
Building & Ground Maintenance	$ 119,000	$ 122,570	$ 126,247	$ 130,035	$ 133,936	$ 137,954	$ 142,092	$ 146,355	$ 150,746	$ 155,268
Other Expenses	$ 30,800	$ 11,124	$ 11,458	$ 11,801	$ 34,666	$ 12,520	$ 12,896	$ 13,283	$ 39,017	$ 14,092
Total Operating Expenses	**$ 182,040**	**$ 166,901**	**$ 171,908**	**$ 177,065**	**$ 204,888**	**$ 187,849**	**$ 193,484**	**$ 199,289**	**$ 230,603**	**$ 211,425**
Debt Charges										
Debt Charges - Interest Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Amortization Expense										
Amortization of tangible capital assets	$ 97,598	$ 97,934	$ 98,043	$ 101,457	$ 103,950	$ 103,957	$ 104,244	$ 104,434	$ 104,673	$ 104,673
Total Expenses	$ 279,638	$ 264,835	$ 269,951	$ 278,523	$ 308,837	$ 291,805	$ 297,728	$ 303,722	$ 335,276	$ 316,098
Annual Surplus/Deficit	$ (17,857)	$ 6,107	$ 16,497	$ 20,755	$ 892	$ 33,327	$ 46,991	$ 61,647	$ 51,649	$ 92,607

Statement of Cash Flow/Cash Receipts—Water

		Projected								
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Revenues	$ 261,781	$ 270,942	$ 286,449	$ 299,278	$ 309,729	$ 325,132	$ 344,719	$ 365,369	$ 386,924	$ 408,705
Cash Paid For										
Operating Costs	$ 182,040	$ 166,901	$ 171,908	$ 177,065	$ 204,888	$ 187,849	$ 193,484	$ 199,289	$ 230,603	$ 211,425
Debt Repayment - Debt Interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Provided from Operating Transactions	$ 79,741	$ 104,041	$ 114,540	$ 122,212	$ 104,842	$ 137,283	$ 151,235	$ 166,080	$ 156,321	$ 197,280
Capital Transactions										
Acquisition of TCA	$ -	$ 20,157	$ 6,556	$ 204,843	$ 149,546	$ 418	$ 17,218	$ 11,401	$ 14,353	$ 71,228
Finance Transactions										
Proceeds from Grants and Subsidies										
Proceeds from Debt Issuance										
Proceeds from DCs										
Debt Principal Repayment										
Increase/(Decrease) in Cash Equivalents	$ 79,741	$ 83,884	$ 107,984	$ (82,630)	$ (44,705)	$ 136,866	$ 134,017	$ 154,679	$ 141,969	$ 126,052
Cash and Cash Equivalents at Beginning Balance	$ 753,131	$ 832,871	$ 916,755	$1,024,739	$ 942,109	$ 897,404	$1,034,270	$1,168,287	$1,322,966	$1,464,935
Cash and Cash Equivalents at Ending Balance	$ 832,871	$ 916,755	$1,024,739	$ 942,109	$ 897,404	$1,034,270	$1,168,287	$1,322,966	$1,464,935	$1,590,987

Statement of Financial Position—Water

		Projected								
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Assets										
Cash	$ 832,871	$ 916,755	$1,024,739	$ 942,109	$ 897,404	$1,034,270	$1,168,287	$1,322,966	$1,464,935	$1,590,987
Liabilities										
Debt - Principal Outstanding	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Financial Assets	$ 832,871	$ 916,755	$1,024,739	$ 942,109	$ 897,404	$1,034,270	$1,168,287	$1,322,966	$1,464,935	$1,590,987
Non-Financial Assets										
Tangible Capital Assets	$6,279,893	$6,279,893	$6,300,050	$6,306,606	$6,511,449	$6,660,995	$6,661,413	$6,678,632	$6,690,033	$6,704,385
Additions to Tangible Capital Assets	$ -	$ 20,157	$ 6,556	$ 204,843	$ 149,546	$ 418	$ 17,218	$ 11,401	$ 14,353	$ -
Accumulated Amortization	$1,970,562	$2,068,496	$2,166,539	$2,267,996	$2,371,946	$2,475,903	$2,580,146	$2,684,580	$2,789,253	$2,893,926
Total Non-Financial Assets	$4,309,331	$4,231,554	$4,140,067	$4,243,453	$4,289,049	$4,185,511	$4,098,485	$4,005,452	$3,915,132	$3,810,459
Accumulated Surplus	$5,142,202	$5,148,309	$5,164,807	$5,185,562	$5,186,454	$5,219,780	$5,266,772	$5,328,418	$5,380,067	$5,401,446
Cash as a % of Non-Financial Assets	19.3%	21.7%	24.8%	22.2%	20.9%	24.7%	28.5%	33.0%	37.4%	41.8%
Debt as a % of Non-Financial Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%