



The Corporation of
The Town of The Blue Mountains
Municipal Drinking Water License Financial
Plan #111-301

The purpose of this document is to fulfil the license renewal requirements defined in the Ontario Regulation 453/07.

This Municipal Drinking Water License Financial Plan was approved by Town Council on XXXX. This Financial Plan was prepared by:

Corporate & Financial Services

Town of The Blue Mountains

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A copy of this Financial Plan is available at www.thebluemountains.ca and is also available for pickup at the above address.

1. Introduction

1.1. Study Purpose

The Town of the blue Mountains provides potable water to approximately 8,000 accounts through its Thornbury Water Treatment Plant and supply system. There are 128km of Watermain with 1,017 Watermain valves and 794 Hydrants. The fee structure for water customers includes a constant fixed charge based on meter size as well as volume charges based on a four-tiered increasing block structure.

The Town's Drinking Water Licence is set to expire in 2025 and is required to be updated, which has initiated this study process. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. The financial planning and forecasting regarding the Town's water systems has been completed based on the Town's 2025 Water and Wastewater - Rate Analysis Study, dated July/August 2024. The objective of this report provided is to convert the findings of the 2025 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O. Reg. 453/07).

1.2. Background

The updated Water Financial Plan will be 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 is part of the process required for the Town to renew its municipal drinking water licence 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.

For licence renewals, the application must be accompanied by proof that the financial plan meets the prescribed requirements as per the Act s. 32 (5) 2.ii.

The preparation of a financial plan is a key requirement for licensing and as such, must be undertaken by all municipal water providers.

1.2.1. Financial Plan Requirements

Ontario Regulation 453/07 provides details with regard to s.30 (1) part b of the S.D.W.A. for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by a resolution of Council (or the governing body).
- Plans must cover a minimum six-year period, starting in the year of the licence expiry, and include a statement confirming that financial impacts have been considered.
- Financial plans must detail projected financial operations, including total revenues, total expenses, annual surplus/deficit, and accumulated surplus/deficit (consistent with a PSAB-compliant Statement of Operations).
- The financial position must be presented annually, including total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (as per a Statement of Financial Position under PSAB).
- Gross cash receipts and payments must be categorized into operating, capital, investing, and financial transactions (as per a Statement of Cash Flow under PSAB).

- Financial plans for multiple solely owned drinking water systems may be consolidated into a single plan.
- Plans must be made available to the public upon request at no cost and published online if a municipal website is maintained.
- Public notice must be provided regarding the availability of the financial plan.
- A copy of the financial plan must be submitted to the Ministry of Municipal Affairs and Housing.
- The Council resolution approving the financial plan must be submitted to the Ministry of the Environment, Conservation and Parks (MECP).

1.2.2. Public Sector Accounting Board (PSAB) Requirements

The financial plan components outlined in Ontario Regulation 453/07 align with the financial statement presentation requirements set out in Section PS1200 of the Public Sector Accounting Handbook by the Canadian Institute of Chartered Accountants. According to PS1200:

“Financial statements should include a Statement of Financial Position, a Statement of Operations, a Statement of Change in Net Debt, and a Statement of Cash Flow.”

The financial statements must adhere to the formats prescribed by PS1200 and PS3150 and be prepared on a full accrual accounting basis. This method recognizes revenues and expenses in the period in which they are incurred, regardless of when cash transactions occur. By not requiring an immediate exchange of cash to report financial transactions, accrual accounting provides a more accurate representation of financial position.

Under PS3150, tangible capital assets must be capitalized to ensure they are properly recorded as inventory and to account for their ability to provide future benefits.

The Statement of Change in Net Financial Assets/Debt and the Statement of Cash Flow are essential components of financial reporting:

- The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated in a given period was sufficient to cover expenses and whether enough resources exist to support current and future activities.
- The Statement of Cash Flow provides insight into how activities were financed over a specific period, offering a measure of cash flow changes.

2. Sustainable Financial Planning

2.1. Introduction

Sustainability, in general terms, refers to the ability to maintain a stable position over time. While the Act mandates that financial plans demonstrate sustainability, it does not explicitly define what constitutes a sustainable plan. To provide guidance, the Ministry of the Environment, Conservation and Parks (MECP) developed *Towards Financially Sustainable Drinking-Water and Wastewater Systems*, outlining potential approaches to sustainability.



The Province's *Principles of Financially Sustainable Water and Wastewater Services* are as follows:

1. Public engagement and transparency help build trust and support for financial plans and the water/wastewater systems they cover.
2. A coordinated planning approach between water, wastewater, and stormwater systems is beneficial due to their interconnected nature.
3. Revenue collected from water and wastewater services should be reinvested in maintaining and improving those services.
4. Long-term, lifecycle-based planning with periodic reviews is preferable to short-term or reactive planning.
5. Asset management planning is essential in developing a robust financial plan.
6. Sustainable revenue streams enable municipalities to provide reliable service that meets or exceeds environmental standards while ensuring funds are available for future rehabilitation and infrastructure replacement.
7. A fair and equitable rate structure, where users pay for the services they consume, promotes conservation and financial responsibility.
8. Financial plans should be treated as evolving documents, with ongoing assessment and improvements based on actual results.
9. Developing financial plans requires collaboration among municipal staff, engineers, accountants, auditors, and elected officials.

2.2. Water and Wastewater Forecast

The Town has completed financial planning as part of the 2025 Budget Process that included a rate study (completed in the summer of 2024) which reflects the guiding principles toward sustainable financial planning.

3. Financial Plan – Town of the Blue Mountains

3.1. Approach

According to Section 3(2) of O. Reg. 453/07, the required information must be included in the financial plan only if it is known to the owner at the time of preparation. The assumptions used in developing the financial plan are outlined below.

- 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 (Asset Replacement Reserve Fund and Rate Stabilization Reserve) . The opening balances were unaudited at the time the Financial Plan was prepared and may change.
- Accounts Receivable – Is assumed to be insignificant and not included as part of the analysis.

- Accounts Payable – Is not split as part of regular reporting and have been valued as a percentage of total expenditures and increased year over year based on a 2.5% inflationary factor.
- Debt – Is included at the current value with anticipated borrowing expected in 2027 depending on cash flow requirements.
- Lead Pipe Replacement – The replacement of these pipes is included in the 2025/2026 Capital plan and forms part of the additions to Tangible Capital Assets.

3.2. Statement of Operations and 6 Year Detailed Forecast

The Statement of Operations provides information on the revenues and expenses generated from the water system in each year. For the Town an annual surplus will be generated based on the annual revenues exceeding the annual expenses. This 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.

As part of the conversion to conform to PSAB standards it is important to note that some adjustments are required such as, debt repayment costs relating to the principal payment portion only need to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are reported on the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives and therefore are added in under the accrual basis.

The cash basis statement is included as Table 2 below to show a more detailed look at the operations as well as the annual reserve transfers.

Table 1 – Statement of Operations – Town of the Blue Mountains (PSAB) – (in '000's)

	Unaudited	FORECAST						
	2024	2025	2026	2027	2028	2029	2030	
REVENUE								
Base/Fixed Charge	\$ 3,172	\$ 2,950	\$ 3,555	\$ 3,611	\$ 3,667	\$ 3,723	\$ 3,779	
Consumption	2,001	2,039	2,037	2,068	2,100	2,130	2,161	
Non-Rate Revenue	413	379	388	398	408	418	428	
TOTAL REVENUE	\$ 5,586	\$ 5,368	\$ 5,980	\$ 6,077	\$ 6,174	\$ 6,271	\$ 6,368	
EXPENDITURES								
Amortization Expense	\$ 747	\$ 1,300	\$ 1,599	\$ 1,835	\$ 1,868	\$ 1,897	\$ 1,902	
Interest on Debt Expense	30	28	24	109	101	92	83	
Operation Expense	3,223	3,458	3,545	3,836	3,932	4,030	4,131	
TOTAL EXPENDITURES	\$ 4,001	\$ 4,786	\$ 5,168	\$ 5,780	\$ 5,901	\$ 6,019	\$ 6,116	
ANNUAL SURPLUS / (DEFICIT)	\$ 1,586	\$ 583	\$ 812	\$ 297	\$ 273	\$ 252	\$ 252	
ACCUMULATED SURPLUS / (DEFICIT)	\$ 88,504	\$ 89,086	\$ 89,898	\$ 90,195	\$ 90,468	\$ 90,720	\$ 90,972	



Table 2 – Operating Budget Forecast (Cash Basis) – in '000's

	Unaudited		FORECAST					
EXPENSES	2024	2025	2026	2027	2028	2029	2030	
Salaries and Benefits	\$ 1,144	\$ 1,307	\$ 1,339	\$ 1,373	\$ 1,407	\$ 1,442	\$ 1,478	
Administrative Expenses	69	96	98	100	103	105	108	
Chemicals	56	65	67	68	70	72	74	
Laboratory Expenses	6	7	7	7	8	8	8	
Sample Testing	33	18	18	19	19	20	20	
Collingwood Water Agreement	159	180	185	189	194	199	204	
Emergency Breaks & Repairs	1	-	-	-	-	-	-	
Equipment Repairs & Maintenance	218	185	190	194	199	204	209	
Small Equipment and Tools	7	12	12	13	13	13	14	
SCADA Repair	22	40	41	42	43	44	45	
Equipment Rentals	1	5	5	5	5	6	6	
Service Agreements	14	18	18	18	19	19	20	
Coloured Diesel	7	12	12	13	13	13	14	
Fuel Regular Gas	5	-	-	-	-	-	-	
Legal	0	-	-	-	-	-	-	
Engineering	-	5	5	5	5	6	6	
Contract Services	42	50	51	53	54	55	57	
Insurance Premiums	64	17	18	18	19	19	20	
Property Taxes	30	15	16	16	16	17	17	
Site Maintenance	14	15	15	16	16	17	17	
Interfunctional Transfers	1,331	1,412	1,448	1,484	1,521	1,559	1,598	
Sub Total Operating Expense	\$ 3,223	\$ 3,458	\$ 3,545	\$ 3,633	\$ 3,724	\$ 3,817	\$ 3,913	
CAPITAL								
Growth Capital Debentures (DC)	\$ 53	\$ 52	\$ 50	\$ 49	\$ 48	\$ 46	\$ 45	
Growth Capital Funding (DC)	(53)	(52)	(50)	(49)	(48)	(46)	(45)	
Debentures Payments (Future)	-	-	-	202	207	213	218	
Sub Total Capital Expense	\$ -	\$ -	\$ -	\$ 202	\$ 207	\$ 213	\$ 218	
Total Expenditures	\$ 3,223	\$ 3,458	\$ 3,545	\$ 3,836	\$ 3,932	\$ 4,030	\$ 4,131	
REVENUE								
Water Billings: No Meter	\$ 60	\$ 115	\$ 118	\$ 121	\$ 124	\$ 127	\$ 130	
Water Billings: Fixed Charge	3,172	2,950	3,555	3,611	3,667	3,723	3,779	
Water Billings: Consumption	2,001	2,039	2,037	2,068	2,100	2,130	2,161	
Water Billings: Unconnected	4	4	4	4	4	4	5	
Water Billings: Vacant Lots	78	81	83	85	87	89	91	
Water Purchases from Facilities	126	95	97	100	102	105	107	
Misc Water Receipts	37	4	4	4	4	4	5	
Interest on AR accounts	32	40	41	42	43	44	45	
Fees, Charges, Admissions	40	20	21	21	22	22	23	
Sundry Sales	36	20	21	21	22	22	23	
TOTAL OPERATING REVENUE	\$ 5,586	\$ 5,368	\$ 5,980	\$ 6,077	\$ 6,174	\$ 6,271	\$ 6,368	
ANNUAL SURPLUS / (DEFICIT) RESERVE CONTRIBUTION	\$ 2,363	\$ 1,910	\$ 2,435	\$ 2,241	\$ 2,242	\$ 2,241	\$ 2,237	



3.3. Statement of Financial Position

The Statement of Financial Position provides information on the assets and liabilities of the Town'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 Town's water system has a net financial asset position throughout the planning period.

	Unaudited	FORECAST					
FINANCIAL ASSETS	2024	2025	2026	2027	2028	2029	2030
Cash	\$ 9,917	\$ 3,737	\$ 1,342	\$ 4,648	\$ 5,070	\$ 4,860	\$ 5,548
Total Assets	\$ 9,917	\$ 3,737	\$ 1,342	\$ 4,648	\$ 5,070	\$ 4,860	\$ 5,548
LIABILITIES							
Account Payable	\$ 249	\$ 255	\$ 262	\$ 268	\$ 275	\$ 282	\$ 289
Long Term Liabilities	560	480	400	2,458	2,261	2,059	1,852
Total Liabilities	\$ 809	\$ 735	\$ 662	\$ 2,726	\$ 2,536	\$ 2,341	\$ 2,141
Net Financial Assets / (Debt)	\$ 9,108	\$ 3,001	\$ 680	\$ 1,922	\$ 2,534	\$ 2,519	\$ 3,407
NON-FINANCIAL ASSETS							
Tangible Capital Assets	\$ 79,396	\$ 86,086	\$ 89,219	\$ 88,273	\$ 87,934	\$ 88,202	\$ 87,566
Tangible Capital Assets Total	\$ 79,396	\$ 86,086	\$ 89,219	\$ 88,273	\$ 87,934	\$ 88,202	\$ 87,566
Accumulated Surplus / (Deficit)	\$ 88,504	\$ 89,087	\$ 89,898	\$ 90,195	\$ 90,468	\$ 90,720	\$ 90,972

3.4. Statement of Cash Flow

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 (\$2.05 million) will be used to support the 2025 capital transactions (\$8.2 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 as noted in the approach section of this report.



(\$ THOUSANDS)	Unaudited	FORECAST					
OPERATING TRANSACTIONS	2024	2025	2026	2027	2028	2029	2030
Annual Surplus / (Deficit)	\$ 1,669	\$ 747	\$ 901	\$ 704	\$ 683	\$ 645	\$ 655
Add: Amortization of TCAs	747	1,300	1,599	1,835	1,868	1,897	1,902
Operating Transactions	\$ 2,416	\$ 2,047	\$ 2,500	\$ 2,538	\$ 2,551	\$ 2,542	\$ 2,557
Proceeds on sale of tangible assets	-	-	-	-	-	-	-
Less: Cash used to acquire capital assets	(310)	(8,175)	(4,845)	(1,230)	(1,879)	(2,503)	(1,621)
Capital Transactions	\$ (310)	\$ (8,175)	\$ (4,845)	\$ (1,230)	\$ (1,879)	\$ (2,503)	\$ (1,621)
Proceeds from Investments	265	85	15	46	58	52	72
Less: Cash Used to Acquire Investments	-	-	-	-	-	-	-
Investing Transactions	\$ 265	\$ 85	\$ 15	\$ 46	\$ 58	\$ 52	\$ 72
Proceeds from issuance of debt	-	-	-	2,250	-	-	-
Less: Debt repayment	(53)	(52)	(50)	(251)	(250)	(249)	(248)
Financing Transactions	\$ (53)	\$ (52)	\$ (50)	\$ 1,999	\$ (250)	\$ (249)	\$ (248)
Increase / (Decrease) Cash and Cash Equivalents	\$ 2,318	\$ (6,180)	\$ (2,395)	\$ 3,307	\$ 421	\$ (210)	\$ 689

3.5. Reserve Fund Continuity Schedule

The Reserve Fund Continuity Schedule provides an overview of the inflows and outflows, it assists the Town in understanding what funds are available for future infrastructure needs and financial sustainability.

YEAR	2023	2024	2025	2026	2027	2028	2029
Opening Balance	10,313,625	6,783,032	9,101,199	2,920,918	526,000	3,832,511	4,253,911
Reserve Contribution	1,967,718	2,363,054	1,909,944	2,434,842	2,240,771	2,242,432	2,240,874
Capital Reserve Utilized	5,833,435	309,971	8,175,300	4,845,081	1,230,352	1,879,398	2,503,152
Proceeds from Debt					2,250,000		
Interest	335,124	265,083	85,075	15,320	46,093	58,366	52,249
Closing Balance	6,783,032	9,101,199	2,920,918	526,000	3,832,511	4,253,911	4,043,882