



Region of Durham

Water Financial Plan Ontario Regulation 453/07

Financial Plan #003-301A

Prepared by:

The Regional Municipality of Durham

April 2024

1.1 Purpose

The Region of Durham has completed a financial plan for the time period 2024 - 2029 for its existing water supply systems as part of the requirements to renew its municipal drinking water license as per the *Safe Drinking Water Act, 2002*. The Region needs to submit its application to renew its municipal drinking water license by May 18, 2024, therefore a Financial Plan approved by Regional Council must be submitted to the Ministry of Municipal Affairs and Housing (MMAH) by May 18, 2024. The Financial Plan is being made available to the public, as required by Ontario Regulation 453/07, through the Region's website. In addition, a public notice will be provided on the Public Notification section of the Metroland website to advise the public of the availability of the Region of Durham's Water Financial Plan.

1.2 Background

The Financial Plan includes capital and operating costs, acquisition and disposal of tangible capital assets including amortization and accretion costs and consideration of available funding sources. The Financial Plan complies with Ontario Regulation 453/07 for an existing water system. Although the Region of Durham has 14 water supply systems, one single Financial Plan is being submitted for all systems as permitted.

Under Public Sector Accounting Standards, municipalities adopted full accrual accounting practices beginning January 1, 2009. The requirements under section PS3150 require municipalities to report additional information related to the treatment of tangible capital assets and amortization costs. In 2023, the Region also adopted PS3280 for Asset Retirement Obligations, requiring the reporting of costs related to legal obligations that will be incurred by the Region when an asset is ultimately disposed of or retired. The information provided in the schedules comply with the Public Sector Accounting Standards.

1.3 Financial Plan

The following three unaudited schedules for the Region's Water Supply System provide the information required by Ontario Regulation 453/07:

- I. Schedule 1 is the Region's Statement of Financial Position which identifies the financial assets, liabilities, net financial assets/debt and non-financial assets;
- II. Schedule 2 is the Statement of Operations which provides water revenue, expenses, annual surplus or deficit and accumulated surplus or deficit; and
- III. Schedule 3 is the Statement of Cash Flow which provides cash provided by operating transactions, cash applied to capital transactions, cash provided by investing transactions, cash applied to financing transactions and cash and cash equivalents (beginning and end of year).

Ontario Regulation 453/07 also states that details regarding the replacement of lead service pipes must be identified as it relates to the three schedules provided. The 2024 Water Supply Business Plans and Budgets approved by Regional Council includes a ten-year capital forecast (2024 – 2033) which

includes an annual allowance to support the replacement of lead water service connections (\$0.5 million for 2024, \$1.0 million annually for 2025 through 2027, and \$5.0 million annually for 2028 through 2033). The lead service replacement program provides for the following:

- The Region will replace the portion of lead water service connections that are found within the public right of way. The homeowners will be encouraged to replace the private side portion of the service when it is confirmed that lead material exists, which requires them to hire a qualified plumber to work on private property at their cost; and
- If a homeowner has provided confirmation to the Region of a lead water service connection on their property, staff will provide notification to homeowners in the adjacent area that they may have lead water service connections as well.

The Region will provide the household with a water filter (certified to NSF 053 International Standards) to remove lead from the water and provide testing to each property when the Region has replaced the lead water service connection on the public right of way side. This strategy will manage potential temporary increased exposure due to system disturbance. The annual funding allowance for the replacement of lead service connections, as outlined above, has been incorporated into the Financial Plan Schedules for 2024 - 2029.

Health Canada has a proposed guideline for lead in drinking water. The proposed guideline has a couple of significant changes as follows:

- Lowering the maximum acceptable concentration (MAC) for lead in drinking water from 10 ug/l to 5 ug/l; and
- Applying the proposed MAC to water samples taken at the tap.

It is important to note that when drinking water leaves a water supply plant or well, it typically contains no measurable level of lead. Lead at the water tap in homes comes mainly from the lead service lines.

In addition, plumbing components on the customer's internal private system can also contribute to lead within tap water. If Health Canada's guideline is adopted in regulation by the Province of Ontario, water utilities will have a challenge to meet "at the tap" compliance as there is limited or no access to the customer's private plumbing system. Regional staff will monitor any change in regulations for lead and update Council on any challenges to meet potential new requirements.

The following three schedules are based on the Council approved 2024 Water Supply Business Plans and Budget including the 2024 – 2033 Capital Forecast and have been converted into Public Sector Accounting format employing tangible capital asset methodology as required by Provincial Regulation 453/07.

Please refer to the Region's annual User Rate Report, Annual Water Supply Business Plans and Budget and the Region's Asset Management Report. These planning reports provide detailed information on:

- The age and condition of the Regional infrastructure and the capital requirements to address the replacement / rehabilitation needs;

- Development forecasts (residential and non-residential) and the capital requirements to meet the needs of future growth; and
- Future financing challenges including pressures on user rates and potential shortfalls in development charge funding.

The Provincially prescribed schedules do not provide information concerning the age and condition of Regional water supply infrastructure or the future financial challenges with respect to user rates and development charge funding, both of which are required for a complete evaluation of the financial health of a water supply system.

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Schedule 1
Regional Municipality of Durham
Statement of Financial Position – Water Supply ⁽¹⁾
Unaudited: For Financial Planning Purposes Only
2024 - 2029
(\$millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Total Financial Assets	549.2	578.1	733.0	639.9	711.0	731.2
Total Liabilities	432.2	486.4	759.4	745.0	912.4	937.0
Net Financial Assets/(Debt)	117.0	91.7	-26.4	-105.2	-201.4	-205.8
Total Non-Financial Assets	1,796.5	2,056.4	2,381.1	2,706.4	3,052.1	3,259.0
Accumulated Surplus	1,913.4	2,148.1	2,354.7	2,601.3	2,850.7	3,053.3

Notes:

1. This schedule has been prepared on a Public Sector Accounting basis.
2. Columns may not add due to rounding.
3. The following schedule summarizes the annual estimated change in tangible capital assets (in \$ millions):

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Change in Tangible Capital Assets	187.4	292.3	363.8	367.3	394.8	265.1

Schedule 2
Regional Municipality of Durham
Statement of Operations – Water Supply ⁽¹⁾
Unaudited: For Financial Planning Purposes Only
2024 - 2029
(\$millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Revenues						
Water Revenues	135.2	157.4	172.8	189.7	206.3	209.4
Other Revenues	107.9	203.0	177.1	225.1	229.7	197.1
Revenues Sub-Total	243.1	360.4	349.8	414.8	436.0	406.5
Expenses						
Operating Expenses	79.5	91.9	99.3	111.1	123.1	125.0
Amortization Expenses	30.8	32.4	39.1	42.0	49.2	58.2
Loss on Disposal	0.1	0.5	0.8	0.5	0.5	0.5
Interest Expenses	1.0	1.0	4.1	14.5	13.8	20.2
Expenses Sub-Total	111.3	125.8	143.2	168.2	186.6	203.9
Total Annual Surplus	131.8	234.6	206.6	246.6	249.4	202.6
Total Accumulated Surplus (End-of-Year Balance)	1,913.4	2,148.1	2,354.7	2,601.3	2,850.7	3,053.3

Note:

1. This schedule has been prepared on a Public Sector Accounting basis.
2. Columns may not add due to rounding.

Schedule 3
Regional Municipality of Durham
Statement of Cash Flow – Water Supply ⁽¹⁾
Unaudited: For Financial Planning Purposes Only
2024 - 2029
(\$millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Cash Provided by Operating Transactions	245.3	255.3	307.3	283.1	331.4	300.5
Cash Provided by/(Applied to) Capital Transactions	-172.8	-276.9	-311.6	-344.1	-371.6	-242.1
Cash Provided by/(Applied to) Investment Transactions	1.5	1.3	0.7	1.4	1.2	1.5
Cash Provided by/(Applied to) Financing Transactions	-1.8	61.3	206.7	-14.8	127.7	-22.9
Increase in Cash and Cash Equivalents	72.1	41.0	203.2	-74.4	88.6	37.0
Cash and Cash Equivalents, Beginning of Year	347.2	419.3	460.3	663.5	589.1	677.7
Cash and Cash Equivalents, End of Year	419.3	460.3	663.5	589.1	677.7	714.7

Note:

1. This schedule has been prepared on a Public Sector Accounting basis.
2. Columns may not add due to roundin.