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| Moved By | <u>SUZANNE SEGUIN</u> | Resolution No.: |
| Last Name Printed | <u>S. SEGUIN</u> | 010-21 |
| Seconded By | <u>ADAM BUREAU</u> | Council Date: |
| Last Name Printed | <u>A. BUREAU</u> | January 11, 2021 |

WHEREAS at the Committee of the Whole Meeting on Monday January 4th, 2021, Council considered a presentation from Watson and Associates Economists Ltd., regarding the Town of Cobourg Water and Wastewater Rates Study and Water Financial Plan; and

FURTHER THAT Council considered a memo from the Treasurer/Director of Corporate Services regarding the recommendation of the adoption of the 2020 Water and Wastewater Rate Study and the Water Ontario Regulation 453/07 Financial Plan for the Town of Cobourg;

NOW THEREFORE BE IT RESOLVED THAT Council approve the adoption of the 2021 to 2025 Water and Wastewater Rate Study as attached to the resolution as Appendix "A" as prepared and presented by Watson and Associates Economists Ltd; and

FURTHER BE IT RESOLVED THAT Council approve the Town of Cobourg Financial Plan as attached to this resolution as Appendix "B" prepared by Watson & Associates Economists Ltd. dated December 11, 2020 pursuant to Ontario Regulation 453/07 as one of the requirements of the Town's water licence renewal application which is due in February 2021; and

FURTHER THAT the Financial Plan, the Council Resolution approving the Financial Plan, and the Water and Wastewater Rate Study underpinning the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6); and

FURTHER THAT the Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32 (5) 2 ii); and

FURTHER THAT the Town of Cobourg 2020 Water and Wastewater Rate Study, the Town of Cobourg Water Financial Plan, the presentation from Watson and Associates Economists Ltd. all be posted on the Municipal Website to be advertised to the public.



 **Watson
& Associates**
ECONOMISTS LTD.

Water & Wastewater Rate Study & Ontario Regulation 453/07 Water Financial Plan

Town of Cobourg

Final Report

December 11, 2020

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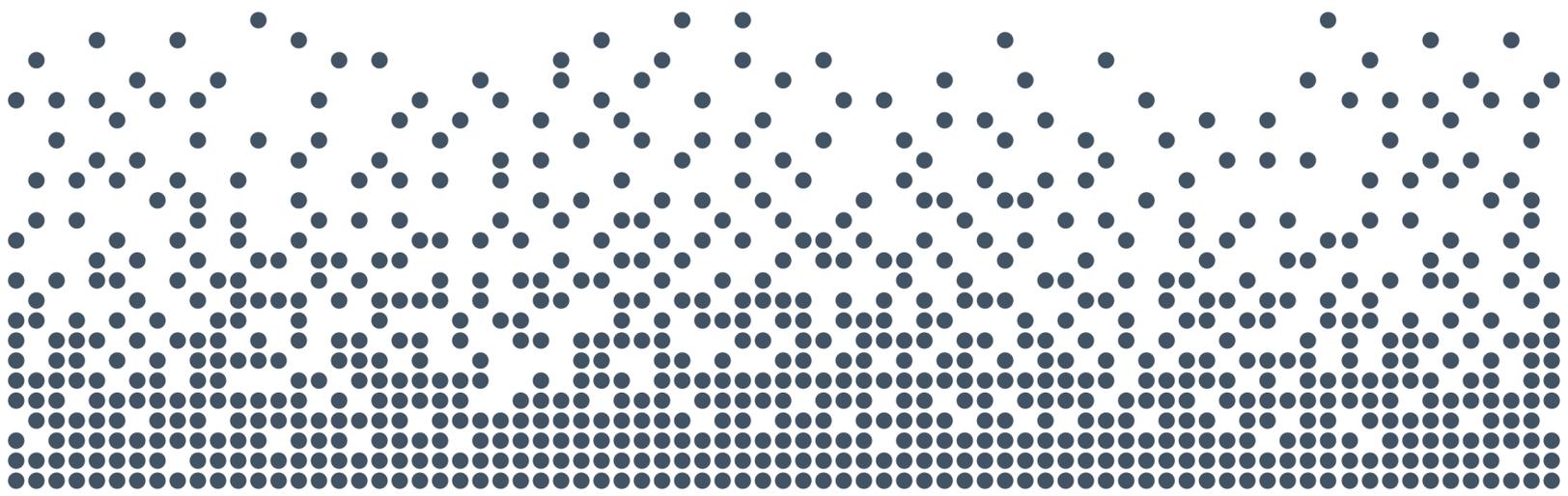
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Water and Wastewater Rates Study Report



Chapter 1

Introduction



1. Introduction

1.1 Background

The Town of Cobourg (Town) currently provides water and wastewater services to 10,949 customers. Water services are provided by Lakefront Utility Services Inc. (L.U.S.I.). Hereafter, “Town” will be used to refer to either L.U.S.I. or the Town of Cobourg regarding the provision of water and wastewater services, respectively. The Town imposes water and wastewater rates through monthly base charges reflective of customers’ meter size plus an increasing block volumetric rate (\$ per cubic metre of usage). Current base charges and volumetric rates are presented in Table 1-1. As shown in Table 1-1, the volumetric rate increases for monthly consumption greater than 22.73 m³ and again for consumption greater than 35 m³.

Table 1-1
Town of Cobourg
2020 Monthly Water and Wastewater Rates

| Description | Water Rates | Wastewater Rates |
|---|-------------|------------------|
| Base Charge | | |
| <i>Meter Size</i> | | |
| Up to ¾" | \$13.75 | \$15.01 |
| 1" | \$52.72 | \$57.57 |
| 1 ½" | \$75.63 | \$82.60 |
| 2" | \$98.55 | \$107.63 |
| 3" | \$152.24 | \$166.27 |
| 4" | \$212.33 | \$231.89 |
| 6" | \$331.55 | \$362.10 |
| 8" | \$451.61 | \$493.24 |
| Volumetric Charge | | |
| Block 1 per m ³ (up to 22.73 m ³) | \$1.37 | \$1.48 |
| Block 2 per m ³ (22.73 m ³ to 35 m ³) | \$1.71 | \$1.84 |
| Block 3 per m ³ (over 35 m ³) ¹ | \$2.15 | \$1.84 |

¹ The increase for the third block rate for water service will apply to residential water rates only

Owners of municipal drinking water systems in Ontario are required to have a municipal drinking water licence. Municipalities are required to submit their water licence renewal



application to the Province every five years. One of the mandatory licensing requirements under the Safe Drinking Water Act is for a financial plan to be prepared and submitted to the Province. Ontario Regulation (O.Reg.) 453/07 outlines the required information, reporting structure and deadlines for the financial plan. Regarding the deadlines, municipalities are mandated to finalize, approve, and submit these financial plans six months prior to their water licence expiry (along with all other water licence application requirements). The Town's water licence will expire in August 2021 and as such, the Town is required to submit their financial plan as part of the water licence renewal application by February 2021.

1.2 Study Process

Watson & Associates Economists Ltd. (Watson) was retained by the Town to undertake a comprehensive water and wastewater rate study (Rate Study) and to prepare a Water Financial Plan as part of the five-year submission requirements for the purposes of obtaining a municipal drinking water licence as per the Safe Drinking Water Act, 2002. The Water Financial Plan, meeting the requirements of O.Reg. 453/07, is included as Appendix C to this report.

The objectives of the Rate Study and steps involved in carrying out this assignment are summarized below:

- Update water and wastewater service demand assumptions based on analysis of historical consumption and recent trends;
- Estimate future consumption levels by applying revised demand assumptions to forecast growth identified in the Town based on the growth forecasts in the Town's 2016 Development Charges (D.C.) Background Study, the Town's draft 2020 Drinking Water Master Plan, and historical growth patterns;
- Identify all current and future water and wastewater system capital needs to assess the immediate and longer-term implications;
- Build a capital program that blends lifecycle needs arising from the Town's water and wastewater asset inventory with the expansionary, replacement, and maintenance capital needs identified in the Town's capital budget forecasts, the 2016 D.C. Background Study, and the draft 2020 Drinking Water Master Plan draft findings;



- Identify potential methods of cost recovery from the capital needs listing. These recovery methods may include other statutory authorities (e.g. *Development Charges Act, 1997 (D.C.A.)*, *Municipal Act*, etc.) as an offset to recovery through the water and wastewater rates;
- Forecast annual operating costs and rate-based funding requirements;
- Provide and impact assessment on the rate payers; and
- Develop a long-term water and wastewater rate forecast and present findings to staff, LUSI Board, and Council for their consideration;

In approaching this study, the following analysis is provided herein:

Chapter 1 – Introduction

Chapter 2 – Forecast Growth and Service Demands

Chapter 3 – Capital Infrastructure Needs

Chapter 4 – Capital Cost Financing Options

Chapter 5 – Operating Expenditure Forecast

Chapter 6 – Forecast Water and Wastewater Rates and Customer Impacts

1.3 Regulatory Changes in Ontario

Resulting from the water crisis in Walkerton, significant regulatory changes have been made in Ontario. These changes arose as a result of the Walkerton Commission and the 93 recommendations made by the Walkerton Inquiry Part II report. Areas of recommendation included:

- watershed management and source protection;
- quality management;
- preventative maintenance;
- research and development;
- new performance standards;
- sustainable asset management; and
- lifecycle costing.



The following sections describe significant applicable regulatory areas.

1.4 Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act* was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the “full cost” of providing their water and the wastewater services. In total, there were 40 areas within the Act to which the Minister may make Regulations, however regulations were never issued. On December 31, 2012, the *Sustainable Water and Sewage Systems Act* was repealed.

1.5 Safe Drinking Water Act

The *Safe Drinking Water Act* was passed in December 2002. *The Safe Drinking Water Act* provides for 50 of the 93 Walkerton Part II recommendations. It focuses on the administrative and operational aspects of the provision of water.

The purposes of the *Safe Drinking Water Act* are to “recognize that the people of Ontario are entitled to expect their drinking water to be safe and to provide for the protection of human health and the prevention of drinking water health hazards through the control and regulation of drinking water systems and drinking water testing. 2002, c. 32, s. 1.”

The following is a brief summary of the key elements included in the Safe Drinking Water Act:

- Mandatory licensing and accreditation of testing laboratories;
- New standards for treatment, distribution quality and testing;
- Mandatory operator training and certification;
- Mandatory licensing of municipal water providers;
- Stronger enforcement and compliance provisions; and
- “Standard of care” requirements for municipalities.

This legislation impacts the costs of operating a water system with the need for higher skilled operators including increased training costs, increased reporting protocols and



requirements, continuing enhancements to quality standards and the costs to licence each water system.

1.6 Financial Plans Regulation

On August 16, 2007, the Ministry of Environment introduced O.Reg. 453/07 which requires the preparation of financial plans for water systems (and municipalities are encouraged to prepare plans for wastewater systems). The Ministry of Environment has also provided a Financial Plan Guideline to assist municipalities with preparing the plans. A brief summary of the key elements of the regulation is provided below:

- The financial plan will represent one of the key elements to obtain a Drinking Water License.
- The plan is to be completed, approved by Council Resolution and submitted to the Ministry of Municipal Affairs and Housing as part of the application for receiving approval of a water license.
- The financial plans shall be for a period of at least six years but longer planning horizons are encouraged.
- As the regulation is under the *Safe Drinking Water Act*, the preparation of the plan is mandatory for water services and encouraged for wastewater services.
- The plan is considered a living document (i.e. can be updated if there are significant changes to budgets) but will need to be undertaken at a minimum every five years.
- The plans generally require the forecasting of capital, operating and reserve fund positions, and providing detailed capital inventories. In addition, Public Sector Accounting Board full accrual information on the system must be provided for each year of the forecast (i.e. total non-financial assets, tangible capital asset acquisitions, tangible capital asset construction, betterments, write-downs, disposals, total liabilities, net debt, etc.).
- The financial plans must be made available to the public (at no charge) upon request and be available on the municipality's web site. The availability of this information must also be advertised.

In general, the financial principles of this regulation follow the intent of the *Sustainable Water and Sewage Systems Act*, 2002 to move municipalities towards financial



sustainability for water services. However, many of the prescriptive requirements have been removed (e.g. preparation of two separate documents for provincial approval, auditor opinions, engineer certifications, etc.).

A guideline (“Towards Financially Sustainable Drinking-Water and Wastewater Systems”) has been developed to assist municipalities in understanding the Province’s direction and provides a detailed discussion on possible approaches to sustainability. The Province’s Principles of Financially Sustainable Water and Wastewater Services are provided below:

- Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
- Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
- Principle #3: Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
- Principle #4: Lifecycle 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. In general, metering and the use of rates can help ensure users pay for services received.
- 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.

1.7 Water Opportunities Act

The *Water Opportunities Act* received Royal Assent on November 29, 2010. The Act provides for the following elements:

- Foster innovative water, wastewater and stormwater technologies, services and practices in the private and public sectors;
- Prepare water conservation plans to achieve water conservation targets established by the regulations;
- Prepare sustainability plans for municipal water services, municipal wastewater services and municipal stormwater services.

With regard to the sustainability plans:

- The Bill extends from the water financial plan and requires a more detailed review of the water financial plan and requires a full plan for wastewater and stormwater services;
- Regulations (when issued) will provide performance targets for each service – these targets may vary based on the jurisdiction of the regulated entity or the class of entity.

The Financial Plan shall include:

- An asset management plan for the physical infrastructure;
- Financial Plan;
- For water, a water conservation plan;
- Assessment of risks that may interfere with the future delivery of the municipal service, including, if required by the regulations, the risks posed by climate change and a plan to deal with those risks;
- Strategies for maintaining and improving the municipal service, including strategies to ensure the municipal service can satisfy future demand, consider technologies, services and practices that promote the efficient use of water and



reduce negative impacts on Ontario's water resources, and increase co-operation with other municipal service providers.

Performance indicators will be established by service:

- May relate to the financing, operation or maintenance of a municipal service or to any other matter in respect of which information may be required to be included in a plan;
- May be different for different municipal service providers or for municipal services in different areas of the Province.

Regulations will prescribe:

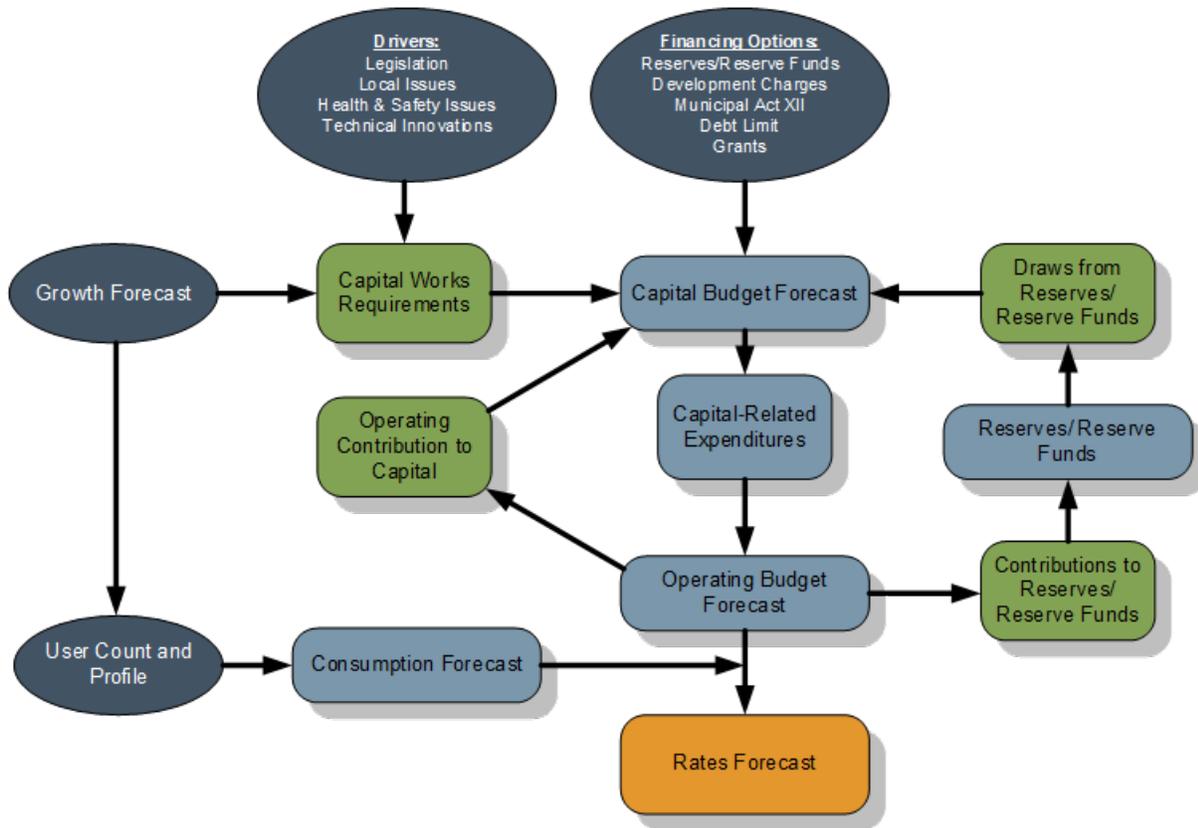
- Timing;
- Contents of the plans;
- Identifying what portions of the plan will require certification;
- Public consultation process; and
- Limitations, updates, refinements, etc.

1.8 Water and Wastewater Rate Calculation Methodology

Figure 1-1 illustrates the general methodology used in determining the full cost recovery water and wastewater rate forecasts.



Figure 1-1
Water and Wastewater Rate Calculation Methodology



The methodology employed generally consists of 5 major elements:

1. Customer Demands and Consumption Forecast

As noted in Section 1.1, the Town employs rate structures consisting of monthly base charges and volumetric rates for both water and wastewater. The volumetric rates are imposed on an increasing block rate based on consumption.

The first step in the analysis is important as it produces the current base revenue by source and assumptions for forecasting purposes. The customer profile forecast is modeled based on the Town's 2016 D.C. Background Study which was further supplemented using the Town's draft 2020 Drinking Water Master Plan Technical Memo, historical growth patterns and staff input.



The water consumption forecast is prepared by applying average annual consumption estimates to future development. The forecast may adjust the base consumption levels for anticipated water conservation based on historical trends and industry witnessed practices. Consumption estimates are based on average consumption levels drawn from the Town's billing records. These same assumptions have been applied during the preparation of the wastewater forecasts.

2. Capital Needs Forecast

The capital needs forecast is developed to measure program/service level adjustments, lifecycle requirements and growth-related needs. The Town's capital budget forecast provided the base for the capital forecast utilized herein. Adjustments to the water and wastewater capital budgets were made to reflect infrastructure needs that had been identified in the Town's draft 2020 Drinking Water Master Plan and updates provided by staff. Capital expenditures are forecast with inflationary adjustments based on capital costs indices.

3. Capital Funding Plan

The capital funding plan considers the potential funding sources available to address the capital needs forecast. The sources of capital funding include rate-based support, reserves/reserve funds, developer contribution agreements, and debt for program/service level improvements. The use of rate-based funding is measured against the revenue projections and affordability impacts. The reserve/reserve fund sources are measured against the sustainability of these funds, relative to lifecycle demands, revenue projections and affordability impacts. Debt financing and use of D.C. credits is typically considered for significant capital expenditures, where funding is required beyond long-term lifecycle needs or to facilitate rate transition policies. Debt financing, when required, is measured in against the Town's debt policies and annual repayment limits to ensure a practical and sustainable funding mix.

4. Operating Budget Forecast

The operating budget forecast considers adjustments to the Town's base budget reflecting program/service level changes, operating fund impacts associated with



infrastructure and financing for capital needs. The operating expenditures are forecast with inflationary adjustments and growth in service demand, based on fixed and variable cost characteristics. The operating budget forecast ties the capital funding plan and reserve/reserve fund continuity forecast to the rate-based revenue projections. This ensures sufficient funding for both the ongoing annual operation and maintenance of water services, as well as the capital cost requirements to ensure service sustainability. Operating revenues are projected to identify the rate components net of anticipated operating revenues, such as other miscellaneous revenues.

5. Rate Forecast and Structure

The rate forecast and structure component of the analysis considers various rate structures to recover the forecast rate-based revenue from the projected customer demands. At this stage in the analysis, the full costs of service are measured against the customer growth and consumption demands to determine full cost recovery rates. The analysis may consider alternative structures for base charge and consumptive components of the rates, consistent with municipal policies/strategies, industry practice and customer affordability. Providing context to the rate forecast, the results are quantified to measure the impacts on a range of customer types and in relation to other municipalities



Chapter 2

Forecast Growth and Service Demands



2. Forecast Growth and Service Demands

2.1 Current Service Demands

In preparing the demands forecast for water and wastewater services, information of the number of customers and water consumption volumes was obtained from the Town for the period 2015-2019. As of 2019, the number of metered water customers in the Town was 10,949 and the number of wastewater customers was 10,633. Within the Town's current rate structures, customers are charged a monthly base charge, differentiated by meter size, plus an increasing block volumetric rate (\$ per m³ of water consumed) for both water and wastewater services. Total water consumption across the system is estimated at 2.1 million m³ annually. This level of demand equates to average annual consumption of 138 m³ per single residential customer, 92 m³ per multi-unit residential customer, and 406 m³ per non-residential customer (excluding large volume users (i.e. customers consuming more than 5,000 m³ annually)).

2.2 Forecast Service Demand

The growth forecast estimates have been undertaken separately for the Existing Urban Serviced Area (EUSA) and the Cobourg East Community (CEC). Furthermore, residential growth has been identified for both single residential and multi-unit connections.

Through discussion with Town staff, residential growth within the EUSA has been based on the anticipated growth identified in the Town's 2016 D.C. Background Study (i.e. 53 single and 35 multi-unit connections per year). Based on the anticipated timing of development in the CEC, new residential connections within the CEC are anticipated to begin in 2024 at the pace of development identified in the 2016 D.C. Background Study for the 2017-2027 period (i.e. 68 units per year). Non-residential growth in the CEC has been extrapolated from Town's draft 2020 Drinking Water Master Plan and the 2015-2019 historical pace of new non-residential connections (i.e. 5 new connections per year in the EUSA and 5 new connections per year in the CEC commencing in 2024).

The timing and amount of growth provided herein has been review with Town staff to assess the reasonableness of these assumptions. Average annual residential water consumption for each type of customer has been based on the annual consumption per



customer in 2019 (i.e. 138 m³ per single residential connection and 92 m³ per multi-unit residential connection. Non-residential consumption per customer has been based on the 2019 consumption per non-residential customer, excluding customers consuming greater than 5,000 m³ of water annually so as not to skew anticipated consumption levels of new connections. This average level of consumption was then applied to the growth assumptions for each type of customer to provide an estimate of total water and wastewater demands for the systems. This results in an estimated increase in total water consumption from 2.1 million m³ currently to 2.3 million m³ by 2030 (+10.0%). Total wastewater flows are anticipated to increase from 1.7 million m³ currently to 1.9 million m³ by 2030 (+11.2%)¹. Forecast water and wastewater demand is based on billed water usage and excludes unbilled treated water due to maintenance activities and system leaks

Water and wastewater customer growth and demand forecasts are summarized in Table 2-1 and 2-2. Water and wastewater demands are presented in aggregate and by billing block in alignment with the monthly consumption thresholds presented in Table 1-1.

¹ Note: It is anticipated that all new water customers in the Town will also have municipal wastewater services. The same customer growth for water over the forecast period (i.e. 1,459 total new customers) has also been used in the forecast of wastewater service demands.



Table 2-1
Town of Cobourg
Water and Wastewater Customer Forecasts

| Customer Forecast | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Residential Growth (Cumulative) | | | | | | | | | | | |
| <i>Existing Urban Serviced Area</i> | | | | | | | | | | | |
| Multi-Unit | 20 | 60 | 99 | 139 | 179 | 220 | 260 | 293 | 318 | 344 | 370 |
| All Other | 24 | 71 | 119 | 166 | 215 | 263 | 312 | 368 | 431 | 495 | 558 |
| Total - Existing Urban Serviced Area | 44 | 131 | 218 | 305 | 393 | 483 | 572 | 661 | 750 | 839 | 928 |
| <i>Cobourg East Area Community</i> | | | | | | | | | | | |
| Multi-Unit | - | - | - | - | 4 | 13 | 22 | 31 | 40 | 49 | 58 |
| All Other | - | - | - | - | 29 | 89 | 148 | 207 | 266 | 325 | 384 |
| Total - Cobourg East Area Community | - | - | - | - | 34 | 102 | 170 | 239 | 306 | 374 | 442 |
| Total Residential Growth | 44 | 131 | 218 | 305 | 427 | 585 | 742 | 899 | 1,056 | 1,213 | 1,370 |
| Non-Residential Growth (Cumulative) | | | | | | | | | | | |
| <i>Existing Urban Serviced Area</i> | | | | | | | | | | | |
| All | 3 | 9 | 15 | 21 | 27 | 33 | 39 | 45 | 51 | 57 | 63 |
| Total - Existing Urban Serviced Area | 3 | 9 | 15 | 21 | 27 | 33 | 39 | 45 | 51 | 57 | 63 |
| <i>Cobourg East Community</i> | | | | | | | | | | | |
| All | - | - | - | - | 2 | 6 | 10 | 14 | 18 | 22 | 26 |
| Total - Cobourg East Community | - | - | - | - | 2 | 6 | 10 | 14 | 18 | 22 | 26 |
| Total Non-Residential Growth | 3 | 9 | 15 | 21 | 29 | 39 | 49 | 59 | 69 | 79 | 89 |
| Total Water Customers | | | | | | | | | | | |
| Existing | 10,949 | 10,949 | 10,949 | 10,949 | 10,949 | 10,949 | 10,949 | 10,949 | 10,949 | 10,949 | 10,949 |
| New (Cumulative) | 47 | 140 | 233 | 326 | 456 | 624 | 791 | 958 | 1,125 | 1,292 | 1,459 |
| Total | 10,996 | 11,089 | 11,182 | 11,275 | 11,405 | 11,573 | 11,740 | 11,907 | 12,074 | 12,241 | 12,408 |
| Total Wastewater Customers | | | | | | | | | | | |
| Existing | 10,633 | 10,633 | 10,633 | 10,633 | 10,633 | 10,633 | 10,633 | 10,633 | 10,633 | 10,633 | 10,633 |
| New (Cumulative) | 47 | 140 | 233 | 326 | 456 | 624 | 791 | 958 | 1,125 | 1,292 | 1,459 |
| Total | 10,680 | 10,773 | 10,866 | 10,959 | 11,089 | 11,257 | 11,424 | 11,591 | 11,758 | 11,925 | 12,092 |



Table 2-2
Town of Cobourg
Water and Wastewater Demand Forecasts

| Water Volume Forecast (m ³) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Block 1 (up to 22.73 m³) | | | | | | | | | | | |
| Existing | 1,202,652 | 1,202,652 | 1,202,652 | 1,202,652 | 1,202,652 | 1,202,652 | 1,202,652 | 1,202,652 | 1,202,652 | 1,202,652 | 1,202,652 |
| New | 5,967 | 17,630 | 29,292 | 40,954 | 57,756 | 79,970 | 102,092 | 124,580 | 147,388 | 170,195 | 193,003 |
| Subtotal Block 1 | 1,208,619 | 1,220,281 | 1,231,944 | 1,243,606 | 1,260,408 | 1,282,622 | 1,304,744 | 1,327,232 | 1,350,040 | 1,372,847 | 1,395,655 |
| Block 2 (22.73 m³ to 35 m³) | | | | | | | | | | | |
| Existing | 902,099 | 902,099 | 902,099 | 902,099 | 902,099 | 902,099 | 902,099 | 902,099 | 902,099 | 902,099 | 902,099 |
| New | 400 | 1,066 | 1,732 | 2,397 | 3,330 | 4,662 | 5,994 | 7,326 | 8,658 | 9,990 | 11,322 |
| Subtotal Block 2 | 902,499 | 903,165 | 903,831 | 904,497 | 905,429 | 906,761 | 908,093 | 909,425 | 910,757 | 912,089 | 913,421 |
| Block 3 (over 35 m³) | | | | | | | | | | | |
| Existing | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 |
| New | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal Block 3 | 40,664 |
| Total | 2,151,782 | 2,164,110 | 2,176,438 | 2,188,766 | 2,206,501 | 2,230,047 | 2,253,501 | 2,277,321 | 2,301,461 | 2,325,600 | 2,349,740 |
| Wastewater Flows Forecast (m³) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Block 1 (up to 22.73 m³) | | | | | | | | | | | |
| Existing | 1,161,620 | 1,161,620 | 1,161,620 | 1,161,620 | 1,161,620 | 1,161,620 | 1,161,620 | 1,161,620 | 1,161,620 | 1,161,620 | 1,161,620 |
| New | 5,852 | 17,283 | 28,714 | 40,145 | 56,545 | 78,187 | 99,736 | 121,592 | 143,718 | 165,844 | 187,970 |
| Subtotal Block 1 | 1,167,472 | 1,178,903 | 1,190,334 | 1,201,765 | 1,218,165 | 1,239,807 | 1,261,356 | 1,283,212 | 1,305,338 | 1,327,464 | 1,349,590 |
| Block 2 (over 22.73 m³) | | | | | | | | | | | |
| Existing | 558,871 | 558,871 | 558,871 | 558,871 | 558,871 | 558,871 | 558,871 | 558,871 | 558,871 | 558,871 | 558,871 |
| New | 411 | 1,095 | 1,780 | 2,464 | 3,423 | 4,792 | 6,161 | 7,530 | 8,900 | 10,269 | 11,638 |
| Subtotal Block 2 | 559,281 | 559,966 | 560,651 | 561,335 | 562,294 | 563,663 | 565,032 | 566,401 | 567,770 | 569,139 | 570,509 |
| Total | 1,726,753 | 1,738,869 | 1,750,984 | 1,763,100 | 1,780,459 | 1,803,470 | 1,826,388 | 1,849,613 | 1,873,108 | 1,896,603 | 1,920,099 |



Chapter 3

Capital Infrastructure Needs



3. Capital Infrastructure Needs

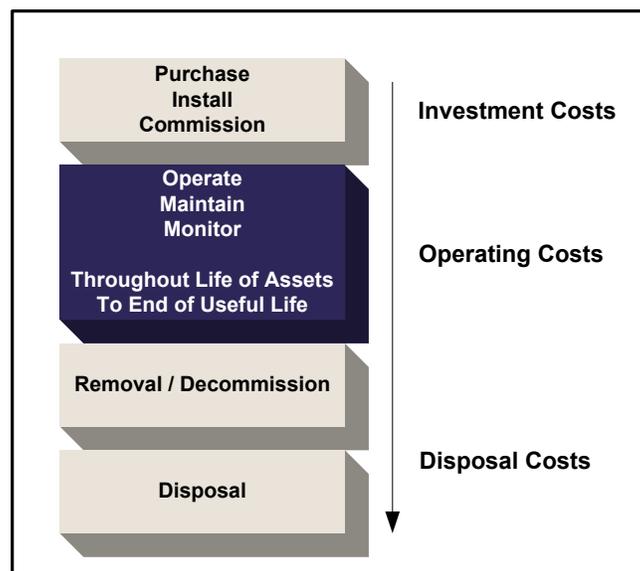
3.1 Overview of Lifecycle Costing

3.1.1 Definition

For many years, lifecycle costing has been used in the field of maintenance engineering and to evaluate the advantages of using alternative materials in construction or production design. The method has gained wider acceptance and use in the areas of industrial decision-making and the management of physical assets.

By definition, lifecycle costs are all the costs which are incurred during the lifecycle of a physical asset, from the time its acquisition is first considered, to the time it is taken out of service for disposal or redeployment. The stages which the asset goes through in its lifecycle are specification, design, manufacture (or build), installation, commissioning, operation, maintenance and disposal. Figure 3-1 depicts these stages in a schematic form.

Figure 3-1
Lifecycle Costing





3.1.2 Financing Costs

This section will focus on financing mechanisms in place to fund the costs incurred throughout the asset's life.

In a municipal context, services are provided to benefit tax/rate payers. Acquisition of assets is normally timed in relation to direct needs within the community. At times, economies of scale or technical efficiencies will lead to oversizing an asset to accommodate future growth within the municipality. Over the past few decades, new financing techniques such as development charges and *Municipal Act* capital charges have been employed based on the underlying principle of having tax/rate payers who benefit directly from the service paying for that service. Operating costs which reflect the cost of the service for that year are charged directly to all existing tax/rate payers who have received the benefit. Operating costs are normally charged through the tax base or user rates.

Capital expenditures are recouped through several methods, the most common being operating budget contributions, development charges, reserves, developer contributions and debentures.

New construction related to growth could produce development charges, capital charges, and developer contributions (e.g. works internal to a subdivision which are the responsibility of the developer to construct) to fund a significant portion of projects, where new assets are being acquired to allow growth within the municipality to continue. As well, debentures could be used to fund such works, with the debt charge carrying costs recouped from taxpayers in the future.

However, capital construction to replace existing infrastructure is largely not growth-related and will therefore not yield development charges or developer contributions to assist in financing these works. Hence, a municipality will be dependent upon debentures, reserves and contributions from the operating budget to fund these works.

Figure 3-2 depicts the costs of an asset from its initial conception through to replacement and then continues to follow the associated costs through to the next replacement.

As referred to earlier, growth-related financing methods such as development charges, connection charges, and developer contributions could be utilized to finance the growth-

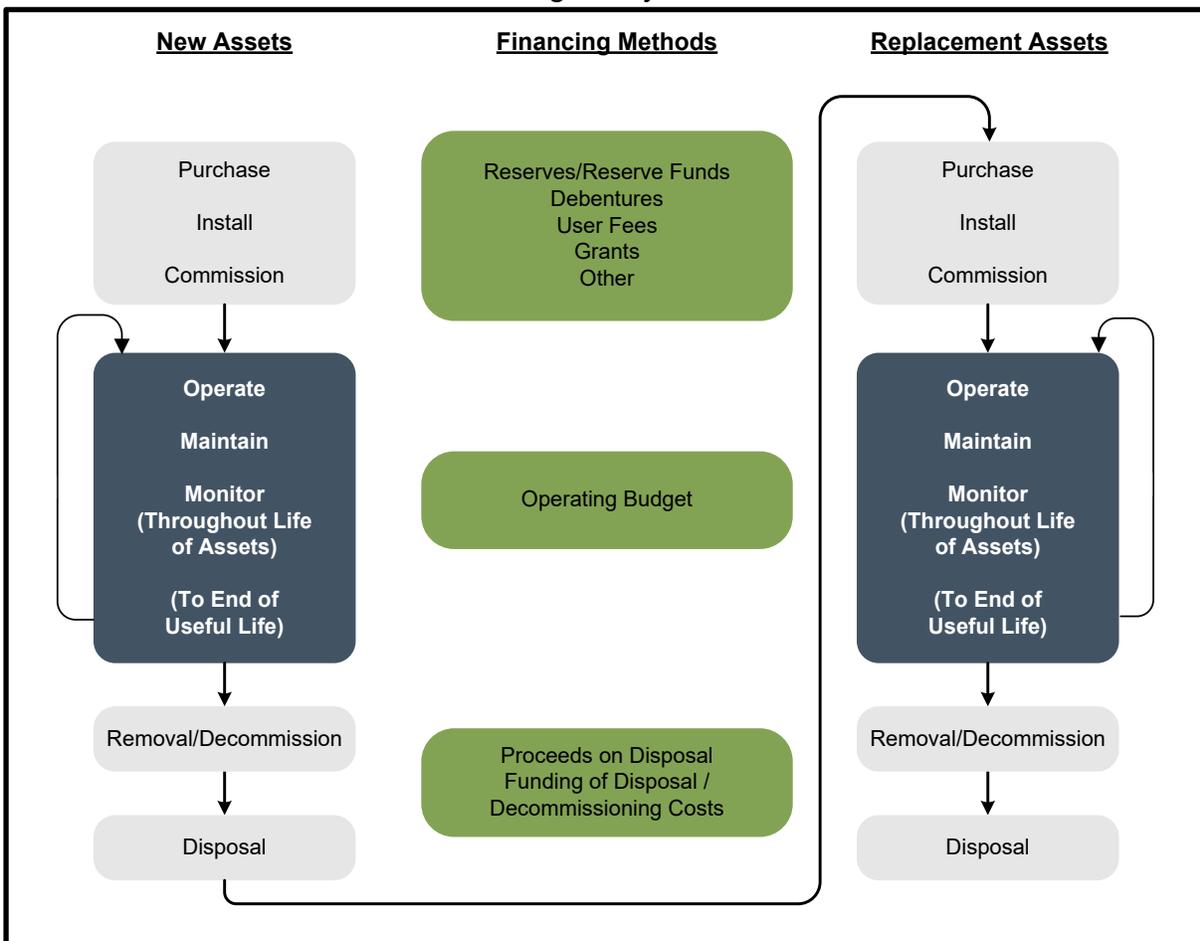


related component of the new asset. These revenues are collected (indirectly) from the new homeowner who benefits directly from the installation of this asset. Other financing methods may be used as well to finance the non-growth-related component of this project; reserves which have been collected from past tax/rate payers, operating budget contributions which are collected from existing tax/rate payers and debenturing which will be carried by future tax/rate payers. Ongoing costs for monitoring, operating and maintaining the asset will be charged annually to the existing tax/rate payer.

When the asset requires replacement, the sources of financing will be limited to reserves, debentures and contributions from the operating budget. At this point, the question is raised; "If the cost of replacement is to be assessed against the tax/rate payer who benefits from the replacement of the asset, should the past tax/rate payer pay for this cost or should future rate payers assume this cost?" If the position is taken that the past user has used up the asset, hence they should pay for the cost of replacement, then a charge should be assessed annually, through the life of the asset to have funds available to replace it when the time comes. If the position is taken that the future tax/rate payer should assume this cost, then debenturing and, possibly, a contribution from the operating budget should be used to fund this work.



Figure 3-2
Financing Lifecycle Costs



Charging for the cost of using up of an asset is the fundamental concept behind amortization methods utilized by the private sector. This concept allows for expending the asset as it is used up in the production process. The tracking of these costs forms part of the product's selling price and hence end users are charged for the asset's amortization. The same concept can be applied in a municipal setting to charge existing users for the asset's use and set those funds aside in a reserve to finance the cost of replacing the asset in the future.

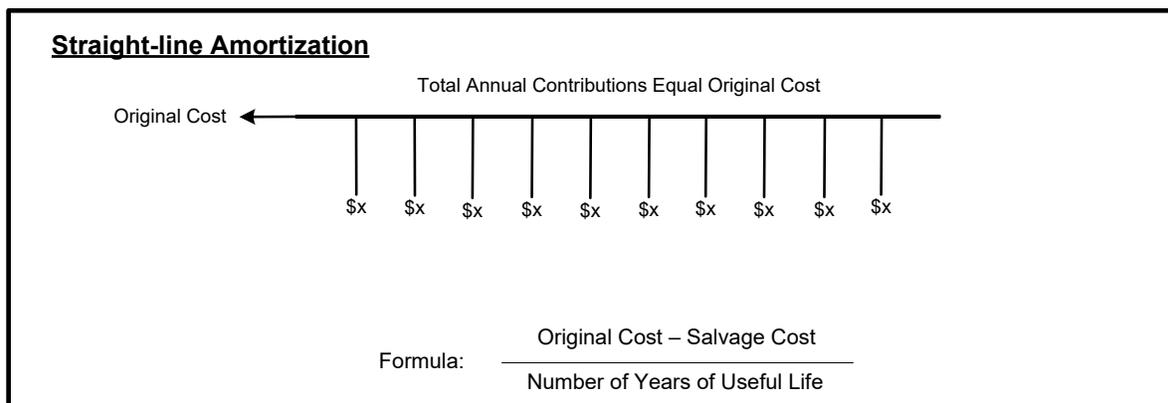
3.1.3 Costing Methods

There are two fundamental methods of calculating the cost of the usage of an asset and for the provision of the revenue required when the time comes to retire and replace it. The first method is the Amortization Method. This method recognizes the reduction in

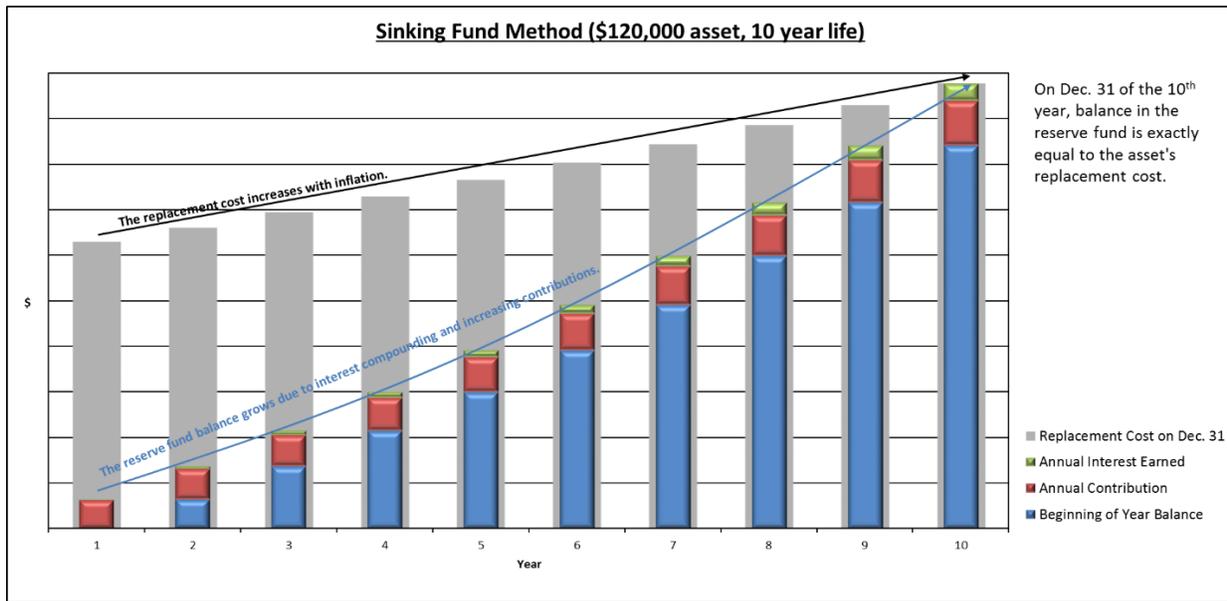


the value of the asset through wear and tear, and aging. There are two commonly used forms of amortization: the straight-line method and the sinking fund method.

The straight-line method is calculated by taking the original cost of the asset, subtracting its estimated salvage value (estimated value of the asset at the time it is disposed of) and dividing this by the estimated number of years of useful life. The reducing balance method is calculated by utilizing a fixed percentage rate and this rate is applied annually to the undepreciated balance of the asset value.



The second method of lifecycle costing is the sinking fund method. This method first estimates the future value of the asset at the time of replacement. This is done by inflating the original cost of the asset at an assumed annual inflation rate. A calculation is then performed to determine annual contributions (equal or otherwise) which, when invested, will grow with interest to equal the future replacement cost.



The preferred method used herein is the sinking fund method of lifecycle costing.

3.2 Asset Inventory

Lifecycle “sinking fund” contribution amounts for the infrastructure have been calculated to determine the level of capital investment to be included in the full cost assessment and rate forecast. Table 3-1 summarizes the current asset replacement value and long-term annual lifecycle replacement needs, in 2020 dollars. These values were calculated based on detailed water and wastewater capital asset inventory information obtained from the Town’s 2014 Asset Management Plan and supplemented using staff provided tangible capital asset inventories. In aggregate across both the water and wastewater systems, the annual lifecycle replacement costs \$4.9 million compared to total asset replacement costs of \$184.8 million.



Table 3-1
Town of Cobourg
Summary of Water and Wastewater Infrastructure (2020\$)

| Description | Replacement Cost | Lifecycle Replacement Cost |
|--------------------------------|--------------------|----------------------------|
| Water | | |
| Water Mains | 75,516,117 | 1,978,270 |
| Water Facilities and Equipment | 17,922,469 | 702,849 |
| Water Meters | 4,914,974 | 163,848 |
| Water Total | 98,353,559 | 2,844,967 |
| Wastewater | | |
| Wastewater Mains | 42,330,783 | 908,204 |
| Wastewater Facilities and | 36,078,656 | 1,027,448 |
| Wastewater Manholes | 8,012,051 | 171,820 |
| Wastewater Total | 86,421,490 | 2,107,473 |
| Grand Total | 184,775,049 | 4,952,440 |

The replacement costs for linear water assets were then subsequently updated through the Town's draft 2020 Drinking Water Master Plan resulting in the replacement costs increasing from \$75.6 million to \$286.0 million. Incorporating these updated valuations, increases the lifecycle replacement costs for the water system from \$2.8 million to \$6.3 million. As similar updates to replacement cost valuations have not been undertaken for the wastewater system, the 10-year average forecast average annual capital needs have been used to inform the long-term capital needs of the wastewater system (i.e. 42. million).

In total, the annual lifecycle replacement costs of \$10.5 million (i.e. \$6.3 million for water and \$4.2 million for wastewater) informs the long-term capital costs that should be considered in the full cost assessment.

3.3 Capital Forecast

10-year capital forecasts have been developed for the water and wastewater systems to address capital maintenance, replacement, and expansionary needs across the systems. The forecasts are based on the Town's multi-year capital plans (7-years for water and 3-years for wastewater) supplemented with needs identified in the draft 2020 Drinking Water Master Plan, 2016 D.C. Background Study, updates provided by staff, and capital provisions.



The capital forecasts are summarized in Tables 3-2 and 3-3 for the water and wastewater systems, respectively. These capital needs are forecast in 2020\$ valuations for the 2020 to 2031 period. The water capital plan totals \$66.5 million. For the sub-trunk water main requirements identified in the draft 2020 Drinking Water Master Plan the simplified assumption that 1/3 of the costs will be related to oversized based on the provisions of the 2016 D.C. Background Study local service policy. The remainder of sub-trunk water main costs would be a direct developer responsibility and have not been included in the capital needs forecast. For wastewater services, the capital plan totals \$74.6 million for the forecast period.

Of the forecast needs for water services, \$23.2 million has been identified as being growth related and potentially D.C. recoverable. For wastewater services, \$28.5 million (or 38%) of the forecast costs are D.C. recoverable based on the projects identified in the Town's 2016 D.C. Background Study. The capital funding implications of the growth-related needs are discussed further in Chapter 4.

For rate determination purposes, the capital needs forecast will be indexed by 3.0% annually. This is reflective of the annual capital cost inflation witnessed in the Statistics Canada Non-Residential Building Construction Price Index over the past 10-years.



Table 3-2
Town of Cobourg
Water Service
Capital Forecast – Uninflated (2020\$)

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | | |
|--|-------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | |
| Capital Expenditures | | | | | | | | | | | | | | |
| Water Master Plan (including Clarifier engineering study) | 150,000 | - | | | | | | | | | | | | |
| Booster Station Generator | 10,000 | - | | | | | | | | | | | | |
| Tower 2 (Strathy Rd.) Generator | 20,000 | - | | | | | | | | | | | | |
| Raw Water Actuator Valve | 11,000 | - | | | | | | | | | | | | |
| ROV CCC | 6,000 | - | | | | | | | | | | | | |
| Wachs hydraulic water pump | 5,000 | - | | | | | | | | | | | | |
| Work Order Management | 26,000 | - | | | | | | | | | | | | |
| WTP Driveway | 40,000 | - | | | | | | | | | | | | |
| New Distribution Truck | 100,000 | - | | | | | | | | | | | | |
| Raw Water Intake - clean and repairs | 15,000 | - | | | | | | | | | | | | |
| Infrastructure Provision | | 900,000 | | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Watermain Design | 50,000 | 225,000 | 75,000 | 75,000 | 75,000 | | | | | | | | | |
| IT Hardware and Software | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 |
| Tools | 15,000 | 150,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| New WTP Hybrid Pick up truck | | 50,000 | 50,000 | | | | | | | | | | | |
| New Distribution Hybrid Pick up Truck | | 50,000 | 50,000 | | | | | | | | | | | |
| Install Fall arrest system for pump house | | 10,000 | 10,000 | | | | | | | | | | | |
| Install Chlorine analyzer for supernatant | | 7,500 | 7,500 | | | | | | | | | | | |
| HL well cleaning | | 9,000 | 9,000 | | | | | | | | | | | |
| Install Contact chamber actuators (two) | | 27,000 | 27,000 | | | | | | | | | | | |
| Kitchenette | | 5,000 | 5,000 | | | | | | | | | | | |
| parastolic pump for contact chamber analyzer | | 7,500 | 7,500 | | | | | | | | | | | |
| Strathy tower lights | | 50,000 | 50,000 | | | | | | | | | | | |
| Water Model Update | | 10,000 | 10,000 | | | | | | | | | | | |
| Safety code 6: Strathy/Ontario Possible | | 10,000 | 10,000 | | | | | | | | | | | |
| TSSA tower 1 | | 34,500 | 34,500 | | | | | | | | | | | |
| TSSA WTP 230kw generator | | 35,000 | 35,000 | | | | | | | | | | | |
| Matthew Street | 1,050,000 | - | | | | | | | | | | | | |
| Harden St and Harden Cres | | 1,180,000 | 1,180,000 | | | | | | | | | | | |
| Albert St | | 375,000 | 375,000 | | | | | | | | | | | |
| Blake, Burke and Victoria | | 800,000 | | 800,000 | | | | | | | | | | |
| King St W (William to Burnham, 810m) | | 1,620,000 | | 1,620,000 | | | | | | | | | | |
| Walton St and Munroe St (Chapel to end 625m, 200m on Munroe) | | 1,320,000 | | | 1,320,000 | | | | | | | | | |
| Perry St (D'arcy to Church, 505m) | | 808,000 | | | 808,000 | | | | | | | | | |
| Green St (Bay to Queen, 240m) | | 384,000 | | | | 384,000 | | | | | | | | |
| Green St (Queen to King, 110m) | | 220,000 | | | | | 220,000 | | | | | | | |
| Spencer St (Division to George, 210m) | | 336,000 | | | | | 336,000 | | | | | | | |
| Watermain Provision | | 16,334,000 | | | | 1,260,000 | 2,304,000 | 2,554,000 | 2,554,000 | 2,554,000 | 2,554,000 | 2,554,000 | 2,554,000 | 2,554,000 |



Table 3-2 (Cont'd)
Town of Cobourg
Water Service
Capital Forecast – Uninflated (2020\$)

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | | |
|--|----------------|-----------|----------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|---------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | |
| Master Plan Capital Projects | | | | | | | | | | | | | | |
| <i>Linear Watermain Projects</i> | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1a - Brook Road North | - | 288,000 | - | 69,000 | 71,000 | 73,000 | 75,000 | - | - | - | - | - | - | - |
| 1b - Fut. Kerr Street | - | 1,775,000 | - | 424,000 | 437,000 | 450,000 | 464,000 | - | - | - | - | - | - | - |
| 1c - D'Arcy Street | - | 372,000 | - | 89,000 | 92,000 | 94,000 | 97,000 | - | - | - | - | - | - | - |
| 2a - D'Arcy Street (Oversizing) | - | 214,000 | - | 51,000 | 53,000 | 54,000 | 56,000 | - | - | - | - | - | - | - |
| 2b - Fut. Kerr Street | - | 1,079,000 | - | - | - | 141,000 | 145,000 | 149,000 | 154,000 | 159,000 | 163,000 | 168,000 | 168,000 | |
| 2c - Brook Road North | - | 2,664,000 | - | - | - | 348,000 | 358,000 | 369,000 | 380,000 | 391,000 | 403,000 | 415,000 | 415,000 | |
| 2d - Fut. Brook Road North | - | 770,000 | - | - | - | 770,000 | - | - | - | - | - | - | - | |
| 2e - Elgin Street East | - | 926,000 | - | - | - | 926,000 | - | - | - | - | - | - | - | |
| 2f - Fut. Road Internal to Rondeau Dev. | - | 1,137,000 | - | - | - | 1,137,000 | - | - | - | - | - | - | - | |
| 2g - Danforth Road | - | 863,000 | - | - | - | 113,000 | 116,000 | 119,000 | 123,000 | 127,000 | 131,000 | 134,000 | 134,000 | |
| 2i - Fut. Kerr Street | - | 788,000 | - | - | - | 103,000 | 106,000 | 109,000 | 112,000 | 116,000 | 119,000 | 123,000 | 123,000 | |
| 2o - White Street at Cobourg Creek E. Branch (Oversizing) | - | 457,000 | - | - | 148,000 | 152,000 | 157,000 | - | - | - | - | - | - | |
| 2p - White Street at Cobourg Creek W. Branch (Oversizing) | - | 288,000 | - | - | 93,000 | 96,000 | 99,000 | - | - | - | - | - | - | |
| 2s - Rogers Road/DePalma Drive (Oversizing) | - | 262,000 | - | - | - | 34,000 | 35,000 | 36,000 | 37,000 | 39,000 | 40,000 | 41,000 | 41,000 | |
| 3a - West Sub-Trunk (Oversizing) | - | 442,000 | - | - | - | 58,000 | 59,000 | 61,000 | 63,000 | 65,000 | 67,000 | 69,000 | 69,000 | |
| Ewart Street BPS Building Maintenance | 32,500 | - | - | - | - | - | - | - | - | - | - | - | - | |
| Replace Ewart Street BPS Stand-By Power System | - | 500,000 | - | - | - | - | 77,000 | 80,000 | 82,000 | 84,000 | 87,000 | 90,000 | 90,000 | |
| New 5,000 m3 Zone 1 Elevated Tank | - | 7,933,000 | - | 1,896,000 | 1,953,000 | 2,012,000 | 2,072,000 | - | - | - | - | - | - | |
| Decommission Existing Zone 1 Victoria Street Elevated Tank | - | 360,000 | - | 86,000 | 89,000 | 91,000 | 94,000 | - | - | - | - | - | - | |
| Provide Full Size Irrigated Soccer Field | - | 505,000 | - | 121,000 | 124,000 | 128,000 | 132,000 | - | - | - | - | - | - | |
| New Zone 2 BPS with a 120 L/s Firm Rated Capacity at Same Site as New Zone 1 Elevated Tank | - | 1,948,000 | - | - | - | - | 301,000 | 310,000 | 320,000 | 329,000 | 339,000 | 349,000 | 349,000 | |
| New Booster Pumping Station to Supply Future Zone 3 | - | 4,306,000 | - | - | - | - | 666,000 | 686,000 | 706,000 | 727,000 | 749,000 | 772,000 | 772,000 | |



Table 3-2 (Cont'd)
Town of Cobourg
Water Service
Capital Forecast – Uninflated (2020\$)

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | | |
|---|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|---|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | |
| <i>Water Treatment Projects</i> | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intake Pipe Cleaning, Inspection and Upgrades | - | 142,000 | 27,000 | 28,000 | 28,000 | 29,000 | 30,000 | - | - | - | - | - | - | |
| Provide Railing System on Retaining Walls at Shoreline | - | 15,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | - | - | - | - | - | - | |
| Replace GAC Filter Media | - | 569,000 | 107,000 | 110,000 | 114,000 | 117,000 | 121,000 | - | - | - | - | - | - | |
| Improve Ventilation/Dehumidification in Backwash Pump Room | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - | |
| Replace/Repair Sections of Backwash Piping | - | 213,000 | 40,000 | 41,000 | 43,000 | 44,000 | 45,000 | - | - | - | - | - | - | |
| Replace Wastewater Transfer Pumps and Provide Flow Meter on Discharge | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - | |
| Upgrade Wastewater Discharge System (On-Site SPS) | - | 711,000 | 134,000 | 138,000 | 142,000 | 146,000 | 151,000 | - | - | - | - | - | - | |
| Replace Chlorine Storage Room Monorail and Hoist | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - | |
| Replace Surge Valve on Highlift Pumping Station Discharge | - | 43,000 | 8,000 | 8,000 | 9,000 | 9,000 | 9,000 | - | - | - | - | - | - | |
| Relocate Chlorine Residual Sampling Points | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - | |
| Replace WTP SCADA Computers | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - | |
| Replace SCADAPack 32 PLCs at Ewart Street BPS | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - | |
| Replace SCADAPack 32 PLCs at Zone 2 (Strathy Road) Elevated Tank | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - | |
| Replace Low Lift Pump Discharge Valves | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | | |
| Refurbish Low Lift Pumps | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | | |
| Replace Alum Tanks (2) | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | | |
| Replace Turbidimeters | - | 97,000 | - | - | - | - | 15,000 | 16,000 | 16,000 | 16,000 | 17,000 | 17,000 | | |
| Provide Redundant Dissolved Air Flootation Clarification System - Option C5 | - | 10,399,000 | - | - | - | - | 1,608,000 | 1,656,000 | 1,705,000 | 1,757,000 | 1,809,000 | 1,864,000 | | |
| Provide Third Filter Train - Option C5 | - | 4,386,000 | - | - | - | - | 678,000 | 699,000 | 719,000 | 741,000 | 763,000 | 786,000 | | |
| Replace Supernatant Discharge Pumps | - | 32,000 | - | - | - | - | 5,000 | 5,000 | 5,000 | 5,000 | 6,000 | 6,000 | | |
| Equip High-lift Pumps HLP #1 & HLP #2 with VFDs | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | | |
| Replace High-lift Pump Discharge Butterfly Valves & Controls | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | | |
| Refurbish High-Lift Pumps | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | | |
| Replace Low-Lift and High-Lift Pump Level Transmitters | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | | |
| Studies: | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Water Rate Study and Financial Plan | 16,000 | 19,000 | - | - | - | - | 19,000 | - | - | - | - | - | | |
| Total Capital Expenditures | 1,627,500 | 77,288,000 | 2,504,000 | 6,018,000 | 6,118,000 | 9,928,000 | 11,058,000 | 7,849,000 | 8,081,000 | 8,325,000 | 8,576,000 | 8,831,000 | | |



Table 3-3
Town of Cobourg
Wastewater Service
Capital Forecast – Uninflated (2020\$)

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | | |
|--|----------------|-------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | |
| Capital Expenditures | | | | | | | | | | | | | | |
| Sequence Batch Reactor Expansion & Receiving Station | | 6,300,000 | | 6,300,000 | | | | | | | | | | |
| WPCP Plant #1 SCADA Phase II | 260,000 | - | | | | | | | | | | | | |
| Biosolids Holding Tank Repairs | 85,000 | - | | | | | | | | | | | | |
| Sanitary Sewer Line for Scum Trough | 200,000 | - | | | | | | | | | | | | |
| Standby Return Pump - Plant #2 | 30,000 | - | | | | | | | | | | | | |
| Tertiary Filter Media Replacement | 50,000 | - | | | | | | | | | | | | |
| Solvent Shed Replacement - Plant #1 | 15,000 | - | | | | | | | | | | | | |
| Replacement Pump McGill Pump Station | 150,000 | - | | | | | | | | | | | | |
| Channel Grinder Cartridge McGill Pump Station | 35,000 | - | | | | | | | | | | | | |
| Pump Hoist - Plant #1 | 15,000 | - | | | | | | | | | | | | |
| Headworks Ventilation System - Plant #1 | 75,000 | - | | | | | | | | | | | | |
| Contact Chamber Engineering Design | | 2,050,000 | 50,000 | 2,000,000 | | | | | | | | | | |
| Harden Sanitary Replacement | | 700,000 | 700,000 | | | | | | | | | | | |
| King Street Sanitary Replacement | | 500,000 | | 500,000 | | | | | | | | | | |
| Forth St Pump Station | | 2,000,000 | 1,000,000 | 1,000,000 | | | | | | | | | | |
| Heat Exchanger - Plant #1 | | 75,000 | 75,000 | | | | | | | | | | | |
| King St Pump Station Upgrade | | 510,000 | 10,000 | 500,000 | | | | | | | | | | |
| I/I Rehabilitation | | 5,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | | | | | | | |
| Provision - Facilities | | 17,600,000 | | | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 |
| Provision - Mains | | 6,600,000 | | | 200,000 | 200,000 | 200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Growth Related Projects: | | - | | | | | | | | | | | | |
| Pumping Station | | 1,840,046 | | | | | | 368,009 | 368,009 | 368,009 | 368,009 | 368,009 | 368,009 | 368,009 |
| Forcemain | | 220,760 | | | | | | 44,152 | 44,152 | 44,152 | 44,152 | 44,152 | 44,152 | 44,152 |
| SPS and Forcemain | | 1,125,897 | | | | | | 225,179 | 225,179 | 225,179 | 225,179 | 225,179 | 225,179 | 225,179 |
| 250 mm dia. and Greater Sewer Network | | 10,133,190 | | | | | | 2,026,638 | 2,026,638 | 2,026,638 | 2,026,638 | 2,026,638 | 2,026,638 | 2,026,638 |
| Wastewater Treatment Plant Improvements (Plant #2) | | 18,400,686 | | | | | | 3,680,137 | 3,680,137 | 3,680,137 | 3,680,137 | 3,680,137 | 3,680,137 | 3,680,137 |
| Aerator Improvements (Plant #2) | | 680,828 | | | | | | 136,166 | 136,166 | 136,166 | 136,166 | 136,166 | 136,166 | 136,166 |
| Studies: | | - | | | | | | | | | | | | |
| Wastewater Rate Study | 16,000 | 16,000 | | | | | 16,000 | | | | | | | |
| | | - | | | | | | | | | | | | |
| Total Capital Expenditures | 931,000 | 73,752,407 | 2,835,000 | 11,300,000 | 3,400,000 | 3,400,000 | 3,416,000 | 9,880,281 |



Chapter 4

Capital Cost Financing Options



4. Capital Cost Financing Options

4.1 Summary of Capital Cost Financing Alternatives

Historically, the powers that municipalities have had to raise alternative revenues to taxation to fund capital services have been restrictive. Over the past number of years, legislative reforms have been introduced. Some of these have expanded municipal powers (e.g. Bill 130 providing for natural person powers for fees and charges by-laws); while others appear to restrict them (Bill 98 in 1997 providing amendments to the *Development Charges Act* (D.C.A.)).

The most recent *Municipal Act* came into force on January 1, 2003, with significant amendments in 2006 through the *Municipal Statute Law Amendment Act*. Part XII of the Act and O.Reg. 584/06, govern the Town's ability to impose fees and charges. This Act provides municipalities with broadly defined powers and provides the ability to impose fees for both operating and capital purposes. Under s.484 of the *Municipal Act*, 2001, the *Local Improvement Act* was repealed with the in-force date of the *Municipal Act* (January 1, 2003). The municipal powers granted under the *Local Improvement Act* now fall under the jurisdiction of the *Municipal Act*.

The methods of capital cost recovery available to municipalities are provided as follows:

| Recovery Methods | Section Reference |
|--------------------------|-------------------|
| • D.C.A., 1997 | 4.2 |
| • <i>Municipal Act</i> | 4.3 |
| ○ Fees and Charge | |
| ○ Local Improvements | |
| • Grant Funding | 4.4 |
| • Reserves/Reserve Funds | 4.5 |
| • Debenture Financing | 4.6 |



4.2 Development Charges Act, 1997

The D.C.A. received royal assent on December 8, 1997, replacing the previous act, which had been in-force since November 23, 1989.

The Province's stated intentions were to "create new construction jobs and make home ownership more affordable" by reducing the charges and to "make municipal Council decisions more accountable and more cost effective." The basis for this Act is to allow municipalities to recover the growth-related capital cost of infrastructure necessary to accommodate new growth within the municipality. The D.C.A. provides for limitations and ceilings on services that can be included in the charges.

The Town currently imposes D.C.s on new development for water and wastewater services and as such D.C.s have been included as a source of capital financing in the financial plan. The Town has established D.C. reserve funds for both water and wastewater services which are both currently in an asset position of \$677,800 and \$2.7 million, respectively. However, the Town is expecting to have significant growth-related spending within the forecast period (i.e. 2021-2030) relating to expansion of the water and wastewater systems. The analysis provided herein has been developed under the assumption that the Town will enter into D.C. credit (or similar "front-ending") agreements with developers to assist in financing the emplacement of much of these growth-related projects. In exchange for the construction of the D.C.-eligible infrastructure, developers would receive credits against future D.C. payments. By 2030 it is forecast that the Town will have received a total of \$57.9 million in contributions from developers for which D.C. credits would be outstanding. If contributions from developers cannot be negotiated to assist in the up-front financing of the growth-related infrastructure, the Town would need to issue debt or interim financing the \$57.9 million of D.C. eligible costs identified above to facilitate new development

4.3 Municipal Act

Part XII of the *Municipal Act* provides municipalities with broad powers to impose fees and charges via passage of a by-law. These powers, as presented in s. 391 (1), include imposing fees or charges:

- "for services or activities provided or done by or on behalf of it;



- for costs payable by it for services or activities provided or done by or on behalf of any other municipality or local board; and
- for the use of its property including property under its control.”

Restrictions are provided to ensure that the form of the charge is not akin to a poll tax. Any charges not paid under this authority may be added to the tax roll and collected in a like manner. The fees and charges imposed under this part are not appealable to the Ontario Municipal Board.

s. 391 (2) of the *Municipal Act* permits municipalities to impose charges to recover capital costs, by by-law, from owners or occupants of land who receive an immediate benefit or a benefit at some later point in time. For a by-law imposed under this section of the Act:

- A variety of different means could be used to establish the rate, and recovery of the costs could be imposed by a number of methods at the discretion of Council (i.e. lot size, frontage, number of benefiting properties, etc.);
- Rates could be imposed in respect to costs of major capital works, even though an immediate benefit is not enjoyed;
- Non-abutting owners could be charged;
- Recovery could be authorized against existing works, where new infrastructure was added to such works, "notwithstanding that the capital costs of existing works has in whole or in part been paid";
- Charges on individual parcels could be deferred;
- Exemptions could be established; and
- Ontario Municipal Board approval is not required.

Under the previous *Local Improvement Act*:

- A variety of different types of works could be undertaken, such as watermain, storm and sanitary sewer projects, supply of electrical light or power, bridge construction, sidewalks, road widening and paving;
- Council could pass a by-law for undertaking such work on petition of a majority of benefiting taxpayers, on a 2/3 vote of Council and on sanitary grounds, based on the recommendation of the Minister of Health. The by-law was required to go to the Ontario Municipal Board, which might hold hearings and alter the by-law, particularly if there were objections;



- The entire cost of a work was assessed only upon the lots abutting directly on the work, according to the extent of their respective frontages, using an equal special rate per metre of frontage; and
- As noted, this Act was repealed as of April 1, 2003; however, Ontario Reg. 119/03 was enacted on April 19, 2003 which restores many of the previous *Local Improvement Act* provisions; however, the authority is now provided under the *Municipal Act*.

The Town currently does not impose *Municipal Act* charges and their use has not been considered in this analysis.

4.4 Grant Funding Availability

In August 2012, the Province of Ontario initiated the Municipal Infrastructure Investment Initiative. In supporting the efforts of communities to restore and revitalize their public infrastructure, this initiative provides one-time provincial funding to improve asset management planning in small municipalities and local service boards. In addition, funding will be made available for municipal infrastructure projects under this initiative. Any municipality or local service board seeking capital funding in the future must demonstrate how its proposed project fits within a detailed asset management plan. To assist in defining the components of an asset management plan, the Province produced a document entitled, “Building Together: Guide for Municipal Asset Management Plans.” This guide documents the components, information and analysis that are required to be included in a municipality’s asset management plan under this initiative.

The Town does not anticipate receiving grant funding during the forecast period. To the extent that the Town is successful in achieving grant funding for future infrastructure needs and the financial impacts are material, the rate forecast may be revisited.

4.5 Existing Reserves/Reserve Funds

The Town has established reserve funds for water and wastewater capital costs. The established water and wastewater reserve funds have been used in the capital funding forecast for rate-based needs.

The 2020 water and wastewater reserve fund balances are estimated at \$248,900 and \$3.5 million, respectively.



4.6 Debenture Financing

Although it is not a direct method of minimizing the overall cost to the ratepayer, debentures are used by municipalities to assist in cash flowing large capital expenditures.

The Ministry of Municipal Affairs regulates the level of debt incurred by Ontario municipalities, through its powers established under the *Municipal Act*. Ontario Reg. 403/02 provides the current rules respecting municipal debt and financial obligations. Through the rules established under these regulations, a municipality's debt capacity is capped at a level where no more than 25% of the municipality's own source revenue may be allotted for servicing the debt (i.e. annual debt charges).

The Town currently has outstanding debt for water and wastewater services. Including \$9.5 million in debt that anticipated to be issued in 2020 for past projects, the total outstanding principal balance is \$10.1 million. Some of the outstanding debt balance is scheduled to be fully paid off during the forecast period.

In undertaking the Rate Study, an alternative capital funding plan that would not require any further debt to be issued was considered. To sustain a no new debt capital funding plan, customer water and wastewater bills would increase by almost 90% by 2022 to provide the required funding. Rates would then remain relatively constant thereafter. These rate impacts over the next two years were deemed unsustainable and as such, the no new debt funding scenario was not considered further.

The recommended capital financing plan anticipates the issuance of \$28.9 million in additional debt over the forecast period (\$7.3 million water and \$22.6 million wastewater). Based on the Town's 2019 Financial Information Return, the Town is currently utilizing 14.2% of their legislated debt servicing capacity (i.e. 3.6% of net own source revenues) for outstanding municipal debt payments (rate and non-rate based). With forecast growth in own source revenues based on the rate forecast presented herein, the anticipated debt for the water and wastewater systems would increase the Town's debt capacity utilization from 3.6% of own source revenues currently to 7.1% by the end of the forecast period. This would place the Town well within the legislated limit of 25% of own source revenues and preserve debt funding capacity for other municipal services. This assessment does not consider growth in own-source revenues from non-rate-based sources to preserve funding capacity for the issuance of future tax-based



debt. Moreover, if the Town had to debt finance the net D.C. eligible costs that would not be funded through anticipated D.C. revenues (i.e. \$57.9 million), annual debt financing costs as a percentage of own-source revenues would increase to 13.7%.

4.7 Recommended Approach

In undertaking the Rate Study, multiple funding scenarios were assessed that considered maintaining the separate management and funding of the water and wastewater systems within the current rate structure.

The following table summarizes the recommended capital funding sources supporting the capital needs forecast (2020-2030), for consideration by the Town of Cobourg:

Table 4-1
Town of Cobourg
2020-2030 Water and Wastewater Capital Funding Program (Inflated \$)

| Capital Funding | Water | Wastewater | Total |
|--|-------------------|-------------------|--------------------|
| D.C. Reserve Fund/Developer Funding Agreements | 28,233,296 | 36,182,700 | 64,415,996 |
| Non-Growth Related Debenture Requirements | 7,365,524 | 22,563,196 | 29,928,720 |
| Growth Related Debenture Requirements | - | - | - |
| Reserves | 43,316,680 | 31,234,104 | 74,550,784 |
| Total | 78,915,500 | 89,980,000 | 168,895,500 |

Tables 4-2 and 4-3 provide for the full capital expenditure and funding program by year for water and wastewater services, respectively. These capital funding plans are provided in inflated dollars.

Based on the capital funding plans identified in Tables 4-2 and 4-3 and the 2020 estimated water and wastewater reserve fund balances identified in Section 4.5, the water and wastewater reserve fund continuity schedules are presented in Tables 4-4 and 4-5, respectively. Water reserves are anticipated to be fully utilized over the 2022-2025 period (years in which additional debt financing is required), before increasing to \$7.4 million by 2030. Wastewater reserves are anticipated to decrease from \$3.5 million to \$0 in 2022 and remain fully utilized throughout the remainder of the forecast period evidenced by the non-growth-related debt requirements in each year of the forecast period. In addition, Tables 4-6 and 4-7 identify the anticipated water and wastewater D.C. reserve fund balances throughout the forecast period. The water D.C. reserve fund is expected to be fully utilized by 2023 and remain in that state for the



duration of the forecast period while the wastewater D.C. reserve fund is expected to decrease from \$2.7 million in 2020 to \$0 by 2026.



**Table 4-2
Water Service
Capital Budget Forecast – Inflated \$**

| Description | Budget 2020 | Total | Forecast | | | | | | | | | |
|--|----------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Capital Budget Forecast Projects | | | | | | | | | | | | |
| <i>Capital Expenditures</i> | | | | | | | | | | | | |
| Water Master Plan (including Clarifier engineering study) | 150,000 | - | - | - | - | - | - | - | - | - | - | - |
| Booster Station Generator | 10,000 | - | - | - | - | - | - | - | - | - | - | - |
| Tower 2 (Strathy Rd.) Generator | 20,000 | - | - | - | - | - | - | - | - | - | - | - |
| Raw Water Actuator Valve | 11,000 | - | - | - | - | - | - | - | - | - | - | - |
| ROV CCC | 6,000 | - | - | - | - | - | - | - | - | - | - | - |
| Wachs hydraulic water pump | 5,000 | - | - | - | - | - | - | - | - | - | - | - |
| Work Order Management | 26,000 | - | - | - | - | - | - | - | - | - | - | - |
| WTP Driveway | 40,000 | - | - | - | - | - | - | - | - | - | - | - |
| New Distribution Truck | 100,000 | - | - | - | - | - | - | - | - | - | - | - |
| Raw Water Intake - clean and repairs | 15,000 | - | - | - | - | - | - | - | - | - | - | - |
| Infrastructure Provision | - | 1,077,000 | - | 106,000 | 109,000 | 113,000 | 116,000 | 119,000 | 123,000 | 127,000 | 130,000 | 134,000 |
| Watermain Design | 50,000 | 239,000 | 77,000 | 80,000 | 82,000 | - | - | - | - | - | - | - |
| IT Hardware and Software | 81,000 | 958,000 | 83,000 | 86,000 | 89,000 | 91,000 | 94,000 | 97,000 | 100,000 | 103,000 | 106,000 | 109,000 |
| Tools | 15,000 | 176,000 | 15,000 | 16,000 | 16,000 | 17,000 | 17,000 | 18,000 | 18,000 | 19,000 | 20,000 | 20,000 |
| New WTP Hybrid Pick up truck | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - |
| New Distribution Hybrid Pick up Truck | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - |
| Install Fall arrest system for pump house | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - |
| Install Chlorine analyzer for supernatant | - | 8,000 | 8,000 | - | - | - | - | - | - | - | - | - |
| HL well cleaning | - | 9,000 | 9,000 | - | - | - | - | - | - | - | - | - |
| Install Contact chamber actuators (two) | - | 28,000 | 28,000 | - | - | - | - | - | - | - | - | - |
| Kitchenette | - | 5,000 | 5,000 | - | - | - | - | - | - | - | - | - |
| parastolic pump for contact chamber analyzer | - | 8,000 | 8,000 | - | - | - | - | - | - | - | - | - |
| Strathy tower lights | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - |
| Water Model Update | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - |
| Safety code 6: Strathy/Ontario Possible | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - |
| TSSA tower 1 | - | 36,000 | 36,000 | - | - | - | - | - | - | - | - | - |
| TSSA WTP 230kw generator | - | 36,000 | 36,000 | - | - | - | - | - | - | - | - | - |
| Matthew Street | 1,050,000 | - | - | - | - | - | - | - | - | - | - | - |
| Harden St and Harden Cres | - | 1,215,000 | 1,215,000 | - | - | - | - | - | - | - | - | - |
| Albert St | - | 386,000 | 386,000 | - | - | - | - | - | - | - | - | - |
| Blake, Burke and Victoria | - | 849,000 | - | 849,000 | - | - | - | - | - | - | - | - |
| King St W (William to Burnham, 810m) | - | 1,719,000 | - | 1,719,000 | - | - | - | - | - | - | - | - |
| Walton St and Munroe St (Chapel to end 625m, 200m on Munroe) | - | 1,442,000 | - | - | 1,442,000 | - | - | - | - | - | - | - |
| Perry St (D'arcy to Church, 505m) | - | 883,000 | - | - | 883,000 | - | - | - | - | - | - | - |
| Green St (Bay to Queen, 240m) | - | 432,000 | - | - | - | 432,000 | - | - | - | - | - | - |
| Green St (Queen to King, 110m) | - | 248,000 | - | - | - | 248,000 | - | - | - | - | - | - |
| Spencer St (Division to George, 210m) | - | 378,000 | - | - | - | 378,000 | - | - | - | - | - | - |
| Watermain Provision | - | 20,279,000 | - | - | - | 1,418,000 | 2,671,000 | 3,050,000 | 3,141,000 | 3,235,000 | 3,332,000 | 3,432,000 |



Table 4-2 (Cont'd)
Water Service
Capital Budget Forecast – Inflated \$

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|--|----------------|-----------|----------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Master Plan Capital Projects | | | | | | | | | | | | | |
| <i>Linear Watermain Projects</i> | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1a - Brook Road North | - | 288,000 | - | 69,000 | 71,000 | 73,000 | 75,000 | - | - | - | - | - | - |
| 1b - Fut. Kerr Street | - | 1,775,000 | - | 424,000 | 437,000 | 450,000 | 464,000 | - | - | - | - | - | - |
| 1c - D'Arcy Street | - | 372,000 | - | 89,000 | 92,000 | 94,000 | 97,000 | - | - | - | - | - | - |
| 2a - D'Arcy Street (Oversizing) | - | 214,000 | - | 51,000 | 53,000 | 54,000 | 56,000 | - | - | - | - | - | - |
| 2b - Fut. Kerr Street | - | 1,079,000 | - | - | - | 141,000 | 145,000 | 149,000 | 154,000 | 159,000 | 163,000 | 168,000 | - |
| 2c - Brook Road North | - | 2,664,000 | - | - | - | 348,000 | 358,000 | 369,000 | 380,000 | 391,000 | 403,000 | 415,000 | - |
| 2d - Fut. Brook Road North | - | 770,000 | - | - | - | 770,000 | - | - | - | - | - | - | - |
| 2e - Elgin Street East | - | 926,000 | - | - | - | 926,000 | - | - | - | - | - | - | - |
| 2f - Fut. Road Internal to Rondeau Dev. | - | 1,137,000 | - | - | - | 1,137,000 | - | - | - | - | - | - | - |
| 2g - Danforth Road | - | 863,000 | - | - | - | 113,000 | 116,000 | 119,000 | 123,000 | 127,000 | 131,000 | 134,000 | - |
| 2i - Fut. Kerr Street | - | 788,000 | - | - | - | 103,000 | 106,000 | 109,000 | 112,000 | 116,000 | 119,000 | 123,000 | - |
| 2o - White Street at Cobourg Creek E. Branch (Oversizing) | - | 457,000 | - | - | 148,000 | 152,000 | 157,000 | - | - | - | - | - | - |
| 2p - White Street at Cobourg Creek W. Branch (Oversizing) | - | 288,000 | - | - | 93,000 | 96,000 | 99,000 | - | - | - | - | - | - |
| 2s - Rogers Road/DePalma Drive (Oversizing) | - | 262,000 | - | - | - | 34,000 | 35,000 | 36,000 | 37,000 | 39,000 | 40,000 | 41,000 | - |
| 3a - West Sub-Trunk (Oversizing) | - | 442,000 | - | - | - | 58,000 | 59,000 | 61,000 | 63,000 | 65,000 | 67,000 | 69,000 | - |
| Ewart Street BPS Building Maintenance | 32,500 | - | - | - | - | - | - | - | - | - | - | - | - |
| Replace Ewart Street BPS Stand-By Power System | - | 500,000 | - | - | - | - | 77,000 | 80,000 | 82,000 | 84,000 | 87,000 | 90,000 | - |
| New 5,000 m3 Zone 1 Elevated Tank | - | 7,933,000 | - | 1,896,000 | 1,953,000 | 2,012,000 | 2,072,000 | - | - | - | - | - | - |
| Decommission Existing Zone 1 Victoria Street Elevated Tank | - | 360,000 | - | 86,000 | 89,000 | 91,000 | 94,000 | - | - | - | - | - | - |
| Provide Full Size Irrigated Soccer Field | - | 505,000 | - | 121,000 | 124,000 | 128,000 | 132,000 | - | - | - | - | - | - |
| New Zone 2 BPS with a 120 L/s Firm Rated Capacity at Same Site as New Zone 1 Elevated Tank | - | 1,948,000 | - | - | - | - | 301,000 | 310,000 | 320,000 | 329,000 | 339,000 | 349,000 | - |
| New Booster Pumping Station to Supply Future Zone 3 | - | 4,306,000 | - | - | - | - | 666,000 | 686,000 | 706,000 | 727,000 | 749,000 | 772,000 | - |



Table 4-2 (Cont'd)
Water Service
Capital Budget Forecast – Inflated \$

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | | |
|---|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|---|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | |
| Master Plan Capital Projects | | | | | | | | | | | | | | |
| <i>Water Treatment Projects</i> | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intake Pipe Cleaning, Inspection and Upgrades | - | 142,000 | 27,000 | 28,000 | 28,000 | 29,000 | 30,000 | - | - | - | - | - | - | - |
| Provide Railing System on Retaining Walls at Shoreline | - | 15,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | - | - | - | - | - | - | - |
| Replace GAC Filter Media | - | 569,000 | 107,000 | 110,000 | 114,000 | 117,000 | 121,000 | - | - | - | - | - | - | - |
| Improve Ventilation/Dehumidification in Backwash Pump Room | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - | - |
| Replace/Repair Sections of Backwash Piping | - | 213,000 | 40,000 | 41,000 | 43,000 | 44,000 | 45,000 | - | - | - | - | - | - | - |
| Replace Wastewater Transfer Pumps and Provide Flow Meter on Discharge | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - | - |
| Upgrade Wastewater Discharge System (On-Site SPS) | - | 711,000 | 134,000 | 138,000 | 142,000 | 146,000 | 151,000 | - | - | - | - | - | - | - |
| Replace Chlorine Storage Room Monorail and Hoist | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - | - |
| Replace Surge Valve on Highlift Pumping Station Discharge | - | 43,000 | 8,000 | 8,000 | 9,000 | 9,000 | 9,000 | - | - | - | - | - | - | - |
| Relocate Chlorine Residual Sampling Points | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - | - |
| Replace WTP SCADA Computers | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - | - |
| Replace SCADAPack 32 PLCs at Ewart Street BPS | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - | - |
| Replace SCADAPack 32 PLCs at Zone 2 (Strathy Road) Elevated Tank | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - | - |
| Replace Low Lift Pump Discharge Valves | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | | |
| Refurbish Low Lift Pumps | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | | |
| Replace Alum Tanks (2) | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | | |
| Replace Turbidimeters | - | 97,000 | - | - | - | - | 15,000 | 16,000 | 16,000 | 16,000 | 17,000 | 17,000 | | |
| Provide Redundant Dissolved Air Floatation Clarification System - Option C5 | - | 10,399,000 | - | - | - | - | 1,608,000 | 1,656,000 | 1,705,000 | 1,757,000 | 1,809,000 | 1,864,000 | | |
| Provide Third Filter Train - Option C5 | - | 4,386,000 | - | - | - | - | 678,000 | 699,000 | 719,000 | 741,000 | 763,000 | 786,000 | | |
| Replace Supernatant Discharge Pumps | - | 32,000 | - | - | - | - | 5,000 | 5,000 | 5,000 | 5,000 | 6,000 | 6,000 | | |
| Equip High-lift Pumps HLP #1 & HLP #2 with VFDs | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | | |
| Replace High-lift Pump Discharge Butterfly Valves & Controls | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | | |
| Refurbish High-Lift Pumps | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | | |
| Replace Low-Lift and High-Lift Pump Level Transmitters | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | | |
| Studies: | | | | | | | | | | | | | | |
| Water Rate Study and Financial Plan | 16,000 | 19,000 | - | - | - | - | 19,000 | - | - | - | - | - | - | - |
| Total Capital Expenditures | 1,627,500 | 77,288,000 | 2,504,000 | 6,018,000 | 6,118,000 | 9,928,000 | 11,058,000 | 7,849,000 | 8,081,000 | 8,325,000 | 8,576,000 | 8,831,000 | | |
| Capital Financing | | | | | | | | | | | | | | |
| Provincial/Federal Grants | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Development Charges Reserve Fund | - | 28,233,296 | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 | | |
| Non-Growth Related Debenture Requirements | - | 7,365,524 | - | 960,668 | 1,921,422 | 1,738,781 | 2,744,653 | - | - | - | - | - | | |
| Growth Related Debenture Requirements | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Operating Contributions | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Water Reserve | 1,627,500 | 41,689,180 | 2,504,000 | 4,378,613 | 3,376,280 | 3,715,357 | 4,136,930 | 4,443,000 | 4,573,500 | 4,710,500 | 4,854,000 | 4,997,000 | | |
| Total Capital Financing | 1,627,500 | 77,288,000 | 2,504,000 | 6,018,000 | 6,118,000 | 9,928,000 | 11,058,000 | 7,849,000 | 8,081,000 | 8,325,000 | 8,576,000 | 8,831,000 | | |



**Table 4-3
Wastewater Service
Capital Budget Forecast – Inflated \$**

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|--|----------------|-------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Capital Expenditures | | | | | | | | | | | | | |
| Sequence Batch Reactor Expansion & Receiving Station | - | 6,684,000 | - | 6,684,000 | - | - | - | - | - | - | - | - | - |
| WPCP Plant #1 SCADA Phase II | 260,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Biosolids Holding Tank Repairs | 85,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Sanitary Sewer Line for Scum Trough | 200,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Standby Return Pump - Plant #2 | 30,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Tertiary Filter Media Replacement | 50,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Solvent Shed Replacement - Plant #1 | 15,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Replacement Pump McGill Pump Station | 150,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Channel Grinder Cartridge McGill Pump Station | 35,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Pump Hoist - Plant #1 | 15,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Headworks Ventilation System - Plant #1 | 75,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Contact Chamber Engineering Design | - | 2,174,000 | 52,000 | 2,122,000 | - | - | - | - | - | - | - | - | - |
| Harden Sanitary Replacement | - | 721,000 | 721,000 | - | - | - | - | - | - | - | - | - | - |
| King Street Sanitary Replacement | - | 530,000 | - | 530,000 | - | - | - | - | - | - | - | - | - |
| Forth St Pump Station | - | 2,091,000 | 1,030,000 | 1,061,000 | - | - | - | - | - | - | - | - | - |
| Heat Exchanger - Plant #1 | - | 77,000 | 77,000 | - | - | - | - | - | - | - | - | - | - |
| King St Pump Station Upgrade | - | 540,000 | 10,000 | 530,000 | - | - | - | - | - | - | - | - | - |
| VI Rehabilitation | - | 5,469,000 | 1,030,000 | 1,061,000 | 1,093,000 | 1,126,000 | 1,159,000 | - | - | - | - | - | - |
| Provision - Facilities | - | 21,378,000 | - | - | 2,404,000 | 2,476,000 | 2,550,000 | 2,627,000 | 2,706,000 | 2,787,000 | 2,871,000 | 2,957,000 | - |
| Provision - Mains | - | 8,284,000 | - | - | 219,000 | 225,000 | 232,000 | 1,433,000 | 1,476,000 | 1,520,000 | 1,566,000 | 1,613,000 | - |
| Growth Related Projects: | | | | | | | | | | | | | |
| Pumping Station | - | 2,333,000 | - | - | - | - | - | 439,000 | 453,000 | 466,000 | 480,000 | 495,000 | - |
| Forcemain | - | 280,000 | - | - | - | - | - | 53,000 | 54,000 | 56,000 | 58,000 | 59,000 | - |
| SPS and Forcemain | - | 1,428,000 | - | - | - | - | - | 269,000 | 277,000 | 285,000 | 294,000 | 303,000 | - |
| 250 mm dia. and Greater Sewer Network | - | 12,848,000 | - | - | - | - | - | 2,420,000 | 2,493,000 | 2,567,000 | 2,644,000 | 2,724,000 | - |
| Wastewater Treatment Plant Improvements (Plant #2) | - | 23,330,000 | - | - | - | - | - | 4,394,000 | 4,526,000 | 4,662,000 | 4,802,000 | 4,946,000 | - |
| Aerator Improvements (Plant #2) | - | 863,000 | - | - | - | - | - | 163,000 | 167,000 | 172,000 | 178,000 | 183,000 | - |
| Studies: | | | | | | | | | | | | | |
| Wastewater Rate Study | 16,000 | 19,000 | - | - | - | - | 19,000 | - | - | - | - | - | - |
| Total Capital Expenditures | 931,000 | 89,049,000 | 2,920,000 | 11,988,000 | 3,716,000 | 3,827,000 | 3,960,000 | 11,798,000 | 12,152,000 | 12,515,000 | 12,893,000 | 13,280,000 | |
| Capital Financing | | | | | | | | | | | | | |
| Provincial/Federal Grants | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Development Charges Reserve Fund | - | 36,182,700 | - | - | - | - | - | 6,815,260 | 7,019,540 | 7,228,980 | 7,447,580 | 7,671,340 | - |
| Non-Growth Related Debenture Requirements | - | 22,563,196 | - | 6,558,945 | 1,767,213 | 1,565,338 | 1,506,294 | 2,317,480 | 2,296,733 | 2,253,330 | 2,192,184 | 2,105,679 | - |
| Growth Related Debenture Requirements | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Wastewater Reserve | 931,000 | 30,303,104 | 2,920,000 | 5,429,055 | 1,948,787 | 2,261,662 | 2,453,706 | 2,665,260 | 2,835,727 | 3,032,690 | 3,253,236 | 3,502,981 | - |
| Total Capital Financing | 931,000 | 89,049,000 | 2,920,000 | 11,988,000 | 3,716,000 | 3,827,000 | 3,960,000 | 11,798,000 | 12,152,000 | 12,515,000 | 12,893,000 | 13,280,000 | |



Table 4-4
Town of Cobourg
Water Reserve Fund Continuity– Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------------------------|------------------|------------------|-----------|-----------|-----------|-----------|---------------|----------------|------------------|------------------|------------------|
| Opening Balance | 248,916 | 1,219,567 | 1,357,656 | - | - | - | - | 87,278 | 692,662 | 2,276,224 | 4,501,461 |
| Transfer from Operating | 2,586,076 | 2,628,647 | 3,020,957 | 3,376,279 | 3,715,357 | 4,136,930 | 4,529,414 | 5,172,026 | 6,271,525 | 7,034,668 | 7,864,966 |
| Transfer to Capital | 1,627,500 | 2,504,000 | 4,378,613 | 3,376,280 | 3,715,357 | 4,136,930 | 4,443,000 | 4,573,500 | 4,710,500 | 4,854,000 | 4,997,000 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 1,207,492 | 1,344,214 | - | - | - | - | 86,414 | 685,804 | 2,253,687 | 4,456,892 | 7,369,427 |
| Interest | 12,075 | 13,442 | - | - | - | - | 864 | 6,858 | 22,537 | 44,569 | 73,694 |

Table 4-5
Town of Cobourg
Wastewater Reserve Fund Continuity– Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------------------------|------------------|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Opening Balance | 3,548,656 | 4,731,746 | 3,528,181 | - | - | - | - | - | - | - | - |
| Transfer from Operating | 2,067,241 | 1,681,502 | 1,900,874 | 1,948,787 | 2,261,662 | 2,453,706 | 2,665,260 | 2,835,727 | 3,032,690 | 3,253,236 | 3,502,981 |
| Transfer to Capital | 931,000 | 2,920,000 | 5,429,055 | 1,948,787 | 2,261,662 | 2,453,706 | 2,665,260 | 2,835,727 | 3,032,690 | 3,253,236 | 3,502,981 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 4,684,897 | 3,493,248 | - | - | - | - | - | - | - | - | - |
| Interest | 46,849 | 34,932 | - | - | - | - | - | - | - | - | - |

Table 4-6
Town of Cobourg
Water Development Charges Reserve Fund Continuity– Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-----------------------------------|----------------|----------------|---------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Opening Balance | 677,846 | 712,088 | 747,513 | 97,650 | - | - | - | - | - | - | - |
| Development Charge Proceeds | 27,192 | 28,024 | 28,856 | 29,696 | 165,492 | 170,482 | 175,564 | 180,885 | 186,298 | 191,879 | 197,611 |
| Developer Contributions (Credits) | - | - | - | 692,952 | 4,308,369 | 4,005,935 | 3,230,436 | 3,326,615 | 3,428,202 | 3,530,121 | 3,636,389 |
| Transfer to Capital | - | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 705,038 | 740,112 | 97,650 | - | - | - | - | - | - | - | - |
| Interest | 7,050 | 7,401 | - | - | - | - | - | - | - | - | - |
| Required from Development Charges | - | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 |



Table 4-7
Town of Cobourg
Wastewater Development Charges Reserve Fund Continuity– Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------|-----------|-----------|-----------|-----------|
| Opening Balance | 2,718,655 | 2,769,176 | 2,820,866 | 2,873,815 | 2,928,046 | 3,142,595 | 3,364,795 | (0) | - | - | - |
| Development Charge Proceeds | 23,104 | 23,760 | 24,496 | 25,240 | 183,434 | 188,886 | 194,577 | 200,428 | 206,438 | 212,599 | 219,008 |
| Developer Contributions (Credits) | - | - | - | - | - | - | 3,255,888 | 6,819,112 | 7,022,542 | 7,234,981 | 7,452,332 |
| Transfer to Capital | - | - | - | - | - | - | 6,815,260 | 7,019,540 | 7,228,980 | 7,447,580 | 7,671,340 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 2,741,759 | 2,792,936 | 2,845,362 | 2,899,055 | 3,111,480 | 3,331,481 | (0) | - | - | - | - |
| Interest | 27,418 | 27,929 | 28,454 | 28,991 | 31,115 | 33,315 | (0) | - | - | - | - |
| Required from Development Charges | - | - | - | - | - | - | 6,815,260 | 7,019,540 | 7,228,980 | 7,447,580 | 7,671,340 |



Chapter 5

Operating Expenditure Forecast



5. Operating Expenditure Forecast

5.1 Operating Expenditures

In this report the forecasted operating budget figures for water and wastewater services are based on the Town's 2020 operating budgets. The expenditures for each component of the operating budget have been reviewed with staff to establish inflationary adjustments. Within the operating budget, fixed and variable costs have been identified. The fixed costs have been increased to account for 2.0% annual inflation. Variable costs have been forecast to increase with the increase in water and wastewater demands plus 2.0% annual inflation.

Capital-related operating expenditures in the forecast include annual debt repayments and contributions to reserve funds to support the capital forecast and future needs. While operating aspects identified above generally increase with inflation over the period (i.e. 2% annually) as well as growth in infrastructure, the capital-related aspects tend to increase more specifically with the increase in capital funding requirements.

As a result of the inflationary, growth, and capital-related expenditure increases, the water and wastewater operating expenditures are anticipated to increase over the forecast period.

5.1.1 Water Services

Debt repayment costs are expected to increase from \$0 in 2020 to \$937,600 by 2027 before decreasing to 541,900 by 2030 as the Town takes on more debt. Reserve transfers are projected to increase from \$2.6 million to \$7.9 million over the same period. Fixed operating expenditures are expected to increase from \$2.3 million in 2020 to \$2.8 million by the end of the forecast period, while variable operating costs are anticipated to increase from \$668,800 to \$890,400 over the same time period.

Overall, gross operating expenditures for water services are anticipated to increase from \$5.5 million in 2020 to \$12.0 million by 2030 (+118%).

5.1.2 Wastewater Services

For wastewater services, debt repayment costs are expected to increase from \$175,400 in 2020 to \$2.1 million by 2030 as additional debt is utilized as a source of capital



funding. Reserve transfers are projected to increase from \$2.1 million to \$3.5 over the same period, increasing the funding available for capital purposes. Fixed operating expenditures are expected to increase from \$3.0 million in 2020 to \$3.6 million by the end of the forecast period, while variable operating costs are anticipated to increase from \$814,900 to \$1.1 million over the same time period.

Overall, gross operating expenditures for wastewater services are anticipated to increase from \$6.0 million in 2020 to \$10.4 million by 2030 (+72%)

5.2 Operating Revenues

5.2.1 Water Services

The Town's water services non-rate revenue is collected via interest and other miscellaneous revenues both of which are forecast to increase with annual inflation. Interest is forecast to increase from \$21,000 to \$28,200 and other revenues are forecast to increase from \$185,300 to \$223,700 over the forecast period. The Town also imposes monthly Fire Protection charges. Fire Protection charges revenue is forecast to increase with inflation and growth in the system.

The greatest source of revenue is secured from the consumptive water rates (i.e. \$/m³ of water consumption) and base charges. The consumptive rate and base charge revenues have been forecast based on the underlying system growth assumptions and the Town's forecast consumptive rates and base charges for the 2020-2030 period (see Chapter 6).

The total annual operating revenues (including billing revenues) are forecast to increase from \$5.5 million in 2020 to \$12.0 million by 2030.

5.2.2 Wastewater Services

The Town's wastewater service revenue is collected from surcharges, septic waste processing, leachate processing, Bell tower rentals and NRG curtailments. Industrial surcharges and septic waste processing fees are forecast to increase with inflation based on the Town's operating budget forecasts. Leachate Processing revenue has been forecast to increase by 50% in 2023 with the completion of the Sequence Batch Reactor Expansion, followed by inflationary increases thereafter. The other non-rate-based revenue sources have been held constant over the forecast period.



Revenue secured from the consumptive wastewater rates (i.e. \$/m³ of water consumption) and base charges represents the greatest share of the annual wastewater revenue. The consumptive rate and base charge revenues have been forecast based on the underlying system growth assumptions and the Town's forecast rates for the period 2020-2030.

The total annual operating revenues (including billing revenue) are forecast to increase from \$6.0 million in 2020 to \$10.4 million by 2030

Tables 5-1 to 5-2 provide the water and wastewater operating budget forecasts, respectively, which are presented in inflated dollars.



**Table 5-1
Water Service
Operating Budget Forecast – Inflated \$**

| Description | Budget 2020 | Forecast | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|--|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Expenditures | | | | | | | | | | | | |
| Operating Costs (Fixed Costs) | | | | | | | | | | | | |
| Wages | 1,465,824 | 1,495,100 | 1,525,000 | 1,555,500 | 1,586,600 | 1,618,300 | 1,650,700 | 1,683,700 | 1,717,400 | 1,751,700 | 1,786,700 | |
| Management fees | 73,339 | 74,800 | 76,300 | 77,800 | 79,400 | 81,000 | 82,600 | 84,300 | 86,000 | 87,700 | 89,500 | |
| Training | 44,747 | 45,600 | 46,500 | 47,400 | 48,300 | 49,300 | 50,300 | 51,300 | 52,300 | 53,300 | 54,400 | |
| Billing and collecting | 124,446 | 126,900 | 129,400 | 132,000 | 134,600 | 137,300 | 140,000 | 142,800 | 145,700 | 148,600 | 151,600 | |
| Professional fees and dues | 60,047 | 61,200 | 62,400 | 63,600 | 64,900 | 66,200 | 67,500 | 68,900 | 70,300 | 71,700 | 73,100 | |
| Rent | 54,064 | 55,100 | 56,200 | 57,300 | 58,400 | 59,600 | 60,800 | 62,000 | 63,200 | 64,500 | 65,800 | |
| Vehicle maintenance and gas | 38,474 | 39,200 | 40,000 | 40,800 | 41,600 | 42,400 | 43,200 | 44,100 | 45,000 | 45,900 | 46,800 | |
| Property taxes | 83,000 | 84,700 | 86,400 | 88,100 | 89,900 | 91,700 | 93,500 | 95,400 | 97,300 | 99,200 | 101,200 | |
| Insurance | 96,555 | 98,500 | 100,500 | 102,500 | 104,600 | 106,700 | 108,800 | 111,000 | 113,200 | 115,500 | 117,800 | |
| IT maintenance | 91,206 | 93,000 | 94,900 | 96,800 | 98,700 | 100,700 | 102,700 | 104,800 | 106,900 | 109,000 | 111,200 | |
| Miscellaneous | 19,340 | 19,700 | 20,100 | 20,500 | 20,900 | 21,300 | 21,700 | 22,100 | 22,500 | 23,000 | 23,500 | |
| Office supplies and telecommunications | 107,133 | 109,300 | 111,500 | 113,700 | 116,000 | 118,300 | 120,700 | 123,100 | 125,600 | 128,100 | 130,700 | |
| Subtotal - Fixed Costs | 2,258,175 | 2,303,100 | 2,349,200 | 2,396,000 | 2,443,900 | 2,492,800 | 2,542,500 | 2,593,500 | 2,645,400 | 2,698,200 | 2,752,300 | |
| Operating Costs (Variable Costs) | | | | | | | | | | | | |
| Water operations and maintenance | 279,052 | 286,300 | 293,700 | 301,200 | 309,700 | 319,300 | 329,100 | 339,200 | 349,700 | 360,400 | 371,500 | |
| Chemicals purchased | 50,750 | 52,100 | 53,400 | 54,800 | 56,300 | 58,100 | 59,900 | 61,700 | 63,600 | 65,600 | 67,600 | |
| Distribution | 274,453 | 281,500 | 288,800 | 296,300 | 304,600 | 314,000 | 323,700 | 333,700 | 343,900 | 354,500 | 365,300 | |
| Building utilities and maintenance | 64,572 | 66,200 | 68,000 | 69,700 | 71,700 | 73,900 | 76,200 | 78,500 | 80,900 | 83,400 | 86,000 | |
| Subtotal - Variable Costs | 668,827 | 686,100 | 703,900 | 722,000 | 742,300 | 765,300 | 788,900 | 813,100 | 838,100 | 863,900 | 890,400 | |
| Sub Total Operating | 2,927,002 | 2,989,200 | 3,053,100 | 3,118,000 | 3,186,200 | 3,258,100 | 3,331,400 | 3,406,600 | 3,483,500 | 3,562,100 | 3,642,700 | |
| Capital-Related | | | | | | | | | | | | |
| Existing Debt (Principal) - Non-Growth Related | | 326,363 | 336,121 | 346,172 | 356,524 | 367,184 | 378,164 | 389,391 | | | | |
| Existing Debt (Interest) - Non-Growth Related | | 69,361 | 59,602 | 49,551 | 39,200 | 28,539 | 17,559 | 6,251 | | | | |
| New Non-Growth Related Debt (Principal) | | - | - | 32,261 | 98,076 | 160,390 | 258,976 | 269,335 | 280,109 | 291,313 | 302,966 | |
| New Non-Growth Related Debt (Interest) | | - | - | 38,427 | 113,993 | 179,621 | 282,992 | 272,633 | 261,859 | 250,655 | 239,003 | |
| Transfer to Capital | | - | - | - | - | - | - | - | - | - | - | |
| Transfer to Capital Reserve | 2,586,076 | 2,628,647 | 3,020,957 | 3,376,279 | 3,715,357 | 4,136,930 | 4,529,414 | 5,172,026 | 6,271,525 | 7,034,668 | 7,864,966 | |
| Sub Total Capital Related | 2,586,076 | 3,024,370 | 3,416,680 | 3,842,690 | 4,323,150 | 4,872,665 | 5,467,105 | 6,109,637 | 6,813,493 | 7,576,636 | 8,406,934 | |
| Total Expenditures | 5,513,078 | 6,013,570 | 6,469,780 | 6,960,690 | 7,509,350 | 8,130,765 | 8,798,505 | 9,516,237 | 10,296,993 | 11,138,736 | 12,049,634 | |
| Revenues | | | | | | | | | | | | |
| Base Charge | 2,020,244 | 2,184,090 | 2,360,196 | 2,549,755 | 2,764,019 | 3,010,104 | 3,272,854 | 3,554,956 | 3,864,572 | 4,197,549 | 4,558,966 | |
| Fire Protection Charges | 76,285 | 79,227 | 82,277 | 85,438 | 89,000 | 93,005 | 97,164 | 101,488 | 105,984 | 110,658 | 115,518 | |
| Other Revenue | 185,301 | 187,631 | 189,995 | 192,395 | 194,831 | 200,676 | 206,696 | 210,800 | 215,000 | 219,300 | 223,700 | |
| Interest | 21,024 | 21,865 | 22,740 | 23,649 | 24,595 | 25,333 | 26,093 | 26,600 | 27,100 | 27,600 | 28,200 | |
| Contributions from Development Charges Reserve Fund | - | - | - | - | - | - | - | - | - | - | - | |
| Contributions from Reserve Funds | - | - | - | - | - | - | - | - | - | - | - | |
| Total Operating Revenue | 2,302,853 | 2,472,813 | 2,655,208 | 2,851,237 | 3,072,444 | 3,329,118 | 3,602,807 | 3,893,843 | 4,212,656 | 4,555,107 | 4,926,383 | |
| Water Billing Recovery - Total | 3,210,224 | 3,540,758 | 3,814,573 | 4,109,453 | 4,436,906 | 4,801,647 | 5,195,698 | 5,622,393 | 6,084,337 | 6,583,629 | 7,123,251 | |



**Table 5-2
Wastewater Service
Operating Budget Forecast – Inflated \$**

| Description | Budget 2020 | Forecast | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|--|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Expenditures | | | | | | | | | | | | |
| Administration and General Overhead Expenditures (Fixed Costs) | | | | | | | | | | | | |
| WPCP #1 | 1,419,470 | 1,447,900 | 1,476,900 | 1,506,400 | 1,536,500 | 1,567,200 | 1,598,500 | 1,630,500 | 1,663,100 | 1,696,400 | 1,730,300 | |
| WPCP #2 | 1,271,769 | 1,297,200 | 1,323,100 | 1,349,600 | 1,376,600 | 1,404,100 | 1,432,200 | 1,460,800 | 1,490,000 | 1,519,800 | 1,550,200 | |
| SANITARY SEWERS | 288,874 | 294,700 | 300,600 | 306,600 | 312,700 | 319,000 | 325,400 | 331,900 | 338,500 | 345,300 | 352,200 | |
| Subtotal - Fixed Costs | 2,980,114 | 3,039,800 | 3,100,600 | 3,162,600 | 3,225,800 | 3,290,300 | 3,356,100 | 3,423,200 | 3,491,600 | 3,561,500 | 3,632,700 | |
| Operations Expenditures (Variable Costs) | | | | | | | | | | | | |
| WPCP #1 | 322,850 | 331,600 | 340,600 | 349,800 | 360,300 | 372,300 | 384,600 | 397,200 | 410,300 | 423,800 | 437,600 | |
| WPCP #2 | 172,082 | 176,800 | 181,500 | 186,500 | 192,100 | 198,400 | 205,000 | 211,700 | 218,700 | 225,900 | 233,300 | |
| SANITARY SEWERS | 320,005 | 328,700 | 337,600 | 346,700 | 357,200 | 369,000 | 381,200 | 393,700 | 406,700 | 420,100 | 433,800 | |
| Subtotal - Variable Costs | 814,936 | 837,100 | 859,700 | 883,000 | 909,600 | 939,700 | 970,800 | 1,002,600 | 1,035,700 | 1,069,800 | 1,104,700 | |
| Sub Total Operating | 3,795,050 | 3,876,900 | 3,960,300 | 4,045,600 | 4,135,400 | 4,230,000 | 4,326,900 | 4,425,800 | 4,527,300 | 4,631,300 | 4,737,400 | |
| Capital-Related | | | | | | | | | | | | |
| Existing Debt (Principal) - Non-Growth Related | 156,144 | 510,340 | 529,068 | 548,496 | 393,239 | 408,968 | 425,327 | 442,340 | 460,034 | 478,435 | 497,572 | |
| Existing Debt (Interest) - Non-Growth Related | 19,266 | 293,382 | 274,654 | 255,227 | 236,349 | 220,620 | 204,261 | 187,248 | 169,554 | 151,153 | 132,015 | |
| New Non-Growth Related Debt (Principal) | - | - | - | 220,261 | 288,417 | 352,521 | 417,206 | 511,719 | 609,316 | 709,359 | 811,351 | |
| New Non-Growth Related Debt (Interest) | - | - | - | 262,358 | 324,236 | 375,313 | 421,464 | 497,475 | 568,875 | 634,636 | 693,949 | |
| Transfer to Capital | - | - | - | - | - | - | - | - | - | - | - | |
| Transfer to Capital Reserve | 2,067,241 | 1,681,502 | 1,900,874 | 1,948,787 | 2,261,662 | 2,453,706 | 2,665,260 | 2,835,727 | 3,032,690 | 3,253,236 | 3,502,981 | |
| Sub Total Capital Related | 2,242,652 | 2,485,225 | 2,704,597 | 3,235,128 | 3,503,903 | 3,811,127 | 4,133,517 | 4,474,508 | 4,840,469 | 5,226,819 | 5,637,869 | |
| Total Expenditures | 6,037,702 | 6,362,125 | 6,664,897 | 7,280,728 | 7,639,303 | 8,041,127 | 8,460,417 | 8,900,308 | 9,367,769 | 9,858,119 | 10,375,269 | |
| Revenues | | | | | | | | | | | | |
| Base Charge | 2,123,225 | 2,240,364 | 2,362,890 | 2,491,352 | 2,636,172 | 2,802,734 | 2,974,851 | 3,154,218 | 3,347,248 | 3,548,910 | 3,762,484 | |
| 87024 Industrial Surcharge | 200,000 | 240,000 | 244,800 | 249,700 | 254,700 | 259,800 | 265,000 | 270,300 | 275,700 | 281,200 | 286,800 | |
| 87058 Septic Waste Processing | 210,000 | 214,200 | 218,500 | 222,900 | 227,400 | 231,900 | 236,500 | 241,200 | 246,000 | 250,900 | 255,900 | |
| 87059 Leachate Processing | 600,000 | 612,000 | 624,200 | 935,161 | 953,900 | 973,000 | 992,500 | 1,012,400 | 1,032,600 | 1,053,300 | 1,074,400 | |
| 87066 WPCP #2 - Bell Tower Rental | 12,750 | 12,750 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 | |
| 87093 NRG Curtailment | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | |
| Contributions from Development Charges Reserve Fund | - | - | - | - | - | - | - | - | - | - | - | |
| Contributions from Reserve Funds | - | - | - | - | - | - | - | - | - | - | - | |
| Total Operating Revenue | 3,165,975 | 3,339,314 | 3,483,190 | 3,931,913 | 4,104,972 | 4,300,234 | 4,501,651 | 4,710,918 | 4,934,348 | 5,167,110 | 5,412,384 | |
| Wastewater Billing Recovery - Total | 2,871,727 | 3,022,811 | 3,181,707 | 3,348,815 | 3,534,331 | 3,740,892 | 3,958,766 | 4,189,390 | 4,433,421 | 4,691,010 | 4,962,885 | |



Figures 5-1 and 5-2 illustrate the annual net operating budget increase for water and wastewater services, respectively, over the forecast period by component, illustrating the increase in annual revenues for increased capital funding purposes (transfers to reserves and debt).

Figure 5-1
Town of Cobourg
2020-2030 Water Annual Operating Cost Forecast by Major Component
Water Expenditures

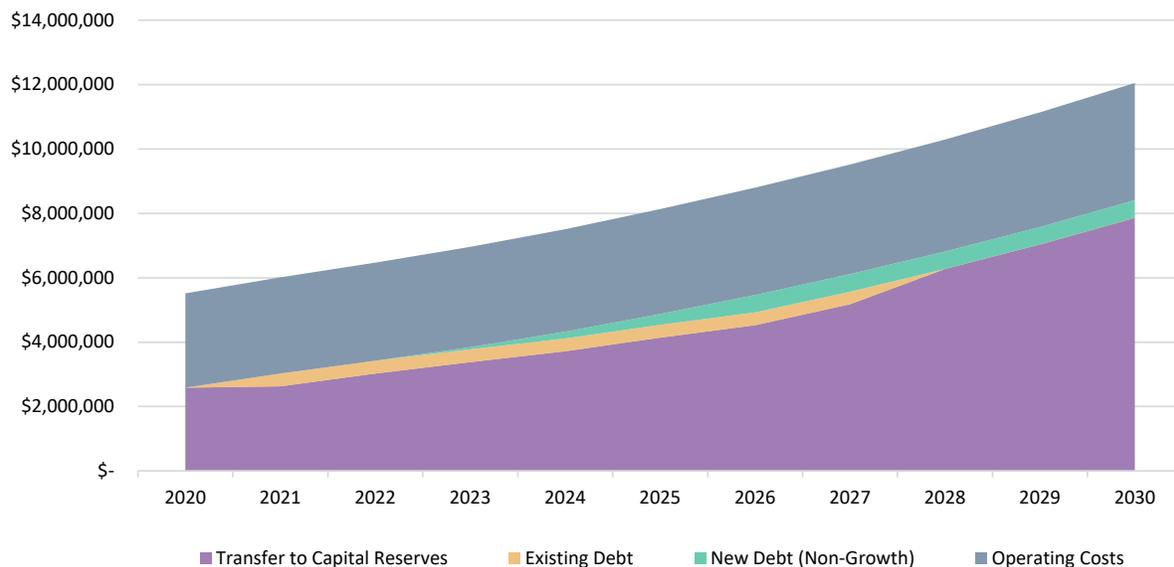
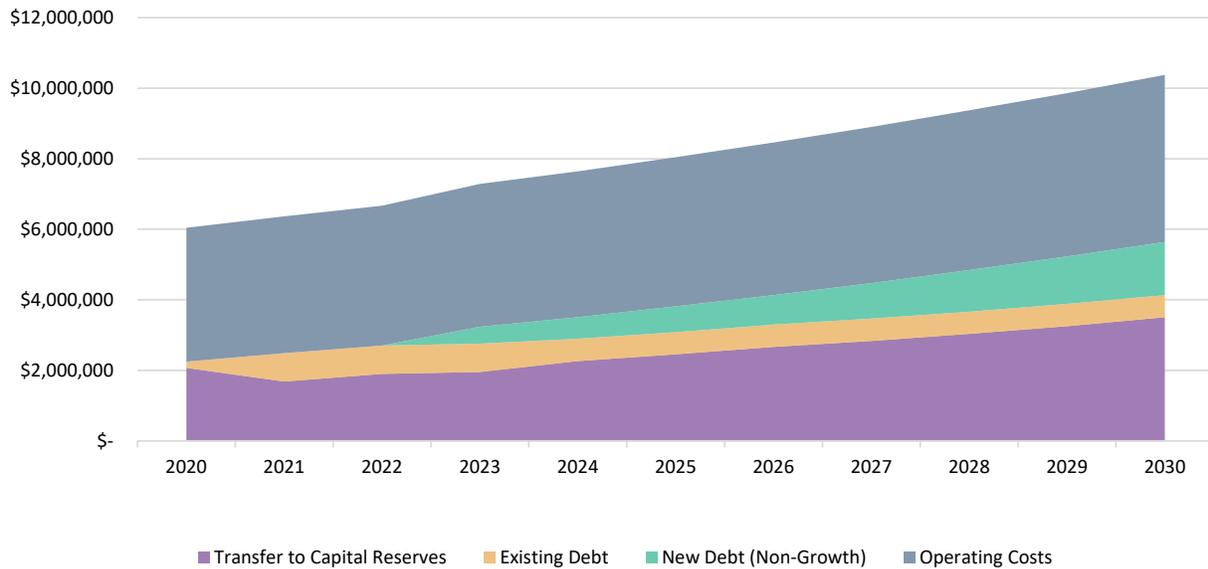




Figure 5-2
Town of Cobourg
2020-2030 Wastewater Annual Operating Cost Forecast by Major Component
Wastewater Expenditures





Chapter 6

Forecast Water and Wastewater Rates and Customer Impacts



6. Forecast Water and Wastewater Rates and Customer Impacts

6.1 Introduction

To summarize the analysis undertaken thus far, Chapter 3 reviewed capital infrastructure needs within the water and wastewater systems and responds to the lifecycle needs of the Town. Chapter 4 provided a review of capital financing options of which internal sources (i.e. reserve fund transfers) and external sources (i.e. debt and developer contributions) will be the predominant basis for financing future capital needs. Chapter 5 established the 10-year operating forecast of expenditures for the water and wastewater systems. The following calculations will be based on the net operating expenditures provided in Chapter 5, divided by the customers and demand forecast provided in Chapter 2.

The water and wastewater rates have been forecast such that they will be sufficient to fund the long-term capital needs of the systems by 2030, providing for the sustainable replacement of infrastructure and ongoing operation and maintenance of the systems.

The recommended forecast water and wastewater rates are discussed in Section 6.2 and 6.3, with further analysis of the customer billing impacts in Section 6.4.

6.1.1 Alternative Rate Forecast Scenarios

To achieve full cost recovery identified herein, consideration was also given to the alternative rate scenarios to assess the rate forecasts without the requirement for additional debt financing or the application of increases to the base charges only.

The un-affordability of rate increases to support a no new debt capital funding plan were discussed in Section 4.6 (i.e. 90% rate increase over next two years). Increases to base charges only would increase revenue stability for future capital needs vs. uniform base and consumptive rate increases. Through discussion with staff, it has been recommended to increase base and consumptive rates uniformly so that the rate recommendations do not have a greater relative impact on lower water consuming households than larger volume customers.



6.2 Water Rates

The recommended rate forecasts are provided to address full costs of the water system, including annual operating and capital expenditures from both a lifecycle and growth-related perspective.

As summarized above, it is recommended that the water consumptive rates and base charges are increased uniformly. The monthly base charges and consumptive rates are forecast to increase by 7.2% per year. The resultant rate forecast is presented in Table 6-1 below. The detailed financial forecast and rate calculations for water services are provided in Appendix A to this report.

6.3 Wastewater Rates

To achieve full cost recovery identified in the report, monthly base charges and consumptive rates would need to be increased by 4.6% annually. These increases would allow the Town to increase rate revenue such that the annual operating and long-term lifecycle funding obligations can be met by the end of the forecast.

The resultant rate forecast is presented in Table 6-2 below. The detailed financial forecast and rate calculations for wastewater services are provided in Appendix B to this report.

6.4 Customer Impact Assessment

Table 6-3 presents the impacts of the recommended rates and rate structure for an average residential customer (defined as consuming 138 m³ of water annually and having a 3/4" meter). The average residential customer would currently pay a combined annual water and wastewater bill of \$747. Over the forecast period, under the recommended rate structure, these customers would experience average annual increases of 5.9% in their total annual bill (or \$57 per year). By 2030, their annual water and wastewater bill would be approximately \$1,322. Over the past 5-years (i.e. 2016-2020) combined water and wastewater customer bills have increased by 5.3% per year in the Town. Although generally consistent with the historical increases, the forecast rate increases are slightly higher due to updated capital replacement costs for existing



infrastructure, reflecting a greater full cost assessment of providing water and wastewater services.



Table 6-1
Town of Cobourg
Water Rate Forecast

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Base Charge | | | | | | | | | | | |
| <i>Meter Size</i> | | | | | | | | | | | |
| Up to ¾" | \$13.75 | \$14.74 | \$15.79 | \$16.93 | \$18.14 | \$19.45 | \$20.84 | \$22.34 | \$23.94 | \$25.66 | \$27.50 |
| 1" | \$52.72 | \$56.50 | \$60.56 | \$64.91 | \$69.57 | \$74.56 | \$79.91 | \$85.65 | \$91.79 | \$98.38 | \$105.45 |
| 1 ½" | \$75.63 | \$81.06 | \$86.88 | \$93.11 | \$99.80 | \$106.96 | \$114.64 | \$122.87 | \$131.69 | \$141.14 | \$151.27 |
| 2" | \$98.55 | \$105.62 | \$113.21 | \$121.33 | \$130.04 | \$139.37 | \$149.38 | \$160.10 | \$171.59 | \$183.91 | \$197.11 |
| 3" | \$152.24 | \$163.17 | \$174.88 | \$187.43 | \$200.89 | \$215.31 | \$230.76 | \$247.32 | \$265.08 | \$284.10 | \$304.50 |
| 4" | \$212.33 | \$227.57 | \$243.91 | \$261.41 | \$280.18 | \$300.29 | \$321.84 | \$344.94 | \$369.70 | \$396.24 | \$424.68 |
| 6" | \$331.55 | \$355.35 | \$380.86 | \$408.19 | \$437.49 | \$468.90 | \$502.55 | \$538.63 | \$577.29 | \$618.73 | \$663.14 |
| 8" | \$451.61 | \$484.03 | \$518.77 | \$556.01 | \$595.92 | \$638.69 | \$684.54 | \$733.67 | \$786.33 | \$842.78 | \$903.27 |
| Volumetric Charge | | | | | | | | | | | |
| Block 1 per m ³ (up to 22.73 m ³) | \$1.37 | \$1.47 | \$1.57 | \$1.69 | \$1.81 | \$1.94 | \$2.08 | \$2.23 | \$2.39 | \$2.56 | \$2.74 |
| Block 2 per m ³ (22.73 m ³ to 35 m ³) | \$1.71 | \$1.83 | \$1.96 | \$2.11 | \$2.26 | \$2.42 | \$2.59 | \$2.78 | \$2.98 | \$3.19 | \$3.42 |
| Block 3 per m ³ (over 35 m ³) ¹ | \$2.15 | \$2.30 | \$2.47 | \$2.65 | \$2.84 | \$3.04 | \$3.26 | \$3.49 | \$3.74 | \$4.01 | \$4.30 |

¹ The increase for the third block rate for water service will apply to residential water rates only



**Table 6-2
Town of Cobourg
Wastewater Rate Forecast**

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Base Charge | | | | | | | | | | | |
| <i>Meter Size</i> | | | | | | | | | | | |
| Up to ¾" | \$15.01 | \$15.70 | \$16.41 | \$17.16 | \$17.95 | \$18.77 | \$19.63 | \$20.53 | \$21.46 | \$22.45 | \$23.47 |
| 1" | \$57.57 | \$60.20 | \$62.95 | \$65.83 | \$68.84 | \$71.99 | \$75.28 | \$78.72 | \$82.32 | \$86.09 | \$90.02 |
| 1 ½" | \$82.60 | \$86.38 | \$90.33 | \$94.46 | \$98.77 | \$103.29 | \$108.01 | \$112.95 | \$118.12 | \$123.52 | \$129.16 |
| 2" | \$107.63 | \$112.55 | \$117.70 | \$123.08 | \$128.71 | \$134.59 | \$140.74 | \$147.18 | \$153.91 | \$160.95 | \$168.30 |
| 3" | \$166.27 | \$173.87 | \$181.82 | \$190.14 | \$198.83 | \$207.92 | \$217.43 | \$227.37 | \$237.76 | \$248.63 | \$260.00 |
| 4" | \$231.89 | \$242.49 | \$253.58 | \$265.17 | \$277.30 | \$289.98 | \$303.23 | \$317.10 | \$331.60 | \$346.76 | \$362.61 |
| 6" | \$362.10 | \$378.66 | \$395.97 | \$414.07 | \$433.01 | \$452.80 | \$473.51 | \$495.16 | \$517.80 | \$541.47 | \$566.23 |
| 8" | \$493.24 | \$515.79 | \$539.37 | \$564.04 | \$589.82 | \$616.79 | \$644.99 | \$674.48 | \$705.32 | \$737.57 | \$771.29 |
| Volumetric Charge | | | | | | | | | | | |
| Block 1 per m ³ (up to 22.73 m ³) | \$1.54 | \$1.61 | \$1.68 | \$1.76 | \$1.84 | \$1.93 | \$2.01 | \$2.11 | \$2.20 | \$2.30 | \$2.41 |
| Block 2 per m ³ (over 35 m ³) ¹ | \$1.92 | \$2.01 | \$2.10 | \$2.20 | \$2.30 | \$2.40 | \$2.51 | \$2.63 | \$2.75 | \$2.87 | \$3.00 |

**Table 6-3
Town of Cobourg
Average Residential Customer Impact Assessment (138 m³ annual water consumption and ¾" meter)**

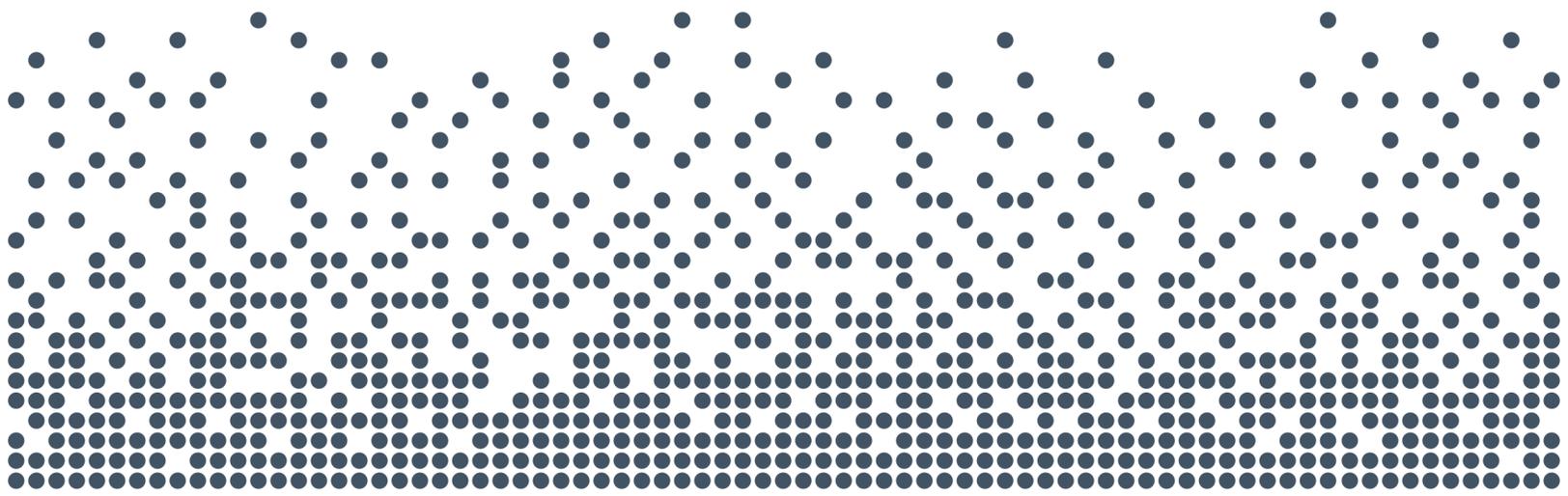
| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Water | | | | | | | | | | | |
| Annual Base Rate Bill | \$165.00 | \$176.84 | \$189.54 | \$203.14 | \$217.72 | \$233.35 | \$250.10 | \$268.05 | \$287.29 | \$307.92 | \$330.02 |
| Annual Volume Bill | \$189.06 | \$202.63 | \$217.18 | \$232.76 | \$249.47 | \$267.38 | \$286.57 | \$307.14 | \$329.19 | \$352.82 | \$378.14 |
| Wastewater | | | | | | | | | | | |
| Annual Base Rate Bill | \$180.12 | \$188.36 | \$196.97 | \$205.97 | \$215.39 | \$225.24 | \$235.54 | \$246.31 | \$257.57 | \$269.34 | \$281.66 |
| Annual Volume Bill | \$212.52 | \$222.24 | \$232.40 | \$243.02 | \$254.14 | \$265.75 | \$277.91 | \$290.61 | \$303.90 | \$317.79 | \$332.32 |
| Total Annual Bill | \$746.70 | \$790.07 | \$836.08 | \$884.90 | \$936.72 | \$991.72 | \$1,050.12 | \$1,112.11 | \$1,177.95 | \$1,247.87 | \$1,322.14 |
| % Increase - Total Annual Bill | | 5.8% | 5.8% | 5.8% | 5.9% | 5.9% | 5.9% | 5.9% | 5.9% | 5.9% | 6.0% |



6.5 Recommendations

Based upon the above analysis, the following recommendations are put forth for Council's consideration:

1. That Council approve the financial plan contained in this Rate Study;
2. That Council provide for the recovery of all water and wastewater costs through full cost recovery rates;
3. That Council consider the recommended water and wastewater rates as shown in Chapter 6 for adoption;
4. That Council maintain the Capital (lifecycle) Reserve Funds for water and wastewater as discussed in Section 4.5; and
5. That Council direct staff to review Rate Study in five years to validate Study results and make any necessary rate adjustments.



Appendices



Appendix A

Water Rate Forecast Calculations



Table 1
Town of Cobourg
Water Service
Capital Budget Forecast
 Inflated \$

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|--|-------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Capital Budget Forecast Projects | | | | | | | | | | | | | |
| <i>Capital Expenditures</i> | | | | | | | | | | | | | |
| Water Master Plan (including Clarifier engineering study) | 150,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Booster Station Generator | 10,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Tower 2 (Strathy Rd.) Generator | 20,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Raw Water Actuator Valve | 11,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| ROV CCC | 6,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Wachs hydraulic water pump | 5,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Work Order Management | 26,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| WTP Driveway | 40,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| New Distribution Truck | 100,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Raw Water Intake - clean and repairs | 15,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Infrastructure Provision | - | 1,077,000 | - | 106,000 | 109,000 | 113,000 | 116,000 | 119,000 | 123,000 | 127,000 | 130,000 | 134,000 | |
| Watermain Design | 50,000 | 239,000 | 77,000 | 80,000 | 82,000 | - | - | - | - | - | - | - | |
| IT Hardware and Software | 81,000 | 958,000 | 83,000 | 86,000 | 89,000 | 91,000 | 94,000 | 97,000 | 100,000 | 103,000 | 106,000 | 109,000 | |
| Tools | 15,000 | 176,000 | 15,000 | 16,000 | 16,000 | 17,000 | 17,000 | 18,000 | 18,000 | 19,000 | 20,000 | 20,000 | |
| New WTP Hybrid Pick up truck | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - | |
| New Distribution Hybrid Pick up Truck | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - | |
| Install Fall arrest system for pump house | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | |
| Install Chlorine analyzer for supernatant | - | 8,000 | 8,000 | - | - | - | - | - | - | - | - | - | |
| HL well cleaning | - | 9,000 | 9,000 | - | - | - | - | - | - | - | - | - | |
| Install Contact chamber actuators (two) | - | 28,000 | 28,000 | - | - | - | - | - | - | - | - | - | |
| Kitchenette | - | 5,000 | 5,000 | - | - | - | - | - | - | - | - | - | |
| parastolic pump for contact chamber analyzer | - | 8,000 | 8,000 | - | - | - | - | - | - | - | - | - | |
| Strathy tower lights | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - | |
| Water Model Update | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | |
| Safety code 6: Strathy/Ontario Possible | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | |
| TSSA tower 1 | - | 36,000 | 36,000 | - | - | - | - | - | - | - | - | - | |
| TSSA WTP 230kw generator | - | 36,000 | 36,000 | - | - | - | - | - | - | - | - | - | |
| Matthew Street | 1,050,000 | - | - | - | - | - | - | - | - | - | - | - | |
| Harden St and Harden Cres | - | 1,215,000 | 1,215,000 | - | - | - | - | - | - | - | - | - | |
| Albert St | - | 386,000 | 386,000 | - | - | - | - | - | - | - | - | - | |
| Blake, Burke and Victoria | - | 849,000 | - | 849,000 | - | - | - | - | - | - | - | - | |
| King St W (William to Burnham, 810m) | - | 1,719,000 | - | 1,719,000 | - | - | - | - | - | - | - | - | |
| Walton St and Munroe St (Chapel to end 625m, 200m on Munroe) | - | 1,442,000 | - | - | 1,442,000 | - | - | - | - | - | - | - | |
| Perry St (D'arcy to Church, 505m) | - | 883,000 | - | - | 883,000 | - | - | - | - | - | - | - | |
| Green St (Bay to Queen, 240m) | - | 432,000 | - | - | - | 432,000 | - | - | - | - | - | - | |
| Green St (Queen to King, 110m) | - | 248,000 | - | - | - | 248,000 | - | - | - | - | - | - | |
| Spencer St (Division to George, 210m) | - | 378,000 | - | - | - | 378,000 | - | - | - | - | - | - | |
| Watermain Provision | - | 20,279,000 | - | - | - | 1,418,000 | 2,671,000 | 3,050,000 | 3,141,000 | 3,235,000 | 3,332,000 | 3,432,000 | |



| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|--|----------------|-----------|----------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Master Plan Capital Projects | | | | | | | | | | | | | |
| <i>Linear Watermain Projects</i> | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1a - Brook Road North | - | 288,000 | - | 69,000 | 71,000 | 73,000 | 75,000 | - | - | - | - | - | - |
| 1b - Fut. Kerr Street | - | 1,775,000 | - | 424,000 | 437,000 | 450,000 | 464,000 | - | - | - | - | - | - |
| 1c - D'Arcy Street | - | 372,000 | - | 89,000 | 92,000 | 94,000 | 97,000 | - | - | - | - | - | - |
| 2a - D'Arcy Street (Oversizing) | - | 214,000 | - | 51,000 | 53,000 | 54,000 | 56,000 | - | - | - | - | - | - |
| 2b - Fut. Kerr Street | - | 1,079,000 | - | - | - | 141,000 | 145,000 | 149,000 | 154,000 | 159,000 | 163,000 | 168,000 | |
| 2c - Brook Road North | - | 2,664,000 | - | - | - | 348,000 | 358,000 | 369,000 | 380,000 | 391,000 | 403,000 | 415,000 | |
| 2d - Fut. Brook Road North | - | 770,000 | - | - | - | 770,000 | - | - | - | - | - | - | - |
| 2e - Elgin Street East | - | 926,000 | - | - | - | 926,000 | - | - | - | - | - | - | - |
| 2f - Fut. Road Internal to Rondeau Dev. | - | 1,137,000 | - | - | - | 1,137,000 | - | - | - | - | - | - | - |
| 2g - Danforth Road | - | 863,000 | - | - | - | 113,000 | 116,000 | 119,000 | 123,000 | 127,000 | 131,000 | 134,000 | |
| 2i - Fut. Kerr Street | - | 788,000 | - | - | - | 103,000 | 106,000 | 109,000 | 112,000 | 116,000 | 119,000 | 123,000 | |
| 2o - White Street at Cobourg Creek E. Branch (Oversizing) | - | 457,000 | - | - | 148,000 | 152,000 | 157,000 | - | - | - | - | - | - |
| 2p - White Street at Cobourg Creek W. Branch (Oversizing) | - | 288,000 | - | - | 93,000 | 96,000 | 99,000 | - | - | - | - | - | - |
| 2s - Rogers Road/DePalma Drive (Oversizing) | - | 262,000 | - | - | - | 34,000 | 35,000 | 36,000 | 37,000 | 39,000 | 40,000 | 41,000 | |
| 3a - West Sub-Trunk (Oversizing) | - | 442,000 | - | - | - | 58,000 | 59,000 | 61,000 | 63,000 | 65,000 | 67,000 | 69,000 | |
| Ewart Street BPS Building Maintenance | 32,500 | - | - | - | - | - | - | - | - | - | - | - | - |
| Replace Ewart Street BPS Stand-By Power System | - | 500,000 | - | - | - | - | 77,000 | 80,000 | 82,000 | 84,000 | 87,000 | 90,000 | |
| New 5,000 m3 Zone 1 Elevated Tank | - | 7,933,000 | - | 1,896,000 | 1,953,000 | 2,012,000 | 2,072,000 | - | - | - | - | - | - |
| Decomission Existing Zone 1 Victoria Street Elevated Tank | - | 360,000 | - | 86,000 | 89,000 | 91,000 | 94,000 | - | - | - | - | - | - |
| Provide Full Size Irrigated Soccer Field | - | 505,000 | - | 121,000 | 124,000 | 128,000 | 132,000 | - | - | - | - | - | - |
| New Zone 2 BPS with a 120 L/s Firm Rated Capacity at Same Site as New Zone 1 Elevated Tank | - | 1,948,000 | - | - | - | - | 301,000 | 310,000 | 320,000 | 329,000 | 339,000 | 349,000 | |
| New Booster Pumping Station to Supply Future Zone 3 | - | 4,306,000 | - | - | - | - | 666,000 | 686,000 | 706,000 | 727,000 | 749,000 | 772,000 | |



| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|---|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Water Treatment Projects | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intake Pipe Cleaning, Inspection and Upgrades | - | 142,000 | 27,000 | 28,000 | 28,000 | 29,000 | 30,000 | - | - | - | - | - | - |
| Provide Railing System on Retaining Walls at Shoreline | - | 15,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | - | - | - | - | - | - |
| Replace GAC Filter Media | - | 569,000 | 107,000 | 110,000 | 114,000 | 117,000 | 121,000 | - | - | - | - | - | - |
| Improve Ventilation/Dehumidification in Backwash Pump Room | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - |
| Replace/Repair Sections of Backwash Piping | - | 213,000 | 40,000 | 41,000 | 43,000 | 44,000 | 45,000 | - | - | - | - | - | - |
| Replace Wastewater Transfer Pumps and Provide Flow Meter on Discharge | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - |
| Upgrade Wastewater Discharge System (On-Site SPS) | - | 711,000 | 134,000 | 138,000 | 142,000 | 146,000 | 151,000 | - | - | - | - | - | - |
| Replace Chlorine Storage Room Monorail and Hoist | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - |
| Replace Surge Valve on Highlift Pumping Station Discharge | - | 43,000 | 8,000 | 8,000 | 9,000 | 9,000 | 9,000 | - | - | - | - | - | - |
| Relocate Chlorine Residual Sampling Points | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - |
| Replace WTP SCADA Computers | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - |
| Replace SCADAPack 32 PLCs at Ewart Street BPS | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - |
| Replace SCADAPack 32 PLCs at Zone 2 (Strathy Road) Elevated Tank | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - |
| Replace Low Lift Pump Discharge Valves | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | |
| Refurbish Low Lift Pumps | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | |
| Replace Alum Tanks (2) | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | |
| Replace Turbidimeters | - | 97,000 | - | - | - | - | 15,000 | 16,000 | 16,000 | 16,000 | 17,000 | 17,000 | |
| Provide Redundant Dissolved Air Flootation Clarification System - Option C5 | - | 10,399,000 | - | - | - | - | 1,608,000 | 1,656,000 | 1,705,000 | 1,757,000 | 1,809,000 | 1,864,000 | |
| Provide Third Filter Train - Option C5 | - | 4,386,000 | - | - | - | - | 678,000 | 699,000 | 719,000 | 741,000 | 763,000 | 786,000 | |
| Replace Supernatant Discharge Pumps | - | 32,000 | - | - | - | - | 5,000 | 5,000 | 5,000 | 5,000 | 6,000 | 6,000 | |
| Equip High-lift Pumps HLP #1 & HLP #2 with VFDs | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | |
| Replace High-lift Pump Discharge Butterfly Valves & Controls | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | |
| Refurbish High-Lift Pumps | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | |
| Replace Low-Lift and High-Lift Pump Level Transmitters | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | |
| Studies: | | | | | | | | | | | | | |
| Water Rate Study and Financial Plan | 16,000 | 19,000 | - | - | - | - | 19,000 | - | - | - | - | - | - |
| Total Capital Expenditures | 1,627,500 | 77,288,000 | 2,504,000 | 6,018,000 | 6,118,000 | 9,928,000 | 11,058,000 | 7,849,000 | 8,081,000 | 8,325,000 | 8,576,000 | 8,831,000 | |
| Capital Financing | | | | | | | | | | | | | |
| Provincial/Federal Grants | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Development Charges Reserve Fund | - | 28,233,296 | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 | |
| Non-Growth Related Debenture Requirements | - | 7,365,524 | - | 960,668 | 1,921,422 | 1,738,781 | 2,744,653 | - | - | - | - | - | |
| Growth Related Debenture Requirements | - | - | - | - | - | - | - | - | - | - | - | - | |
| Operating Contributions | - | - | - | - | - | - | - | - | - | - | - | - | |
| Water Reserve | 1,627,500 | 41,689,180 | 2,504,000 | 4,378,613 | 3,376,280 | 3,715,357 | 4,136,930 | 4,443,000 | 4,573,500 | 4,710,500 | 4,854,000 | 4,997,000 | |
| Total Capital Financing | 1,627,500 | 77,288,000 | 2,504,000 | 6,018,000 | 6,118,000 | 9,928,000 | 11,058,000 | 7,849,000 | 8,081,000 | 8,325,000 | 8,576,000 | 8,831,000 | |



Table 2
Town of Cobourg
Water Service
Schedule of Non-Growth Related Debenture Repayments
 Inflated \$

| Debenture Year | 2020 | Principal (Inflated) | Forecast | | | | | | | | | | |
|----------------------------------|------|----------------------|----------|------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| 2021 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2022 | | 960,668 | | | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 |
| 2023 | | 1,921,422 | | | | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 |
| 2024 | | 1,738,781 | | | | | 127,943 | 127,943 | 127,943 | 127,943 | 127,943 | 127,943 | 127,943 |
| 2025 | | 2,744,653 | | | | | | 201,956 | 201,956 | 201,956 | 201,956 | 201,956 | 201,956 |
| 2026 | | - | | | | | | | - | - | - | - | - |
| 2027 | | - | | | | | | | | - | - | - | - |
| 2028 | | - | | | | | | | | | - | - | - |
| 2029 | | - | | | | | | | | | | - | - |
| 2030 | | - | | | | | | | | | | | - |
| Total Annual Debt Charges | - | 7,365,524 | - | - | 70,688 | 212,069 | 340,012 | 541,968 | 541,968 | 541,968 | 541,968 | 541,968 | 541,968 |

Table 3
Town of Cobourg
Water Service
Schedule of Growth Related Debenture Repayments
 Inflated \$

| Debenture Year | 2020 | Principal (Inflated) | Forecast | | | | | | | | | | |
|----------------------------------|------|----------------------|----------|------|------|------|------|------|------|------|------|------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| 2021 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2022 | | - | | | - | - | - | - | - | - | - | - | - |
| 2023 | | - | | | | - | - | - | - | - | - | - | - |
| 2024 | | - | | | | | - | - | - | - | - | - | - |
| 2025 | | - | | | | | | - | - | - | - | - | - |
| 2026 | | - | | | | | | | - | - | - | - | - |
| 2027 | | - | | | | | | | | - | - | - | - |
| 2028 | | - | | | | | | | | | - | - | - |
| 2029 | | - | | | | | | | | | | - | - |
| 2030 | | - | | | | | | | | | | | - |
| Total Annual Debt Charges | - | - | - | - | - | - | - | - | - | - | - | - | - |



Table 4
Town of Cobourg
Water Service
Water Reserves/ Reserve Funds Continuity
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------------------------|------------------|------------------|-----------|-----------|-----------|-----------|---------------|----------------|------------------|------------------|------------------|
| Opening Balance | 248,916 | 1,219,567 | 1,357,656 | - | - | - | - | 87,278 | 692,662 | 2,276,224 | 4,501,461 |
| Transfer from Operating | 2,586,076 | 2,628,647 | 3,020,957 | 3,376,279 | 3,715,357 | 4,136,930 | 4,529,414 | 5,172,026 | 6,271,525 | 7,034,668 | 7,864,966 |
| Transfer to Capital | 1,627,500 | 2,504,000 | 4,378,613 | 3,376,280 | 3,715,357 | 4,136,930 | 4,443,000 | 4,573,500 | 4,710,500 | 4,854,000 | 4,997,000 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 1,207,492 | 1,344,214 | - | - | - | - | 86,414 | 685,804 | 2,253,687 | 4,456,892 | 7,369,427 |
| Interest | 12,075 | 13,442 | - | - | - | - | 864 | 6,858 | 22,537 | 44,569 | 73,694 |

Table 5
Town of Cobourg
Water Service
Water Development Charges Reserve Fund Continuity
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-----------------------------------|----------------|----------------|---------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Opening Balance | 677,846 | 712,088 | 747,513 | 97,650 | - | - | - | - | - | - | - |
| Development Charge Proceeds | 27,192 | 28,024 | 28,856 | 29,696 | 165,492 | 170,482 | 175,564 | 180,885 | 186,298 | 191,879 | 197,611 |
| Developer Contributions (Credits) | - | - | - | 692,952 | 4,308,369 | 4,005,935 | 3,230,436 | 3,326,615 | 3,428,202 | 3,530,121 | 3,636,389 |
| Transfer to Capital | - | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 705,038 | 740,112 | 97,650 | - | - | - | - | - | - | - | - |
| Interest | 7,050 | 7,401 | - | - | - | - | - | - | - | - | - |
| Required from Development Charges | - | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 |



Table 6
Town of Cobourg
Water Services
Operating Budget Forecast
 Inflated \$

| Description | Budget 2020 | Forecast | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|--|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Expenditures | | | | | | | | | | | | |
| Operating Costs (Fixed Costs) | | | | | | | | | | | | |
| Wages | 1,465,824 | 1,495,100 | 1,525,000 | 1,555,500 | 1,586,600 | 1,618,300 | 1,650,700 | 1,683,700 | 1,717,400 | 1,751,700 | 1,786,700 | |
| Management fees | 73,339 | 74,800 | 76,300 | 77,800 | 79,400 | 81,000 | 82,600 | 84,300 | 86,000 | 87,700 | 89,500 | |
| Training | 44,747 | 45,600 | 46,500 | 47,400 | 48,300 | 49,300 | 50,300 | 51,300 | 52,300 | 53,300 | 54,400 | |
| Billing and collecting | 124,446 | 126,900 | 129,400 | 132,000 | 134,600 | 137,300 | 140,000 | 142,800 | 145,700 | 148,600 | 151,600 | |
| Professional fees and dues | 60,047 | 61,200 | 62,400 | 63,600 | 64,900 | 66,200 | 67,500 | 68,900 | 70,300 | 71,700 | 73,100 | |
| Rent | 54,064 | 55,100 | 56,200 | 57,300 | 58,400 | 59,600 | 60,800 | 62,000 | 63,200 | 64,500 | 65,800 | |
| Vehicle maintenance and gas | 38,474 | 39,200 | 40,000 | 40,800 | 41,600 | 42,400 | 43,200 | 44,100 | 45,000 | 45,900 | 46,800 | |
| Property taxes | 83,000 | 84,700 | 86,400 | 88,100 | 89,900 | 91,700 | 93,500 | 95,400 | 97,300 | 99,200 | 101,200 | |
| Insurance | 96,555 | 98,500 | 100,500 | 102,500 | 104,600 | 106,700 | 108,800 | 111,000 | 113,200 | 115,500 | 117,800 | |
| IT maintenance | 91,206 | 93,000 | 94,900 | 96,800 | 98,700 | 100,700 | 102,700 | 104,800 | 106,900 | 109,000 | 111,200 | |
| Miscellaneous | 19,340 | 19,700 | 20,100 | 20,500 | 20,900 | 21,300 | 21,700 | 22,100 | 22,500 | 23,000 | 23,500 | |
| Office supplies and telecommunications | 107,133 | 109,300 | 111,500 | 113,700 | 116,000 | 118,300 | 120,700 | 123,100 | 125,600 | 128,100 | 130,700 | |
| Subtotal - Fixed Costs | 2,258,175 | 2,303,100 | 2,349,200 | 2,396,000 | 2,443,900 | 2,492,800 | 2,542,500 | 2,593,500 | 2,645,400 | 2,698,200 | 2,752,300 | |
| Operating Costs (Variable Costs) | | | | | | | | | | | | |
| Water operations and maintenance | 279,052 | 286,300 | 293,700 | 301,200 | 309,700 | 319,300 | 329,100 | 339,200 | 349,700 | 360,400 | 371,500 | |
| Chemicals purchased | 50,750 | 52,100 | 53,400 | 54,800 | 56,300 | 58,100 | 59,900 | 61,700 | 63,600 | 65,600 | 67,600 | |
| Distribution | 274,453 | 281,500 | 288,800 | 296,300 | 304,600 | 314,000 | 323,700 | 333,700 | 343,900 | 354,500 | 365,300 | |
| Building utilities and maintenance | 64,572 | 66,200 | 68,000 | 69,700 | 71,700 | 73,900 | 76,200 | 78,500 | 80,900 | 83,400 | 86,000 | |
| Subtotal - Variable Costs | 668,827 | 686,100 | 703,900 | 722,000 | 742,300 | 765,300 | 788,900 | 813,100 | 838,100 | 863,900 | 890,400 | |
| Sub Total Operating | 2,927,002 | 2,989,200 | 3,053,100 | 3,118,000 | 3,186,200 | 3,258,100 | 3,331,400 | 3,406,600 | 3,483,500 | 3,562,100 | 3,642,700 | |
| Capital-Related | | | | | | | | | | | | |
| Existing Debt (Principal) - Non-Growth Related | | 326,363 | 336,121 | 346,172 | 356,524 | 367,184 | 378,164 | 389,391 | | | | |
| Existing Debt (Interest) - Non-Growth Related | | 69,361 | 59,602 | 49,551 | 39,200 | 28,539 | 17,559 | 6,251 | | | | |
| New Non-Growth Related Debt (Principal) | | - | - | 32,261 | 98,076 | 160,390 | 258,976 | 269,335 | 280,109 | 291,313 | 302,966 | |
| New Non-Growth Related Debt (Interest) | | - | - | 38,427 | 113,993 | 179,621 | 282,992 | 272,633 | 261,859 | 250,655 | 239,003 | |
| Transfer to Capital | | - | - | - | - | - | - | - | - | - | - | |
| Transfer to Capital Reserve | 2,586,076 | 2,628,647 | 3,020,957 | 3,376,279 | 3,715,357 | 4,136,930 | 4,529,414 | 5,172,026 | 6,271,525 | 7,034,668 | 7,864,966 | |
| Sub Total Capital Related | 2,586,076 | 3,024,370 | 3,416,680 | 3,842,690 | 4,323,150 | 4,872,665 | 5,467,105 | 6,109,637 | 6,813,493 | 7,576,636 | 8,406,934 | |
| Total Expenditures | 5,513,078 | 6,013,570 | 6,469,780 | 6,960,690 | 7,509,350 | 8,130,765 | 8,798,505 | 9,516,237 | 10,296,993 | 11,138,736 | 12,049,634 | |
| Revenues | | | | | | | | | | | | |
| Base Charge | 2,020,244 | 2,184,090 | 2,360,196 | 2,549,755 | 2,764,019 | 3,010,104 | 3,272,854 | 3,554,956 | 3,864,572 | 4,197,549 | 4,558,966 | |
| Fire Protection Charges | 76,285 | 79,227 | 82,277 | 85,438 | 89,000 | 93,005 | 97,164 | 101,488 | 105,984 | 110,658 | 115,518 | |
| Other Revenue | 185,301 | 187,631 | 189,995 | 192,395 | 194,831 | 200,676 | 206,696 | 210,800 | 215,000 | 219,300 | 223,700 | |
| Interest | 21,024 | 21,865 | 22,740 | 23,649 | 24,595 | 25,333 | 26,093 | 26,600 | 27,100 | 27,600 | 28,200 | |
| Contributions from Development Charges Reserve Fund | - | - | - | - | - | - | - | - | - | - | - | |
| Contributions from Reserve Funds | - | - | - | - | - | - | - | - | - | - | - | |
| Total Operating Revenue | 2,302,853 | 2,472,813 | 2,655,208 | 2,851,237 | 3,072,444 | 3,329,118 | 3,602,807 | 3,893,843 | 4,212,656 | 4,555,107 | 4,926,383 | |
| Water Billing Recovery - Total | 3,210,224 | 3,540,758 | 3,814,573 | 4,109,453 | 4,436,966 | 4,801,647 | 5,195,698 | 5,622,393 | 6,084,337 | 6,583,629 | 7,123,251 | |



Table 7
Town of Cobourg
Water Services
Water Rate Forecast
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Increasing Block Structure | | | | | | | | | | | |
| <i>Volume Forecast By Block (m3)</i> | | | | | | | | | | | |
| Block 1 | 1,208,619 | 1,220,281 | 1,231,944 | 1,243,606 | 1,260,408 | 1,282,622 | 1,304,744 | 1,327,232 | 1,350,040 | 1,372,847 | 1,395,655 |
| Block 2 | 902,499 | 903,165 | 903,831 | 904,497 | 905,429 | 906,761 | 908,093 | 909,425 | 910,757 | 912,089 | 913,421 |
| Block 3 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 | 40,664 |
| Total Volume | 2,151,782 | 2,164,110 | 2,176,438 | 2,188,766 | 2,206,501 | 2,230,047 | 2,253,501 | 2,277,321 | 2,301,461 | 2,325,600 | 2,349,740 |
| Increasing Block Rates (\$/m³) | | | | | | | | | | | |
| Block 1 | 1.37 | 1.47 | 1.57 | 1.69 | 1.81 | 1.94 | 2.08 | 2.23 | 2.39 | 2.56 | 2.74 |
| Block 2 | 1.71 | 1.83 | 1.96 | 2.11 | 2.26 | 2.42 | 2.59 | 2.78 | 2.98 | 3.19 | 3.42 |
| Block 3 | 2.15 | 2.30 | 2.47 | 2.65 | 2.84 | 3.04 | 3.26 | 3.49 | 3.74 | 4.01 | 4.30 |
| <i>Revenue</i> | | | | | | | | | | | |
| Block 1 | 1,655,808 | 1,791,786 | 1,938,752 | 2,097,585 | 2,278,523 | 2,485,115 | 2,709,435 | 2,953,967 | 3,220,407 | 3,509,877 | 3,824,310 |
| Block 2 | 1,543,273 | 1,655,269 | 1,775,392 | 1,904,231 | 2,043,019 | 2,192,887 | 2,353,744 | 2,526,395 | 2,711,704 | 2,910,599 | 3,124,076 |
| Block 3 | 87,427 | 93,703 | 100,429 | 107,637 | 115,363 | 123,644 | 132,519 | 142,031 | 152,226 | 163,153 | 174,864 |
| Total Revenue | 3,286,509 | 3,540,758 | 3,814,573 | 4,109,453 | 4,436,906 | 4,801,647 | 5,195,698 | 5,622,393 | 6,084,337 | 6,583,629 | 7,123,251 |



Appendix B

Wastewater Rate Forecast Calculations



Table 1
Town of Cobourg
Wastewater Service
Capital Budget Forecast
 Inflated \$

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | | |
|--|----------------|-------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | |
| Capital Expenditures | | | | | | | | | | | | | | |
| Sequence Batch Reactor Expansion & Receiving Station | - | 6,684,000 | - | 6,684,000 | - | - | - | - | - | - | - | - | - | - |
| WPCP Plant #1 SCADA Phase II | 260,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Biosolids Holding Tank Repairs | 85,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sanitary Sewer Line for Scum Trough | 200,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Standby Return Pump - Plant #2 | 30,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tertiary Filter Media Replacement | 50,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Solvent Shed Replacement - Plant #1 | 15,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Replacement Pump McGill Pump Station | 150,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Channel Grinder Cartridge McGill Pump Station | 35,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pump Hoist - Plant #1 | 15,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Headworks Ventilation System - Plant #1 | 75,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Contact Chamber Engineering Design | - | 2,174,000 | 52,000 | 2,122,000 | - | - | - | - | - | - | - | - | - | - |
| Harden Sanitary Replacement | - | 721,000 | 721,000 | - | - | - | - | - | - | - | - | - | - | - |
| King Street Sanitary Replacement | - | 530,000 | - | 530,000 | - | - | - | - | - | - | - | - | - | - |
| Forth St Pump Station | - | 2,091,000 | 1,030,000 | 1,061,000 | - | - | - | - | - | - | - | - | - | - |
| Heat Exchanger - Plant #1 | - | 77,000 | 77,000 | - | - | - | - | - | - | - | - | - | - | - |
| King St Pump Station Upgrade | - | 540,000 | 10,000 | 530,000 | - | - | - | - | - | - | - | - | - | - |
| VI Rehabilitation | - | 5,469,000 | 1,030,000 | 1,061,000 | 1,093,000 | 1,126,000 | 1,159,000 | - | - | - | - | - | - | - |
| Provision - Facilities | - | 21,378,000 | - | - | 2,404,000 | 2,476,000 | 2,550,000 | 2,627,000 | 2,706,000 | 2,787,000 | 2,871,000 | 2,957,000 | - | - |
| Provision - Mains | - | 8,284,000 | - | - | 219,000 | 225,000 | 232,000 | 1,433,000 | 1,476,000 | 1,520,000 | 1,566,000 | 1,613,000 | - | - |
| Growth Related Projects: | | | | | | | | | | | | | | |
| Pumping Station | - | 2,333,000 | - | - | - | - | - | 439,000 | 453,000 | 466,000 | 480,000 | 495,000 | - | - |
| Forcemain | - | 280,000 | - | - | - | - | - | 53,000 | 54,000 | 56,000 | 58,000 | 59,000 | - | - |
| SPS and Forcemain | - | 1,428,000 | - | - | - | - | - | 269,000 | 277,000 | 285,000 | 294,000 | 303,000 | - | - |
| 250 mm dia. and Greater Sewer Network | - | 12,848,000 | - | - | - | - | - | 2,420,000 | 2,493,000 | 2,567,000 | 2,644,000 | 2,724,000 | - | - |
| Wastewater Treatment Plant Improvements (Plant #2) | - | 23,330,000 | - | - | - | - | - | 4,394,000 | 4,526,000 | 4,662,000 | 4,802,000 | 4,946,000 | - | - |
| Aerator Improvements (Plant #2) | - | 863,000 | - | - | - | - | - | 163,000 | 167,000 | 172,000 | 178,000 | 183,000 | - | - |
| Studies: | | | | | | | | | | | | | | |
| Wastewater Rate Study | 16,000 | 19,000 | - | - | - | - | 19,000 | - | - | - | - | - | - | - |
| Total Capital Expenditures | 931,000 | 89,049,000 | 2,920,000 | 11,988,000 | 3,716,000 | 3,827,000 | 3,960,000 | 11,798,000 | 12,152,000 | 12,515,000 | 12,893,000 | 13,280,000 | | |
| Capital Financing | | | | | | | | | | | | | | |
| Provincial/Federal Grants | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Development Charges Reserve Fund | - | 36,182,700 | - | - | - | - | - | 6,815,260 | 7,019,540 | 7,228,980 | 7,447,580 | 7,671,340 | - | - |
| Non-Growth Related Debenture Requirements | - | 22,563,196 | - | 6,558,945 | 1,767,213 | 1,565,338 | 1,506,294 | 2,317,480 | 2,296,733 | 2,253,330 | 2,192,184 | 2,105,679 | - | - |
| Growth Related Debenture Requirements | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Wastewater Reserve | 931,000 | 30,303,104 | 2,920,000 | 5,429,055 | 1,948,787 | 2,261,662 | 2,453,706 | 2,665,260 | 2,835,727 | 3,032,690 | 3,253,236 | 3,502,981 | - | - |
| Total Capital Financing | 931,000 | 89,049,000 | 2,920,000 | 11,988,000 | 3,716,000 | 3,827,000 | 3,960,000 | 11,798,000 | 12,152,000 | 12,515,000 | 12,893,000 | 13,280,000 | | |



Table 2
Town of Cobourg
Wastewater Service
Schedule of Non-Growth Related Debenture Repayments
 Inflated \$

| Debenture Year | 2020 | Principal (Inflated) | Forecast | | | | | | | | | | |
|----------------------------------|------|----------------------|----------|------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|---------|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| 2020 | | - | - | - | - | - | - | - | - | - | - | - | - |
| 2021 | | - | - | - | - | - | - | - | - | - | - | - | - |
| 2022 | | 6,558,945 | | | 482,619 | 482,619 | 482,619 | 482,619 | 482,619 | 482,619 | 482,619 | 482,619 | 482,619 |
| 2023 | | 1,767,213 | | | | 130,035 | 130,035 | 130,035 | 130,035 | 130,035 | 130,035 | 130,035 | 130,035 |
| 2024 | | 1,565,338 | | | | | 115,180 | 115,180 | 115,180 | 115,180 | 115,180 | 115,180 | 115,180 |
| 2025 | | 1,506,294 | | | | | | 110,836 | 110,836 | 110,836 | 110,836 | 110,836 | 110,836 |
| 2026 | | 2,317,480 | | | | | | | 170,524 | 170,524 | 170,524 | 170,524 | 170,524 |
| 2027 | | 2,296,733 | | | | | | | | 168,998 | 168,998 | 168,998 | 168,998 |
| 2028 | | 2,253,330 | | | | | | | | | 165,804 | 165,804 | 165,804 |
| 2029 | | 2,192,184 | | | | | | | | | | 161,305 | 161,305 |
| 2030 | | 2,105,679 | | | | | | | | | | | 161,305 |
| Total Annual Debt Charges | - | 22,563,196 | - | - | 482,619 | 612,653 | 727,834 | 838,669 | 1,009,194 | 1,178,191 | 1,343,995 | 1,505,300 | |

Table 3
Town of Cobourg
Wastewater Service
Schedule of Growth Related Debenture Repayments
 Inflated \$

| Debenture Year | 2020 | Principal (Inflated) | Forecast | | | | | | | | | | |
|----------------------------------|------|----------------------|----------|------|------|------|------|------|------|------|------|------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| 2021 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2022 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2023 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2024 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2025 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2026 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2027 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2028 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2029 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2030 | | - | | - | - | - | - | - | - | - | - | - | - |
| Total Annual Debt Charges | - | - | - | - | - | - | - | - | - | - | - | - | - |



Table 4
Town of Cobourg
Wastewater Service
Wastewater Reserves/ Reserve Funds Continuity
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------------------------|------------------|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Opening Balance | 3,548,656 | 4,731,746 | 3,528,181 | - | - | - | - | - | - | - | - |
| Transfer from Operating | 2,067,241 | 1,681,502 | 1,900,874 | 1,948,787 | 2,261,662 | 2,453,706 | 2,665,260 | 2,835,727 | 3,032,690 | 3,253,236 | 3,502,981 |
| Transfer to Capital | 931,000 | 2,920,000 | 5,429,055 | 1,948,787 | 2,261,662 | 2,453,706 | 2,665,260 | 2,835,727 | 3,032,690 | 3,253,236 | 3,502,981 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 4,684,897 | 3,493,248 | - | - | - | - | - | - | - | - | - |
| Interest | 46,849 | 34,932 | - | - | - | - | - | - | - | - | - |

Table 5
Town of Cobourg
Wastewater Service
Wastewater Development Charges Reserve Fund Continuity
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------|-----------|-----------|-----------|-----------|
| Opening Balance | 2,718,655 | 2,769,176 | 2,820,866 | 2,873,815 | 2,928,046 | 3,142,595 | 3,364,795 | (0) | - | - | - |
| Development Charge Proceeds | 23,104 | 23,760 | 24,496 | 25,240 | 183,434 | 188,886 | 194,577 | 200,428 | 206,438 | 212,599 | 219,008 |
| Developer Contributions (Credits) | - | - | - | - | - | - | 3,255,888 | 6,819,112 | 7,022,542 | 7,234,981 | 7,452,332 |
| Transfer to Capital | - | - | - | - | - | - | 6,815,260 | 7,019,540 | 7,228,980 | 7,447,580 | 7,671,340 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 2,741,759 | 2,792,936 | 2,845,362 | 2,899,055 | 3,111,480 | 3,331,481 | (0) | - | - | - | - |
| Interest | 27,418 | 27,929 | 28,454 | 28,991 | 31,115 | 33,315 | (0) | - | - | - | - |
| Required from Development Charges | - | - | - | - | - | - | 6,815,260 | 7,019,540 | 7,228,980 | 7,447,580 | 7,671,340 |



Table 6
Town of Cobourg
Wastewater Services
Operating Budget Forecast
 Inflated \$

| Description | Budget 2020 | Forecast | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Expenditures | | | | | | | | | | | |
| <u>Administration and General Overhead Expenditures (Fixed Costs)</u> | | | | | | | | | | | |
| WPCP #1 | 1,419,470 | 1,447,900 | 1,476,900 | 1,506,400 | 1,536,500 | 1,567,200 | 1,598,500 | 1,630,500 | 1,663,100 | 1,696,400 | 1,730,300 |
| WPCP #2 | 1,271,769 | 1,297,200 | 1,323,100 | 1,349,600 | 1,376,600 | 1,404,100 | 1,432,200 | 1,460,800 | 1,490,000 | 1,519,800 | 1,550,200 |
| SANITARY SEWERS | 288,874 | 294,700 | 300,600 | 306,600 | 312,700 | 319,000 | 325,400 | 331,900 | 338,500 | 345,300 | 352,200 |
| Subtotal - Fixed Costs | 2,980,114 | 3,039,800 | 3,100,600 | 3,162,600 | 3,225,800 | 3,290,300 | 3,356,100 | 3,423,200 | 3,491,600 | 3,561,500 | 3,632,700 |
| <u>Operations Expenditures (Variable Costs)</u> | | | | | | | | | | | |
| WPCP #1 | 322,850 | 331,600 | 340,600 | 349,800 | 360,300 | 372,300 | 384,600 | 397,200 | 410,300 | 423,800 | 437,600 |
| WPCP #2 | 172,082 | 176,800 | 181,500 | 186,500 | 192,100 | 198,400 | 205,000 | 211,700 | 218,700 | 225,900 | 233,300 |
| SANITARY SEWERS | 320,005 | 328,700 | 337,600 | 346,700 | 357,200 | 369,000 | 381,200 | 393,700 | 406,700 | 420,100 | 433,800 |
| Subtotal - Variable Costs | 814,936 | 837,100 | 859,700 | 883,000 | 909,600 | 939,700 | 970,800 | 1,002,600 | 1,035,700 | 1,069,800 | 1,104,700 |
| Sub Total Operating | 3,795,050 | 3,876,900 | 3,960,300 | 4,045,600 | 4,135,400 | 4,230,000 | 4,326,900 | 4,425,800 | 4,527,300 | 4,631,300 | 4,737,400 |
| <u>Capital-Related</u> | | | | | | | | | | | |
| Existing Debt (Principal) - Non-Growth Related | 156,144 | 510,340 | 529,068 | 548,496 | 393,239 | 408,968 | 425,327 | 442,340 | 460,034 | 478,435 | 497,572 |
| Existing Debt (Interest) - Non-Growth Related | 19,266 | 293,382 | 274,654 | 255,227 | 236,349 | 220,620 | 204,261 | 187,248 | 169,554 | 151,153 | 132,015 |
| New Non-Growth Related Debt (Principal) | - | - | - | 220,261 | 288,417 | 352,521 | 417,206 | 511,719 | 609,316 | 709,359 | 811,351 |
| New Non-Growth Related Debt (Interest) | - | - | - | 262,358 | 324,236 | 375,313 | 421,464 | 497,475 | 568,875 | 634,636 | 693,949 |
| Transfer to Capital | - | - | - | - | - | - | - | - | - | - | - |
| Transfer to Capital Reserve | 2,067,241 | 1,681,502 | 1,900,874 | 1,948,787 | 2,261,662 | 2,453,706 | 2,665,260 | 2,835,727 | 3,032,690 | 3,253,236 | 3,502,981 |
| Sub Total Capital Related | 2,242,652 | 2,485,225 | 2,704,597 | 3,235,128 | 3,503,903 | 3,811,127 | 4,133,517 | 4,474,508 | 4,840,469 | 5,226,819 | 5,637,869 |
| Total Expenditures | 6,037,702 | 6,362,125 | 6,664,897 | 7,280,728 | 7,639,303 | 8,041,127 | 8,460,417 | 8,900,308 | 9,367,769 | 9,858,119 | 10,375,269 |
| Revenues | | | | | | | | | | | |
| Base Charge | 2,123,225 | 2,240,364 | 2,362,890 | 2,491,352 | 2,636,172 | 2,802,734 | 2,974,851 | 3,154,218 | 3,347,248 | 3,548,910 | 3,762,484 |
| 87024 Industrial Surcharge | 200,000 | 240,000 | 244,800 | 249,700 | 254,700 | 259,800 | 265,000 | 270,300 | 275,700 | 281,200 | 286,800 |
| 87058 Septic Waste Processing | 210,000 | 214,200 | 218,500 | 222,900 | 227,400 | 231,900 | 236,500 | 241,200 | 246,000 | 250,900 | 255,900 |
| 87059 Leachate Processing | 600,000 | 612,000 | 624,200 | 935,161 | 953,900 | 973,000 | 992,500 | 1,012,400 | 1,032,600 | 1,053,300 | 1,074,400 |
| 87066 WPCP #2 - Bell Tower Rental | 12,750 | 12,750 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 |
| 87093 NRG Curtailment | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Contributions from Development Charges Reserve Fund | - | - | - | - | - | - | - | - | - | - | - |
| Contributions from Reserve Funds | - | - | - | - | - | - | - | - | - | - | - |
| Total Operating Revenue | 3,165,975 | 3,339,314 | 3,483,190 | 3,931,913 | 4,104,972 | 4,300,234 | 4,501,651 | 4,710,918 | 4,934,348 | 5,167,110 | 5,412,384 |
| Wastewater Billing Recovery - Total | 2,871,727 | 3,022,811 | 3,181,707 | 3,348,815 | 3,534,331 | 3,740,892 | 3,958,766 | 4,189,390 | 4,433,421 | 4,691,010 | 4,962,885 |



Table 7
Town of Cobourg
Wastewater Services
Wastewater Rate Forecast
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Increasing Block Structure | | | | | | | | | | | |
| <i>Volume Forecast By Block (m3)</i> | | | | | | | | | | | |
| Block 1 | 1,167,472 | 1,178,903 | 1,190,334 | 1,201,765 | 1,218,165 | 1,239,807 | 1,261,356 | 1,283,212 | 1,305,338 | 1,327,464 | 1,349,590 |
| Block 2 | 559,281 | 559,966 | 560,651 | 561,335 | 562,294 | 563,663 | 565,032 | 566,401 | 567,770 | 569,139 | 570,509 |
| Total Volume | 1,726,753 | 1,738,869 | 1,750,984 | 1,763,100 | 1,780,459 | 1,803,470 | 1,826,388 | 1,849,613 | 1,873,108 | 1,896,603 | 1,920,099 |
| Increasing Block Rates (\$/m³) | | | | | | | | | | | |
| Block 1 | 1.54 | 1.61 | 1.68 | 1.76 | 1.84 | 1.93 | 2.01 | 2.11 | 2.20 | 2.30 | 2.41 |
| Block 2 | 1.92 | 2.01 | 2.10 | 2.20 | 2.30 | 2.40 | 2.51 | 2.63 | 2.75 | 2.87 | 3.00 |
| Revenue | | | | | | | | | | | |
| Block 1 | 1,797,907 | 1,898,519 | 2,004,573 | 2,116,357 | 2,243,322 | 2,387,569 | 2,540,128 | 2,702,295 | 2,874,574 | 3,056,958 | 3,250,010 |
| Block 2 | 1,073,820 | 1,124,292 | 1,177,134 | 1,232,458 | 1,291,009 | 1,353,324 | 1,418,638 | 1,487,095 | 1,558,847 | 1,634,052 | 1,712,874 |
| Total Revenue | 2,871,727 | 3,022,811 | 3,181,707 | 3,348,815 | 3,534,331 | 3,740,892 | 3,958,766 | 4,189,390 | 4,433,421 | 4,691,010 | 4,962,885 |



Appendix C

Town of Cobourg – Ontario Regulation 453/07 Water Financial Plan



Water Ontario Regulation 453/07
Financial Plan
Town of Cobourg

Financial Plan #137-301

December 11, 2020

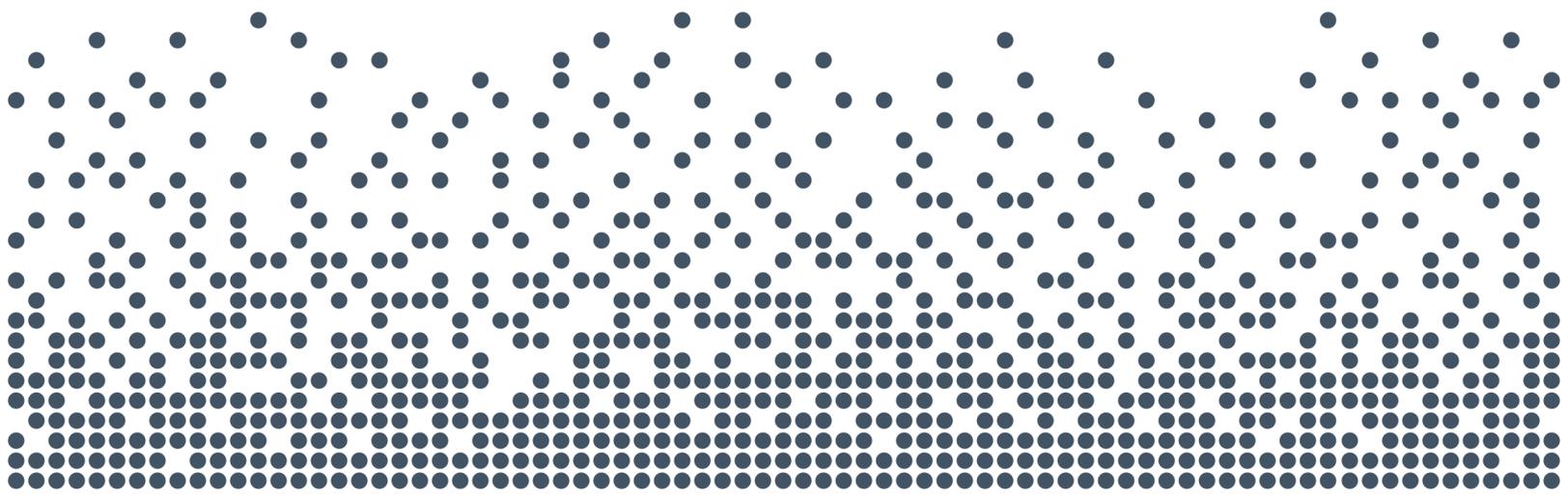
Watson & Associates Economists Ltd.
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Report



Chapter 1

Introduction



1. Introduction

1.1 Study Purpose

The Town of Cobourg and Lakefront Utility Services Inc.(hereafter referred to as the “Town”) retained Watson & Associates Economists Ltd. (Watson) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*.. 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 detailed financial planning and forecasting regarding the Town’s water systems has been completed based on the Town’s 2020 Water Rate Study, dated December 11, 2020 (2020 Rate Study). The objective of the report provided herein is to convert the findings of the 2020 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 Safe Drinking Water Act (S.D.W.A.), “the Act,” was passed in December 2002 in order to address the recommendations made by the Walkerton Inquiry Part II report. Note that S.D.W.A. has been amended several times since 2002. One of the main requirements of the Act is the mandatory licensing of municipal water providers. Section 31 (1) specifically states:

“No person shall,

- a) establish a new municipal drinking water system or replace or carry out an alteration to a municipal drinking water system except under the authority of and in accordance with an approval under this Part or a drinking water works permit; or
- b) use or operate a municipal drinking water system that was established before or after this section comes into force except under the authority of and in accordance with an approval under this Part or municipal drinking water licence.”

In order to become licensed, a municipality must satisfy five key requirements as per section 44(1):



1. Obtain a drinking water works permit.
2. Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard.
3. Accreditation of the Operating Authority.
4. Prepare and provide a financial plan.
5. Obtain permit to take water.

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 Defined

Subsection 30 of the Act provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister. 2017, c. 2, Sched. 11, s. 6 (3).

As of time of writing, the Sustainable Water and Sewage Systems Act, 2002 has been repealed (see section 2.2 of this report); however, the standards that it directs underpin the specific requirements of s. 30 as they are outlined in O. Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – Existing System

The O. Reg. 453/07 provides details with regards to the financial plans for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by resolution of Council (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and



accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the PSAB) for each year in which the financial plans apply;

- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per PSAB) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per PSAB) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public;
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing; and
- The resolution of Council approving the Financial Plan be submitted to the Ministry of the Environment, Conservation and Parks (MECP).

1.2.3 Financial Plan Requirements – General

Given that the requirements for a financial plan is legislated under the Act, a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The ten-year forecast (2021-2030) goes above and beyond the minimum requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3(1)1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e. six months prior to license expiry).

A copy of the financial plan will be submitted to the Ministry of Municipal Affairs and Housing (MMAH) and not the MECP; however, MECP may request it in the course of review of the licence renewal. Financial plans may be amended and additional



information beyond what is prescribed can be included if deemed necessary. The financial plan must contain on the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence.

1.2.4 Public Sector Accounting Board (PSAB) Requirements

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1200 of the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook:

“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 format required is to conform to the requirements of PS1200 and PS3150. The financial statements are to be reported on a full accrual accounting basis. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of financial position.

The accounting treatment of tangible capital assets is prescribed under section PS3150. Tangible capital assets are to be capitalized to ensure an inventory of the assets owned are recorded and to account for their ability to provide future benefits.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.

1.2.5 The Town's Financial Plan

The Town is currently in the process of renewing their drinking water licence (licence number 137-301) and the previous version of the financial plan no longer meets the requirements as it must apply to a period of a least six years beginning in the year that the licence would otherwise expire. Although the Act requires at least six years to be



included, this financial plan provides for a ten-year forecast period (2021 to 2030). The Town's application renewal deadline is in February 2021.



Chapter 2

Sustainable Financial Planning



2. Sustainable Financial Planning

2.1 Introduction

In general, sustainability refers to the ability to maintain a certain position over time. While the Act requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, MECP released a guideline ("Towards Financially Sustainable Drinking-Water and Wastewater Systems") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water and Wastewater Services are provided below:

- Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
- Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
- Principle #3: Revenues collected for the provision of water and wastewater services 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. In general, metering and the use of rates can help ensure users pay for services received.
- 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.

2.2 Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act* (S.W.S.S.A.) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the “full cost” of providing their water and the wastewater services. In total, there were 40 areas within the Act to which the Minister could have made Regulations. It is noted that, the regulations, which accompany the Act, were not issued and the Act was repealed on December 31, 2012.

2.3 Water Opportunities Act, 2010

Since the passage of the *Safe Drinking Water Act*, changes and refinements to the legislation have been introduced, including the *Water Opportunities Act* (W.O.A). W.O.A. was introduced into legislation on May 18, 2010 and received Royal Assent on November 29, 2010, as the *Water Opportunities Act*.

The purposes of the *Water Opportunities Act* are to: foster innovative water, wastewater and storm water technologies, services and practices; create opportunities for economic development and clean-technology jobs; and conserve and sustain water resources. To achieve this W.O.A. provides for the creation of performance targets (financial, operational and maintenance related), which will vary by service type and location and the required submission of conservation and sustainability plans for water, wastewater and stormwater.

The sustainability plan in W.O.A. expands on interim legislation for financial plans included in O. Reg. 453/07, to include the following:

- an asset management plan for the physical infrastructure;
- financial plan;
- water conservation plan (for water service only);
- a risk assessment;
- a strategy for maintaining and improving the services; and



- additional information considered advisable.

Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details in regard to any time periods or time limits, contents of the plans, identifying which portions of the plan will require certification, the public consultation process (if required), limitations updates and refinements.

2.4 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015

On June 4, 2015, the Province passed the Infrastructure for Jobs and Prosperity Act (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has 3 phases that municipalities must meet.

Every municipality in Ontario will have to prepare a strategic asset management policy by July 1, 2019. Municipalities will be required to review their strategic asset management policies at least every five years and make updates as necessary. The subsequent phases are as follows:

- Phase 1 – Asset Management Plan (by July 1, 2021):
 - For core assets – Municipalities must have the following:
 - Inventory of assets;
 - Current levels of service measured by standard metrics; and
 - Costs to maintain levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2023):
 - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2024):
 - Builds on Phase 1 and 2 by adding:
 - Proposed levels of service; and
 - Lifecycle management and Financial strategy.



In relation to water (which is considered a core asset), municipalities will need to have an asset management plan that addresses the related infrastructure by July 1, 2021 (Phase 1). O. Reg. 588/17 specifies that the municipality's asset management plan must include the following for each asset category:

- the current levels of service being provided;
 - determined in accordance with the following qualitative descriptions and technical metrics and based on data from at most the two calendar years prior to the year in which all information required under this section is included in the asset management plan.
- the current performance of each asset category;
- a summary of the assets in the category;
- the replacement cost of the assets in the category;
- the average age of the assets in the category, determined by assessing the average age of the components of the assets;
- the information available on the condition of the assets in the category;
- a description of the municipality's approach to assessing the condition of the assets in the category, based on recognized and generally accepted good engineering practices where appropriate; and
- the lifecycle activities that would need to be undertaken to maintain the current levels of service.

Upon completion of the asset management plan for water, the Town will need to consider the impacts during the annual budget and forecast process.

2.5 Water Forecast

As noted earlier, the Town has already completed their 2020 Rate Study in December of 2020. The 2020 Rate Study process is designed to address “full cost” principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2020 water budget and ten-year forecast (2021 to 2030), included in the 2020 Rate Study, provides the basis for a sound financial plan for the Town's water system by assessing:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources;



- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs;
- A review and recommendation on rates that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involved consultation with the Town staff, the Lakefront Utilities Service Inc. Board of Directors, and Council, with the aim of gaining input and collaboration on the sustainability of the water systems.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2020 Rate Study (along with additional detailed information provided by Town Staff) has been used as a starting point to prepare the water financial plan. The 2020 Rate Study forecast is prepared on a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the water financial plan.

3.2 Conversion Process

The conversion from the existing modified cash basis found in the 2020 Rate Study to the full accrual reporting format required under O. Reg. 453/07 can be summarized in the following steps:

1. Calculate Tangible Capital Asset Balances
2. Convert Statement of Operations
3. Convert Statement of Financial Position
4. Convert Statement of Cash Flow and Net Assets/Debt
5. Verification and Note Preparation

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized by the Town for the purposes of their annual PSAB 3150 compliance process. As required, for PSAB 3150 reporting purposes, the asset inventory listing included historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated useful life for each



asset and any anticipated salvage value is recorded. The following calculations are made to determine net book value:

- Accumulated amortization up to the year prior to the first forecast year.
- Amortization expense on existing assets for each year of the forecast period.
- Acquisition of new assets for each year of the forecast period.
- Disposals and related gains or losses for each year of forecast period.

Future water capital needs have also been determined and summarized within the 2020 Rate Study. These estimates, however, only represent future assets that the Town anticipates purchasing or constructing without consideration for future assets that are contributed by developers and other parties (at no or partial cost to the Town). These contributed assets will form part of the infrastructure going forward in terms of the sustainability of the system and despite their non-monetary nature; future financial plans may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

Once the historical cost, accumulated amortization, and amortization expenses are calculated as described above, the total net book value of the tangible capital assets can be determined and recorded on the Statement of Financial Position.

3.2.2 Convert Statement of Operations

A wide range of adjustments will be considered, dependent on the size and complexity of the systems, in order to convert from the cash to full accrual basis (see Figure 3-1). For example, debt repayment costs relating to the principal payment portion only needs 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.



Table 3-1
Conversion Adjustments
Statement of Operations

| Modified Cash Basis | Budget 2021 | Adjustments | | Full Accrual Budget 2021 | Accrual Basis |
|--|------------------|------------------|------------------|--------------------------------|---|
| | | DR | CR | | |
| Revenues | | | | | Revenues |
| Base Charge Revenue | 2,184,090 | | | 2,184,090 | Base Charge Revenue |
| Rate Based Revenue | 3,540,758 | | | 3,540,758 | Rate Based Revenue |
| Transfers from Reserves | - | - | | | |
| | | | | | |
| Other Revenue | 288,723 | | - | - | Earned Development Charges and Gas Tax Revenue |
| | | | | | Developer Contributions |
| | | | 13,441 | 302,164 | Other Revenue |
| Total Revenues | 6,013,571 | | | 6,027,012 | Total Revenues |
| Expenditures | | | | | Expenses |
| Operating | 2,989,200 | 10,000 | | 2,999,200 | Operating Expenses |
| Capital | | | | | |
| Transfers to Reserves | 2,628,647 | | 2,628,647 | | |
| Transfers to Capital | - | | - | | |
| Debt Repayment (Principal & Interest) | 395,724 | | 326,363 | 69,361 | Interest on Debt |
| | | 1,420,335 | | 1,420,335 | Amortization |
| | | - | | - | Loss on Disposal of Tangible Capital Assets |
| Total Expenditures | 6,013,571 | | | 4,488,896 | Total Expenses |
| Net Expenditures | 0 | | | 1,538,116 | Annual Surplus/(Deficit) |
| Increase (decrease) in amounts to be recovered | - | | | 32,383,104 | Accumulated Surplus/(Deficit), beginning of year |
| Change in Fund Balances | - | 1,538,116 | - | 33,921,220 | Accumulated Surplus/(Deficit), end of year |
| TOTAL ADJUSTMENTS | | 2,968,451 | 2,968,451 | | |

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Figure 3-2). The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Town and as such, will be difficult to isolate the information that is relevant to water. An example of this is accounts receivable, which may be administered centrally by the Finance Department. Ontario Regulation 453/07 allows for the exclusion of these numbers if they are not known at the time of preparing the financial plan. Please refer to the Financial Plan Notes in Chapter 4 for more details.

3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt

The Statement of Cash Flow summarizes how the Town financed its activities or in other words, how the costs of providing services were recovered. The statement is derived using comparative Statement of Financial Position, the current Statement of Operations and other available transaction data.

The Statement of Change in Net Financial Assets/Debt is a statement which reconciles the difference between the surplus or deficit from current operations and the change in net financial assets/debt for the year. This is significant, as net debt provides an indication of future revenue requirements. In order to complete the Statement of Net Financial Assets/Debt, information regarding any gains/losses on disposals of assets, asset write-downs, acquisition/use of supplies inventory, and the acquisition use of prepaid expenses is necessary (if applicable). Although the Statement of Change in Net Financial Assets/Debt is not required under O. Reg. 453/07, it has been included in this report as a further indicator of financial viability.



Table 3-2
Conversion Adjustments
Statement of Financial Position

| Modified Cash Basis | Budget 2021 | Adjustments | | Full Accrual Budget 2021 | Accrual Basis |
|--|------------------|-------------------|-------------------|--------------------------------|---|
| | | DR | CR | | |
| ASSETS | | | | | ASSETS |
| Financial Assets | | | | | Financial Assets |
| Cash | 1,611,221 | | | 1,611,221 | Cash |
| Accounts Receivable | 1,026,600 | | | 1,026,600 | Accounts Receivable |
| Total Financial Assets | 2,637,821 | | | 2,637,821 | Total Financial Assets |
| Non-Financial Assets | | | | | |
| Inventory of Supplies | - | | - | | |
| Prepaid Expenses | - | | - | | |
| Total Non-Financial Assets | - | | | | |
| LIABILITIES | | | | | Liabilities |
| Accounts Payable & Accrued Liabilities | 532,652 | | | 532,652 | Accounts Payable & Accrued Liabilities |
| Gross Long-term Liabilities | 2,173,557 | | | 2,173,557 | Debt (Principal only) |
| Deferred Revenue | 747,513 | | | 747,513 | Deferred Revenue |
| Total Liabilities | 3,453,722 | | | 3,453,722 | Total Liabilities |
| Net Assets/(Debt) | (815,901) | | | (815,901) | Net Financial Assets/(Debt) |
| | | 34,747,121 | 10,000 | 34,737,121 | Non-Financial Assets |
| | | - | | - | Tangible Capital Assets |
| | | - | | - | Inventory of Supplies |
| | | | | | Prepaid Expenses |
| | | | | 34,737,121 | Total Non-Financial Assets |
| Municipal Position | | | | | |
| Water Reserves | 1,357,656 | 1,357,656 | - | | |
| Development Charge Reserve Fund | 747,513 | 747,513 | - | | |
| Amounts to be Recovered | (2,921,070) | - | 2,921,070 | | |
| Total Municipal Position | (815,901) | | 33,921,220 | 33,921,220 | Accumulated Surplus/(Deficit), end of year |
| TOTAL ADJUSTMENTS | | 36,852,290 | 36,852,290 | | |

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Town at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

The Statement of Change in Net Financial Assets/Debt and the Statement of Financial Position are also linked in terms of reporting on net financial assets/debt. On the Statement of Financial Position, net financial assets/debt is equal to the difference between financial assets and liabilities and should equal net financial assets/debt as calculated on the Statement of Net Financial Assets/Debt.

While not part of the financial plan, the accompanying notes are important to summarize the assumptions and estimates made in preparing the financial plan. Some of the significant assumptions that need to be addressed within the financial plan are as follows:

- a) Opening cash balances – Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained within the Town’s ledgers. It may not be possible, however, to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

$$\begin{array}{l} \text{Ending Reserve/Reserve Fund Balance} \\ \text{Plus: Ending Accounts Payable Balance} \\ \text{Less: Ending Accounts Receivable Balance} \\ \text{Equals: Approximate Ending Cash Balance} \end{array}$$



- b) Amortization Expense – The method and timing of amortization should be based on the Town’s amortization policy.
- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the 2020 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Town’s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Town's water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Town's water system. It is not an audited document¹ and it contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

4.2.1 Statement of Financial Position (Table 4-1)

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Town's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that in 2021, the Town's water system was in a net financial deficit position of \$815,901. The financial plan forecasts a net financial debt position for each year of the forecast period, decreasing to a net financial debt position of \$24.4 million by 2030 as the Town takes on more debt to finance capital works and issues D.C. credits to developers for the emplacement of growth-related projects.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance under section PS3150. As noted earlier, providing this information is a requirement for municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

- Tangible capital assets such as watermains and treatment facilities are imperative to water service delivery.

¹ O. Reg. 453/07 does not require an audited financial plan.



- These assets represent significant economic resources in terms of their historical and replacement costs. Therefore, ongoing capital asset management is essential to managing significant replacements and repairs.
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets net book value is expected to increase to approximately \$92.4 million from \$34.7 million over the 10-year forecast period. This is reflective of the emplacement of new capital infrastructure assets over the forecast period needed to service current populations and new developments in the Cobourg East Community.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues decreases from 74% to 55% over the forecast period. As a result, annual surplus/(deficit) increases from a surplus of \$1.5 million to a surplus of \$5.7 million over the forecast period. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions and reserve/reserve fund transfers.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future capital water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to increase a 2020 accumulated surplus of \$32.4 million to approximately \$68.0 million over the



forecast period. The accumulated surplus, as indicated in Table 4-2, is predominantly made up of additional tangible capital assets and contributions to reserves.

4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that forecasted tangible capital asset acquisitions (net of amortization for the year) exceed the forecasted annual surplus/deficit for all years of the forecast period (except 2021), resulting in a decrease in net financial assets. Therefore, an overall decrease to net financial assets is anticipated over the forecast period. This is due to the planned use of debt to construct non-growth tangible capital assets in 2022 to 2025 and D.C. credits obligations in exchange for the construction of growth-related tangible capital assets in 2023-2030. Based on the foregoing, the ratio of cumulative annual surplus before amortization to the cumulative tangible capital asset acquisitions decreases throughout the forecast period, decreasing from a value of 1.19 in 2021 to 0.71 in 2030.¹

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how water systems are expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash-based and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e. tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Town's water systems to increase from a balance of approximately \$1.9 million at the beginning of 2021, to \$6.0 million by the end of 2030. The positive cash position reflects forecast transfers to reserves for the future replacement of capital infrastructure. For further discussions on projected cash balances please refer to the Notes to the Financial Plan.

¹ A desirable ratio is 1:1 or better.



Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|---|---------------------|-------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Financial Assets | | | | | | | | | | | |
| Cash | 1 | 1,611,221 | - | - | - | - | - | - | 1,124,117 | 3,217,962 | 6,017,182 |
| Accounts Receivable | 1 | 1,026,600 | 1,119,798 | 1,204,750 | 1,296,163 | 1,398,330 | 1,514,045 | 1,638,386 | 1,772,036 | 1,917,422 | 2,074,165 |
| Total Financial Assets | | 2,637,821 | 1,119,798 | 1,204,750 | 1,296,163 | 1,398,330 | 1,514,045 | 1,638,386 | 2,896,153 | 5,135,384 | 8,091,347 |
| Liabilities | | | | | | | | | | | |
| Bank Indebtedness | | - | 478,177 | 649,151 | 728,753 | 818,509 | 833,862 | 339,480 | - | - | - |
| Accounts Payable & Accrued Liabilities | 1 | 532,652 | 543,971 | 555,599 | 567,410 | 579,821 | 592,905 | 606,244 | 619,929 | 633,923 | 648,226 |
| Debt (Principal only) | 2 | 2,173,557 | 2,798,103 | 4,341,092 | 5,625,274 | 7,842,352 | 7,205,212 | 6,546,485 | 6,266,377 | 5,975,064 | 5,672,098 |
| Deferred Revenue | 3 | 747,513 | 97,650 | - | - | - | - | - | - | - | - |
| DC Credits | 3 | - | - | 692,952 | 5,001,321 | 9,007,256 | 12,237,692 | 15,564,307 | 18,992,509 | 22,522,630 | 26,159,019 |
| Total Liabilities | | 3,453,722 | 3,917,901 | 6,238,794 | 11,922,758 | 18,247,938 | 20,869,671 | 23,056,516 | 25,878,815 | 29,131,617 | 32,479,343 |
| Net Financial Assets/(Debt) | | (815,901) | (2,798,103) | (5,034,044) | (10,626,595) | (16,849,608) | (19,355,626) | (21,418,130) | (22,982,662) | (23,996,233) | (24,387,996) |
| Non-Financial Assets | | | | | | | | | | | |
| Tangible Capital Assets | 4 | 34,737,121 | 39,280,499 | 44,283,257 | 53,154,435 | 62,897,045 | 68,623,683 | 74,428,092 | 80,367,492 | 86,367,246 | 92,421,042 |
| Total Non-Financial Assets | | 34,737,121 | 39,280,499 | 44,283,257 | 53,154,435 | 62,897,045 | 68,623,683 | 74,428,092 | 80,367,492 | 86,367,246 | 92,421,042 |
| Accumulated Surplus/(Deficit) | 5 | 33,921,220 | 36,482,396 | 39,249,213 | 42,527,840 | 46,047,437 | 49,268,057 | 53,009,962 | 57,384,830 | 62,371,013 | 68,033,046 |
| Financial Indicators | | | | | | | | | | | |
| | Total Change | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| 1) Increase/(Decrease) in Net Financial Assets | (23,107,644) | 464,451 | (1,982,202) | (2,235,941) | (5,592,551) | (6,223,013) | (2,506,018) | (2,062,504) | (1,564,532) | (1,013,571) | (391,763) |
| 2) Increase/(Decrease) in Tangible Capital Assets | 58,757,586 | 1,073,665 | 4,543,378 | 5,002,758 | 8,871,178 | 9,742,610 | 5,726,638 | 5,804,409 | 5,939,400 | 5,999,754 | 6,053,796 |
| 3) Increase/(Decrease) in Accumulated Surplus | 35,649,942 | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Water Revenue | | | | | | | | | | | |
| Base Charge Revenue | | 2,184,090 | 2,360,196 | 2,549,755 | 2,764,019 | 3,010,104 | 3,272,854 | 3,554,956 | 3,864,572 | 4,197,549 | 4,558,966 |
| Rate Based Revenue | | 3,540,758 | 3,814,573 | 4,109,453 | 4,436,906 | 4,801,647 | 5,195,698 | 5,622,393 | 6,084,337 | 6,583,629 | 7,123,251 |
| Earned Development Charges Revenue | 3 | - | 678,720 | 127,346 | 165,492 | 170,482 | 175,564 | 180,885 | 186,298 | 191,879 | 197,611 |
| Developer Contributions | 4 | - | 102,000 | 588,000 | 788,000 | 812,000 | 194,000 | 200,000 | 208,000 | 214,000 | 220,000 |
| Other Revenue | 6 | 302,164 | 295,011 | 301,483 | 308,425 | 319,014 | 330,817 | 345,746 | 370,620 | 402,127 | 441,112 |
| Total Revenues | | 6,027,012 | 7,250,500 | 7,676,037 | 8,462,842 | 9,113,247 | 9,168,933 | 9,903,980 | 10,713,827 | 11,589,184 | 12,540,940 |
| Water Expenses | | | | | | | | | | | |
| Operating Expenses | Sch. 4-1 | 2,999,200 | 3,139,100 | 3,207,000 | 3,277,200 | 3,371,100 | 3,331,400 | 3,406,600 | 3,483,500 | 3,562,100 | 3,642,700 |
| Interest on Debt | 2 | 69,361 | 59,602 | 87,978 | 153,193 | 208,160 | 300,551 | 278,884 | 261,859 | 250,655 | 239,003 |
| Amortization | 4 | 1,420,335 | 1,490,622 | 1,614,242 | 1,753,822 | 2,014,390 | 2,316,362 | 2,476,591 | 2,593,600 | 2,790,246 | 2,997,204 |
| Loss on Disposal of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Total Expenses | | 4,488,896 | 4,689,324 | 4,909,220 | 5,184,215 | 5,593,650 | 5,948,313 | 6,162,075 | 6,338,959 | 6,603,001 | 6,878,907 |
| Annual Surplus/(Deficit) | | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |
| Accumulated Surplus/(Deficit), beginning of year | 5 | 32,383,104 | 33,921,220 | 36,482,396 | 39,249,213 | 42,527,840 | 46,047,437 | 49,268,057 | 53,009,962 | 57,384,830 | 62,371,013 |
| Accumulated Surplus/(Deficit), end of year | | 33,921,220 | 36,482,396 | 39,249,213 | 42,527,840 | 46,047,437 | 49,268,057 | 53,009,962 | 57,384,830 | 62,371,013 | 68,033,046 |
| Note 5: | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) Reconciliation: | | | | | | | | | | | |
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Reserve Balances | | | | | | | | | | | |
| Reserves: Development Charges | | 747,513 | 97,650 | - | - | - | - | - | - | - | - |
| Reserves: Gas Tax | | - | - | - | - | - | - | - | - | - | - |
| Reserves: Capital/Other | | 1,357,656 | - | - | - | - | 87,278 | 692,662 | 2,276,224 | 4,501,461 | 7,443,121 |
| Total Reserves Balance | | 2,105,169 | 97,650 | - | - | - | 87,278 | 692,662 | 2,276,224 | 4,501,461 | 7,443,121 |
| Less: Debt Obligations and Deferred Revenue | | (2,921,070) | (2,895,753) | (4,341,092) | (5,625,274) | (7,842,352) | (7,205,212) | (6,546,485) | (6,266,377) | (5,975,064) | (5,672,098) |
| Less: DC Credits Outstanding | 3 | - | - | (692,952) | (5,001,321) | (9,007,256) | (12,237,692) | (15,564,307) | (18,992,509) | (22,522,630) | (26,159,019) |
| Add: Tangible Capital Assets | 4 | 34,737,121 | 39,280,499 | 44,283,257 | 53,154,435 | 62,897,045 | 68,623,683 | 74,428,092 | 80,367,492 | 86,367,246 | 92,421,042 |
| Total Ending Balance | | 33,921,220 | 36,482,396 | 39,249,213 | 42,527,840 | 46,047,437 | 49,268,057 | 53,009,962 | 57,384,830 | 62,371,013 | 68,033,046 |
| Financial Indicators | | | | | | | | | | | |
| | Total Change | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| 1) Expense to Revenue Ratio | | 74% | 65% | 64% | 61% | 61% | 65% | 62% | 59% | 57% | 55% |
| 2) Increase/(Decrease) in Accumulated Surplus | 35,649,942 | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|--|-------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Operating Expenses | | | | | | | | | | | |
| Wages | | 1,495,100 | 1,525,000 | 1,555,500 | 1,586,600 | 1,618,300 | 1,650,700 | 1,683,700 | 1,717,400 | 1,751,700 | 1,786,700 |
| Management fees | | 74,800 | 76,300 | 77,800 | 79,400 | 81,000 | 82,600 | 84,300 | 86,000 | 87,700 | 89,500 |
| Training | | 45,600 | 46,500 | 47,400 | 48,300 | 49,300 | 50,300 | 51,300 | 52,300 | 53,300 | 54,400 |
| Billing and collecting | | 126,900 | 129,400 | 132,000 | 134,600 | 137,300 | 140,000 | 142,800 | 145,700 | 148,600 | 151,600 |
| Professional fees and dues | | 61,200 | 62,400 | 63,600 | 64,900 | 66,200 | 67,500 | 68,900 | 70,300 | 71,700 | 73,100 |
| Rent | | 55,100 | 56,200 | 57,300 | 58,400 | 59,600 | 60,800 | 62,000 | 63,200 | 64,500 | 65,800 |
| Vehicle maintenance and gas | | 39,200 | 40,000 | 40,800 | 41,600 | 42,400 | 43,200 | 44,100 | 45,000 | 45,900 | 46,800 |
| Property taxes | | 84,700 | 86,400 | 88,100 | 89,900 | 91,700 | 93,500 | 95,400 | 97,300 | 99,200 | 101,200 |
| Insurance | | 98,500 | 100,500 | 102,500 | 104,600 | 106,700 | 108,800 | 111,000 | 113,200 | 115,500 | 117,800 |
| IT maintenance | | 93,000 | 94,900 | 96,800 | 98,700 | 100,700 | 102,700 | 104,800 | 106,900 | 109,000 | 111,200 |
| Miscellaneous | | 19,700 | 20,100 | 20,500 | 20,900 | 21,300 | 21,700 | 22,100 | 22,500 | 23,000 | 23,500 |
| Office supplies and telecommunications | | 109,300 | 111,500 | 113,700 | 116,000 | 118,300 | 120,700 | 123,100 | 125,600 | 128,100 | 130,700 |
| Water operations and maintenance | | 286,300 | 293,700 | 301,200 | 309,700 | 319,300 | 329,100 | 339,200 | 349,700 | 360,400 | 371,500 |
| Chemicals purchased | | 52,100 | 53,400 | 54,800 | 56,300 | 58,100 | 59,900 | 61,700 | 63,600 | 65,600 | 67,600 |
| Distribution | | 281,500 | 288,800 | 296,300 | 304,600 | 314,000 | 323,700 | 333,700 | 343,900 | 354,500 | 365,300 |
| Building utilities and maintenance | | 66,200 | 68,000 | 69,700 | 71,700 | 73,900 | 76,200 | 78,500 | 80,900 | 83,400 | 86,000 |
| Non TCA - Expenses from Capital Budget | 7 | 10,000 | 86,000 | 89,000 | 91,000 | 113,000 | - | - | - | - | - |
| TOTAL OPERATING EXPENSES | | 2,999,200 | 3,139,100 | 3,207,000 | 3,277,200 | 3,371,100 | 3,331,400 | 3,406,600 | 3,483,500 | 3,562,100 | 3,642,700 |



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|---|-------|------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Annual Surplus/(Deficit) | | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |
| Less: Acquisition of Tangible Capital Assets | 4 | (2,494,000) | (6,034,000) | (6,617,000) | (10,625,000) | (11,757,000) | (8,043,000) | (8,281,000) | (8,533,000) | (8,790,000) | (9,051,000) |
| Add: Amortization of Tangible Capital Assets | 4 | 1,420,335 | 1,490,622 | 1,614,242 | 1,753,822 | 2,014,390 | 2,316,362 | 2,476,591 | 2,593,600 | 2,790,246 | 2,997,204 |
| (Gain)/Loss on disposal of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Add: Proceeds on Sale of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Add: Write-downs of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| | | (1,073,665) | (4,543,378) | (5,002,758) | (8,871,178) | (9,742,610) | (5,726,638) | (5,804,409) | (5,939,400) | (5,999,754) | (6,053,796) |
| Less: Acquisition of Supplies Inventory | | - | - | - | - | - | - | - | - | - | - |
| Less: Acquisition of Prepaid Expenses | | - | - | - | - | - | - | - | - | - | - |
| Add: Consumption of Supplies Inventory | | - | - | - | - | - | - | - | - | - | - |
| Add: Use of Prepaid Expenses | | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - |
| Increase/(Decrease) in Net Financial Assets/(Net Debt) | | 464,451 | (1,982,202) | (2,235,941) | (5,592,551) | (6,223,013) | (2,506,018) | (2,062,504) | (1,564,532) | (1,013,571) | (391,763) |
| Net Financial Assets/(Net Debt), beginning of year | | (1,280,352) | (815,901) | (2,798,103) | (5,034,044) | (10,626,595) | (16,849,608) | (19,355,626) | (21,418,130) | (22,982,662) | (23,996,233) |
| Net Financial Assets/(Net Debt), end of year | | (815,901) | (2,798,103) | (5,034,044) | (10,626,595) | (16,849,608) | (19,355,626) | (21,418,130) | (22,982,662) | (23,996,233) | (24,387,996) |
| Financial Indicators | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| 1) Acquisition of Tangible Capital Assets (Cumulative) | | 2,494,000 | 8,528,000 | 15,145,000 | 25,770,000 | 37,527,000 | 45,570,000 | 53,851,000 | 62,384,000 | 71,174,000 | 80,225,000 |
| 2) Annual Surplus/Deficit before Amortization (Cumulative) | | 2,958,451 | 7,010,249 | 11,391,308 | 16,423,757 | 21,957,744 | 27,494,726 | 33,713,222 | 40,681,690 | 48,458,119 | 57,117,356 |
| 3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative) | | 1.19 | 0.82 | 0.75 | 0.64 | 0.59 | 0.60 | 0.63 | 0.65 | 0.68 | 0.71 |



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|---|----------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Operating Transactions | | | | | | | | | | | |
| Annual Surplus/Deficit | | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |
| Add: Amortization of TCA's | 4 | 1,420,335 | 1,490,622 | 1,614,242 | 1,753,822 | 2,014,390 | 2,316,362 | 2,476,591 | 2,593,600 | 2,790,246 | 2,997,204 |
| (Gain)/Loss on disposal of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Less: Earned Deferred Revenue | 3 | - | (678,720) | (127,346) | (165,492) | (170,482) | (175,564) | (180,885) | (186,298) | (191,879) | (197,611) |
| Less: Developer Contributions | | - | (102,000) | (588,000) | (788,000) | (812,000) | (194,000) | (200,000) | (208,000) | (214,000) | (220,000) |
| Add: Deferred Revenue Proceeds | | 35,425 | 28,856 | 29,696 | 165,492 | 170,482 | 175,564 | 180,885 | 186,298 | 191,879 | 197,611 |
| Change in A/R (Increase)/Decrease | | (1,026,599) | (93,198) | (84,952) | (91,412) | (102,167) | (115,715) | (124,341) | (133,649) | (145,386) | (156,743) |
| Change in A/P Increase/(Decrease) | | 532,652 | 11,319 | 11,628 | 11,811 | 12,411 | 13,084 | 13,338 | 13,685 | 13,994 | 14,303 |
| Less: Interest Proceeds | | (13,442) | - | - | - | - | (864) | (6,858) | (22,537) | (44,569) | (73,694) |
| Cash Provided by Operating Transactions | | 2,486,487 | 3,218,055 | 3,622,085 | 4,164,848 | 4,632,231 | 5,239,487 | 5,900,635 | 6,617,967 | 7,386,468 | 8,223,103 |
| Capital Transactions | | | | | | | | | | | |
| Proceeds on sale of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Less: Cash Used to acquire Tangible Capital Assets | 4 | (2,494,000) | (5,932,000) | (6,029,000) | (9,837,000) | (10,945,000) | (7,849,000) | (8,081,000) | (8,325,000) | (8,576,000) | (8,831,000) |
| Cash Applied to Capital Transactions | | (2,494,000) | (5,932,000) | (6,029,000) | (9,837,000) | (10,945,000) | (7,849,000) | (8,081,000) | (8,325,000) | (8,576,000) | (8,831,000) |
| Investing Transactions | | | | | | | | | | | |
| Proceeds from Investments | | 13,442 | - | - | - | - | 864 | 6,858 | 22,537 | 44,569 | 73,694 |
| Less: Cash Used to Acquire Investments | | - | - | - | - | - | - | - | - | - | - |
| Cash Provided by (applied to) Investing Transactions | | 13,442 | - | - | - | - | 864 | 6,858 | 22,537 | 44,569 | 73,694 |
| Financing Transactions | | | | | | | | | | | |
| Proceeds from Debt Issue | 2 | - | 960,668 | 1,921,422 | 1,738,781 | 2,744,653 | - | - | - | - | - |
| Proceeds from D.C. Credit Issuance | 3 | - | - | 692,952 | 4,308,369 | 4,005,935 | 3,230,436 | 3,326,615 | 3,428,202 | 3,530,121 | 3,636,389 |
| Less: Debt Repayment (Principal only) | 2 | (326,363) | (336,121) | (378,433) | (454,600) | (527,575) | (637,140) | (658,726) | (280,109) | (291,313) | (302,966) |
| Cash Applied to Financing Transactions | | (326,363) | 624,547 | 2,235,941 | 5,592,550 | 6,223,013 | 2,593,296 | 2,667,889 | 3,148,093 | 3,238,808 | 3,333,423 |
| Increase in Cash and Cash Equivalents | | (320,434) | (2,089,398) | (170,974) | (79,602) | (89,756) | (15,353) | 494,382 | 1,463,597 | 2,093,845 | 2,799,220 |
| Cash and Cash Equivalents, beginning of year | 1 | 1,931,655 | 1,611,221 | (478,177) | (649,151) | (728,753) | (818,509) | (833,862) | (339,480) | 1,124,117 | 3,217,962 |
| Cash and Cash Equivalents, end of year | 1 | 1,611,221 | (478,177) | (649,151) | (728,753) | (818,509) | (833,862) | (339,480) | 1,124,117 | 3,217,962 | 6,017,182 |



Notes to Financial Plan

The financial plan format as outlined in Chapter 4 closely approximates the full accrual format used by municipalities on their audited financial statements. However, the financial plan is not an audited document and contains various estimates. In this regard, section 3 (2) of O. Reg. 453/07 states the following:

“Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:

1. Sub-subparagraphs 4 i A, B and C of subsection (1)
2. Sub-subparagraphs 4 iii A, C, E and F of subsection (1).”

The information referred to in sub-subparagraphs 4 i A, B and C of subsection (1) includes:

- A. Total financial assets (i.e. cash and receivables);
- B. Total liabilities (i.e. payables, debt and deferred revenue);
- C. Net debt (i.e. the difference between A and B above).

The information referred to in sub-subparagraphs 4 iii A, C, E and F of subsection (1) includes:

- A. Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
- B. Investing transactions that are acquisitions and disposal of investments
- C. Change in cash and cash equivalents during the year
- D. Cash and cash equivalents at the beginning and end of the year

In order to show a balanced financial plan in a full accrual format for the Town, some of the items listed above have been estimated given that the Town does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services



given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).

The assumptions used have been documented below:

1. Cash, Receivables and Payables

It is assumed that the opening cash balances required to complete the financial plan are equal to:

Ending Reserve/Reserve Fund Balance
Plus: Ending Accounts Payable Balance
Less: Ending Accounts Receivable Balance
Equals: *Approximate Ending Cash Balance*

Receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on historical levels of water receivables as a percentage of annual water revenue earned (source: 2018 and 2019 Town provided water accounts receivable balances); and
- b) Payables: Based on historical levels of water payables as a percentage of annual water expenses incurred (source: 2018 and 2019 Town provided water accounts payable balances).

2. Debt

The Town will be issuing \$2.5 million in water related debt in 2020 and is anticipating the need to issue debt over the forecast period to fund non-growth-related expenditures. *Principal* repayments for the debt over the forecast period are scheduled as follows:



| Year | Principal Payments |
|--------------|--------------------|
| 2021 | 326,363 |
| 2022 | 336,121 |
| 2023 | 378,433 |
| 2024 | 454,600 |
| 2025 | 527,575 |
| 2026 | 637,140 |
| 2027 | 658,726 |
| 2028 | 280,109 |
| 2029 | 291,313 |
| 2030 | 302,966 |
| Total | 4,193,346 |

3. Deferred Revenue

Deferred revenue is typically made up of water development charge reserve fund and gas tax balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. The Development Charge reserve fund is anticipated to be fully utilized in starting in 2022 which is shown as earned development charge revenues for reporting purposes. After 2022, growth-related expenditures are anticipated to be undertaken in part by developers who will receive D.C. credits in exchange for the emplaced capital works.

These D.C. credits have been accounted for as a liability under the Statement of Financial Position. In the Statement of Operations, outstanding D.C. credits can be seen in the Accumulated Surplus/(Deficit) reconciliation and are treated similarly to outstanding debt obligations. Finally, we see the proceeds from developer contributions in the Statement of Cash Flow calculations, similar to proceeds from the issuance of debt.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Infrastructure (equipment, infrastructure and contributed capital)
 - ii. Facilities (buildings)
- Amortization is calculated based on using the straight-line approach with no amortization in the year of acquisition or construction.



- Given the planned asset replacement forecast in the 2020 Rate Study, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- The Town is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized as follows:

| Asset Historical Cost | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Opening Tangible Capital Asset Balance | 60,378,875 | 62,073,062 | 67,118,708 | 72,781,327 | 82,399,577 | 92,952,658 | 99,786,544 | 106,697,145 | 113,718,081 | 120,858,155 |
| Acquisitions | 2,494,000 | 6,034,000 | 6,617,000 | 10,625,000 | 11,757,000 | 8,043,000 | 8,281,000 | 8,533,000 | 8,790,000 | 9,051,000 |
| Disposals | 799,813 | 988,354 | 954,381 | 1,006,750 | 1,203,919 | 1,209,114 | 1,370,399 | 1,512,064 | 1,649,926 | 1,606,044 |
| Closing Tangible Capital Asset Balance | 62,073,062 | 67,118,708 | 72,781,327 | 82,399,577 | 92,952,658 | 99,786,544 | 106,697,145 | 113,718,081 | 120,858,155 | 128,303,111 |
| Opening Accumulated Amortization | 26,715,419 | 27,335,941 | 27,838,209 | 28,498,070 | 29,245,142 | 30,055,613 | 31,162,861 | 32,269,053 | 33,350,589 | 34,490,909 |
| Amortization Expense | 1,420,335 | 1,490,622 | 1,614,242 | 1,753,822 | 2,014,390 | 2,316,362 | 2,476,591 | 2,593,600 | 2,790,246 | 2,997,204 |
| Amortization on Disposal | 799,813 | 988,354 | 954,381 | 1,006,750 | 1,203,919 | 1,209,114 | 1,370,399 | 1,512,064 | 1,649,926 | 1,606,044 |
| Ending Accumulated Amortization | 27,335,941 | 27,838,209 | 28,498,070 | 29,245,142 | 30,055,613 | 31,162,861 | 32,269,053 | 33,350,589 | 34,490,909 | 35,882,069 |
| Net Book Value | 34,737,121 | 39,280,499 | 44,283,257 | 53,154,435 | 62,897,045 | 68,623,683 | 74,428,092 | 80,367,492 | 86,367,246 | 92,421,042 |

5. Accumulated Surplus

Opening accumulated surplus for the forecast period is reconciled as follows:

| Water | 2021 Opening Accumulated Surplus |
|---|----------------------------------|
| Reserve Balances | |
| Reserves: Development Charges | 712,088 |
| Reserves: Capital/Other | 1,219,567 |
| Total Reserves Balance | 1,931,655 |
| Less: Debt Obligations and Deferred Revenue | (3,212,007) |
| Less: Unfinanced Capital | - |
| Add: Tangible Capital Assets | 33,663,456 |
| Total Opening Balance | 32,383,104 |



The accumulated surplus reconciliation for all years within the forecast period is contained in Table 4-2.

6. Other Revenue

Other revenues include interest and miscellaneous fees and charges.

7. Operating Expenses

Capital expenditures for items not meeting the definition of tangible capital assets have been reclassified as operating expenses and have been expensed in the year in which they occur.



Chapter 5

Process for Financial Plan Approval and Submission to the Province



5. Process for Financial Plan Approval and Submission to the Province

As mentioned in section 1.2, preparation of and approval of a financial plan for water assets that meets the requirements of the Act is mandatory for municipal water providers. Proof of the plan preparation and approval is a key submission requirement for municipal drinking water licensing and, upon completion, must be submitted to the MECP. The process established for plan approval, public circulation and filing is set out in O. Reg. 453/07 and can be summarized as follows:

1. The financial plan must be approved by resolution of Council of the municipality who owns the drinking water system or the governing body of the owner. (O. Reg. 453/07, section 3 (1) 1.)
2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O. Reg. 453/07, section 3 (1) 5.)
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6.)
4. The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the Safe Drinking Water Act. (S.D.W.A. section 32 (5) 2.ii.)



Chapter 6

Recommendations



6. Recommendations

This report presents the water financial plan for the Town of Cobourg in accordance with the mandatory reporting formats for water systems as detailed in O. Reg. 453/07. It is important to note that while mandatory, the financial plan is provided for Council's interest and approval, however, for decision making purposes, it may be more informative to rely on the information contained within the 2020 Water Rate Study, dated December 11, 2020. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Town of Cobourg's Water Financial Plan prepared by Watson & Associates Economists Ltd. dated December 11, 2020 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated December 11, 2020 be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6).
4. The resolution of Council approving the Financial Plan be submitted to the MECP, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. section 32 (5) 2.ii.).¹

¹ Note: The Ministry of the Environment does not require the Council Resolution for the initial financial plan submission. We encourage the municipality to contact the Ministry of the Environment to verify all requirements have been met.



Appendices



Appendix A

2020 Water Rate Study – Water Summary Tables



Table 1
Town of Cobourg
Water Service
Capital Budget Forecast
 Inflated \$

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|--|-------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Capital Budget Forecast Projects | | | | | | | | | | | | | |
| <i>Capital Expenditures</i> | | | | | | | | | | | | | |
| Water Master Plan (including Clarifier engineering study) | 150,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Booster Station Generator | 10,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Tower 2 (Strathy Rd.) Generator | 20,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Raw Water Actuator Valve | 11,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| ROV CCC | 6,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Wachs hydraulic water pump | 5,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Work Order Management | 26,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| WTP Driveway | 40,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| New Distribution Truck | 100,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Raw Water Intake - clean and repairs | 15,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Infrastructure Provision | - | 1,077,000 | - | 106,000 | 109,000 | 113,000 | 116,000 | 119,000 | 123,000 | 127,000 | 130,000 | 134,000 | |
| Watermain Design | 50,000 | 239,000 | 77,000 | 80,000 | 82,000 | - | - | - | - | - | - | - | |
| IT Hardware and Software | 81,000 | 958,000 | 83,000 | 86,000 | 89,000 | 91,000 | 94,000 | 97,000 | 100,000 | 103,000 | 106,000 | 109,000 | |
| Tools | 15,000 | 176,000 | 15,000 | 16,000 | 16,000 | 17,000 | 17,000 | 18,000 | 18,000 | 19,000 | 20,000 | 20,000 | |
| New WTP Hybrid Pick up truck | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - | |
| New Distribution Hybrid Pick up Truck | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - | |
| Install Fall arrest system for pump house | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | |
| Install Chlorine analyzer for supernatant | - | 8,000 | 8,000 | - | - | - | - | - | - | - | - | - | |
| HL well cleaning | - | 9,000 | 9,000 | - | - | - | - | - | - | - | - | - | |
| Install Contact chamber actuators (two) | - | 28,000 | 28,000 | - | - | - | - | - | - | - | - | - | |
| Kitchenette | - | 5,000 | 5,000 | - | - | - | - | - | - | - | - | - | |
| parastolic pump for contact chamber analyzer | - | 8,000 | 8,000 | - | - | - | - | - | - | - | - | - | |
| Strathy tower lights | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - | |
| Water Model Update | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | |
| Safety code 6: Strathy/Ontario Possible | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | |
| TSSA tower 1 | - | 36,000 | 36,000 | - | - | - | - | - | - | - | - | - | |
| TSSA WTP 230kw generator | - | 36,000 | 36,000 | - | - | - | - | - | - | - | - | - | |
| Matthew Street | 1,050,000 | - | - | - | - | - | - | - | - | - | - | - | |
| Harden St and Harden Cres | - | 1,215,000 | 1,215,000 | - | - | - | - | - | - | - | - | - | |
| Albert St | - | 386,000 | 386,000 | - | - | - | - | - | - | - | - | - | |
| Blake, Burke and Victoria | - | 849,000 | - | 849,000 | - | - | - | - | - | - | - | - | |
| King St W (William to Burnham, 810m) | - | 1,719,000 | - | 1,719,000 | - | - | - | - | - | - | - | - | |
| Walton St and Munroe St (Chapel to end 625m, 200m on Munroe) | - | 1,442,000 | - | - | 1,442,000 | - | - | - | - | - | - | - | |
| Perry St (D'arcy to Church, 505m) | - | 883,000 | - | - | 883,000 | - | - | - | - | - | - | - | |
| Green St (Bay to Queen, 240m) | - | 432,000 | - | - | - | 432,000 | - | - | - | - | - | - | |
| Green St (Queen to King, 110m) | - | 248,000 | - | - | - | 248,000 | - | - | - | - | - | - | |
| Spencer St (Division to George, 210m) | - | 378,000 | - | - | - | 378,000 | - | - | - | - | - | - | |
| Watermain Provision | - | 20,279,000 | - | - | - | 1,418,000 | 2,671,000 | 3,050,000 | 3,141,000 | 3,235,000 | 3,332,000 | 3,432,000 | |



| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|--|-------------|-----------|----------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Master Plan Capital Projects | | | | | | | | | | | | | |
| <i>Linear Watermain Projects</i> | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1a - Brook Road North | - | 288,000 | - | 69,000 | 71,000 | 73,000 | 75,000 | - | - | - | - | - | - |
| 1b - Fut. Kerr Street | - | 1,775,000 | - | 424,000 | 437,000 | 450,000 | 464,000 | - | - | - | - | - | - |
| 1c - D'Arcy Street | - | 372,000 | - | 89,000 | 92,000 | 94,000 | 97,000 | - | - | - | - | - | - |
| 2a - D'Arcy Street (Oversizing) | - | 214,000 | - | 51,000 | 53,000 | 54,000 | 56,000 | - | - | - | - | - | - |
| 2b - Fut. Kerr Street | - | 1,079,000 | - | - | - | 141,000 | 145,000 | 149,000 | 154,000 | 159,000 | 163,000 | 168,000 | |
| 2c - Brook Road North | - | 2,664,000 | - | - | - | 348,000 | 358,000 | 369,000 | 380,000 | 391,000 | 403,000 | 415,000 | |
| 2d - Fut. Brook Road North | - | 770,000 | - | - | - | 770,000 | - | - | - | - | - | - | - |
| 2e - Elgin Street East | - | 926,000 | - | - | - | 926,000 | - | - | - | - | - | - | - |
| 2f - Fut. Road Internal to Rondeau Dev. | - | 1,137,000 | - | - | - | 1,137,000 | - | - | - | - | - | - | - |
| 2g - Danforth Road | - | 863,000 | - | - | - | 113,000 | 116,000 | 119,000 | 123,000 | 127,000 | 131,000 | 134,000 | |
| 2i - Fut. Kerr Street | - | 788,000 | - | - | - | 103,000 | 106,000 | 109,000 | 112,000 | 116,000 | 119,000 | 123,000 | |
| 2o - White Street at Cobourg Creek E. Branch (Oversizing) | - | 457,000 | - | - | 148,000 | 152,000 | 157,000 | - | - | - | - | - | - |
| 2p - White Street at Cobourg Creek W. Branch (Oversizing) | - | 288,000 | - | - | 93,000 | 96,000 | 99,000 | - | - | - | - | - | - |
| 2s - Rogers Road/DePalma Drive (Oversizing) | - | 262,000 | - | - | - | 34,000 | 35,000 | 36,000 | 37,000 | 39,000 | 40,000 | 41,000 | |
| 3a - West Sub-Trunk (Oversizing) | - | 442,000 | - | - | - | 58,000 | 59,000 | 61,000 | 63,000 | 65,000 | 67,000 | 69,000 | |
| Ewart Street BPS Building Maintenance | 32,500 | - | - | - | - | - | - | - | - | - | - | - | - |
| Replace Ewart Street BPS Stand-By Power System | - | 500,000 | - | - | - | - | 77,000 | 80,000 | 82,000 | 84,000 | 87,000 | 90,000 | |
| New 5,000 m3 Zone 1 Elevated Tank | - | 7,933,000 | - | 1,896,000 | 1,953,000 | 2,012,000 | 2,072,000 | - | - | - | - | - | - |
| Decomission Existing Zone 1 Victoria Street Elevated Tank | - | 360,000 | - | 86,000 | 89,000 | 91,000 | 94,000 | - | - | - | - | - | - |
| Provide Full Size Irrigated Soccer Field | - | 505,000 | - | 121,000 | 124,000 | 128,000 | 132,000 | - | - | - | - | - | - |
| New Zone 2 BPS with a 120 L/s Firm Rated Capacity at Same Site as New Zone 1 Elevated Tank | - | 1,948,000 | - | - | - | - | 301,000 | 310,000 | 320,000 | 329,000 | 339,000 | 349,000 | |
| New Booster Pumping Station to Supply Future Zone 3 | - | 4,306,000 | - | - | - | - | 666,000 | 686,000 | 706,000 | 727,000 | 749,000 | 772,000 | |



| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|---|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Water Treatment Projects | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intake Pipe Cleaning, Inspection and Upgrades | - | 142,000 | 27,000 | 28,000 | 28,000 | 29,000 | 30,000 | - | - | - | - | - | - |
| Provide Railing System on Retaining Walls at Shoreline | - | 15,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | - | - | - | - | - | - |
| Replace GAC Filter Media | - | 569,000 | 107,000 | 110,000 | 114,000 | 117,000 | 121,000 | - | - | - | - | - | - |
| Improve Ventilation/Dehumidification in Backwash Pump Room | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - |
| Replace/Repair Sections of Backwash Piping | - | 213,000 | 40,000 | 41,000 | 43,000 | 44,000 | 45,000 | - | - | - | - | - | - |
| Replace Wastewater Transfer Pumps and Provide Flow Meter on Discharge | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - |
| Upgrade Wastewater Discharge System (On-Site SPS) | - | 711,000 | 134,000 | 138,000 | 142,000 | 146,000 | 151,000 | - | - | - | - | - | - |
| Replace Chlorine Storage Room Monorail and Hoist | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - |
| Replace Surge Valve on Highlift Pumping Station Discharge | - | 43,000 | 8,000 | 8,000 | 9,000 | 9,000 | 9,000 | - | - | - | - | - | - |
| Relocate Chlorine Residual Sampling Points | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - |
| Replace WTP SCADA Computers | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - |
| Replace SCADAPack 32 PLCs at Ewart Street BPS | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - |
| Replace SCADAPack 32 PLCs at Zone 2 (Strathy Road) Elevated Tank | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - |
| Replace Low Lift Pump Discharge Valves | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | |
| Refurbish Low Lift Pumps | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | |
| Replace Alum Tanks (2) | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | |
| Replace Turbidimeters | - | 97,000 | - | - | - | - | 15,000 | 16,000 | 16,000 | 16,000 | 17,000 | 17,000 | |
| Provide Redundant Dissolved Air Flootation Clarification System - Option C5 | - | 10,399,000 | - | - | - | - | 1,608,000 | 1,656,000 | 1,705,000 | 1,757,000 | 1,809,000 | 1,864,000 | |
| Provide Third Filter Train - Option C5 | - | 4,386,000 | - | - | - | - | 678,000 | 699,000 | 719,000 | 741,000 | 763,000 | 786,000 | |
| Replace Supernatant Discharge Pumps | - | 32,000 | - | - | - | - | 5,000 | 5,000 | 5,000 | 5,000 | 6,000 | 6,000 | |
| Equip High-lift Pumps HLP #1 & HLP #2 with VFDs | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | |
| Replace High-lift Pump Discharge Butterfly Valves & Controls | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | |
| Refurbish High-Lift Pumps | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | |
| Replace Low-Lift and High-Lift Pump Level Transmitters | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | |
| Studies: | | | | | | | | | | | | | |
| Water Rate Study and Financial Plan | 16,000 | 19,000 | - | - | - | - | 19,000 | - | - | - | - | - | - |
| Total Capital Expenditures | 1,627,500 | 77,288,000 | 2,504,000 | 6,018,000 | 6,118,000 | 9,928,000 | 11,058,000 | 7,849,000 | 8,081,000 | 8,325,000 | 8,576,000 | 8,831,000 | |
| Capital Financing | | | | | | | | | | | | | |
| Provincial/Federal Grants | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Development Charges Reserve Fund | - | 28,233,296 | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 | |
| Non-Growth Related Debenture Requirements | - | 7,365,524 | - | 960,668 | 1,921,422 | 1,738,781 | 2,744,653 | - | - | - | - | - | |
| Growth Related Debenture Requirements | - | - | - | - | - | - | - | - | - | - | - | - | |
| Operating Contributions | - | - | - | - | - | - | - | - | - | - | - | - | |
| Water Reserve | 1,627,500 | 41,689,180 | 2,504,000 | 4,378,613 | 3,376,280 | 3,715,357 | 4,136,930 | 4,443,000 | 4,573,500 | 4,710,500 | 4,854,000 | 4,997,000 | |
| Total Capital Financing | 1,627,500 | 77,288,000 | 2,504,000 | 6,018,000 | 6,118,000 | 9,928,000 | 11,058,000 | 7,849,000 | 8,081,000 | 8,325,000 | 8,576,000 | 8,831,000 | |



Table 2
Town of Cobourg
Water Service
Schedule of Non-Growth Related Debenture Repayments
 Inflated \$

| Debenture Year | 2020 | Principal (Inflated) | Forecast | | | | | | | | | | |
|----------------------------------|------|----------------------|----------|------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| 2021 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2022 | | 960,668 | | | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 |
| 2023 | | 1,921,422 | | | | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 |
| 2024 | | 1,738,781 | | | | | 127,943 | 127,943 | 127,943 | 127,943 | 127,943 | 127,943 | 127,943 |
| 2025 | | 2,744,653 | | | | | | 201,956 | 201,956 | 201,956 | 201,956 | 201,956 | 201,956 |
| 2026 | | - | | | | | | | - | - | - | - | - |
| 2027 | | - | | | | | | | | - | - | - | - |
| 2028 | | - | | | | | | | | | - | - | - |
| 2029 | | - | | | | | | | | | | - | - |
| 2030 | | - | | | | | | | | | | | - |
| Total Annual Debt Charges | - | 7,365,524 | - | - | 70,688 | 212,069 | 340,012 | 541,968 | 541,968 | 541,968 | 541,968 | 541,968 | 541,968 |

Table 3
Town of Cobourg
Water Service
Schedule of Growth Related Debenture Repayments
 Inflated \$

| Debenture Year | 2020 | Principal (Inflated) | Forecast | | | | | | | | | | |
|----------------------------------|------|----------------------|----------|------|------|------|------|------|------|------|------|------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| 2021 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2022 | | - | | | - | - | - | - | - | - | - | - | - |
| 2023 | | - | | | | - | - | - | - | - | - | - | - |
| 2024 | | - | | | | | - | - | - | - | - | - | - |
| 2025 | | - | | | | | | - | - | - | - | - | - |
| 2026 | | - | | | | | | | - | - | - | - | - |
| 2027 | | - | | | | | | | | - | - | - | - |
| 2028 | | - | | | | | | | | | - | - | - |
| 2029 | | - | | | | | | | | | | - | - |
| 2030 | | - | | | | | | | | | | | - |
| Total Annual Debt Charges | - | - | - | - | - | - | - | - | - | - | - | - | - |



Table 4
Town of Cobourg
Water Service
Water Reserves/ Reserve Funds Continuity
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------------------------|------------------|------------------|-----------|-----------|-----------|-----------|---------------|----------------|------------------|------------------|------------------|
| Opening Balance | 248,916 | 1,219,567 | 1,357,656 | - | - | - | - | 87,278 | 692,662 | 2,276,224 | 4,501,461 |
| Transfer from Operating | 2,586,076 | 2,628,647 | 3,020,957 | 3,376,279 | 3,715,357 | 4,136,930 | 4,529,414 | 5,172,026 | 6,271,525 | 7,034,668 | 7,864,966 |
| Transfer to Capital | 1,627,500 | 2,504,000 | 4,378,613 | 3,376,280 | 3,715,357 | 4,136,930 | 4,443,000 | 4,573,500 | 4,710,500 | 4,854,000 | 4,997,000 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 1,207,492 | 1,344,214 | - | - | - | - | 86,414 | 685,804 | 2,253,687 | 4,456,892 | 7,369,427 |
| Interest | 12,075 | 13,442 | - | - | - | - | 864 | 6,858 | 22,537 | 44,569 | 73,694 |

Table 5
Town of Cobourg
Water Service
Water Development Charges Reserve Fund Continuity
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-----------------------------------|----------------|----------------|---------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Opening Balance | 677,846 | 712,088 | 747,513 | 97,650 | - | - | - | - | - | - | - |
| Development Charge Proceeds | 27,192 | 28,024 | 28,856 | 29,696 | 165,492 | 170,482 | 175,564 | 180,885 | 186,298 | 191,879 | 197,611 |
| Developer Contributions (Credits) | - | - | - | 692,952 | 4,308,369 | 4,005,935 | 3,230,436 | 3,326,615 | 3,428,202 | 3,530,121 | 3,636,389 |
| Transfer to Capital | - | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 705,038 | 740,112 | 97,650 | - | - | - | - | - | - | - | - |
| Interest | 7,050 | 7,401 | - | - | - | - | - | - | - | - | - |
| Required from Development Charges | - | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 |



Table 6
Town of Cobourg
Water Services
Operating Budget Forecast
 Inflated \$

| Description | Budget 2020 | Forecast | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|--|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Expenditures | | | | | | | | | | | | |
| Operating Costs (Fixed Costs) | | | | | | | | | | | | |
| Wages | 1,465,824 | 1,495,100 | 1,525,000 | 1,555,500 | 1,586,600 | 1,618,300 | 1,650,700 | 1,683,700 | 1,717,400 | 1,751,700 | 1,786,700 | |
| Management fees | 73,339 | 74,800 | 76,300 | 77,800 | 79,400 | 81,000 | 82,600 | 84,300 | 86,000 | 87,700 | 89,500 | |
| Training | 44,747 | 45,600 | 46,500 | 47,400 | 48,300 | 49,300 | 50,300 | 51,300 | 52,300 | 53,300 | 54,400 | |
| Billing and collecting | 124,446 | 126,900 | 129,400 | 132,000 | 134,600 | 137,300 | 140,000 | 142,800 | 145,700 | 148,600 | 151,600 | |
| Professional fees and dues | 60,047 | 61,200 | 62,400 | 63,600 | 64,900 | 66,200 | 67,500 | 68,900 | 70,300 | 71,700 | 73,100 | |
| Rent | 54,064 | 55,100 | 56,200 | 57,300 | 58,400 | 59,600 | 60,800 | 62,000 | 63,200 | 64,500 | 65,800 | |
| Vehicle maintenance and gas | 38,474 | 39,200 | 40,000 | 40,800 | 41,600 | 42,400 | 43,200 | 44,100 | 45,000 | 45,900 | 46,800 | |
| Property taxes | 83,000 | 84,700 | 86,400 | 88,100 | 89,900 | 91,700 | 93,500 | 95,400 | 97,300 | 99,200 | 101,200 | |
| Insurance | 96,555 | 98,500 | 100,500 | 102,500 | 104,600 | 106,700 | 108,800 | 111,000 | 113,200 | 115,500 | 117,800 | |
| IT maintenance | 91,206 | 93,000 | 94,900 | 96,800 | 98,700 | 100,700 | 102,700 | 104,800 | 106,900 | 109,000 | 111,200 | |
| Misellaneous | 19,340 | 19,700 | 20,100 | 20,500 | 20,900 | 21,300 | 21,700 | 22,100 | 22,500 | 23,000 | 23,500 | |
| Office supplies and telecommunications | 107,133 | 109,300 | 111,500 | 113,700 | 116,000 | 118,300 | 120,700 | 123,100 | 125,600 | 128,100 | 130,700 | |
| Subtotal - Fixed Costs | 2,258,175 | 2,303,100 | 2,349,200 | 2,396,000 | 2,443,900 | 2,492,800 | 2,542,500 | 2,593,500 | 2,645,400 | 2,698,200 | 2,752,300 | |
| Operating Costs (Variable Costs) | | | | | | | | | | | | |
| Water operations and maintenance | 279,052 | 286,300 | 293,700 | 301,200 | 309,700 | 319,300 | 329,100 | 339,200 | 349,700 | 360,400 | 371,500 | |
| Chemicals purchased | 50,750 | 52,100 | 53,400 | 54,800 | 56,300 | 58,100 | 59,900 | 61,700 | 63,600 | 65,600 | 67,600 | |
| Distribution | 274,453 | 281,500 | 288,800 | 296,300 | 304,600 | 314,000 | 323,700 | 333,700 | 343,900 | 354,500 | 365,300 | |
| Building utilities and maintenance | 64,572 | 66,200 | 68,000 | 69,700 | 71,700 | 73,900 | 76,200 | 78,500 | 80,900 | 83,400 | 86,000 | |
| Subtotal - Variable Costs | 668,827 | 686,100 | 703,900 | 722,000 | 742,300 | 765,300 | 788,900 | 813,100 | 838,100 | 863,900 | 890,400 | |
| Sub Total Operating | 2,927,002 | 2,989,200 | 3,053,100 | 3,118,000 | 3,186,200 | 3,258,100 | 3,331,400 | 3,406,600 | 3,483,500 | 3,562,100 | 3,642,700 | |
| Capital-Related | | | | | | | | | | | | |
| Existing Debt (Principal) - Non-Growth Related | | 326,363 | 336,121 | 346,172 | 356,524 | 367,184 | 378,164 | 389,391 | | | | |
| Existing Debt (Interest) - Non-Growth Related | | 69,361 | 59,602 | 49,551 | 39,200 | 28,539 | 17,559 | 6,251 | | | | |
| New Non-Growth Related Debt (Principal) | | - | - | 32,261 | 98,076 | 160,390 | 258,976 | 269,335 | 280,109 | 291,313 | 302,966 | |
| New Non-Growth Related Debt (Interest) | | - | - | 38,427 | 113,993 | 179,621 | 282,992 | 272,633 | 261,859 | 250,655 | 239,003 | |
| Transfer to Capital | | - | - | - | - | - | - | - | - | - | - | |
| Transfer to Capital Reserve | 2,586,076 | 2,628,647 | 3,020,957 | 3,376,279 | 3,715,357 | 4,136,930 | 4,529,414 | 5,172,026 | 6,271,525 | 7,034,668 | 7,864,966 | |
| Sub Total Capital Related | 2,586,076 | 3,024,370 | 3,416,680 | 3,842,690 | 4,323,150 | 4,872,665 | 5,467,105 | 6,109,637 | 6,813,493 | 7,576,636 | 8,406,934 | |
| Total Expenditures | 5,513,078 | 6,013,570 | 6,469,780 | 6,960,690 | 7,509,350 | 8,130,765 | 8,798,505 | 9,516,237 | 10,296,993 | 11,138,736 | 12,049,634 | |
| Revenues | | | | | | | | | | | | |
| Base Charge | 2,020,244 | 2,184,090 | 2,360,196 | 2,549,755 | 2,764,019 | 3,010,104 | 3,272,854 | 3,554,956 | 3,864,572 | 4,197,549 | 4,558,966 | |
| Fire Protection Charges | 76,285 | 79,227 | 82,277 | 85,438 | 89,000 | 93,005 | 97,164 | 101,488 | 105,984 | 110,658 | 115,518 | |
| Other Revenue | 185,301 | 187,631 | 189,995 | 192,395 | 194,831 | 200,676 | 206,696 | 210,800 | 215,000 | 219,300 | 223,700 | |
| Interest | 21,024 | 21,865 | 22,740 | 23,649 | 24,595 | 25,333 | 26,093 | 26,600 | 27,100 | 27,600 | 28,200 | |
| Contributions from Development Charges Reserve Fund | - | - | - | - | - | - | - | - | - | - | - | |
| Contributions from Reserve Funds | - | - | - | - | - | - | - | - | - | - | - | |
| Total Operating Revenue | 2,302,853 | 2,472,813 | 2,655,208 | 2,851,237 | 3,072,444 | 3,329,118 | 3,602,807 | 3,893,843 | 4,212,656 | 4,555,107 | 4,926,383 | |
| Water Billing Recovery - Total | 3,210,224 | 3,540,758 | 3,814,573 | 4,109,453 | 4,436,966 | 4,801,647 | 5,195,698 | 5,622,393 | 6,084,337 | 6,583,629 | 7,123,251 | |



Water Ontario Regulation 453/07 Financial Plan Town of Cobourg

Financial Plan #137-301

December 11, 2020

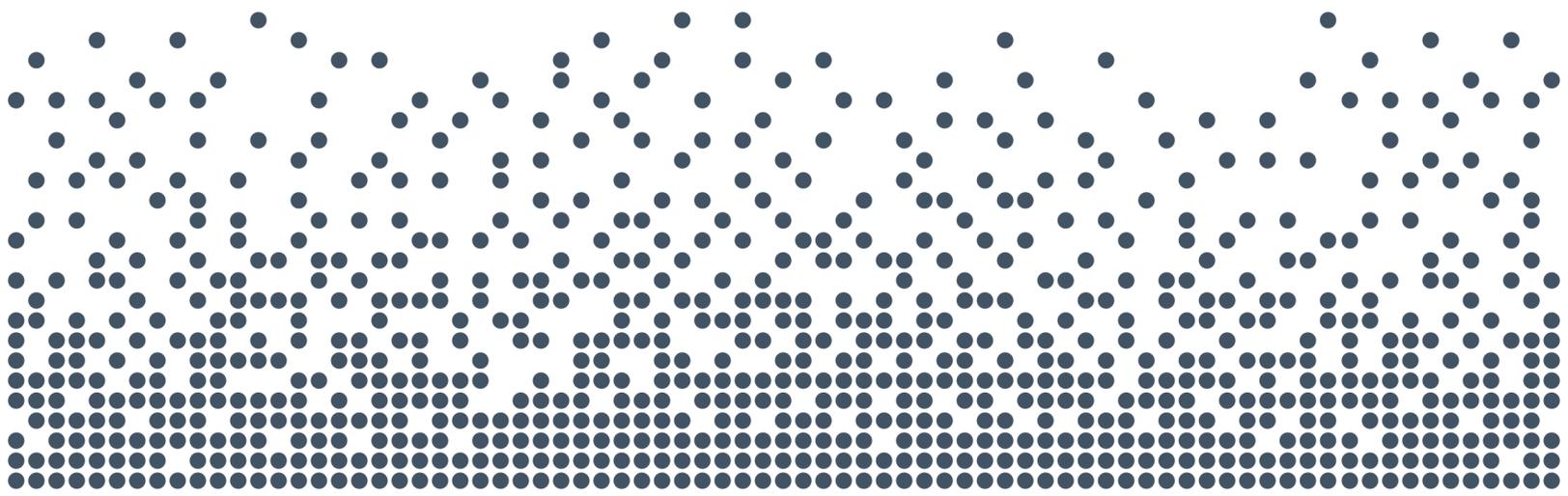
Watson & Associates Economists Ltd.
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Report



Chapter 1

Introduction



1. Introduction

1.1 Study Purpose

The Town of Cobourg and Lakefront Utility Services Inc.(hereafter referred to as the “Town”) retained Watson & Associates Economists Ltd. (Watson) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*.. 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 detailed financial planning and forecasting regarding the Town’s water systems has been completed based on the Town’s 2020 Water Rate Study, dated December 11, 2020 (2020 Rate Study). The objective of the report provided herein is to convert the findings of the 2020 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 Safe Drinking Water Act (S.D.W.A.), “the Act,” was passed in December 2002 in order to address the recommendations made by the Walkerton Inquiry Part II report. Note that S.D.W.A. has been amended several times since 2002. One of the main requirements of the Act is the mandatory licensing of municipal water providers. Section 31 (1) specifically states:

“No person shall,

- a) establish a new municipal drinking water system or replace or carry out an alteration to a municipal drinking water system except under the authority of and in accordance with an approval under this Part or a drinking water works permit; or
- b) use or operate a municipal drinking water system that was established before or after this section comes into force except under the authority of and in accordance with an approval under this Part or municipal drinking water licence.”

In order to become licensed, a municipality must satisfy five key requirements as per section 44(1):



1. Obtain a drinking water works permit.
2. Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard.
3. Accreditation of the Operating Authority.
4. Prepare and provide a financial plan.
5. Obtain permit to take water.

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 Defined

Subsection 30 of the Act provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister. 2017, c. 2, Sched. 11, s. 6 (3).

As of time of writing, the Sustainable Water and Sewage Systems Act, 2002 has been repealed (see section 2.2 of this report); however, the standards that it directs underpin the specific requirements of s. 30 as they are outlined in O. Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – Existing System

The O. Reg. 453/07 provides details with regards to the financial plans for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by resolution of Council (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and



accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the PSAB) for each year in which the financial plans apply;

- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per PSAB) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per PSAB) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public;
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing; and
- The resolution of Council approving the Financial Plan be submitted to the Ministry of the Environment, Conservation and Parks (MECP).

1.2.3 Financial Plan Requirements – General

Given that the requirements for a financial plan is legislated under the Act, a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The ten-year forecast (2021-2030) goes above and beyond the minimum requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3(1)1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e. six months prior to license expiry).

A copy of the financial plan will be submitted to the Ministry of Municipal Affairs and Housing (MMAH) and not the MECP; however, MECP may request it in the course of review of the licence renewal. Financial plans may be amended and additional



information beyond what is prescribed can be included if deemed necessary. The financial plan must contain on the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence.

1.2.4 Public Sector Accounting Board (PSAB) Requirements

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1200 of the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook:

“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 format required is to conform to the requirements of PS1200 and PS3150. The financial statements are to be reported on a full accrual accounting basis. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of financial position.

The accounting treatment of tangible capital assets is prescribed under section PS3150. Tangible capital assets are to be capitalized to ensure an inventory of the assets owned are recorded and to account for their ability to provide future benefits.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.

1.2.5 The Town's Financial Plan

The Town is currently in the process of renewing their drinking water licence (licence number 137-301) and the previous version of the financial plan no longer meets the requirements as it must apply to a period of a least six years beginning in the year that the licence would otherwise expire. Although the Act requires at least six years to be



included, this financial plan provides for a ten-year forecast period (2021 to 2030). The Town's application renewal deadline is in February 2021.



Chapter 2

Sustainable Financial Planning



2. Sustainable Financial Planning

2.1 Introduction

In general, sustainability refers to the ability to maintain a certain position over time. While the Act requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, MECP released a guideline ("Towards Financially Sustainable Drinking-Water and Wastewater Systems") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water and Wastewater Services are provided below:

- Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
- Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
- Principle #3: Revenues collected for the provision of water and wastewater services 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. In general, metering and the use of rates can help ensure users pay for services received.
- 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.

2.2 Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act* (S.W.S.S.A.) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the “full cost” of providing their water and the wastewater services. In total, there were 40 areas within the Act to which the Minister could have made Regulations. It is noted that, the regulations, which accompany the Act, were not issued and the Act was repealed on December 31, 2012.

2.3 Water Opportunities Act, 2010

Since the passage of the *Safe Drinking Water Act*, changes and refinements to the legislation have been introduced, including the *Water Opportunities Act* (W.O.A). W.O.A. was introduced into legislation on May 18, 2010 and received Royal Assent on November 29, 2010, as the *Water Opportunities Act*.

The purposes of the *Water Opportunities Act* are to: foster innovative water, wastewater and storm water technologies, services and practices; create opportunities for economic development and clean-technology jobs; and conserve and sustain water resources. To achieve this W.O.A. provides for the creation of performance targets (financial, operational and maintenance related), which will vary by service type and location and the required submission of conservation and sustainability plans for water, wastewater and stormwater.

The sustainability plan in W.O.A. expands on interim legislation for financial plans included in O. Reg. 453/07, to include the following:

- an asset management plan for the physical infrastructure;
- financial plan;
- water conservation plan (for water service only);
- a risk assessment;
- a strategy for maintaining and improving the services; and



- additional information considered advisable.

Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details in regard to any time periods or time limits, contents of the plans, identifying which portions of the plan will require certification, the public consultation process (if required), limitations updates and refinements.

2.4 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015

On June 4, 2015, the Province passed the Infrastructure for Jobs and Prosperity Act (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has 3 phases that municipalities must meet.

Every municipality in Ontario will have to prepare a strategic asset management policy by July 1, 2019. Municipalities will be required to review their strategic asset management policies at least every five years and make updates as necessary. The subsequent phases are as follows:

- Phase 1 – Asset Management Plan (by July 1, 2021):
 - For core assets – Municipalities must have the following:
 - Inventory of assets;
 - Current levels of service measured by standard metrics; and
 - Costs to maintain levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2023):
 - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2024):
 - Builds on Phase 1 and 2 by adding:
 - Proposed levels of service; and
 - Lifecycle management and Financial strategy.



In relation to water (which is considered a core asset), municipalities will need to have an asset management plan that addresses the related infrastructure by July 1, 2021 (Phase 1). O. Reg. 588/17 specifies that the municipality's asset management plan must include the following for each asset category:

- the current levels of service being provided;
 - determined in accordance with the following qualitative descriptions and technical metrics and based on data from at most the two calendar years prior to the year in which all information required under this section is included in the asset management plan.
- the current performance of each asset category;
- a summary of the assets in the category;
- the replacement cost of the assets in the category;
- the average age of the assets in the category, determined by assessing the average age of the components of the assets;
- the information available on the condition of the assets in the category;
- a description of the municipality's approach to assessing the condition of the assets in the category, based on recognized and generally accepted good engineering practices where appropriate; and
- the lifecycle activities that would need to be undertaken to maintain the current levels of service.

Upon completion of the asset management plan for water, the Town will need to consider the impacts during the annual budget and forecast process.

2.5 Water Forecast

As noted earlier, the Town has already completed their 2020 Rate Study in December of 2020. The 2020 Rate Study process is designed to address “full cost” principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2020 water budget and ten-year forecast (2021 to 2030), included in the 2020 Rate Study, provides the basis for a sound financial plan for the Town's water system by assessing:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources;



- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs;
- A review and recommendation on rates that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involved consultation with the Town staff, the Lakefront Utilities Service Inc. Board of Directors, and Council, with the aim of gaining input and collaboration on the sustainability of the water systems.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2020 Rate Study (along with additional detailed information provided by Town Staff) has been used as a starting point to prepare the water financial plan. The 2020 Rate Study forecast is prepared on a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the water financial plan.

3.2 Conversion Process

The conversion from the existing modified cash basis found in the 2020 Rate Study to the full accrual reporting format required under O. Reg. 453/07 can be summarized in the following steps:

1. Calculate Tangible Capital Asset Balances
2. Convert Statement of Operations
3. Convert Statement of Financial Position
4. Convert Statement of Cash Flow and Net Assets/Debt
5. Verification and Note Preparation

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized by the Town for the purposes of their annual PSAB 3150 compliance process. As required, for PSAB 3150 reporting purposes, the asset inventory listing included historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated useful life for each



asset and any anticipated salvage value is recorded. The following calculations are made to determine net book value:

- Accumulated amortization up to the year prior to the first forecast year.
- Amortization expense on existing assets for each year of the forecast period.
- Acquisition of new assets for each year of the forecast period.
- Disposals and related gains or losses for each year of forecast period.

Future water capital needs have also been determined and summarized within the 2020 Rate Study. These estimates, however, only represent future assets that the Town anticipates purchasing or constructing without consideration for future assets that are contributed by developers and other parties (at no or partial cost to the Town). These contributed assets will form part of the infrastructure going forward in terms of the sustainability of the system and despite their non-monetary nature; future financial plans may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

Once the historical cost, accumulated amortization, and amortization expenses are calculated as described above, the total net book value of the tangible capital assets can be determined and recorded on the Statement of Financial Position.

3.2.2 Convert Statement of Operations

A wide range of adjustments will be considered, dependent on the size and complexity of the systems, in order to convert from the cash to full accrual basis (see Figure 3-1). For example, debt repayment costs relating to the principal payment portion only needs 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.



Table 3-1
Conversion Adjustments
Statement of Operations

| Modified Cash Basis | Budget 2021 | Adjustments | | Full Accrual Budget 2021 | Accrual Basis |
|--|------------------|------------------|------------------|--------------------------------|--|
| | | DR | CR | | |
| Revenues | | | | | Revenues |
| Base Charge Revenue | 2,184,090 | | | 2,184,090 | Base Charge Revenue |
| Rate Based Revenue | 3,540,758 | | | 3,540,758 | Rate Based Revenue |
| Transfers from Reserves | - | - | | | |
| | | | | | |
| Other Revenue | 288,723 | | 13,441 | 302,164 | Earned Development Charges and Gas Tax Revenue Developer Contributions Other Revenue |
| Total Revenues | 6,013,571 | | | 6,027,012 | Total Revenues |
| Expenditures | | | | | Expenses |
| Operating | 2,989,200 | 10,000 | | 2,999,200 | Operating Expenses |
| Capital | | | | | |
| Transfers to Reserves | 2,628,647 | | 2,628,647 | | |
| Transfers to Capital | - | | - | | |
| Debt Repayment (Principal & Interest) | 395,724 | | 326,363 | 69,361 | Interest on Debt |
| | | 1,420,335 | | 1,420,335 | Amortization |
| | | - | | - | Loss on Disposal of Tangible Capital Assets |
| Total Expenditures | 6,013,571 | | | 4,488,896 | Total Expenses |
| Net Expenditures | 0 | | | 1,538,116 | Annual Surplus/(Deficit) |
| Increase (decrease) in amounts to be recovered | - | | | 32,383,104 | Accumulated Surplus/(Deficit), beginning of year |
| Change in Fund Balances | - | 1,538,116 | - | 33,921,220 | Accumulated Surplus/(Deficit), end of year |
| TOTAL ADJUSTMENTS | | 2,968,451 | 2,968,451 | | |

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Figure 3-2). The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Town and as such, will be difficult to isolate the information that is relevant to water. An example of this is accounts receivable, which may be administered centrally by the Finance Department. Ontario Regulation 453/07 allows for the exclusion of these numbers if they are not known at the time of preparing the financial plan. Please refer to the Financial Plan Notes in Chapter 4 for more details.

3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt

The Statement of Cash Flow summarizes how the Town financed its activities or in other words, how the costs of providing services were recovered. The statement is derived using comparative Statement of Financial Position, the current Statement of Operations and other available transaction data.

The Statement of Change in Net Financial Assets/Debt is a statement which reconciles the difference between the surplus or deficit from current operations and the change in net financial assets/debt for the year. This is significant, as net debt provides an indication of future revenue requirements. In order to complete the Statement of Net Financial Assets/Debt, information regarding any gains/losses on disposals of assets, asset write-downs, acquisition/use of supplies inventory, and the acquisition use of prepaid expenses is necessary (if applicable). Although the Statement of Change in Net Financial Assets/Debt is not required under O. Reg. 453/07, it has been included in this report as a further indicator of financial viability.



**Table 3-2
Conversion Adjustments
Statement of Financial Position**

| Modified Cash Basis | Budget 2021 | Adjustments | | Full Accrual Budget 2021 | Accrual Basis |
|--|------------------|-------------------|-------------------|--------------------------------|---|
| | | DR | CR | | |
| ASSETS | | | | | ASSETS |
| Financial Assets | | | | | Financial Assets |
| Cash | 1,611,221 | | | 1,611,221 | Cash |
| Accounts Receivable | 1,026,600 | | | 1,026,600 | Accounts Receivable |
| Total Financial Assets | 2,637,821 | | | 2,637,821 | Total Financial Assets |
| Non-Financial Assets | | | | | |
| Inventory of Supplies | - | | - | | |
| Prepaid Expenses | - | | - | | |
| Total Non-Financial Assets | - | | | | |
| LIABILITIES | | | | | Liabilities |
| Accounts Payable & Accrued Liabilities | 532,652 | | | 532,652 | Accounts Payable & Accrued Liabilities |
| Gross Long-term Liabilities | 2,173,557 | | | 2,173,557 | Debt (Principal only) |
| Deferred Revenue | 747,513 | | | 747,513 | Deferred Revenue |
| Total Liabilities | 3,453,722 | | | 3,453,722 | Total Liabilities |
| Net Assets/(Debt) | (815,901) | | | (815,901) | Net Financial Assets/(Debt) |
| | | 34,747,121 | 10,000 | 34,737,121 | Non-Financial Assets |
| | | - | | - | Tangible Capital Assets |
| | | - | | - | Inventory of Supplies |
| | | | | | Prepaid Expenses |
| | | | | 34,737,121 | Total Non-Financial Assets |
| Municipal Position | | | | | |
| Water Reserves | 1,357,656 | 1,357,656 | - | | |
| Development Charge Reserve Fund | 747,513 | 747,513 | - | | |
| Amounts to be Recovered | (2,921,070) | - | 2,921,070 | | |
| Total Municipal Position | (815,901) | | 33,921,220 | 33,921,220 | Accumulated Surplus/(Deficit), end of year |
| TOTAL ADJUSTMENTS | | 36,852,290 | 36,852,290 | | |

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)



3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Town at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

The Statement of Change in Net Financial Assets/Debt and the Statement of Financial Position are also linked in terms of reporting on net financial assets/debt. On the Statement of Financial Position, net financial assets/debt is equal to the difference between financial assets and liabilities and should equal net financial assets/debt as calculated on the Statement of Net Financial Assets/Debt.

While not part of the financial plan, the accompanying notes are important to summarize the assumptions and estimates made in preparing the financial plan. Some of the significant assumptions that need to be addressed within the financial plan are as follows:

- a) Opening cash balances – Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained within the Town’s ledgers. It may not be possible, however, to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

$$\begin{array}{l} \text{Ending Reserve/Reserve Fund Balance} \\ \text{Plus: Ending Accounts Payable Balance} \\ \text{Less: Ending Accounts Receivable Balance} \\ \text{Equals: Approximate Ending Cash Balance} \end{array}$$



- b) Amortization Expense – The method and timing of amortization should be based on the Town’s amortization policy.
- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the 2020 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Town’s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Town's water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Town's water system. It is not an audited document¹ and it contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

4.2.1 *Statement of Financial Position (Table 4-1)*

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Town's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that in 2021, the Town's water system was in a net financial deficit position of \$815,901. The financial plan forecasts a net financial debt position for each year of the forecast period, decreasing to a net financial debt position of \$24.4 million by 2030 as the Town takes on more debt to finance capital works and issues D.C. credits to developers for the emplacement of growth-related projects.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance under section PS3150. As noted earlier, providing this information is a requirement for municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

- Tangible capital assets such as watermains and treatment facilities are imperative to water service delivery.

¹ O. Reg. 453/07 does not require an audited financial plan.



- These assets represent significant economic resources in terms of their historical and replacement costs. Therefore, ongoing capital asset management is essential to managing significant replacements and repairs.
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets net book value is expected to increase to approximately \$92.4 million from \$34.7 million over the 10-year forecast period. This is reflective of the emplacement of new capital infrastructure assets over the forecast period needed to service current populations and new developments in the Cobourg East Community.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues decreases from 74% to 55% over the forecast period. As a result, annual surplus/(deficit) increases from a surplus of \$1.5 million to a surplus of \$5.7 million over the forecast period. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions and reserve/reserve fund transfers.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future capital water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to increase a 2020 accumulated surplus of \$32.4 million to approximately \$68.0 million over the



forecast period. The accumulated surplus, as indicated in Table 4-2, is predominantly made up of additional tangible capital assets and contributions to reserves.

4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that forecasted tangible capital asset acquisitions (net of amortization for the year) exceed the forecasted annual surplus/deficit for all years of the forecast period (except 2021), resulting in a decrease in net financial assets. Therefore, an overall decrease to net financial assets is anticipated over the forecast period. This is due to the planned use of debt to construct non-growth tangible capital assets in 2022 to 2025 and D.C. credits obligations in exchange for the construction of growth-related tangible capital assets in 2023-2030. Based on the foregoing, the ratio of cumulative annual surplus before amortization to the cumulative tangible capital asset acquisitions decreases throughout the forecast period, decreasing from a value of 1.19 in 2021 to 0.71 in 2030.¹

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how water systems are expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash-based and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e. tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Town's water systems to increase from a balance of approximately \$1.9 million at the beginning of 2021, to \$6.0 million by the end of 2030. The positive cash position reflects forecast transfers to reserves for the future replacement of capital infrastructure. For further discussions on projected cash balances please refer to the Notes to the Financial Plan.

¹ A desirable ratio is 1:1 or better.



Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|---|---------------------|-------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Financial Assets | | | | | | | | | | | |
| Cash | 1 | 1,611,221 | - | - | - | - | - | - | 1,124,117 | 3,217,962 | 6,017,182 |
| Accounts Receivable | 1 | 1,026,600 | 1,119,798 | 1,204,750 | 1,296,163 | 1,398,330 | 1,514,045 | 1,638,386 | 1,772,036 | 1,917,422 | 2,074,165 |
| Total Financial Assets | | 2,637,821 | 1,119,798 | 1,204,750 | 1,296,163 | 1,398,330 | 1,514,045 | 1,638,386 | 2,896,153 | 5,135,384 | 8,091,347 |
| Liabilities | | | | | | | | | | | |
| Bank Indebtedness | | - | 478,177 | 649,151 | 728,753 | 818,509 | 833,862 | 339,480 | - | - | - |
| Accounts Payable & Accrued Liabilities | 1 | 532,652 | 543,971 | 555,599 | 567,410 | 579,821 | 592,905 | 606,244 | 619,929 | 633,923 | 648,226 |
| Debt (Principal only) | 2 | 2,173,557 | 2,798,103 | 4,341,092 | 5,625,274 | 7,842,352 | 7,205,212 | 6,546,485 | 6,266,377 | 5,975,064 | 5,672,098 |
| Deferred Revenue | 3 | 747,513 | 97,650 | - | - | - | - | - | - | - | - |
| DC Credits | 3 | - | - | 692,952 | 5,001,321 | 9,007,256 | 12,237,692 | 15,564,307 | 18,992,509 | 22,522,630 | 26,159,019 |
| Total Liabilities | | 3,453,722 | 3,917,901 | 6,238,794 | 11,922,758 | 18,247,938 | 20,869,671 | 23,056,516 | 25,878,815 | 29,131,617 | 32,479,343 |
| Net Financial Assets/(Debt) | | (815,901) | (2,798,103) | (5,034,044) | (10,626,595) | (16,849,608) | (19,355,626) | (21,418,130) | (22,982,662) | (23,996,233) | (24,387,996) |
| Non-Financial Assets | | | | | | | | | | | |
| Tangible Capital Assets | 4 | 34,737,121 | 39,280,499 | 44,283,257 | 53,154,435 | 62,897,045 | 68,623,683 | 74,428,092 | 80,367,492 | 86,367,246 | 92,421,042 |
| Total Non-Financial Assets | | 34,737,121 | 39,280,499 | 44,283,257 | 53,154,435 | 62,897,045 | 68,623,683 | 74,428,092 | 80,367,492 | 86,367,246 | 92,421,042 |
| Accumulated Surplus/(Deficit) | 5 | 33,921,220 | 36,482,396 | 39,249,213 | 42,527,840 | 46,047,437 | 49,268,057 | 53,009,962 | 57,384,830 | 62,371,013 | 68,033,046 |
| Financial Indicators | | | | | | | | | | | |
| | Total Change | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| 1) Increase/(Decrease) in Net Financial Assets | (23,107,644) | 464,451 | (1,982,202) | (2,235,941) | (5,592,551) | (6,223,013) | (2,506,018) | (2,062,504) | (1,564,532) | (1,013,571) | (391,763) |
| 2) Increase/(Decrease) in Tangible Capital Assets | 58,757,586 | 1,073,665 | 4,543,378 | 5,002,758 | 8,871,178 | 9,742,610 | 5,726,638 | 5,804,409 | 5,939,400 | 5,999,754 | 6,053,796 |
| 3) Increase/(Decrease) in Accumulated Surplus | 35,649,942 | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Water Revenue | | | | | | | | | | | |
| Base Charge Revenue | | 2,184,090 | 2,360,196 | 2,549,755 | 2,764,019 | 3,010,104 | 3,272,854 | 3,554,956 | 3,864,572 | 4,197,549 | 4,558,966 |
| Rate Based Revenue | | 3,540,758 | 3,814,573 | 4,109,453 | 4,436,906 | 4,801,647 | 5,195,698 | 5,622,393 | 6,084,337 | 6,583,629 | 7,123,251 |
| Earned Development Charges Revenue | 3 | - | 678,720 | 127,346 | 165,492 | 170,482 | 175,564 | 180,885 | 186,298 | 191,879 | 197,611 |
| Developer Contributions | 4 | - | 102,000 | 588,000 | 788,000 | 812,000 | 194,000 | 200,000 | 208,000 | 214,000 | 220,000 |
| Other Revenue | 6 | 302,164 | 295,011 | 301,483 | 308,425 | 319,014 | 330,817 | 345,746 | 370,620 | 402,127 | 441,112 |
| Total Revenues | | 6,027,012 | 7,250,500 | 7,676,037 | 8,462,842 | 9,113,247 | 9,168,933 | 9,903,980 | 10,713,827 | 11,589,184 | 12,540,940 |
| Water Expenses | | | | | | | | | | | |
| Operating Expenses | Sch. 4-1 | 2,999,200 | 3,139,100 | 3,207,000 | 3,277,200 | 3,371,100 | 3,331,400 | 3,406,600 | 3,483,500 | 3,562,100 | 3,642,700 |
| Interest on Debt | 2 | 69,361 | 59,602 | 87,978 | 153,193 | 208,160 | 300,551 | 278,884 | 261,859 | 250,655 | 239,003 |
| Amortization | 4 | 1,420,335 | 1,490,622 | 1,614,242 | 1,753,822 | 2,014,390 | 2,316,362 | 2,476,591 | 2,593,600 | 2,790,246 | 2,997,204 |
| Loss on Disposal of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Total Expenses | | 4,488,896 | 4,689,324 | 4,909,220 | 5,184,215 | 5,593,650 | 5,948,313 | 6,162,075 | 6,338,959 | 6,603,001 | 6,878,907 |
| Annual Surplus/(Deficit) | | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |
| Accumulated Surplus/(Deficit), beginning of year | 5 | 32,383,104 | 33,921,220 | 36,482,396 | 39,249,213 | 42,527,840 | 46,047,437 | 49,268,057 | 53,009,962 | 57,384,830 | 62,371,013 |
| Accumulated Surplus/(Deficit), end of year | | 33,921,220 | 36,482,396 | 39,249,213 | 42,527,840 | 46,047,437 | 49,268,057 | 53,009,962 | 57,384,830 | 62,371,013 | 68,033,046 |
| Note 5: | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) Reconciliation: | | | | | | | | | | | |
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Reserve Balances | | | | | | | | | | | |
| Reserves: Development Charges | | 747,513 | 97,650 | - | - | - | - | - | - | - | - |
| Reserves: Gas Tax | | - | - | - | - | - | - | - | - | - | - |
| Reserves: Capital/Other | | 1,357,656 | - | - | - | - | 87,278 | 692,662 | 2,276,224 | 4,501,461 | 7,443,121 |
| Total Reserves Balance | | 2,105,169 | 97,650 | - | - | - | 87,278 | 692,662 | 2,276,224 | 4,501,461 | 7,443,121 |
| Less: Debt Obligations and Deferred Revenue | | (2,921,070) | (2,895,753) | (4,341,092) | (5,625,274) | (7,842,352) | (7,205,212) | (6,546,485) | (6,266,377) | (5,975,064) | (5,672,098) |
| Less: DC Credits Outstanding | 3 | - | - | (692,952) | (5,001,321) | (9,007,256) | (12,237,692) | (15,564,307) | (18,992,509) | (22,522,630) | (26,159,019) |
| Add: Tangible Capital Assets | 4 | 34,737,121 | 39,280,499 | 44,283,257 | 53,154,435 | 62,897,045 | 68,623,683 | 74,428,092 | 80,367,492 | 86,367,246 | 92,421,042 |
| Total Ending Balance | | 33,921,220 | 36,482,396 | 39,249,213 | 42,527,840 | 46,047,437 | 49,268,057 | 53,009,962 | 57,384,830 | 62,371,013 | 68,033,046 |
| Financial Indicators | | | | | | | | | | | |
| | Total Change | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| 1) Expense to Revenue Ratio | | 74% | 65% | 64% | 61% | 61% | 65% | 62% | 59% | 57% | 55% |
| 2) Increase/(Decrease) in Accumulated Surplus | 35,649,942 | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|--|-------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Operating Expenses | | | | | | | | | | | |
| Wages | | 1,495,100 | 1,525,000 | 1,555,500 | 1,586,600 | 1,618,300 | 1,650,700 | 1,683,700 | 1,717,400 | 1,751,700 | 1,786,700 |
| Management fees | | 74,800 | 76,300 | 77,800 | 79,400 | 81,000 | 82,600 | 84,300 | 86,000 | 87,700 | 89,500 |
| Training | | 45,600 | 46,500 | 47,400 | 48,300 | 49,300 | 50,300 | 51,300 | 52,300 | 53,300 | 54,400 |
| Billing and collecting | | 126,900 | 129,400 | 132,000 | 134,600 | 137,300 | 140,000 | 142,800 | 145,700 | 148,600 | 151,600 |
| Professional fees and dues | | 61,200 | 62,400 | 63,600 | 64,900 | 66,200 | 67,500 | 68,900 | 70,300 | 71,700 | 73,100 |
| Rent | | 55,100 | 56,200 | 57,300 | 58,400 | 59,600 | 60,800 | 62,000 | 63,200 | 64,500 | 65,800 |
| Vehicle maintenance and gas | | 39,200 | 40,000 | 40,800 | 41,600 | 42,400 | 43,200 | 44,100 | 45,000 | 45,900 | 46,800 |
| Property taxes | | 84,700 | 86,400 | 88,100 | 89,900 | 91,700 | 93,500 | 95,400 | 97,300 | 99,200 | 101,200 |
| Insurance | | 98,500 | 100,500 | 102,500 | 104,600 | 106,700 | 108,800 | 111,000 | 113,200 | 115,500 | 117,800 |
| IT maintenance | | 93,000 | 94,900 | 96,800 | 98,700 | 100,700 | 102,700 | 104,800 | 106,900 | 109,000 | 111,200 |
| Miscellaneous | | 19,700 | 20,100 | 20,500 | 20,900 | 21,300 | 21,700 | 22,100 | 22,500 | 23,000 | 23,500 |
| Office supplies and telecommunications | | 109,300 | 111,500 | 113,700 | 116,000 | 118,300 | 120,700 | 123,100 | 125,600 | 128,100 | 130,700 |
| Water operations and maintenance | | 286,300 | 293,700 | 301,200 | 309,700 | 319,300 | 329,100 | 339,200 | 349,700 | 360,400 | 371,500 |
| Chemicals purchased | | 52,100 | 53,400 | 54,800 | 56,300 | 58,100 | 59,900 | 61,700 | 63,600 | 65,600 | 67,600 |
| Distribution | | 281,500 | 288,800 | 296,300 | 304,600 | 314,000 | 323,700 | 333,700 | 343,900 | 354,500 | 365,300 |
| Building utilities and maintenance | | 66,200 | 68,000 | 69,700 | 71,700 | 73,900 | 76,200 | 78,500 | 80,900 | 83,400 | 86,000 |
| Non TCA - Expenses from Capital Budget | 7 | 10,000 | 86,000 | 89,000 | 91,000 | 113,000 | - | - | - | - | - |
| TOTAL OPERATING EXPENSES | | 2,999,200 | 3,139,100 | 3,207,000 | 3,277,200 | 3,371,100 | 3,331,400 | 3,406,600 | 3,483,500 | 3,562,100 | 3,642,700 |



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|---|-------|------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Annual Surplus/(Deficit) | | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |
| Less: Acquisition of Tangible Capital Assets | 4 | (2,494,000) | (6,034,000) | (6,617,000) | (10,625,000) | (11,757,000) | (8,043,000) | (8,281,000) | (8,533,000) | (8,790,000) | (9,051,000) |
| Add: Amortization of Tangible Capital Assets | 4 | 1,420,335 | 1,490,622 | 1,614,242 | 1,753,822 | 2,014,390 | 2,316,362 | 2,476,591 | 2,593,600 | 2,790,246 | 2,997,204 |
| (Gain)/Loss on disposal of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Add: Proceeds on Sale of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Add: Write-downs of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| | | (1,073,665) | (4,543,378) | (5,002,758) | (8,871,178) | (9,742,610) | (5,726,638) | (5,804,409) | (5,939,400) | (5,999,754) | (6,053,796) |
| Less: Acquisition of Supplies Inventory | | - | - | - | - | - | - | - | - | - | - |
| Less: Acquisition of Prepaid Expenses | | - | - | - | - | - | - | - | - | - | - |
| Add: Consumption of Supplies Inventory | | - | - | - | - | - | - | - | - | - | - |
| Add: Use of Prepaid Expenses | | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - |
| Increase/(Decrease) in Net Financial Assets/(Net Debt) | | 464,451 | (1,982,202) | (2,235,941) | (5,592,551) | (6,223,013) | (2,506,018) | (2,062,504) | (1,564,532) | (1,013,571) | (391,763) |
| Net Financial Assets/(Net Debt), beginning of year | | (1,280,352) | (815,901) | (2,798,103) | (5,034,044) | (10,626,595) | (16,849,608) | (19,355,626) | (21,418,130) | (22,982,662) | (23,996,233) |
| Net Financial Assets/(Net Debt), end of year | | (815,901) | (2,798,103) | (5,034,044) | (10,626,595) | (16,849,608) | (19,355,626) | (21,418,130) | (22,982,662) | (23,996,233) | (24,387,996) |
| Financial Indicators | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| 1) Acquisition of Tangible Capital Assets (Cumulative) | | 2,494,000 | 8,528,000 | 15,145,000 | 25,770,000 | 37,527,000 | 45,570,000 | 53,851,000 | 62,384,000 | 71,174,000 | 80,225,000 |
| 2) Annual Surplus/Deficit before Amortization (Cumulative) | | 2,958,451 | 7,010,249 | 11,391,308 | 16,423,757 | 21,957,744 | 27,494,726 | 33,713,222 | 40,681,690 | 48,458,119 | 57,117,356 |
| 3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative) | | 1.19 | 0.82 | 0.75 | 0.64 | 0.59 | 0.60 | 0.63 | 0.65 | 0.68 | 0.71 |



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2021-2030

| | Notes | Forecast | | | | | | | | | |
|---|----------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Operating Transactions | | | | | | | | | | | |
| Annual Surplus/Deficit | | 1,538,116 | 2,561,176 | 2,766,817 | 3,278,627 | 3,519,597 | 3,220,620 | 3,741,905 | 4,374,868 | 4,986,183 | 5,662,033 |
| Add: Amortization of TCA's | 4 | 1,420,335 | 1,490,622 | 1,614,242 | 1,753,822 | 2,014,390 | 2,316,362 | 2,476,591 | 2,593,600 | 2,790,246 | 2,997,204 |
| (Gain)/Loss on disposal of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Less: Earned Deferred Revenue | 3 | - | (678,720) | (127,346) | (165,492) | (170,482) | (175,564) | (180,885) | (186,298) | (191,879) | (197,611) |
| Less: Developer Contributions | | - | (102,000) | (588,000) | (788,000) | (812,000) | (194,000) | (200,000) | (208,000) | (214,000) | (220,000) |
| Add: Deferred Revenue Proceeds | | 35,425 | 28,856 | 29,696 | 165,492 | 170,482 | 175,564 | 180,885 | 186,298 | 191,879 | 197,611 |
| Change in A/R (Increase)/Decrease | | (1,026,599) | (93,198) | (84,952) | (91,412) | (102,167) | (115,715) | (124,341) | (133,649) | (145,386) | (156,743) |
| Change in A/P Increase/(Decrease) | | 532,652 | 11,319 | 11,628 | 11,811 | 12,411 | 13,084 | 13,338 | 13,685 | 13,994 | 14,303 |
| Less: Interest Proceeds | | (13,442) | - | - | - | - | (864) | (6,858) | (22,537) | (44,569) | (73,694) |
| Cash Provided by Operating Transactions | | 2,486,487 | 3,218,055 | 3,622,085 | 4,164,848 | 4,632,231 | 5,239,487 | 5,900,635 | 6,617,967 | 7,386,468 | 8,223,103 |
| Capital Transactions | | | | | | | | | | | |
| Proceeds on sale of Tangible Capital Assets | | - | - | - | - | - | - | - | - | - | - |
| Less: Cash Used to acquire Tangible Capital Assets | 4 | (2,494,000) | (5,932,000) | (6,029,000) | (9,837,000) | (10,945,000) | (7,849,000) | (8,081,000) | (8,325,000) | (8,576,000) | (8,831,000) |
| Cash Applied to Capital Transactions | | (2,494,000) | (5,932,000) | (6,029,000) | (9,837,000) | (10,945,000) | (7,849,000) | (8,081,000) | (8,325,000) | (8,576,000) | (8,831,000) |
| Investing Transactions | | | | | | | | | | | |
| Proceeds from Investments | | 13,442 | - | - | - | - | 864 | 6,858 | 22,537 | 44,569 | 73,694 |
| Less: Cash Used to Acquire Investments | | - | - | - | - | - | - | - | - | - | - |
| Cash Provided by (applied to) Investing Transactions | | 13,442 | - | - | - | - | 864 | 6,858 | 22,537 | 44,569 | 73,694 |
| Financing Transactions | | | | | | | | | | | |
| Proceeds from Debt Issue | 2 | - | 960,668 | 1,921,422 | 1,738,781 | 2,744,653 | - | - | - | - | - |
| Proceeds from D.C. Credit Issuance | 3 | - | - | 692,952 | 4,308,369 | 4,005,935 | 3,230,436 | 3,326,615 | 3,428,202 | 3,530,121 | 3,636,389 |
| Less: Debt Repayment (Principal only) | 2 | (326,363) | (336,121) | (378,433) | (454,600) | (527,575) | (637,140) | (658,726) | (280,109) | (291,313) | (302,966) |
| Cash Applied to Financing Transactions | | (326,363) | 624,547 | 2,235,941 | 5,592,550 | 6,223,013 | 2,593,296 | 2,667,889 | 3,148,093 | 3,238,808 | 3,333,423 |
| Increase in Cash and Cash Equivalents | | (320,434) | (2,089,398) | (170,974) | (79,602) | (89,756) | (15,353) | 494,382 | 1,463,597 | 2,093,845 | 2,799,220 |
| Cash and Cash Equivalents, beginning of year | 1 | 1,931,655 | 1,611,221 | (478,177) | (649,151) | (728,753) | (818,509) | (833,862) | (339,480) | 1,124,117 | 3,217,962 |
| Cash and Cash Equivalents, end of year | 1 | 1,611,221 | (478,177) | (649,151) | (728,753) | (818,509) | (833,862) | (339,480) | 1,124,117 | 3,217,962 | 6,017,182 |



Notes to Financial Plan

The financial plan format as outlined in Chapter 4 closely approximates the full accrual format used by municipalities on their audited financial statements. However, the financial plan is not an audited document and contains various estimates. In this regard, section 3 (2) of O. Reg. 453/07 states the following:

“Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:

1. Sub-subparagraphs 4 i A, B and C of subsection (1)
2. Sub-subparagraphs 4 iii A, C, E and F of subsection (1).”

The information referred to in sub-subparagraphs 4 i A, B and C of subsection (1) includes:

- A. Total financial assets (i.e. cash and receivables);
- B. Total liabilities (i.e. payables, debt and deferred revenue);
- C. Net debt (i.e. the difference between A and B above).

The information referred to in sub-subparagraphs 4 iii A, C, E and F of subsection (1) includes:

- A. Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
- B. Investing transactions that are acquisitions and disposal of investments
- C. Change in cash and cash equivalents during the year
- D. Cash and cash equivalents at the beginning and end of the year

In order to show a balanced financial plan in a full accrual format for the Town, some of the items listed above have been estimated given that the Town does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services



given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).

The assumptions used have been documented below:

1. Cash, Receivables and Payables

It is assumed that the opening cash balances required to complete the financial plan are equal to:

Ending Reserve/Reserve Fund Balance
Plus: Ending Accounts Payable Balance
Less: Ending Accounts Receivable Balance
Equals: *Approximate Ending Cash Balance*

Receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on historical levels of water receivables as a percentage of annual water revenue earned (source: 2018 and 2019 Town provided water accounts receivable balances); and
- b) Payables: Based on historical levels of water payables as a percentage of annual water expenses incurred (source: 2018 and 2019 Town provided water accounts payable balances).

2. Debt

The Town will be issuing \$2.5 million in water related debt in 2020 and is anticipating the need to issue debt over the forecast period to fund non-growth-related expenditures. *Principal* repayments for the debt over the forecast period are scheduled as follows:



| Year | Principal Payments |
|--------------|--------------------|
| 2021 | 326,363 |
| 2022 | 336,121 |
| 2023 | 378,433 |
| 2024 | 454,600 |
| 2025 | 527,575 |
| 2026 | 637,140 |
| 2027 | 658,726 |
| 2028 | 280,109 |
| 2029 | 291,313 |
| 2030 | 302,966 |
| Total | 4,193,346 |

3. Deferred Revenue

Deferred revenue is typically made up of water development charge reserve fund and gas tax balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. The Development Charge reserve fund is anticipated to be fully utilized in starting in 2022 which is shown as earned development charge revenues for reporting purposes. After 2022, growth-related expenditures are anticipated to be undertaken in part by developers who will receive D.C. credits in exchange for the emplaced capital works.

These D.C. credits have been accounted for as a liability under the Statement of Financial Position. In the Statement of Operations, outstanding D.C. credits can be seen in the Accumulated Surplus/(Deficit) reconciliation and are treated similarly to outstanding debt obligations. Finally, we see the proceeds from developer contributions in the Statement of Cash Flow calculations, similar to proceeds from the issuance of debt.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Infrastructure (equipment, infrastructure and contributed capital)
 - ii. Facilities (buildings)
- Amortization is calculated based on using the straight-line approach with no amortization in the year of acquisition or construction.



- Given the planned asset replacement forecast in the 2020 Rate Study, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- The Town is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized as follows:

| Asset Historical Cost | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Opening Tangible Capital Asset Balance | 60,378,875 | 62,073,062 | 67,118,708 | 72,781,327 | 82,399,577 | 92,952,658 | 99,786,544 | 106,697,145 | 113,718,081 | 120,858,155 |
| Acquisitions | 2,494,000 | 6,034,000 | 6,617,000 | 10,625,000 | 11,757,000 | 8,043,000 | 8,281,000 | 8,533,000 | 8,790,000 | 9,051,000 |
| Disposals | 799,813 | 988,354 | 954,381 | 1,006,750 | 1,203,919 | 1,209,114 | 1,370,399 | 1,512,064 | 1,649,926 | 1,606,044 |
| Closing Tangible Capital Asset Balance | 62,073,062 | 67,118,708 | 72,781,327 | 82,399,577 | 92,952,658 | 99,786,544 | 106,697,145 | 113,718,081 | 120,858,155 | 128,303,111 |
| Opening Accumulated Amortization | 26,715,419 | 27,335,941 | 27,838,209 | 28,498,070 | 29,245,142 | 30,055,613 | 31,162,861 | 32,269,053 | 33,350,589 | 34,490,909 |
| Amortization Expense | 1,420,335 | 1,490,622 | 1,614,242 | 1,753,822 | 2,014,390 | 2,316,362 | 2,476,591 | 2,593,600 | 2,790,246 | 2,997,204 |
| Amortization on Disposal | 799,813 | 988,354 | 954,381 | 1,006,750 | 1,203,919 | 1,209,114 | 1,370,399 | 1,512,064 | 1,649,926 | 1,606,044 |
| Ending Accumulated Amortization | 27,335,941 | 27,838,209 | 28,498,070 | 29,245,142 | 30,055,613 | 31,162,861 | 32,269,053 | 33,350,589 | 34,490,909 | 35,882,069 |
| Net Book Value | 34,737,121 | 39,280,499 | 44,283,257 | 53,154,435 | 62,897,045 | 68,623,683 | 74,428,092 | 80,367,492 | 86,367,246 | 92,421,042 |

5. Accumulated Surplus

Opening accumulated surplus for the forecast period is reconciled as follows:

| Water | 2021 Opening Accumulated Surplus |
|---|----------------------------------|
| Reserve Balances | |
| Reserves: Development Charges | 712,088 |
| Reserves: Capital/Other | 1,219,567 |
| Total Reserves Balance | 1,931,655 |
| Less: Debt Obligations and Deferred Revenue | (3,212,007) |
| Less: Unfinanced Capital | - |
| Add: Tangible Capital Assets | 33,663,456 |
| Total Opening Balance | 32,383,104 |



The accumulated surplus reconciliation for all years within the forecast period is contained in Table 4-2.

6. Other Revenue

Other revenues include interest and miscellaneous fees and charges.

7. Operating Expenses

Capital expenditures for items not meeting the definition of tangible capital assets have been reclassified as operating expenses and have been expensed in the year in which they occur.



Chapter 5

Process for Financial Plan Approval and Submission to the Province



5. Process for Financial Plan Approval and Submission to the Province

As mentioned in section 1.2, preparation of and approval of a financial plan for water assets that meets the requirements of the Act is mandatory for municipal water providers. Proof of the plan preparation and approval is a key submission requirement for municipal drinking water licensing and, upon completion, must be submitted to the MECP. The process established for plan approval, public circulation and filing is set out in O. Reg. 453/07 and can be summarized as follows:

1. The financial plan must be approved by resolution of Council of the municipality who owns the drinking water system or the governing body of the owner. (O. Reg. 453/07, section 3 (1) 1.)
2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O. Reg. 453/07, section 3 (1) 5.)
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6.)
4. The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the Safe Drinking Water Act. (S.D.W.A. section 32 (5) 2.ii.)



Chapter 6

Recommendations

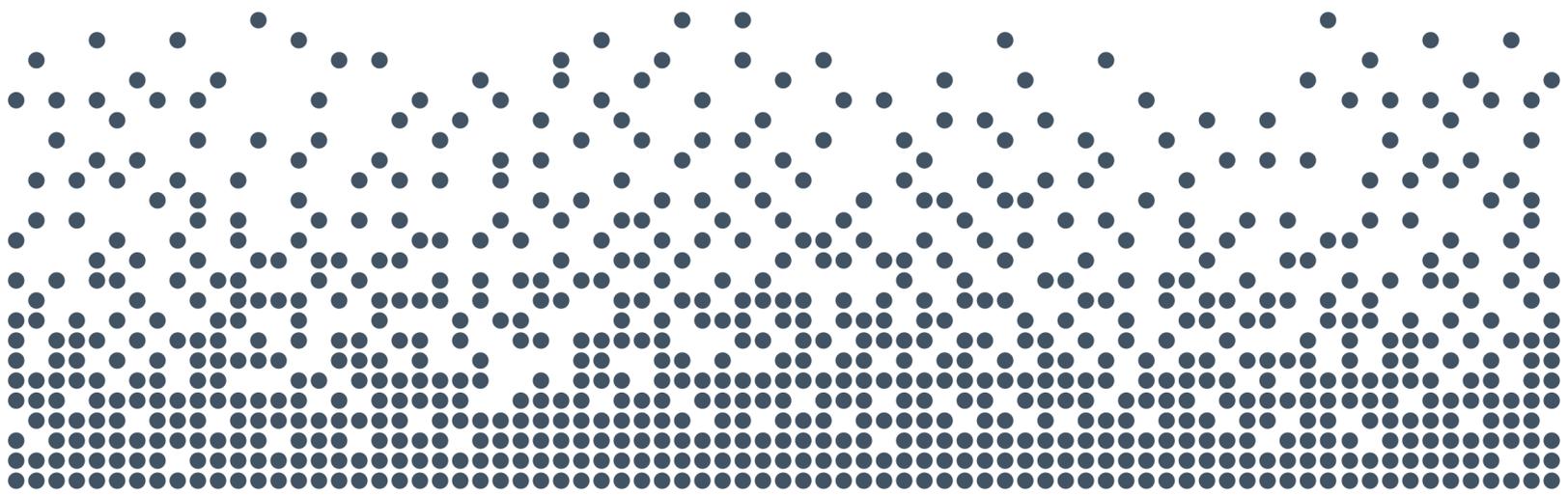


6. Recommendations

This report presents the water financial plan for the Town of Cobourg in accordance with the mandatory reporting formats for water systems as detailed in O. Reg. 453/07. It is important to note that while mandatory, the financial plan is provided for Council's interest and approval, however, for decision making purposes, it may be more informative to rely on the information contained within the 2020 Water Rate Study, dated December 11, 2020. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Town of Cobourg's Water Financial Plan prepared by Watson & Associates Economists Ltd. dated December 11, 2020 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated December 11, 2020 be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6).
4. The resolution of Council approving the Financial Plan be submitted to the MECP, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. section 32 (5) 2.ii.).¹

¹ Note: The Ministry of the Environment does not require the Council Resolution for the initial financial plan submission. We encourage the municipality to contact the Ministry of the Environment to verify all requirements have been met.



Appendices



Appendix A

2020 Water Rate Study – Water Summary Tables



Table 1
Town of Cobourg
Water Service
Capital Budget Forecast
 Inflated \$

| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|--|-------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Capital Budget Forecast Projects | | | | | | | | | | | | | |
| <i>Capital Expenditures</i> | | | | | | | | | | | | | |
| Water Master Plan (including Clarifier engineering study) | 150,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Booster Station Generator | 10,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Tower 2 (Strathy Rd.) Generator | 20,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Raw Water Actuator Valve | 11,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| ROV CCC | 6,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Wachs hydraulic water pump | 5,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Work Order Management | 26,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| WTP Driveway | 40,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| New Distribution Truck | 100,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Raw Water Intake - clean and repairs | 15,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Infrastructure Provision | - | 1,077,000 | - | 106,000 | 109,000 | 113,000 | 116,000 | 119,000 | 123,000 | 127,000 | 130,000 | 134,000 | |
| Watermain Design | 50,000 | 239,000 | 77,000 | 80,000 | 82,000 | - | - | - | - | - | - | - | |
| IT Hardware and Software | 81,000 | 958,000 | 83,000 | 86,000 | 89,000 | 91,000 | 94,000 | 97,000 | 100,000 | 103,000 | 106,000 | 109,000 | |
| Tools | 15,000 | 176,000 | 15,000 | 16,000 | 16,000 | 17,000 | 17,000 | 18,000 | 18,000 | 19,000 | 20,000 | 20,000 | |
| New WTP Hybrid Pick up truck | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - | |
| New Distribution Hybrid Pick up Truck | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - | |
| Install Fall arrest system for pump house | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | |
| Install Chlorine analyzer for supernatant | - | 8,000 | 8,000 | - | - | - | - | - | - | - | - | - | |
| HL well cleaning | - | 9,000 | 9,000 | - | - | - | - | - | - | - | - | - | |
| Install Contact chamber actuators (two) | - | 28,000 | 28,000 | - | - | - | - | - | - | - | - | - | |
| Kitchenette | - | 5,000 | 5,000 | - | - | - | - | - | - | - | - | - | |
| parastolic pump for contact chamber analyzer | - | 8,000 | 8,000 | - | - | - | - | - | - | - | - | - | |
| Strathy tower lights | - | 52,000 | 52,000 | - | - | - | - | - | - | - | - | - | |
| Water Model Update | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | |
| Safety code 6: Strathy/Ontario Possible | - | 10,000 | 10,000 | - | - | - | - | - | - | - | - | - | |
| TSSA tower 1 | - | 36,000 | 36,000 | - | - | - | - | - | - | - | - | - | |
| TSSA WTP 230kw generator | - | 36,000 | 36,000 | - | - | - | - | - | - | - | - | - | |
| Matthew Street | 1,050,000 | - | - | - | - | - | - | - | - | - | - | - | |
| Harden St and Harden Cres | - | 1,215,000 | 1,215,000 | - | - | - | - | - | - | - | - | - | |
| Albert St | - | 386,000 | 386,000 | - | - | - | - | - | - | - | - | - | |
| Blake, Burke and Victoria | - | 849,000 | - | 849,000 | - | - | - | - | - | - | - | - | |
| King St W (William to Burnham, 810m) | - | 1,719,000 | - | 1,719,000 | - | - | - | - | - | - | - | - | |
| Walton St and Munroe St (Chapel to end 625m, 200m on Munroe) | - | 1,442,000 | - | - | 1,442,000 | - | - | - | - | - | - | - | |
| Perry St (D'arcy to Church, 505m) | - | 883,000 | - | - | 883,000 | - | - | - | - | - | - | - | |
| Green St (Bay to Queen, 240m) | - | 432,000 | - | - | - | 432,000 | - | - | - | - | - | - | |
| Green St (Queen to King, 110m) | - | 248,000 | - | - | - | 248,000 | - | - | - | - | - | - | |
| Spencer St (Division to George, 210m) | - | 378,000 | - | - | - | 378,000 | - | - | - | - | - | - | |
| Watermain Provision | - | 20,279,000 | - | - | - | 1,418,000 | 2,671,000 | 3,050,000 | 3,141,000 | 3,235,000 | 3,332,000 | 3,432,000 | |



| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|--|----------------|-----------|----------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Master Plan Capital Projects | | | | | | | | | | | | | |
| <i>Linear Watermain Projects</i> | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1a - Brook Road North | - | 288,000 | - | 69,000 | 71,000 | 73,000 | 75,000 | - | - | - | - | - | - |
| 1b - Fut. Kerr Street | - | 1,775,000 | - | 424,000 | 437,000 | 450,000 | 464,000 | - | - | - | - | - | - |
| 1c - D'Arcy Street | - | 372,000 | - | 89,000 | 92,000 | 94,000 | 97,000 | - | - | - | - | - | - |
| 2a - D'Arcy Street (Oversizing) | - | 214,000 | - | 51,000 | 53,000 | 54,000 | 56,000 | - | - | - | - | - | - |
| 2b - Fut. Kerr Street | - | 1,079,000 | - | - | - | 141,000 | 145,000 | 149,000 | 154,000 | 159,000 | 163,000 | 168,000 | |
| 2c - Brook Road North | - | 2,664,000 | - | - | - | 348,000 | 358,000 | 369,000 | 380,000 | 391,000 | 403,000 | 415,000 | |
| 2d - Fut. Brook Road North | - | 770,000 | - | - | - | 770,000 | - | - | - | - | - | - | - |
| 2e - Elgin Street East | - | 926,000 | - | - | - | 926,000 | - | - | - | - | - | - | - |
| 2f - Fut. Road Internal to Rondeau Dev. | - | 1,137,000 | - | - | - | 1,137,000 | - | - | - | - | - | - | - |
| 2g - Danforth Road | - | 863,000 | - | - | - | 113,000 | 116,000 | 119,000 | 123,000 | 127,000 | 131,000 | 134,000 | |
| 2i - Fut. Kerr Street | - | 788,000 | - | - | - | 103,000 | 106,000 | 109,000 | 112,000 | 116,000 | 119,000 | 123,000 | |
| 2o - White Street at Cobourg Creek E. Branch (Oversizing) | - | 457,000 | - | - | 148,000 | 152,000 | 157,000 | - | - | - | - | - | - |
| 2p - White Street at Cobourg Creek W. Branch (Oversizing) | - | 288,000 | - | - | 93,000 | 96,000 | 99,000 | - | - | - | - | - | - |
| 2s - Rogers Road/DePalma Drive (Oversizing) | - | 262,000 | - | - | - | 34,000 | 35,000 | 36,000 | 37,000 | 39,000 | 40,000 | 41,000 | |
| 3a - West Sub-Trunk (Oversizing) | - | 442,000 | - | - | - | 58,000 | 59,000 | 61,000 | 63,000 | 65,000 | 67,000 | 69,000 | |
| Ewart Street BPS Building Maintenance | 32,500 | - | - | - | - | - | - | - | - | - | - | - | - |
| Replace Ewart Street BPS Stand-By Power System | - | 500,000 | - | - | - | - | 77,000 | 80,000 | 82,000 | 84,000 | 87,000 | 90,000 | |
| New 5,000 m3 Zone 1 Elevated Tank | - | 7,933,000 | - | 1,896,000 | 1,953,000 | 2,012,000 | 2,072,000 | - | - | - | - | - | - |
| Decomission Existing Zone 1 Victoria Street Elevated Tank | - | 360,000 | - | 86,000 | 89,000 | 91,000 | 94,000 | - | - | - | - | - | - |
| Provide Full Size Irrigated Soccer Field | - | 505,000 | - | 121,000 | 124,000 | 128,000 | 132,000 | - | - | - | - | - | - |
| New Zone 2 BPS with a 120 L/s Firm Rated Capacity at Same Site as New Zone 1 Elevated Tank | - | 1,948,000 | - | - | - | - | 301,000 | 310,000 | 320,000 | 329,000 | 339,000 | 349,000 | |
| New Booster Pumping Station to Supply Future Zone 3 | - | 4,306,000 | - | - | - | - | 666,000 | 686,000 | 706,000 | 727,000 | 749,000 | 772,000 | |



| Description | Budget 2020 | Total | Forecast | | | | | | | | | | |
|---|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Water Treatment Projects | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intake Pipe Cleaning, Inspection and Upgrades | - | 142,000 | 27,000 | 28,000 | 28,000 | 29,000 | 30,000 | - | - | - | - | - | - |
| Provide Railing System on Retaining Walls at Shoreline | - | 15,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | - | - | - | - | - | - |
| Replace GAC Filter Media | - | 569,000 | 107,000 | 110,000 | 114,000 | 117,000 | 121,000 | - | - | - | - | - | - |
| Improve Ventilation/Dehumidification in Backwash Pump Room | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - |
| Replace/Repair Sections of Backwash Piping | - | 213,000 | 40,000 | 41,000 | 43,000 | 44,000 | 45,000 | - | - | - | - | - | - |
| Replace Wastewater Transfer Pumps and Provide Flow Meter on Discharge | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - |
| Upgrade Wastewater Discharge System (On-Site SPS) | - | 711,000 | 134,000 | 138,000 | 142,000 | 146,000 | 151,000 | - | - | - | - | - | - |
| Replace Chlorine Storage Room Monorail and Hoist | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - |
| Replace Surge Valve on Highlift Pumping Station Discharge | - | 43,000 | 8,000 | 8,000 | 9,000 | 9,000 | 9,000 | - | - | - | - | - | - |
| Relocate Chlorine Residual Sampling Points | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - |
| Replace WTP SCADA Computers | - | 36,000 | 7,000 | 7,000 | 7,000 | 7,000 | 8,000 | - | - | - | - | - | - |
| Replace SCADAPack 32 PLCs at Ewart Street BPS | - | 107,000 | 20,000 | 21,000 | 21,000 | 22,000 | 23,000 | - | - | - | - | - | - |
| Replace SCADAPack 32 PLCs at Zone 2 (Strathy Road) Elevated Tank | - | 71,000 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 | - | - | - | - | - | - |
| Replace Low Lift Pump Discharge Valves | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | |
| Refurbish Low Lift Pumps | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | |
| Replace Alum Tanks (2) | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | |
| Replace Turbidimeters | - | 97,000 | - | - | - | - | 15,000 | 16,000 | 16,000 | 16,000 | 17,000 | 17,000 | |
| Provide Redundant Dissolved Air Flootation Clarification System - Option C5 | - | 10,399,000 | - | - | - | - | 1,608,000 | 1,656,000 | 1,705,000 | 1,757,000 | 1,809,000 | 1,864,000 | |
| Provide Third Filter Train - Option C5 | - | 4,386,000 | - | - | - | - | 678,000 | 699,000 | 719,000 | 741,000 | 763,000 | 786,000 | |
| Replace Supernatant Discharge Pumps | - | 32,000 | - | - | - | - | 5,000 | 5,000 | 5,000 | 5,000 | 6,000 | 6,000 | |
| Equip High-lift Pumps HLP #1 & HLP #2 with VFDs | - | 162,000 | - | - | - | - | 25,000 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 | |
| Replace High-lift Pump Discharge Butterfly Valves & Controls | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | |
| Refurbish High-Lift Pumps | - | 195,000 | - | - | - | - | 30,000 | 31,000 | 32,000 | 33,000 | 34,000 | 35,000 | |
| Replace Low-Lift and High-Lift Pump Level Transmitters | - | 325,000 | - | - | - | - | 50,000 | 52,000 | 53,000 | 55,000 | 57,000 | 58,000 | |
| Studies: | | | | | | | | | | | | | |
| Water Rate Study and Financial Plan | 16,000 | 19,000 | - | - | - | - | 19,000 | - | - | - | - | - | - |
| Total Capital Expenditures | 1,627,500 | 77,288,000 | 2,504,000 | 6,018,000 | 6,118,000 | 9,928,000 | 11,058,000 | 7,849,000 | 8,081,000 | 8,325,000 | 8,576,000 | 8,831,000 | |
| Capital Financing | | | | | | | | | | | | | |
| Provincial/Federal Grants | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Development Charges Reserve Fund | - | 28,233,296 | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 | |
| Non-Growth Related Debenture Requirements | - | 7,365,524 | - | 960,668 | 1,921,422 | 1,738,781 | 2,744,653 | - | - | - | - | - | |
| Growth Related Debenture Requirements | - | - | - | - | - | - | - | - | - | - | - | - | |
| Operating Contributions | - | - | - | - | - | - | - | - | - | - | - | - | |
| Water Reserve | 1,627,500 | 41,689,180 | 2,504,000 | 4,378,613 | 3,376,280 | 3,715,357 | 4,136,930 | 4,443,000 | 4,573,500 | 4,710,500 | 4,854,000 | 4,997,000 | |
| Total Capital Financing | 1,627,500 | 77,288,000 | 2,504,000 | 6,018,000 | 6,118,000 | 9,928,000 | 11,058,000 | 7,849,000 | 8,081,000 | 8,325,000 | 8,576,000 | 8,831,000 | |



Table 2
Town of Cobourg
Water Service
Schedule of Non-Growth Related Debenture Repayments
 Inflated \$

| Debenture Year | 2020 | Principal (Inflated) | Forecast | | | | | | | | | | |
|----------------------------------|------|----------------------|----------|------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| 2021 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2022 | | 960,668 | | | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 | 70,688 |
| 2023 | | 1,921,422 | | | | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 | 141,382 |
| 2024 | | 1,738,781 | | | | | 127,943 | 127,943 | 127,943 | 127,943 | 127,943 | 127,943 | 127,943 |
| 2025 | | 2,744,653 | | | | | | 201,956 | 201,956 | 201,956 | 201,956 | 201,956 | 201,956 |
| 2026 | | - | | | | | | | - | - | - | - | - |
| 2027 | | - | | | | | | | | - | - | - | - |
| 2028 | | - | | | | | | | | | - | - | - |
| 2029 | | - | | | | | | | | | | - | - |
| 2030 | | - | | | | | | | | | | | - |
| Total Annual Debt Charges | - | 7,365,524 | - | - | 70,688 | 212,069 | 340,012 | 541,968 | 541,968 | 541,968 | 541,968 | 541,968 | 541,968 |

Table 3
Town of Cobourg
Water Service
Schedule of Growth Related Debenture Repayments
 Inflated \$

| Debenture Year | 2020 | Principal (Inflated) | Forecast | | | | | | | | | | |
|----------------------------------|------|----------------------|----------|------|------|------|------|------|------|------|------|------|---|
| | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| 2021 | | - | | - | - | - | - | - | - | - | - | - | - |
| 2022 | | - | | | - | - | - | - | - | - | - | - | - |
| 2023 | | - | | | | - | - | - | - | - | - | - | - |
| 2024 | | - | | | | | - | - | - | - | - | - | - |
| 2025 | | - | | | | | | - | - | - | - | - | - |
| 2026 | | - | | | | | | | - | - | - | - | - |
| 2027 | | - | | | | | | | | - | - | - | - |
| 2028 | | - | | | | | | | | | - | - | - |
| 2029 | | - | | | | | | | | | | - | - |
| 2030 | | - | | | | | | | | | | | - |
| Total Annual Debt Charges | - | - | - | - | - | - | - | - | - | - | - | - | - |



Table 4
Town of Cobourg
Water Service
Water Reserves/ Reserve Funds Continuity
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------------------------|------------------|------------------|-----------|-----------|-----------|-----------|---------------|----------------|------------------|------------------|------------------|
| Opening Balance | 248,916 | 1,219,567 | 1,357,656 | - | - | - | - | 87,278 | 692,662 | 2,276,224 | 4,501,461 |
| Transfer from Operating | 2,586,076 | 2,628,647 | 3,020,957 | 3,376,279 | 3,715,357 | 4,136,930 | 4,529,414 | 5,172,026 | 6,271,525 | 7,034,668 | 7,864,966 |
| Transfer to Capital | 1,627,500 | 2,504,000 | 4,378,613 | 3,376,280 | 3,715,357 | 4,136,930 | 4,443,000 | 4,573,500 | 4,710,500 | 4,854,000 | 4,997,000 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 1,207,492 | 1,344,214 | - | - | - | - | 86,414 | 685,804 | 2,253,687 | 4,456,892 | 7,369,427 |
| Interest | 12,075 | 13,442 | - | - | - | - | 864 | 6,858 | 22,537 | 44,569 | 73,694 |

Table 5
Town of Cobourg
Water Service
Water Development Charges Reserve Fund Continuity
 Inflated \$

| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-----------------------------------|----------------|----------------|---------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Opening Balance | 677,846 | 712,088 | 747,513 | 97,650 | - | - | - | - | - | - | - |
| Development Charge Proceeds | 27,192 | 28,024 | 28,856 | 29,696 | 165,492 | 170,482 | 175,564 | 180,885 | 186,298 | 191,879 | 197,611 |
| Developer Contributions (Credits) | - | - | - | 692,952 | 4,308,369 | 4,005,935 | 3,230,436 | 3,326,615 | 3,428,202 | 3,530,121 | 3,636,389 |
| Transfer to Capital | - | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 |
| Transfer to Operating | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 705,038 | 740,112 | 97,650 | - | - | - | - | - | - | - | - |
| Interest | 7,050 | 7,401 | - | - | - | - | - | - | - | - | - |
| Required from Development Charges | - | - | 678,720 | 820,298 | 4,473,861 | 4,176,417 | 3,406,000 | 3,507,500 | 3,614,500 | 3,722,000 | 3,834,000 |



Table 6
Town of Cobourg
Water Services
Operating Budget Forecast
 Inflated \$

| Description | Budget 2020 | Forecast | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|--|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
| Expenditures | | | | | | | | | | | | |
| Operating Costs (Fixed Costs) | | | | | | | | | | | | |
| Wages | 1,465,824 | 1,495,100 | 1,525,000 | 1,555,500 | 1,586,600 | 1,618,300 | 1,650,700 | 1,683,700 | 1,717,400 | 1,751,700 | 1,786,700 | |
| Management fees | 73,339 | 74,800 | 76,300 | 77,800 | 79,400 | 81,000 | 82,600 | 84,300 | 86,000 | 87,700 | 89,500 | |
| Training | 44,747 | 45,600 | 46,500 | 47,400 | 48,300 | 49,300 | 50,300 | 51,300 | 52,300 | 53,300 | 54,400 | |
| Billing and collecting | 124,446 | 126,900 | 129,400 | 132,000 | 134,600 | 137,300 | 140,000 | 142,800 | 145,700 | 148,600 | 151,600 | |
| Professional fees and dues | 60,047 | 61,200 | 62,400 | 63,600 | 64,900 | 66,200 | 67,500 | 68,900 | 70,300 | 71,700 | 73,100 | |
| Rent | 54,064 | 55,100 | 56,200 | 57,300 | 58,400 | 59,600 | 60,800 | 62,000 | 63,200 | 64,500 | 65,800 | |
| Vehicle maintenance and gas | 38,474 | 39,200 | 40,000 | 40,800 | 41,600 | 42,400 | 43,200 | 44,100 | 45,000 | 45,900 | 46,800 | |
| Property taxes | 83,000 | 84,700 | 86,400 | 88,100 | 89,900 | 91,700 | 93,500 | 95,400 | 97,300 | 99,200 | 101,200 | |
| Insurance | 96,555 | 98,500 | 100,500 | 102,500 | 104,600 | 106,700 | 108,800 | 111,000 | 113,200 | 115,500 | 117,800 | |
| IT maintenance | 91,206 | 93,000 | 94,900 | 96,800 | 98,700 | 100,700 | 102,700 | 104,800 | 106,900 | 109,000 | 111,200 | |
| Miscellaneous | 19,340 | 19,700 | 20,100 | 20,500 | 20,900 | 21,300 | 21,700 | 22,100 | 22,500 | 23,000 | 23,500 | |
| Office supplies and telecommunications | 107,133 | 109,300 | 111,500 | 113,700 | 116,000 | 118,300 | 120,700 | 123,100 | 125,600 | 128,100 | 130,700 | |
| Subtotal - Fixed Costs | 2,258,175 | 2,303,100 | 2,349,200 | 2,396,000 | 2,443,900 | 2,492,800 | 2,542,500 | 2,593,500 | 2,645,400 | 2,698,200 | 2,752,300 | |
| Operating Costs (Variable Costs) | | | | | | | | | | | | |
| Water operations and maintenance | 279,052 | 286,300 | 293,700 | 301,200 | 309,700 | 319,300 | 329,100 | 339,200 | 349,700 | 360,400 | 371,500 | |
| Chemicals purchased | 50,750 | 52,100 | 53,400 | 54,800 | 56,300 | 58,100 | 59,900 | 61,700 | 63,600 | 65,600 | 67,600 | |
| Distribution | 274,453 | 281,500 | 288,800 | 296,300 | 304,600 | 314,000 | 323,700 | 333,700 | 343,900 | 354,500 | 365,300 | |
| Building utilities and maintenance | 64,572 | 66,200 | 68,000 | 69,700 | 71,700 | 73,900 | 76,200 | 78,500 | 80,900 | 83,400 | 86,000 | |
| Subtotal - Variable Costs | 668,827 | 686,100 | 703,900 | 722,000 | 742,300 | 765,300 | 788,900 | 813,100 | 838,100 | 863,900 | 890,400 | |
| Sub Total Operating | 2,927,002 | 2,989,200 | 3,053,100 | 3,118,000 | 3,186,200 | 3,258,100 | 3,331,400 | 3,406,600 | 3,483,500 | 3,562,100 | 3,642,700 | |
| Capital-Related | | | | | | | | | | | | |
| Existing Debt (Principal) - Non-Growth Related | | 326,363 | 336,121 | 346,172 | 356,524 | 367,184 | 378,164 | 389,391 | | | | |
| Existing Debt (Interest) - Non-Growth Related | | 69,361 | 59,602 | 49,551 | 39,200 | 28,539 | 17,559 | 6,251 | | | | |
| New Non-Growth Related Debt (Principal) | | - | - | 32,261 | 98,076 | 160,390 | 258,976 | 269,335 | 280,109 | 291,313 | 302,966 | |
| New Non-Growth Related Debt (Interest) | | - | - | 38,427 | 113,993 | 179,621 | 282,992 | 272,633 | 261,859 | 250,655 | 239,003 | |
| Transfer to Capital | | - | - | - | - | - | - | - | - | - | - | |
| Transfer to Capital Reserve | 2,586,076 | 2,628,647 | 3,020,957 | 3,376,279 | 3,715,357 | 4,136,930 | 4,529,414 | 5,172,026 | 6,271,525 | 7,034,668 | 7,864,966 | |
| Sub Total Capital Related | 2,586,076 | 3,024,370 | 3,416,680 | 3,842,690 | 4,323,150 | 4,872,665 | 5,467,105 | 6,109,637 | 6,813,493 | 7,576,636 | 8,406,934 | |
| Total Expenditures | 5,513,078 | 6,013,570 | 6,469,780 | 6,960,690 | 7,509,350 | 8,130,765 | 8,798,505 | 9,516,237 | 10,296,993 | 11,138,736 | 12,049,634 | |
| Revenues | | | | | | | | | | | | |
| Base Charge | 2,020,244 | 2,184,090 | 2,360,196 | 2,549,755 | 2,764,019 | 3,010,104 | 3,272,854 | 3,554,956 | 3,864,572 | 4,197,549 | 4,558,966 | |
| Fire Protection Charges | 76,285 | 79,227 | 82,277 | 85,438 | 89,000 | 93,005 | 97,164 | 101,488 | 105,984 | 110,658 | 115,518 | |
| Other Revenue | 185,301 | 187,631 | 189,995 | 192,395 | 194,831 | 200,676 | 206,696 | 210,800 | 215,000 | 219,300 | 223,700 | |
| Interest | 21,024 | 21,865 | 22,740 | 23,649 | 24,595 | 25,333 | 26,093 | 26,600 | 27,100 | 27,600 | 28,200 | |
| Contributions from Development Charges Reserve Fund | - | - | - | - | - | - | - | - | - | - | - | |
| Contributions from Reserve Funds | - | - | - | - | - | - | - | - | - | - | - | |
| Total Operating Revenue | 2,302,853 | 2,472,813 | 2,655,208 | 2,851,237 | 3,072,444 | 3,329,118 | 3,602,807 | 3,893,843 | 4,212,656 | 4,555,107 | 4,926,383 | |
| Water Billing Recovery - Total | 3,210,224 | 3,540,758 | 3,814,573 | 4,109,453 | 4,436,966 | 4,801,647 | 5,195,698 | 5,622,393 | 6,084,337 | 6,583,629 | 7,123,251 | |