

2023

Water Financial Plan
No. 040-301

As Adopted by Town Council
October 24, 2023



www.tecumseh.ca



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1. Introduction

1.1 Objective

The purpose of this document is to update the Water Division Financial Plan (FP) in order to fulfill the licence renewal requirements defined in O. Reg. 453/07.

The FP update incorporates the operating, capital and reserve fund forecasts derived from the 2023 Approved Budget and the 2023 Water and Wastewater Rate Study.

1.2 Background

The Town of Tecumseh provides potable water to most parts of Tecumseh and a portion of Lakeshore through an extensive water distribution network. The Town owns and operates the distribution system within its boundaries which includes 225 km of watermain; 1,300 hydrants; 1,537 valves; 11 boundary meters, two water filling stations and one elevated storage facility. Water is purchased from the City of Windsor. The A.H. Weeks Water Treatment Plant (WTP), the trunk transmission mains, the pumping stations, and reservoirs in the City of Windsor are owned and operated by Enwin.

Town staff completed a 2023 Water and Wastewater Rate Study (Rate Study), which was approved by Council on May 23, 2023 (RCM-156/23). Preparation of the Rate Study involved extensive financial analysis to ensure full cost recovery of the water division. Sources of data used in the full cost calculation included: ten year operating revenues and expenditures forecast, capital cost projections, reserve balances projections, historical customer and volume data, and future customer and volume forecasts. Fixed and variable rates were directly extracted from the Rate Study in order to calculate user charge revenue for the FP.

1.3 Regulatory Requirements

The Safe Drinking Water Act, 2002, O. Reg. 188/07, requires municipalities to obtain drinking water system licences as part of an overall Drinking Water Quality Management System (DWQMS). Licence renewals necessitate the preparation of a financial plan in accordance with O. Reg. 453/07.

Financial Plan requirements for licence renewals defined in O. Reg. 453/07 stipulate that financial plans must:

- Be approved by a resolution of Council.
- Apply to a period of at least six years.
- Include the year in which the licence expires as part of the forecast period.
- Incorporate details regarding the financial position of the Water Division, including changes in tangible capital assets that are additions, donations, write downs and disposals.
- Include details of the projected financial operations of the Water Division.
- Contain the projected gross cash receipts and gross cash payments of the Water Division.

- Address the financial implications of the replacement of lead service pipes.

In addition, financial plans must be:

- Made available at no charge to water customers upon request.
- Posted on the Internet if a website is maintained.
- Sent to the Ministry of Municipal Affairs.

Finally, notice must be provided advising water customers of the availability of the financial plan.

1.4 Required Financial Statements

In order to satisfy the above-noted requirements of O. Reg. 453/07, the FP contains the following financial statements:

Statement of Financial Position - The Statement of Financial Position provides information on the assets, liabilities, and accumulated surplus of the Town's Water Division.

The net financial assets/(debt) is the difference between financial assets and liabilities. A net financial asset position implies that the division has financial resources to fund future operations. On the other hand, a net debt position suggests that future revenues will be needed to "catch up" past transactions as well as finance future operations.

The tangible capital asset balance represents the Town's significant investment in water system infrastructure.

Statement of Operations and Accumulated Surplus - The Statement of Operations and Accumulated Surplus details the revenues, expenses and surplus/deficit for a given period.

The annual surplus/deficit measures whether revenues were sufficient to cover the expenses incurred. A surplus represents funds available to the Town to fund non-operating expenses such as the acquisition of tangible capital assets, debt principal payments and transfers to reserves.

Statement of Cash Flows - This statement provides information on the generation and use of cash resources over the forecast period. The gross cash receipts/payments are itemized by: operating, capital, investing and financial transactions. Grouping the cash receipts and payments by category allows the reader to understand where the cash is being generated (i.e. operating water rates), and how the cash is being used (i.e. capital and operating expenses).

Statement of Changes in Net Financial Assets - Although this statement is not required under O. Reg. 453/07, it offers additional data regarding the financial performance of the Town's Water Division. The Statement of Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital asset costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

Please refer to Section 3 Financial Plan for a detailed discussion on the Town’s financial statements.

1.5 MECP Guideline

The Ministry of the Environment, Conservation and Parks (MECP) issued the guideline “Toward Financially Sustainable Drinking-Water and Wastewater Systems” (Guideline) to assist municipalities in the preparation of financial plans. This guide sets forth the following principles of financial sustainability:

- 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.

The Guideline is not required practice, but was meant to assist municipalities with financial planning. Taken together, O. Reg. 453/07 and the Guideline are good tools municipalities can use to develop a strategy to ensure the financial sustainability of water systems.

The Town’s FP was prepared in accordance with O. Reg. 453/07 and the above-noted MECP principles of financial sustainability.

1.6 Lead Service Pipe Removal

In 2007, the MECP implemented a Regulated Lead Testing Program which required municipalities to undertake mandatory testing for lead in drinking water to ensure lead levels met the Ontario Drinking Water Standards. Under this program, the Town of Tecumseh tested over 200 residential homes and did not have a single adverse or high reportable lead finding. Because of these results, the MECP has granted the Town relief from residential lead testing. The Town tests for lead in the distribution system twice a year as mandated by the MECP.

Generally lead services can be found where there are cast iron (CI) watermains. As identified in the 2022 Asset Management Plan, only 9% of the watermain inventory consists of CI pipes. The Town replaces any remaining lead water services to the property line during CI watermain replacement projects.

Leads services can also be identified during repairs to the Town’s water service shut-offs located at a customer’s property line or discovered from a leak on a service line. Once a lead service pipe has been identified, it is replaced by the Town.

In accordance with O. Reg. 453/07, the FP must address the financial implications of the replacement of lead service pipes. None of the projects listed in the Water Capital Budget Forecast (Appendix B) involve the replacement of lead services. However, it is assumed that two “one-off” lead service replacements occur annually in conjunction with repairs to the Town’s water service shut-offs. Annual estimates are summarized as follows:

Cost Implications of Lead Service Pipe Removal

Inflated \$

2023	2024	2025	2026	2027	2028	2029
\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 22,960	\$ 23,420

2. Financial Statement Preparation

2.1 Key Inputs

Estimates made for the Statement of Financial Position start with 2023 budget estimates. Refer to the FP notes for detailed assumptions.

Operating, capital and reserve forecasts were used to formulate the Statement of Operations and Accumulated Surplus. The 2023 Approved Budget and the 2023 Water and Wastewater Rate Study formed the basis of these estimates. Fixed and variable rates were extracted from the Rate Study.

The operating, capital and reserve forecasts have been included herein for reference purposes – see Appendix B.

2.2 Accounting Requirements

The forecasts found in the Rate Study were prepared on a modified accrual basis in order to determine the rates required for a full cost recovery. Using fixed and variable rates from the Rate Study, the 2023 Approved Budget was also prepared on a modified accrual basis.

The components of a financial plan per O. Reg. 453/07 requirements are consistent with the requirements for financial statement presentation as set out in section PS3150 of the CPA Canada Public Sector Accounting Handbook, i.e. full accrual. Accounting adjustments were completed to convert the FP forecasts from modified accrual to full accrual. These adjustments include amortization, employee future benefits, the reporting of capital contributions (i.e. development charges) and the elimination of interfund transfers.

3. Financial Plan

This section summarizes the complete FP for the Town of Tecumseh Water Division. The FP represents a forecast of the Town's future financial position. The statements included in this report are unaudited and contain estimates and assumptions as detailed in the Notes to the Water Division Financial Plan. Refer to Appendix A for the financial statements and notes.

3.1 Statement of Financial Position

The Statement of Financial Position summarizes the Town's Water Division financial and non-financial assets, liabilities, and provides the net financial asset/(net debt) position and accumulated surplus for the Water Division.

Financial assets consist of cash balances in the water reserve funds and accounts receivable for year-end water billings to customers.

The Town's liabilities consist of accounts payable and employee future benefits payable. Capital project holdbacks, water purchases and vacation pay accrued as per Public Sector Accounting Board (PSAB) requirements make up most of the accounts payable balance. There is no deferred revenue as the water development charge reserve fund is unfunded. Employee future benefits payable are projected to increase by \$0.8 million over the forecast period. There is no long-term debt contemplated over the forecast period.

Non-financial assets include the Town's tangible capital assets, i.e. water infrastructure, facilities and vehicles. Historical costs are amortized over the asset life to arrive at the net book value. New assets are added in the year of acquisition/construction. The timing of "contributed" assets (asset transfers from developers) is uncertain. Based on current economic and development conditions, an estimate for "contributed assets" is not included in the forecast period for this Financial Plan. Other non-financial assets such as inventory and prepaid expenses are immaterial and are assumed to be zero.

Net financial assets (or net debt) is the difference between financial assets and liabilities. In 2023, the Town's Water Division will be in a net financial asset position of approximately \$12.2 million. Year-to-year fluctuations are largely due to changes in reserve balances resulting from the financing of capital works. Net financial assets decrease by almost 50% in the first half of the forecast period due to significant capital works, which include both watermain replacements and growth projects. However, by the end of the forecast period, 2029, net financial assets of \$14.0 million are expected. The healthy, overall net financial asset position indicates that financial resources are available to fund future operations.

Another important indicator contained in the Statement of Financial Position is the Tangible Capital Assets (TCA). Net TCAs are expected to grow by \$7.7 million over the forecast period. Further, an asset consumption ratio (note 7) consisting of accumulated amortization as a percent of historical cost is an

accounting measure that represents the extent that the assets have been “used up” in terms of their estimated useful lives. An increase to this ratio may suggest higher asset replacement needs in the future. The Town's Water Asset Consumption Ratio is expected to hover around 33%, consistent with previous FP estimates.

Accumulated surplus is another key indicator contained in the Statement of Financial Position. The accumulated surplus is predominately made up of the net TCA balance, which represents past investments in the Water Division's infrastructure, and cash reserves. The accumulated surplus is expected to increase from approximately \$57.8 million in 2023 to approximately \$67.3 million by 2029 largely due to an increase in tangible capital assets.

3.2 Statement of Operations and Accumulated Surplus

The Statement of Operations and Accumulated Surplus summarizes the annual revenues and expenses associated with the Town's Water Division. The difference between revenue and expenses is the annual surplus/(deficit).

Revenues are comprised predominantly of user charges, which are the fixed and variable rate revenues required for a full cost recovery of the Town's Water Division. The 2023 Approved Budget revenues were used as a starting point. Subsequent years assume a volume increase of 11,000 m³ per year (50 homes @ average annual usage of 220 m³) with fixed and variable rates taken directly from the Rate Study.

The statement shows a total revenue increase from approximately \$6.7 million in 2023 to \$8.4 million by 2029 required to fully recover Water Division costs.

Expenses for 2023-2025 were extracted from the 2023 Approved Budget, with the exception being those that were necessary to convert the statement to full accrual (i.e. amortization). Generally, an annual inflationary factor of 3% from 2023 to 2027, and 2% thereafter was applied to expenditures.

Purchases for resale and wages and benefits are the two most significant expense items. Purchases were calculated using forecast volumes multiplied by the rate charged by Enwin inflated as noted above. Wages and benefits assumed status quo staffing levels and were also inflated annually.

Amortization is another large expense item shown on the Statement of Operations and Accumulated Surplus. This non-cash expense reflects the systematic distribution of the cost of a tangible capital asset over its useful life. Amortization estimates over the forecast period reflect existing assets plus additions and corresponding disposals (replacements) attributable to the capital projects detailed in Appendix B.

The surplus/(deficit) is an important indicator shown on the Statement of Operations and Accumulated Surplus. A surplus/(deficit) measures whether revenues generated in a year were sufficient to cover expenses incurred in that year. It is important to note that an annual surplus is necessary to ensure

funds will be available to address non-expense items such as TCA acquisitions over and above amortization expenses and reserve fund contributions for asset replacements.

3.3 Statement of Cash Flows

The Statement of Cash Flows summarizes the main cash inflows and outflows in four main areas - operations, capital, investing and financing. This statement also shows the annual changes in cash and cash equivalents.

The operating transactions begin with the surplus/(deficit) identified in the Statement of Operations. This figure is adjusted to add or subtract non-cash items that were included as revenues or expenses (e.g. amortization).

The capital transactions section indicates the amounts spent to acquire TCAs, changes in construction work in progress (WIP) balances, and funds received from the sale of assets. The FP assumes that there were no proceeds on the sale of financial assets.

For the purposes of the Town's FP, it was assumed that there were no investing activities over the forecast period.

The financing transactions section identifies the funds received from long-term debt as cash inflows and the principal payment portion of debt as cash outflows. As noted previously, there is no debt contemplated over the forecast period.

The Statement of Cash Flows indicates that cash has been generated from operations, which is used in funding the acquisition of TCAs, building cash reserves, and to repay debt. The Town's cash position is projected to increase from \$14.1 million in 2023 to \$16.1 million in 2029.

3.4 Statement of Changes in Net Financial Assets

The Statement of Changes in Net Financial Assets indicates whether revenue was sufficient to cover TCA costs. It also reconciles the difference between the annual surplus and the change in net financial assets.

The Town's net financial asset position at the start of the forecast period is \$12.2 million. Half-way through, however, net financial assets decrease by 50% before recovering to \$14.0 million in 2029. This dip is primarily due to the significant investment in new infrastructure from 2023-2026. Major growth projects include West Tecumseh Trunk Watermain, and County Road 19 Improvements Phase 1 and 2. Interim financing for these growth projects will be provided by the Watermain Reserve Fund, with repayments being made as Water Development Charges are collected.

For the latter half of the forecast period, the annual surplus exceeds the TCA activity resulting in an increase to net financial assets.

4. Summary

The following are the key highlights of the FP:

- The annual net cost to be recovered from rates, i.e. user charges, is projected to increase from \$6.0 million in 2023 to \$7.4 million in 2029. This represents annual user rate increases of 3%.
- Reserves are sufficient to finance capital works, including major growth-related capital projects.
- The net book value of the Town's Water Division assets is projected to increase from approximately \$45.6 million in 2023 to \$53.3 million in 2029. The estimated asset consumption ratio is 33.3% in 2023 and 35.5% in 2029, varying slightly year-to-year.
- Cash and cash equivalents are expected to increase from \$14.1 million in 2023 to \$16.1 million by the end of the forecast period.

5. Conclusion and Recommendations

It can be concluded that the outlook over the 2023 to 2029 forecast period is overall positive. The Water Division is considered financially viable and sustainable; full cost recovery is anticipated with reasonable annual increases to user rates. Reserves are projected to increase by about \$3 million overall. There are adequate financial assets to support capital works without the use of debt financing. Timing of future growth projects should continue to be considered due to the unfunded Water Development Charge Reserve Fund. Although not a cause for concern at this point, the asset consumption ratio should continue to be reviewed as part of the next update.

The following recommendations are made with respect to this Financial Plan:

1. The Town of Tecumseh 2023 Water Division Financial Plan No. 040-301, covering the years 2023-2029, and prepared in accordance with O. Reg. 453/07 under the Safe Drinking Water Act, 2002, be approved;
2. Notice of availability of the 2023 Water Division Financial Plan No. 040-301 be advertised to the public on the Town's website in accordance with O. Reg. 453/07, Section 3 (1) 5;
3. The 2023 Water Division Financial Plan No. 040-301 be posted to the Town's website in accordance with O. Reg. 453/07, Section 3(1) 5; and
4. The 2023 Water Division Financial Plan No. 040-301 be submitted to the Ministry of Municipal Affairs in accordance with O. Reg. 453/07, Section 3 (1) 6.

Appendix A

2023 Water Division Financial Plan No. 040-301

**The Corporation of the Town of Tecumseh
Water Division Financial Plan (Unaudited)
2023-2029**

Statement of Financial Position

	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Financial assets									
Cash and cash equivalents - restricted (note 1)	\$ 14,282,792	\$ 15,892,742	\$ 14,145,687	\$ 10,215,367	\$ 7,997,275	\$ 7,816,807	\$ 10,037,157	\$ 12,816,249	\$ 16,069,072
Accounts receivable (note 2)	977,015	1,078,973	1,185,032	1,205,584	1,247,129	1,291,354	1,343,808	1,395,890	1,462,025
Total financial assets	15,259,807	16,971,715	15,330,719	11,420,951	9,244,404	9,108,161	11,380,965	14,212,139	17,531,097
Liabilities									
Accounts payable and accrued liabilities (note 3)	\$ 533,070	497,620	950,508	1,131,867	909,109	732,510	544,062	516,229	510,536
Deferred revenue (note 4)	-	-	-	-	-	-	-	-	-
Employee future benefits payable (note 5)	1,991,666	2,048,221	2,160,873	2,279,721	2,405,106	2,537,387	2,676,943	2,824,175	2,979,505
Municipal debt (note 6)	-	-	-	-	-	-	-	-	-
	2,524,736	2,545,841	3,111,381	3,411,588	3,314,215	3,269,897	3,221,005	3,340,404	3,490,041
Net financial assets	12,735,071	14,425,874	12,219,338	8,009,362	5,930,189	5,838,264	8,159,960	10,871,735	14,041,056
Non-financial assets									
Tangible capital assets (note 7)	43,023,215	42,519,256	45,585,388	50,986,588	54,263,589	55,750,731	55,220,174	54,296,609	53,297,702
	43,023,215	42,519,256	45,585,388	50,986,588	54,263,589	55,750,731	55,220,174	54,296,609	53,297,702
Accumulated surplus	\$ 55,758,286	\$ 56,945,130	\$ 57,804,726	\$ 58,995,950	\$ 60,193,778	\$ 61,588,995	\$ 63,380,134	\$ 65,168,344	\$ 67,338,758

**The Corporation of the Town of Tecumseh
Water Division Financial Plan (Unaudited)
2023-2029**

Statement of Operations and Accumulated Surplus

	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Revenues								
User charges	\$ 5,905,401	\$ 5,996,658	\$ 6,099,422	\$ 6,307,145	\$ 6,530,415	\$ 6,794,893	\$ 7,056,822	\$ 7,389,044
Capital contributions	47,922	385,136	396,690	408,591	420,849	535,751	496,722	654,633
Investment income	237,463	317,494	273,890	250,869	221,659	256,509	301,720	352,629
(Loss)/gain on disposal of tangible capital assets	(252,489)	(58,760)	(116,082)	(32,143)	-	-	-	-
Other	48,416	21,670	21,670	21,670	22,320	112,990	23,449	23,918
Total revenues	5,986,713	6,662,198	6,675,590	6,956,132	7,195,243	7,700,143	7,878,714	8,420,224
Expenses								
Wages & benefits	1,162,120	1,601,396	1,645,257	1,690,451	1,744,299	1,799,935	1,840,818	1,882,788
Interest	-	-	-	-	-	-	-	-
Office supplies & equipment maintenance	6,624	6,100	6,100	6,100	6,283	6,471	6,601	6,733
Memberships	800	1,900	1,957	2,016	2,076	2,139	2,182	2,225
Conventions & training	10,720	25,000	25,000	25,000	25,750	26,523	27,053	27,594
Maintenance materials & supplies	197,995	184,012	189,532	195,217	201,074	207,106	211,248	215,473
Purchases for resale	1,488,002	1,512,000	1,508,382	1,559,444	1,612,212	1,675,372	1,721,455	1,781,538
Maintenance	193,417	190,020	191,096	195,500	201,365	207,406	211,554	215,785
Contract services	306,595	654,015	163,564	224,165	127,884	131,696	174,602	137,452
Professional	7,224	26,700	26,700	26,700	27,501	28,326	28,893	29,470
Utilities	38,527	48,750	50,178	51,649	53,198	54,794	55,890	57,008
Insurance	43,510	50,100	51,603	53,151	54,746	56,388	57,516	58,666
Amortization (note 8)	995,920	1,038,608	1,079,418	1,126,406	1,176,659	1,200,957	1,200,564	1,182,508
Administrative charge	322,270	439,131	450,710	462,635	476,515	490,810	500,626	510,639
Other	18,569	18,470	88,470	133,470	83,874	14,290	44,576	134,868
Financial	7,576	6,400	6,400	6,400	6,592	6,790	6,926	7,064
Total expenses	4,799,869	5,802,602	5,484,366	5,758,304	5,800,027	5,909,003	6,090,503	6,249,811
Annual surplus	1,186,844	859,596	1,191,224	1,197,828	1,395,216	1,791,140	1,788,210	2,170,414
Accumulated surplus, beginning of year	55,758,286	56,945,130	57,804,726	58,995,950	60,193,778	61,588,995	63,380,134	65,168,344
Accumulated surplus, end of year	\$ 56,945,130	\$ 57,804,726	\$ 58,995,950	\$ 60,193,778	\$ 61,588,995	\$ 63,380,134	\$ 65,168,344	\$ 67,338,758

**The Corporation of the Town of Tecumseh
Water Division Financial Plan (Unaudited)
2023-2029**

Statement of Cash Flows

	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
Cash provided by (used in):								
Operations:								
Annual surplus	\$ 1,186,844	\$ 859,596	\$ 1,191,224	\$ 1,197,828	\$ 1,395,216	\$ 1,791,140	\$ 1,788,210	\$ 2,170,414
Items not involving cash:								
Amortization	995,920	1,038,608	1,079,418	1,126,406	1,176,659	1,200,957	1,200,564	1,182,508
Loss on disposal of tangible capital assets	252,489	58,760	116,082	32,143	-	-	-	-
Change in non-cash operating working capital:								
Financial assets	(101,957)	(106,059)	(20,552)	(41,546)	(44,225)	(52,454)	(52,082)	(66,135)
Liabilities	21,104	565,540	300,207	(97,373)	(44,318)	(48,892)	119,400	149,636
Cash provided from operating transactions	2,354,400	2,416,445	2,666,380	2,217,458	2,483,332	2,890,750	3,056,092	3,436,423
Capital:								
Acquisition of tangible capital assets	(2,270,049)	(3,904,146)	(3,767,033)	(7,749,229)	(2,783,800)	(775,400)	(77,000)	(33,600)
Change in tangible capital assets WIP	1,525,599	(259,354)	(2,829,667)	3,313,679	120,000	105,000	(200,000)	(150,000)
Proceeds on sale of tangible capital assets (note 9)	-	-	-	-	-	-	-	-
Cash used in capital transactions	(744,450)	(4,163,500)	(6,596,700)	(4,435,550)	(2,663,800)	(670,400)	(277,000)	(183,600)
Financing:								
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-
Municipal debt principal repayment	-	-	-	-	-	-	-	-
Cash used in financing transactions	-	-	-	-	-	-	-	-
Change in cash and cash equivalents	1,609,950	(1,747,055)	(3,930,320)	(2,218,092)	(180,468)	2,220,350	2,779,092	3,252,823
Cash and cash equivalents, beginning of year	14,282,792	15,892,742	14,145,687	10,215,367	7,997,275	7,816,807	10,037,157	12,816,249
Cash and cash equivalents, end of year	\$ 15,892,742	\$ 14,145,687	\$ 10,215,367	\$ 7,997,275	\$ 7,816,807	\$ 10,037,157	\$ 12,816,249	\$ 16,069,072

**The Corporation of the Town of Tecumseh
Water Division Financial Plan (Unaudited)
2023-2029**

Statement of Changes in Net Financial Assets

	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
Annual surplus	\$ 1,186,844	\$ 859,596	\$ 1,191,224	\$ 1,197,828	\$ 1,395,216	\$ 1,791,140	\$ 1,788,210	\$ 2,170,414
Acquisition of tangible capital assets	(2,270,049)	(3,904,146)	(3,767,033)	(7,749,229)	(2,783,800)	(775,400)	(77,000)	(33,600)
Change in tangible capital assets WIP	1,525,599	(259,354)	(2,829,667)	3,313,679	120,000	105,000	(200,000)	(150,000)
Amortization of tangible capital assets	995,920	1,038,608	1,079,418	1,126,406	1,176,659	1,200,957	1,200,564	1,182,508
Loss/(gain) on disposal of tangible capital assets	252,489	58,760	116,082	32,143	-	-	-	-
	503,959	(3,066,132)	(5,401,200)	(3,277,001)	(1,487,141)	530,557	923,564	998,908
Change in net financial assets	1,690,803	(2,206,536)	(4,209,976)	(2,079,173)	(91,925)	2,321,697	2,711,774	3,169,322
Net financial assets, beginning of year	12,735,071	14,425,874	12,219,338	8,009,362	5,930,189	5,838,264	8,159,960	10,871,735
Net financial assets, end of year	\$ 14,425,874	\$ 12,219,338	\$ 8,009,362	\$ 5,930,189	\$ 5,838,264	\$ 8,159,960	\$ 10,871,735	\$ 14,041,056

1. Cash and Cash Equivalents - Restricted

Cash balances were estimated for each year as follows:

Prior Year Cash Balance
Less: Accounts Receivable Change Over Prior Year Balance
Plus: Accounts Payable Change Over Prior Year Balance
Plus: Employee Future Benefits Payable Change Over Prior Year
Plus: New Debt Issued
Less: Tangible Capital Asset Acquisitions
Plus: Amortization
Plus: Net Book Value Capital Asset Disposals
Plus: Change in WIP
<u>Plus: Annual Surplus</u>
= Approximate Ending Cash and Cash Equivalents Balance

2. Accounts Receivable

Accounts receivable was forecast at 20% of water sales based on historical norms.

3. Accounts Payable and Accrued Liabilities

Accounts payable consist of: water purchases, water testing services, capital project holdbacks, and vacation pay accrued as per PSAB requirements. Water purchases and water testing services accounts payable estimates are based on December 2023 estimates, inflated annually by a factor of 3% from 2024 to 2027, and then 2% for 2028 and 2029. Capital project holdbacks are assumed to be 10% of the annual capital infrastructure project expenditures. Accrued vacation pay is estimated to decrease over three years to pre-pandemic levels, and then starting in 2026 was increased by the inflationary factors noted above.

4. Deferred Revenue

Deferred revenue consists of water development charge reserve fund balances which are recorded as a liability for financial statement reporting purposes. The reserve fund is unfinanced over the forecast period and as such there is no deferred revenue.

5. Employee Future Benefits Payable

Employee future benefits payable represents the future cost of extending health benefits to existing current employees and retirees. The liability is based on an actuarial valuation prepared by an independent firm. Total employee future benefits payable was assumed to increase by a factor of 5.5% based on the most recent actuarial valuation. The Water Division portion was allocated proportionately based on the number of Water employees to the total number of employees. It was assumed that the employee ratio remained constant over the forecast period.

6. Municipal Debt

There is no debt financing contemplated over the forecast period.

7. Tangible Capital Assets

Tangible capital asset balance estimates over the forecast period reflect asset additions and corresponding disposals (replacements) attributable to the capital projects scheduled over the forecast period as detailed in the Public Works and Environmental Services Five Year Capital Works Plan. It was assumed that no write-offs occurred over the forecast period. There were no contributed assets included in the forecast period as there is no reasonable basis for estimating asset contributions. A summary of the tangible capital asset balances is as follows:

Tangible Capital Assets - \$ millions

	2022	2023	2024	2025	2026	2027	2028	2029
Opening Cost (Historical)	61.71	63.38	67.14	70.70	78.26	81.05	81.82	81.90
Plus: Acquisitions	2.27	3.90	3.77	7.75	2.78	0.78	0.08	0.03
Less: Disposals	0.60	0.14	0.22	0.18	0.00	0.00	0.00	0.00
Less: Transfers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Closing Cost	63.38	67.14	70.70	78.26	81.05	81.82	81.90	81.93
Opening Accumulated Amortization	20.80	21.45	22.40	23.38	24.36	25.54	26.74	27.94
Plus: Amortization Expense	1.00	1.04	1.08	1.13	1.18	1.20	1.20	1.18
Less: Amortization of Disposals	0.35	0.08	0.10	0.15	0.00	0.00	0.00	0.00
Less: Amortization of Transfers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Closing Accumulated Amortization	21.45	22.40	23.38	24.36	25.54	26.74	27.94	29.12
Net Book Value	41.93	44.74	47.31	53.90	55.51	55.09	53.96	52.81
Opening WIP	2.11	0.58	0.84	3.67	0.36	0.24	0.13	0.33
Plus: WIP Additions	0.32	0.60	3.01	0.05	0.06	0.00	0.20	0.15
Less: WIP Capitalized	1.85	0.34	0.18	3.36	0.18	0.11	0.00	0.00
Ending WIP	0.58	0.84	3.67	0.36	0.24	0.13	0.33	0.48
Tangible Capital Assets	42.52	45.59	50.99	54.26	55.75	55.22	54.30	53.30
Asset Consumption Ratio	33.84%	33.36%	33.08%	31.12%	31.51%	32.68%	34.11%	35.54%
(Closing Accumulated Amortization/Closing Cost)								

8. Amortization

Estimates over the forecast period reflect amortization of existing assets plus calculated amortization for additions and corresponding disposals (replacements) attributable to capital projects scheduled over the forecast period. It was assumed that there were no write-offs or contributed assets.

9. Proceeds on Sale of Tangible Capital Assets

It was assumed that there were no proceeds on the sale of tangible capital assets as the amounts are generally immaterial.

Appendix B

Operating, Capital, Reserve Fund Forecasts

Town of Tecumseh
Water Division Operating Budget Forecast
 Inflated \$

Description	Budget 2023	Forecast					Total	
		2024	2025	2026	2027	2028		2029
Expenditures								
Operating Costs								
Payroll Related Expenses	1,096,069	1,123,471	1,151,558	1,186,105	1,221,688	1,246,122	1,271,044	8,296,056
Benefits	392,675	402,938	413,508	425,913	438,691	447,464	456,414	2,977,603
Office Supplies & Equip Mtnc	6,100	6,100	6,100	6,283	6,471	6,601	6,733	44,388
Memberships	1,900	1,957	2,016	2,076	2,139	2,182	2,225	14,495
Professional Development	25,000	25,000	25,000	25,750	26,523	27,053	27,594	181,919
Maint. Materials & Supplies	184,012	189,532	195,217	201,074	207,106	211,248	215,473	1,403,661
Water Purchases	1,512,000	1,508,382	1,559,444	1,612,212	1,675,372	1,721,455	1,781,538	11,370,402
Maint. Services	190,020	191,096	195,500	201,365	207,406	211,554	215,785	1,412,726
Contract Services	103,965	103,965	103,965	107,084	110,296	112,502	114,752	756,530
Professional Services	26,700	26,700	26,700	27,501	28,326	28,893	29,470	194,290
Utilities	48,750	50,178	51,649	53,198	54,794	55,890	57,008	371,468
Insurance	50,100	51,603	53,151	54,746	56,388	57,516	58,666	382,169
Other - transferred below	13,470	13,470	13,470	13,874	14,290	14,576	14,868	98,018
Bad Debt Expense	6,400	6,400	6,400	6,592	6,790	6,926	7,064	46,571
Administration Charge	439,131	450,710	462,635	476,515	490,810	500,626	510,639	3,331,066
Total Operating Costs	4,096,292	4,151,501	4,266,313	4,400,287	4,547,090	4,650,607	4,769,273	30,881,364
Capital Related								
Existing Debt - Recoverable from Landowners	-	-	-	-	-	-	-	-
Existing Debt - Other	-	-	-	-	-	-	-	-
New Non-Growth Related Debt	-	-	-	-	-	-	-	-
New Growth Related Debt	-	-	-	-	-	-	-	-
Transfer to General Fund (re: fleet)	60,000	60,000	60,000	60,000	60,000	60,000	60,000	420,000
Transfer to Watermain Reserve Fund	1,747,036	1,794,591	1,887,502	1,977,448	2,095,793	2,254,664	2,468,690	14,225,724
Transfer to Water Facilities Reserve Fund	85,000	85,000	85,000	85,000	85,000	85,000	85,000	595,000
Transfer to Water Rate Stabilization Reserve Fund	30,000	30,000	30,000	30,000	30,000	30,000	30,000	210,000
Total Capital Related	1,922,036	1,969,591	2,062,502	2,152,448	2,270,793	2,429,664	2,643,690	15,450,724
Total Expenditures	6,018,328	6,121,092	6,328,815	6,552,735	6,817,883	7,080,272	7,412,962	46,332,087
Revenues								
Operating Revenue								
Water Sales Lakeshore - Fixed	5,000	6,795	6,927	7,063	7,203	7,347	7,495	47,829
Water Oasis Revenue	30,000	30,000	30,000	30,900	31,827	32,464	33,113	218,303
Hydrant Rental	2,500	2,500	2,500	2,575	2,652	2,705	2,759	18,192
Work Orders	25,000	25,000	25,000	25,750	26,523	27,053	27,594	181,919
Miscellaneous Revenue	14,000	14,000	14,000	14,420	14,853	15,150	15,453	101,875
Interfunctional Revenue - transferred below	21,670	21,670	21,670	22,320	22,990	23,449	23,918	157,688
Total Operating Revenue	98,170	99,965	100,097	103,028	106,047	108,168	110,332	725,807
Reserve Transfers								
Transfer from Dev. Charges Reserve Fund	-	-	-	-	-	-	-	-
Transfer from Watermain Reserve Fund	-	-	-	-	-	-	-	-
Transfer from Water Facilities Reserve Fund	-	-	-	-	-	-	-	-
Transfer from Water Rate Stabilization Reserve Fund	-	-	-	-	-	-	-	-
Total Reserve Transfers	-	-	-	-	-	-	-	-
Rate Revenue								
Water Fixed Rate Recovery	2,189,000	2,297,674	2,378,686	2,468,852	2,573,679	2,677,293	2,812,003	17,397,186
Water Variable Rate Recovery	3,731,158	3,723,453	3,850,032	3,980,856	4,138,157	4,294,811	4,490,627	28,209,094
Total Rate Revenue Required for Full Cost Recovery	5,920,158	6,021,127	6,228,718	6,449,707	6,711,836	6,972,104	7,302,630	45,606,281
Total Revenues	6,018,328	6,121,092	6,328,815	6,552,735	6,817,883	7,080,272	7,412,962	46,332,087

Town of Tecumseh
Water Division Capital Budget Forecast
Inflated \$

Description	2023	2024	2025	2026	2027	2028	2029
Expenditures							
Lifecycle							
Facilities	\$ -	\$ 40,000	\$ 120,000	\$ -	\$ 60,000	\$ 40,000	\$ -
Vehicles	\$ 57,500	\$ 22,500	\$ -	\$ 25,000	\$ 105,000	\$ 45,000	\$ -
Mains							
Hwy#3/Walker Rd Water Valve Replacement	\$ 431,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CR42/43 Const. including 12th&Banwell Watermains (Phase 1)	\$ 3,227,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CR42/43 Const. including 12th&Banwell Watermains (Phase 2)	\$ -	\$ 1,010,000	\$ -	\$ -	\$ -	\$ -	\$ -
12th Concession Watermain Replacement	\$ 255,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Centennial & Woodridge Watermain Replacement	\$ 200,000	\$ -	\$ 3,300,000	\$ -	\$ -	\$ -	\$ -
Oldcastle Hamlet							
<i>Deluca Drive watermain replacement (8th Conc)</i>	\$ -	\$ 27,350	\$ -	\$ -	\$ -	\$ -	\$ -
<i>County Rd 46/Webster Drive (8th Conc)</i>	\$ 50,000	\$ 1,579,200	\$ -	\$ -	\$ -	\$ -	\$ -
Other Capital							
Tecumseh Hamlet SPA EA FSR - Study	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
North Tecumseh Water Distribution Model - Study	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tools/equipment	\$ 19,050	\$ 19,600	\$ 20,200	\$ 20,800	\$ 21,400	\$ 22,100	\$ 22,700
Meter purchases	\$ 15,000	\$ 16,000	\$ 17,000	\$ 18,000	\$ 19,000	\$ 20,000	\$ 21,000
ERT installation	\$ 9,000	\$ 9,600	\$ 10,200	\$ 10,800	\$ 11,400	\$ 12,000	\$ 12,600
Growth (DC Study)							
Water Masterplan update	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -
West Tecumseh Trunk Watermain (W-1)	\$ 300,000	\$ 2,830,050	\$ 943,350	\$ -	\$ -	\$ -	\$ -
MRSPA Watermain (W-2A)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000
CR19 Improvements Ph1: CR22 to Jamsyl (W-2B)	\$ 50,000	\$ 922,000	\$ -	\$ -	\$ -	\$ -	\$ -
CR19 Improvements Ph2: Jamsyl to CPR (W-2B)	\$ -	\$ 180,000	\$ -	\$ 2,550,000	\$ -	\$ -	\$ -
CR19 Improvements Ph3: @ CPR (W-2B & W-5A)	\$ -	\$ -	\$ 45,000	\$ -	\$ 475,000	\$ -	\$ -
CR19 Improvements Ph4: CPR to CR42 (W-5A)	\$ -	\$ -	\$ -	\$ 60,000	\$ -	\$ -	\$ -
W. Tecumseh Watermain from CP Rail to CR42 (W-4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ -
Total Capital Expenditures	\$ 4,713,550	\$ 6,656,300	\$ 4,555,750	\$ 2,684,600	\$ 691,800	\$ 339,100	\$ 206,300
Revenues							
Provincial/Federal Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Growth Related Debenture Requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Growth Related Debenture Requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfunctional Revenue (Transfer from General Fund)	\$ 57,500	\$ 22,500	\$ -	\$ 25,000	\$ 105,000	\$ 45,000	\$ -
Transfer from Development Charges Reserve Fund	\$ 296,287	\$ 3,299,281	\$ 841,894	\$ 2,088,000	\$ 380,000	\$ 168,161	\$ -
Transfer from Watermain Reserve Fund (Growth related)	\$ 53,713	\$ 632,769	\$ 246,456	\$ 522,000	\$ 95,000	\$ 31,839	\$ 150,000
Transfer from Watermain Reserve Fund	\$ 4,306,050	\$ 2,661,750	\$ 3,347,400	\$ 49,600	\$ 51,800	\$ 54,100	\$ 56,300
Transfer from Facilities Reserve Fund	\$ -	\$ 40,000	\$ 120,000	\$ -	\$ 60,000	\$ 40,000	\$ -
Transfer from Rate Stabilization Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Financing	\$ 4,713,550	\$ 6,656,300	\$ 4,555,750	\$ 2,684,600	\$ 691,800	\$ 339,100	\$ 206,300
(Surplus) / Deficit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Town of Tecumseh
Water Division Reserve Funds Forecast**

Water Development Charges Reserve Fund Continuity

Year	2023	2024	2025	2026	2027	2028	2029
Opening Balance	(487,984)	(399,135)	(3,301,726)	(3,735,029)	(5,402,180)	(5,246,429)	(4,917,868)
DC Proceeds	385,136	396,690	408,591	420,849	535,751	496,722	654,633
Loan from Watermain RF	-	-	-	-	-	-	-
Transfer to Capital	296,287	3,299,281	841,894	2,088,000	380,000	168,161	-
Transfer to Operating	-	-	-	-	-	-	-
Net of Transfers	(399,135)	(3,301,726)	(3,735,029)	(5,402,180)	(5,246,429)	(4,917,868)	(4,263,235)
Interest	-	-	-	-	-	-	-
Closing Balance	(399,135)	(3,301,726)	(3,735,029)	(5,402,180)	(5,246,429)	(4,917,868)	(4,263,235)

Watermain Reserve Fund Continuity

Year	2023	2024	2025	2026	2027	2028	2029
Opening Balance	6,877,853	4,402,682	2,990,808	1,344,270	2,777,003	4,781,536	7,045,892
Transfer from Operating	1,747,036	1,794,591	1,887,502	1,977,448	2,095,793	2,254,664	2,468,690
Transfer to Capital	4,359,764	3,294,519	3,593,856	571,600	146,800	85,939	206,300
Transfer to Operating	-	-	-	-	-	-	-
Net of Transfers	4,265,125	2,902,754	1,284,454	2,750,118	4,725,996	6,950,261	9,308,282
Interest	137,557	88,054	59,816	26,885	55,540	95,631	140,918
Closing Balance	4,402,682	2,990,808	1,344,270	2,777,003	4,781,536	7,045,892	9,449,200

Water Facilities Reserve Fund Continuity

Year	2023	2024	2025	2026	2027	2028	2029
Opening Balance	7,977,622	8,222,174	8,431,617	8,565,249	8,821,554	9,022,985	9,248,445
Transfer from Operating	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Transfer to Capital	-	40,000	120,000	-	60,000	40,000	-
Transfer to Operating	-	-	-	-	-	-	-
Net of Transfers	8,062,622	8,267,174	8,396,617	8,650,249	8,846,554	9,067,985	9,333,445
Interest	159,552	164,443	168,632	171,305	176,431	180,460	184,969
Closing Balance	8,222,174	8,431,617	8,565,249	8,821,554	9,022,985	9,248,445	9,518,414

Water Rate Stabilization Reserve Fund Continuity

Year	2023	2024	2025	2026	2027	2028	2029
Opening Balance	1,019,251	1,069,636	1,121,029	1,173,450	1,226,919	1,281,457	1,337,086
Transfer from Operating	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Transfer to Capital	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-
Net of Transfers	1,049,251	1,099,636	1,151,029	1,203,450	1,256,919	1,311,457	1,367,086
Interest	20,385	21,393	22,421	23,469	24,538	25,629	26,742
Closing Balance	1,069,636	1,121,029	1,173,450	1,226,919	1,281,457	1,337,086	1,393,828