



**MUNICIPAL DRINKING WATER
LICENCE RENEWAL**

FINANCIAL PLAN

NUMBER: 213-101

O.REG. 453/07

1 Introduction

1.1 Study Purpose

Prepare a water financial plan as part of the five submission requirements for the purposes of renewing municipal drinking water licence 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 and supply, and consideration of available funding sources.

1.2 Background:

The *Safe Drinking Water Act* (S.D.W.A) was passed in December 2002 in order to address some of the recommendations made by the Walkerton Inquiry Part II report. One of the main requirements of the Act is the mandatory licensing of water providers. Subsection 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 subsection 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.

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

1.2.1 Financial Plan Defined:

Section 30 of the S.D.W.A provides the following definition of financial plans:

“ financial plans” means financial plans that satisfy the requirements prescribed by the Minister.

These requirements are outlined in O. Reg 453/07.

1.2.2 Financial Plan Requirements – Existing System (Licence Renewal)

O. Reg. 453/07 provides details on the requirements for existing water systems (licence renewal), which are summarized as follows:

- Financial plans must be approved by resolution of Council;
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum of 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 (i.e. the components of a “Statement of Operations” as per the P.S.A.B.) 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 P.S.A.B.) 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 P.S.A.B.) for each year in which the financial plans apply;
- 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 availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing(MMAH).

1.2.3 Financial Plan Requirements – General:

Given that the requirement for a financial plan is legislated under the S.D.W.A., a financial plan is mandatory for water systems. The financial plan shall be for a forecast period of at least six years but longer planning horizons are encouraged. The 2025-2031 forecast included in this financial plan goes above and beyond the minimum

requirement. The financial plan is to be completed and approved by resolution of Council in accordance with subsection 3(1), paragraph 1 of O.Reg. 453/07. Confirmation of approval of financial plan must be submitted at the time of municipal drinking water licence renewal (i.e. , six months prior to license expiry).

A copy of the financial plan must be submitted to the Ministry of Municipal Affairs and Housing (MMAH). 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 (P.S.A.B.) 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 PS1201 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 PS1201 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 is 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.

2. Sustainable Financial Planning

In general, sustainability refers to the ability to maintain a certain position over time. While the S.D.W.A. requires a declaration of the financial plan’s sustainability, it does

not give a clear definition of what would be considered sustainable. Instead, the 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 Services are provided below:

- Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system 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 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, staff, and municipal council.

3. Approach

The 2024-2025 budgets were used as a starting point to prepare the water financial plan. The water forecast contained in the 2024-2025 budgets was prepared on a modified cash basis; therefore, a conversion is required to present a full accrual financial plan for the purposes of this report.

4. Overview of the Operations of the Drinking Water System

The Corporation of the Town of Kapuskasing is the owner and operating authority of the drinking water system which services approximately 8,400 residents, including industrial, commercial and institutional establishments.

The drinking water system is comprised of a treatment facility (Lime softening Treatment Plant) and distribution system. The distribution system is comprised of approximately:

- 66 km of distribution watermain
- 330 fire hydrants
- 900 valves (not including the service valves or hydrant valves)
- One elevated water storage tank

The 60 km of distribution watermain is constructed with a combination of copper, PVC, cast iron and ductile iron.

As the owner and Operating Authority, The Corporation of the Town of Kapuskasing must prepare a Financial Plan for the Drinking Water System in order to meet the requirements of the municipal drinking water license.

This Financial Plan must demonstrate that the municipal water system is financially sustainable. Through the process of developing this Financial Plan, the Town of Kapuskasing, set out to achieve the following:

- ✓ Financial viability;
- ✓ Provide safe drinking water;
- ✓ Enable the long term plan for capital renewal to be realized;
- ✓ Achieve full cost recover over the long-term; and
- ✓ Maintain current service level.

Municipal Drinking Water License information:

System owner:	The Corporation of the Town of Kapuskasing
License Number:	213-101 Issue Number 4
License Issue Date:	July 20, 2021
License Expiry Date:	July 19, 2026
Application for License Renewal:	January 19, 2026

The raw water source feeding the municipal water system is Well #1, 2 and 3. The Town obtained a Permit to Take Water (PTTW) which is valid until August 5, 2031. The PTTW number is 3560-C5KRQC.

The Town of Kapuskasing is the accredited Operating Authority for the Kapuskasing Water Treatment Plant and the Distribution System. The Town of Kapuskasing is

committed to providing safe drinking water in the short-term and long term. The Town’s Operational Plan includes its day-to-day operations maintaining and administering the drinking water system.

Capital Expenditures:

The following street reconstruction projects are planned for the next 6 years:

2026: McPherson Avenue (Government Road to Riverside) and Devonshire Street (Bowman to Dominion)

2027: Government Road (Caron to Clear Lake)

2028: Spruce Street (Cedar to Ash) and Bowman Avenue (Full)

2029: Dallyn Avenue (Full) and Erickson Avenue (Full)

2030: Brunelle Road Nord (Arena to Brunetville)

2031: Devonshire Street (Bowman to Queen) and Montgomery Avenue (Full)

These projects include the full replacement of water piping and appurtenances up to the residential property lines including, water mains, hydrants, valves and residential services.

Water Consumption:

The following chart outlines the Raw Water Flows for the Town of Kapuskasing. The Town’s current permit to take water (PTTW) from the Three Wells is for 6566.4 m3/day.

RAW WATER FLOWS (m3)			
Year	Monthly Daily Average	Daily Maximum	Yearly Total
2020	3,080	4,861	1,127,760
2021	2,961	4,782	1,109,323
2022	3,208	5,053	1,171,369
2023	3,319	4,929	1,210,509
2024	2,948	4,626	1,078,225

Water Rates:

Water rates are reviewed and set as part of the budget process and the Town's water financial plan is used to determine these rates. All cost associated with the operations of the water system are paid through water rates on a user pay basis. The attached schedule outlines water rates through 2031.

5. Conclusion

Continued long-term planning is instrumental in developing a comprehensive understanding of the Town's infrastructure and creating a financial structure that puts in place resources to maintain the water system in a safe and effective manner, while maintaining financial viability. The Town recognizes that the integrity of its finances is critical to the successful operation of the municipality and to its reputation and trust by ratepayers.

Attached is the Financial Plan that includes the financial statements. These statements include a projected statement of financial position, projected statement of operations and projected statement of cash flow for the period of Dec 31, 2025 to 2031.

As required, these statements are in accordance with the new Public Sector Accounting Standards. Actual results will vary from the projections herein and the differences may be material.

TOWN OF KAPUSKASING - PROPOSED WATER RATES

	2025	2026	2027	2028	2029	2030	2031
	\$	\$	\$	\$	\$	\$	\$
<u>WATER RATES</u>							
Per Cubic Meter	\$ 3.38	\$ 3.72	\$ 4.09	\$ 4.50	\$ 4.95	\$ 5.44	\$ 5.99
<u>WATER RATES</u>							
Minimum Monthly Charge	\$ 30.73	\$ 33.80	\$ 37.18	\$ 40.90	\$ 44.99	\$ 49.49	\$ 54.44

TOWN OF KAPUSKASING

PROJECTED STATEMENT OF FINANCIAL POSITION

	2025	2026	2027	2028	2029	2030	2031
	\$	\$	\$	\$	\$	\$	\$
Financial Assets							
Cash and cash equivalents	2,665,639	2,535,418	2,407,490	2,715,076	3,324,772	4,090,695	5,375,732
Long Term Debt	981,028	914,968	846,073	774,218	699,272	621,097	539,552
Net Financial Assets (Liabilities)	1,684,611	1,620,450	1,561,417	1,940,858	2,625,500	3,469,598	4,836,180
Non Financial Assets							
Tangible Capital Assets	19,741,371	19,964,305	20,740,541	20,913,217	20,942,373	21,321,529	21,118,085
Accumulated Surplus	21,425,982	21,584,755	22,301,958	22,854,075	23,567,874	24,791,127	25,954,265
Accumulated Surplus							
Opening	(1,439,949)	(1,596,990)	(1,438,217)	(721,014)	(168,897)	544,902	1,768,155
Excess revenues over expenses	(157,041)	158,773	717,203	552,117	713,798	1,223,253	1,163,138
Closing	(1,596,990)	(1,438,217)	(721,014)	(168,897)	544,902	1,768,155	2,931,294
Opening surplus in TCA and LTD	23,022,972	23,022,972	23,022,972	23,022,972	23,022,972	23,022,972	23,022,972
Accumulated surplus	21,425,982	21,584,755	22,301,958	22,854,075	23,567,874	24,791,127	25,954,266
Tangible Capital Assets							
Cost, beginning of the year	37,307,461	37,840,861	38,794,309	40,331,809	41,284,809	42,110,809	43,310,809
Additions	533,400	953,448	1,537,500	953,000	826,000	1,200,000	630,000
Disposal	-	-	-	-	-	-	-
Total Cost	37,840,861	38,794,309	40,331,809	41,284,809	42,110,809	43,310,809	43,940,809
Accumulated Depreciation, beginning	17,328,359	18,099,490	18,830,004	19,591,268	20,371,592	21,168,436	21,989,280
Amortization	771,131	730,514	761,264	780,324	796,844	820,844	833,444
Disposal	-	-	-	-	-	-	-
Accumulated Amortization	18,099,490	18,830,004	19,591,268	20,371,592	21,168,436	21,989,280	22,822,724
Net book value	19,741,371	19,964,305	20,740,541	20,913,217	20,942,373	21,321,529	21,118,085

TOWN OF KAPUSKASING
PROJECTED STATEMENT OF OPERATIONS

	2025	2026	2027	2028	2029	2030	2031
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Water Rates	2,283,353	2,511,688	2,762,857	3,039,143	3,343,057	3,677,363	4,045,099
Meter Replacement	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Connection & Others	1,000	1,500	1,500	1,500	1,500	1,500	1,500
Interest on Water	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Grants	533,400	619,741	999,375	619,450	536,900	780,000	409,500
Transfer from Reserve	39,310	333,707	538,125	333,550	289,100	420,000	220,500
	<u>2,879,063</u>	<u>3,488,636</u>	<u>4,323,857</u>	<u>4,015,643</u>	<u>4,192,557</u>	<u>4,900,863</u>	<u>4,698,599</u>
Expenses							
General operating	2,179,301	2,222,887	2,267,344	2,312,691	2,358,945	2,406,124	2,454,246
Expenditures financed by reserve	39,310	333,707	538,125	333,550	289,100	420,000	220,500
Debt Interest	46,362	42,756	39,921	36,961	33,870	30,642	27,270
Amortization	771,131	730,514	761,264	780,324	796,844	820,844	833,444
	<u>3,036,104</u>	<u>3,329,863</u>	<u>3,606,654</u>	<u>3,463,526</u>	<u>3,478,759</u>	<u>3,677,609</u>	<u>3,535,461</u>
Excess Revenues over Expenses	(157,041)	158,773	717,203	552,117	713,798	1,223,253	1,163,138
Opening accumulated surplus	<u>(1,439,949)</u>	<u>(1,596,990)</u>	<u>(1,438,217)</u>	<u>(721,014)</u>	<u>(168,897)</u>	<u>544,902</u>	<u>1,768,155</u>
Accumulated surplus	<u>(1,596,990)</u>	<u>(1,438,217)</u>	<u>(721,014)</u>	<u>(168,897)</u>	<u>544,902</u>	<u>1,768,155</u>	<u>2,931,294</u>

TOWN OF KAPUSKASING
PROJECTED STATEMENT OF CASH FLOW

	2024	2025	2026	2027	2028	2029	2030	2031
	\$	\$	\$	\$	\$	\$	\$	\$
Projected excess of revenues over expenses	(226,845)	(157,041)	158,773	717,203	552,117	713,798	1,223,253	1,163,138
Amortization	912,919	771,131	730,514	761,264	780,324	796,844	820,844	833,444
Cash provided by operations	686,074	614,090	889,287	1,478,467	1,332,441	1,510,642	2,044,097	1,996,582
Capital Transactions								
Acquisition of Tangible Capital Assets	(206,482)	(533,400)	(953,448)	(1,537,500)	(953,000)	(826,000)	(1,200,000)	(630,000)
Financial Transactions								
Proceeds from debt Issues	-	-	-	-	-	-	-	-
Debt Repayment	(87,206)	(90,851)	(66,060)	(68,895)	(71,855)	(74,946)	(78,174)	(81,546)
	(87,206)	(90,851)	(66,060)	(68,895)	(71,855)	(74,946)	(78,174)	(81,546)
Increase (Decrease) in Cash Equivalents	392,386	(10,161)	(130,221)	(127,928)	307,586	609,696	765,923	1,285,037
Cash equivalents, beginning of the year	2,283,414	2,675,800	2,665,639	2,535,418	2,407,490	2,715,076	3,324,772	4,090,695
Cash equivalents, end of the year	<u>2,675,800</u>	<u>2,665,639</u>	<u>2,535,418</u>	<u>2,407,490</u>	<u>2,715,076</u>	<u>3,324,772</u>	<u>4,090,695</u>	<u>5,375,732</u>