

# IE6.6 Attachments 1 to 3

## ATTACHMENT 1

### CITY OF TORONTO'S DRINKING WATER SYSTEM FINANCIAL PLAN (2020-2025) [In Accordance with Safe Drinking Water, 2002 – O.Reg. 453/07]

**Table 1: Details of Financial Position**

Sub	Description (\$000)	2019	2020	2021	2022	2023	2024	2025
A	Total Financial Assets (Current Assets)	634,713	543,399	413,138	317,245	288,012	274,098	284,089
B	Total Liabilities	41,816	68,369	73,709	72,445	71,898	62,591	62,107
C	Net Financial Assets/(Debt)	592,897	475,030	339,428	244,800	216,114	211,507	221,982
D	Non Financial Assets (Tangible Capital Assets)	3,158,546	3,389,332	3,793,126	4,208,750	4,575,514	4,877,704	5,173,888
E	Tangible Capital Assets Changes	230,785	403,794	415,623	366,762	302,189	296,184	286,736

**Table 2: Details of Proposed or Projected Financial Operations**

Sub	Description (\$000)	2019	2020	2021	2022	2023	2024	2025
A	Total Revenues	582,050	601,581	615,727	629,743	644,829	664,119	680,528
	Water Rates	528,035	546,436	559,883	573,188	587,302	605,278	620,172
	York region	26,423	27,084	27,761	28,455	29,166	29,895	30,643
	Other Revenues	25,549	26,187	26,842	27,513	28,201	28,906	29,629
	Interest Earnings on Reserve Funds	2,044	1,874	1,241	587	159	39	85
B	Total Expenses	284,961	300,465	312,027	325,886	339,043	343,816	354,124
	Amortization Expenses	85,498	96,015	102,465	111,085	118,872	118,141	122,807
	Interest Expenses							
	Other Expenses	199,464	204,450	209,561	214,801	220,171	225,675	231,317
C	Annual Surplus or (Deficit)	297,089	301,116	303,700	303,857	305,786	320,303	326,404
D	Accumulated Surplus (or Deficit)	372,968	674,084	977,785	1,281,642	1,587,428	1,907,731	2,234,134

# CITY OF TORONTO'S DRINKING WATER SYSTEM FINANCIAL PLAN (2020-2025)

[In Accordance with Safe Drinking Water, 2002 – O.Reg. 453/07]

**Table 3: Details of Proposed or Projected Gross Cash Receipts / (Gross Cash Payments)**

Sub	Description (\$000)	2019	2020	2021	2022	2023	2024	2025
A	Operating Transactions	382,586	420,101	408,538	411,521	422,206	426,685	446,260
B	Capital Transactions	350,393	557,898	580,998	526,451	464,255	451,094	444,504
C	Investing Transactions	34,827	42,900	39,231	16,880	10,911	8,043	5,768
D	Financing Transactions							
E	Changes in Cash and Cash Equivalents	67,020	-94,897	-133,229	-98,050	-31,138	-16,366	7,524
F	Cash and Cash Equivalents: beginning of the year	481,234	548,255	453,358	320,129	222,079	190,941	174,574
	Cash and Cash Equivalents: end of the year	548,255	453,358	320,129	222,079	190,941	174,574	182,099

**Table 4: Lead Water Service Replacement**

Sub	Description (\$000)	2020	2021	2022	2023	2024	2025
A	WATER SERVICE REPLACEMENT	64,897	53,479	48,896	46,246	46,246	45,746

**Notes:**

- 1) Joint Revenues and Expenses and Financial Assets and Liabilities have been allocated 43% to the Water Program where specific amounts are not available for the Water Program in accordance with Section 1184 of the Municipal Code – Water and Sewage Services and Utility Bill 849-13. 57% of these Joint Revenues and Expenses and Assets and Liabilities, are, therefore, deemed to be for the Wastewater Program.
- 2) Capital Transactions include planned capital asset acquisitions as per the 2019-2028 Approved Capital Plan for the Water Program
- 3) Operating Transactions under Table 3 above include changes in Working Capital.

## Notes Regarding Financial Plan (2020-2025)

**Table 1: Details of Financial Position**

Item	Description	Comment/Assumption
A	Financial Assets	<b>Cash:</b> Year-end balance from <b>Table 3</b> (Line F) <b>Accounts Receivable:</b> <i>Operating:</i> estimated at December 31, 2018 and balances adjusted for inflation in the years following <i>Capital:</i> estimated at 20% of Tangible Capital Recoveries
B	Liabilities	<b>Accounts Payable:</b> <i>Operating:</i> estimated at December 31, 2018 and balances adjusted for inflation in the years following Capital: Estimated at 10% of Tangible Capital Assets
C	Net Financial Assets /(Debt)	The difference between financial assets (A) and the liabilities (B).
D	Non Financial Assets	The estimated amortized value of assets at the beginning of each year based on the 2019-2028 Approved Capital Plan for Water Services.
E	Tangible Assets Changes	Net Additions to Tangible Assets based on the Approved 2019-2028 Capital Plan for Water Services.

## Notes Regarding Financial Plan (2020-2025)

**Table 2: Details of Proposed or Projected Financial Operations**

Item	Description	Comment/Assumption
A	Total Revenues	<p><b>Water Rate Revenues:</b> estimated at 43% of the total estimated rate revenues as Per Municipal Code - Sections 849-23, based on the 2019 -2028 Approved Water and Wastewater Rate Model.</p> <p><b>User Charges:</b> Revenues from water sales to Region of York, as per approved Rate Model.</p> <p><b>Other Revenues:</b> estimated at 43% mostly from various user fees including watermain connection fees, as per approved Rate Model.</p> <p><b>Interest Earnings:</b> estimated at 43% of interest earned on Toronto Water capital financing reserve funds.</p>
B	Total Expenses	<p><b>Amortization expenses:</b> amortization of tangible capital assets as estimated for different types of assets depending on their useful life.</p> <p><b>Other Expenses:</b> salaries, materials and supplies, equipment, services and rents, inter-divisional charges, payment in lieu of taxes, grants, shared expenses of water and wastewater services, estimated at 43% of the total operating expenses included in the approved Rate Model.</p>
C	Annual Surplus/ Deficit	Total Revenues (A) less Total Expenses (B)
D	Accumulated Surplus / (Deficit)	<p>Annual Surplus as added to the accumulated surplus at the beginning of the year. The beginning surplus for 2019 determined as the Rate Model ending 2018 surplus.</p> <p><b>Note:</b> The Water and Wastewater Programs combined are self-sustaining. Any annual surpluses after providing funding for the Water Program are used to fund the Wastewater Program capital asset acquisitions.</p>

**Table 3: Details of Proposed or Projected gross cash receipts / (gross cash payments)**

<b>Item</b>	<b>Description</b>	<b>Comment/Assumption</b>
A	Operating Transactions	Includes planned annual surplus, amortization expense and changes in working capital
B	Capital Transactions	Includes planned capital asset acquisitions as per the 2019-2028 Approved Capital Plan.
C	Investing Transactions	Includes planned capital contributions from Region of York and Development Charge Reserve Funding as per the - 2019-2028 Approved Capital Plan.
D	Financial Transactions	Program is self-sustaining, with no debt funding, and total net expenditures (operating and capital) are recovered through water rate and wastewater surcharges.
E	Changes in Cash and Cash Equivalents	Calculated based on the planned operating, capital and investing transactions (A+C-B)
F	Cash Equivalents at the beginning of the year	Annual Cash and Cash Equivalents Balance as added to the accumulated surplus at the beginning of the year. The beginning cash and cash equivalents balance for 2019 determined as the Rate Model ending net 2018 Capital Financing Reserve Fund balance.

## **Notes Regarding Financial Plan (2020-2025)**

### **General Comments:**

Toronto Water is a Division of the City of Toronto and has two Programs: Water and Wastewater, respectively. Separate financial statements as per Generally Accepted Accounting Principles (GAAP) are not prepared for Toronto Water and the assets and liabilities of the Water and Wastewater Programs are consolidated with other City programs in the financial statements prepared per GAAP.

The Water and Wastewater Programs are self-sustaining and the total net expenditures for operating and capital expenditures are recovered through the water and sewer service rates.

43% of the Toronto Water rate revenues are allocated to the Water Program as 57% is considered to be the sewer service rate per Section 849-13 of the Municipal Code - Water and Sewage Services and Utility Bill. However, the actual expenses of each Program may vary significantly from this ratio depending on the capital spending for each Program.

An audit of the City of Toronto financial statements has not yet been completed.

## Safe Drinking Water Act, 2002

### ONTARIO REGULATION 453/07

#### FINANCIAL PLANS

**Consolidation Period:** From April 1, 2008 to the [e-Laws currency date](#).

Last amendment: [69/08](#).

Legislative History: [69/08](#).

***This is the English version of a bilingual regulation.***

#### **Requirement to prepare financial plans**

1. (1) A person who makes an application under clause 32 (1) (b) of the Act for a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 2.

O. Reg. 453/07, s. 1 (1).

(2) A person who makes an application under subsection 32 (4) of the Act for the renewal of a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (2).

(3) As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (3).

(4) The Director shall include, as a condition in a municipal drinking water licence, the requirement set out in subsection (3) in any amendments to a license made after the application, if the condition is not satisfied at the time when the amendment is made.

O. Reg. 453/07, s. 1 (4).

#### **Financial plan requirements; new systems**

2. For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (1) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by,

- i. the council of the municipality, if the owner of the drinking water system is a municipality, or

- ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
- 2. The financial plans,
  - i. must include a statement that the financial impacts of the drinking water system have been considered, and
  - ii. must apply for a period of at least six years.
- 3. The first year to which the financial plan must apply is the year in which the drinking water system is expected to first serve the public.
- 4. For each year in which the financial plans apply, the financial plans must include details of the proposed or projected financial operations of the drinking water system itemized by,
  - i. total revenues, further itemized by water rates, user charges and other revenues,
  - ii. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
  - iii. annual surplus or deficit, and
  - iv. accumulated surplus or deficit.
- 5. The owner of the drinking water system must,
  - i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
  - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
  - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
- 6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 2.

**Financial plan requirements; licence renewal**

3. (1) For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (2) or a condition that is included in a municipal drinking water licence under subsection 1 (3) to satisfy the requirements of this section:

- 1. The financial plans must be approved by a resolution that is passed by,
  - i. the council of the municipality, if the owner of the drinking water system is a municipality, or



- ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
- 2. The financial plans must apply to a period of at least six years.
- 3. The first year to which the financial plans must apply must be the year determined in accordance with the following rules:
  - i. If the financial plans are required by subsection 1 (2), the first year to which the financial plans must apply must be the year in which the drinking water system's existing municipal drinking water licence would otherwise expire.
  - ii. If the financial plans are required by a condition that was included in a municipal drinking water licence under subsection 1 (3), the first year to which the financial plans must apply must be the later of 2010 and the year in which the first licence for the system was issued.
- 4. Subject to subsection (2), for each year to which the financial plans apply, the financial plans must include the following:
  - i. Details of the proposed or projected financial position of the drinking water system itemized by,
    - A. total financial assets,
    - B. total liabilities,
    - C. net debt,
    - D. non financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and
    - E. changes in tangible capital assets that are additions, donations, write downs and disposals.
  - ii. Details of the proposed or projected financial operations of the drinking water system itemized by,
    - A. total revenues, further itemized by water rates, user charges and other revenues,
    - B. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
    - C. annual surplus or deficit, and
    - D. accumulated surplus or deficit.
  - iii. Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by,
    - A. operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges,

- B. capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,
  - C. investing transactions that are acquisitions and disposal of investments,
  - D. financing transactions that are proceeds from the issuance of debt and debt repayment,
  - E. changes in cash and cash equivalents during the year, and
  - F. cash and cash equivalents at the beginning and end of the year.
- iv. Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.
5. The owner of the drinking water system must,
- i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
  - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
  - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 3 (1).

(2) 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). O. Reg. 453/07, s. 3 (2).

#### **Alternative requirements for two or more drinking water systems**

4. If section 3 applies to the financial plans of two or more drinking water systems that are solely owned by the same owner, the requirements prescribed by the section may, as an alternative, be satisfied by financial plans that comply with the section but treat those systems as if they were one drinking water system. O. Reg. 453/07, s. 4.

#### **Amendment of financial plans**

5. Sections 2 and 3 do not prevent financial plans from being amended. O. Reg. 453/07, s. 5.

**Additional information**

6. The requirements of this Regulation do not prevent a person from providing additional information in financial plans prepared for the purpose of meeting the requirements of the Act. O. Reg. 453/07, s. 6.

7. OMITTED (PROVIDES FOR COMING INTO FORCE OF PROVISIONS OF THIS REGULATION).  
O. Reg. 453/07, s. 7.