

Water and Wastewater Long-Range Financial Plan

In Accordance with O.Reg. 453/07

City of Greater Sudbury



Table of Contents

Introduction	1	Forecast	24
Purpose of Financial Plan	2	Operating Budget Forecast	25
Review of Regulatory Requirements	2	Capital Budget Forecast	28
Sustainable Financial Planning	3	Reserve Forecast	29
Guiding Principles	4	Debt Forecast	31
The Financial Plan is Dynamic	5	Projected Water and Wastewater Rates	32
Background Information	6	Reporting Requirements	33
System Overview	7	Water O. Regs	34
Asset Management Plan	8	Wastewater O. Regs	39
Annual Funding Shortfall	10		
Consumption Trends	11	Appendix A - Alternative 10-Year Phase-In	
Ratepayer Affordability	12		
Challenges, Risks and Opportunities	13		
Summary of Financial Environment and Assumptions	14		
Financial Model Development and Assumptions	15		
Model Development	16		
Source of Data to Prepare Long Range Financial Plan	17		
Forecast Policies and Strategies	18		
Reserve and Revenue Stability Strategies	19		
Debt Financing Strategies	21		
Asset Replacement Strategies	23		

Introduction - Water and Wastewater Financial Plan



Purpose of Financial Plan

BMA Management Consulting Inc. was engaged by the City of Greater Sudbury to assist in the preparation of a Financial Plan for its water and wastewater systems.

The development of a water Financial Plan is a requirement of the Safe Drinking Water Act, 2002 (SDWA) to renew a Municipal Drinking Water Licence. Municipal Drinking Water licences must be renewed every five years. The Act requires that the Financial Plan be prepared in accordance with the prescribed requirements in the Financial Plans Regulation (O. Reg 453/07). The City also developed a Financial Plan for its wastewater operations to ensure sustainability of the system although this is not required for regulatory purposes.

The purpose of this report is to propose a financially viable multi-year Financial Plan for the Water and Wastewater operations as required by Regulation (O. Reg. 453/07).

Review of Regulatory Requirements

Financial Plan provisions set out in the Financial Plans Regulation that must be met include:

- Financial plans must be approved by Council resolution indicating that the drinking water system is financially viable;

- 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 Public Sector Accounting Board (PSAB) for each year in which the Financial Plans apply;
- Financial Plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period;
- 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; and
- Financial Plans must be given to Ministry of Municipal Affairs and Housing.

Sustainable Financial Planning

The Ministry of the Environment, Conservation and Parks released a guideline (“Towards Financially Sustainable Drinking-Water and Wastewater Systems”) that outlines suggested principles for Water and Wastewater and 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.

Guiding Principles

The following guiding principles were used as the basis for the creation of the Water and Wastewater Financial Plans to meet the requirements of O. Reg 453/07:

- Ensure reasonable degree of stability and predictability in the rate burden;
- A fair sharing in the distribution of resources between current and future ratepayers;
- Maintain programs and services at their desired levels; and
- Balance increased investment with affordability.

This Financial Plan will be instrumental in the City's ability to meet the Provincial reporting requirements included in O.Reg. 453/07 for Water and Wastewater operations and has been developed in recognition of the above noted principles.

General Approach to Preparing the City's Financial Plan

The Financial Plans take a full cost recovery approach to achieve long term financial sustainability.

As part of full cost recovery , the following costs were considered:

- Expected operating and capital outlays for each year of the plan;
- Expected revenues for each year and their source;
- Reserve contributions to enable assessment of the Financial Plan; and
- Debt charges.

The Financial Plan is Dynamic

The Water and Wastewater Financial Plans have been developed to provide the City with a realistic and informed view of operating and capital expenditures needed over time to maintain the integrity and health of its physical infrastructure and accommodate growth. Although great effort has been made to present accurate financial projections, based upon the most recent data, the Financial Plan is a “living” document and should be updated and re-evaluated, on an ongoing basis. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.

Council priorities, planning policies, changes to service levels, consumption projections and infrastructure requirements, will certainly lead to changes and the Financial Plan should be adjusted to reflect these changes as they occur.

The Financial Plans have been prepared to meet the regulatory requirements of the Safe Drinking Water Act, 2002 and are not binding on Council, however, they provide a framework for guiding future operating and capital budgets.

It is well recognized that a Financial Plan is a **dynamic document** that should be updated and re-evaluated, on an **ongoing** basis to:

- Amend the assumptions, projections and strategies based on changes in the municipal environment;
- Continue building awareness of the results of projections of current operating and capital spending and funding levels;
- Assist the City in determining the extent of its financial challenges;
- Reconfirm the key financial goals and strategies that should guide future planning; and
- Spur the development of actions in future business plans that would respond to the long-term strategies.



***Background Information Used to Prepare the
Water and Wastewater Financial Plan***



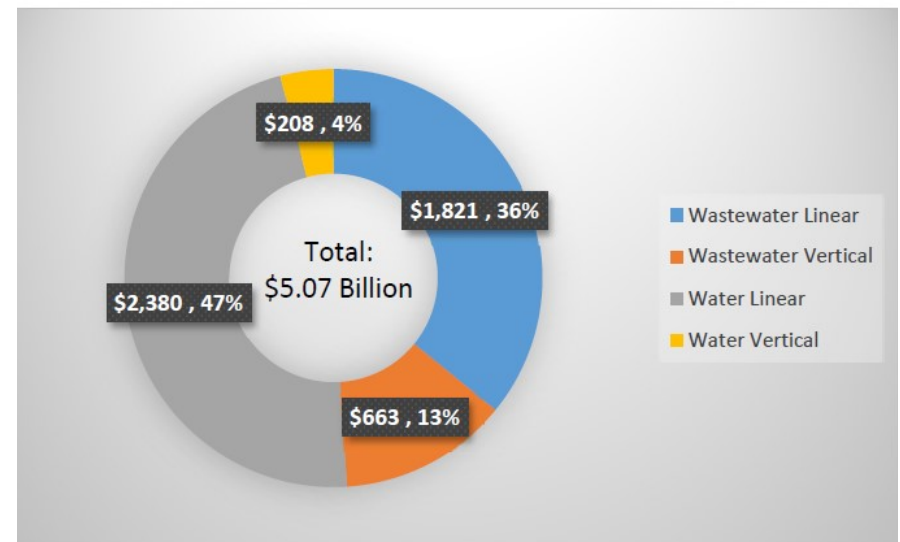
Asset Management Plan

The City updated the water and wastewater Asset Management Plan in 2024. Combining the Asset Management Plan with this financial analysis will establish a long term sustainable infrastructure.

The following provides highlights of the results of the Plan:

- Water and wastewater assets have an estimated **replacement value of \$5.07 billion**.
- The tables on the next two pages provides a summary of the following:
 - Asset type
 - Current age assets
 - Condition of the assets
 - Average expected life
 - Quantity of the assets

(000's)	Current Asset Replacement Cost
Water Linear	\$ 2,379,584
Water Vertical	\$ 208,413
Total Water	\$ 2,587,997
Wastewater Linear	\$ 1,821,152
Wastewater Vertical	\$ 663,609
Total Wastewater	\$ 2,484,761
Total Linear Water/WW	\$ 4,200,736
Total Vertical Water/WW	\$ 872,022
Total Water/WW	\$ 5,072,758



Asset Management Plan—Water Linear and Vertical Assets (updated AMP 2024)

Water Linear Assets			Current Average Asset Age	Average Expected Asset Life	Average Asset Condition	Current Asset Replacement Cost
	Quantity	UOM				
Water Chamber	2,538	no.	51	40	Poor	\$ 78,070,543
Water Pressurized Main	966,342	meters	49	86	Fair	\$ 1,897,422,000
Water Service Connection	468,165	meters	47	60	Fair	\$ 234,090,378
Water Valve	14,845	no.	45	40	Poor	\$ 94,910,467
Water Hydrant	5,358	no.	45	60	Fair	\$ 63,553,270
Water-Control Valve	90	meters	44	30	Very Poor	\$ 847,943
Water Meter Station	6	meters	50	30	Very Poor	\$ 1,360,120
Water Meter	47,940	meters	23	20	Poor	\$ 9,329,229
Total Water Linear Infrastructure						\$ 2,379,583,950
Water Vertical Assets			Current Average Asset Age	Average Expected Asset Life	Average Asset Condition	Current Asset Replacement Cost
	Asset Type	Quantity				
Water	Booster Station	12	24	60	Fair-Good	\$ 16,762,138
Water	Fluoridation Station	1	30	60	Good	\$ 2,211,185
Water	Rechlorination Station	1	1	60	Very Good	\$ 577,170
Water	Water Metering Facility	1	24	60	Fair-Good	\$ 253,000
Water	Pressure Control Facility	4	13	60	Very Good	\$ 3,499,792
Water	Reservoir	1	26	60	Good	\$ 21,099,148
Water	Water Storage Facility	7	38	60	Good	\$ 16,514,988
Water	Water Well Facility	22	20	60	Fair-Good	\$ 48,438,691
Water	Water Treatment Plant	2	36	60	Good	\$ 99,057,001
Total Water Vertical Infrastructure						\$ 208,413,113

Asset Management Plan—Wastewater Linear and Vertical Assets (updated AMP 2024)

WW Linear Assets	Quantity	UOM	Current Average Asset Age	Average Expected Asset Life	Average Asset Condition	Current Asset Replacement Cost
Wastewater Force Main	52,725	meters	42	73	Fair	\$ 139,337,778
Wastewater Gravity Main	794,220	no.	48	82	Fair	\$ 1,363,338,652
Wastewater Lateral Connec	390,354	no.	46	60	Fair	\$ 195,177,152
Wastewater Manhole	11,954	no.	46	70	Fair	\$ 97,266,119
Wastewater Valve	82	no.	40	30	Very Poor	\$ 2,932,658
Wastewater Drop Shaft	21	no.	33	70	Good	\$ 23,100,000
Total WW Linear Infrastructure						\$ 1,821,152,359

WW Vertical Assets	Asset Type	Quantity	Current Average Asset Age	Average Expected Asset Life	Average Asset Condition	Current Asset Replacement Cost
Wastewater	Lagoon	4	50	60	Fair	\$ 28,060,000
Wastewater	Lift Station	70	41	60	Fair	\$ 139,468,954
Wastewater	Wastewater Treatment Plant	10	29	60	Good	\$ 496,080,116
Total WW Vertical Infrastructure						\$ 663,609,070

Annual Funding Shortfall

- The AMP determined the required average annual capital reserve contribution to meet projected needs over a 25 year period. The report identified that \$50.9 million is required annually in water and \$45 million in wastewater for a total of \$96 million. As illustrated below there is a significant annual funding gap.

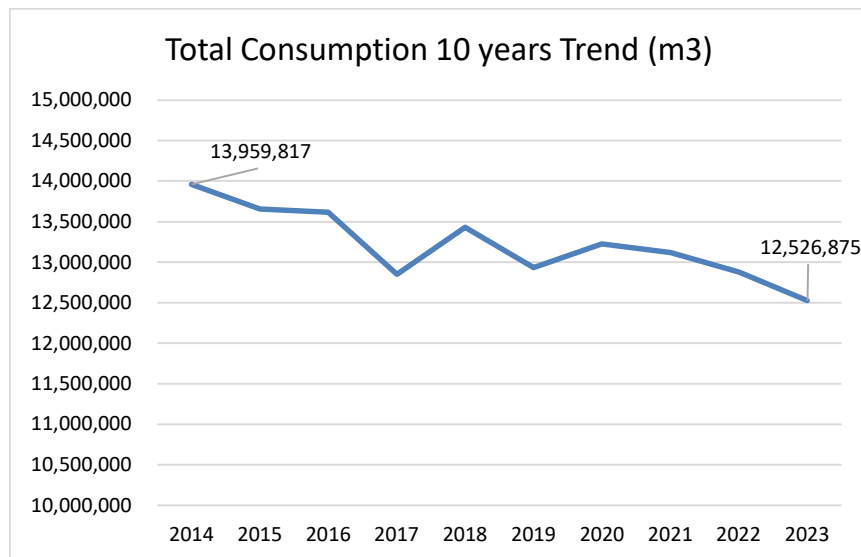
2025 Capital Contributions (000's)	Water		WW		Total
Current Capital Contribution for					
Asset Replacement	\$	21,562	\$	20,577	\$ 42,139
Debt Principal Payment	\$	177	\$	2,278	\$ 2,455
Linear Assets	\$	45,953	\$	37,877	\$ 83,831
Vertical Assets	\$	5,010	\$	7,188	\$ 12,198
Recommended Annual Average Contribution (AMP)	\$	50,963	\$	45,065	\$ 96,029
Estimated Annual funding Gap	\$	(29,224)	\$	(22,211)	\$ (51,435)

- There is an **annual funding shortfall** in the water capital program of approximately \$29.2 million and \$22.2 million in the wastewater program.
- It should be noted that the 25 year need was greatly impacted by the cumulative deferred capital backlog that has accumulated over a number of years.
- This shortfall will require a significant increase in the water and wastewater revenues.
- The Financial Plan recommends a gradual phase-in of increased capital reserve contributions to capital to achieve the recommended targets over a 15 year period. This approach balances ratepayer affordability with financial sustainability.

Consumption Trends

Consistent with the experiences in other Ontario municipalities, water billed consumption has been trending down in both the Residential and the Industrial, Commercial and Institutional (ICI) sectors.

- While weather conditions accounts for some of the yearly fluctuations, overall Greater Sudbury has experienced a downward trend for the past 10 years.
- Billable consumption in 2014 was 13.9 million m³ compared with 12.5 m³ in 2023.



The following summarizes the key findings and observations:

- While the billable consumption varies from year to year, the average annual reduction in total billable consumption was approximately 1.2% over the past 10 years.
- Average annual Residential consumption declined as a result of the replacement of inefficient toilets, smaller lot sizes showerheads to low flow fixtures and conservation efforts.
- Over the past 10 years, the residential consumption declined annually by 0.8%; ICI declined by 1.8% and the total consumption declined by 0.8%.
- The consumption used to calculate rates assumes that consumption will remain at 2023 levels. Future conservation savings will be offset by new growth. This assumption can be revisited on an annual basis if trends should change.

Ratepayer Affordability

- A comparison of 2024 water and wastewater rates cost was undertaken against other large Northern municipalities and the average of over 100 Ontario municipalities. An affordability metric was also calculated which compared rates to average household income. As shown below, the cost of service for a typical residential customer consuming 180 m³ is close to the peer average. In relation to average household income, Sudbury is below the peer average.

Municipality	2024 Est. Avg. Household Income	2024 Residential Water/WW Costs 180	Affordability Metric
Timmins	\$ 109,108	\$ 1,123	1.0%
Sault Ste. Marie	\$ 97,016	\$ 1,032	1.1%
North Bay	\$ 95,128	\$ 1,150	1.2%
Espanola	\$ 100,442	\$ 1,287	1.3%
Thunder Bay	\$ 98,708	\$ 1,317	1.3%
Greater Sudbury	\$ 113,265	\$ 1,513	1.3%
Dryden	\$ 104,731	\$ 1,759	1.7%
Kenora	\$ 110,009	\$ 1,861	1.7%
Greenstone	\$ 103,052	\$ 2,221	2.2%
Parry Sound	\$ 82,464	\$ 1,930	2.3%
Peer Average	\$ 101,392	\$ 1,519	1.5%
Average of 100+ Ontario Municipalities	\$ 124,639	\$ 1,324	1.1%

- It should be noted that all Northern municipalities have identified infrastructure deficits. Their approach and timing to address these challenges varies based on age of assets, size of infrastructure deficit and ratepayer affordability. It should also be noted that Greater Sudbury has a very complex and costly system which services an extremely large land area requiring more linear and vertical infrastructure than most other Ontario municipalities.
- A phase-in strategy to address the infrastructure funding gap is required to address the funding gap while maintaining ratepayer affordability.

***Challenges, Risks and Opportunities
Water and Wastewater Financial Plan***



Summary of Financial Environment and Assumptions

The following summarizes the key challenges, risks and opportunities to long-term financial sustainability which have been addressed as part of the Financial Plan:

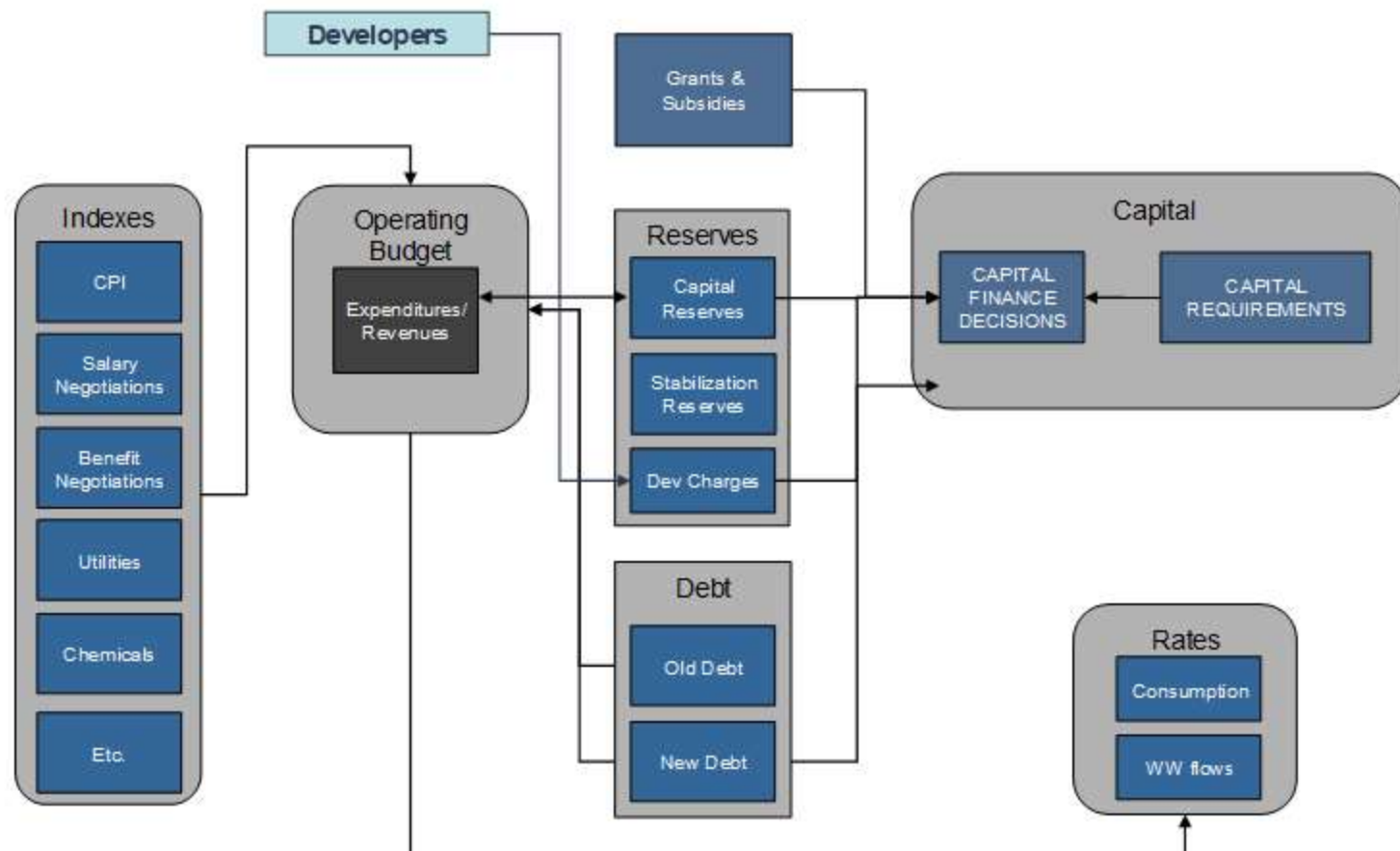
- ***Asset Renewal/Replacement***—Like most municipalities in Canada, Greater Sudbury faces a continued struggle to fund the replacement of existing assets.
- ***Increasing Costs, Many of Which are Uncontrollable***—A number of the City's water and wastewater operating and capital costs are increasing faster than inflation.
- ***Water and Wastewater Rate Revenue Increases***—Water rate revenue requirement increases of 6.5% annually and wastewater increases of 5.7% annually from 2026 onward, taking into consideration the consumption and reserve requirements along with the above noted assumption.
- ***Revenue Challenges Related to Decreasing Consumption***—Costs are increasing significantly however consumption has been declining putting more pressure on the rates.
- ***Regulatory and Legislative Environment***—Municipalities across Ontario have consistently identified legislative and regulatory changes and requirements as a major factor driving the cost of service over the past 10 years and will continue to be a factor well into the future. Statutes and associated regulations that dictate service levels include:
 - Municipal Act;
 - Clean Water Act;
 - Water Opportunities Act;
 - Ontario Water Resources Act;
 - Safe Drinking Water Act (SDWA);
 - Sustainable Water and Sewage Systems Act; and
 - PSAB 3150, Tangible Capital Assets Reporting.

Financial Model Development and Assumptions



Model Development

The Financial Plan was developed based on an analysis of all factors impacting the water and wastewater capital and operating budgets. As shown below, due to the inter-relationship between all components of the plan, changes in any of the assumptions will potentially have an impact throughout the Financial Plan. A financial model was developed to facilitate the impact of different scenarios.



Source of Data to Prepare Long Range Financial Plan

- **Reserves**—Water/WW Capital Reserve opening 2025 balance net of outstanding commitments.
- **Operating Budget**—The 2025 Operating Budgets for Water and Wastewater. The following provides the key assumptions in the operating budget forecast:
 - Expenditure Increases—3% annually.
 - Material Increases—5% annually
- **Financial Information Return (FIRs) 2023**
- **Consumption**—Historical trends were provided. Despite increases in growth, the overall trends reflect declining consumptions. The forecast assumes no increase in consumption from current levels.
- **Customer Accounts and Meters by Size**—Customer account information by meter size were provided by the City.
- **Asset Management Plan 2024 (AMP)** – The City’s AMP was used in the Financial Plan to ensure that there is a sustainable Financial Plan for the timely replacement of assets.
- **Historical Rates**—A review was undertaken of the historical rates to gain perspective into the strategies deployed.
- **Debt Schedules**—Water and Wastewater outstanding debt schedules.
 - Water Debt Outstanding at end of 2025 is \$12.9 million
 - Wastewater Debt Outstanding at end of 2025 is \$26.7 million
- **Debt Issuance**—Over the course of the 6 year forecast period, \$15.7 million in water and no new debt is anticipated in wastewater. Water debt issued as a 20-year debenture at a rate of 4.5%.
- **Capital Requirements**—The 4-year projected Capital Budget 2024-2027. Staff also provided large capital projects required beyond 2027 to build into the forecast. The total capital replacement budget for the 6 year period 2026-2031 is as follows:
 - Water—\$172.9 million
 - Wastewater—\$167.4 million

Financial Policies and Strategies
Water and Wastewater Financial Plan



Reserves and Revenue Stability Strategies

A Reserve is a financial provision designated for a future purpose and are carried forward from one fiscal year to the next to facilitate multi-year financial planning.

The purpose for maintaining reserves includes:

- To provide for rate stabilization;
- To provide financing for one-time or short term requirements;
- To make provisions for replacements/renewals/acquisitions of assets/infrastructure;
- To reduce reliance on long-term borrowings; and
- To ensure adequate and sustainable cash flows.

- The following principles were used in preparing the Financial Plan:

Reserve and Revenue Stability Strategies

- *The City will maintain all infrastructure in a state of good repair by implementing life cycle costing and providing adequate annual contributions to the replacement reserves in accordance with the Asset Management Plan (AMP).*
- *A phase-in strategy to gradually move the City toward the recommended AMP capital reserve contributions to support ratepayer affordability.*

The City's approved policies for Water and Wastewater operations which were also used to guide the Financial Plan.



Reserves Policies

Water and Wastewater Approved Financial Reserve Policies

The City has approved a number of leading practice reserve policies:

- This Capital Financing Reserve Fund shall be funded from excess funds from Water capital projects and net under expenditures from the Water operating budget.
- This Capital Financing Reserve Fund shall be used to fund any net over expenditures in the Water operating budget.
- The balance in these reserves should not fall below 10% of the estimated revenues for these services in any year.
- Expenditures may be made from this Capital Financing Reserve Fund for water projects of a capital nature, upon authorization by Council.
- Best efforts shall be made for this Reserve Fund to have a minimum target balance of 1% of estimated asset replacement values for water related assets

Debt Financing Strategies

As stated in the City's Asset Management Plan most recent report was revised in 2024, in order to meet the proposed levels of service, the financial strategy should consider all sources of financing including rates, reserves, debt, and development charges.

The City may wish to consider the use of debt for additional infrastructure investments, conditional upon one or more of the following:

- The infrastructure investment will provide a stream of non-taxation revenues that can be used to fund some or all of the associated debt servicing costs; and/or
- The City requires debt financing to fund its portion of infrastructure projects that are cost shared with senior government; and/or
- The infrastructure investment is unavoidable as a result of regulatory changes or concerns over public health and safety and cannot be funded through other means; and
- The associated debt servicing costs would not jeopardize the City's financial sustainability or result in the City exceeding its annual debt repayment limit.

The Long Term Financial Plan recommends that as debt charges decline, due to retirement of debt, savings will be applied to accelerate achievement of full life cycle costing for City infrastructure. This strategy has been incorporated into the Water/WW Financial Plan.

The following principle was used in preparing the Financial Plan:

Debt Financing Strategies

- *As debt charges decline due to retirement of debt, the City will apply the savings to accelerate achievement of full life cycle costing for City infrastructure.*
- *Debt charges as a percentage of own source revenue should not exceed 10%.*

Debt Policies

Debt Approved Financial Policies

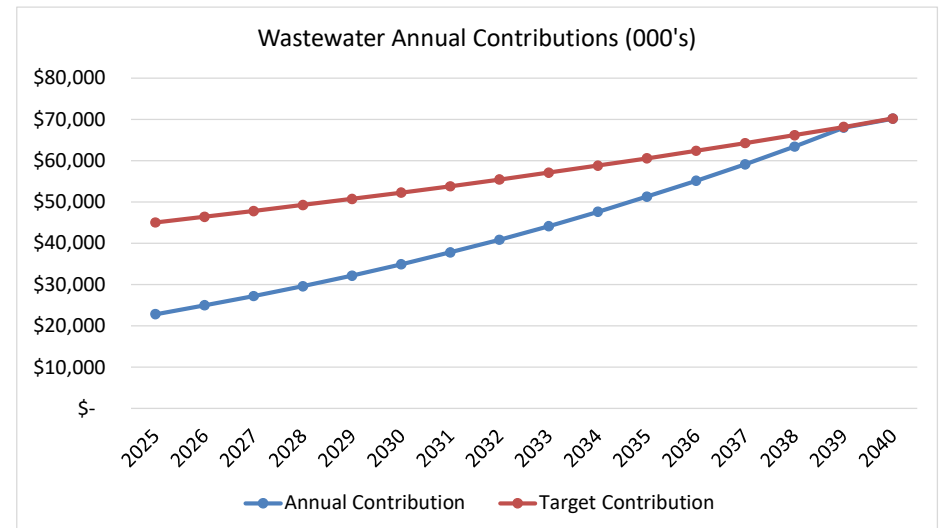
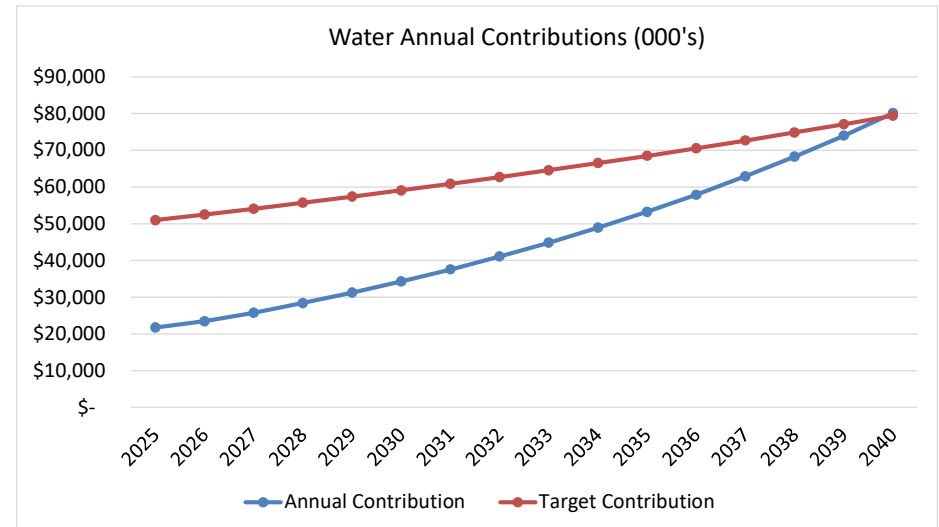
The City has approved a number of leading practices debt policies that have been incorporated into the development of the Financial Plan. The purpose of the Debt Management Policy is to set out the parameters for securing debt, managing outstanding debt and provides guidance regarding the timing of debt, type of debt instrument and the purpose for which the debt will be used.

In accordance with the Long Term Financial Plan (LTFP), use debt financing where appropriate", any internal or external debt financing must be approved by Council, and should only be considered for:

- New, non-recurring infrastructure requirements.
- Programs and facilities which are self-supporting, and projects where the cost of deferring expenditures exceeds debt servicing costs The LTFP also stated that Council should.
- Consider undertaking a short-term, managed program of debt financing to address the City's current infrastructure deficiency and to reduce further deterioration of the City's infrastructure.
- Issue or secure debt for terms no longer than the anticipated life of the funded assets.
- Debt charges as a percentage of own source revenues should not exceed 10% to maintain financial flexibility.
- Debt term shall not exceed the probable life of the asset. If the debt term is less than the life of the asset and affordable, this would be recommended with the view of minimizing long term financing costs.

Asset Replacement Strategies

- The strategy in the Financial Plan is to increase contributions to the reserves over a 15 year period. This will provide a financially sustainable base upon which assets and infrastructure can be replaced on a timely basis while maintaining rate payer affordability.
- The graphs reflect the increases necessary in capital contributions to move toward the recommended annual replacement funding requirements.
- By 2040, the annual contribution will be equal to the required annual contributions in water and wastewater, as identified in the AMP (target has been inflated annually by 3%).
- This approach comes with risks as the recommended annual contribution to the capital reserve would not be met until 2040. The AMP provided several options that may be considered to help mitigate these risks including:
 - Maintaining existing assets versus installing new assets
 - External funding sources
 - Capital prioritization
 - Changes to levels of service



Forecast
Water and Wastewater Financial Plan



Summary of Water Operating Budget Forecast

The City's objective in establishing the Water rates is to avoid large fluctuations from year to year and to ensure that rates are set at a level to adequately cover current operating costs, maintain and repair the City's existing asset base and replace assets where appropriate. The following table reflects the water operating budget forecast. The majority of the increase is attributed to the increase required in contributions to capital.

Water (000s)	2025 Budget	2026	2027	2028	2029	2030	2031
Revenues							
Rate Revenues	\$ 48,879	\$ 52,032	\$ 55,388	\$ 58,961	\$ 62,764	\$ 66,812	\$ 71,121
Other Revenues	\$ 1,709	\$ 1,760	\$ 1,813	\$ 1,867	\$ 1,923	\$ 1,981	\$ 2,041
Total Revenues	\$ 50,588	\$ 53,792	\$ 57,201	\$ 60,828	\$ 64,687	\$ 68,793	\$ 73,162
Expenditures							
Operating Expenditures	\$ 28,809	\$ 29,757	\$ 30,738	\$ 31,753	\$ 32,803	\$ 33,889	\$ 35,013
Contribution to Reserve	\$ 21,562	\$ 22,917	\$ 25,105	\$ 27,694	\$ 30,518	\$ 33,696	\$ 36,940
Debt Charges	\$ 217	\$ 1,118	\$ 1,358	\$ 1,381	\$ 1,366	\$ 1,208	\$ 1,208
Total Expenditures	\$ 50,588	\$ 53,792	\$ 57,201	\$ 60,828	\$ 64,687	\$ 68,793	\$ 73,162

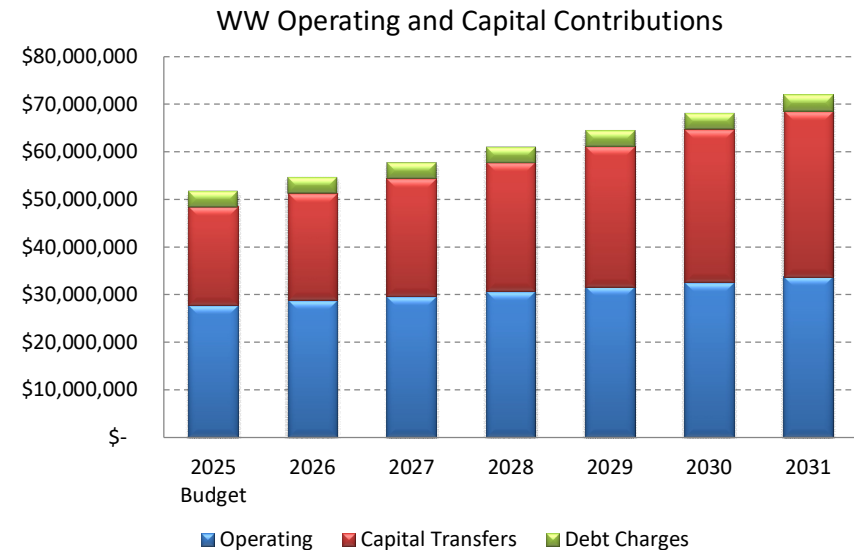
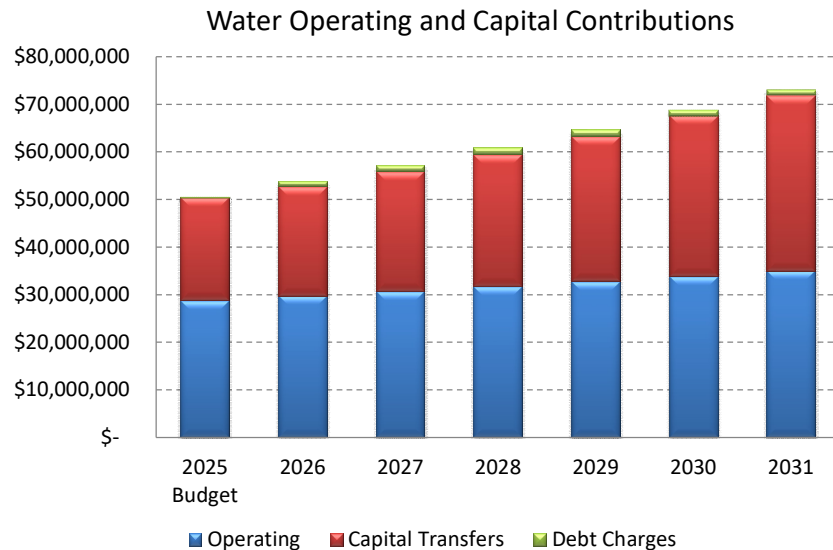
Summary of Wastewater Operating Budget Forecast

The City's objective in establishing the Wastewater rates is to avoid large fluctuations from year to year and to ensure that rates are set at a level to adequately cover current operating costs, maintain and repair the City's existing asset base and replace assets where appropriate. The following table reflects the wastewater operating budget forecast. The majority of the increase is attributed to the increase in contribution to reserve.

Wastewater (000s)	2025 Budget	2026	2027	2028	2029	2030	2031
Revenues							
Rate Revenues	\$ 51,093	\$ 53,980	\$ 57,030	\$ 60,252	\$ 63,656	\$ 67,253	\$ 71,052
Other Revenues	\$ 786	\$ 810	\$ 834	\$ 859	\$ 885	\$ 912	\$ 939
Total Revenues	\$ 51,879	\$ 54,790	\$ 57,864	\$ 61,111	\$ 64,541	\$ 68,164	\$ 71,991
Expenditures							
Operating Expenditures	\$ 27,846	\$ 28,741	\$ 29,666	\$ 30,621	\$ 31,609	\$ 32,629	\$ 33,684
Contribution to Reserve	\$ 20,577	\$ 22,592	\$ 24,742	\$ 27,034	\$ 29,476	\$ 32,079	\$ 34,851
Debt Charges	\$ 3,456	\$ 3,456	\$ 3,456	\$ 3,456	\$ 3,456	\$ 3,456	\$ 3,456
Total Expenditures	\$ 51,879	\$ 54,790	\$ 57,864	\$ 61,111	\$ 64,541	\$ 68,164	\$ 71,991

Summary of Water and Wastewater Operating Budget Breakdown

The following graphs reflect the 10 year forecast for water and wastewater operations, breaking down the costs into operating and capital contributions (includes debt principal repayment and contributions to the capital reserve for replacement of assets).

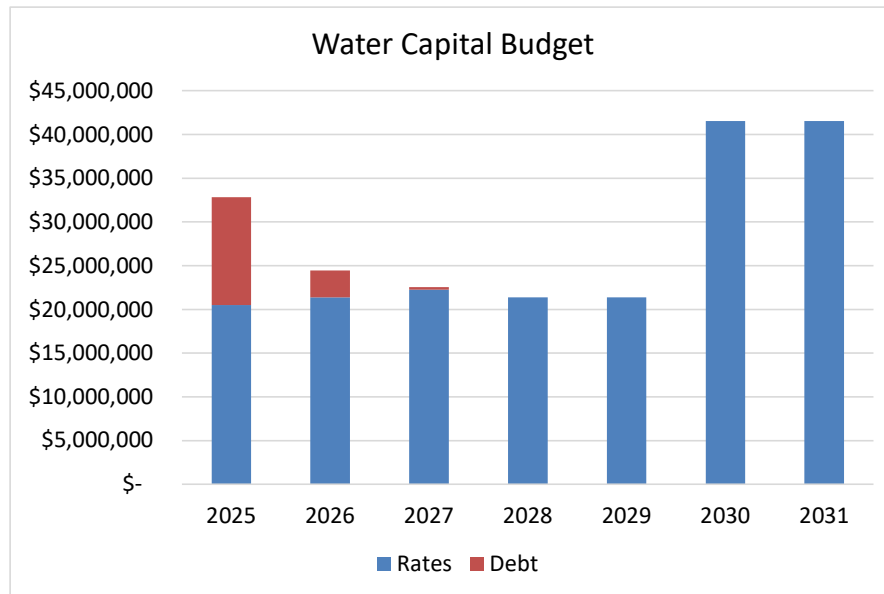


As shown above, the proportion of the operating budget that is to support operating expenditures versus capital changes over time whereby, the gradual increase of capital contributions results in capital being the largest percentage of the total operating budget. For example:

- Water—in 2025, 43% of the water operating budget supported capital replacement, compared with 52% in 2031.
- WW—in 2025, 46% of the wastewater operating budget supported capital replacement, compared with 53% in 2031.

Summary of Water Capital Budget Forecast

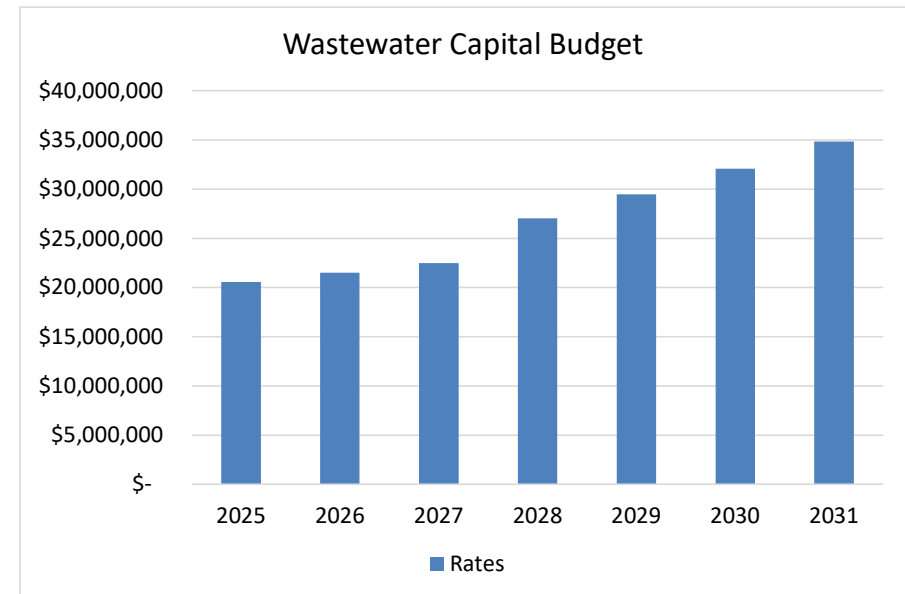
The following table summarizes the Capital Budget forecast for the next 6 years and the associated funding source. The 6 year capital plan, from 2025-2031 includes:



- \$205.7 million is forecast in capital requirements to be funded from the water rates. This includes the issuance of debt of \$15.7 million.

Summary of Wastewater Capital Budget Forecast

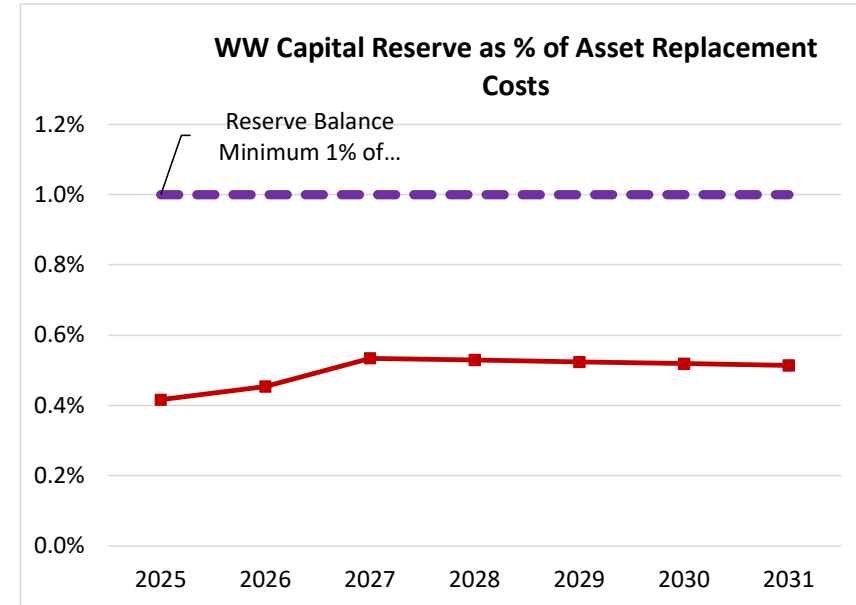
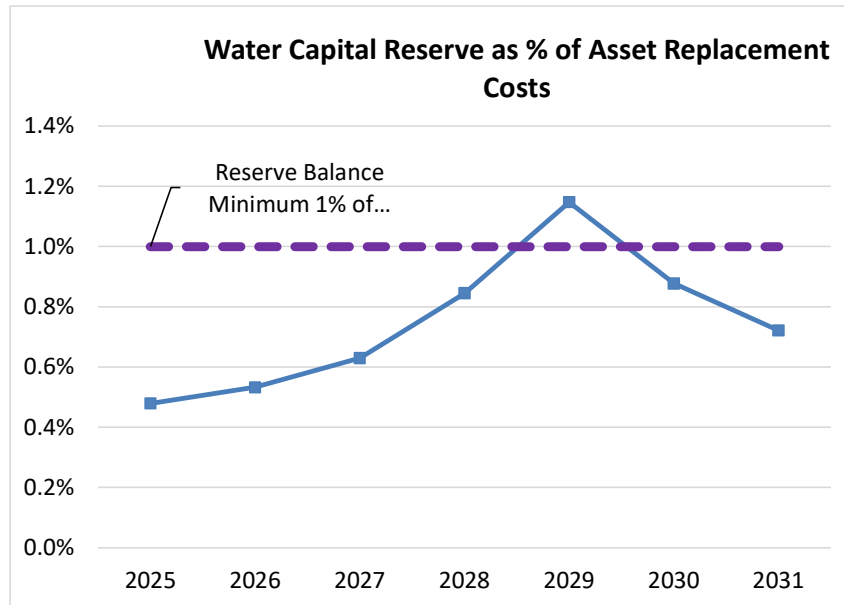
The following table summarizes the Capital Budget forecast for the next 6 years and the associated funding source. The 6 year capital plan, from 2025-2031 includes:



- \$188 million is forecast in capital requirements to be funded from the user fees.

Reserve Forecast

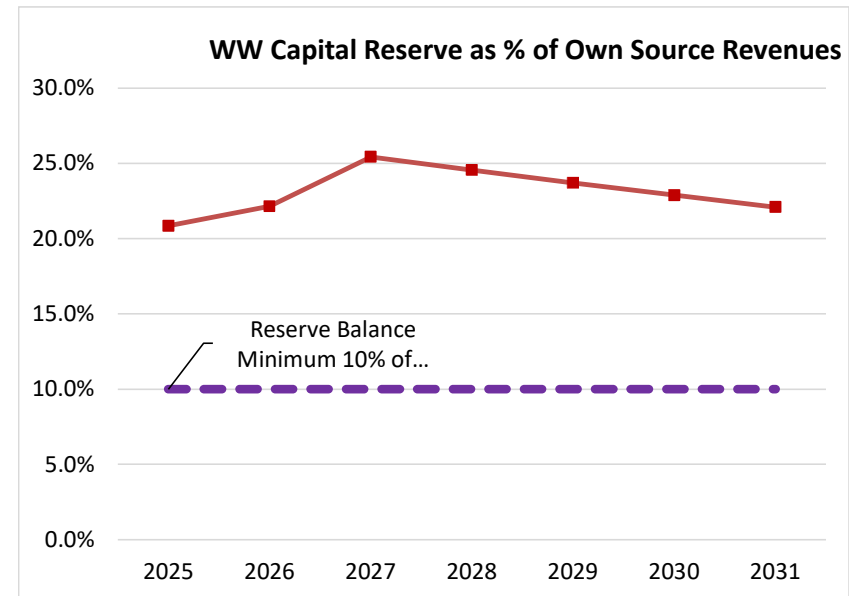
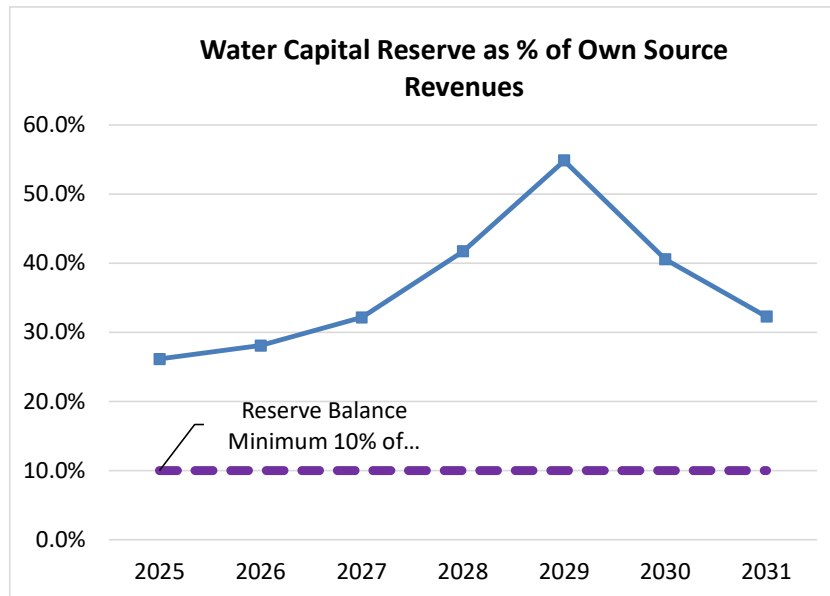
The City's policy is that best efforts be made to maintain a minimum balance of 1% of the asset replacement values. This policy helps ensure there is a reasonable level of funds available for unforeseen expenses, revenue shortfalls, and/or emergency situations.



The Water and Wastewater Reserves are below the target due to significant planned expenditures and a gradual increase to the contribution to the reserves. Continuation of increased reserve contributions will bring both reserve balances up to the minimum level. In the interim because of low debt levels the City has the financial flexibility should a need occur.

Reserve Forecast

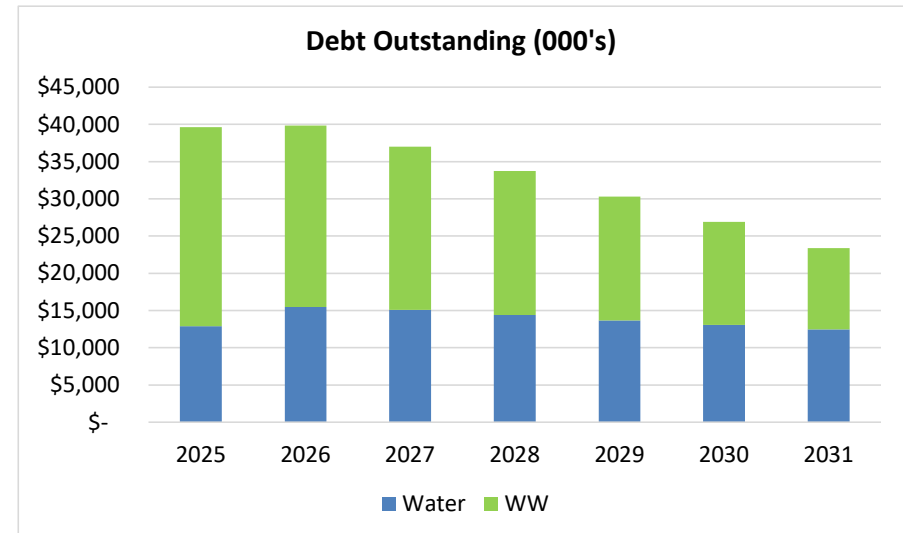
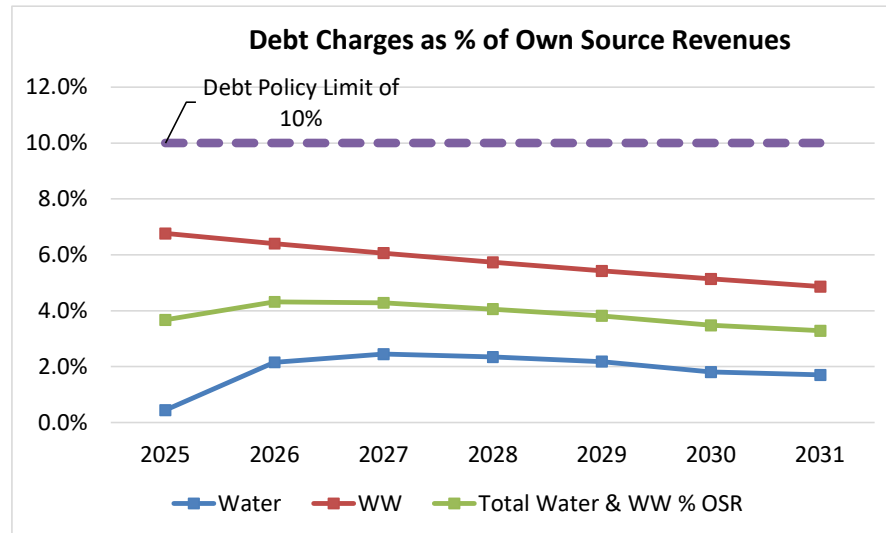
City's policy for Water and Wastewater Capital reserves should not fall below 10% of the estimated revenues for these services in any year.



- The Financial Plan is in accordance with City's Capital Reserve policy and remains above the 10% minimum balance of own source revenues over the forecast.

Debt Forecast

The following graph provides a summary of the debt charges as a percentage of own source revenues and the total debt outstanding for water and wastewater over the next 6 years.



As shown above, debt charges are not a significant component of the financing strategy due to a pay-as-you-go approach for funding the replacement of capital assets. Debt charges as a percentage of own source revenues gradually reduce over the forecast as no new debt is forecast to be issued over the next 6 years for wastewater. Total debt charges as a percentage of own source revenues was 3.7% in 2025 and reduces to 3.3% in 2031.

Debt outstanding for water and wastewater are also shown above. By 2031, the combined water/ww debt outstanding is \$23.4 million compared with \$39.6 million in 2025.

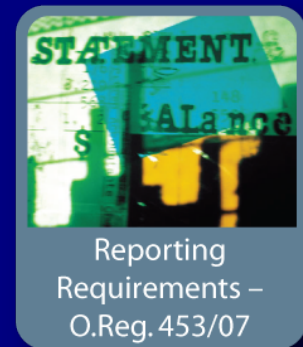
Projected Water and Wastewater Rates

Based on the assumptions in terms of the rate revenue requirement, consumption and growth, the following provides a summary of the forecast rates over the forecast period for a residential customer consuming 180 m³ annually. The table also summarizes the percentage surcharge for wastewater.

180 m³ residential impact - 5/8"					
Year	Cost of service			% Increase From Prior Year	\$ Increase From Prior Year
	Water	WW	Total		
2023	\$ 679	\$ 765	\$ 1,444		
2024	\$ 712	\$ 801	\$ 1,513	4.8%	\$ 69.0
2025	\$ 746	\$ 839	\$ 1,585	4.8%	\$ 72.1
2026	\$ 795	\$ 886	\$ 1,681	6.0%	\$ 95.8
2027	\$ 846	\$ 936	\$ 1,782	6.0%	\$ 101.3
2028	\$ 900	\$ 989	\$ 1,890	6.0%	\$ 107.5
2029	\$ 958	\$ 1,045	\$ 2,004	6.0%	\$ 114.0
2030	\$ 1,020	\$ 1,104	\$ 2,125	6.0%	\$ 120.9
2031	\$ 1,086	\$ 1,167	\$ 2,253	6.0%	\$ 128.2

On a blended average annual basis, the cost of water/ww service for a typical customer is approximately 6% from 2026 and thereafter.

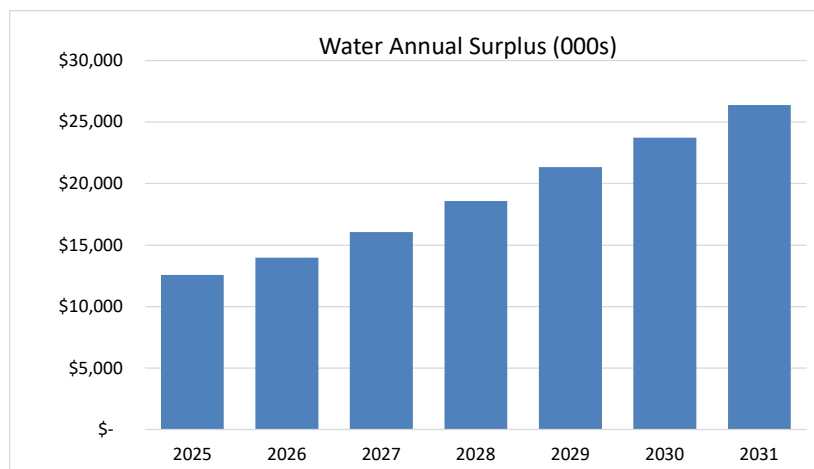
***Reporting Requirements
O. Reg 453/07***



Water Financial Plan—O.Reg. 453/07

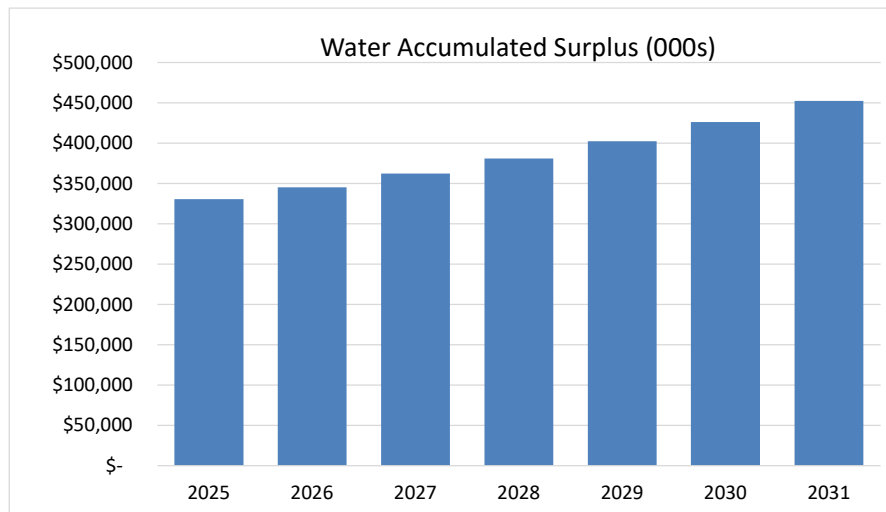
The Financial Plan has been prepared in accordance with the regulation (O.Reg. 453/07) made under the Safe Drinking Water Act. The Financial Plan regulation requires that the plans be updated every five years along with the request for the renewal of the drinking water licence. This ongoing update will assist in revisiting the assumptions made to develop the operating and funding plans as well as reassessing the needs for capital renewal and major maintenance expenses.

- **Statement of Financial Operations**—This statement summarizes the revenues and expenditures. The expenditures include ongoing operating costs plus asset amortization. This statement indicates that the system and its asset base are projected to be maintained with funds being available each year for future capital renewal or major maintenance. As shown in the statement of financial operations and in the graph below, the City is generating excess revenues over expenses including amortization for water, throughout the forecast period.

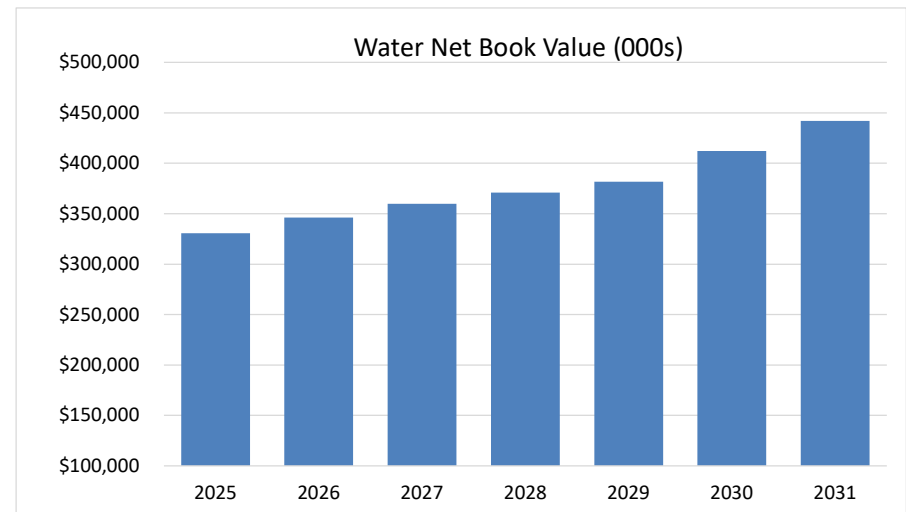


- **Cash Receipts or Gross Cash Payments (Cash Flows)** —The cash flow statement summarizes how the water system is expected to generate and utilize cash resources. The transactions that generate and use cash include the projection of cash to be received from revenues, cash to be used for operating expenditures and financing charges, cash projected to be used to acquire capital assets and projected financial transactions that are the proceeds from debt or debt principal repayment. Cash balances are positive throughout the forecast period, as reflected in the Financial Statements.
- **Net Financial Assets**—An important feature of a water system is its net financial assets. A positive number indicates that the system has the resources to deal with future capital and other needs. A negative number indicates that past capital and other investments must be financed from future revenues. Water net financial assets are in a positive position throughout the forecast.

- **Accumulated Surplus**—Another financial indicator that is reflected in the financial position statement is the accumulated surplus. This indicator represents cash on hand plus the net book value of tangible capital assets less debt. The accumulated surplus is forecast to increase from 2025 to 2031, as shown below and in the Statement of Financial Position.



- **Tangible Capital Assets (Net Book Value)** - Water systems have a great deal of resources tied up in tangible capital assets and managing these assets is critical to maintaining current and future levels of service. An increase in net book value of tangible capital assets is an indication that assets have been renewed faster than they were used. A decrease in net book value indicates that assets are being used, or amortized, faster than they are renewed. The net book value is projected for water to increase from \$330.6 million in 2025 to \$442 million in 2031.



Statement of Financial Operations—Water

(000s)	Budget	Projected					
Water Operations	2025	2026	2027	2028	2029	2030	2031
Revenues							
Rate and Fixed Revenues	\$ 48,879	\$ 52,032	\$ 55,388	\$ 58,961	\$ 62,764	\$ 66,812	\$ 71,121
Fire protection levy	\$ 11	\$ 12	\$ 12	\$ 12	\$ 13	\$ 13	\$ 14
Other revenues	\$ 1,698	\$ 1,749	\$ 1,801	\$ 1,855	\$ 1,911	\$ 1,968	\$ 2,027
Interest Earnings	\$ 251	\$ 287	\$ 349	\$ 483	\$ 675	\$ 532	\$ 450
Total revenues	\$ 50,839	\$ 54,079	\$ 57,551	\$ 61,311	\$ 65,362	\$ 69,325	\$ 73,612
Operating Expenses							
Salaries & Benefits	\$ 9,131	\$ 9,405	\$ 9,687	\$ 9,978	\$ 10,277	\$ 10,586	\$ 10,903
Energy Costs	\$ 2,240	\$ 2,307	\$ 2,376	\$ 2,448	\$ 2,521	\$ 2,597	\$ 2,675
Grants - Transfer Payments	\$ 150	\$ 155	\$ 159	\$ 164	\$ 169	\$ 174	\$ 179
Internal Recoveries	\$ 5,329	\$ 5,489	\$ 5,654	\$ 5,823	\$ 5,998	\$ 6,178	\$ 6,363
Materials - Operating Expenses	\$ 4,204	\$ 4,414	\$ 4,635	\$ 4,867	\$ 5,110	\$ 5,365	\$ 5,634
Purchased/Contract Services	\$ 7,678	\$ 7,908	\$ 8,146	\$ 8,390	\$ 8,642	\$ 8,901	\$ 9,168
Rent and Financial Expenses	\$ 77	\$ 79	\$ 81	\$ 84	\$ 86	\$ 89	\$ 92
Total Operating expenses	\$ 28,809	\$ 29,757	\$ 30,738	\$ 31,753	\$ 32,803	\$ 33,889	\$ 35,013
Debt Charges							
Debt Charges - Interest Expenses	\$ 40	\$ 586	\$ 701	\$ 683	\$ 650	\$ 617	\$ 590
Amortization Expense							
Amortization of tangible capital assets	\$ 9,429	\$ 9,747	\$ 10,041	\$ 10,309	\$ 10,576	\$ 11,095	\$ 11,614
Total Expenses	\$ 38,279	\$ 40,091	\$ 41,481	\$ 42,745	\$ 44,030	\$ 45,601	\$ 47,218
Annual Surplus/Deficit	\$ 12,560	\$ 13,988	\$ 16,070	\$ 18,566	\$ 21,333	\$ 23,723	\$ 26,394

Statement of Cash Flow/Cash Receipts—Water

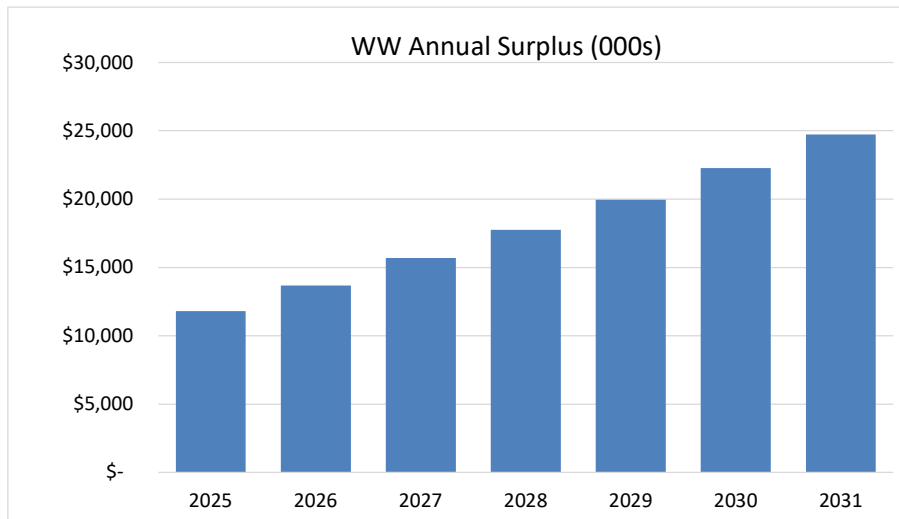
(000s)	Budget	Projected					
Water Operations	2025	2026	2027	2028	2029	2030	2031
Total Revenues	\$ 50,839	\$ 54,079	\$ 57,551	\$ 61,311	\$ 65,362	\$ 69,325	\$ 73,612
Cash Paid For							
Operating Costs	\$ 28,809	\$ 29,757	\$ 30,738	\$ 31,753	\$ 32,803	\$ 33,889	\$ 35,013
Debt Repayment - Debt Interest	\$ 40	\$ 586	\$ 701	\$ 683	\$ 650	\$ 617	\$ 590
Cash Provided from Operating Transactions	\$ 21,989	\$ 23,735	\$ 26,111	\$ 28,874	\$ 31,909	\$ 34,818	\$ 38,008
Capital Transactions							
Acquisition of TCA	\$ 33,774	\$ 25,441	\$ 23,515	\$ 21,378	\$ 21,378	\$ 41,545	\$ 41,545
Finance Transactions							
Proceeds from Debt Issuance	\$ 12,302	\$ 3,119	\$ 294	\$ -	\$ -	\$ -	\$ -
Proceeds from Grants and Subsidies	\$ 960	\$ 960	\$ 960	\$ -	\$ -	\$ -	\$ -
Debt Repayment Principal	\$ 177	\$ 532	\$ 657	\$ 697	\$ 716	\$ 591	\$ 618
Increase/(Decrease) in Cash Equivalents	\$ 1,301	\$ 1,841	\$ 3,193	\$ 6,799	\$ 9,814	\$ (7,318)	\$ (4,155)
Cash and Cash Equivalents at Beginning Balance	\$ 11,477	\$ 12,778	\$ 14,620	\$ 17,813	\$ 24,611	\$ 34,426	\$ 27,108
Cash and Cash Equivalents at Ending Balance	\$ 12,778	\$ 14,620	\$ 17,813	\$ 24,611	\$ 34,426	\$ 27,108	\$ 22,953

Statement of Financial Position—Water

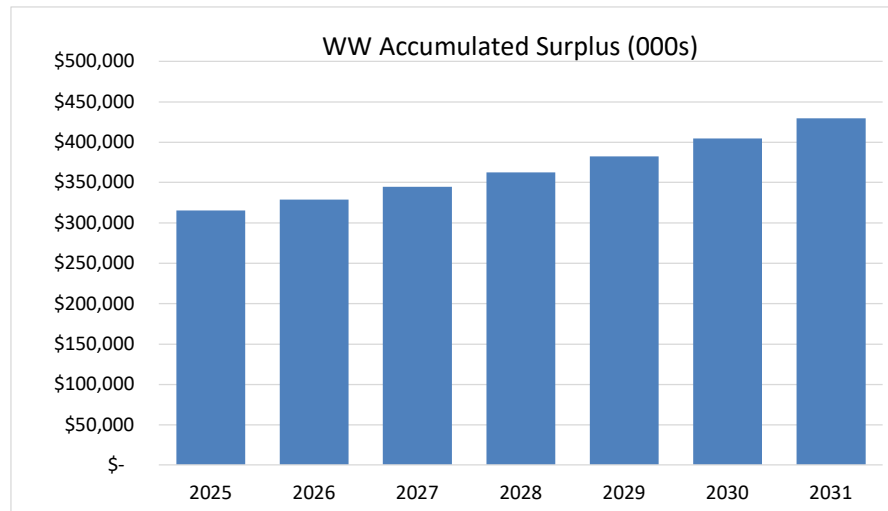
(000s)	Budget	Projected					
Water Operations	2025	2026	2027	2028	2029	2030	2031
Financial Assets							
Cash	\$ 12,778	\$ 14,620	\$ 17,813	\$ 24,611	\$ 34,426	\$ 27,108	\$ 22,953
Liabilities							
Debt - Principal Outstanding	\$ 12,895	\$ 15,482	\$ 15,119	\$ 14,422	\$ 13,706	\$ 13,115	\$ 12,497
Net Financial Assets	\$ (117)	\$ (863)	\$ 2,693	\$ 10,189	\$ 20,719	\$ 13,993	\$ 10,456
Non-Financial Assets							
Tangible Capital Assets	\$ 505,203	\$ 538,977	\$ 564,418	\$ 587,933	\$ 609,311	\$ 630,689	\$ 672,234
Additions to Tangible Capital Assets	\$ 33,774	\$ 25,441	\$ 23,515	\$ 21,378	\$ 21,378	\$ 41,545	\$ 41,545
Accumulated Amortization	\$ 208,381	\$ 218,129	\$ 228,170	\$ 238,479	\$ 249,054	\$ 260,150	\$ 271,764
Total Non-Financial Assets	\$ 330,595	\$ 346,289	\$ 359,763	\$ 370,832	\$ 381,635	\$ 412,085	\$ 442,015
Accumulated Surplus	\$ 330,478	\$ 345,427	\$ 362,456	\$ 381,022	\$ 402,354	\$ 426,078	\$ 452,472
Cash as a % of Non-Financial Assets	3.9%	4.2%	5.0%	6.6%	9.0%	6.6%	5.2%
Debt as a % of Non-Financial Assets	3.9%	4.5%	4.2%	3.9%	3.6%	3.2%	2.8%

Wastewater Financial Plan—O.Reg. 453/07

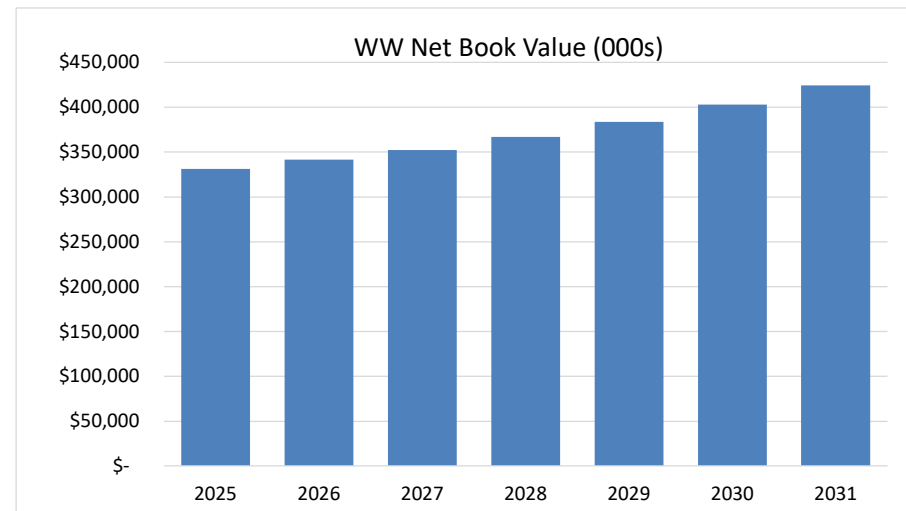
- **Statement of Financial Operations**—This statement summarizes the revenues and expenditures. The expenditures include ongoing operating costs plus asset amortization. This statement indicates that the system and its asset base are projected to be maintained with funds being available each year for future capital renewal or major maintenance. As shown in the statement of financial operations and in the graph below, the City is generating excess revenues over expenses including amortization for wastewater, throughout the forecast period.
- **Cash Receipts or Gross Cash Payments (Cash Flows)** —The cash flow statement summarizes how the wastewater system is expected to generate and utilize cash resources. The transactions that generate and use cash include the projection of cash to be received from revenues, cash to be used for operating expenditures and financing charges, cash projected to be used to acquire capital assets and projected financial transactions that are the proceeds from debt or debt principal repayment. Cash balances are positive throughout the forecast period as shown the Cash Receipts Statement.
- **Net Financial Assets**—An important feature of a wastewater system is its net financial assets. A positive number indicates that the system has the resources to deal with future capital and other needs. A negative number indicates that past capital and other investments must be financed from future revenues. Wastewater net financial assets are in a positive position throughout the forecast. No debt was anticipated throughout the term.



- **Accumulated Surplus**—Another financial indicator that is reflected in the financial position statement is the accumulated surplus. This indicator represents cash on hand plus the net book value of tangible capital assets less debt. The accumulated surplus is forecast to increase from 2025 to 2031, as shown below and in the Statement of Financial Position.



- **Tangible Capital Assets (Net Book Value)** - Wastewater systems have a great deal of resources tied up in tangible capital assets and managing these assets is critical to maintaining current and future levels of service. An increase in net book value of tangible capital assets is an indication that assets have been renewed faster than they were used. A decrease in net book value indicates that assets are being used, or amortized, faster than they are renewed. The net book value is projected to increase for wastewater, from \$331.4 million in 2025 to \$424.6 million in 2031.



Statement of Financial Operations—Wastewater

(000s)	Budget	Projected					
WW Operations	2025	2026	2027	2028	2029	2030	2031
Revenues							
Rate and Fixed Revenues	\$ 51,093	\$ 53,980	\$ 57,030	\$ 60,252	\$ 63,656	\$ 67,253	\$ 71,052
Fire protection levy	\$ 11	\$ 12	\$ 12	\$ 12	\$ 13	\$ 13	\$ 14
Other revenues	\$ 775	\$ 798	\$ 822	\$ 847	\$ 872	\$ 898	\$ 925
Interest Earnings	\$ 209	\$ 234	\$ 284	\$ 290	\$ 296	\$ 302	\$ 308
Total revenues	\$ 52,088	\$ 55,024	\$ 58,148	\$ 61,401	\$ 64,837	\$ 68,466	\$ 72,299
Operating Expenses							
Salaries & Benefits	\$ 7,891	\$ 8,127	\$ 8,371	\$ 8,622	\$ 8,881	\$ 9,147	\$ 9,422
Energy Costs	\$ 3,027	\$ 3,118	\$ 3,211	\$ 3,308	\$ 3,407	\$ 3,509	\$ 3,614
Grants - Transfer Payments	\$ 108	\$ 111	\$ 115	\$ 118	\$ 122	\$ 125	\$ 129
Internal Recoveries	\$ 5,096	\$ 5,249	\$ 5,407	\$ 5,569	\$ 5,736	\$ 5,908	\$ 6,085
Materials - Operating Expenses	\$ 2,970	\$ 3,119	\$ 3,275	\$ 3,438	\$ 3,610	\$ 3,791	\$ 3,980
Purchased/Contract Services	\$ 8,731	\$ 8,993	\$ 9,263	\$ 9,541	\$ 9,827	\$ 10,122	\$ 10,425
Rent and Financial Expenses	\$ 23	\$ 24	\$ 24	\$ 25	\$ 26	\$ 27	\$ 27
Total Operating expenses	\$ 27,846	\$ 28,741	\$ 29,666	\$ 30,621	\$ 31,609	\$ 32,629	\$ 33,684
Debt Charges							
Debt Charges - Interest Expenses	\$ 1,178	\$ 1,083	\$ 983	\$ 878	\$ 768	\$ 653	\$ 532
Amortization Expense							
Amortization of tangible capital assets	\$ 11,256	\$ 11,525	\$ 11,806	\$ 12,144	\$ 12,513	\$ 12,914	\$ 13,349
Total Expenses	\$ 40,281	\$ 41,349	\$ 42,455	\$ 43,643	\$ 44,889	\$ 46,196	\$ 47,565
Annual Surplus/Deficit	\$ 11,807	\$ 13,675	\$ 15,694	\$ 17,758	\$ 19,948	\$ 22,270	\$ 24,734

Statement of Cash Flow/Cash Receipts—Wastewater

(000s)	Budget	Projected					
WW Operations	2025	2026	2027	2028	2029	2030	2031
Total Revenues	\$ 52,088	\$ 55,024	\$ 58,148	\$ 61,401	\$ 64,837	\$ 68,466	\$ 72,299
Cash Paid For							
Operating Costs	\$ 27,846	\$ 28,741	\$ 29,666	\$ 30,621	\$ 31,609	\$ 32,629	\$ 33,684
Debt Repayment - Debt Interest	\$ 1,178	\$ 1,083	\$ 983	\$ 878	\$ 768	\$ 653	\$ 532
Cash Provided from Operating Transactions	\$ 23,064	\$ 25,200	\$ 27,500	\$ 29,902	\$ 32,460	\$ 35,184	\$ 38,083
Capital Transactions							
Acquisition of TCA	\$ 20,577	\$ 21,526	\$ 22,476	\$ 27,034	\$ 29,476	\$ 32,079	\$ 34,851
Finance Transactions							
Proceeds from Debt Issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Grants and Subsidies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Repayment Principal	\$ 2,278	\$ 2,373	\$ 2,473	\$ 2,578	\$ 2,688	\$ 2,803	\$ 2,924
Increase/(Decrease) in Cash Equivalents	\$ 209	\$ 1,301	\$ 2,550	\$ 290	\$ 296	\$ 302	\$ 308
Cash and Cash Equivalents at Beginning Balance	\$ 10,448	\$ 10,657	\$ 11,958	\$ 14,508	\$ 14,798	\$ 15,094	\$ 15,396
Cash and Cash Equivalents at Ending Balance	\$ 10,657	\$ 11,958	\$ 14,508	\$ 14,798	\$ 15,094	\$ 15,396	\$ 15,704

Statement of Financial Position—Wastewater

(000s)	Budget	Projected					
WW Operations	2025	2026	2027	2028	2029	2030	2031
Financial Assets							
Cash	\$ 10,657	\$ 11,958	\$ 14,508	\$ 14,798	\$ 15,094	\$ 15,396	\$ 15,704
Liabilities							
Debt - Principal Outstanding	\$ 26,733	\$ 24,360	\$ 21,886	\$ 19,308	\$ 16,620	\$ 13,817	\$ 10,893
Net Financial Assets	\$ (16,076)	\$ (12,402)	\$ (7,378)	\$ (4,510)	\$ (1,526)	\$ 1,579	\$ 4,811
Non-Financial Assets							
Tangible Capital Assets	\$ 637,610	\$ 658,187	\$ 679,714	\$ 702,191	\$ 729,224	\$ 758,701	\$ 790,779
Additions to Tangible Capital Assets	\$ 20,577	\$ 21,527	\$ 22,477	\$ 27,034	\$ 29,476	\$ 32,079	\$ 34,851
Accumulated Amortization	\$ 326,791	\$ 338,317	\$ 350,123	\$ 362,267	\$ 374,779	\$ 387,693	\$ 401,042
Total Non-Financial Assets	\$ 331,396	\$ 341,397	\$ 352,068	\$ 366,958	\$ 383,921	\$ 403,086	\$ 424,588
Accumulated Surplus	\$ 315,319	\$ 328,995	\$ 344,690	\$ 362,448	\$ 382,395	\$ 404,666	\$ 429,400
Cash as a % of Non-Financial Assets	3.2%	3.5%	4.1%	4.0%	3.9%	3.8%	3.7%
Debt as a % of Non-Financial Assets	8.1%	7.1%	6.2%	5.3%	4.3%	3.4%	2.6%

Appendix A—Alternative Option

Appendix A—Alternative Option—10 Year Phase-in

180 m³ residential impact - 5/8"					
Year	Cost of service				% Increase From Prior Year
	Water	WW	Total		
2025	\$ 746	\$ 839	\$ 1,585		4.8%
2026	\$ 807	\$ 896	\$ 1,703		7.4%
2027	\$ 872	\$ 956	\$ 1,829		7.4%
2028	\$ 943	\$ 1,021	\$ 1,964		7.4%
2029	\$ 1,020	\$ 1,089	\$ 2,109		7.4%
2030	\$ 1,102	\$ 1,163	\$ 2,265		7.4%
2031	\$ 1,192	\$ 1,242	\$ 2,433		7.4%