



The Corporation of the Town of Tecumseh

Financial Services

To: Mayor and Members of Council

From: Luc Gagnon, Director Financial Services & Treasurer

Date to Council: March 26, 2019

Report Number: FS-2019-02

Subject: 2019 Water Division Financial Plan No. 040-301

Recommendations

It is recommended:

1. **That** the Town of Tecumseh 2019 Water Division Financial Plan No. 040-301 prepared in accordance with O. Reg. 453/07 under the *Safe Drinking Water Act, 2002*, **be approved**;
2. **And that** notice of availability of the 2019 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. **And further that** the 2019 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;
4. **And furthermore that** the 2019 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.

Background

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.** The financial plan must be prepared to ensure the financial sustainability of the water system and provide for a full cost recovery.

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 system, including changes in tangible capital assets that are additions, donations, write downs and disposals.
- Include details of the projected financial operations of the water system.
- Contain the projected gross cash receipts and gross cash payments of the water system.
- 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 and Housing.

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

Comments

A renewal licence application is due in 2019, a stipulation of which is an updated financial plan with 2019 as the first year of the forecast period.

The Town of Tecumseh 2019 Water Division Financial Plan has been completed in order to satisfy licence renewal requirements. This document was prepared in-house by Financial Services staff. In order to satisfy the stipulations of O. Reg. 453/07, the Town's Water Division Financial Plan contains the following financial statements:

- Statement of Financial Position - provides information on the assets, liabilities, and accumulated surplus of the Water Division.
- Statement of Operations - details the revenues, expenses and surplus/deficit for a given period.
- Statement of Cash Flow - shows the generation and use of cash resources over the forecast period.

Although not required under O. Reg. 453/07, the Statement of Net Financial Assets has been included to provide additional data regarding the financial performance of the Town's Water Division.

The components of the financial plan per O. Reg. 453/07 meet 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 operating, capital and reserve fund forecasts from modified accrual to full accrual much in the same way that is done with the Town's annual budget. These adjustments include amortization, employee future benefits, capital contributions and the elimination of interfund transfers.

Review of the financial plan statements show that the Water Division can be considered financially viable and sustainable. Reserves are projected to increase to healthy levels and there are adequate financial assets to service the forecast debt required in 2024. The Town's investment in infrastructure continues, with the net book value of assets increasing from \$41 million in 2019 to almost \$52 million by 2024. The **Financial Plan provides for a full cost recovery** of the Town's Water Division with reasonable annual increases to user rates.

Therefore, it is recommended that:

1. The Town of Tecumseh 2019 Water Division Financial Plan No. 040-301 prepared in accordance with O. Reg. 453/07 under the *Safe Drinking Water Act, 2002*, be approved;
2. Notice of availability of the 2019 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 2019 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 2019 Water Division Financial Plan No. 040-301 be submitted to the Ministry of Municipal Affairs and Housing in accordance with O. Reg. 453/07, Section 3 (1) 6.

Consultations

Public Works & Environmental Services

Financial Implications

The 2019 Water Division Financial Plan is based on operating, capital and reserve fund forecasts derived from the 2019 Approved Budget and the Five Year Capital Works Plans presented in a manner which is in compliance with O. Reg. 453/07. There are no direct financial implications associated with this report.

Link to Strategic Priorities

Applicable	2017-18 Strategic Priorities
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- Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
- Ensure that the Town of Tecumseh’s current and future growth is built upon the principles of sustainability and strategic decision-making.
- Integrate the principles of health and wellness into all of the Town of Tecumseh’s plans and priorities.
- Steward the Town’s “continuous improvement” approach to municipal service delivery to residents and businesses.
- Demonstrate the Town’s leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

Communications

Not applicable

Website Social Media News Release Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Zora Visekruna, MBA
Financial Analyst

Reviewed by:

Tom Kitsos, CPA, CMA, BComm
Deputy Treasurer & Tax Collector

Reviewed by:

Luc Gagnon, CPA, CA, BMath
Director Financial Services & Treasurer

Reviewed by:

Phil Bartnik, P.Eng.
Director Public Works & Environmental Services

Recommended by:

Tony Haddad, MSA, CMO, CPFA
Chief Administrative Officer

Attachment Number	Attachment Name
1	2019 Water Division Financial Plan No. 040-301