

The Corporation of the Town of Latchford



Drinking Water Quality Management System Financial Plan

2021 thru 2026

Town of Latchford
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1.0 Introduction

This financial plan has been created in accordance with Ontario Regulation 453/07 and is a required component for the licensing of the Town of Latchford's drinking water treatment and distribution system.

This financial plan is a living document and shall be reviewed for currency on an annual basis. The annual review shall give consideration to changes in operations (process and materials), cost(s) of borrowing (if applicable), consumer usage and direct cost recovery from the consumer.

This financial plan shall be updated every five (5) years and submitted to the Ontario Ministry of Municipal Affairs and Housing as part of the drinking water system license renewal.

The Corporation of the Town of Latchford is the owner and operating authority for the town's drinking water treatment and distribution system. The town took over as the Operating Authority in the fall of 2013 from the Town of Cobalt. The system serves approximately 90 homes (300 residents) and a few small commercial businesses. There are approximately 8Kms of distribution watermain with 32 hydrants.

1.1 *Financial Sustainability*

This financial plan supports the objective of having the Town of Latchford's water and wastewater systems become financially sustainable. By becoming financially sustainable, the Town of Latchford will be better able to address long-term infrastructure renewal and rehabilitation without having to incur additional long-term debt.

This Financial Plan is an important step in establishing:

- Financial viability of the water and wastewater systems;
- Full cost recovery (long-term);
- Improved service levels; and
- Consumer confidence.

2.0 Financial Plan Requirements

2.1 General Requirements

- The Financial Plan shall be for a period of at least 6 years;
- The Financial Plan shall include a statement that the financial impacts of the drinking water system have been considered;
- The Financial Plan shall be approved by a Resolution of Council and that states that the drinking water system is financially viable;
- The Financial Plan shall be made available to the public upon request, and without charge through the Town of Latchford website (www.latchford.ca);
- At a minimum, the Financial Plan shall include proposed or projected:
 - Total revenue;
 - Total expenses;
 - Annual surplus/deficit; and,
 - Cumulative surplus/deficit over the life of the Plan
- Notice of availability of the Financial Plan.

2.2 Existing System Requirements

- The Financial Plan shall state the financial position for each year in which the Plan applies by:
 - Total financial assets;
 - Total liabilities;
 - Net debt;
 - Non-financial assets that are:
 - Tangible capital assets;
 - Tangible capital assets under construction;
 - Supplies/inventories; and,
 - Prepaid expenses.

3.0 Municipal Drinking Water License

3.1 License

The drinking water system is owned and operated (as of Nov, 2013) by the Corporation of the Town of Latchford under License # 277-101 Issue 2. The current license was issued on 8/Mar/2016.

3.2 Drinking Waterworks Permit

The Drinking Water Works Permit is number 277-201 and was issued on 3/Mar/2016.

3.3 Permit to Take Water

A Permit to Take Water (number 1047-BHEGZD) from Bay Lake was issued on 14/Nov/2019.

4.0 Water & Wastewater Rates

Consumers connected to the Town of Latchford drinking water distribution system are assessed at a flat rate as there are no water meters installed anywhere in the system. Outflow from the drinking water plant is measured by a flow meter located just beyond the high lift header.

WATER RATES					Projected
2021	2022	2023	2024	2025	2026
664.07	697.28	732.15	768.76	807.20	847.56

WASTEWATER RATES					Projected
2021	2022	2023	2024	2025	2026
629.40	660.87	693.92	728.62	765.06	803.32

4.1 Operating Expenses

Generally speaking, operating expenses are recurring expenses that are related to service provision. This financial plan covers a number of years and therefore expenses must be projected based upon an estimate of current costs plus an estimated increase in those costs over the life of the plan. These costs will be revisited annually over the life of the plan to ensure that they reflect actual costs as best as possible.

Consideration has also been given to the following:

- Increase in the number of connections
- Maintenance and repair costs
- Increase in treatment plant outflow (consumer demand)
- Input costs (chemicals, electricity, genset fuel...)

Operating expenses are relatively predictable. However, chemical usage can be influenced by raw water chemistry when chemical usage decreased. Other operating expenses may increase

as machinery and equipment ages and therefore requires a more frequent interval of planned maintenance.

4.2 Capital Expenses

The current condition of the water treatment plant does not warrant any major investment in machinery or equipment at this time. The Town of Latchford is investing in a new UV system partnering with Government of Canada and the Province of Ontario a total cost of \$491,959.65 with the Town's share being \$131,205.64

The condition of the linear assets (water distribution mains and appurtenances) is reviewed on an annual basis, usually in the early to late fall. It is from this review that the Town of Latchford identifies and plans for any repairs or upgrading, including the capital requirements.

Population growth is expected to be flat. Consequently the need for new service mains and connections is not likely.

5.0 Financial Plan

The Appendices address the Financial Plan requirements as follows:

Appendix 1 - Statement of Financial Position

Appendix 2 – Statement of Projected Operations

Appendix 3 – Projected Cash Flow

6.0 Summary

The Town of Latchford has completed this financial plan with the intention of laying a foundation for the financial sustainability of the drinking water treatment and distribution system. It is expected that changes in the regional, provincial and national economic outlook may impact this plan. The costs of borrowing, equipment and machinery, utilities, maintenance and repair are also subject to change over the lifetime of this plan. Due to these potential variables, the Financial Plan will be reviewed for adequacy and applicability on an annual basis and updated as necessary. The Financial Plan shall be reissued with relevant data and information every five years.

Appendices

**Town of Latchford
Drinking Water Financial Plan**

Appendix 1 – Statement of Financial Position

Table 5.1 – Statement of Financial Position

Statement of Financial Position	2019	2020	2021	2022	2023	2024	2025	Notes
Financial Assets								
Cash/Cash Equivalents								
System Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	1
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Cash/Cash Equivalents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Financial Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Liabilities								
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Principal	\$302,368	\$283,168	\$270,983	\$260,775	\$250,025	\$238,705	\$226,784	2
Working Deficit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Liabilities	\$302,368	\$283,168	\$270,983	\$260,775	\$250,025	\$238,705	\$226,784	
Net Financial Assets (Debt)	-\$302,368	-\$283,168	-\$270,983	-\$260,775	-\$250,025	-\$238,705	-\$226,784	
Non Financial Assets								
Tangible Capital Asset Cost (Closing)	\$3,364,667	\$3,364,667	\$3,364,667	\$3,856,627	\$3,856,627	\$3,856,627	\$3,856,627	3
Changes in Tangible Capital Assets - Additions	\$0	\$0	\$0	\$491,960	\$0	\$0	\$0	4,5
Changes in Tangible Capital Assets - Betterments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	5
Changes in Tangible Capital Assets - Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Accumulated Amortization (closing)	\$1,804,476	\$1,905,983	\$2,007,200	\$2,108,417	\$2,225,638	\$2,342,364	\$2,456,800	
Total Non Financial Assets	\$1,560,191	\$1,458,684	\$1,357,467	\$1,748,210	\$1,630,989	\$1,514,262	\$1,399,827	
Accumulated Surplus(deficit)	\$1,257,823	\$1,175,516	\$1,086,484	\$1,487,435	\$1,380,964	\$1,275,557	\$1,173,043	

Note: Unaudited for Planning Purposes Only – Actual results will differ from the above and these difference could be material.

Appendix 2 – Projected Statement of Operations

Table 5.2 – Statement of Financial Operations

Statement of Financial Operations		2019	2020	2021	2022	2023	2024	2025	Notes
Total Revenues									
Revenue from Users									
	Water user fees - Residential	\$86,537	\$90,419	\$94,939	\$99,686	\$104,671	\$109,904	\$115,399	6
	Water user fees - Commercial	\$11,236	\$11,798	\$12,388	\$13,007	\$13,657	\$14,340	\$15,057	6
	WTP user charges - Contract Fees	\$10,924	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	6
	Sewer user fees - Total	\$85,749	\$90,038	\$94,540	\$99,267	\$104,230	\$109,442	\$114,914	6
	Penalties and interest on water	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Upgrades to WTP Charge - Residential	\$22,462	\$23,585	\$24,764	\$26,002	\$27,302	\$28,667	\$30,101	7
	Upgrades to WTP Charge - Commercial	\$103	\$108	\$114	\$119	\$125	\$132	\$138	7
	Contribution from General Revenue				\$18,404				
Total Revenue from Users		\$217,012	\$227,947	\$238,745	\$268,486	\$261,986	\$274,485	\$287,609	
Interest									
	System Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Grants									
	Provincial Grants	\$1,585	\$16,397	\$24,596	\$122,978	\$0	\$0	\$0	8
	Federal Grants	\$8,259	\$32,799	\$49,198	\$227,588	\$0	\$0	\$0	
Total Grants		\$9,844	\$49,196	\$73,794	\$350,566	\$0	\$0	\$0	
Total Revenues		\$226,856	\$244,344	\$263,340	\$391,464	\$261,986	\$274,485	\$287,609	
Expenses									
	Total Operating	\$275,196	\$277,948	\$280,727	\$283,535	\$286,370	\$289,234	\$292,126	9
	Total Major Maintenance	\$30,411	\$30,715	\$31,022	\$31,332	\$31,645	\$31,962	\$32,281	10
Expenses before interest and amortization		\$305,607	\$308,663	\$311,749	\$314,867	\$318,015	\$321,196	\$324,407	
	Debt interest	\$16,421	\$15,366	\$14,598	\$14,067	\$13,526	\$12,955	\$12,354	
	Amortization	\$101,794	\$101,507	\$101,217	\$101,217	\$117,221	\$116,727	\$114,436	5
Total Expenses		423,822	425,535	427,564	430,151	448,762	450,877	451,197	
Excess of Revenues over Expenses		-\$196,966	-\$181,191	-\$164,224	-\$38,688	-\$186,776	-\$176,392	-\$163,588	
Annual Surplus (Deficit) Beginning of year		\$1,340,880	\$1,257,823	\$1,175,516	\$1,086,484	\$1,487,435	\$1,380,964	\$1,275,557	
Annual Cash Transferred from Town's General Revenues		\$113,908	\$98,885	\$75,192	\$439,638	\$80,305	\$70,985	\$61,073	
Accumulated Surplus (Deficit) End of Year		\$1,257,823	\$1,175,516	\$1,086,484	\$1,487,435	\$1,380,964	\$1,275,557	\$1,173,043	

Appendix 3 – Projected Cash Flow

Table 5.3 – Statement of Change in Cash Flow

Statement of Cash Flow	2019	2020	2021	2022	2023	2024	2025	Notes
Operating Transactions								
Cash received from Revenues	\$226,855.90	\$244,344.22	\$263,340.09	\$391,463.64	\$261,985.89	\$274,485.19	\$287,609.44	
Cash paid for Operating Expenses	\$305,607	\$308,663	\$311,749	\$314,867	\$318,015	\$321,196	\$324,407	
Cash paid for Financing Charges (Debt Interest)	\$16,421	\$15,366	\$14,598	\$14,067	\$13,526	\$12,955	\$12,354	2
Excess of Operating Revenues Over Operating Expenses	-\$95,172	-\$79,684	-\$63,007	\$62,529	-\$69,555	-\$59,665	-\$49,152	
Working Capital Items								
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Capital Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided by (used) in Operating Transactions	-\$95,172	-\$79,684	-\$63,007	\$62,529	-\$69,555	-\$59,665	-\$49,152	
Capital								
Acquisition of TCAs	\$0	\$0	\$0	-\$491,960	\$0	\$0	\$0	4
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Used in Capital Transactions	\$0	\$0	\$0	-\$491,960	\$0	\$0	\$0	
Investing								
Cash (used in)/Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	1
Increase (decrease) Cash Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Financing								
Repayment of Long Term Debt (principal)	-\$18,736	-\$19,200	-\$12,185	-\$10,208	-\$10,750	-\$11,320	-\$11,921	2
Cash Provided by (used) in Financing Activities	-\$18,736	-\$19,200	-\$12,185	-\$10,208	-\$10,750	-\$11,320	-\$11,921	
Annual Cash Recovered from Town's General Revenues								
	\$113,908	\$98,885	\$75,192	\$439,638	\$80,305	\$70,985	\$61,073	
Increase (decrease) in Cash Equivalents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash and Cash Equivalents at the beginning of the Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash and Cash Equivalents at the End of the Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	