



The Corporation of the City of London  
Environmental and Engineering Services

London  
CANADA

## Water Service Area

## Financial Plans

O. Reg. 453/07 under Safe Drinking Water Act, 2002

October 3, 2024

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## 1. Introduction

In 2007, the Ministry of the Environment (MOE) issued Ontario Regulation 453/07 *Financial Plans* under the *Safe Drinking Water Act, 2002 (SDWA)*. The regulation and accompanying guideline prescribes the requirements for Financial Plans to be prepared as part of the Municipal Drinking Water Licensing Program set out in Part V of the SDWA. This regulation was designed by the MOE in response to Justice Dennis O'Connor's Walkerton Inquiry recommendations. The intent is to ensure that municipalities plan for the long-term financial sustainability of their drinking water systems and ensure the safety of their drinking water systems into the future. This report has been created to comply with the requirements of O. Reg. 453/07 and covers the public portion of the City of London's water supply system which includes all pipes, valves, treatment systems, pumping stations and reservoirs. The financial statements included in this report project 6 years into the future. It should be noted however that the City of London bases infrastructure needs on a 20 year analysis and maintains a financial model that projects costs 20 years into the future. These 20-year plans are used to inform the City's multi-year budget process, which set operating budgets four years at a time and include a 10-year capital plan. Long-term infrastructure needs have also been assessed using 75 and 100 year outlooks to determine if financial sustainability achieved in the near term will support future long-term needs. Assuming revenue and expenditure forecasts meet projections, it is the expectation of the Water Service Area that future needs can be met.

The Plan outlined in this document, and its associated appendices and reference reports, will maintain a safe, secure and reliable water supply for current and future generations of Londoners through sound financial planning. This Financial Plan adheres to the principles of The Corporation of the City of London's Strategic Financial Framework, approved by Council October 10, 2023. This plan represents a balanced approach to funding the needs of the City's existing Water infrastructure, service improvements required to maintain customer levels of

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service, as well as the requirements placed upon the City to invest in new infrastructure to support a growing City. Reliable infrastructure and performance of the water system are key elements to not only economic development but also quality-of-life and safety in the community. Efforts continue to further enhance and protect water quality and reliability. Utilities are continually faced with the renewal needs of aging infrastructure and inflationary pressures. Re-thinking past practices and investing in new approaches, while ensuring the reliability of the service, have become fundamental to the daily delivery of clean water.

The Financial Plan is a summary of various capital and operational programs already approved by Council for the current multi-year budget period (2024-2027), which also included forecasted capital expenditures out to 2033.

Previous plans were approved by Council in 2010, 2011, 2015, and 2020. This plan was updated for 2024 to coincide with the City's most recent multi-year budget and as part of the Water Operating Authority's 5-year license renewal requirements.

## 1.1. Service Context

The supply of drinking water is a very important service to the City of London. Residents and businesses expect to be able to turn on their tap at any time and be able to trust that the water coming out is safe to drink and of adequate pressure and volume to meet their needs. The City of London owes a duty of care to residents and businesses to ensure that water is available, clean and safe and it is this responsibility that guides staff in their day to day operations, long term planning, and recommendations to Council. Below is a description of the objectives and financial principles of the Water Service Area as well as a description of the organizational structure of the three groups involved in supplying clean water within the Water Service Area.

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## 1.1.1. *Water Service Area Objectives and Financial Principles*

Below are the broad objectives and financial principles for the Water Service Area that were adopted by City of London Council in November 2008. The report detailing these principles is attached as Appendix B. These principles continue to apply as they did in 2008 (wording updated to reflect current situation). As noted above, these principles are also consistent with the City of London's Strategic Framework.

- i. Growth pays for growth (with the exception of various development charges incentives and Regional Water System expansions, which are currently funded by water ratepayers),
- ii. Pay-as-you-go financing for operating and routine life cycle expenditures,
- iii. Strive for inter-generational equity to avoid burdening future generations in order to benefit current ratepayers,
- iv. Use debt to smooth out funding requirements for large, infrequent life cycle or system improvement projects,
- v. Build reserve funds to provide funding for emergency repairs and/or moderate funding requirements for intermittent medium-sized projects,
- vi. Use reserve funds to balance annual revenue fluctuations resulting from weather,
- vii. Set rates to achieve and maintain financial sustainability,
- viii. Address funding requirements for new legislation-driven improvements at the time that they are known and use reserve funds or debt as appropriate,
- ix. Commit to life cycle infrastructure renewal needs, irrespective of water usage trends, since pipe deterioration is generally insensitive to the amount of water consumed,

- x. Commit to life cycle infrastructure renewal needs, since it is less expensive to renew infrastructure that is approaching failure than to attempt to maintain and repair it.

For the Water Service Area, financial sustainability means adhering to our objectives and financial principles while having stable rate increases at or near the rate of inflation where possible. Since the first Financial Plan was prepared in 2010, the following rate increases were enacted which allowed the water utility to move towards financial sustainability by 2016.

Year	Water Rate Increase
2010	8%
2011	0%
2012	8%
2013	8%
2014	8%
2015	7%
2016	3%
2017	3%
2018	3%
2019	3%
2020	2.5%
2021	2.5%
2022	2.5%
2023	2.5%

2024	2.5%
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Going forward, it is anticipated that the capital and operational needs of the Water Service Area can continue to be achieved with smaller annual water rate increases like those seen since 2016 as informed by the Corporate Asset Management Plan.

**1.1.2 Corporate Asset Management Plan**

The Corporate Asset Management Plan is the culmination of efforts from staff across the City who are involved with managing municipal infrastructure assets, including finance and technical service areas and operations staff. Currently, the City of London owns and maintains approximately \$7.65 billion worth of water assets. Table 1 summarizes the value of the water system and the 10 year cumulative infrastructure gap for maintaining current and achieving proposed Levels of Service (LOS).

**Table 1 Water System Summary of the State of Infrastructure**

Service	Replacement Value \$ (millions)	Current Condition	10 Year Maintain Current Infrastructure Gap	10 Year Achieve Proposed Infrastructure Gap	Data Reliability	Data Accuracy
Water	\$7,653	Good	None	None	High	Med-High

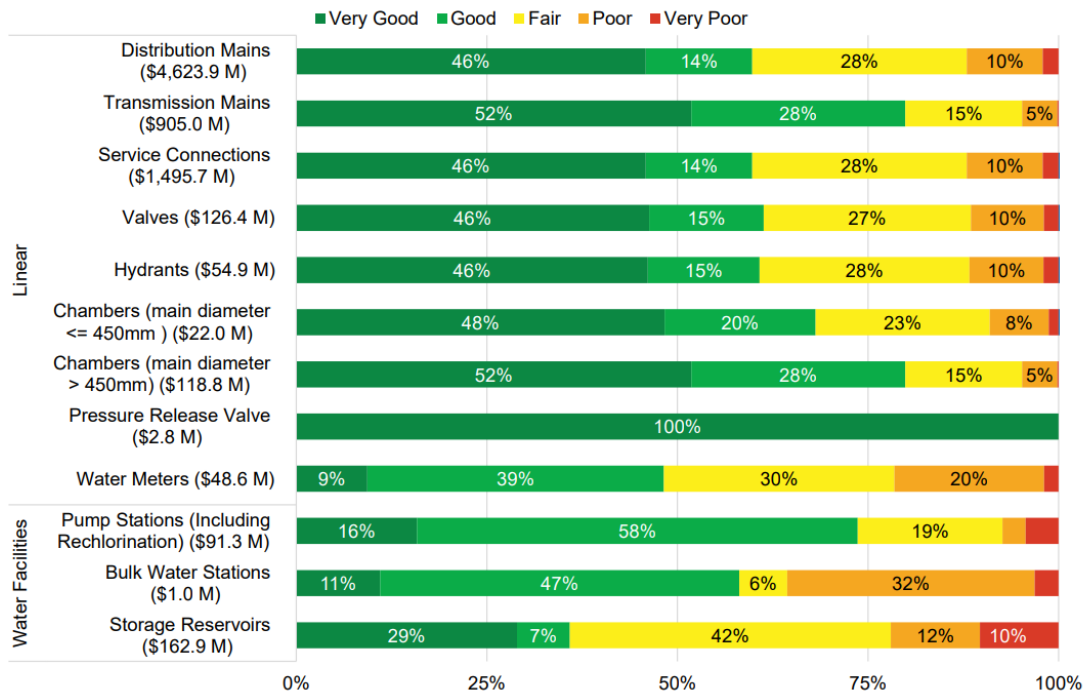
The Corporate Asset Management Plan recommended relying on the existing 20 year plans and their updates as a means to manage the infrastructure needs for Water. The 20 year plan for Water was updated as part of the 2020-2023 Multi-Year Budget process and again for the 2024-2027 Multi-Year Budget process. Based on this update, given the present asset information, the projected investment suggested in the 20 year plan is appropriate. Water is projected to



not have an infrastructure gap assuming that reserve funds are available to address needs. There are no proposed LOS identified that would create additional funding gaps. Staff will continue to monitor the infrastructure gap and will take action if necessary.

Figure 1 shows the replacement value and condition that is attributable to the municipally owned Water Services assets, as detailed in the 2023 Corporate Asset Management Plan. Approximately 89% of the City’s Water Services assets are in Fair to Very Good condition, with the remainder assessed as in poor or very poor condition, indicating a need for investment in the short to medium term. The full Corporate Asset Management Plan can be found of the City of London website ([www.London.ca/CAM](http://www.London.ca/CAM)).

Figure 1 Water System Asset Condition Details



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## **1.2. Background Information**

### **1.2.1. Historical Overview**

The residents of the City of London first voted to establish a public water supply system in the 1870's. At that time the preferred source of water was the natural springs that exist in present day Springbank Park on the banks of the Thames River. The water was collected in ponds and then pumped by a water powered pump (at the river) up nearby Reservoir Hill where it was stored in a reservoir. The elevation of the reservoir was high enough to supply the entire city at the time. This hill is still the location of most of the City's distribution reservoirs. In 1910, the City had outgrown the Springbank Park source and started developing wells to augment the supply. In the following 50 years it became clear that it was not sustainable to continue to rely on drilling new wells to keep up with the demand of London's growing population. In 1967 the province connected London to a treated source of water from Lake Huron and the City quickly moved to using 100% Lake Huron water in that same year. In 1995, the City also connected to a source of water from Lake Erie that supplies water to the south end of the City. The current split in supply to the City is approximately 85% from the Lake Huron Primary Water Supply System and 15% from the Elgin Area Primary Water Supply System.

### **1.2.2. Water Operations**

Water Operations provides continuing maintenance of the water supply system in the City of London to ensure that water can be conveyed to the residents of London. They are responsible for the treatment, operation and control of all valves, pumping stations, disinfection equipment, reservoirs and any other element of the system that needs control. They also are responsible for both preventative and unplanned maintenance on these elements as well as watermains, hydrants and any other aspect of the system requiring maintenance.

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### **1.2.3. Water Engineering**

Water Engineering is responsible for long range planning, design and construction of a large portion of the capital projects that fall under the Water Service Area. This division's work includes growth-related projects, life cycle renewal of watermains, expansion or refurbishment of pumping stations, and system improvements to enhance water quality or increase pressure. Water Engineering is also responsible for maintaining the city-wide distribution system hydraulic model, product approval and water efficiency/demand management/conservation programs.

### **1.2.4. Regional Water Supply**

Regional Water Supply is an independent body that is responsible for operating and maintaining the water treatment plants located at Grand Bend on Lake Huron and east of Port Stanley on Lake Erie and the transmission of treated water to the City of London as well as to the other municipal customers they serve within the Regional system.

The respective Joint Boards of Management for the Lake Huron and Elgin Area Primary Water Supply Systems own and govern the area water systems using the City of London as the Administering Municipality. Accordingly, the City of London provides associated administrative and management services on behalf of the Joint Boards.

Approximately 5,000 square kilometres of the greater London area of Southwestern Ontario is supplied by these two systems:

The Lake Huron Primary Water Supply System (LHPWSS) services the communities of London, Lambton Shores, North Middlesex, South Huron, Bluewater, Middlesex Centre, Lucan-Biddulph and Strathroy-Caradoc from a water treatment plant located north of the village of Grand Bend in South Huron. The water treatment plant has a rated supply capacity of 340 million litres per day and serves a population of approximately 375,000 people.

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The Elgin Area Primary Water Supply System (EAPWSS) services the communities of St. Thomas, London, Aylmer, Bayham, Central Elgin, Malahide, Southwold and Dutton Dunwich from a water treatment plant located east of the village of Port Stanley in Central Elgin. The water treatment plant has a rated supply capacity of 91 million litres per day and serves a population of approximately 130,000 people.

The lake supplies are the source of all water the City of London uses during normal conditions and the City pays a volumetric water rate to each board for this treated water. The City of London has seats on both regional boards, giving the City a governance role in both systems. As an owner of these systems, the Board's debt is partially carried by the City of London, affecting the borrowing capacity of the City. This debt is reflected in the Financial Plans for Regional Water. Regional Water Supply's Financial Plans are stand-alone documents and are not included in this report.

### ***1.2.5. Water By-law***

The City of London has a by-law that governs the water system, the responsibilities of the public, that of the City, and specifies the rates to be charged for Water Services. The aim of the by-law is to achieve full cost recovery through a user-pay approach. The water by-law can be found on the City's website and is called Water By-law W-8 ([Water By-law - W-8 | City of London](#)).

## **2. Water System Needs and Revenue Requirements**

In 2023, the City of London's water distribution system was comprised of 9 pumping stations, 5 reservoirs, over 1,634 km of water mains, 14,043 valves, 7,330 hydrants, 124,644 water services, and 122,492 meters. The average age of water distribution system components is under 38 years old with some individual components over 100 years old.

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The expenditure needs of the system evolve over time as infrastructure components have different life spans. Over 96% of the asset replacement value is related to buried pipe infrastructure which has a relatively long service life and high replacement cost. The City has actively replaced aging pipes for over 40 years. In the last two decades, it has become apparent that water pipes reach the end of their useful life at different ages. From field data, it has been demonstrated that the failure frequency of all cast iron watermains is continuing to increase, and generally 1950's and 1960's vintage pipes are breaking more rapidly than older pipes. Recently it has been identified that some copper water service pipes are failing in less than 10 years.

The Water Service Area reviews these infrastructure needs annually and establishes priorities for renewal of existing infrastructure or construction of new infrastructure.

This section of the plan provides a summary of some of the needs and requirements that constitute the priorities of Water Service Area programs and the 2024-27 Water Budget. These are Council approved programs which are ongoing in many cases or have a firm completion date. These programs form key components which drive the Financial Plan to maintain infrastructure at serviceable levels and meet the growth needs of the City.

## 2.1. Capital

The Corporation of the City of London divides its capital plan into three categories of work; life cycle renewal (maintenance of existing), service improvement (upgrade of existing), and growth (addition of new infrastructure).

The City of London undertakes five capital activities to mitigate maintenance problems, health concerns, performance deficiencies and firefighting deficiencies, including:

1. Watermain replacement to address watermain breaks and corrosion degradation;

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2. Watermain replacement to address undersized mains – inadequate system-wide capacity or local fire flows;
  3. Watermain rehabilitation (i.e. clean and reline) to address excessive hydraulic roughness and/or structural weakness as an alternative to replacement;
  4. Replacement of lead water services; and
  5. Rehabilitation/replacement of watermains to address other performance deficiencies (i.e. excessive velocities and/or pressure loss)

### ***2.1.1. Life Cycle Renewal (maintenance of existing)***

Several capital programs are at the centre of renewal and the efforts to maintain the infrastructure at an appropriate level of service. These programs use different tools depending on the condition of an asset: either extending the life of the current asset or replacing it like-for-like.

1. The Watermain Cleaning & Relining Program structurally relines watermains where the structural condition of a watermain is not acceptable and there are no other planned works by other service areas on the street. Relining is avoided in areas with lead services. This program has been primarily used on 1950's and 1960's watermain since there are no lead services and the sewers on these streets are typically still in good condition. Cleaning and relining restores water quality and improves fire flow, while extending the life of a watermain that would otherwise have to be replaced at a much higher cost. This also reduces social impacts and disruption by utilizing trenchless technologies.
2. The Watermain Replacement Program ensures that the distribution system remains reliable and cost effective. This program is coordinated with Wastewater and Transportation to undertake complete City blocks of infrastructure renewal.

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3. Watermain Condition Inspection and Monitoring - Since 2006 there has been a recognition that the watermain renewal programs (rehabilitation and replacement described above) have functioned well, but have not considered large diameter watermains because of their history of few problems. Several pilot projects were undertaken from 2007 to 2012, including the installation of over 15 km of fibre optic cable in the City's largest watermain to monitor the pipeline in real time for stress failures. This program currently has an annual budget and inspects several watermains annually.
  4. The Cathodic Protection Program is the installation and replacement of anodes on watermains around the City. This program has been particularly beneficial in extending the life of ductile iron and steel watermains. The amount spent on this program was increased with the 2020 budget and going forward to ensure we are keeping up with all our eligible mains.

Some anticipated outcomes of maintaining these programs are a reduction in water quality complaints, extended service life of watermains (before replacement is required), reduction in the number of watermain breaks, reduction in water losses and non-revenue water used for flushing, and a reduction in risk of private property damage and traffic disruption.

To prioritize the replacement and relining of watermains, Water Engineering uses a custom program called Water Condition Assessment Program (WCAP). This program takes the information from all the watermains in the City and rates them based on several attributes determined by staff. The attributes include factors such as age, number of breaks, pipe material, presence of lead services, hydraulics and importance factors. Once the Water renewal priorities are established, consultations are held with Transportation and Wastewater staff so that the timing of the renewal work can be coordinated to save on construction costs and minimize social disruption.

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The Water Service Area keeps abreast of the newest technological innovations in both watermain reconstruction and rehabilitation and is always looking for ways to apply these to reduce the costs of life cycle renewal activities of the distribution system in the long-term and reduce impacts on the environment and our customers, such as:

### Trenchless Technologies

The Water Service Area has been utilizing trenchless technologies since 1995 and continues to expand their use. Compared to open cut excavation and surface restoration techniques, trenchless methods minimize the amount of excavation required to install watermain, minimize damage to surface structures, cause less disruption of traffic and other social inconveniences on and around job sites. This technology allows installations to be made in areas where open cut excavation is significantly more costly and disruptive. Trenchless procedures are also more environmentally friendly because they produce less construction pollutants and noise. The Water Service Area has been successfully implementing trenchless rehabilitation for 20 years and continues to evaluate and pilot test new methods and materials as they become available, including horizontal directional drilling, structural lining, spray-in-place lining, hydro vacuum excavation equipment, etc.

### ***2.1.2. Service Improvement (upgrade of existing assets)***

While it is important to maintain the system in working condition, it also at times becomes necessary or desirable to improve the system. Some of these improvements are driven by legislation enacted by other levels of government, while others can be driven by customer needs at the local level.

### Lead Mitigation Program

In 2019, Health Canada updated its Guideline for Canadian Drinking Water Quality with respect to lead and lowered their maximum acceptable concentration for lead in drinking water from 10 micrograms per litre to 5 micrograms per litre.



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Ontario's Ministry of Environment, Conservation and Parks is currently reviewing the Health Canada Guideline, and dialoguing with municipalities regarding potential regulatory changes as a result. City staff are actively participating in discussions with the Ministry. The water in London's distribution system has very low levels of lead, but many homes built before 1953 are connected to the distribution system by lead water services. The water service is the pipe that conveys water from the watermain under the street, to the water meter in the customer's house. Water services run across both public and private property. The public portion runs from the watermain to the property line, and the private portion runs from the property line to the water meter. Since 2006, City staff have provided free sampling to more than 12,000 London homes, replaced more than 5,200 lead services (public-side), provided educational and awareness information on the City's website, offered a loan program for private-side lead service replacements, and implemented a system-wide corrosion control plan. Approximately 3% of London's water services are still lead on the public side, and this number has decreased each year through additional lead service replacements. The Water Budget continues to support this multi-pronged, long-term lead mitigation program, which can be readily adjusted and modified to meet future regulatory changes.

### Water Efficiency, Conservation and Outreach

The City of London has actively promoted water conservation since the late 1980's when water consumption approached the supply capacity of the water system. The City of London continues to see Water Efficiency, Conservation and Outreach as an important aspect of responsible water use. Significant water conservation efforts have been made over the past few decades including efficient water fixtures, conservation awareness and building code updates that until recently have allowed for water usage to reduce while the City population/system users increased. We are now not unexpectedly seeing the consumption results of population increases exceed the past consumption

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trends. The City continues to prioritize water conservation through residential and city facility retrofits, incentivizing fixing residential leaks and other programs. Additionally, it is recognized Conservation and Water Education is still of significant importance to ensure longtime and new Londoners remain Water aware. Water conservation and efficiency improvements are important aspects of the long-term strategy for creating additional supply capacity to support growth and keeping future rate increases affordable by avoiding costly system expansion. The City is in the process of establishing a number of water efficiency projects that can be developed and implemented of the next number of years.

### Legislation which Impacts Service Improvements

The “Licensing of Municipal Drinking Water Systems” (O. Reg. 188/07) requires 5 components:

1. A Drinking Water Works Permit (DWWP)
2. An Accepted Operational Plan
3. Accreditation of the Operating Authority
4. A Financial Plan (*This Document*)
5. A Permit to Take Water (PTTW).

The requirement for a Drinking Water Quality Management System (DWQMS) and related implementation requirements have been implemented. The City of London’s Operational Plan was initially submitted and approved by Municipal Council in 2009. The Drinking Water Works Permit and the Municipal Drinking Water Licence (accreditation limited scope) were received December 17, 2010. The external audit of the Operational Plan was completed in 2013, at which time the Operating Authority received full accreditation.

The City received its most recent reaccreditation on August 26, 2022, and the Operational Plan was most recently endorsed by Municipal Council on November 29, 2023.

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### 2.1.3. Growth (addition of new infrastructure)

Development Charges (DCs) play an important part in how growth infrastructure is financed in London. Each new house, commercial centre, educational facility, and/or manufacturing plant requires infrastructure and servicing in order to function efficiently and effectively. DCs are fees that are paid by new development to fund growth infrastructure and services constructed throughout the City.

In Ontario, the Provincial government regulates the setting of DC rates through the *Development Charges Act* (DCA). The purpose of DCs is to collect funds from new development to finance capital works supporting current and future growth.

At least every ten years, as required by the DCA, the City of London conducts a DC Background Study to forecast the City's future residential and non-residential growth to determine infrastructure needs and costs. This information is used to calculate the amount of money that new development needs to pay in order to support growth infrastructure and services. The DC Background Study for Water was most recently completed in 2021 and may be found on the City of London's website ([www.london.ca/dc](http://www.london.ca/dc)).

The costs of water projects related to growth are funded from various sources but divided into two main groups, growth and non-growth. The growth component of a project is funded through Development Charges (DC). The non-growth component of a project benefits existing residents and business and is typically funded through existing ratepayers and will directly impact this Financial Plan.

## 2.2. Operations and Maintenance

The budget for operations and maintenance is used to keep the system operating efficiently within regulatory compliance. It is also required to perform the necessary testing, maintenance and repairs to keep the water distribution system functioning reliably. A major component of this budget is the bulk purchase of water from the Regional Water Supply Systems. Water Operations uses staff

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resources as well as other necessary expenditures; these can include power to operate pumps and equipment as well as chlorine to ensure that a chlorine residual is kept at an acceptable and safe level. Maintenance is generally divided into two major categories, preventative maintenance and unplanned maintenance. These two categories are described in more detail below.

### **2.2.1. Preventative Maintenance**

Preventative maintenance represents a proactive approach to maintaining the water distribution system. Preventative maintenance activities often address issues before they cause a major problem or breakdown and can result in significant cost savings. To ensure effectiveness, many preventative maintenance programs make use of GIS technology to track progress and reported problems. Below are some of the key programs that fall under this heading.

- Watermain flushing to maintain water quality in the distribution system (disinfection residual and aesthetic parameters).
- Hydrant maintenance is conducted and is comprised of two components: 1) annual maintenance, and 2) frost checks during freezing months.
- Valves are exercised to ensure functionality and identify deficiencies.
- Air release and vacuum valves, appurtenances, and chambers are inspected and maintained.
- The Supervisory Control and Data Acquisition (SCADA) system equipment and station pumps undergo life cycle maintenance based on manufacturers' specifications or as required by the regulations.
- Reservoir inspections are performed by contracted divers, at a minimum frequency of every 5 years. Reservoir cleaning is scheduled based on these inspections.

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- Enhancement of the leak detection monitoring program is currently underway. Benefits will include increased detection of leaks and reduction of non-revenue water, increased reliability of infrastructure and avoidance of failures.

## ***2.2.2. Unplanned Maintenance***

Unplanned maintenance typically consists of repairing leaks or other deficiencies (e.g. damaged hydrants) that are reported by the public, other utilities, or London staff. For facilities, required maintenance work may be identified by Operators during regular visits to the facilities. Often unplanned maintenance can be costly and disruptive for the customers, which is why significant effort and focus is put on preventative maintenance. Below are some examples of the types of maintenance that fall under this heading.

- Watermain break repairs, which have been trending down each year, reflects our well established watermain rehabilitation and replacement program. The five-year average for watermain breaks is 65 per year.
- Water service replacements and repairs consume a considerable amount of operating resources each year. The average number of water service repairs and replacements is 283 annually. These are made up of leaking service repairs, lead service replacements, and undersized service upgrades.
- Valve replacements and repairs are common and critical to the proper operation of the water distribution system. There will typically be over 100 valves that require repairs or replacements each year. These can be a result of broken valve stems, rounded nuts, leaking valve housing and corroded bolts.

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## 3. Financial Model and Budget Process

### 3.1. Financial Model

The Water Service Area maintains a financial model to aid in long-term forecasting and budgeting, upon which this Financial Plan is based. The model has been used in budget development and deliberations since 2009 and has proven to be a very useful tool in assessing the financial health of the water system.

### 3.2. Budget Process

The Municipal Act, 2001 authorizes a municipality to prepare and adopt a budget covering a period of two to five years. The City of London has chosen to utilize a four-year period. Rather than approving a budget annually, a budget is approved for four years, subject to annual re-adoption, to establish funding. The last year of the multi-year budget is subject to reconfirmation by the new term of Council. In 2023, the Province of Ontario extended “Strong Mayor” powers to various Ontario municipalities, including London. These new powers, as outlined in Ontario Regulation 530/22, outline that the head of council (Mayor) shall, on or before February 1 of each year, prepare a proposed budget for the municipality. Once that budget is released, the regulation provides prescribed timeframes for Council amendments to the Mayor’s proposed budget, Mayoral veto power for any Council amendments, and the ability for Council to override Mayoral vetoes. While this process is different than the traditional budget approach at the City of London, ultimately Council maintains the final decision-making authority over the budget with the override powers outlined in the legislation.

Water rate increases are often approved ahead of the balance of the budget so they can be implemented on January 1<sup>st</sup>. Council approved the 2024 Water rates on November 28, 2023. The 2.5% increase for Water rates was effective

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January 1, 2024. The 2024-2027 Multi-Year Budget for Water was then discussed at open houses and public meetings in January 2024, Public Participation meetings on January 29, 2024 and February 27, 2024, and deliberated throughout February 2024. Deemed approval of the budget under the “Strong Mayor” legislation was March 1, 2024.

Water Service Area costs can be broken into two broad types of expenditures, Capital and Operating.

### ***3.2.1. Operating Budget***

Operating costs are generally those costs that relate to the operational issues of supply, distribution, and purchase of water for the current year including the staff, supplies and other costs required for management and maintenance of meters, pumping stations, pipes, and reservoirs. These expenditures do not increase the value of the system or the life of the system but are required to ensure the reliable delivery of safe clean water to the community and realize the anticipated life of the infrastructure components. It is generally accepted that due to the immediate benefit and short-term impact of operating expenditures, they will be funded through the collection of user rates within the year the costs are incurred.

### ***3.2.2. Capital Budget***

Capital costs are those expenditures which increase the value of the system, expand the system, improve the system, replace existing assets and/or extend the lifespan of existing assets.

### ***3.2.3. Revenues and Rates***

London’s water rate structure was overhauled in 2013 to incentivize water conservation while protecting the long-term financial sustainability of the water system. The rate structure includes a significant fixed portion which stabilizes revenue and recognizes the value of having water available for use and fire protection. To promote conservation, the highest rate in the structure is set for a

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water use tier that would represent above average use in order to provide an incentive for conservation.

While our rate structure has helped stabilize revenue, fluctuations in water consumption can still have a significant impact on the City's revenues and represent a risk. Water consumption is significantly dependent on climate conditions, economic development, and consumer demand. These factors are difficult to predict with accuracy and are prone to change abruptly with little warning.

As of 2023, the industrial sector makes up 0.29% of total water accounts, but 7.6% of annual water consumption. Water demand for these accounts varies with industrial output, which is dependent on macro-economic conditions. Collectively the industrial, commercial, and institutional sector account for 4.3% of the customer base but consume 37% of total annual billed water. The largest consumers also have the means and motivation to increase their water efficiency, which can result in decreased water consumption.

Inaccurate water demand projections would impact revenue, budgets, and long-term infrastructure planning as system improvements may be prioritized incorrectly, and revenue shortfalls or surpluses will occur. To mitigate negative risks to the financial health of the water system, water projections are conducted through the use of multiple industry standards (curve fitting, statistical analysis, market research) and industry leading (artificial intelligence, data science) models. The models take into account various approaches to demand projection and provide a range of possible demand volumes. Conservative demand projections were utilized for planning purposes to account for the unknowns. There are also ongoing efforts to identify and address gaps in water demand tracking to improve future projection efforts.



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## 4. Capital Financing

The expenditures required to renew, improve and expand the water supply and distribution system represent approximately 40-45% of the total revenues collected from water rates. There are several financing strategies used by the Corporation. The discussion in the rest of this chapter describes how these strategies are applied specifically within the Water Service Area.

### 4.1. Financing Options

The Water Capital Plan has been divided into three categories, consistent with the City's Capital Budget, as described in Section 2.1:

- Lifecycle Renewal
- Service Improvements
- Growth

There are a number of available sources of financing for capital works as summarized in the table below.

<b>Financing Options for Capital Categories</b>					
<b>Category</b>	<b>Pay-As-You-Go</b>	<b>Reserve Fund</b>	<b>Debt</b>	<b>Development Charges</b>	<b>Other Government Funding</b>
Lifecycle	Yes - Preferred	Yes	No <sup>(1)</sup>	No	Yes, if eligible
System Improvements	Yes	Yes	Yes	No	Yes, if eligible
Growth	No	Yes <sup>(2)</sup>	Yes	Yes	Yes, if eligible

Notes:

1. Could be considered if the asset to be renewed is a major expenditure with a long useful life (e.g. reservoir) which aligns with the principle of intergenerational equity.
2. Utilizes water reserve fund for non-eligible growth related works and/or non-growth component of project.

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Financing decisions for capital works are based on a number of considerations including:

**1. *Is it an Asset Management (Lifecycle Renewal) project?***

- The preferred funding source for Lifecycle Renewal works is pay-as-you-go and funding saved via reserve funds. Pay-as-you-go funding is from the current year's revenues. This approach ensures that the taxpayers who benefited from the useful life of the asset pay for the work required to restore the useful life of the asset for future generations.

**2. *Does this project create capacity necessary for growth in the City?***

- When additional water supply capacity is created, allowing for future growth in the City, Development Charges should fund a corresponding portion of the works.

**3. *What is the life span of the project?***

- When a project has a significant life span and funding is not otherwise available it may be appropriate to issue debt, thereby ensuring costs are incurred by future benefitting generations.

**4. *Are there available funds from other levels of government?***

- From time to time other levels of government will invite applications for funding. These funding sources often have stringent criteria for eligibility and timing of works. Alternatively, ongoing funding is provided through some programs such as the Canada Community Building Fund (CCBF) although given the relatively good health of the water utility and low debt levels, London Council has chosen to allocate very little CCBF funds to water infrastructure.

**5. *Does the project benefit specific residents?***

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- Some works are undertaken which benefit residents of a particular street or neighbourhood. Examples of this type of work would be new sidewalks, water supply or sanitary sewer collection. In some cases the residents will contribute to the funding of those works through Local Improvement Charges or Area Rate Charges enacted through municipal by-laws.

## *4.2. Inter-Generational Equity*

A guiding principle for financing decisions is the concept of inter-generational equity for municipal capital works intended to equitably distribute the costs across present and future taxpayers. This means that the generation which will receive the most benefit of the works should bear the majority of the cost of the works. Furthermore, the current benefitting generations have received the assets in relatively good condition and should pass them on to the next generations in similar condition. Some of the means to achieve this include:

- Paying for replacement and renewal works through pay-as-you-go financing and funding saved via reserve funds,
- Issuing debt only for large scale projects with significant future years of benefit.

## *4.3. Reserve Funds*

Reserve Funds assist in smoothing out rates for water users by creating a funding source for future larger, intermittent projects and fluctuating revenue streams. Capital budgets can vary significantly year over year and large non-recurring projects can create funding needs that are best funded over time. The Water Service has maintained Reserve Funds for over 40 years allowing the utility to remain prudent in the use of debt. It is the intent to target a minimum reserve fund balance of an average of one year's lifecycle renewal capital budget over the 10-year (2024-2033) multi-year budget capital plan – this translates to approximately \$53.5 million for the Waterworks Renewal Reserve Fund, which is

the primary discretionary reserve fund of the Water Service Area. This represents approximately 0.7% of the \$7.7 billion asset replacement value of the system; noting that this reflects updates from the 2023 Corporate Asset Management Plan and the 2024-2027 Multi-Year Budget. As of 2018 the City has also started building a Water Budget Contingency Reserve that is intended to mitigate unforeseen events or one-time unanticipated revenue losses and expenses in order to stabilize water rates.

The Water Service Area maintains a number of reserves and reserve funds, which are held for specific purposes. These include:

<b>Reserve / Reserve Fund</b>	<b>Description</b>
Water Works Renewal	Primary Water reserve fund used to finance lifecycle renewal, service improvement and rate-supported share of growth works.
City Services – Water Distribution	Development Charges collected to fund growth works
Capital Asset Growth - Industrial DC Incentive Program Water Reserve Fund	Used to fund the City Services Reserve Fund with amounts equal to development charges incentivized so that these development projects, when started at a later date, can be funded through the City Services Reserve Fund
Lead Service Replacement Program Reserve Fund	To fund the Lead Service Replacement Program, assisting homeowners with the replacement of the private portion of lead services
Water Customer Assistance Reserve Fund	Customer assistance charges collected in excess of customer assistance expenditures incurred, used to fund future customer assistance initiatives or reduce future customer assistance monthly charges
Efficiency, Effectiveness & Economy Water Reserve	The equivalent of 90 days' savings on most Water position vacancies are contributed to this reserve, which is used to fund initiatives recommended by the Senior Leadership Team
Water Budget Contingency	To fund unanticipated revenue and expenditure fluctuations

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## **4.4. Growth Pays for Growth**

A significant guiding principle of the Development Charges (DC) By-law is that growth should pay for growth. As such, the 2019 Development Charges Background Study and subsequent 2021 Development Charges Background Study Update identified all water growth related supply works within the City over the next twenty years, and identified all non-growth benefits and any post period amounts. Notwithstanding this concept, Council has also directed a number of exemptions for industrial, institutional, residential and commercial growth in order to stimulate economic development within the City. Additionally, recent legislative changes have resulted in additional statutory exemptions and discounts for non-profit housing, purpose built rental units, affordable and attainable housing, among others. These portions of water supply system growth are not paid for by DC's but are supported by the water rate.

## **4.5. Debt Management**

The long-term financial goal is to continue to fund water system capital works using pay-as-you-go and reserve funds as the primary sources of funding. Further debt financing will ultimately be used exclusively to fund large, extraordinary works, or to mitigate the impact of larger than average total capital budget. The future use of debt will be done in accordance with the City's Strategic Financial Framework and Debt Management Policy.

The Water Service has minimal debt and the Water system has largely been maintained using pay-as-you-go capital financing. As of 2024, the total net debt outstanding was approximately \$500,000. Debt servicing costs in 2024 will be approximately \$400,000.

The water budget also carries debt associated with the City's share of debt issued by the Joint Boards. This is approximately \$12.3 million at the end of 2019 and is factored into the City's overall borrowing capacity. Debt payments

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ties to the City's share of the Joint Board debt are made indirectly as the part of the purchase of water charged to the City by the Joint Boards and are estimated to be approximately \$2.5 million in 2020.

### ***4.6 Senior Government Funding***

#### Canada Community Building Fund

The Water Service Area will receive approximately \$5.7 million in CCBF funding between 2024 and 2027, which will be used to fund several Water capital projects and assist in managing the infrastructure gap.

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## 5. Financial Statements

### Future Accounting Pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2023, and have therefore not been applied in preparing these financial statements. Management is assessing the impact of the following accounting standards and updates on the future financial statements.

- a) Revenue – PS 3400, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 (the Corporation’s December 31, 2024 year-end).
- b) Public Sector Guideline 8 Purchased Intangibles – allows public sector entities to recognize intangibles purchased through an exchange transaction. This guideline is effective for fiscal years beginning on or after April 1, 2023 (the Corporation’s December 31, 2024 year-end).
- c) Public Private Partnerships - PS 3160, Public Private Partnerships (P3s), provides specific guidance on the accounting and reporting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. This standard is effective for fiscal years beginning on or after April 1, 2023 (the Corporation’s December 31, 2024 year-end).

### Change in Accounting Policies – Adoption of New Accounting Standards:

The Corporation adopted the following standards concurrently beginning January 1, 2023:

- a) PS 1201, Financial Statement Presentation – PS 1201, Financial Statement Presentation replaces PS 1200, Financial Statement presentation. This standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS2601, Foreign Currency Translation, PS 3450,



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Financial Instruments, and PS 3041, Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

- b) PS 3041, Portfolio Investments replaces PS 3040, Portfolio Investments. The standard provides guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450, Financial Instruments.

The above standards were adopted prospectively and there was no impact to the Corporation as a result of the adoption of the above two standards.

- c) PS 3450, Financial Instruments and PS 2601, Foreign Currency Translation

On January 1, 2023, the Corporation adopted PS 3450, Financial Instruments and PS 2601, Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the City's consolidated statement of financial position, and are measured at either fair value or amortized cost based on the characteristics of the instrument and the Corporation's accounting policy choices. Unrealized gains and losses arising from changes in fair value are presented in the consolidated statement of remeasurement gains and losses.

In accordance with the provisions of this new standard, the Corporation reflected an adjustment on January 1, 2023, of a decrease to portfolio investments of \$4,199,059, and to accumulated remeasurement

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gains/(losses) due to the unrealized loss of the Corporation's investments that were previously recorded at amortized cost.

- d) PS 3280, Asset Retirement Obligations – On January 1, 2023, the Corporation adopted PS 3280, Asset Retirement Obligations (ARO). The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible assets by public sector entities. This standard was adopted on the modified retrospective basis at the date of adoption, and the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

The attached forecasted financial statements have been prepared under these requirements. The “forward-looking” financial statements are for 6 years, from 2025 to 2030 as required by the Water Operating Authority licence renewal process (*Safe Drinking Water Act, O.Reg 453/07, section 3.2*).

### Financial Information

The financial information in the Water Service Financial Plan has not been audited. The 2023 values for Water Services are final and a review process was completed as part of the Corporation of the City of London's consolidated audit to ensure accuracy and reliability of the information. The values are derived from amounts included within the audited Consolidated Financial Statements of the Corporation of the City of London, December 31, 2023, and the 2024 values are year-end projections. The future year assumptions originate from the Financial Model for Water, which includes elements from the 2024-2027 Council-approved Water Capital Budget and Forecast, Water Operating Budget and Forecast, and 2019 Development Charges Background Study and associated 2021 Development Charges Background Study Update.

### Glossary

#### **Tangible Capital Assets**

*Tangible capital assets are non-financial assets having physical substance that:*

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- a) *are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;*
  - b) *have useful economic lives extending beyond an accounting period;*
  - c) *are used on a continuing basis; and*
  - d) *are not for resale in the ordinary course of operations. (PS 3150.05)*

*Some examples of tangible capital assets for the Water Services area include watermains, hydrants, and water meters.*

### **Amortization**

Amortization is the attribution of the historical cost of TCA across the useful life of the specific asset (Annual Amortization = Historical Cost / Life of Asset). The amortized cost is an expense on the Statement of Operations and the historical cost of the TCA is reduced by the same amount on the Statement of Financial Position. This process roughly allocates the costs of the TCA into the years of benefit.

*The amortization of the costs of tangible capital assets should be accounted for as expenses in the statement of operations. (PS 3150.23)*

The amortization period of a water asset varies from 3 years to 60 years, depending on the categorization of the asset.

### **Annual Surplus (Deficit)**

The Water annual surplus (deficit) is essentially derived from the difference between the Amortization and the actual spending on capital as well as the increase in reserve and reserve funds within the year.

### **Accumulated Surplus (Deficit)**

This balance is reported as part of the Statement of Financial Position. It represents the accumulation of prior and current surpluses and deficits and reflects the net economic resources of the Water Service. The Water Service

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accumulated surplus is comprised primarily of the lifetime total cost of Tangible Capital Assets minus the Amortization that has occurred to date in addition to the reserve and reserve fund balances.



5.1. Statement of Operations

	Actuals	Projected	Forecast					
	2023	2024	2025	2026	2027	2028	2029	2030
<b>REVENUES</b>								
User Charges - Water Consumption	60,145,717	64,974,764	65,617,681	67,951,866	71,833,816	74,209,094	76,659,542	79,187,574
Capital Renewal	30,907,176	32,602,246	33,580,272	35,143,993	37,552,128	39,209,373	40,941,110	42,750,672
Fire Protection	3,857,391	3,867,357	3,685,804	3,858,792	4,124,601	4,307,980	4,499,779	4,700,186
Customer Assistance	340,682	357,248	371,767	379,202	386,786	394,522	402,412	410,460
Miscellaneous User Charges	1,267,969	1,211,000	1,559,390	1,600,578	1,677,334	1,717,633	1,758,977	1,801,378
Other Municipal Revenues	390,293	347,000	130,000	130,000	130,000	130,000	130,000	130,000
Federal Transfers <sup>(1)</sup>	743,314	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000
Investment income	2,756,173	2,498,216	1,348,555	1,573,773	1,671,258	1,717,484	1,698,283	1,766,552
Development Charges (transfer from City Services Reserve Fund) <sup>(2)</sup>	(408,086)	26,913,968	19,735,911	24,143,061	9,100,924	2,627,831	15,379,321	5,313,491
Developer Contributions of Tangible Capital Assets <sup>(3)</sup>	6,659,977	6,835,868	7,009,432	7,665,359	7,952,424	7,498,585	7,392,333	7,503,627
<b>Total Revenues</b>	<b>106,660,606</b>	<b>141,032,668</b>	<b>134,463,810</b>	<b>143,871,624</b>	<b>135,854,271</b>	<b>133,237,502</b>	<b>150,286,758</b>	<b>144,988,940</b>
<b>EXPENSES</b>								
Purchase of Water	27,914,892	29,682,926	32,298,057	34,056,348	35,906,418	37,814,070	39,825,992	41,644,500
Personnel Costs	11,239,572	10,128,740	10,736,424	11,009,432	11,267,817	11,450,000	11,555,426	11,888,589
Administrative, Other & Recovered Expenses	1,707,737	4,540,605	4,685,816	4,795,546	4,907,785	5,079,557	5,257,342	5,441,349
Billing & Customer Service	2,839,299	2,430,631	2,515,333	2,565,640	2,616,953	2,708,546	2,803,345	2,901,463
Purchased Services	3,934,918	3,718,452	4,019,820	4,088,926	4,153,601	4,298,977	4,449,441	4,605,172
Materials & Supplies	2,823,551	2,878,106	3,231,286	3,313,556	3,399,806	3,518,799	3,641,957	3,769,426
Equipment & Rentals	2,307,293	2,319,837	2,210,834	2,273,724	2,320,782	2,402,009	2,486,080	2,573,092
Financial Expenses - Other	72,584	86,000	86,000	86,000	86,000	89,010	92,125	95,350
Customer Assistance	237,726	364,477	371,767	379,202	386,786	394,522	402,412	410,460
Loss on Disposal of Tangible Capital Assets <sup>(4)</sup>	0	535,994	522,007	390,576	452,631	479,970	476,236	464,284
Non TCA Expenditures <sup>(5)</sup>	2,216,473	13,155,769	7,465,080	9,372,672	9,240,609	6,345,091	9,465,038	6,373,029
Amortization <sup>(6)</sup>	17,899,409	18,750,210	19,202,172	19,692,570	20,249,622	20,828,565	21,395,373	21,967,630
Employee future benefit liability <sup>(7)</sup>	(28,349)	131,420	152,823	137,110	131,489	134,151	137,399	138,594



	Actuals	Projected	Forecast					
	2023	2024	2025	2026	2027	2028	2029	2030
<b>Total Expenses</b>	<b>73,165,105</b>	<b>88,723,167</b>	<b>87,497,418</b>	<b>92,161,302</b>	<b>95,120,300</b>	<b>95,543,269</b>	<b>101,988,167</b>	<b>102,272,937</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>33,495,502</b>	<b>52,309,501</b>	<b>46,966,392</b>	<b>51,710,322</b>	<b>40,733,971</b>	<b>37,694,233</b>	<b>48,298,592</b>	<b>42,716,003</b>

Subject to rounding.

**Footnotes and assumptions:**

- (1) - Represents capital revenue from federal grants. Does not include debenture financing, transfers from operating or reserve funds. Estimate based on the approved capital budget for the respective years 2024-2027.
- (2) - Transactions recorded directly to reserve funds must be accounted for through the operating or capital fund. This includes recognition of development charge levies earned in the year. Accounting adjustment made in 2023 resulted in negative revenue.
- (3) - Contributed tangible capital assets are tangible capital assets that become the ownership of the City when a subdivision is assumed by the City. These assets are recognized at fair market value during the year of assumption.
- (4) - When an asset is replaced prior to the end of its useful life, an adjustment must be made to expense the remaining book value. Amount fluctuates from year to year. Estimate based on 5 year rolling average.
- (5) - for PSAB purposes, expenses not considered to be part of the cost of a tangible capital asset are expensed as operating expenses. Therefore although funded through capital, these expenses will be included in the operating expenses in the year incurred and be reflected in the Statement of Operations on the financial statements. Estimated based on 5 year rolling average % of capital expenditure budget.
- (6) - Represents the annual writedown of the tangible capital assets over the useful life of the asset. Estimate based on 5 year rolling average.
- (7) - Represents the annual change in the estimated future costs of employee benefits. Estimate based on 5 year rolling average. Accounting adjustment made in 2023 resulted in negative expenditure.



**5.2. Statement of Financial Position**

	Actuals	Projected	Forecast					
	2023	2024	2025	2026	2027	2028	2029	2030
<b>Financial Assets</b>								
Cash and Investments	171,724,645	128,410,722	124,633,615	108,723,130	92,685,413	102,853,132	91,254,928	120,764,986
Accounts Receivable and Other Receivabl	7,738,970	8,144,129	8,260,442	8,586,708	9,111,787	9,449,678	9,800,227	10,163,911
<b>Total Financial Assets</b>	<b>179,463,615</b>	<b>136,554,851</b>	<b>132,894,057</b>	<b>117,309,838</b>	<b>101,797,199</b>	<b>112,302,809</b>	<b>101,055,156</b>	<b>130,928,897</b>
<b>Financial Liabilities</b>								
Accounts Payable and Accrued Liabilities	1,728,719	2,672,289	2,143,169	2,354,845	2,459,488	2,194,500	2,592,567	2,310,036
Deferred Revenue	42,456,084	26,717,061	18,029,198	2,627,027	2,246,972	8,703,480	2,682,723	6,972,762
Employee Future Benefit Payable	4,501,169	4,632,589	4,785,412	4,922,522	5,054,011	5,188,163	5,325,561	5,464,156
Long-term Liabilities <sup>(1)</sup>	140,256	140,256	140,256	140,256	140,256	140,256	2,140,256	17,724,256
<b>Total Financial Liabilities</b>	<b>48,826,228</b>	<b>34,162,194</b>	<b>25,098,034</b>	<b>10,044,649</b>	<b>9,900,727</b>	<b>16,226,398</b>	<b>12,741,108</b>	<b>32,471,209</b>
<b>Net Financial Assets</b>	<b>130,637,387</b>	<b>102,392,656</b>	<b>107,796,022</b>	<b>107,265,189</b>	<b>91,896,472</b>	<b>96,076,411</b>	<b>88,314,048</b>	<b>98,457,688</b>
<b>Non-Financial Assets</b>								
Prepaid Expenses	104,288	29,033	32,208	35,655	40,369	48,311	37,115	38,732
Inventories	393,358	429,138	443,339	418,027	391,517	415,076	419,419	417,476
Tangible Capital Assets	896,074,230	991,083,347	1,047,530,906	1,115,224,682	1,187,287,362	1,237,541,005	1,310,750,980	1,361,054,415
Accumulated Amortization	(320,439,628)	(334,855,038)	(349,756,948)	(365,187,703)	(381,125,899)	(397,896,747)	(415,038,916)	(432,769,661)
<b>Total Non-Financial Assets</b>	<b>576,132,248</b>	<b>656,686,480</b>	<b>698,249,506</b>	<b>750,490,662</b>	<b>806,593,350</b>	<b>840,107,644</b>	<b>896,168,599</b>	<b>928,740,961</b>
<b>Accumulated surplus</b>	<b>706,769,635</b>	<b>759,079,136</b>	<b>806,045,529</b>	<b>857,755,851</b>	<b>898,489,822</b>	<b>936,184,055</b>	<b>984,482,647</b>	<b>1,027,198,650</b>
<b>Accumulated surplus comprised of:</b>								
Accumulated surplus, before remeasurement losses	707,322,867	759,632,368	806,598,760	858,309,082	899,043,053	936,737,287	985,035,878	1,027,751,881
Accumulated remeasurement losses	(553,232)	(553,232)	(553,232)	(553,232)	(553,232)	(553,232)	(553,232)	(553,232)
<b>Accumulated Surplus</b>	<b>706,769,635</b>	<b>759,079,136</b>	<b>806,045,529</b>	<b>857,755,851</b>	<b>898,489,822</b>	<b>936,184,055</b>	<b>984,482,647</b>	<b>1,027,198,650</b>

Subject to rounding.

**Footnotes and assumptions:**

(1) On January 1, 2023, the Corporation adopted PS 3280, Asset Retirement Obligations (ARO). The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible assets by public sector entities. Asset Retirement Obligations liability included in Long-term Liabilities in years 2023, 2024 and the 6-year forecast.



5.3. Statement of Cash Flow

	Actuals	Projected	Forecast					
	2023	2024	2025	2026	2027	2028	2029	2030
Cash provided by (used in)								
Operating Activities								
Annual Surplus	33,495,502	52,309,501	46,966,392	51,710,322	40,733,971	37,694,233	48,298,592	42,716,003
Items not involving cash								
Loss on disposal of tangible capital assets <sup>(5)</sup>	0	535,994	522,007	390,576	452,631	479,970	476,236	464,284
Amortization <sup>(3)</sup>	17,899,409	18,750,210	19,202,172	19,692,570	20,249,622	20,828,565	21,395,373	21,967,630
Change in employee future benefit	(28,349)	131,420	152,823	137,110	131,489	134,151	137,399	138,594
Developer Contributions of Tangible Capital Assets <sup>(4)</sup>	(6,659,977)	(6,835,868)	(7,009,432)	(7,665,359)	(7,952,424)	(7,498,585)	(7,392,333)	(7,503,627)
Change in non-cash assets and liabilities								
Accounts Receivable and Other Receivables	500,254	(405,160)	(116,313)	(326,266)	(525,078)	(337,891)	(350,550)	(363,684)
Prepaid Expenses	(103,627)	75,255	(3,175)	(3,447)	(4,714)	(7,942)	11,195	(1,616)
Inventories	(119,634)	(35,779)	(14,202)	25,312	26,510	(23,559)	(4,344)	1,944
Accounts Payable and Accrued Liabilities	(21,657)	943,569	(529,120)	211,676	104,644	(264,988)	398,067	(282,532)
Deferred Revenue	8,930,733	(15,739,023)	(8,687,863)	(15,402,171)	(380,055)	6,456,508	(6,020,757)	4,290,038
<b>Net change in cash from operating activities</b>	<b>53,892,654</b>	<b>49,730,121</b>	<b>50,483,289</b>	<b>48,770,323</b>	<b>52,836,596</b>	<b>57,460,464</b>	<b>56,948,878</b>	<b>61,427,035</b>
Capital Activities								
Purchase of Tangible Capital Assets	(31,755,029)	(93,044,044)	(54,260,396)	(64,680,808)	(68,874,313)	(47,292,745)	(70,547,082)	(47,500,977)
Net change in cash from capital activities	(31,755,029)	(93,044,044)	(54,260,396)	(64,680,808)	(68,874,313)	(47,292,745)	(70,547,082)	(47,500,977)
Financing Activities								
Long-term debt issued	0	0	0	0	0	0	2,000,000	15,837,000
Long-term debt repayments	33,174	0	0	0	0	0	0	(253,000)
<b>Net change in cash from financing activities</b>	<b>33,174</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,000,000</b>	<b>15,584,000</b>
Investing Activities								
Net decrease (increase) in investments	(553,232)	0	0	0	0	0	0	0
<b>Net change in cash from investing activities</b>	<b>(553,232)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash and investments</b>	<b>21,617,567</b>	<b>(43,313,923)</b>	<b>(3,777,107)</b>	<b>(15,910,485)</b>	<b>(16,037,717)</b>	<b>10,167,719</b>	<b>(11,598,203)</b>	<b>29,510,058</b>
Cash and investments, beginning of year	150,107,078	171,724,645	128,410,722	124,633,615	108,723,130	92,685,413	102,853,132	91,254,928
<b>Cash and investments, end of year</b>	<b>171,724,645</b>	<b>128,410,722</b>	<b>124,633,615</b>	<b>108,723,130</b>	<b>92,685,413</b>	<b>102,853,132</b>	<b>91,254,928</b>	<b>120,764,986</b>

Subject to rounding.





**5.4. Changes in Net Financial Position**

	Actuals	Projected	Forecast					
	2023	2024	2025	2026	2027	2028	2029	2030
Annual Surplus	33,495,502	52,309,501	46,966,392	51,710,322	40,733,971	37,694,233	48,298,592	42,716,003
Acquisition of Tangible capital assets	(31,755,029)	(93,044,044)	(54,260,396)	(64,680,808)	(68,874,313)	(47,292,745)	(70,547,082)	(47,500,977)
Developer contributions of tangible capital assets	(6,659,977)	(6,835,868)	(7,009,432)	(7,665,359)	(7,952,424)	(7,498,585)	(7,392,333)	(7,503,627)
Amortization of tangible capital assets	17,899,409	18,750,210	19,202,172	19,692,570	20,249,622	20,828,565	21,395,373	21,967,630
Loss on disposal of tangible capital assets	0	535,994	522,007	390,576	452,631	479,970	476,236	464,284
	<b>(20,515,597)</b>	<b>(80,593,708)</b>	<b>(41,545,649)</b>	<b>(52,263,021)</b>	<b>(56,124,483)</b>	<b>(33,482,794)</b>	<b>(56,067,806)</b>	<b>(32,572,690)</b>
Unrealized remeasurement losses	(553,232)	0	0	0	0	0	0	0
Change in Prepaid Expenses	(103,627)	75,255	(3,175)	(3,447)	(4,714)	(7,942)	11,195	(1,616)
Change in inventories of supplies	(119,634)	(35,779)	(14,202)	25,312	26,510	(23,559)	(4,344)	1,944
	<b>(776,492)</b>	<b>39,476</b>	<b>(17,377)</b>	<b>21,865</b>	<b>21,796</b>	<b>(31,500)</b>	<b>6,852</b>	<b>327</b>
Change in net financial assets	12,203,412	(28,244,730)	5,403,366	(530,834)	(15,368,717)	4,179,939	(7,762,363)	10,143,640
Net Financial Assets, beginning of year	118,433,975	130,637,387	102,392,656	107,796,022	107,265,189	91,896,472	96,076,411	88,314,048
<b>Net Financial Assets, end of year</b>	<b>130,637,387</b>	<b>102,392,656</b>	<b>107,796,022</b>	<b>107,265,189</b>	<b>91,896,472</b>	<b>96,076,411</b>	<b>88,314,048</b>	<b>98,457,688</b>

Subject to rounding.



**5.5 Statement of Remeasurement Gains and Losses**

	Actuals	Projected	Forecast					
	2023	2024	2025	2026	2027	2028	2029	2030
<b>Accumulated remeasurement gains (losses), beginning of the year</b>	0	(553,232)	(553,232)	(553,232)	(553,232)	(553,232)	(553,232)	(553,232)
Adjustment on adoption of the financial instruments standard	(4,199,056)	0	0	0	0	0	0	0
	<b>(4,199,056)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Unrealized gains (losses) attributable to:</b>								
Portfolio investments								
Designated for fair value	3,402,411	0	0	0	0	0	0	0
<b>Total unrealized gains (losses)</b>	<b>3,402,411</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amounts reclassified to statement of operations:</b>								
Portfolio investments								
Designated for fair value	243,413	0	0	0	0	0	0	0
<b>Total realized (gains) losses, reclassified to the statement of operations</b>	<b>243,413</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Proportionate amount of other comprehensive income from investment in government business enterprises	0	0	0	0	0	0	0	0
<b>Net change in remeasurement gains (losses) for the year</b>	<b>3,645,824</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Accumulated remeasurement gains (losses), end of the year</b>	<b>(553,232)</b>	<b>(553,232)</b>	<b>(553,232)</b>	<b>(553,232)</b>	<b>(553,232)</b>	<b>(553,232)</b>	<b>(553,232)</b>	<b>(553,232)</b>

Subject to rounding.

# **Appendix A**

**Council Resolution Approving Water Financial Plan  
(To be added following Council Approval)**