



## **The Corporation of the Town of LaSalle**

**To:** Members of the Water & Wastewater Committee

**Prepared by:** Dale Langlois, Director of Finance / Treasurer

**Department:** Finance

**Date of Report:** November 14, 2019

**Report Number:** FIN-35-2019

**Subject:** Water Financial Plan

---

### **Recommendation**

That the report of the Director of Finance / Treasurer, dated November 14, 2019 (FIN-35-2019) regarding the Town of LaSalle Water Financial Plan BE RECEIVED ; and that the Water System Financial Plan as prepared in accordance with the Safe Drinking Water Act BE APPROVED; and that a notice of availability of the Water System Financial Plan BE ADVERTISED; and that the Water System Financial Plan, the Council resolution approving the Water System Financial Plan, and the Water rate study underpinning the Water System Financial Plan, BE SUBMITTED to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act.

### **Report**

#### **Executive Summary – Water Financial Plan:**

##### **Background:**

With the introduction of the Safe Drinking Water Act, 2002 and the associated Ontario Regulations the legislative framework which governs the operations and maintenance of water services in Ontario has changed dramatically. The purpose of the Safe Drinking Water Act is to protect human health through the control and regulation of drinking-water systems and drinking water testing.

As part of the Act and Regulations water system owners are required to provide a Financial Plan (Plan) to the Ministry of Municipal Affairs and Housing every five years, which:

- Accounts for the inventory of the tangible capital assets required to provide the service
- Assesses the revenue and expenditures of providing the services – and forecasts these revenues and expenditures for a minimum of a six (6) year period.
- Describes how the funding will be generated to cover the costs of the service
- Be approved by a resolution of Council

#### Projections and Forecasts:

The Plan has been prepared using the most accurate information available at the time of writing. The estimates are based on the current technical and financial requirements and may be subject to change. Actual results could differ from these estimates.

It is important to note that any changes in fees, rates, budgets and capital expenditures are subject to the Council approval process.

#### Summary of Key Assumptions

The following are the key assumptions used to develop the Plan.

- A. Tangible Capital Asset (TCA) replacement is a fundamental key to providing clean and safe drinking water to residents. The following chart (in thousands of dollars) summarizes the expected replacement schedule of the assets of the water system based on the estimated end of their useful life.

Now Due	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
507	48	27	10	35	21	6	12	6	6	-
<b>Beyond 2028</b>									512,921	

For the purposes of the Financial Plan the replacement date of tangible capital assets has been on the following schedule (in thousands of dollars). This schedule is based on the Town of LaSalle's 5 year capital plan. It is assumed that \$2,000,000 of capital expenditures will occur in 2020 and increase annually at a rate of 5% thereafter for inflation.

Now Due/2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
3,600	2,000	2,100	2,205	2,315	2,431	2,553	2,681	2,815	2,956

B. In determining the water sales for the forecast the following assumptions were made:

- i. The household growth rate will be consistent at 125 homes per year over the 10 years. This is consistent with the expectations of the Development and Strategic Initiatives department.
- ii. The average household utilization of water will decrease over time at an average annual rate of 1%. This is consistent with current and expected further conservation policies and historic trends for water utilization.

C. In determining the water purchases for the forecast the following assumptions were made:

- i. The average purchase price per unit from WUC is assumed to increase at a rate of 5% per year. This increase is due to three factors:
  - 1. inflationary production and distribution cost increases,
  - 2. lower overall consumption, which results in less cubic meters to allocate cost to
  - 3. increase in LaSalle's share percentage as compared to Tecumseh and Windsor as LaSalle's usage is decreasing at a rate slower than Windsor and Tecumseh's usage rates and LaSalle's growth rate is faster than Windsor and Tecumseh's growth rate.
- ii. It is assumed that over the forecast period the amount of unaccounted for water will stay consistent at 8.0% annually, which is consistent with historical trends.

D. Operating Expenditures: Labour Costs have been estimated based on the following: (1) Wages and Salary costs (which represent 75% of the total labour cost) will increase at the assumed inflationary factor of 2%, and (2) the Benefits cost (which represents 25% of the total labour cost) will increase at an annual rate of 7.5%. The inflationary factor and benefit rate increases are based on historical trends. All other operating expenditures have increased by the assumed inflationary factor of 2%.

### Financial Summary

The following table summarizes the 10 year forecasted Financial Plan for Water Services for the Town of LaSalle. Detailed information can be found within the financial plan, with specific financial information on pages (5-1 to 5-6).

Forecasted Year:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Statement of Financial Position (in thousands)</b>										
Financial Assets	4,758	4,619	4,695	4,916	5,355	5,942	6,666	7,462	8,408	9,440
Liabilities	1,101	1,177	1,255	1,335	1,416	1,499	1,583	1,670	1,757	1,847
<b>Net Financial Assets</b>	<b>3,657</b>	<b>3,442</b>	<b>3,440</b>	<b>3,581</b>	<b>3,939</b>	<b>4,443</b>	<b>5,083</b>	<b>5,792</b>	<b>6,651</b>	<b>7,593</b>
Non Financial Assets	31,052	32,107	33,215	34,378	35,599	36,881	38,228	39,643	41,129	42,690
<b>Accumulated Surplus</b>	<b>34,709</b>	<b>35,549</b>	<b>36,655</b>	<b>37,959</b>	<b>39,538</b>	<b>41,324</b>	<b>43,311</b>	<b>45,435</b>	<b>47,780</b>	<b>50,283</b>
<b>Statement of Financial Activity (in thousands)</b>										
Revenues	5,627	6,019	6,494	6,911	7,413	7,858	8,305	8,700	9,189	9,626
Expenditures	5,083	5,179	5,388	5,607	5,834	6,071	6,318	6,575	6,844	7,123
<b>Annual Water Surplus</b>	<b>544</b>	<b>840</b>	<b>1,106</b>	<b>1,304</b>	<b>1,579</b>	<b>1,787</b>	<b>1,987</b>	<b>2,125</b>	<b>2,345</b>	<b>2,503</b>
<b>Affect to the Average Homeowner</b>										
Base Rate	60	60	66	66	72	72	78	78	84	84
Capital Charge	132	150	168	186	204	222	233	245	257	270
Consumption Charge	283	294	305	317	330	343	357	371	385	401
<b>Total Charges</b>	<b>475</b>	<b>504</b>	<b>539</b>	<b>569</b>	<b>606</b>	<b>637</b>	<b>668</b>	<b>693</b>	<b>726</b>	<b>754</b>
<b>10 year projected increase to the Average Homeowner</b>									<b>58.7%</b>	<b>279</b>

### Rate and Fee Projections:

The following is a summary of the projected rates over the 10 year plan period and would be required in order to balance the financial position of the Town's water operations.

1. Water consumption rates are scheduled to increase annually at a rate consistent with the projected water purchase rate increase of 5%.
2. The Base Rate (Meter Rate) is assumed to increase by value of \$1.50 per quarter every other year of the plan commencing in 2021. The following schedule details the projected quarterly base rate.

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Base Rate	15.00	15.00	16.50	16.50	18.00	18.00	19.50	19.50	21.00	21.00

3. The Capital Rate (Watermain Replacement Rate) is assumed to increase by a value of \$4.50 annually from 2020 through 2024 and at a rate of 5% annually thereafter. The following schedule details the projected quarterly capital rate.

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Capital Rate	33.00	37.50	42.00	46.50	51.00	55.50	58.28	61.19	64.25	67.46

Should you have any questions, please feel free to contact Dale Langlois.

## Consultations

Consultation occurred with Lena Petros, Manager of Water and Wastewater for anticipated future capital projects, and Allen Burgess, Supervisor, Planning & Development for information on projected new residential construction.

## Financial Implications

Please refer to the attached Water Financial Plan for further details.

## Prepared By:



Director of Finance/Treasurer

Dale Langlois, CPA, CA

## Link to Strategic Priorities

	Expanding and diversifying our assessment base
	Effectively communicating the activities and interests of the Town
Yes	Managing our human and financial resources in a responsible manner
	Promoting and marketing LaSalle
	Promote a healthy and environmentally conscious community

## Communications

	Not applicable
Yes	Website
	Social Media
	News Release
Yes	Local Newspaper
	Bids & Tenders
	Notification pursuant to the Planning Act

## Notifications

Name	Address	Email