



PETERBOROUGH UTILITIES COMMISSION

1867 Ashburnham Drive, PO Box 4125, Station Main
Peterborough ON K9J 6Z5

WATER SYSTEM FINANCIAL PLAN

Prepared in accordance with the Safe Drinking Water Act

And

Ontario Regulation 453/07

PETERBOROUGH UTILITIES COMMISSION

DRINKING WATER SUPPLY SYSTEM

2010 – 2019 FINANCIAL PLAN

LICENCE # 145-101

Peterborough Utilities Commission endorsed and approved the Water Financial Plan for submission to the Ministry of Municipal Affairs and Housing on December 8, 2011.

OVERVIEW

The Peterborough Utilities Commission (“PUC”), per the Municipal Act 2001, operates as a municipal services board of the City of Peterborough. The PUC is governed by a 5 member Commission comprised of the Mayor of the City of Peterborough and 4 elected council members.

The PUC is responsible for providing Peterborough residents and businesses with a safe, clean and reliable supply of water. Peterborough has a plentiful supply of source water from the Otonabee River. This water is treated in a government-inspected facility before being distributed throughout the City. Each year the external and PUC labs test thousands of water samples to ensure that Peterborough's drinking water is safe and aesthetically pleasing. About twenty thousand tests are conducted each year to ensure the drinking water surpasses health-related standards.

The PUC must maintain and continually improve its infrastructure to ensure that its systems are capable of delivering safe, affordable and quality water to the residents of Peterborough for now and into the future and operates on a full cost recovery system.

BACKGROUND

The Ontario Ministry of the Environment introduced a new Municipal Drinking Water Licensing Program under the Safe Drinking Water Act (“SDWA”) 2002 as a result of a recommendation by Justice O’Connor’s Part II Report of the Walkerton Inquiry. One of the main recommendations of the Act is the mandatory licensing of municipal water providers.

Ontario Regulation 453/07 of the SDWA requires the owners of a drinking water system, by the latter of July 1, 2010, and the date that is six months after the date the first license is issued to prepare and approve financial plans for submission to the Ministry of Municipal Affairs and Housing. The PUC received its water license on June 23, 2011 and is therefore required to submit a Financial Plan by December 23, 2011.

The PUC continues to operate under a full cost recovery system and recognized tangible capital assets prior to the requirement to do so as set out in section PS3150, accounting for tangible capital assets, of the Canadian Institute of Chartered Accountants (“CICA”) Public Sector Accounting Handbook (“PSAB”).

Requirements of The Financial Plan include;

- Must be approved by Council resolution (or governing body, Commission);
- Apply for a period of at least six years;
- Provide itemized details of projected financial position and operations;
- Be available to the public without charge.

In response to the SDWA and O.Reg 453/07, the PUC has prepared a Financial Plan for the water system. The Financial Plan summarizes the results of a twenty year financial model that integrates data from the PUC asset management plan to forecast capital and operating costs and identify sources of funding to ensure long-term financial viability.

FINANCIAL PLAN

A ten-year financial plan comprised of 2010 actual results, 2011 projected results and 2012 to 2019 forecasted results has been provided.

Statement of Financial Position

The Statement of Financial Position is essentially the balance sheet of the PUC which describes the assets, liabilities and accumulated surplus.

Net Financial Assets

The attached Statement of Financial Position, indicates that the forecasted December 31, 2011 Net financial Assets/(Debt) will be \$4.55 million and decreasing to a deficit position of \$8.27 million in 2019. The decrease is primarily attributed to increased net debenture financing of \$5.70 million and decreased working capital of \$6.80 million in support of capital expenditures.

Total Non-Financial Assets

Total Non-Financial Assets are expected to increase by \$29.81 million from \$98.89 million as of December 31, 2011 to \$128.70 million at December 31, 2019. The increase is mainly attributed to the increase in the PUC Tangible Capital Assets ("TCA"), as the planned capital additions for the years 2012 to 2019 of \$76.26 million is reduced by amortization of \$46.48 million resulting in a net increase in TCA of \$29.78 million.

Accumulated Surplus

The PUC Accumulated Surplus is expected to increase by \$17.00 million from the December 31, 2011 forecasted amount of \$103.44 million to a December 31, 2019 forecast amount of \$120.44 million

Statement of Operations

The Statement of Operations summarizes the PUC revenues and expenses for a specific period. The Annual Surplus measures whether the revenues generated were sufficient to cover operating expenses including the ability to fund the interest payments on debentures and to provide funding for TCA additions. The Annual Surplus remains relatively consistent throughout the Financial Plan. The Annual Surplus for the year ended December 31, 2011 is projected to be \$2.75 million and the December 31, 2019 forecasted Annual Surplus is \$2.57 million.

Statement of Cash Flow

The Statement of Cash Flow summarizes changes in cash resulting from operations and indicates how the PUC financed its activities. In simple terms it is a summary of how the PUC generates and used its cash resources during a specific period.

Cash Provided by/(Used in) Operation

The PUC is expected to generate cash from operations in the amount of \$69.27 million from 2011 to 2019. The amount is comprised of cash generated from annual surplus of \$19.75 million and from amortization, a non-cash expenditure, of \$51.40 million. These amounts are reduced by changes in non-cash working capital of \$1.88 million.

Investing Activity

During the period 2011 to 2019 the PUC has planned capital expenditures of \$86.43 million. The PUC capital program is driven by the PUC's asset management plan ("AMP") that is based upon a Linear Asset Management Plan ("LAMP") developed by the Peterborough Utilities Services Inc. Engineering department and a Capital Prioritization Plan provided by an outside consultant in 2006.

Financing Activities

During the 2011 to 2019 planning period the PUC Financial Plan forecasts \$17.90 million in new debentures.

The PUC has been able to manage an extensive capital program while incurring minimal debt, and at the same time managing moderate rate changes to avoid extreme fluctuations. Long-term borrowing is confined to capital improvements or similar projects with an extended life when it is not practical to be financed from current revenues. Financing does not extend beyond the estimated useful life of the projects being financed and is typically limited to 15 years.

Cash Position

Cash is anticipated to decrease from a December 31, 2011 projected balance of \$10.33 million to \$3.53 million as at December 31, 2019. The December 31, 2019 balance provides a reasonable working capital reserve and therefore there are no cash flow concerns for the PUC.

SUMMARY

The PUC is well prepared to be able to meet the challenges ahead and continue providing financial stability and improve its infrastructure to ensure that its systems are capable of delivering safe, affordable and quality water to the residents of Peterborough for now and into the future, operating under a full cost recovery system.

The Financial Plan has been prepared using the most accurate financial and technical information available at the time of publication. Actual results could differ from these estimates, the materiality of which is undeterminable at this time.

PETERBOROUGH UTILITIES COMMISSION
Statement of Financial Position
(\$'s in thousands)

	2010 Actual	2011 Projected	2012 Budget	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
Financial Assets										
Cash and short-term deposits	15,987	10,330	9,815	10,579	8,223	8,982	9,108	7,562	7,935	3,532
Accounts receivable	3,805	3,743	3,853	3,969	4,088	4,210	4,337	4,456	4,578	4,578
Total Financial Assets	19,792	14,073	13,668	14,548	12,310	13,193	13,445	12,018	12,514	8,111
Liabilities										
Accounts payable and accrued charges	4,530	2,352	3,021	3,097	3,174	3,253	3,335	3,418	3,503	3,503
Customer deposits	625	520	520	520	520	520	520	520	520	520
Debentures debt	7,641	6,651	11,911	13,353	12,060	14,633	13,073	11,513	14,206	12,353
Total Liabilities	12,796	9,523	15,452	16,970	15,754	18,406	16,928	15,451	18,230	16,376
Net Financial Assets/(Debt)	6,996	4,551	(1,784)	(2,422)	(3,443)	(5,214)	(3,483)	(3,433)	(5,716)	(8,266)
Non-Financial Assets										
Inventories	187	170	175	179	184	188	193	198	203	203
Prepaid expenses	63	0	0	0	0	0	0	0	0	0
Tangible Capital Assets	93,445	98,721	107,101	109,419	112,257	115,902	116,315	118,680	123,379	128,500
Total Non-Financial Assets	93,696	98,891	107,276	109,598	112,441	116,090	116,509	118,878	123,582	128,703
Accumulated Surplus	100,692	103,442	105,492	107,177	108,997	110,877	113,026	115,445	117,866	120,437

PETERBOROUGH UTILITIES COMMISSION

Statement of Operations

(\$'s in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual	Projected	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Revenues										
Sale of water	14,308	14,802	16,299	15,814	16,345	16,894	17,462	18,005	18,565	19,142
Other	1,749	2,387	1,268	1,796	1,830	1,855	1,902	1,978	2,008	2,185
Total Revenues	16,057	17,189	17,568	17,609	18,175	18,749	19,364	19,983	20,573	21,327
Expenses										
Operating	6,130	6,413	6,773	6,942	7,115	7,293	7,474	7,661	7,852	8,041
Administrative	2,691	2,871	2,953	3,027	3,102	3,180	3,259	3,341	3,424	3,510
Interest	235	255	391	605	611	655	691	621	661	693
Amortization	4,690	4,900	5,400	5,351	5,525	5,743	5,790	5,941	6,215	6,511
Total Expenses	13,747	14,439	15,517	15,925	16,354	16,870	17,215	17,563	18,152	18,756
Annual Surplus	2,310	2,750	2,051	1,684	1,821	1,879	2,149	2,419	2,421	2,571
Opening Accumulated Surplus	98,382	100,692	103,442	105,493	107,177	108,997	110,877	113,026	115,445	117,866
Closing Accumulated Surplus	100,692	103,442	105,493	107,177	108,997	110,877	113,026	115,445	117,866	120,437

PETERBOROUGH UTILITIES COMMISSION

Statement of Cash Flow

(\$'s in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual	Projected	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash Provided by (Used In) Operations										
Annual surplus	2,310	2,750	2,051	1,684	1,821	1,879	2,149	2,419	2,421	2,571
Add items not requiring cash										
Amortization	4,690	4,900	5,400	5,351	5,525	5,743	5,790	5,941	6,215	6,511
	7,000	7,650	7,451	7,035	7,346	7,622	7,940	8,360	8,636	9,082
Changes in non-cash working capital items	2,082	(2,140)	554	(44)	(46)	(48)	(50)	(41)	(42)	0
	9,082	5,510	8,005	6,991	7,300	7,574	7,890	8,320	8,594	9,082
Investing Activity										
Net additions to tangible capital assets	(7,206)	(10,176)	(13,780)	(7,669)	(8,363)	(9,388)	(6,204)	(8,306)	(10,914)	(11,632)
Financing Activities										
Proceeds from debenture debt	6,600	0	6,500	3,000	0	4,000	0	0	4,400	0
Debenture repayment	(315)	(990)	(1,240)	(1,558)	(1,293)	(1,427)	(1,560)	(1,560)	(1,707)	(1,853)
	6,285	(990)	5,260	1,442	(1,293)	2,573	(1,560)	(1,560)	2,693	(1,853)
Net Change In Cash During The Year	8,161	(5,656)	(516)	764	(2,357)	760	126	(1,546)	373	(4,403)
Cash Position, Beginning Of Year	7,826	15,987	10,330	9,815	10,579	8,223	8,982	9,108	7,562	7,935
Cash Position, End Of Year	15,987	10,330	9,815	10,579	8,223	8,982	9,108	7,562	7,935	3,532