



WATER SYSTEM FINANCIAL PLAN

Prepared in accordance with the Safe Drinking Water Act

And

Ontario Regulation 453/07

THE CITY OF PETERBOROUGH
DRINKING WATER SUPPLY SYSTEM
2025 – 2030 FINANCIAL PLAN
LICENCE # 145-101

The City of Peterborough endorsed and approved the Water Financial Plan for submission to the Ministry of Municipal Affairs and Housing on February 24, 2025.

OVERVIEW

The City of Peterborough (the City) 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 thousands of water samples are tested by both an internal operational lab and an external accredited laboratory 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 City 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 Ministry of the Environment Conservation and Parks 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. Having met all the necessary initial filing requirements, the City of Peterborough will apply for the Municipal Drinking Water License in March 2025. Once received, this license is valid for 5 years provided by the owner:

- Maintains its status as an accredited operating authority;
- Prepares a financial plan and has it approved by municipal council;
- Has a valid permit to take water; and
- Operates the drinking water system according to the conditions in the license.

As the PUC and Operating Authority are changing as of April 1, 2025, the current license will expire. An application will need to be submitted by the City of Peterborough, and the Director, MECP will issue The City of Peterborough a license if the Director is satisfied that the following criteria are all met:

1. The system will be operated by an accredited operating authority;
2. The Drinking Water Works Permit remains in force;
3. Operation plans for the system satisfy the requirements of the Directors' Directions for Operational Plans;
4. Financial plans have been prepared and approved;
5. The system has been and will continue to be operated in accordance with the requirements under the SDWA and the license; and
6. Any required permits to take water remain in force (if required).

This financial plan has been prepared to satisfy the above item number 4. Ontario Regulation 453/07 of the SDWA requires the owners of a drinking water system to submit their financial plans to the Ministry of Municipal Affairs and Housing for licensing. Per the regulations, the financial plan must;

- Be approved by Council resolution;
- Apply for a period of at least six years, the first of which must be the year in which the drinking water system's existing municipal drinking water license would otherwise expire;
- Provide projected financial statements including a statement of financial position, statement of financial operations and statement of cash flows;
- Be available to the public without charge and available on the City's website.

SUSTAINABLE FINANCIAL PLANNING

Achieving financial sustainability in Ontario's municipal water and wastewater sector is a long-term provincial goal. The overall guiding principle in the development of this Financial Plan is to ensure that both current operating needs and longer-term infrastructure renewal planning are addressed.

The SDWA requires a declaration of the financial plan's sustainability, but it does not give a clear definition of what would be considered sustainable. The Ministry of the Environment released a guideline entitled "Towards Financially Sustainable Drinking-Water and Wastewater Systems" that provides principles for achieving sustainability, to assist owners in preparing the Financial Plan. Listed below are nine principles developed by the Ministry which the City has reviewed in preparing its Water System Financial Plan.

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.

Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.

Principle #3: Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.

Principle #4: Lifecycle planning with mid-course corrections is preferable to planning over the short-term or not planning at all.

Principle #5: An asset management plan is a key input to the development of a financial plan.

Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.

Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.

Principle #8: Financial Plans are “living” documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.

Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

FINANCIAL PLAN

In accordance with the Ministry of Environment, Conservation and Parks requirements, and the principles listed above, the City of Peterborough has prepared the required financial plan which is included in this report. The financial plan comprises 2023 actual results, 2024 projected results and 2025 to 2030 forecasted results.

The 2023 figures are a summarized version of the audited financial statements. The 2024 projected results are management’s best projection for the year end results which are yet to be finalized. The future year assumptions originate from the ten-year financial model prepared by water utility staff and management that integrates data from the water utility asset management plan to forecast capital and operating costs and identify sources of funding to ensure long-term financial viability. These financial plans are living documents that are continuously updated based on actual results and management's best estimates for the future.

The financial plan includes a statement of financial position, statement of operations and accumulated surplus, and statement of cash flow. The following summarizes key information from the forecasted financial plan presented.

Statement of Financial Position

The Statement of Financial Position describes the financial assets, liabilities, non-financial assets and accumulated surplus of the City of Peterborough’s Water Utility.

Net Financial Assets

The Statement of Financial Position indicates that the net financial assets are forecast to be \$11.62 million on December 31, 2023, increasing to \$11.87 million in 2030. Total cash is expected to decrease from \$25.72 million on December 31, 2023, to \$18.31 million on December 31, 2030. This decrease in cash includes a net repayment of \$7.31 million in debenture financing over that period.

Total Non-Financial Assets

Total Non-Financial Assets are expected to increase by \$24.84 million from \$125.74 million as of December 31, 2023, to \$150.59 million on December 31, 2030. The increase is primarily the result of the net additions in the Water Utility's tangible capital assets (TCA). The planned capital additions for the years 2024 to 2030 total \$71.44 million which is reduced by projected amortization of \$46.59 million resulting in the net increase in TCA of \$25.85 million.

Accumulated Surplus

The water utility Accumulated Surplus is expected to increase by \$25.4 million from the December 31, 2023, amount of \$137.37 million to a December 31, 2030 forecast amount of \$162.77 million

Statement of Operations and Accumulated Surplus

The Statement of Operations summarizes the revenues and expenses of the water utility for a specific period. The Annual Surplus measures whether the revenues generated were sufficient to cover operating expenses incurred, including the ability to fund the interest payments on debentures. The Annual Surplus is expected to fluctuate throughout the Financial Plan, starting at \$2.94 million for the year ending December 31, 2024, and projected to be \$2.35 million on December 31, 2030. It is important to note that the annual surplus is beneficial to ensure funding is available to non-operating costs, such as TCA additions and debt principal repayments.

Statement of Cash Flow

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

Cash Provided by/ (Used in) Operations

The water utility is expected to generate cash from operations in the amount of \$71.44 million from 2024 to 2030. The amount is comprised of cash generated from the annual surplus of \$21.47 million net of amortization, a non-cash expenditure, of \$52.82 million. These amounts are reduced by revenue maintained in reserve funds and changes in non-cash working capital of \$2.85 million.

Investing Activity

During the period 2024 to 2030 the PUC has planned capital expenditures of \$80.67 million. The capital program is driven by the water utility's asset management plan ("AMP") that is based upon a Linear Asset Management Plan ("LAMP") developed by water utility staff and a Long-Term Water Utility Master Plan provided by an outside consultant in 2019. This plan is reviewed and updated annually based on both current year's activity and projected future needs.

Financing Activities

During the 2024 to 2030 planning period the Financial Plan does not include any debenture financing, instead relying on reserve funds to finance capital projects in excess of current year revenues. The existing debentures will be repaid according to the required repayment schedules including interest.

Cash Position

Cash is anticipated to decrease from the December 31, 2024, projected balance of \$23.22 million to \$18.31 million at December 31, 2030. The December 31, 2030, balance provides a reasonable working capital reserve and therefore there are no cash flow concerns for the water utility with the City of Peterborough.

SUMMARY

The City of Peterborough's water utility is well prepared to be able to meet the challenges ahead and continue 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 utilizes long-term planning in developing an understanding of the City of Peterborough's water utility infrastructure needs and creating a financial structure that ensures resources are used in an efficient and effective manner. The City of Peterborough recognizes that the integrity of its finances is critical to the successful operation of the water utility and to its reputation and trust by ratepayers.

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.

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

	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Forecast	Budget	Budget	Budget	Budget	Budget	Budget
Financial Assets								
Cash	25,717	26,218	27,666	24,304	24,102	21,540	18,840	18,310
Accounts receivable	3,218	3,321	3,288	3,255	3,222	3,190	3,158	3,127
Unbilled water revenue	1,434	1,667	1,650	1,634	1,617	1,601	1,585	1,569
Unbilled sewer surcharge	1,482	1,749	1,732	1,714	1,697	1,680	1,663	1,647
	31,851	32,955	34,336	30,907	30,638	28,012	25,247	24,653
Liabilities								
Accounts payable, deposits & accrued charges	9,184	8,482	8,397	8,313	8,230	8,148	8,066	7,986
Debentures	11,044	9,957	8,855	7,736	6,601	6,001	5,401	4,801
	20,228	18,439	17,252	16,049	14,831	14,149	13,467	12,787
Net financial assets	11,623	14,516	17,084	14,858	15,807	13,863	11,780	11,866
Non-financial assets								
Tangible capital assets	124,809	124,851	128,826	136,534	139,998	143,280	146,604	149,656
Inventory	934	929	930	930	930	930	930	930
Prepaid expenses	0	0	0	0	0	0	0	0
	125,743	125,780	129,756	137,464	140,928	144,210	147,534	150,586
Accumulated Surplus	137,366	140,296	146,840	152,321	156,735	158,072	159,314	162,452

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Statement of Operations and Accumulated Surplus
(\$'s in thousands)

	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Forecast	Budget	Budget	Budget	Budget	Budget	Budget
Revenues								
Sale of water	19,242	20,244	20,730	21,145	21,567	21,999	22,439	22,888
Other	3,939	3,673	3,579	3,651	3,724	3,798	3,874	3,952
Total revenues	23,181	23,917	24,309	24,795	25,291	25,797	26,313	26,839
Expenses								
Operating	8,870	9,664	10,170	10,475	10,789	11,113	11,446	11,790
Administrative	4,639	4,633	4,778	4,922	5,069	5,221	5,378	5,539
Interest	306	299	250	209	179	152	137	122
Amortization	6,231	6,375	6,375	6,503	6,633	6,765	6,901	7,039
Total expenses	20,046	20,971	21,573	22,108	22,670	23,251	23,862	24,490
Annual Surplus	3,135	2,946	2,736	2,687	2,621	2,545	2,451	2,350
Opening Accumulated Surplus	134,231	137,366	140,312	143,048	145,735	148,356	150,901	153,352
Closing Accumulated Surplus	137,366	140,312	143,048	145,735	148,356	150,901	153,352	155,702

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Statement of Cash Flow
(\$'s in thousands)

	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Forecast	Budget	Budget	Budget	Budget	Budget	Budget
Cash provided by (used in) Operations								
Annual Surplus	3,134	2,946	2,736	2,687	2,621	2,545	2,451	2,350
Add: Non cash charges								
Amortization	6,230	6,375	6,375	6,503	6,633	6,765	6,901	7,039
Less: Reserve fund revenue in surplus	(131)	(20)	(170)	(172)	(173)	(175)	(177)	(179)
	9,233	9,301	8,941	9,018	9,080	9,135	9,175	9,209
Changes in non-cash working capital	256	(1,609)	(53)	(51)	(51)	(50)	(50)	(49)
	9,489	7,692	8,888	8,967	9,030	9,085	9,125	9,160
Investing Activity								
Net additions to tangible capital asset	(9,236)	(6,104)	(10,663)	(14,210)	(10,097)	(10,047)	(10,225)	(10,090)
Financing Activities								
Proceeds from debenture debt	0	0	0	0	0	0	0	0
Repayment of long term debt	(1,071)	(1,087)	(1,102)	(1,119)	(1,135)	(600)	(600)	(600)
Transfer from reserves	0		4,325	3,000	2,000	(1,000)	(1,000)	1,000
	(1,071)	(1,087)	3,223	1,881	865	(1,600)	(1,600)	400
Net change in cash for the year	(818)	501	1,448	(3,362)	(202)	(2,562)	(2,700)	(530)
Cash position, beginning of year	26,535	25,717	26,218	27,666	24,304	24,102	21,540	18,840
Cash position, end of year	25,717	26,218	27,666	24,304	24,102	21,540	18,840	18,310