

Kitchener Utilities

Drinking Water Distribution System

Financial Plan

Municipal Drinking Water Licence 019-101

June 2010



City of Kitchener Water Distribution

Financial Plan

TABLE OF CONTENTS

Section 1: Introduction	3
Section 2: Regulatory Requirements.....	3
Section 3: Assets/Liabilities/Net Debt/Tangible Capital Assets	4
Section 4: Revenues/Expenses/Surplus/Deficit.....	5
Section 5: Receipts and Payments.....	5
Section 6: Lead Services.....	7
Section 7: Summary	7

City of Kitchener Water Distribution

Financial Plan

Section 1: Introduction

The Drinking Water Quality Management Standard (DWQMS), under the *Safe Drinking Water Act, 2002* and *Regulation 188/07*, required the City of Kitchener become licensed to operate and maintain Kitchener's Water Distribution System. The City was licenced on August 20, 2009 however as a condition of the licence, a Financial Plan must be approved by resolution and submitted by July 1, 2010 (Ontario Regulation 453/07).

The Financial Plan applies for at least six years starting in year 2010 (2010-2015).

Section 2: Regulatory Requirements

Ontario Regulation 453/07 requires that financial plans include the following:

Details of the proposed or projected financial position of the drinking water system itemized by:

- A. Total financial assets
- B. Total liabilities
- C. Net debt
- D. Non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses
- E. Changes in tangible capital assets that are additional, donations, write downs and disposals

Details of the proposed or projected financial operations of the drinking water system itemized by:

- A. Total revenues, further itemized by water rates, user charges and other revenues
- B. Total expenses, further itemized by amortization expenses, interest expenses and other expenses
- C. Annual surplus or deficit
- D. Accumulated surplus or deficit

Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by:

- A. Operating transactions, that are cash received from revenues, cash paid for operating expenses and financial charges
- B. Capital transactions, that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets

City of Kitchener Water Distribution

Financial Plan

- C. Investing transactions, that are proceeds from the issuance of debt and debt repayment
- D. Changes in cash and cash equivalents during the year
- E. Cash and cash equivalents at the beginning and end of the year

Details of the extent to which the information described in the above relate directly to the replacement of lead service pipes.

Section 3: Assets/Liabilities/Net Debt/Tangible Capital Assets

A summary of the Assets, Liabilities, Net Debt and Tangible Capital Assets are provided in **Schedule 1**.

Schedule 1

Statement of Financial Position - Water

(in thousands)

	2010	2011	2012	2013	2014	2015
Financial Assets	12,575	15,505	18,709	23,722	29,467	36,106
Liabilities	1,467	1,505	1,544	1,585	1,626	1,668
Net Financial Assets	11,108	14,000	17,165	22,138	27,841	34,438
Non-financial Assets						
Tangible Capital Assets	49,973	53,389	56,969	59,914	62,871	65,855
Additions	5,309	4,206	4,581	4,109	4,298	4,492
-portion related to lead replacement	48	50	51	-	-	-
Donations	576	590	606	622	638	654
Disposals	195	200	205	211	216	222
Write-downs and Depr'n	988	1,180	1,401	1,575	1,763	1,942
Assets Under Construction	829	895	652	147	396	647
Inventory of supplies	126	129	133	136	140	143
Prepaid expenses	36	37	38	39	40	41
Accumulated Surplus	62,071	68,450	74,957	82,374	91,289	101,124

City of Kitchener Water Distribution

Financial Plan

Section 4: Revenues/Expenses/Surplus/Deficit

A summary of the Revenues, Expenses and Surplus are provided in **Schedule 2**.

Schedule 2

Statement of Financial Operations

(in thousands)

	2010	2011	2012	2013	2014	2015
<i>Water Revenues</i>						
Water sales	33,242	35,536	37,988	40,609	43,067	45,608
Interest income	31	19	(4)	9	38	64
Other revenue	1,742	1,856	1,934	1,938	2,069	2,138
TOTAL REVENUES	35,015	37,411	39,918	42,556	45,174	47,811
<i>Water Expenses</i>						
Purchase of water	18,215	19,472	20,815	22,252	23,565	24,719
Other expenses	10,771	10,180	10,991	11,101	10,716	11,093
Debt Charges	-	-	-	-	-	-
Loss on disposal of assets	195	200	205	211	216	222
Amortization	988	1,180	1,401	1,575	1,763	1,942
TOTAL EXPENSES	30,169	31,032	33,412	35,138	36,259	37,976
ANNUAL SURPLUS/(DEFICIT)	4,846	6,379	6,507	7,417	8,915	9,835
Accumulated Surplus, beginning of year	57,225	62,071	68,450	74,957	82,374	91,289
Accumulated Surplus, end of year	62,071	68,450	74,957	82,374	91,289	101,124

City of Kitchener Water Distribution

Financial Plan

Section 5: Receipts and Payments

A summary of Receipts and Payments are provided in **Schedule 3**.

Schedule 3

Statement of Cash Flow - Water

(in thousands)

	2010	2011	2012	2013	2014	2015
<i>Operating Cash Flows</i>						
Total revenues	34,440	36,820	39,312	41,934	44,537	47,157
Operating expenses	28,986	29,652	31,806	33,352	34,281	35,813
Change in non-cash assets and liabilities	(25)	(26)	(27)	(27)	(28)	(29)
Finance charges	-	-	-	-	-	-
	5,428	7,142	7,480	8,554	10,228	11,316
<i>Capital Cash Flows</i>						
Acquisition of tangible capital assets and AUC	5,440	4,272	4,338	3,604	4,547	4,743
Proceeds on sale of tangible capital assets	-	-	-	-	-	-
	(5,440)	(4,272)	(4,338)	(3,604)	(4,547)	(4,743)
<i>Investing Cash Flows</i>						
Acquisition of investments	-	-	-	-	-	-
Disposal of investments	-	-	-	-	-	-
	-	-	-	-	-	-
<i>Financing Cash Flows</i>						
Proceeds from debt issuances	-	-	-	-	-	-
Repayment of debt	-	-	-	-	-	-
	-	-	-	-	-	-
Change in cash and cash equivalents	(12)	2,871	3,142	4,950	5,680	6,573
Cash and cash equivalents, beginning of year	10,286	10,274	13,145	16,287	21,238	26,918
Cash and cash equivalents, end of year	10,274	13,145	16,287	21,238	26,918	33,491

City of Kitchener Water Distribution

Financial Plan

Section 6: Lead Services

Lead services are replaced as part of road reconstruction projects. The City of Kitchener Development & Technical Services Department: 2010 – 2019 Capital Infrastructure Works outlines the proposed reconstruction projects for the next 10 years. Although not all the streets contain lead services, all of the water services are replaced for every reconstruction project. Financial details relating to the reconstruction projects are included in **Schedule 1**.

Lead services are also replaced individually when they are found in the field, if the full reconstruction project has not been identified in the capital forecast and if the new service can be connected to the customer side. The budget for individual lead service replacement is included under **Schedule 1** (portion related to lead replacement).

Section 7: Summary

The Financial Plan indicates the drinking water system is financially viable as required by Ontario Regulation 453/07 Financial Plans and under Subsection 30 of the Safe Drinking Water Act.

The Financial Plan will be required to be updated as a condition of licence renewal. The current license expires in February, 2014.