

The Municipality of  
**Powassan**



# Financial Plan

The Municipality of Powassan  
Drinking Water System

October 1, 2020 | By: Codey Munshaw

Approved by Municipal Council on October 6, 2020

**Overview:**

In accordance with the Safe Drinking Water Act, 2002, Municipalities are required to renew their Municipal Drinking Water License every five (5) years. Part of this renewal process is the submission of a Financial Plan for the drinking water system, in accordance with Ontario Regulation 453/07. Ontario Clean Water Agency (OCWA) has been authorized by the Municipality to operate the Municipal drinking water system, and have assisted in the preparations of the Municipal Drinking Water License renewal for 2020.

In accordance with Ontario Regulation 453/07, the Financial Plan: is required to be passed by municipal council resolution, shall be made accessible to the general public, and shall be applicable to the municipal water system for a period of at least six (6) years. The Municipality of Powassan's current financial plan was created on December 9, 2015.

Outlined in this document "The Municipality of Powassan Drinking Water System – Financial Plan" is the Municipality's projected financial position, and projected financial operations statements. This six (6) year Financial Plan for the years 2021-2026 provides the Municipality of Powassan with a financially sustainable plan, as per the requirements of the Safe Drinking Water Act, 2002, and Ontario Regulation 453/07 (O.Reg 453/07). The information contained in this document is intended to guide Municipal staff and council in the creation of operating and capital budgets, as well as establishing water user rates. In accordance with O.Reg 453/07, this document may be amended. Municipal staff shall amend this document where significant changes in the operating procedure shall occur.

The Municipality of Powassan Drinking Water System – Financial Plan was endorsed by the Municipality of Powassan council on October 06, 2020. A copy of this document shall be submitted to the Ministry of Municipal Affairs and Housing.

**Municipality of Powassan Water System:**

The Municipality of Powassan's water distribution system is supplied through two (2) ground water wells, drilled in 1981 and 2003 respectively. This water is drawn from these wells into a treatment facility, pumped to our reservoir, and supplied to residents through the distribution piping network. The piping network is approximately 8.459 km long, consist of pipe diameters ranging from 100mm to 250mm, and varies in age and pipe materials.

### **Replacement of Lead Service Pipes:**

Under Ontario Regulation 453/07 Section 4.iv, details to the extent of measures taken towards section 15.1 of Ontario Regulation 170/03, must be stated in the Financial Plan. This section of the regulation is in reference to the replacement of lead service pipes, and pipes with lead solder. The Municipality of Powassan's drinking water system does not contain lead, and thus no financial costs have been associated to lead pipe removal.

### **Financial Revenues:**

This financial plan uses the residential water rate revenues with an anticipated two percent (2%) increase in rate cost from 2021 through to 2026. This increase in the water rate is to cover the cost of inflation, and to cover the anticipated two percent (2%) increase in operational costs through the duration of this financial plan.

### **Tangible Capital Assets:**

This financial plan uses the evaluation of the Municipality's tangible capital assets from the Municipality's CityWide software, 2016 Asset Management Plan, and previous Financial Plan. Additionally, amortization of tangible capital assets has been continued from the previous Financial Plan's projections. The amortization amounts are based on the straight-line method, with additional amortization applied as assets are renewed. The Municipality of Powassan uses a 50-year amortization period for water main assets.

Assets being constructed are not amortized until they are until they are in service use.

### **Capital Works:**

A large portion of the Municipality Powassan's water mains were installed in the 1950's and as such are due for renewal in 2024. These water mains are made of transite/AC (asbestos cement), which has an approximate service life of 70 years. It has been assumed for the purpose of this document, that starting in 2024 the Municipality will start investing in the replacement of these water mains. It is assumed that the Municipality shall conduct capital works to replace these pipes over a fifteen (15) year period, with capital renewal investment scheduled in three (3) year intervals throughout this 15-year period. These capital renewals will consist of the removal and replacement of these watermain assets. Since these assets will be at the end of their service life, and are fully amortized; there has been no amortization disposal costs associated. The Municipality shall explore alternative renewal solutions, such as relining of these water mains, if feasible. Alternative solutions such as relining, will reduce the anticipated capital investments required between 2024 and 2038, and will allow the Municipality to renew these assets most cost effectively.

Following the renewals to be started in 2024, the next large-scale capital renewal is not anticipated to take place until 2041. By paying for these capital renewals between 2024 and 2038, the Municipality will be in a strong financial position to complete the capital renewals in 2041.

During the years 2021 through 2025, the Municipality will still be paying off the water loan (as stated in the existing loan section), and as such capital reserve funds shall be used to fund the 2024 capital renewals. As indicated in Table 1.1 and Table 1.2, the Municipal water reserves shall supplement the deficit in the operation costs due to these capital renewals throughout this financial plan. However, the Municipality of Powassan shall actively seek funding, and shall use gas tax monies (if available) to supplement the deficit in the projected operation costs (due to the capital renewals), for the years 2024 through to 2038. Subsequently, the Municipality can also explore loan options for the 2027 to 2038 capital renewals, to conduct larger scale capital renewals, and make the renewals more affordable.

Capital renewal projects between 2024 and 2038 shall be prioritized based on water main condition determined through condition assessments, and historical water main break data.

### **Distribution Growth:**

The Municipality of Powassan is not anticipating a growth in the water distribution system for the years 2021 to 2026. If distribution growth is to occur, it will likely be due to the development of subdivisions within the Municipality. The cost to extend the Municipal water network into these subdivisions shall be the responsibility of the developer. These assets are then anticipated to be donated in-kind to the Municipality, with the understanding that the Municipality will maintain the operations and maintenance of these assets. Should this occur, the tangible capital asset costs, and user fees shall be updated to reflect these costs.

The Municipality is however anticipating a growth in the amount of rate payers. This is due to a housing development scheduled to be constructed in 2020-2021. The Municipality shall revise the user fee revenues, once accurate information regarding the amount of users, and anticipated water usage are determined.

### **Existing Loans:**

In 2010 The Municipality of Powassan borrowed money to fund the renewal of the water tower and various watermains. The loan was taken over a fifteen (15) year term, and is scheduled to be paid in full in 2025.

**Reserve Funds:**

Reserve funds are funds that were approved by council to be set aside for future capital use. The balance of these funds are include in Table 1.1: Statement of Financial Position.

**Accumulated Surplus/Deficit End of Year:**

The accumulated surplus/deficit end of year indicated in Tables 1.1 and 1.2, indicated the combined value of our financial and non-financial assets. This value is the sum of all: reserve monies, debt principals, and tangible capital asset costs that have not yet been amortized.