



**WINDSOR
UTILITIES
COMMISSION**

2024 – 2029 Water System Financial

Plan No. 025-301

In Accordance with O. Reg. 453/07

November 2023

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Background

The Windsor Utilities Commission (“WUC”) operates the drinking water system for the City of Windsor and provides drinking water to the neighboring municipalities of LaSalle and Tecumseh. WUC operates water treatment facilities and provides potable water to all parts of Windsor through an extensive water distribution network. Water is provided to the neighboring communities through WUC’s water transmission and distribution system at designated metered points from which the neighboring communities distribute the water to their own local residents.

Objective

The purpose of this document is to update the Water System Financial Plan (“WSFP”) in order to fulfill the license renewal requirements defined in O.Reg. 453/07.

The WSFP incorporates the most recent operating, capital and cash flow forecasts contained in WUC’s 2023 rate review and 2024 (plus 5 year) operating budget.

Regulatory Requirements

In 2007, as part of the Municipal Drinking Water Licensing Program, the Ministry of Environment, Conservation and Parks (Ministry) released Ontario Regulation 453/07 that requires the preparation of a Financial Plan for all municipal drinking water systems.

The Financial Plan prepared for license renewals, defined under O.Reg 453/07, require that the plan:

- Be approved by Council or the applicable governing body (WUC)
- Apply to a period of at least six years.
- Include the year in which the license expires as part of the forecasted period (2024).
- Provide details of the projected financial position
- Provide details of the projected statement of operations including total revenues, expenses, annual surplus and accumulated surplus.
- Provide projections of gross cash receipts and payments as included in a typical statement of cash flows, which include operating, capital and investing and financing transactions.
- Provide details of expenditures directly related to the replacement of lead service pipes.
- Be made available to the public without charge.
- Be made available to the public on the internet if the owner maintains a website on the internet.
- Be provided to the Ministry of Municipal Affairs and Housing.

It is noted that the “description of disclosures” required in the financial plan under O. Reg. 453/07 were written for municipalities subject to Canadian Public Sector Accounting Standards. WUC is subject to International Financial Reporting Standards (“IFRS”) and accordingly the description of some required disclosures in WUC’s financial plan may differ from the regulation where the equivalent IFRS terminology has been applied.

Guidelines for the Plan

The Ministry provided principles of financial stability to be utilized in preparation of the financial plans in its report in its 2007 guide “Toward Financially Sustainable Drinking – Water and Wastewater systems”. The principles provided are summarized below:

1. Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
2. An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
3. Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
4. Lifecycle planning with mid-course corrections is preferable to planning over the short term, or not planning at all.
5. An asset management plan is a key input to the development of a financial plan.
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.
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.
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.
9. Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

Replacement of Lead Service Pipes

In 2007 the Ministry implemented a regulated lead testing program which required municipalities and systems operators to undertake mandatory testing for lead in drinking water to ensure lead levels met the Ontario Drinking Water Standard. WUC has performed all required lead testing and continues to meet or exceed the testing requirements as prescribed in Schedule C of the Municipal drinking Water License 025-101.

In accordance with O. Reg. 453/07 the WSFP must include the financial implications directly related to the replacement of lead services.

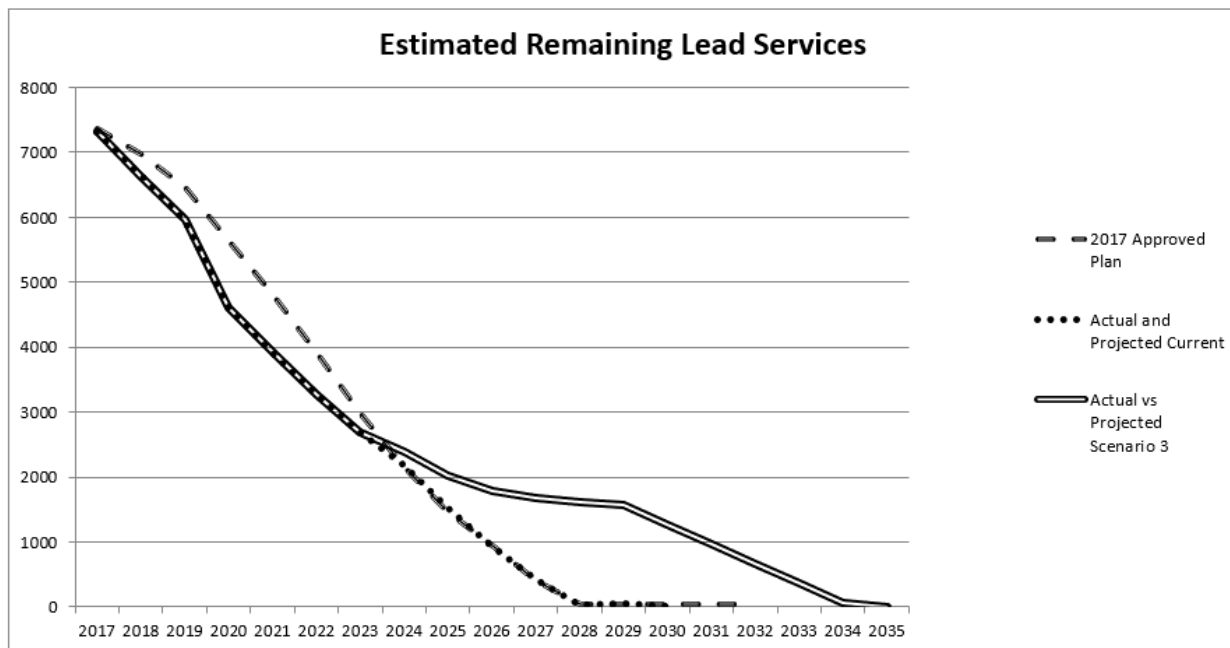
In 2016, the Commission committed to removing lead from the distribution system by 2028. In addition, another lead control measure was initiated in 2016 by implementing the corrosion control plan. Six years after the implementation, we now have data to show that the corrosion control program is successful at reducing lead levels at our customer’s tap.

The success of the corrosion control program reduces the urgency of the lead service pipe replacement program, to facilitate investment in larger than normal capital expenditures projected for 2024 through 2028.

The original estimated timeline of that initiative, our projection in 2023, and the impact of delaying the program are shown in the following chart. In summary, the 2028 target completion date would be pushed out to 2034 as a result of the decision to reduce the WUC specific lead replacement projects.

Annual expenditures associated with the replacement of lead services included in the “Watermain Renewal and Improvements” line in Schedule 2 are summarized as follows:

Lead Service Replacement Cost - Projected						
(\$000's)						
	2024	2025	2026	2027	2028	2029
Annual cost	1,060	483	682	276	0	125



As a result of these measures, it is estimated that the number of lead services will decrease as outlined in the chart below:

Water System Financial Plan

The detailed water system financial plan is provided in Schedule 1 and 2 of this report. A summary of the key statements and assumptions for each is summarized as follows:

A. Projected Statement of Financial Position

The projected statement of financial position indicates projected cash and investments of \$29.1 million at the end of 2024 will grow to approximately \$30.0 million by 2029. The projected growth in cash and reserves is required to facilitate larger than normal capital expenditures projected for 2024 through 2028 associated with the construction of a central feeder main and the security of supply water project, listed as “Windsor / Essex County (Union) Study in the included Schedule of Capital Expenditures.

Debt of \$51.5 million is without annual repayments and due in 2042. To facilitate repayment of this debt, WUC contributes annually to a sinking fund investment intended to pay off this debt in full in 2042. The sinking fund is projected to grow from \$28.2 million at the end of 2023 to \$36.6 million at the end of 2029. Additionally, debt of \$60 million is anticipated to fund a large regional project and that funding is anticipated to be budgeted conservatively.

B. Projected Statement of Income and Operations

Water revenue is expected to grow at a rate of approximately 3.8% over the duration of the 2024 to 2029 budget years. The increase in revenue is required to fund the capital program of WUC which includes the water main and lead renewal programs noted earlier in this report. Operating expenditures are expected to increase by 3.3% on average over the period of projection.

Net income is projected to grow from \$22.6 million in 2024 to \$23.5 million in 2029 as is needed to fund the capital expenditures and systematically fund repayment of WUC’s long term debt as described above.

C. Projected Statement of Cash Flows

Cash flow from operations is projected to increase from \$32.4 million in 2024 to approximately \$38.2 million in 2029. This increase provides the necessary funding for capital expenditures of \$292 million from 2024 to 2029 as well as investment in the sinking fund of \$5.2 million over the same period to reduce WUC’s net debt. During this timeframe there is project specific new debt of \$60 million planned for a shared regional initiative to address security of supply.

The water system financial plan as provided in Schedule 1 and 2 is a key tool in ensuring the long-term financial stability and sustainability of WUC’s drinking water system. The plan is a living document updated annually as part of WUC’s annual budget and rate setting process to improve its accuracy and compliance with O. Reg. 453/07.

Windsor Utilities Commission
Projected Statement of Financial Position
Unaudited (\$ 000's)

	2022	2023	2024	2025	2026	2027	2028	2029
Assets								
Cash and Reserve Investments	14,710	27,442	15,409	11,062	3,222	6,223	17,516	30,002
Cash - Investments	12,272	13,003	13,666	-	-	-	-	-
Receivables and other current	13,387	16,365	16,459	16,775	17,098	17,427	17,763	18,105
Investment - Sinking Fund	25,156	28,181	29,507	30,865	32,255	33,677	35,134	36,625
Total Financial Assets	65,525	84,992	75,041	58,702	52,575	57,327	70,413	84,732
Note Receivable	5,756	5,221	4,686	4,140	3,584	3,016	2,437	1,846
Property Plant and Equipment	361,315	379,342	412,634	465,901	508,064	551,255	582,400	592,145
Total Assets	432,596	469,554	492,361	528,743	564,223	611,598	655,250	678,723
Liabilities								
AP and other current liabilities	12,979	15,028	15,365	15,596	15,832	16,074	16,319	16,570
Deposits and deferred revenue	15,332	27,102	26,972	27,960	30,334	31,405	31,826	31,597
Total Current Liabilities	28,311	42,130	42,337	43,576	46,166	47,479	48,145	48,167
Long Term Borrowings	51,432	51,451	51,471	51,491	51,513	51,535	51,558	51,582
Long Term Borrowings - other	-	-	-	10,000	20,000	40,000	60,000	60,000
Employee Future Benefits	2,818	2,757	2,707	2,657	2,607	2,557	2,507	2,457
Total Liabilities	82,561	96,338	96,515	107,724	120,286	141,571	162,210	162,206
Equity								
Contributed Surplus	61,854	61,854	61,854	61,854	61,854	61,854	61,854	61,854
Retained Earnings or Accumulated Surplus	288,181	311,362	333,992	359,165	382,083	408,173	431,186	454,663
Total Equity or Accumulated Surplus	350,035	373,216	395,846	421,019	443,937	470,027	493,040	516,517
Total Liabilities and Equity	432,596	469,554	492,361	528,743	564,223	611,598	655,250	678,723
Current Ratio	2.3	2.0	1.8	1.3	1.1	1.2	1.5	1.8
Debt / Equity	15%	14%	13%	15%	16%	19%	23%	22%

Windsor Utilities Commission
Projected Statement of Income and Operations
Unaudited (\$ 000's)

	2022	2023	2024	2025	2026	2027	2028	2029
Revenue								
Water - Fixed	20,774	21,678	22,552	23,409	24,299	25,222	26,180	27,175
Water - Consumption	17,950	18,745	19,310	20,423	21,541	22,359	23,209	24,091
Wholesale / Suburban	3,651	3,759	3,735	3,810	3,886	3,964	4,043	4,124
Water main Levy	17,417	18,190	18,838	19,724	20,628	21,412	22,225	23,070
Total water revenue	59,792	62,372	64,435	67,366	70,354	72,957	75,657	78,460
Other Revenue								
Other	790	2,436	2,177	2,727	680	3,967	772	723
Total Revenue	60,582	64,808	66,612	70,093	71,034	76,924	76,429	79,183
Expenses								
Operating Expenses	27,479	30,248	33,902	32,752	33,506	34,460	35,345	36,469
Annual Change	9.3%	10.1%	12.1%	-3.4%	2.3%	2.8%	2.6%	3.2%
Interest expense - net	1,544	486	285	1,209	2,277	3,071	4,053	4,744
Interest (income) - sinking fund	1,845	(2,326)	(676)	(707)	(740)	(773)	(807)	(841)
Other - (gain) loss	(18)	2,924	-	-	-	-	-	-
Depreciation	9,847	10,295	10,471	11,667	13,073	14,076	14,825	15,334
Total Expenses	40,698	41,627	43,982	44,921	48,116	50,834	53,416	55,706
OCI	(1,537)	-	-	-	-	-	-	-
Net Income or Annual Surplus	21,420	23,181	22,630	25,173	22,918	26,090	23,013	23,477

Windsor Utilities Commission
Projected Statement of Cashflows
Unaudited (\$ 000's)

	2022	2023	2024	2025	2026	2027	2028	2029
Cashflow from Operating Activities								
Net Income for the year	21,420	23,181	22,630	25,173	22,918	26,090	23,013	23,477
Adjust for :								
Depreciation	9,847	10,295	10,471	11,667	13,073	14,076	14,825	15,334
Change in working capital	2,968	11,560	(721)	14,398	2,054	752	75	(596)
Cashflow from operations	34,235	45,036	32,380	51,237	38,045	40,918	37,913	38,215
Investing Activities								
Investment in PPE	(30,333)	(31,605)	(43,763)	(64,934)	(55,236)	(57,267)	(45,970)	(25,079)
Sinking fund investment	(700)	(700)	(650)	(650)	(650)	(650)	(650)	(650)
Financing Activities								
Proceeds of long term debt - other	-	-	-	10,000	10,000	20,000	20,000	-
Repayment of related party loan	(411)	-	-	-	-	-	-	-
Net increase in cash	2,791	12,732	(12,033)	(4,347)	(7,841)	3,001	11,293	12,486
Cash, beginning of year	11,919	14,710	27,442	15,409	11,062	3,222	6,223	17,516
Cash, End of year	14,710	27,442	15,409	11,062	3,222	6,223	17,516	30,002

Windsor Utilities Commission
2024 to 2029 Water System Financial Plan No. 025-301
Schedule of Capital Expenditures
(\$ 000's)

	2022	2023	2024	2025	2026	2027	2028	2029
<u>Capital Expenditures</u>								
<u>Watermains</u>								
Watermain Renewal and Improvements	22,205	18,852	18,952	14,051	12,498	17,311	14,000	21,500
Rehabilitation of Reservoir D	626	6	-	-	-	-	-	-
Completion of new reservoir	44	-	-	-	-	-	-	-
Central Corridor Transmission Main	164	1,000	10,594	24,566	12,363	6,188	-	-
Provincial / Sixth Concession	-	3,600	3,006	2,555	-	-	-	-
JF Cook upgrades	-	-	-	1,000	-	-	-	-
New Tower	-	100	100	2,600	5,500	-	-	-
County Rd 42 Sub Trunk	-	-	-	-	-	9,350	-	-
Anchor / Banwell Trunk	-	-	1,000	-	9,450	-	-	-
JF Cook reservoir baffling	-	-	-	1,500	-	-	-	-
Windsor / Essex County (Union) study	-	-	-	10,000	10,000	20,000	20,000	-
Seventh Concession (Tower Feeder)	-	-	-	-	-	-	5,800	-
Master Plan Update / Other	69	57	10	10	10	10	110	-
GPS Survey Equipment	-	-	-	-	-	-	180	-
Hydrants, Valves, Services and tools	518	677	656	671	691	712	726	740
Water Treatment Facilities	5,723	6,295	7,653	6,349	3,352	2,331	1,283	750
Meter Replacement Program	608	507	1,111	1,367	1,154	1,175	3,319	1,479
Vehicles	375	511	681	265	218	190	552	610
Total Capital Expenditures	30,333	31,605	43,763	64,934	55,236	57,267	45,970	25,079