# LAURENTIAN VALLEY WATER FINANCIAL PLAN

2026 – 2030

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Treasurer/Deputy CAO

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# Executive Summary

In 2007, the Ontario Ministry of the Environment (MOE) released O.Reg. 453/07 (Financial Plans) under the *Safe Drinking Water Act, 2002* (SDWA). This regulation requires that a Financial Plan be prepared as part of the Municipal Drinking Water Licencing Program set out in Part V of the SDWA. The Financial Plan is intended to ensure that drinking water system owners plan for the long-term financial stability of their drinking water systems in order to guarantee safe drinking water into the future.

The Financial Plan must include a statement that the financial impacts of the drinking water system have been considered and apply for a minimum of six (6) years and outline details of the proposed or projected revenues and expenses. The Financial Plan must also identify all assets and liabilities.

This financial plan will be updated regularly and should be considered a work in progress and a working document.

## Background

The Township of Laurentian Valley received its first Municipal Drinking Water Licence (MDWL) in February of 2009 and has since been renewed in August of 2012, March of 2016 and September of 2020.

One of the conditions of receiving the licence is that a Financial Plan that satisfies the conditions of Ontario Regulation 453/07 must be approved by Council by resolution of Laurentian Valley. This Plan has been created to comply with the requirements of O.Reg. 453/07 and covers the public portion of the Township of Laurentian Valley's water distribution system which includes all distribution systems, pipes, meters, valves, and hydrants. The financial statements included in this report project 6 years into the future.

The Township of Laurentian Valley was created in 2000 from the amalgamation of the former County of Renfrew municipalities:

- Township of Alice & Fraser
- Township of Pembroke
- Township of Stafford

Laurentian Valley residents get their drinking water from the City of Pembroke which has a water treatment system. All treatment operations are performed by the City of Pembroke and Laurentian Valley has no role in this system beyond the purchase of the drinking water. This system is not considered under this Financial Plan.

Laurentian Valley's physical assets of the water distribution system can be summarized as follows:

| Asset Type | Quantity |
|---|---|
| Hydrant Valves | 75 |
| Hydrants | 85 |
| Water Mains (100 mm) | 1 |
| Water Mains (150 mm) | 49 |
| Water Mains (200 mm) | 7 |
| Water Mains (250 mm) | 3 |
| Water Mains (300 mm) | 12 |
| Water Mains (400 mm) | 1 |
| Water Meters | 11 |
| Water Valves | 104 |

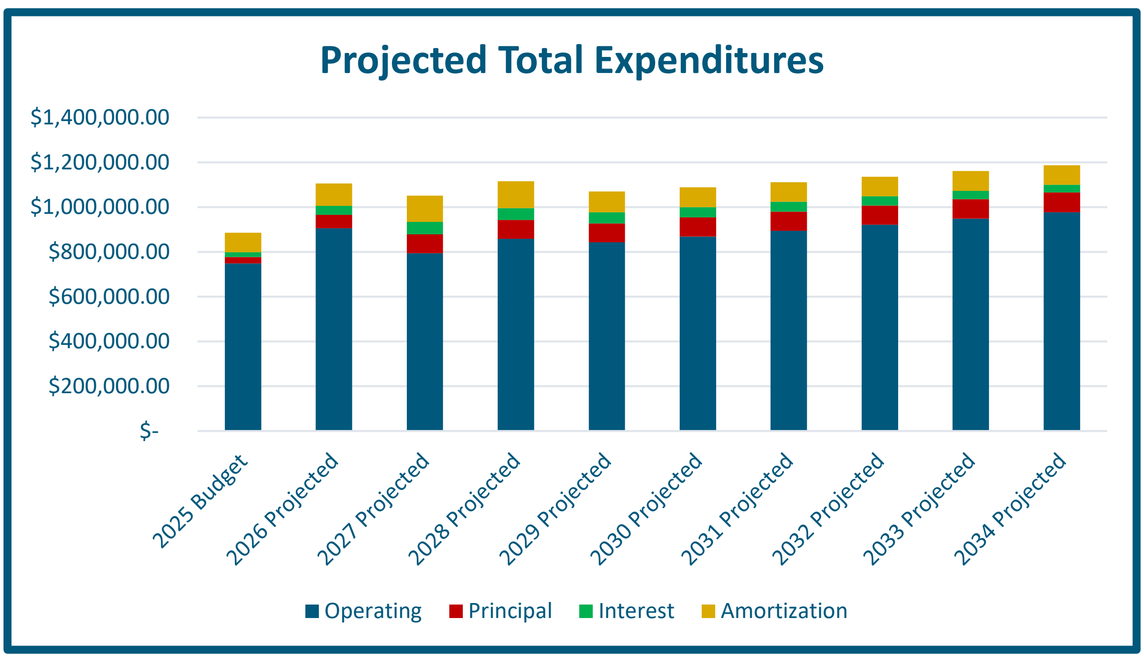
## Methodology

The Methodology that has been used to develop the Financial Plan is as follows:

1. Establish the assumptions regarding growth, capital expenditure, rates, inflation, etc. that will determine future finances.
2. Determine current and future expenses under the assumptions.
3. Determine current and future capital expenditure requirements under the assumptions.
4. Determine current and future revenues under the assumptions.
5. Assess whether the drinking water system is financially sustainable under these assumptions.

## Current Expenses

The current year operating expenses were taken from the 2025 budget. The future operating expenses are assumed to increase by an assumed rate of inflation, which is 3% per annum for all operating expenses.

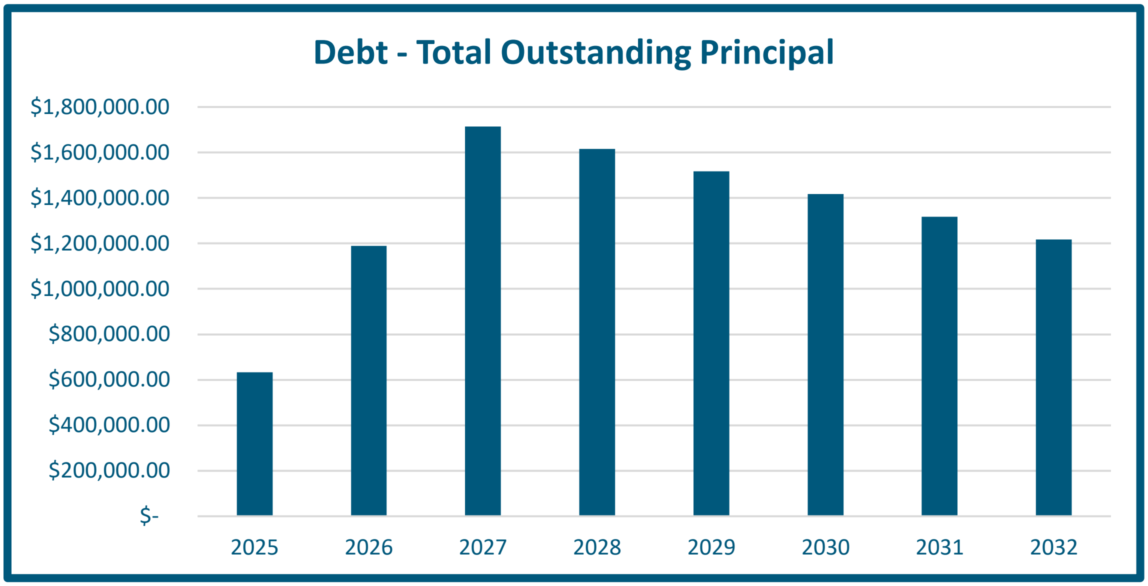


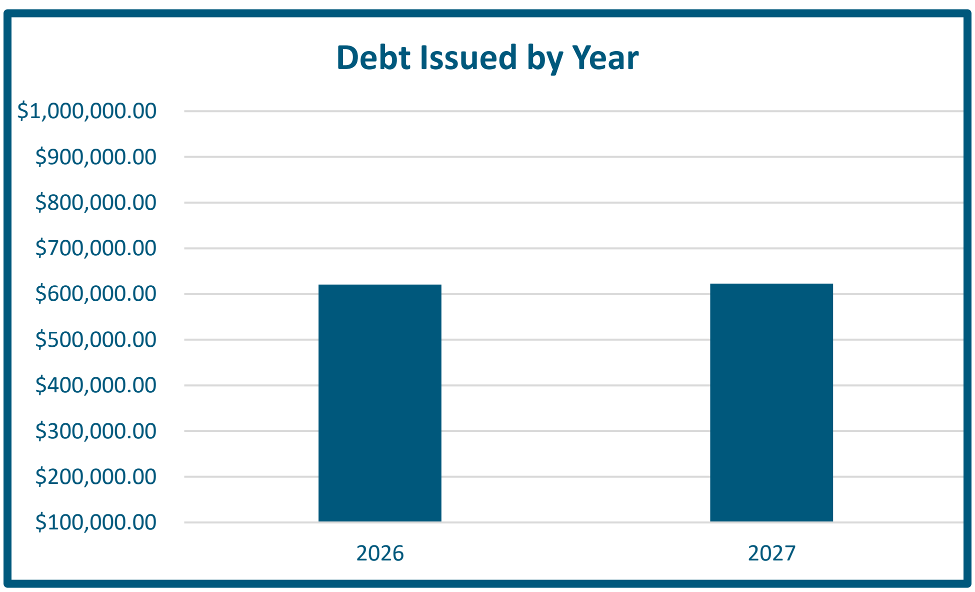
# Debt Expenses:

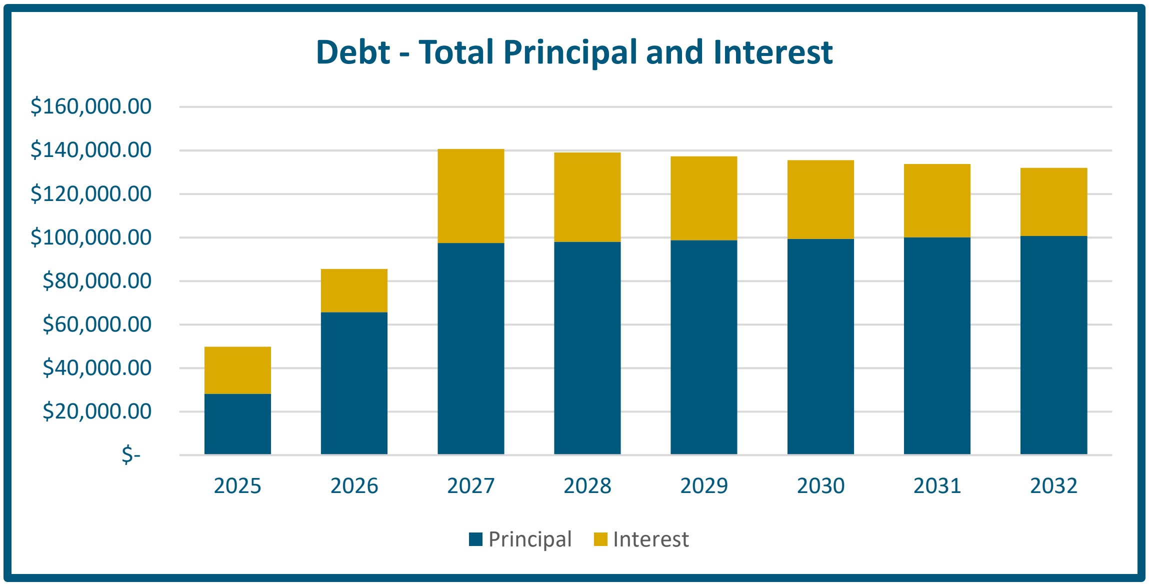
There are current debts with associated repayment periods. New debt is projected for future periods. Future debt is assumed to be for 20 year terms for which borrowing is required.

The projection of future debt is shown in three different tables:

1. Current Loans – Total Outstanding Principal
2. Debt Issued by Year
3. All Loans – Total Principal and Interest Payments each year

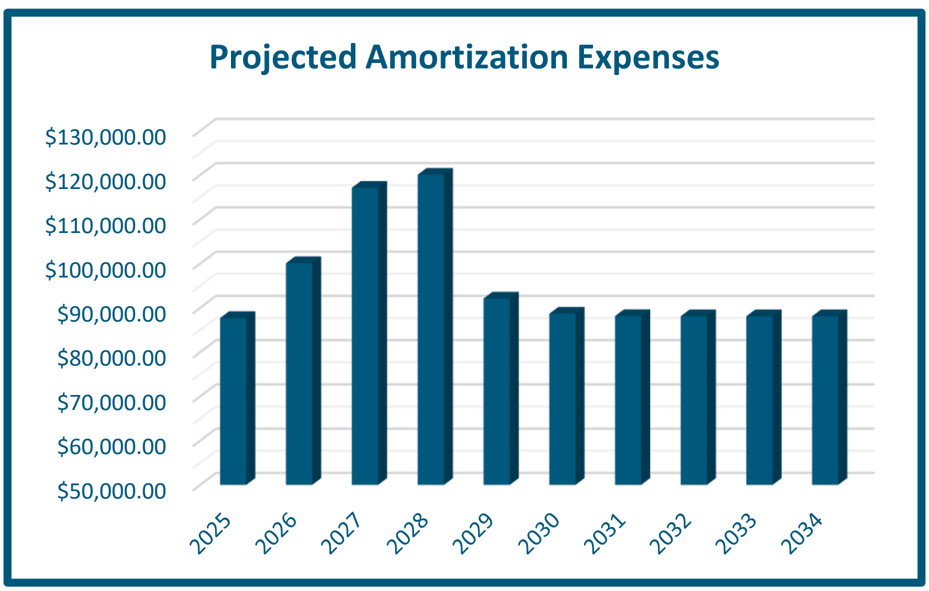




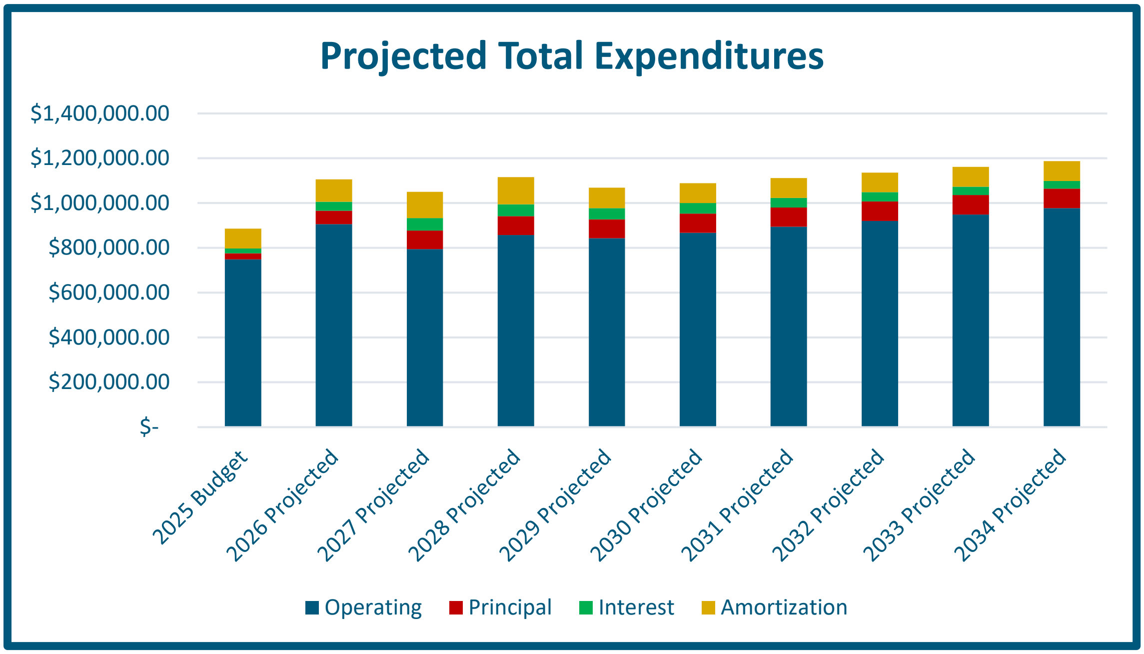

## Amortization Expenses:

Amortization is a non-cash expense, which represents the usage of tangible capital assets (TCAs). The annual expense is based on the asset's historic cost and apportioned over the useful life of the asset using the amortization method adopted for the purposes of PSAB 3150. The Township of Laurentian Valley has adopted the straight-line method.



## Total Expenses:

The total expenses are the sum of the operating, interest and amortization expenses. Operating expenses are the costs incurred for providing the drinking water supply from day-to-day. Items included in operating expenses include wages, benefits, materials, supplies, maintenance, equipment and utilities. The table below shows the projected total expenses for 2025 to 2034.




## Capital Expenditure

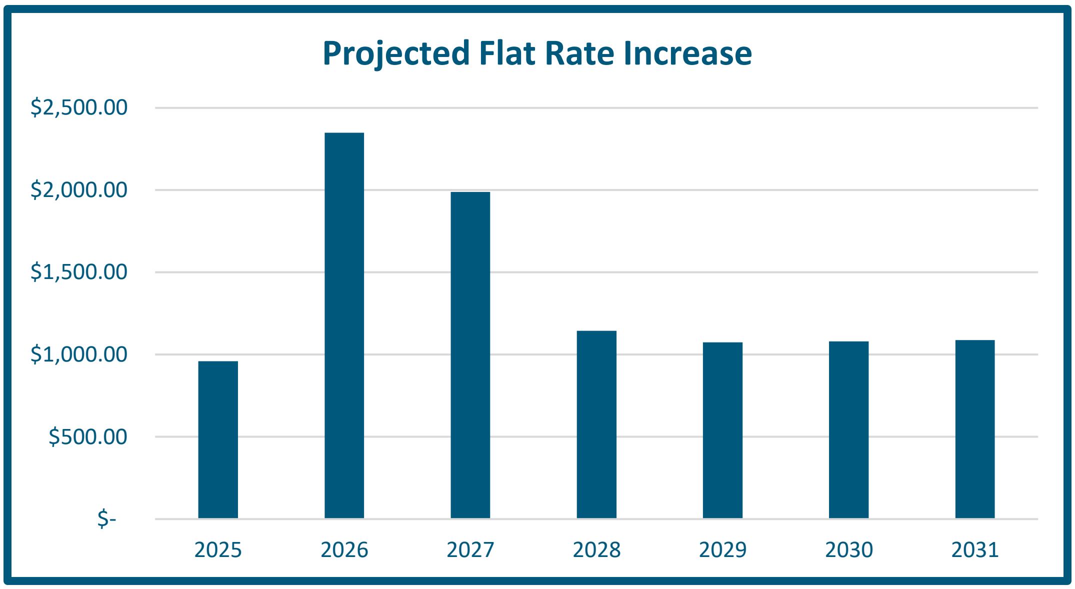
Capital expenditures are based on the Asset Management Plan. The Asset Management Plan is reviewed and updated annually. A full review has been conducted and the capital expenditures that have been identified are the recommended replacements due to condition and age.

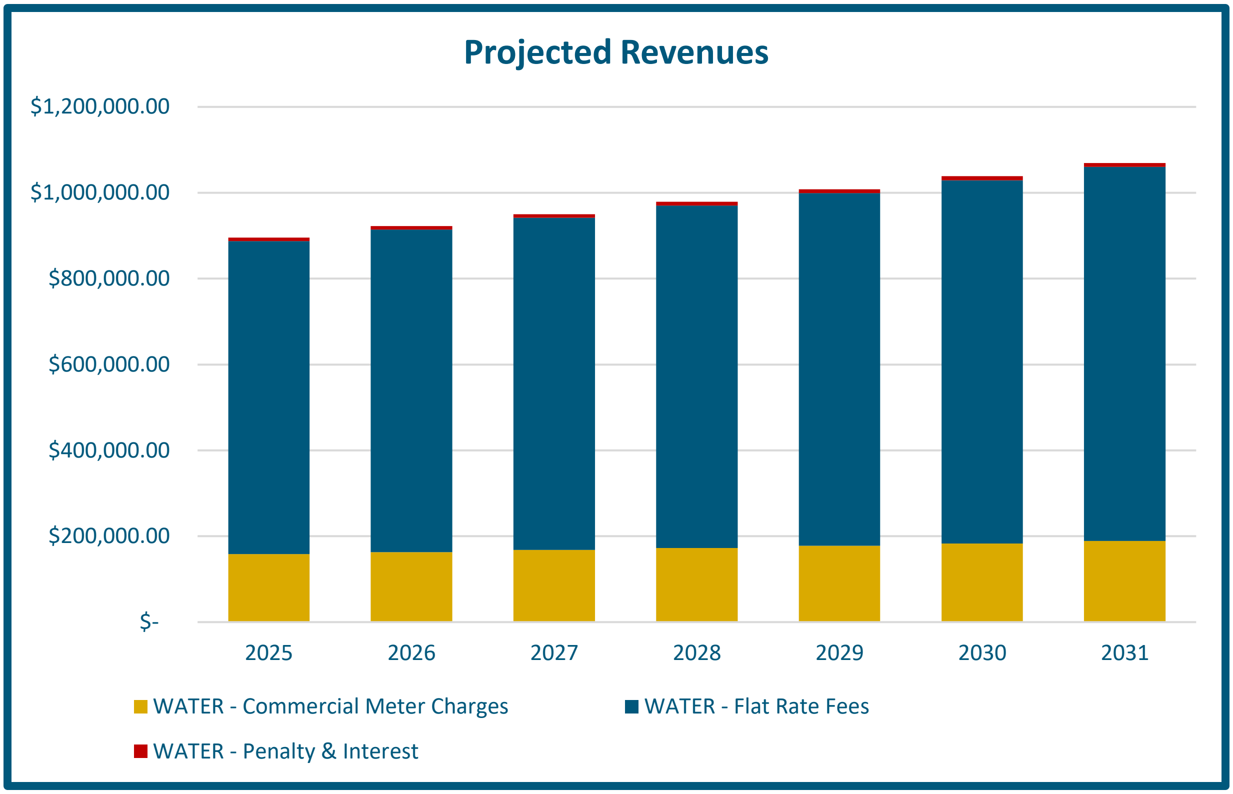
## Revenues

Revenues are principally made up of the basic water service charge (fixed charge per billing period) and the consumption charge (rate per cubic metre) for metered services. Revenues have been projected based on the system growth assumptions. There are two components to the system growth projection, first the number of new customers that will be added over the period covered by this Financial Plan and second the amount of water the average metered customer will use. These assumptions are critical and small changes to the assumptions can cause large changes in projected revenue. Therefore, they will be reviewed annually to track if and by how much they are deviating from the initial assumptions made in this Financial Plan.

In respect of water charges, it has been assumed that the basic water service expense is increasing by 3% per year and that the consumption charge will increase by 3% per year as well.

The projections have assumed that the current customer base will increase over the period of this Financial Plan. The growth in customer base has been projected based on recent planned subdivisions within the water area. Development Charges will not create revenue for water over the next six years.






## Annual Surplus or Deficit

The Township of Laurentian Valley is budgeting a zero-base budget whereas all surplus from the year prior is transferred into reserves at the end of the year. In the event of a deficit the amount of the deficit will be financed from the Water Reserve. Therefore, there will be no additional accumulated surplus or deficit from year to year.

## Financial Plan

The Financial Plan Regulation O.Reg. 453/07 requires a Drinking Water System Financial Plan to have the following statements:

1. 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, and
    e. Changes in tangible capital assets that are additions, donations, write downs and disposals.

2. 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, and
    d. Accumulated surplus or deficit

3. 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 finance charges
    b. Capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets
    c. Investing transactions that are acquisitions and disposal of investments
    d. Financing transactions that are proceeds from the issuance of debt and debt repayment
    e. Changes in cash and cash equivalents during the year, and
    f. Cash and cash equivalents at the beginning and end of the year.

# Conclusions

The financial sustainability of the Township of Laurentian Valley Drinking Water System has been evaluated in this Financial Plan. As outlined above the financial projects have been made based on a series of assumptions, the most important of which concern future growth, future capital expenditure, cost inflation and future water charges and rates. From these assumptions it is concluded that the Township of Laurentian Valley has a financially sustainable drinking water system.

The following points are the most important conclusions of the financial analysis:

1. Forecasted water consumption is based on current numbers but is assumed to increase slightly over time due to estimated growth.
2. Forecasted water charges from the City of Pembroke is based on current numbers but the cost is assumed to increase at a rate of 3% per year over the period of this Financial Plan.
3. The growth estimate is a significant assumption and has a huge impact on the annual result. Assumed growth in the forecast is moderate and is based on projected number of units in two plans of subdivision currently under way in the Township.
4. A small amount of development charges is anticipated in 2025 but will be transferred directly into the general account as the projects have been completed and financed from the general account several years ago. A new Development Study is underway, and changes may result from 2026 forward but are currently unable to be confirmed.
5. A balance needs to be maintained in the reserves for water asset replacements. There will need to be significant increases to reserves to accomplish this. Currently the replacements costs are funded at 9% of the total replacement costs.
6. Capital projects will have to be debt financed over time as each project is completed.

7. In the past, all Canada Community-Building Fund (Gas Tax Funding) has been allocated to road projects and perhaps could offset some of the road replacement costs associated with the water replacement costs.

This Financial Plan is a working document and will be reviewed annually in order to ensure that the system continues to be financially sustainable and that adjustments are made as necessary to achieve this objective.

## Process for Approval and Submission

The following next steps are required in accordance with the requirements of the Financial Plan Regulation:

1. The Financial Plan must be approved by resolution of Council.
2. A Notice of the availability of the Financial Plan must be advertised.
3. The Financial Plan must be made available, on request and without charge, to the members of the public that are served by the water system.
4. The Financial Plan must be made available on the Township of Laurentian Valley's website without charge.
5. A copy of the Financial Plan, along with council resolution must be submitted to Ministry of Municipal Affairs and Housing and to the Ministry of the Environment to comply with the Township of Laurentian Valley's Drinking Water System Owner's Licence requirements.

# APPENDIX A

## Capital Budget Forecast – 2026 - 2030

### 2026

| Asset ID | Name | Description | Year |
|---|---|---|---|
| | Highway 148 Water Expansion | Robinson Lane to Drive In Rd | 2026 |
| 984 | Bruham Avenue Water Meter | Bruham Ave at Boundary Rd E | 2026 |
| 985 | Elgin Street Water Meter | Elgin Street at Boundary Rd E | 2026 |

### 2027

| Asset ID | Name | Description | Year |
|---|---|---|---|
| 982 | Williow Drive Waterline 01 | Boundary Rd E to Hamilton St E | 2027 |
| 2055 | Williow Drive Waterline 02 | Hamilton St E to Roy Street E | 2027 |
| 2056 | Williow Drive Waterline 03 | Line across Roy Street E | 2027 |
| 1080 | Williow Drive Waterline 004 | Willow Drive at Roy Street E | 2027 |
| 1084 | Williow Drive Waterline 006 | Willow Drive at Roy Street E | 2027 |
| 1103 | Williow Drive Waterline 021 | Willow Drive at Hamilton Street E | 2027 |
| 852 | Roy St Hydrant 003 | Willow Drive at Roy Street E | 2027 |
| 865 | Roy St Hydrant 016 | Roy Street E at Fairview Ave S | 2027 |
| 1082 | Roy St Main Valve 005 | Roy St E at Willow Drive | 2027 |
| 1100 | Roy St Main Valve 018 | Roy Street E at Fairview Ave S | 2027 |
| 1552 | Roy St E Waterline 02 | Willow Drive to Farview Ave S | 2027 |

### 2028

| Asset ID | Asset Name | Description | Year |
|---|---|---|---|
| ME11 | Water Meter | Pembroke St E at TD Bank Entrance | 2028 |

# APPENDIX B

## Forecasted Statement of Financial Position

**Township of Laurentian Valley**
**Forecasted Statement of Financial Position**
**For the year ended December 31**

| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Accounts Receivable Water Billings | $ 75,000 | $ 75,000 | $ 75,000 | $ 75,000 | $ 75,000 | $ 75,000 | $ 75,000 |
| Due from Township of Laurentian Valley | $ 696,383 | $ 774,808 | $ 817,883 | $ 905,751 | $ 998,558 | $ 1,096,454 | $ 1,199,594 |
| | $ 771,383 | $ 849,808 | $ 892,883 | $ 980,751 | $ 1,073,558 | $ 1,171,454 | $ 1,274,594 |
| **Liabilities** | | | | | | | |
| Due to Township of Laurentian Valley | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Accounts Payable and accrued liabilities | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 |
| Net long term liabilities | $ 1,188,546 | $ 1,713,818 | $ 1,615,750 | $ 1,517,040 | $ 1,417,672 | $ 1,317,627 | $ 1,216,888 |
| | $ 1,288,546 | $ 1,813,818 | $ 1,715,750 | $ 1,617,040 | $ 1,517,672 | $ 1,417,627 | $ 1,316,888 |
| **Net Financial Debt** | -$ 517,163 | -$ 964,010 | -$ 822,867 | -$ 636,289 | -$ 444,114 | -$ 246,173 | -$ 42,294 |
| **Non Financial Debt** | | | | | | | |
| Tangible Capital Assets | $ 3,096,052 | $ 3,718,767 | $ 3,718,767 | $ 3,718,767 | $ 3,718,767 | $ 3,718,767 | $ 3,718,767 |
| **Accumulated Surplus** | $ 2,578,889 | $ 2,754,757 | $ 2,895,900 | $ 3,082,478 | $ 3,274,653 | $ 3,472,594 | $ 3,676,473 |

## Forecasted Statement of Operations

**Township of Laurentian Valley**
**Forecasted Statement of Operations**
**For the year ended December 31**

| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| User Charges | $ 933,386 | $ 961,388 | $ 990,229 | $ 1,019,936 | $ 1,050,534 | $ 1,082,050 | $ 1,114,512 |
| Frontage Charges | | | | | | | |
| Interest Income | $ 8,487 | $ 8,742 | $ 9,004 | $ 9,274 | $ 9,552 | $ 9,839 | $ 10,134 |
| Provincial and other government transfers | | | | | | | |
| Development Charges | | | | | | | |
| | $ 941,873 | $ 970,129 | $ 999,233 | $ 1,029,210 | $ 1,060,087 | $ 1,091,889 | $ 1,124,646 |
| **Expenses** | | | | | | | |
| Salaries and benefits | $ 41,303 | $ 42,542 | $ 43,818 | $ 45,133 | $ 46,487 | $ 47,881 | $ 49,318 |
| Purchase of Water | $ 628,455 | $ 647,308 | $ 666,727 | $ 686,729 | $ 707,331 | $ 728,551 | $ 750,408 |
| Materials, supplies and services | $ 236,371 | $ 104,412 | $ 147,544 | $ 110,770 | $ 114,093 | $ 117,516 | $ 121,042 |
| Amortization expense | | | | | | | |
| | $ 906,128 | $ 794,262 | $ 858,090 | $ 842,632 | $ 867,911 | $ 893,949 | $ 920,767 |
| **Excess of Revenue over expenses** | $ 35,745 | $ 175,868 | $ 141,144 | $ 186,578 | $ 192,175 | $ 197,940 | $ 203,879 |
| **Accumulated Surplus at beginning of year** | $ 2,543,144 | $ 2,578,889 | $ 2,754,757 | $ 2,895,900 | $ 3,082,478 | $ 3,274,653 | $ 3,472,594 |
| **Accumulated Surplus at End of Year** | $ 2,578,889 | $ 2,754,757 | $ 2,895,900 | $ 3,082,478 | $ 3,274,653 | $ 3,472,594 | $ 3,676,473 |

## Forecasted Statement of Cash Flow

**Township of Laurentian Valley**
**Forecasted Statement of Cash Flow**
**For the year ended December 31**

| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|
| **Cash Flows From (Used In) Operating Activities** | | | | | | | |
| Excess of revenue over expenses | $ 35,745 | $ 175,868 | $ 141,144 | $ 186,578 | $ 192,175 | $ 197,940 | $ 203,879 |
| Non-cash items included in excess of revenue over expenses | | | | | | | |
| Amortization of tangible capital assets | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 35,745 | $ 175,868 | $ 141,144 | $ 186,578 | $ 192,175 | $ 197,940 | $ 203,879 |
| Changes in the level of: | | | | | | | |
| Accounts receivable | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Due from Township of Laurentian Valley | $ 29,953 | -$ 78,425 | -$ 43,076 | -$ 87,868 | -$ 92,807 | -$ 97,895 | -$ 103,140 |
| Accounts payable and accured liabilities | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 65,698 | $ 97,443 | $ 98,068 | $ 98,710 | $ 99,368 | $ 100,045 | $ 100,739 |
| **Cash Flows From (Used In ) Capital Activities** | | | | | | | |
| Acquisition of tangible capital assets | -$ 621,000 | -$ 622,715 | $ - | $ - | $ - | $ - | $ - |
| **Cash Flows From (Used In ) Finacing Activities** | | | | | | | |
| Change in net long term liabilities | $ 555,302 | $ 525,272 | -$ 98,068 | -$ 98,710 | -$ 99,368 | -$ 100,045 | -$ 100,739 |
| **Net Change in Cash** | -$ 0.00 | $ - | $ 0.00 | -$ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| **Cash at Beginning of Year** | $ - | -$ 0.00 | -$ 0.00 | -$ 0.00 | -$ 0.00 | -$ 0.00 | -$ 0.00 |
| **Cash at End of Year** | -$ 0.00 | -$ 0.00 | -$ 0.00 | -$ 0.00 | -$ 0.00 | -$ 0.00 | $ 0.00 |