



## **Finance 2021-21**

### **9.3.11 2021 Six-Year Water and Wastewater Financial Plan Report**

1. That the report entitled 2021 Six-Year Water & Wastewater Financial Plan dated March 22, 2021 be received; and,
2. That Council adopt the proposed Six-Year Water & Wastewater Financial Plan; and,
3. That the Six-Year Water & Wastewater Financial Plan will be updated to incorporate significant changes prior to the expiry date; and,
4. That Staff be authorized and directed to do all things necessary to give effect to this resolution.



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## **2021 Six-Year Water and Wastewater Financial Plan Staff Report to Council**

Report Number: 2021-21

Department(s): Financial Services

Author(s): Andrea Tang, Manager, Finance & Accounting/Deputy Treasurer

Meeting Date: March 22, 2021

### **Recommendations**

1. That the report entitled 2021 Six-Year Water & Wastewater Financial Plan dated March 22, 2021 be received; and,
2. That Council adopt the proposed Six-Year Water & Wastewater Financial Plan; and,
3. That the Six-Year Water & Wastewater Financial Plan will be updated to incorporate significant changes prior to the expiry date; and,
4. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

### **Purpose**

The purpose of this report is to obtain Council approval of the 2021 Six-Year Water & Wastewater Financial Plan.

### **Background**

The Safe Drinking Water Act, 2002 requires municipalities to develop financially self-sustaining water systems. The Six-Year Water Financial Plan has been prepared to demonstrate the financial sustainability of the Town's water systems. Upon Council approval of the plan, it will be submitted to the Ministry of the Environment, Conservation and Parks for renewal of the Town's Municipal Drinking Water License which will expire on May 18, 2021.

The Wastewater Financial Plan has also been updated. The Financial Plans outline the financial sustainability of the Town’s water and wastewater systems. The previous Water & Wastewater Financial Plan was updated in 2017.

## Discussion

The goal of the Water & Wastewater Financial Plan is to achieve financial sustainability to support the following requirements that aligns with the Fiscal Strategy:

- Build up adequate reserves to support the ongoing asset management requirements
- Maintain existing assets
- Support day-to-day operations
- Achieve eventual full cost recovery

The 2021 Six-Year Water and Wastewater Financial Plan includes annual increase of 3.8% for the years 2022 and 2023 (consistent with the 2017 Financial Plan), followed by annual increase of 3.5% from 2024 to 2026. This translates to an average annual residential bill ranging from \$1,313 to \$1,512.

**Table 1: Comparison of rate increases and rates between 2017 and 2021 Six-Year Water and Wastewater Financial Plans**

2017 Financial Plan	2018	2019	2020	2021	2022	2023
Rate Increase (%)	5.9%	5.1%	4.9%	4.0%	3.8%	3.8%
Volumetric Rate / m <sup>3</sup>	\$3.93	\$4.13	\$4.33	\$4.50	\$4.67	\$4.85
Fixed Rate / month	\$33	\$34	\$36	\$38	\$39	\$40

2021 Financial Plan	2021	2022	2023	2024	2025	2026
Rate Increase (%)	4.0%	3.8%	3.8%	3.5%	3.5%	3.5%
Volumetric Rate / m <sup>3</sup>	\$4.22	\$4.38	\$4.54	\$4.70	\$4.87	\$5.04
Fixed Rate / month	\$35	\$36	\$38	\$39	\$41	\$42

## Rate Impact

**Table 2: Average annual residential bill**

	2021	2022	2023	2024	2025	2026
Average annual residential bill	\$1,265	\$1,313	\$1,363	\$1,411	\$1,461	\$1,512

## Highlights of the 2021 financial plan include:

- Population growth of 1% which is consistent with the Town’s growth projection identified in the 2019 DC Background Study;

- Historic trends show decline in water consumption over the years due to water conservation, with the exception of 2020 as more residents were working from home due to the COVID-19 pandemic resulted in higher water consumption;
- Region's rate increase for future years is unknown at this time. The Region is currently conducting a rate study which will outline future year increases. Due to the COVID-19 pandemic, the Region waived its scheduled 2020 and 2021 rate increases (9% and 2.9% respectively) and maintained their rates at the 2019 levels. Outcome from the rate study will have direct impact on the Town's future rates. The 2021 Financial Plan includes an assumption of 4% increase for the Region's rate;
- The plan includes assumption for non-revenue water;
- The Asset Management Office is currently in the process of updating the Asset Management Plan for core assets (includes water and wastewater assets) anticipated to be completed by Q2 2021. The Asset Management Plan will be updated to reflect the current asset replacements and the current long-term estimate of funding needs. The next Financial Plan update will integrate with the updated Asset Management Plan:
- The Financial Plan includes the estimated capital costs for the Town's implementation in Advanced Metering Infrastructure (AMI) by replacing the existing water meters with smart meters;
- As part of the 2021 Financial Relief Program, Council approved a temporary increase of \$66 to the water and wastewater rebate from \$354 to \$420, equivalent to \$35 per month. Eligible residents who qualify for this program will receive a rebate equal to that of their basic monthly meter charge (basic monthly meter charge in 2021 is \$35). Council also approved a \$1,000 water rebate directed to eligible small businesses in 2021. At this time, these rebates are offered for the 2021 fiscal year only; therefore potential future extension to these rebates are not included in the Financial Plan.

### **Reserve and Reserve Funds**

The water and wastewater utilities have reserves to fund unexpected circumstances and asset replacements. These are the Rate Stabilization Reserve and the Asset Replacement Fund.

A comprehensive review of the reserve and reserve funds will be conducted in 2021 as recommended in the Fiscal Strategy. Outcomes from the review may affect these reserves. The review includes exploring strategies to increase contributions to reserves to build them to more appropriate levels.

### Rate Stabilization Reserve

Rate stabilization reserve is established to allow the Town to draw funds from in year of a deficit and vice versa contribute to in year of a surplus. The Town has an established guideline to target the reserve to be between 5% and 10% of rate revenues.

**Table 3: Rate Stabilization Reserve as % of rate revenues**

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
Rate Stabilization reserve as a % of rate revenues	9.8%	13.1%	14.0%	15.2%	13.2%	11.5%	10.7%

### Asset Replacement Funds

Asset Replacement Fund is established to fund asset replacements and to ensure that water and wastewater assets can be replaced once they reach the end of their useful lives and the Town can maintain current service levels.

The Town tracks the capital reserve as a percent of accumulated amortization. This measure can determine whether there's sufficient funds set aside to ensure the Town can replace its aging assets and preserve the existing service levels. The target capital reserve as a percentage of accumulated amortization is 100%.

**Table 4: Capital Reserves as % of accumulated amortization**

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
Capital Reserves as a % of accumulated amortization	63.6%	63.9%	63.9%	65.1%	70.6%	76.7%	83.3%

## Conclusion

The financial impact of the proposed 2021 Water and Wastewater Financial Plan is an increase of 3.8% per year for the average residential customer for the years 2022 and 2023, followed by an increase of 3.5% from 2024 to 2026.

## Business Plan and Strategic Plan Linkages

The 2021 Six-Year Water & Wastewater Financial Plan aligns with the recommendation from the Fiscal Strategy to monitor and guide the long term financial sustainability of the Town's water and wastewater systems.

It also aligns with the Council priority under the strategic pillar of Long Term Financial Sustainability with the goal of maintaining long-term financial sustainability while ensuring a thriving community. This is achieved by developing a multi-year operating and capital budgets incorporated in the 2021 Six-Year Financial Plan.

## **Consultation**

Public Works and Strategic Initiatives departments were consulted.

## **Human Resource Considerations**

Not applicable.

## **Budget Impact**

Adoption of the 2021 Six-Year Water & Wastewater Financial Plan will guide future operating and capital budget requests.

## **Attachments**

Attachment 1 - 2021 Six-Year Water and Wastewater Financial Plan

## **Approval**

Mike Mayes, CPA, CGA, DPA  
Director of Financial Services

Esther Armchuk, LL.B  
Commissioner, Corporate Services

## **Contact**

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**The Corporation of the Town of Newmarket**  
**2021 Six-Year Water Financial Plan (2021 - 2026)**

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**THE CORPORATION OF THE TOWN OF NEWMARKET  
WATER SYSTEM  
2021 Six-Year Water Financial Plan (2021 - 2026)**

As at December 31

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
<b>Financial Assets</b>							
Cash and cash equivalents	\$27,625,760	\$26,377,560	\$25,403,894	\$24,844,595	\$26,129,654	\$27,901,722	\$30,046,678
Accounts receivable	3,781,840	3,697,000	3,804,000	3,960,000	4,110,000	4,267,000	4,429,000
Inventory for resale	55,809	55,809	55,809	55,809	55,809	55,809	55,809
<b>Total Financial Assets</b>	<b>31,463,409</b>	<b>30,130,369</b>	<b>29,263,703</b>	<b>28,860,404</b>	<b>30,295,463</b>	<b>32,224,531</b>	<b>34,531,487</b>
<b>Liabilities</b>							
Accounts payable & accrued liabilities	3,218,500	3,165,000	3,261,000	3,366,000	3,427,000	3,531,000	3,589,000
Interest payable on debt	11,298	10,055	7,160	6,488	5,807	5,129	4,389
Deferred revenue	609,283	621,000	633,000	646,000	659,000	672,000	685,000
Long-term debt	399,185	354,670	301,155	238,640	167,125	86,610	0
<b>Total Liabilities</b>	<b>4,238,266</b>	<b>4,150,725</b>	<b>4,202,315</b>	<b>4,257,128</b>	<b>4,258,932</b>	<b>4,294,739</b>	<b>4,278,389</b>
<b>Net Financial Assets</b>	<b>27,225,143</b>	<b>25,979,644</b>	<b>25,061,388</b>	<b>24,603,276</b>	<b>26,036,531</b>	<b>27,929,792</b>	<b>30,253,098</b>
<b>Non-Financial Assets</b>							
Tangible Capital Assets	61,684,174	66,830,868	71,698,260	76,392,356	79,617,812	82,737,770	85,969,176
<b>Total Non-Financial Assets</b>	<b>61,684,174</b>	<b>66,830,868</b>	<b>71,698,260</b>	<b>76,392,356</b>	<b>79,617,812</b>	<b>82,737,770</b>	<b>85,969,176</b>
<b>Total Net Assets</b>	<b>88,909,317</b>	<b>92,810,512</b>	<b>96,759,648</b>	<b>100,995,632</b>	<b>105,654,344</b>	<b>110,667,563</b>	<b>116,222,273</b>
<b>Accumulated Surplus</b>	<b>\$88,909,317</b>	<b>\$92,810,512</b>	<b>\$96,759,648</b>	<b>\$100,995,632</b>	<b>\$105,654,344</b>	<b>\$110,667,563</b>	<b>\$116,222,273</b>



**THE CORPORATION OF THE TOWN OF NEWMARKET  
WATER SYSTEM  
2021 Six-Year Water Financial Plan (2021 - 2026)**

For the years ended December 31

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
<b>Revenues</b>							
Rate based revenue	\$19,955,364	\$19,510,000	\$20,070,132	\$20,893,612	\$21,688,439	\$22,513,945	\$23,371,331
Contributed / Assumed assets	3,421,728	1,521,121	1,521,121	1,521,121	1,521,121	1,521,121	1,521,121
Investment income	522,073	475,316	461,096	466,787	495,951	549,234	612,436
Other revenue	598,133	160,000	163,200	166,464	169,793	173,189	176,653
<b>Total Revenues</b>	<b>24,497,298</b>	<b>21,666,437</b>	<b>22,215,549</b>	<b>23,047,984</b>	<b>23,875,304</b>	<b>24,757,489</b>	<b>25,681,541</b>
<b>Expenditures</b>							
Water purchases	10,273,420	10,550,000	10,870,091	11,218,547	11,424,201	11,768,355	11,964,796
Operating and maintenance	4,589,509	4,788,857	4,873,000	4,970,000	5,069,000	5,170,000	5,273,000
Allocated overhead (Intercompany)	1,211,001	1,279,033	1,301,000	1,327,000	1,354,000	1,381,000	1,409,000
Interest expense	11,298	10,055	7,160	6,488	5,807	5,129	4,389
Amortization	1,093,895	1,137,297	1,215,162	1,289,965	1,363,585	1,419,786	1,475,646
<b>Total Expenditures</b>	<b>17,179,123</b>	<b>17,765,242</b>	<b>18,266,413</b>	<b>18,812,000</b>	<b>19,216,593</b>	<b>19,744,270</b>	<b>20,126,831</b>
<b>Annual Surplus / (Deficit)</b>	<b>7,318,175</b>	<b>3,901,195</b>	<b>3,949,136</b>	<b>4,235,984</b>	<b>4,658,712</b>	<b>5,013,219</b>	<b>5,554,711</b>
<b>Accumulated Surplus, beginning of year</b>	<b>81,591,142</b>	<b>88,909,317</b>	<b>92,810,512</b>	<b>96,759,648</b>	<b>100,995,632</b>	<b>105,654,344</b>	<b>110,667,563</b>
<b>Accumulated Surplus, end of year</b>	<b>\$88,909,317</b>	<b>\$92,810,512</b>	<b>\$96,759,648</b>	<b>\$100,995,632</b>	<b>\$105,654,344</b>	<b>\$110,667,563</b>	<b>\$116,222,273</b>

**THE CORPORATION OF THE TOWN OF NEWMARKET  
WATER SYSTEM  
2021 Six-Year Water Financial Plan (2021 - 2026)**

For the years ended December 31

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
Annual surplus / (Deficit)	\$7,318,175	\$3,901,195	\$3,949,136	\$4,235,984	\$4,658,712	\$5,013,219	\$5,554,711
Less: Acquisition of tangible capital assets	1,961,476	-4,762,870	-4,561,433	-4,462,940	-3,067,921	-3,018,623	-3,185,930
Less: Contributed tangible capital assets	-3,421,728	-1,521,121	-1,521,121	-1,521,121	-1,521,121	-1,521,121	-1,521,121
Add: Amortization of tangible capital assets	1,093,895	1,137,297	1,215,162	1,289,965	1,363,585	1,419,786	1,475,646
<b>Changes in Net Financial Assets</b>	<b>6,951,818</b>	<b>- 1,245,499</b>	<b>- 918,255</b>	<b>- 458,112</b>	<b>1,433,255</b>	<b>1,893,261</b>	<b>2,323,305</b>
<b>Net Financial Assets, beginning of year</b>	<b>20,273,325</b>	<b>27,225,143</b>	<b>25,979,644</b>	<b>25,061,388</b>	<b>24,603,277</b>	<b>26,036,532</b>	<b>27,929,792</b>
<b>Net Financial Assets, end of year</b>	<b>\$ 27,225,143</b>	<b>\$ 25,979,644</b>	<b>\$ 25,061,388</b>	<b>\$ 24,603,277</b>	<b>\$ 26,036,532</b>	<b>\$ 27,929,792</b>	<b>\$ 30,253,098</b>

**THE CORPORATION OF THE TOWN OF NEWMARKET  
WATER SYSTEM  
2021 Six-Year Water Financial Plan (2021 - 2026)**

For the years ended December 31

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
<b>Cash Provided By (Used in):</b>							
<b>Operating Activities</b>							
Annual surplus/deficit	7,318,175	3,901,195	3,949,136	4,235,984	4,658,712	5,013,219	5,554,711
Add: Amortization	1,093,895	1,137,297	1,215,162	1,289,965	1,363,585	1,419,786	1,475,646
Less: Contributed/assumed assets	-3,421,728	-1,521,121	-1,521,121	-1,521,121	-1,521,121	-1,521,121	-1,521,121
(Increase)/decrease in A/R	-911,840	84,840	-107,000	-156,000	-150,000	-157,000	-162,000
(Increase)/decrease in inventory for resale	-12,359	0	0	0	0	0	0
Increase/(decrease) in A/P	80,408	-54,743	93,105	104,328	60,319	103,322	57,260
Increase/(decrease) in deferred revenue	-70,022	11,717	12,000	13,000	13,000	13,000	13,000
<b>Net change in cash from operating activities</b>	<b>4,076,530</b>	<b>3,559,185</b>	<b>3,641,282</b>	<b>3,966,156</b>	<b>4,424,495</b>	<b>4,871,206</b>	<b>5,417,496</b>
<b>Capital Activities</b>							
Proceeds from sale of tangible capital assets							
Cash used to acquire tangible capital assets	1,961,476	-4,762,870	-4,561,433	-4,462,940	-3,067,921	-3,018,623	-3,185,930
<b>Net change in cash from capital activities</b>	<b>1,961,476</b>	<b>-4,762,870</b>	<b>-4,561,433</b>	<b>-4,462,940</b>	<b>-3,067,921</b>	<b>-3,018,623</b>	<b>-3,185,930</b>
<b>Financing Activities</b>							
Proceeds from debt issues							
Principal repayment on long-term debt	-32,135	-44,515	-53,515	-62,515	-71,515	-80,515	-86,610
<b>Net change in cash from financing activities</b>	<b>-32,135</b>	<b>-44,515</b>	<b>-53,515</b>	<b>-62,515</b>	<b>-71,515</b>	<b>-80,515</b>	<b>-86,610</b>
<b>Net Change in Cash</b>	<b>6,005,871</b>	<b>-1,248,200</b>	<b>-973,665</b>	<b>-559,299</b>	<b>1,285,059</b>	<b>1,772,068</b>	<b>2,144,955</b>
<b>Cash, beginning of year</b>	<b>21,619,889</b>	<b>27,625,760</b>	<b>26,377,560</b>	<b>25,403,895</b>	<b>24,844,595</b>	<b>26,129,654</b>	<b>27,901,722</b>
<b>Cash, end of year</b>	<b>\$ 27,625,760</b>	<b>\$ 26,377,560</b>	<b>\$ 25,403,895</b>	<b>\$ 24,844,595</b>	<b>\$ 26,129,654</b>	<b>\$ 27,901,722</b>	<b>\$ 30,046,678</b>

# CORPORATION OF THE TOWN OF NEWMAR

## Notes to the Consolidated Water Financial Plan

### 2021 Six-Year Water Financial Plan (2021 - 2026)

The Town of Newmarket with a population of approximately 88,000 is located in the Regional Municipality of York, Province of Ontario, Canada. The Town owns and operates its Drinking Water Distribution System that consists of 315 kilometers of distribution watermains and distributes drinking water to approximately 29,000 property owners. The Region of York is responsible for water supply, production, treatment, storage, and trunk distribution.

#### 1. SAFE DRINKING WATER ACT

Under the *Safe Drinking Water Act, 2002*, S.O. 2002, c.32, the Town was issued municipal drinking water licence for its drinking water distribution system on March 7, 2018. As per *Safe Drinking Water Act* regulation O. Reg. 453/07, the Town must provide to the Ministry of the Environment, Conservation and Parks a minimum six year water financial plan within six months after the date the licence issued.

The six year financial plan must include: Statement of Financial Positions, Statement of Operations, Statement of Net Financial Assets, and Statement of Cash Flow.

The financial plan must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by the Council of the Municipality.

#### 2. FINANCIAL PLAN ASSUMPTIONS

The development of the projected six year consolidated financial statements incorporates historic trends and assumptions on consumption volumes, inflationary factors, lifecycle capital replacement forecast, and water rate forecast.

#### 3. FINANCIAL ASSETS

Financial assets consist of cash & cash equivalents, accounts receivables and inventory for resale. Inventory for resale is water meters to be sold to developers. Forecasted accounts receivable and inventory for resale are based on historic trends.

#### 4. LIABILITIES

Liabilities consist of accounts payable and accrued liabilities, interest payable on debt, deferred revenue and long-term debt.

##### (a) Accounts Payable and Accrued

Accounts payable and accrued liabilities represent the costs of goods and services acquired in the period and recognized whether or not payments have been made or invoices received. Forecasted accounts payable and accruals are based on historic trends.

##### (b) Interest Payable on Debt

Interest payable on debt includes half of the balance of unamortized premium of debenture for New Operations Centre and accrued interest expense of debenture related to water.

##### (c) Deferred Revenue

Deferred revenue represents the balance of the area specific development charges related to water. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

##### (d) Long-term Debt

Long-term debt consists of debenture and FCM loan for New Operations Centre which will mature at 2029 and 2031 respectively, and water portion of debt for Harry Walker Parkway extension which will mature at 2024. No additional debentures are projected in this forecast period.

**CORPORATION OF THE TOWN OF NEWMAR**  
**Notes to the Consolidated Water Financial Plan**

**5. TANGIBLE CAPITAL ASSETS (TCA)**

(a) Tangible Capital Assets

Tangible capital assets are physical assets with useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

TCA are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

- Buildings and building components
- Vehicles
- Machinery and equipment
- Linear assets
  - Watermain

Annual amortization is charged in the year the asset is available for productive use and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are shown on a net basis in the financial statements. Residual value is assumed to be \$0 for all TCA contained within the forecast period. Gains/losses on disposal assumed to be \$0 as well.

(b) Additions and Disposals

Additions are based on the Asset Management Plan and disposals are based on historic trends. For 2021 to 2023, additions forecast includes approximately \$11.0 million for smart meter implementation costs.

(c) Contributed / Assumed Assets

These are tangible capital assets contributed by developers or other parties. TCA received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Forecasted amount of contributed /assumed assets is based on the historical trend.

(d) Summary of Water System

As at December 31	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
Opening TCA Balance(Historical Cost)	\$91,964,112	\$95,436,236	\$101,665,422	\$107,649,652	113,539,255	118,035,332	122,504,108
Additions	3,534,790	6,229,186	5,984,230	5,889,603	4,496,078	4,468,776	4,636,514
Disposals	62,666		-	-	-	-	-
<b>Closing TCA Balance(Historical Cost)</b>	<b>\$95,436,236</b>	<b>\$101,665,422</b>	<b>\$107,649,652</b>	<b>\$113,539,255</b>	<b>\$118,035,332</b>	<b>\$122,504,108</b>	<b>\$127,140,623</b>
Opening Accumulated Amortization	34,172,434	35,203,663	36,340,960	37,556,122	38,846,087	40,209,672	41,629,458
Amortization Expense	1,093,895	1,137,297	1,215,162	1,289,965	1,363,585	1,419,786	1,475,646
Accumulated Amortization on Disposals	62,666	-	-	-	-	-	-
<b>Ending Accumulated Amortization</b>	<b>\$35,203,663</b>	<b>\$36,340,960</b>	<b>\$37,556,122</b>	<b>\$38,846,087</b>	<b>\$40,209,672</b>	<b>\$41,629,458</b>	<b>\$43,105,104</b>
<b>Work - in - Progress</b>	<b>1,451,601</b>	<b>1,506,406</b>	<b>1,604,731</b>	<b>1,699,188</b>	<b>1,792,152</b>	<b>1,863,120</b>	<b>1,933,657</b>
<b>Net Book Value</b>	<b>\$61,684,174</b>	<b>\$66,830,868</b>	<b>\$71,698,260</b>	<b>\$76,392,356</b>	<b>\$79,617,812</b>	<b>\$82,737,770</b>	<b>\$85,969,176</b>

**CORPORATION OF THE TOWN OF NEWMAR**  
**Notes to the Consolidated Water Financial Plan**

**6. NET FINANCIAL ASSETS**

Net financial assets as defined is the difference between financial assets and liabilities and is a key indicator in determining the water system financial ability to replace its infrastructure. As reflected in the Statement of Changes in Net Financial Assets, the Town is in a net financial assets position which indicates the Town has sufficient resources to finance current and future activities.

**7. ACCUMULATED SURPLUS**

The Accumulated Surplus is comprised of the following:

<i>As at December 31</i>	<b>Preliminary</b>	<b>Forecast</b>					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Water Rate Stabilization Reserve	\$2,885,136	\$3,066,629	\$2,059,505	\$999,470	(\$44,997)	(\$1,207,565)	(\$2,379,020)
Asset Replacement Fund	24,739,192	23,267,685	23,303,039	23,842,447	26,248,654	29,223,967	32,632,118
Investment in tangible capital assets	61,684,174	66,830,868	71,698,260	76,392,356	79,617,812	82,737,770	85,969,176
Debentures	-399,185	-354,670	-301,155	-238,640	-167,125	-86,610	0
<b>Accumulated Surplus</b>	<b>\$88,909,317</b>	<b>\$92,810,512</b>	<b>\$96,759,648</b>	<b>\$100,995,632</b>	<b>\$105,654,344</b>	<b>\$110,667,563</b>	<b>\$116,222,273</b>

**The Corporation of the Town of Newmarket**  
**2021 Six-Year Wastewater Financial Plan (2021 - 2026)**

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**THE CORPORATION OF THE TOWN OF NEWMARKET  
WASTEWATER SYSTEM  
2021 Six-Year Wastewater Financial Plan (2021 - 2026)**

As at December 31

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
<b>Financial Assets</b>							
Cash and cash equivalents	\$29,831,551	\$33,658,765	\$36,976,015	\$40,885,880	\$45,384,633	\$50,534,706	\$56,388,184
Accounts receivable	3,740,238	3,866,000	4,131,000	4,300,000	4,464,000	4,634,000	4,810,000
Inventory for resale	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>33,571,789</b>	<b>37,524,765</b>	<b>41,107,015</b>	<b>45,185,880</b>	<b>49,848,633</b>	<b>55,168,706</b>	<b>61,198,184</b>
<b>Liabilities</b>							
Accounts payable & accrued liabilities	4,906,600	4,500,000	4,930,000	5,035,000	5,076,000	5,179,000	5,218,000
Interest payable on debt	11,298	10,055	7,160	6,488	5,807	5,129	4,389
Deferred revenue	609,283	621,000	633,000	646,000	659,000	672,000	685,000
Long-term debt	399,185	354,670	301,155	238,640	167,125	86,610	0
<b>Total Liabilities</b>	<b>5,926,366</b>	<b>5,485,725</b>	<b>5,871,315</b>	<b>5,926,128</b>	<b>5,907,932</b>	<b>5,942,739</b>	<b>5,907,389</b>
<b>Net Financial Assets</b>	<b>27,645,423</b>	<b>32,039,039</b>	<b>35,235,699</b>	<b>39,259,752</b>	<b>43,940,701</b>	<b>49,225,967</b>	<b>55,290,795</b>
<b>Non-Financial Assets</b>							
Work in progress							
Tangible Capital Assets	74,790,239	75,556,853	77,511,208	79,159,312	80,850,671	82,486,034	84,144,652
<b>Total Non-Financial Assets</b>	<b>74,790,239</b>	<b>75,556,853</b>	<b>77,511,208</b>	<b>79,159,312</b>	<b>80,850,671</b>	<b>82,486,034</b>	<b>84,144,652</b>
<b>Total Net Assets</b>	<b>102,435,662</b>	<b>107,595,892</b>	<b>112,746,908</b>	<b>118,419,064</b>	<b>124,791,372</b>	<b>131,712,002</b>	<b>139,435,447</b>
<b>Accumulated Surplus</b>	<b>\$102,435,662</b>	<b>\$107,595,892</b>	<b>\$112,746,908</b>	<b>\$118,419,064</b>	<b>\$124,791,372</b>	<b>\$131,712,002</b>	<b>\$139,435,447</b>



**THE CORPORATION OF THE TOWN OF NEWMARKET  
WASTEWATER SYSTEM  
2021 Six-Year Wastewater Financial Plan (2021 - 2026)**

*For the years ended December 31*

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
<b>Revenues</b>							
Rate based revenue	\$21,421,750	\$22,140,000	\$23,659,777	\$24,630,559	\$25,567,566	\$26,540,740	\$27,551,499
Contributed / Assumed assets	5,149,266	2,121,569	2,121,569	2,121,569	2,121,569	2,121,569	2,121,569
Investment income	122,447	292,277	315,185	333,090	355,262	399,372	447,340
Other revenue	1,763,617	24,000	24,480	24,970	25,469	25,978	26,498
<b>Total Revenues</b>	<b>28,457,080</b>	<b>24,577,846</b>	<b>26,121,012</b>	<b>27,110,188</b>	<b>28,069,866</b>	<b>29,087,659</b>	<b>30,146,906</b>
<b>Expenditures</b>							
Rate based expenditure	15,661,524	15,000,000	16,434,066	16,782,522	16,919,484	17,263,639	17,393,064
Operating and maintenance	1,234,573	2,136,063	2,189,000	2,244,000	2,300,000	2,358,000	2,417,000
Allocated overhead (Intercompany)	1,056,999	1,173,367	1,203,000	1,233,000	1,264,000	1,296,000	1,328,000
Interest expense	11,298	10,055	7,160	6,488	5,807	5,129	4,389
Amortization	1,071,612	1,098,131	1,136,771	1,172,022	1,208,267	1,244,263	1,281,008
<b>Total Expenditures</b>	<b>19,036,006</b>	<b>19,417,616</b>	<b>20,969,996</b>	<b>21,438,031</b>	<b>21,697,558</b>	<b>22,167,030</b>	<b>22,423,460</b>
<b>Annual Surplus / (Deficit)</b>	<b>9,421,074</b>	<b>5,160,230</b>	<b>5,151,016</b>	<b>5,672,157</b>	<b>6,372,308</b>	<b>6,920,629</b>	<b>7,723,445</b>
<b>Accumulated Surplus, beginning of year</b>	<b>93,014,588</b>	<b>102,435,662</b>	<b>107,595,892</b>	<b>112,746,908</b>	<b>118,419,064</b>	<b>124,791,372</b>	<b>131,712,002</b>
<b>Accumulated Surplus, end of year</b>	<b>\$102,435,662</b>	<b>\$107,595,892</b>	<b>\$112,746,908</b>	<b>\$118,419,064</b>	<b>\$124,791,372</b>	<b>\$131,712,002</b>	<b>\$139,435,447</b>

**THE CORPORATION OF THE TOWN OF NEWMARKET  
WASTEWATER SYSTEM  
2021 Six-Year Wastewater Financial Plan (2021 - 2026)**

*For the years ended December 31*

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
Annual surplus / (Deficit)	\$9,421,074	\$5,160,230	\$5,151,016	\$5,672,157	\$6,372,308	\$6,920,629	\$7,723,445
Less: Acquisition of tangible capital assets	-256,824	256,824	-969,557	-698,557	-778,057	-758,057	-818,057
Less: Contributed tangible capital assets	-5,149,266	-2,121,569	-2,121,569	-2,121,569	-2,121,569	-2,121,569	-2,121,569
Add: Amortization of tangible capital assets	1,071,612	1,098,131	1,136,771	1,172,022	1,208,267	1,244,263	1,281,008
<b>Changes in Net Financial Assets</b>	<b>5,086,596</b>	<b>4,393,616</b>	<b>3,196,660</b>	<b>4,024,053</b>	<b>4,680,949</b>	<b>5,285,266</b>	<b>6,064,827</b>
<b>Net Financial Assets, beginning of year</b>	<b>22,558,827</b>	<b>27,645,423</b>	<b>32,039,039</b>	<b>35,235,699</b>	<b>39,259,752</b>	<b>43,940,701</b>	<b>49,225,967</b>
<b>Net Financial Assets, end of year</b>	<b>\$ 27,645,423</b>	<b>\$ 32,039,039</b>	<b>\$ 35,235,699</b>	<b>\$ 39,259,752</b>	<b>\$ 43,940,701</b>	<b>\$ 49,225,967</b>	<b>\$55,290,795</b>

**THE CORPORATION OF THE TOWN OF NEWMARKET  
WASTEWATER SYSTEM**

**2021 Six-Year Wastewater Financial Plan (2021 - 2026)**

For the years ended December 31

	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
<b>Cash Provided By (Used in):</b>							
<b>Operating Activities</b>							
Annual surplus/deficit	9,421,074	5,160,230	5,151,016	5,672,157	6,372,308	6,920,629	7,723,445
Add: Amortization	1,071,612	1,098,131	1,136,771	1,172,022	1,208,267	1,244,263	1,281,008
Less: Contributed/assumed assets	-5,149,266	-2,121,569	-2,121,569	-2,121,569	-2,121,569	-2,121,569	-2,121,569
(Increase)/decrease in A/R	-635,238	-125,762	-265,000	-169,000	-164,000	-170,000	-176,000
Increase/(decrease) in A/P	1,768,508	-407,843	427,105	104,328	40,319	102,322	38,260
Increase/(decrease) in deferred revenue	-70,022	11,717	12,000	13,000	13,000	13,000	13,000
<b>Net change in cash from operating activities</b>	<b>6,406,669</b>	<b>3,614,904</b>	<b>4,340,322</b>	<b>4,670,937</b>	<b>5,348,325</b>	<b>5,988,646</b>	<b>6,758,146</b>
<b>Capital Activities</b>							
Cash used to acquire tangible capital assets	-256,824	256,824	-969,557	-698,557	-778,057	-758,057	-818,057
<b>Net change in cash from capital activities</b>	<b>-256,824</b>	<b>256,824</b>	<b>-969,557</b>	<b>-698,557</b>	<b>-778,057</b>	<b>-758,057</b>	<b>-818,057</b>
<b>Financing Activities</b>							
Proceeds from debt issues							
Principal repayment on long-term debt	-32,135	-44,515	-53,515	-62,515	-71,515	-80,515	-86,610
<b>Net change in cash from financing activities</b>	<b>-32,135</b>	<b>-44,515</b>	<b>-53,515</b>	<b>-62,515</b>	<b>-71,515</b>	<b>-80,515</b>	<b>-86,610</b>
<b>Net Change in Cash</b>	<b>6,117,710</b>	<b>3,827,213</b>	<b>3,317,250</b>	<b>3,909,865</b>	<b>4,498,753</b>	<b>5,150,074</b>	<b>5,853,479</b>
<b>Cash, beginning of year</b>	<b>23,713,841</b>	<b>29,831,551</b>	<b>33,658,765</b>	<b>36,976,015</b>	<b>40,885,880</b>	<b>45,384,633</b>	<b>50,534,706</b>
<b>Cash, end of year</b>	<b>\$ 29,831,551</b>	<b>\$ 33,658,765</b>	<b>\$ 36,976,015</b>	<b>\$ 40,885,880</b>	<b>\$ 45,384,633</b>	<b>\$ 50,534,706</b>	<b>\$ 56,388,185</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Wastewater Financial Plan

### 2021 Six-Year Wastewater Financial Plan (2021 - 2026)

The Town of Newmarket with a population of approximately 88,000 is located in the Regional Municipality of York, Province of Ontario, Canada. The Town owns and operates its Wastewater Collection System servicing approximately 29,000 property owners. The Region of York is responsible for treatment of wastewater.

#### 1. SIX YEAR WASTEWATER FINANCIAL PLAN

The six year financial plan includes: Statement of Financial Positions, Statement of Operations, Statement of Net Financial Assets, and Statement of Cash Flow.

The financial plan must be approved by a resolution that indicates that the wastewater system is financially viable and that is passed by the Council of the Municipality.

#### 2. FINANCIAL PLAN ASSUMPTIONS

The development of the projected six year consolidated financial statements incorporates historic trends and assumptions on consumption volumes, inflationary factors, lifecycle capital replacement forecast, and wastewater rate forecast.

#### 3. FINANCIAL ASSETS

Financial assets consist of cash & cash equivalents and accounts receivables. Forecasted accounts receivable is based on historic trends.

#### 4. LIABILITIES

Liabilities consist of accounts payable and accrued liabilities, interest payable on debt, deferred revenue and long-term debt.

(a) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent the costs of goods and services acquired in the period and recognized whether or not payments have been made or invoices received. Forecasted accounts payable and accruals are based on historic trends.

(b) Interest Payable on Debt

Interest payable on debt includes half of the balance of unamortized premium of debenture for New Operations Centre and accrued interest expense of debenture related to wastewater.

(c) Deferred Revenue

Deferred revenue represents the balance of the area specific development charges related to wastewater. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

(d) Long-term Debt

Long-term debt consists of debenture and FCM loan for New Operations Centre which will mature at 2029 and 2031 respectively, and wastewater portion of debt for Harry Walker Parkway extension which will mature at 2024. No additional debentures are projected in this forecast period.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Wastewater Financial Plan

### 5. TANGIBLE CAPITAL ASSETS (TCA)

#### (a) Tangible Capital Assets

Tangible capital assets are physical assets with useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

TCA are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

- Buildings and building components
- Vehicles
- Machinery and equipment
- Linear assets
  - Wastewater

Annual amortization is charged in the year the asset is available for productive use and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are shown on a net basis in the financial statements. Residual value is assumed to be \$0 for all TCA contained within the forecast period. Gains/losses on disposal assumed to be \$0 as well.

#### (b) Additions and Disposals

Additions are based on the Asset Management Plan and disposals are based on historic trends.

#### (c) Contributed / Assumed Assets

These are tangible capital assets contributed by developers or other parties. TCA received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Forecasted amount of contributed /assumed assets is based on the historical trend.

#### (d) Summary of Wastewater System Tangible

As at December 31	Preliminary	Forecast					
	2020	2021	2022	2023	2024	2025	2026
Opening TCA Balance(Historical Cost)	\$115,412,187	\$120,473,686	\$122,595,256	\$125,686,382	\$128,506,508	\$131,406,134	\$134,285,760
Additions	5,149,266	2,121,569	3,091,126	2,820,126	2,899,626	2,879,626	2,939,626
Disposals	87,767		-	-	-	-	-
<b>Closing TCA Balance(Historical Cost)</b>	<b>\$120,473,686</b>	<b>\$122,595,256</b>	<b>\$125,686,382</b>	<b>\$128,506,508</b>	<b>\$131,406,134</b>	<b>\$134,285,760</b>	<b>\$137,225,387</b>
Opening Accumulated Amortization	44,956,427	45,940,272	47,038,403	48,175,174	49,347,196	50,555,464	51,799,726
Amortization Expense	1,071,612	1,098,131	1,136,771	1,172,022	1,208,267	1,244,263	1,281,008
Accumulated Amortization on Disposals	87,767	-	-	-	-	-	-
<b>Ending Accumulated Amortization</b>	<b>\$45,940,272</b>	<b>\$47,038,403</b>	<b>\$48,175,174</b>	<b>\$49,347,196</b>	<b>\$50,555,464</b>	<b>\$51,799,726</b>	<b>\$53,080,735</b>
<b>Work - in - Progress</b>	<b>256,824</b>						
<b>Net Book Value</b>	<b>\$74,790,238</b>	<b>\$75,556,852</b>	<b>\$77,511,208</b>	<b>\$79,159,312</b>	<b>\$80,850,671</b>	<b>\$82,486,034</b>	<b>\$84,144,652</b>

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Notes to the Consolidated Wastewater Financial Plan**

**6. NET FINANCIAL ASSETS**

Net financial assets as defined is the difference between financial assets and liabilities and is a key indicator in determining the wastewater system financial ability to replace its infrastructure. As reflected in the Statement of Changes in Net Financial Assets, the Town is in a net financial assets position which indicates the Town has sufficient resources to finance current and future activities.

**7. ACCUMULATED SURPLUS**

The Accumulated Surplus is comprised of the following:

<i>As at December 31</i>	<b>Preliminary</b>	<b>Forecast</b>					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Wastewater Rate Stabilization Reserve	\$1,153,329	\$2,402,106	\$4,041,114	\$5,907,864	\$6,290,680	\$6,855,998	\$7,831,955
Asset Replacement Fund	26,891,280	29,991,604	31,495,741	33,590,529	37,817,146	42,456,580	47,458,840
Investment in tangible capital assets	74,790,238	75,556,852	77,511,208	79,159,312	80,850,671	82,486,034	84,144,652
Debentures	-399,185	-354,670	-301,155	-238,640	-167,125	-86,610	0
<b>Accumulated Surplus</b>	<b>\$102,435,662</b>	<b>\$107,595,892</b>	<b>\$112,746,908</b>	<b>\$118,419,064</b>	<b>\$124,791,372</b>	<b>\$131,712,002</b>	<b>\$139,435,447</b>