

Kitchener Utilities Drinking Water Distribution System Financial Plan (019-301)

Municipal Drinking Water Licence 019-101

October 2023



City of Kitchener Water Distribution

Financial Plan

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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 to become licensed to operate and maintain Kitchener's Water Distribution System. The City was licensed on August 20, 2009 and as a condition of the license, a Financial Plan was approved by resolution at that time. The City's license expires in 2024 and a requirement for renewal is a revised Financial Plan.

The initial 2010 Financial Plan (019-301) applied to the six year period 2010 to 2015, the 2014 version applied to 2014 to 2019, and the 2019 version applied to 2019 to 2024.

This Financial Plan applies to the six year period starting in year 2024 through to 2029, with year 1 being the year that the current licence will expire - 2024.

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 additions, 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

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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
- 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
- F. 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.

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Section 3: Forecasted Statement of Financial Position

A forecasted Statement of Financial Position is provided in **Schedule 1**.

Schedule 1

Kitchener Utilities Drinking Water Distribution System

Statement of Financial Position

(in thousands)

Year	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Total financial assets	20,135	13,926	11,767	14,646	18,815	22,465
Total liabilities	3,183	3,280	3,381	3,485	3,580	3,678
Net financial assets	16,952	10,646	8,386	11,161	15,235	18,787
Non-financial assets						
Tangible capital assets	164,870	184,111	201,193	215,434	229,898	246,205
Additions	14,830	20,829	18,600	15,662	15,832	17,645
-portion related to lead replacement	52	52	52	52	52	52
Donations	1,280	1,306	1,332	1,359	1,386	1,414
Disposals	16	16	16	16	16	16
Write-downs and Depr'n	2,821	2,878	2,834	2,764	2,738	2,736
Assets under construction	6,045	6,166	6,289	6,415	6,543	6,674
Inventory of supplies	468	477	487	497	507	517
Prepaid expenses	23	23	23	23	23	23
	171,406	190,777	207,992	222,369	236,971	253,419
Accumulated surplus	188,358	201,423	216,378	233,530	252,206	272,206

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Section 4: Forecasted Statement of Financial Operations

A forecasted Statement of Financial Operations is provided in **Schedule 2**.

Schedule 2

Kitchener Utilities Drinking Water Distribution System

Statement of Financial Operations

(in thousands)

	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Revenues						
Sale of water	54,805	58,064	61,516	65,113	68,238	71,514
Contributions of tangible capital assets	1,280	1,306	1,332	1,359	1,386	1,414
Other revenue	493	512	534	556	577	598
Total revenues	56,578	59,882	63,382	67,028	70,201	73,526
Expenses						
Water supply	26,905	28,231	29,624	31,086	32,298	33,558
Water maintenance	8,748	9,255	9,692	10,082	10,488	10,910
Administration and other expenses	5,030	6,453	6,277	5,944	6,001	6,322
Amortization	2,821	2,878	2,834	2,764	2,738	2,736
Total expenses	43,504	46,817	48,427	49,876	51,525	53,526
Annual surplus	13,074	13,065	14,955	17,152	18,676	20,000
Accumulated surplus, beginning of year	175,284	188,358	201,423	216,378	233,530	252,206
Accumulated surplus, end of year	188,358	201,423	216,378	233,530	252,206	272,206

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Section 5: Forecasted Statement of Cash Flow

A forecasted Statement of Cash Flow is provided in **Schedule 3**.

Schedule 3

Kitchener Utilities Drinking Water Distribution System

Statement of Cash Flow

(in thousands)

	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Operating						
Total revenues	56,578	59,882	63,382	67,028	70,201	73,526
Total expenses	(43,504)	(46,817)	(48,427)	(49,876)	(51,525)	(53,526)
Items not involving cash						
Amortization of tangible capital assets	2,821	2,878	2,834	2,764	2,738	2,736
Contributions of tangible capital assets	(1,280)	(1,306)	(1,332)	(1,359)	(1,386)	(1,414)
Change in non-cash assets and liabilities	(108)	(83)	(90)	(95)	(79)	(84)
Net change in cash from operating activities	14,507	14,554	16,367	18,462	19,949	21,238
Investing						
Decrease (increase) in funds held by City of Kitchener	426	6,380	2,340	(2,690)	(4,005)	(3,478)
Net change in cash from investing activities	426	6,380	2,340	(2,690)	(4,005)	(3,478)
Capital						
Acquisition of tangible capital assets	(14,814)	(20,813)	(18,584)	(15,646)	(15,816)	(17,629)
Increase in assets under construction	(119)	(121)	(123)	(126)	(128)	(131)
Net change in cash from capital activities	(14,933)	(20,934)	(18,707)	(15,772)	(15,944)	(17,760)
Net change in cash and cash equivalents	-	-	-	-	-	-
Cash and cash equivalents, beginning of year	-	-	-	-	-	-
Cash and cash equivalents, end of year	-	-	-	-	-	-

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Section 6: Lead Services

Lead services are replaced as part of road reconstruction projects. The City of Kitchener Engineering Services Road & Utility Capital Forecast 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 updated Financial Plan is required as a condition of license renewal.