



TOWN OF ATIKOKAN

WATER & WASTEWATER FINANCIAL PLAN

March 5, 2022

Atikokan Public Works
Water & Wastewater Services



WATER & WASTEWATER FINANCIAL PLAN

TOWN OF ATIKOKAN

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1.0 INTRODUCTION

In 2007, as part of the Municipal Drinking Water Licensing Program, the Ministry of Environment (MOE) released Ontario Regulation 453/07 (O.Reg. 453/07) that requires the preparation of a Financial Plan for all municipal drinking water systems. The information contained within this document is intended to act as a guide for Council and staff in establishing water rates and associated water system infrastructure capital and operating budgets. Continued long-term planning is essential to achieve financial sustainability and plan accordingly for the long term operating and infrastructure needs.

This is a living document which will require regular review and updates.

It is the intention of staff to regularly review this plan for internal compliance, performance measurement, adjustment and revisions if required, and to ensure absolute performance in accordance with O.Reg. 453/07 and the Safe Drinking Water Act, 2002, s.o. 2002, c.32.

This plan is to be considered a work in progress even after its adoption.

1.1 SYSTEM DESCRIPTION

The Town of Atikokan is located in the heart of beautiful Northwestern Ontario. Dubbed as “*The Canoeing Capital of Canada*”, Atikokan is surrounded by thousands of lakes and rivers and is the gateway to the world renowned *Quetico Provincial Park*. We have a thriving population of 2,596 residents in a safe, healthy community.

The Town is serviced by the following:

Water Treatment Plant (WTP)

- 💧 Built in March 1988
- 💧 Retrofit of processing system (ACTIFLOW) in 2009
- 💧 Capacity = 6,048 m³ /day
- 💧 As of July 1, 2011, Northern Waterworks Inc. contracted as operator

Water Intake System

- 💧 Intake Crib constructed in 1947
- 💧 Permits to take water (Atikokan River June 16, 2005, Plateau Lake December 27, 2006)
- 💧 Low-Lift Station constructed in 1947

Water Distribution System

- 💧 31.97 km of water main lines



- 💧 Average construction date is 1954
- 💧 Older lines are constructed of cast iron while newer lines are constructed of PVC (as of 1995)
- 💧 2009 Main St. rebuild, 2014/2015 Willow Road Rebuild

Sewer Treatment Plant (STP)

- 💧 Built in 1980
- 💧 UV Treatment retrofit in 2020
- 💧 Capacity = 264 L/sec
- 💧 As of July 1, 2011, Northern Waterworks Inc. contracted as operator
- 💧 Prior to July 2011 - OCWA from 1993 through to 2011

Sewage Pumping Stations

- 💧 There are currently 10 active pumping stations
- 💧 Most constructed in 1979
- 💧 Stations 5+7 were rebuilt and upgraded in 2019
- 💧 Stations 1,2A,3,4, and 6 were rebuilt and upgraded in 2021

Sanitary Sewer Collection System

- 💧 31.7 km of sanitary sewer pipes
- 💧 Average construction date is 1980
- 💧 Constructed of PVC, Asbestos Cement and Concrete
- 💧 2009 Main St. rebuild, 2014/2015 Willow Road Rebuild

1.2 LEGISLATIVE REQUIREMENTS

The *Safe Drinking Water Act*, 2002, S.O. 2002, c. 32 (SDWA) governs and regulates Municipal Water Systems. One requirement involves the mandatory licensing of Municipal Water Systems. In order to become “licenced”, section 44(1) of the SDWA states:

- 44. (1)** After consideration of an application for a municipal drinking water licence under this Part, the Director shall issue a municipal drinking water licence to the owner of a municipal drinking water system if,
- (a) a drinking water works permit has been issued for the system;
 - (b) the operational plans for the system satisfy the requirements in the Director's directions under Part III for the particular system or type of system;
 - (c) the system will be operated by an accredited operating authority;
 - (d) the financial plans for the system, if required, satisfy the requirements under this Act;
 - (e) a permit to take water has been issued under the *Ontario Water Resources Act* that,



- (i) authorizes the system to take water, if water will be taken by the system from a raw water supply and the permit is required under the *Ontario Water Resources Act* in order to take the water, and
 - (ii) authorizes the system to transfer water between Great Lakes watersheds as defined in section 34.5 of the *Ontario Water Resources Act*, if water will be transferred by the system between Great Lakes watersheds as defined in that section and the permit is required under that Act in order to transfer the water; and
- (f) the Director is satisfied that the system will be operated in accordance with the requirements under this Act and the conditions in the licence.
- 2002, c. 32, s. 44 (1); 2007, c. 12, s. 2(2).

The Town of Atikokan has achieved the following:

Section	Description	Achieved	Date	Document #
44(1)(a)	Drinking Waterworks Permit	✓	30-Jun-16	221-201
44(1)(b)	Operational Plans	✓	8-Apr-19	
44(1)(c)	Accredited Authority			
	Northern Waterworks	✓	19-Sep-11	221-401B
44(1)(d)	Financial Plan	✓	14-Mar-22	221-301A
44(1)(e)	Permit to Take Water			
	Atikokan River	✓	16-Jun-05	3161-5WRPY4
	Plateau Lake	✓	27-Dec-06	1135-6WNMR7

This report fulfills the requirements of SDWA section 44(1)(d). Ontario Regulation 453/07 regulates the specifications of the Financial Plan. Ontario Regulation 453/07 is located in Appendix A. While the legislative requirements do not necessitate a financial plan for the wastewater system, the Town of Atikokan has prudently incorporated both the Water and Wastewater systems in its Financial Plan.



2.0 OPERATING PLAN

2.1 BRIEF DESCRIPTION - OPERATIONS

The **Atikokan Water Treatment Plant (WTP)** is operated by a third party contractor. The current operating contractor is Northern Waterworks Inc. (prior to July 1, 2011 the operating contract was held by Ontario Clean Water Agency). As part of the contract, the operator is responsible for operating and maintaining the WTP and the Water Intake system in compliance with certificates of approval, drinking waterworks licences, permits, and provincial legislation. The Town remains responsible for the capital upgrades, unforeseen maintenance over \$1,000, property insurance, and utilities.

The **Atikokan Sewage Treatment Plant (STP)** is also operated by a third party contractor under the same agreement and terms of the WTP operations. Along with the STP, the operator is also responsible for the operations and maintenance of the Sewage Pumping Stations.

The **Atikokan Water Distribution and Atikokan Sewage Collection** systems are operated directly by the Town of Atikokan's Public Works Department. The Town resources are not directly separated; for example, there are no employees hired to strictly deal with water distribution. The employees and assets are shared across the broad responsibilities of the corporation. The direct labour and maintenance costs are attributed to the proper departments and categories through the payroll system. Along with water distribution and sewage collection, the Public Works Department's major other duties include roads, sidewalks, buildings, waste management, drainage, and bridges. On average the Town's Public Works crew spends 50% of their time on water distribution and sewage collection maintenance.

2.2 HISTORICAL OPERATING EXPENDITURES

WATER & WASTEWATER
Operating Revenues and Expenses

	2016	2017	2018	2019	2020
Operating Revenues:					
Provincial Grants	0	0	0	0	0
User Fees	1,308,134	1,344,738	1,385,085	1,421,704	1,462,680
Internal Transfers	50,000	50,000	50,000	50,000	50,000
Total Revenue	1,358,134	1,394,738	1,435,085	1,471,704	1,512,680
¹Operating Expenditures:					
Water					
Salaries & Benefits	115,663	117,461	143,502	141,128	124,274
Materials & Service	319,828	301,697	428,506	286,178	262,762
Contracted Services	330,269	309,791	374,630	386,888	448,128
Wastewater					
Salaries & Benefits	83,230	85,853	97,894	113,326	120,587
Materials & Service	292,460	240,656	215,723	415,402	365,902
Contracted Services	807,610	484,322	270,663	282,279	335,098
Total Expenses	1,949,060	1,539,780	1,530,918	1,625,201	1,656,751
Net Income (Deficit)	(590,926)	(145,042)	(95,833)	(153,497)	(144,071)

¹Operating Expenditures do not include an allocation of general administration or supervision, capital revenues and expenditures or amortization.

Historically, the Town of Atikokan has used general revenues to partly fund the water and wastewater services.

3.0 Utility Rate Review

3.1 Rate Structures

There are several rate structures used in Canada for water and wastewater services. A brief description of each is below:

Flat Rate

This is a constant rate charged to users. In some cases there are different rates for different classes of user (commercial, industrial, residential, etc.). With this structure there is no recognition of actual consumption.

Metered Rate

Within this class, there are many variations of the consumption rates including constant rate, declining block rates, and increasing block rates. The rates are determined by consumption rates, with some Municipalities applying a flat service fee in conjunction with the consumption volume rates. This type of structure requires water meters on each service and the resources to read those meters.

Property Tax

In this situation, the costs of providing water and wastewater service is absorbed within the property tax system.

Alternatively, there are many variations that included a combination of the above rate structures. Atikokan uses a flat rate structure to recover most of the operating costs, with property taxation making up the difference.

Historical Rates for The Town of Atikokan's Main Sectors

Year	<u>Residential</u>			<u>Commercial</u>		
	Water	Sewer	Total	Water	Sewer	Total
2016	492.00	328.00	820.00	496.76	331.18	827.94
2017	506.40	337.60	844.00	511.32	340.88	852.20
2018	532.20	348.80	872.00	528.30	352.20	880.50
2019	540.00	360.00	900.00	545.25	363.50	908.76
2020	556.80	371.20	928.00	562.21	374.80	937.02
2021	576.00	384.00	960.00	581.55	387.70	969.25
2022	600.00	400.00	1000.00	605.80	403.88	1009.68



3.2 Metered vs. Non-Metered

Metered Rate Structure

Advantages:

- 💧 Perceived as more fair - users pay based on consumption
- 💧 Provides staff with accurate volume information to be used for day-to-day operations and long term planning
- 💧 Creates consumption reductions
- 💧 Reduces operating costs (and possible capital costs) related to consumption reductions

Disadvantages:

- 💧 Increases capital costs (meters)
- 💧 Increases data collection operating costs
- 💧 Risks associated with volume variances

Non-Metered Rate Structure

Advantages:

- 💧 Reduced capital costs
- 💧 Reduced operational costs
- 💧 Simple to administer
- 💧 Reliable revenue estimation

Disadvantages:

- 💧 Provides unfair relationships between users
- 💧 Does not provide Municipality with volume information to be used for decision making
- 💧 Does not provide incentives to conserve water

3.3 Current Flat Rate By-Law

The current water and wastewater by-law for Atikokan was developed over 20 years ago; with minor amendments and fee increases made over the years. While there have been a few noted complaints over the last few years, it does not appear that ratepayers have significantly challenged any fairness issues within the allocations of rate classes. If the Municipality continues to use a flat rate fee system, a comprehensive review of the rate by-law should be undertaken to ensure fairness and to ensure Municipal staff can easily determine which class new customers belong to.

Water rates are reviewed and set annually as part of the budget process. The Town of Atikokan has committed to increasing the rates continuously in order to achieve sustainability.

A brief review of the by-law identified a few discrepancies that require analysis:

- Home based businesses currently pay a residential rate and a commercial rate. Options could include charging the higher class fee or charging the residential fee plus a percentage.

4.0. Financial Statements

Projected Operating Revenues and Expenses

Projected Statement of Financial Position

Projected Statement of Cash Flows

Attached are the above mentioned projected financial statements for the period of 2017 to 2022.

The financial impacts of the drinking water system have been considered and are financially viable.

Notes to Financials:

- 💧 The Town of Atikokan does not have a separate accounting system for water and wastewater therefore assumptions have been made
- 💧 The Projected Operating Revenues and Expenses does not include Capital
- 💧 The Projected Statement of Cash Flows includes Operations and Capital
- 💧 It is assumed no write offs will occur
- 💧 It is assumed that water payables are not significant and therefore not included
- 💧 No new debt is anticipated during the term of the plan
- 💧 The asset amortization was calculated using straight-line method, commencing the year it was acquired or constructed
- 💧 The useful life of each asset as defined by our asset inventory was included in the calculation of amortization
- 💧 It is assumed there are no gains or losses on the sale of assets
- 💧 The beginning cash and cash equivalents consists of the Reserve Fund balance
- 💧 Wastewater financial information included
- 💧 The data in this report is unaudited to be used for planning purposes
- 💧 Statements prepared in accordance with Public Sector Accounting Standards
- 💧 Operating Expenditures do not include an allocation of general administration or supervision
- 💧 Actual results will vary from the projections and the differences may be material

For questions regarding the Water Financial Plan please contact the Finance Department at The Corporation of the Town of Atikokan.

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WATER & WASTEWATER
Projected Operating Revenues and Expenses

	2022	2023	2024	2025	2026	2027
Operating Revenues:						
Provincial Grants	0	0	0	0	0	0
User Fees	1,569,906	1,632,702	1,698,010	1,765,931	1,836,568	1,910,031
Internal Transfers	50,000	50,000	50,000	50,000	50,000	50,000
Total Revenue	1,619,906	1,682,702	1,748,010	1,815,931	1,886,568	1,960,031
 Operating Expenditures:						
Water						
Salaries & Benefits	119,717	123,308	127,008	130,818	134,742	138,785
Materials & Service	371,848	379,285	386,871	394,608	402,500	410,550
Contracted Services	440,233	451,239	462,520	474,083	485,935	498,084
Wastewater						
Salaries & Benefits	116,854	120,359	123,970	127,689	131,520	135,465
Materials & Service	471,102	482,880	494,952	507,326	520,009	533,009
Contracted Services	434,283	442,969	451,828	460,865	470,082	479,484
Amortization	580,000	1,000,000	750,000	700,000	600,000	550,000
Total Expenses	2,534,038	3,000,041	2,797,149	2,795,389	2,744,789	2,745,377
 Net Income (Deficit)	(914,132)	(1,317,338)	(1,049,138)	(979,458)	(858,221)	(785,346)

TOWN OF ATIKOKAN
WATER & WASTEWATER
Projected Statement of Financial Position

	2022	2023	2024	2025	2026	2027
<i>Financial Assets</i>						
Cash/Water Reserve	41,000	50,000	55,000	60,000	65,000	70,000
Accounts Receivable / Preauthorized Payments	-98,000	-100,000	-103,000	-105,000	-106,000	-107,000
<i>Non-Financial Assets</i>						
Water Inventory	50,000	55,000	50,000	56,000	52,000	50,000
Tangible Capital Assets	35,500,000	40,500,000	41,500,000	42,500,000	43,500,000	44,500,000
Accumulated Amortization	14,000,000	15,580,000	16,330,000	17,030,000	17,630,000	18,180,000
Net Book Value	21,500,000	24,920,000	25,170,000	25,470,000	25,870,000	26,320,000
<i>Liabilities</i>						
Debt	1,800,000	1,600,000	1,400,000	1,200,000	1,000,000	800,000
Total Liabilities and Accumulated Net Assets	19,643,000	24,870,000	25,122,000	25,425,000	25,829,000	26,283,000

TOWN OF ATIOKAN
WATER & WASTEWATER
Statement of Cash Flow

	2022	2023	2024	2025	2026	2027
<u>Operating Transactions</u>						
<i>Cash Received from:</i>						
Operating Revenue	1,619,906	1,682,702	1,748,010	1,815,931	1,886,568	1,960,031
Capital Revenue	500,000	4,000,000	1,000,000	1,000,000	700,000	500,000
<i>Cash Paid for:</i>						
Operating	(1,954,038)	(2,000,041)	(2,047,149)	(2,095,389)	(2,144,789)	(2,195,377)
TOTAL WATER FUND OPERATIONS	165,868	3,682,662	700,862	720,542	441,779	264,654
<i>Cash Provided from:</i>						
General Fund Operations	934,132	1,317,338	299,138	279,458	558,221	735,346
<u>Capital Transactions</u>						
Acquisition of capital	(1,100,000)	(5,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
TOTAL CAPITAL	(1,100,000)	(5,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
<u>Finance Transactions</u>						
Proceeds from Debt	-	-	-	-	-	-
Debt Repayment	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
TOTAL FINANCING	(200,000)					
Increase <decrease> in cash	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Opening Cash	41,000	41,000	50,000	55,000	60,000	65,000
Ending Cash	(159,000)	50,000	55,000	60,000	65,000	70,000

Appendix "A"

Safe Drinking Water Act, 2002 **ONTARIO REGULATION 453/07** **FINANCIAL PLANS**

Last amendment: O. Reg. 69/08.

This is the English version of a bilingual regulation.

Requirement to prepare financial plans

1. (1) A person who makes an application under clause 32 (1) (b) of the Act for a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 2. O. Reg. 453/07, s. 1 (1).

(2) A person who makes an application under subsection 32 (4) of the Act for the renewal of a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (2).

(3) As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (3).

(4) The Director shall include, as a condition in a municipal drinking water licence, the requirement set out in subsection (3) in any amendments to a licence made after the application, if the condition is not satisfied at the time when the amendment is made. O. Reg. 453/07, s. 1 (4).

Financial plan requirements; new systems

2. For the purposes of clause (b) of the definition of "financial plans" in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (1) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by,
 - i. the council of the municipality, if the owner of the drinking water system is a municipality, or
 - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
2. The financial plans,
 - i. must include a statement that the financial impacts of the drinking water system have been considered, and
 - ii. must apply for a period of at least six years.
3. The first year to which the financial plan must apply is the year in which the drinking water system is expected to first serve the public.
4. For each year in which the financial plans apply, the financial plans must include details of the proposed or projected financial operations of the drinking water system itemized by,
 - i. total revenues, further itemized by water rates, user charges and other revenues,
 - ii. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
 - iii. annual surplus or deficit, and
 - iv. accumulated surplus or deficit.
5. The owner of the drinking water system must,

- i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
 - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
 - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 2.

Financial plan requirements; licence renewal

3. (1) For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (2) or a condition that is included in a municipal drinking water licence under subsection 1 (3) to satisfy the requirements of this section:

- 1. The financial plans must be approved by a resolution that is passed by,
 - i. the council of the municipality, if the owner of the drinking water system is a municipality, or
 - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
- 2. The financial plans must apply to a period of at least six years.
- 3. The first year to which the financial plans must apply must be the year determined in accordance with the following rules:
 - i. If the financial plans are required by subsection 1 (2), the first year to which the financial plans must apply must be the year in which the drinking water system’s existing municipal drinking water licence would otherwise expire.
 - ii. If the financial plans are required by a condition that was included in a municipal drinking water licence under subsection 1 (3), the first year to which the financial plans must apply must be the later of 2010 and the year in which the first licence for the system was issued.
- 4. Subject to subsection (2), for each year to which the financial plans apply, the financial plans must include the following:
 - i. 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.
 - ii. 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.



- iii. 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.
- iv. Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.

5. The owner of the drinking water system must,

- i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
- ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
- iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.

6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 3 (1).

(2) Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:

1. Sub-subparagraphs 4 i A, B and C of subsection (1).
2. Sub-subparagraphs 4 iii A, C, E and F of subsection (1). O. Reg. 453/07, s. 3 (2).

Alternative requirements for two or more drinking water systems

4. If section 3 applies to the financial plans of two or more drinking water systems that are solely owned by the same owner, the requirements prescribed by the section may, as an alternative, be satisfied by financial plans that comply with the section but treat those systems as if they were one drinking water system. O. Reg. 453/07, s. 4.

Amendment of financial plans

5. Sections 2 and 3 do not prevent financial plans from being amended. O. Reg. 453/07, s. 5.

Additional information

6. The requirements of this Regulation do not prevent a person from providing additional information in financial plans prepared for the purpose of meeting the requirements of the Act. O. Reg. 453/07, s. 6.

7. Omitted (provides for coming into force of provisions of this Regulation). O. Reg. 453/07, s. 7.

