



**STAFF REPORT**  
**City Utilities**

Title: Water and Sanitary Financial Plans  
Report Number: IPPW2025-046  
Author: Dean Vieira and Natasha Glauser  
Council Date: October 27, 2025  
File: N/A  
Attachments: Appendix A: Water and Sanitary Financial Plans  
Ward No.: City-wide

**Recommendations:**

1. That IPPW2025-046 be approved.
2. That Council directs staff to submit the City of Waterloo's Water Distribution System and Sanitary System Financial Plans as provided in Appendix A to the Ministry of Municipal Affairs and Housing in support of the City's drinking water license renewal by December 4, 2025.

**A. Executive Summary**

The Municipal Drinking Water Licensing Program, under the *Safe Drinking Water Act, 2002*, requires Ontario drinking water systems to be licensed. One of the requirements of holding a valid licence is preparing and submitting to the Province an updated financial plan in accordance with *Ontario Regulation (O. Reg.) 453/07*. The financial plan must apply to a period of at least six (6) years with the first year being the year the existing license expires. In the City's case, an updated Water Distribution System Financial Plan (No.112-301) is required for the period 2026 to 2031. Recent best practices in the industry has also been to undertake this same exercise for the Sanitary Collection system as operated by the City.

The financial plan must be approved by Council resolution as the overall owner of the drinking water system. A copy of the approved financial plan is to be submitted to the Ministry of Municipal Affairs and Housing (MMAH) by December 4, 2025, as the City's current license expires on June 4, 2026. The approved financial plan would also be made available to the public at no charge and posted on the City's website.

City staff maintain a 10-year forecast model for the Water and Sanitary systems to determine the full cost of providing water and sanitary services to City of Waterloo

residents and businesses, along with revenue required to provide a sustainable financial plan in accordance with the *Safe Drinking Water Act's* provisions.

The financial plan, and resultant rate forecast developed, have incorporated a capital financing strategy to begin addressing the water and sanitary system capital funding gap as identified in the City's 2024 Asset Management Plan.

### **B. Financial Implications**

Staff have developed the water and sanitary financial plan based off of the 2025 City Utilities Rate Report and 10-year rate forecast, (report IPPW2024-020). Expenses, capital requirements, and reserve balances are used to determine a long-term revenue stream (through user rates) that supports a sustainable water and sanitary system per the legislated requirements of *O. Reg 453/07*.

As the financial plan is a "point-in-time" document submitted to the province in support of a 6-year planning horizon (alignment with the drinking water license renewal term), changes are permitted to expense/revenue projections and rate forecasts through the City's annual rate setting process or budget process, or both.

### **C. Technology Implications**

None

### **D. Link to Strategic Plan**

(Strategic Priorities: Reconciliation, Equity, Accessibility, Diversity and Inclusion; Environmental Sustainability and Climate Action; Complete Community; Infrastructure and Transportation Systems; Innovation and Future-Ready)

(Guiding Principles: Equity and Inclusion; Sustainability; Integrity; Workplace Wellbeing; Community-centred; Operational Excellence)

The water and sanitary financial plan supports the strategic priorities of Infrastructure and Transportation Systems and the guiding principles of Sustainability and Operational Excellence. It ensures sustainable investment into critical infrastructure and the continued provision of safe drinking water to all users.

### **E. Previous Reports on this Topic**

IPPW2020-056 Water & Sanitary Financial Plans, December 7, 2020

CORP2024-018 2024 Asset Management Plan, June 17, 2024

IPPW2024-020 City Utilities – 2025 Rates, December 9, 2024



#### Water and Sanitary Financial Plans IPPW2025-046

##### Section 1 – Background

As per the *Safe Drinking Water Act, 2002*, the City of Waterloo is required to prepare and submit an updated Drinking Water Distribution System Financial Plan to meet the requirements of the Municipal Drinking Water Licencing Program as defined under *Ontario Regulation (O. Reg.) 453/07* for renewal of the City's drinking water licence. A Sanitary Collection System Financial Plan for the sanitary system as operated by the City has also been prepared to meet recent best practices in the industry.

A review pertaining to the full cost of providing water and sanitary services to the residents and businesses of Waterloo was undertaken with guidance from the City's 2024 Asset Management Plan (AMP), 2024 Asset Management Report Cards and Water Distribution and Sanitary Master Plans. It incorporates long-term life cycle costing and replacement analysis as recommended by the City's AMP. The results of the review enabled staff to develop a recommended user rate forecast that meets the goals and guiding principles for a sustainable drinking water and sanitary collection system. The primary objectives include:

- Identify the full cost of services for the City's drinking water and sanitary systems;
- Prepare an updated Water System Financial Plan in accordance with the requirements of *O. Reg 453/07* for the renewal of the City's municipal drinking water licence;
- Prepare a Sanitary System Financial Plan using similar requirements from *O. Reg 453/07*; and
- Develop water and sanitary user rate forecasts that would recover the full cost of delivering these services and provide sustainable financing over the long-term for asset rehabilitation and future replacement.

The total cost of the City's water distribution and sanitary sewage collection services, including payments made to the Region of Waterloo (Region), are recovered from daily operating (non-rate) revenues (e.g. administrative fees, etc.) and through direct billing to customers (user rate revenues). The City's utility bill to customers is comprised of: 1) a fixed monthly service charge based on water meter size, and 2) a consumption charge based on the respective water and sanitary sewage uniform rate per cubic metre of water consumed. The sanitary portion of the bill does not include any fixed monthly service charges.

## 4 Integrated Planning & Public Works

These revenues are required to cover the full costs of managing the water and sanitary systems including annual operating and capital costs as well as long-term asset renewal and replacement costs. However, there are ongoing risks to revenue recovery such as user consumption often being volatile while many of the system costs are fixed, and seasonality factors of climate change that can create very wet or dry conditions.

Staff's objective in establishing Water and Sanitary rates is to avoid large fluctuations from year to year and to ensure they adequately cover current operating costs, maintain and repair or replace the City's existing infrastructure assets as identified by the City's 2024 Asset Management Plan (AMP). Progress is being made by managing the reserves to provide a source of funding for the ongoing replacement/rehabilitation of infrastructure assets and to provide stabilization funds to address potential future operating deficits and/or emergency situations. Table 1 below shows the 2025 approved rates and 2026-2034 forecasted user rate requirements to accomplish this as presented in the 2025 City Utilities rate report. Note that these rates are inclusive of wholesale rates from the Region for forecasts established by the Region in 2024.

Table 1 – 2025 Approved Water and Sanitary Rates and 2026-2034 Rate Forecast

Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Water (\$/m3)	2.48	2.67	2.88	3.11	3.31	3.47	3.67	3.89	4.01	4.13
Sanitary (\$/m3)	2.93	3.06	3.20	3.35	3.48	3.65	3.83	3.98	4.14	4.31

### Section 2 – Guiding Principles

The financial plan has been built based on a set of principles established to provide transparent assessment of the City Utilities Water and Sanitary business units. The principles guiding ongoing model updates, and ensuing financial plans, are:

1. **Full Cost Recovery** – All costs are to be recovered through the utility rates and fees
2. **Revenue Stability** – Provide stable and adequate annual revenue to minimize the occurrence of annual deficits
3. **User Pay** – Recover more revenue from those who use more water
4. **Fairness and Equity** – Ensure, to the extent possible, that each business unit pays its fair share without cross subsidization
5. **Water Conservation** – Forecasted rates to take into account ongoing water conservation measures
6. **Capital Financing** – To be funded through a combination of reserves, annual revenue from user rates, and debt (if required)

### Section 3 – Financial Plan

As required under the *Safe Drinking Water Act, 2002, Ontario Regulation (O. Reg.) 453/07*, the City of Waterloo has undertaken a review of the existing water business unit to develop a financial plan in accordance with the Act's provisions. The City's existing drinking water license expires on June 4, 2026 and a Council endorsed financial plan covering a minimum period of six years (2026-2031) is due to the Ministry of Municipal Affairs and Housing by December 4, 2025 as part of the City's license renewal application process. Additionally, while not formally required under *O. Reg 453/07*, best practices have migrated towards also including the development of a Sanitary Financial Plan, which uses many of the same requirements as the Drinking Water Distribution System Financial Plan.

The Council endorsed financial plan, for each year to which the financial plan applies, must include:

- Details of the proposed or projected financial position of the drinking water system;
- Details of the proposed or projected financial operations of the drinking water system;
- Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments; and,
- Details of the extent to which the information described above relates directly to the replacement of lead service pipes, if applicable.

Each of the above items is attached as part of Appendix A: Water and Sanitary Financial Plans.

The City must also ensure financial plans are:

- Made available, on request, to members of the public who are served by the drinking water system without charge;
- Made available to members of the public without charge through publication on the Internet, if the owner maintains a website; and,
- Advertised in a manner that, in the opinion of the City, will provide notice to the attention of members of the public who are served by the drinking water system advising of the availability of the financial plans via the above avenues (e.g. local general circulation newspaper).

#### Reserve Strategy:

The following are the current reserve policies as approved by Council through the 2024 update to FC-006 - Reserves and Reserve Funds Policy (via CORP2024-034):

- i. The approved target level of the Water & Sanitary Capital Reserves is 1% of the estimated asset replacement value.

## 6 Integrated Planning & Public Works

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- ii. The approved target level of the Water & Sanitary Stabilization Reserves is 5% of the annual operating expenditures.

Those approved reserve levels have been incorporated into the financial models and resultant 10-year rate forecast. The estimated 2024 replacement value for the Water and Sanitary infrastructure assets is \$718 million and \$873 million respectively, as shared by the City's 2024 Asset Management report cards.

The operating expenditures for the Water and Sanitary business units for 2025 is \$23.5 million and \$29.4 million respectively, as per the Council approved 2025 budget.

### *Water and Sanitary Capital Reserves (Funding & Expenditures):*

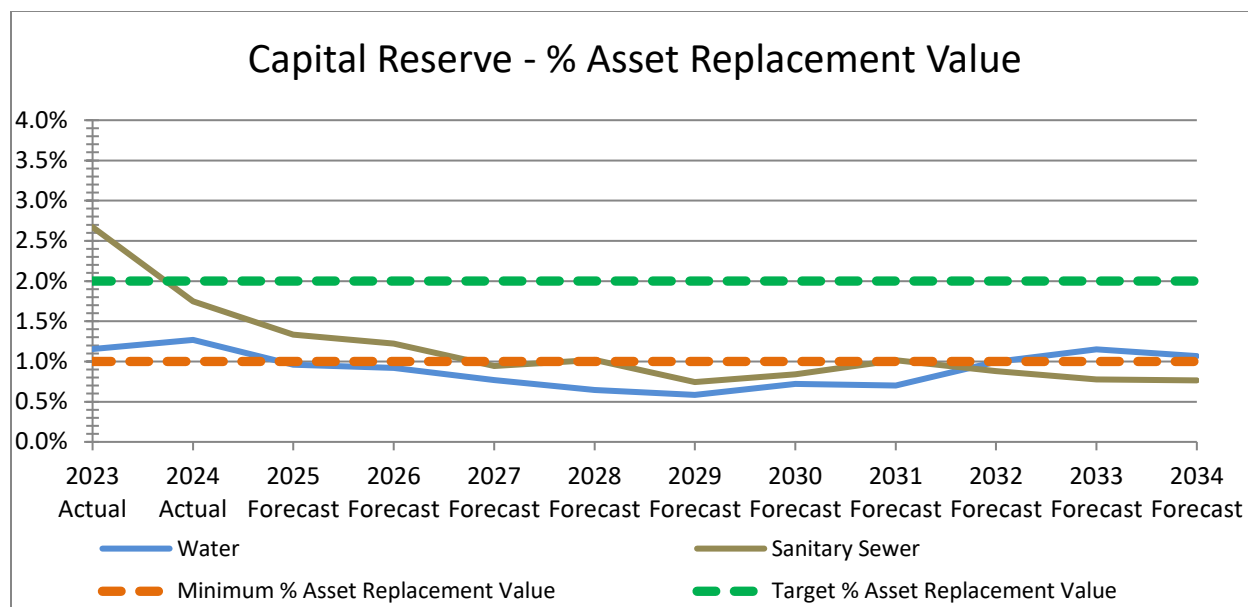
The water and sanitary capital reserves are funded through annual contributions from the operating budgets in addition to any remaining surpluses not committed upon the closing of completed capital projects. The annual contributions are to be set at an amount that provides sufficient funding for all approved current asset replacement/rehabilitation capital projects while aiming to maintain the Council approved target levels when possible (some deviations to the reserve targets may be required to offset large rate impacts for a fluctuating capital program year-to-year).

The water and sanitary capital reserves will be the source of financing, along with any Council approved debt, for all approved asset replacement/rehabilitation capital expenditures and any unbudgeted capital needs that may arise from time to time.

The target balance for these reserves is 1% of estimated asset replacement value and are reviewed each year to ensure compliance with Council policy. The 2024 ending balance in the water and sanitary capital reserves is 1.3% (of the \$718 million replacement value) and 1.7% (of the \$873 million replacement value) respectively.

The forecasted capital reserve balances are noted in Chart 2 below. Deviation from the Council approved target for the water capital reserve is to minimize the amount of debt required. If capital projects are deferred or are multi year projects the reserve will actually be higher than the forecast. The sanitary capital reserve remains above the target through the near term of the forecast period, then trends back down to the target, dipping slightly below in the later years.

Chart 2 – Water & Sanitary Capital Reserve Forecast:



### *Water and Sanitary Rate Stabilization Reserves (Funding & Expenditures):*

The City established stabilization reserves to meet emergency and unplanned funding needs for the Water and Sanitary business units in order to avoid operating deficits causing large fluctuations on future user rates. These reserves are a source of financing to offset any year-end operating deficits that may occur and to avoid unexpected rate increases in subsequent year(s).

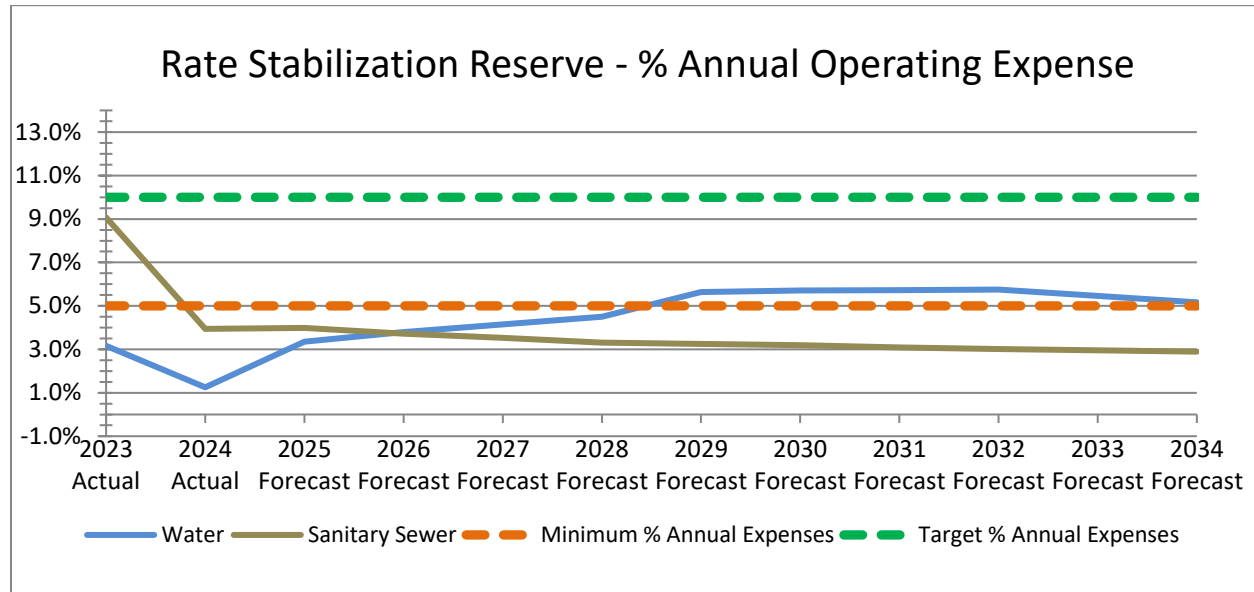
The water and sanitary rate stabilization reserves were initially funded through larger than anticipated surplus contributions from operations during 2018/2019. Further contributions occur from any year-end operating surpluses. The target balance for these reserves is 5% of annual operating expenditures and are reviewed each year to ensure compliance with Council policy. The 2024 ending balance in the water and sanitary stabilization reserves is 1.3% and 3.9% respectively of 2024 operating expenditures. The water and sanitary stabilization reserves were below target for 2024 as a result of a reserve draw as approved via CORP2023-054 on December 11, 2023. The stabilization reserves have been modelled to recover over the forecast period and updated charts will be reflected in the 2026 City Utilities rate report for Councils review and approval in December 2025.

The forecasted stabilization reserve balances are noted in Chart 3 below. Deviation from the Council approved target is required for the stabilization reserves to accommodate the purchase of a property neighbouring the Waterloo Service Centre as per CORP2023-054. Reserves will be restored to the target level over time through contributions from the operating budget and any other year-end surpluses.

## 8 Integrated Planning & Public Works

If operating surpluses are such that the stabilization reserves are growing faster than required per the target level, staff will request Council approval (through the annual rate setting process) to either transfer a portion to the capital reserves for future infrastructure replacement or to offset future rate increases.

Chart 3 – Water & Sanitary Rate Stabilization Reserve Forecast:



### Water System Capital Costs:

The average annual capital spending on the water system is \$3.6 million as identified in the 2024-2026 approved capital budget and 2027-2033 capital forecast and previously committed infrastructure asset rehabilitation and replacement funding. The estimated average annual funding needed based on the City's 2024 asset management report cards is \$3.6 million. Asset management reporting considers life cycle, age analysis, and other factors, including but not limited to current asset conditions, capacity requirements, and service levels when assessing replacement needs and timing. A comparison of the identified capital needs to the current capital budget spending indicates that the water system is appropriately funded and that the performance profile of the system is good. Based on the funding in the approved 2024-2026 capital budget, and 2027-2033 capital forecast, the projected performance profile of the water system maintains this performance profile over the next 10 years.

### Sanitary System Capital Costs:

The average annual capital spending on the sanitary system is \$2.3 million as identified in the 2024-2026 approved capital budget and 2027-2033 capital forecast and previously committed infrastructure asset rehabilitation and replacement funding. The estimated average annual capital need based on the City's 2024 asset management report cards is \$7.5 million. Similar to water assets, the AMP considers life cycle and age analysis but also other factors, including, but not limited to, current asset conditions,



capacity requirements, and service levels when assessing replacement needs and timing. A comparison of the identified capital needs to the current capital budget spending indicates that the sanitary system has an annual funding gap of \$5.2 million and that the performance profile of the system is good. However, based on the funding in the approved 2024-2026 capital Budget, and 2027-2033 capital forecast, the projected performance profile of the sanitary system is declining over the next 10 years without increased investment.

In order to address the sanitary system annual infrastructure funding gap, the following recommendations are being incorporated into the financial model and 10-year rate forecast:

- That the annual infrastructure funding gap for Sanitary continue to be addressed over the course of 2025-2034 through a phased approach to reach the required annual funding, taking into consideration other key project variables such as existing project management capacity and the availability of the other required funding sources (i.e. the associated required tax base CIRRF funding for the road reconstruction portion in conjunction with underground works).
- That the identified average annual sanitary system capital gap of \$5.2 million be incorporated into the 2027 capital budget and 2028-2036 capital forecast cycle to be funded by the sanitary reserve.
- That other sources of financing such as provincial and/or federal grants be aggressively pursued as they become available to help reduce the overall amount to be funded by reserves and user rates.

### Financial Statements:

The Water and Sanitary system financial statements involve a review, analysis, and assessment of financial information contained in the utility models and city accounting systems. This includes costs, revenues, any issued debt, cash transactions, and Tangible Capital Asset (TCA) information to prepare the following three financial statements covering the period 2026-2031 as required under *O. Reg 453/07*:

- i. Statement of Financial Position;
- ii. Statement of Operations; and
- iii. Statement of Cash Flow.

The following provides key assumptions used for financial modelling to generate the above noted statements through the forecast period:

- Capital Projects – The 10-year Water and Sanitary capital program is based on the approved 2024-2026 Capital Budget and 2027-2033 Capital Forecast plus additional estimated capital needs based on life cycle and age analysis identified through the City's AMP.

- Water & Sanitary Capital Reserves – The opening balance for 2025 water and sanitary capital reserves.
- Sources of Financing – Capital reserves and projected debt were used as the source of financing as outlined in the City's budget documents.
- Operating Budget – The financial plan utilizes the City's 2024-2026 multi-year Operating Budget and forecasts the remaining years based on annual inflationary increases of approximately 2-3% depending on the cost item.
- Service Standards – Water and Sanitary operating programs are maintained at their current service levels.
- Water Consumption & Wastewater Treatment Forecasting – The City actively monitors and evaluates consumption trends to support revenue stability. Revenue budgets and wholesale costs paid to the Region are based on a 5-year rolling average of metered volumes distributed through the water system and treated through the wastewater system. Fluctuating weather patterns often have a direct impact on consumption and the volumetric figures observed.
- Development Charge Revenues – The forecast includes assumptions with respect to Development Charge revenues to support growth related projects and reflects the projections as outlined in the City's 2019 Development Charge Background Study. The Development Charge Background Study is currently being updated throughout 2025, and the results will be incorporated into the 2026 capital budget re-statement and 2027 city-wide budgeting process.

Preparing a Sanitary System Financial Plan, while not mandatory, has become a municipal best practice over the past several years. It is typically prepared in accordance with the same requirements of *O. Reg 453/07* that applies to water systems.

The Water and Sanitary system financial statements can be found in Appendix A: Water and Sanitary Financial Plans.

### **Section 4 – Conclusion**

With Council approval of IPPW2025-046, staff will proceed with the following:

- 1) Submit the City of Waterloo Water Distribution System and Sanitary System Financial Plans, attached as Appendix A, to the Ministry of Municipal Affairs and Housing by December 4, 2025 as part of the City's municipal drinking water license renewal application process.

- 2) City Utilities, Engineering and Finance subject matter experts will continue to work with the Asset Management Team to refine asset management data and performance forecasting analysis as it relates to City Utilities assets. Recommendations from the 2024 AMP and annual report cards will be incorporated within the required financing strategy.
- 3) As part of the 2026 City Utilities rate report, staff will continue to address the estimated capital funding gap per the 2024 AMP and annual report cards using a phased approach as part of the utility rate forecast for 2026 onwards, aiming to reach the estimated required funding towards the end of the forecast period. Maintaining the approved capital and rate stabilization reserve targets when possible will also be considered, but may not always be practical to provide balanced/smoothed rate increases over time.

**- Appendix A -  
Water and Sanitary Financial Plans**

**City of Waterloo Water Distribution System  
Financial Plan (No.112-301)**

Under the *Safe Drinking Water Act, 2002*, Ontario municipalities are required to obtain, through an application process, and maintain a Municipal Drinking Water Licence. One of the requirements of holding a valid drinking water licence is preparing and submitting an updated financial plan to the Ministry of Municipal Affairs and Housing (MMAH) in accordance with *Ontario Regulation (O.Reg.) 453/07*. The financial plan contained herein includes financial statements that satisfy the requirements under this Regulation, and are as follows:

- i. projected financial position of the drinking water system;
- ii. projected financial operations of the drinking water system;
- iii. projected gross cash receipts and gross cash payments; and
- iv. details on the extent to which the above information applies to the replacement of lead service pipes, if applicable.

The financial plan applies to a period of six years, with the first year being the year the existing license expires (i.e. 2026). The Water Distribution System Financial Plan No.112- 301 for the City of Waterloo is required for the period of 2026 to 2031.

Upon Council approval, this financial plan will be submitted to the Province as part of the City's drinking water license renewal application. The license renewal application deadline is December 4, 2025. The plan will also be made available to the public at no charge and posted on the City's website.

**A. Financial Model Analysis**

The City of Waterloo water distribution system financial plan is based on rate modelling performed by City staff. The financial model is comprised of various inputs including an analysis of future infrastructure replacement requirements as guided by the City's comprehensive Asset Management Plan (AMP). Additionally, an analysis of all factors impacting the capital and operating budget, including financing plans, consumption and wastewater flow forecasts, is also considered. The financial model and resultant rate forecast is used as the basis for preparing the financial statements.

**Tangible Capital Assets (TCA)**

Analysis of the City's TCA inventories is also used in the preparation of the financial statements. Amortization of the tangible capital assets is shown as a "non-cash" item that reflects the annual cost or "use" of assets until the end of their useful lives. Allowances are made to finance the replacement and/or rehabilitation of existing assets

once they can no longer provide the required drinking water service to customers. Amortization is based on the original (i.e. historical) cost at the time the asset was placed into service and does not account for inflation over time as the asset ages and the replacement cost has increased. Therefore, basing asset replacement costs on amortization is not reflective of the future replacement needs within the water distribution system.

The TCA projections contained in the water financial plan are based on the following assumptions:

- amortization of existing assets is based on the City's TCA policies and procedures;
- amortization of new infrastructure investments is based on straight line depreciation with full year depreciation charged in the year of acquisition;
- historical costs, life expectancy, and remaining useful life are, as identified in the TCA database, maintained by the City's accounting division;
- fully depreciated assets continue to be used in service (i.e. no asset removals); and,
- funding for new assets to be acquired are based on the City's capital budget and forecast, in addition to asset replacement projections based on the City's AMP.

### Asset Value

The water distribution system is comprised of the following capital asset classes:

- Water Mains
- Hydrants
- Valves

Table 1 shows the current capital asset value based on historical cost and accumulated amortization to the end of 2024. This is reflected as the net book value, i.e. the "accounting" value, and indicates that the water system is approximately 33% depreciated or has approximately 67% remaining life based on the TCA data. This suggests that the water system assets are relatively new.

**Table 1: Asset Amortization and 2024 Net Book Value (NBV)**

2024 Water Asset Details		
Historical Cost	\$ 120,960,687	100%
Accumulated Amortization	\$ 40,350,245	33%
Net Book Value (2024)	<b>\$ 80,610,442</b>	<b>67%</b>

Based on the City's Asset Management Report card, total asset replacement value in 2024 dollars for the water distribution system is estimated to be \$718 million. For purposes of the financial model, this is the value used to maintain the target capital reserve balance of 1% of asset replacement value. This 2024 asset replacement figure

is also inflated at a rate of 2% per annum throughout the forecast period to account for increasing costs of replacement over time.

### **B. Financial Statements**

The financial plan involves a review, analysis, and assessment of information contained in the City's financial model and City accounting system including costs, revenues, debt (if applicable), cash transactions, and TCA to prepare the required financial statements covering the period from 2026-2031 as required under *O.Reg 453/07*. The statements are as follows:

- i. Statement of Financial Position
- ii. Statement of Operations
- iii. Statement of Cash Flow

#### **i. Statement of Financial Position**

The Statement of Financial Position is presented in Table 2. This statement summarizes the City's water-related financial and non-financial assets (i.e. TCA and liabilities) and provides the net financial asset position and accumulated surplus related to operating the water distribution system. The financial assets are primarily cash balances in the reserves and reserve funds. Liabilities consist of development charge (DC) reserve fund balances as DC collections are reported as deferred revenue until spent, and long-term debt (if applicable). The non-financial assets (TCA) include the City's water infrastructures net book value. The historical costs are amortized over the assets useful life to arrive at a net book value each year from 2026 to 2031. New assets are added in the years acquired or built as per the City-wide capital budget and forecast. Contributed assets are primarily new infrastructure and facilities that would be transferred to the City's ownership and control by developers as they are completed. However, this is assumed to be zero for the financial forecast exercise. It is also assumed that other non-financial assets such as inventory and prepaid expenses are zero.

Contained within the Statement of Financial Position are three important indicators:

- Net Financial Assets
- Net Book Value
- Accumulated Surplus

#### Net Financial Assets

The first important indicator is net financial assets which is defined as the difference between financial assets and liabilities. This indicator provides a measure of the water system's future revenue requirements. A positive number indicates that the system is in a good position to deal with future capital and other needs as prior spending has been addressed. A negative number indicates that past capital and other investments must be financed from future revenues.

Table 2 indicates that in 2026, the City's water system will be in a net financial asset position of \$4.35 million. This will be reduced to a net financial asset position of \$1.86 million by 2031. The reduced net financial assets over the forecast period is due to the use of long-term debt to finance capital in order to stabilize water rate increases.

#### Net Book Value

The next important indicator contained in the Statement of Financial Position is the net book value of TCA. An increase in net book value of TCA is a signal that assets have been renewed faster than they were depleted. A decrease in net book value shows that assets are being used/amortized faster than they are renewed or rehabilitated. The net book value is projected to increase for water distribution over the forecast period, indicating that assets are being renewed faster than they are being used.

Table 2 shows that net TCA are expected to grow by \$45.78 million over the forecast period from \$99.55 million in 2026 to \$145.33 million by 2031. This indicates that the City has plans to invest in significant tangible capital assets in excess of the consumption of existing assets. Further, a consumption ratio consisting of the accumulated amortization of the City's TCA as a percent of historical cost highlights the aged condition of the assets and their potential replacement needs. The City's Water Asset Consumption Ratio declines over the forecast period from 30.7% to 27.8%.

#### Accumulated Surplus

A third key indicator in the Statement of Financial Position is the accumulated surplus. This indicator provides a measure of the resources available to the City for managing its water system by showing cash on hand plus the net book value of tangible capital assets less any debt. The increasing projected surplus in water distribution operations indicates that if the City adheres to the Financial Plan, it will strengthen its combined cash and asset position. The accumulated surplus is projected to increase from \$103.90 million in 2026 to \$147.18 million by 2031.

**Table 2: Water Statement of Financial Position**

Statement of Financial Position	2026	2027	2028	2029	2030	2031
<b>Financial Assets:</b>						
Cash, Receivables and Investment	\$14,276,676	\$13,580,626	\$11,548,975	\$8,905,812	\$9,961,104	\$8,822,694
<b>Total Financial Assets</b>	<b>\$14,276,676</b>	<b>\$13,580,626</b>	<b>\$11,548,975</b>	<b>\$8,905,812</b>	<b>\$9,961,104</b>	<b>\$8,822,694</b>
<b>Financial Liabilities:</b>						
Accounts Payable & Deferred Revenue	\$6,460,867	\$6,626,256	\$5,277,866	\$2,627,810	\$2,369,668	\$1,180,800
Long-term Liabilities	\$3,464,020	\$4,816,743	\$6,861,238	\$5,720,797	\$4,580,355	\$5,785,801
<b>Total Financial Liabilities</b>	<b>\$9,924,888</b>	<b>\$11,442,999</b>	<b>\$12,139,104</b>	<b>\$8,348,607</b>	<b>\$6,950,024</b>	<b>\$6,966,601</b>
<b>Net Financial Assets (Net Debt)</b>	<b>\$4,351,788</b>	<b>\$2,137,627</b>	<b>(\$590,128)</b>	<b>\$557,205</b>	<b>\$3,011,081</b>	<b>\$1,856,093</b>
<b>Non-Financial Assets:</b>						
Tangible Capital Assets	\$143,595,616	\$153,753,616	\$167,258,616	\$178,920,616	\$187,444,616	\$201,218,616
Accumulated Amortization	(\$44,044,128)	(\$46,094,176)	(\$48,324,291)	(\$50,709,899)	(\$53,209,161)	(\$55,892,076)
<b>Total Non-Financial Assets</b>	<b>\$99,551,488</b>	<b>\$107,659,440</b>	<b>\$118,934,325</b>	<b>\$128,210,717</b>	<b>\$134,235,455</b>	<b>\$145,326,540</b>
<b>Accumulated Surplus</b>	<b>\$103,903,276</b>	<b>\$109,797,066</b>	<b>\$118,344,196</b>	<b>\$128,767,922</b>	<b>\$137,246,536</b>	<b>\$147,182,633</b>
<b>Financial Indicators</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Increase (Decrease) in Net Financial Assets</b>	\$513,595	(\$2,214,161)	(\$2,727,755)	\$1,147,333	\$2,453,876	(\$1,154,988)
<b>Increase (Decrease) in Net Tangible Capital Assets</b>	\$8,235,392	\$8,107,952	\$11,274,885	\$9,276,392	\$6,024,738	\$11,091,085
<b>Increase (Decrease) in Accumulated Surplus</b>	\$8,748,987	\$5,893,791	\$8,547,130	\$10,423,725	\$8,478,614	\$9,936,097
<b>Water Asset Consumption Ratio</b>	30.7%	30.0%	28.9%	28.3%	28.4%	27.8%

## ii. Statement of Operations

The Statement of Operations is presented in Table 3. It summarizes the annual revenues and expenses associated with managing the City's water distribution system and provides a report on the transactions and events that have an influence on the accumulated surplus. The main revenue items include:

- Revenues from Water Rates and Service Charges
- Earned Revenues (development charges spent on TCA)
- Other Revenues (miscellaneous fees and charges, recoveries, etc.)

The main expense items include:

- Annual cost of operating and maintaining the water system, including wholesale water purchases from the Regional Municipality of Waterloo (Region)
- Amortization expenses on existing and added assets

The operating surplus (or deficit) is an important indicator contained in the Statement of Operations. It measures whether operating revenues generated in a year were sufficient to cover operating expenses incurred in that year. It is important to note that an annual surplus is necessary to ensure funds will be available to address non-operating (i.e. non-expense) items such as asset rehabilitation and acquisitions over and above amortization expenses. Annual contributions to reserves for asset replacement and rate stabilization (if needed) are built into the financial projections.

A ratio of operating surplus to total revenue is shown in Table 3 to reflect the percent of total revenue that can be allocated to fund non-expense items as noted above. This ratio decreases from 24.6% in 2026 to 22.2% in 2031. The higher the ratio, the greater proportion of operating revenues that are available for paying down debt (if applicable), purchasing/rehabilitating capital assets, and setting aside funds in reserves for future



use. Cash generated from operations is discussed in the Statement of Cash Flows section.

**Table 3: Water Statement of Operations**

Statement of Operations	2026	2027	2028	2029	2030	2031
<b>Water Revenue:</b>						
User Rate & Service Fee Revenue	\$30,913,616	\$33,557,129	\$36,166,769	\$38,412,949	\$40,316,807	\$42,646,636
Earned Revenue (Development Charges)	\$4,438,000	\$494,000	\$2,023,000	\$3,340,000	\$964,000	\$1,911,000
Other Revenue	\$249,837	\$253,317	\$256,867	\$260,488	\$264,181	\$267,948
<b>Total Revenues</b>	<b>\$35,601,453</b>	<b>\$34,304,446</b>	<b>\$38,446,636</b>	<b>\$42,013,437</b>	<b>\$41,544,988</b>	<b>\$44,825,584</b>
<b>Water Expenses:</b>						
Operating & Maintenance	\$7,601,845	\$7,733,521	\$7,842,953	\$8,208,050	\$8,361,182	\$8,517,743
Water Purchased from Region of Waterloo	\$17,169,692	\$18,395,073	\$19,491,035	\$20,685,455	\$21,928,525	\$23,345,945
<b>Operating Expenses</b>	<b>\$24,771,537</b>	<b>\$26,128,594</b>	<b>\$27,333,988</b>	<b>\$28,893,505</b>	<b>\$30,289,707</b>	<b>\$31,863,688</b>
Interest on Debt	\$166,320	\$232,014	\$335,403	\$310,599	\$277,405	\$342,884
Amortization	\$1,914,608	\$2,050,048	\$2,230,115	\$2,385,608	\$2,499,262	\$2,682,915
<b>Total Expenses</b>	<b>\$26,852,466</b>	<b>\$28,410,655</b>	<b>\$29,899,506</b>	<b>\$31,589,712</b>	<b>\$33,066,374</b>	<b>\$34,889,487</b>
<b>Annual Surplus/(Deficit)</b>	<b>\$8,748,987</b>	<b>\$5,893,791</b>	<b>\$8,547,130</b>	<b>\$10,423,725</b>	<b>\$8,478,614</b>	<b>\$9,936,097</b>
<b>Accumulated Surplus/(Deficit), Beginning of Year</b>	<b>\$95,154,289</b>	<b>\$103,903,276</b>	<b>\$109,797,066</b>	<b>\$118,344,196</b>	<b>\$128,767,922</b>	<b>\$137,246,536</b>
<b>Accumulated Surplus/ (Deficit), End of Year</b>	<b>\$103,903,276</b>	<b>\$109,797,066</b>	<b>\$118,344,196</b>	<b>\$128,767,922</b>	<b>\$137,246,536</b>	<b>\$147,182,633</b>
<b>Financial Indicators</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Increase (Decrease) in Total Revenues</b>	\$4,984,551	(\$1,297,007)	\$4,142,190	\$3,566,801	(\$468,449)	\$3,280,596
<b>Increase (Decrease) in Total Expenses</b>	\$1,376,264	\$1,558,190	\$1,488,851	\$1,690,206	\$1,476,662	\$1,823,113
<b>Increase (Decrease) in Annual Surplus</b>	\$3,608,287	(\$2,855,197)	\$2,653,339	\$1,876,595	(\$1,945,111)	\$1,457,483
<b>Operating Surplus Ratio</b>	24.6%	17.2%	22.2%	24.8%	20.4%	22.2%

### iii. Statement of Cash Flow

The Statement of Cash Flow is presented in Table 4 and summarizes how the water distribution system is expected to generate and utilize cash resources through cash inflows and outflows related to the main areas of operating, capital, investing, and financing, and shows the annual changes in cash.

The operating cash transactions begin with the surplus or deficit identified in the Statement of Operations. This figure is adjusted to add or subtract non-cash items that were included as revenues or expenses (e.g. amortization expenses). The capital section indicates the amounts to be spent to acquire or rehabilitate capital assets (TCA) or to be received from the sale of any assets (if relevant). In the City's case, it is assumed that there are no assets to be sold to generate cash. The financing section identifies the funds to be received from development charges collections, Provincial/Federal grants (if any), and any proceeds from the issuance of debentures as cash inflows, offset by the portion of debt repaid as cash outflows. No grant funding is projected over the forecast period as grant awards and/or amounts are not certain into the forecast period and no debt is projected to be used over the forecast period.

Table 4 indicates that cash is generated from operations, which is used towards funding the acquisition of TCA along with existing reserve balances. The cash position is projected to decrease over the forecast period from \$14.28 million in 2026 to \$8.82 million by 2031. Of note, this decrease over time, is from a significant investment in capital assets.

**Table 4: Water Statement of Cash Flows**

Statement of Cashflows	2026	2027	2028	2029	2030	2031
<b>Cash Provided by:</b>						
<b>Operating Activities:</b>						
Annual Surplus/(Deficit)	\$8,748,987	\$5,893,791	\$8,547,130	\$10,423,725	\$8,478,614	\$9,936,097
<b>Non-Cash Items</b>						
Amortization	\$1,914,608	\$2,050,048	\$2,230,115	\$2,385,608	\$2,499,262	\$2,682,915
Earned Revenue	(\$4,438,000)	(\$494,000)	(\$2,023,000)	(\$3,340,000)	(\$964,000)	(\$1,911,000)
<b>Net Change in Cash Provided by Operating Activities</b>	<b>\$6,225,595</b>	<b>\$7,449,839</b>	<b>\$8,754,245</b>	<b>\$9,469,333</b>	<b>\$10,013,876</b>	<b>\$10,708,012</b>
<b>Capital Activities:</b>						
Purchase of TCA	(\$10,150,000)	(\$10,158,000)	(\$13,505,000)	(\$11,662,000)	(\$8,524,000)	(\$13,774,000)
<b>Net Change in Cash Used in Capital Activities</b>	<b>(\$10,150,000)</b>	<b>(\$10,158,000)</b>	<b>(\$13,505,000)</b>	<b>(\$11,662,000)</b>	<b>(\$8,524,000)</b>	<b>(\$13,774,000)</b>
<b>Financing Activities:</b>						
DC Collections (incl interest)	\$4,738,602	\$659,389	\$674,609	\$689,944	\$705,858	\$722,132
Provincial/Federal Grants	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds From Long-Term Debt	\$0	\$2,000,000	\$3,000,000	\$0	\$0	\$2,500,000
Repayment of Long-Term Debt	(\$523,987)	(\$647,277)	(\$955,505)	(\$1,140,441)	(\$1,140,441)	(\$1,294,555)
<b>Net Change in Cash Used in Financing Activities</b>	<b>\$4,214,616</b>	<b>\$2,012,112</b>	<b>\$2,719,105</b>	<b>(\$450,497)</b>	<b>(\$434,583)</b>	<b>\$1,927,577</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>\$290,211</b>	<b>(\$696,050)</b>	<b>(\$2,031,651)</b>	<b>(\$2,643,163)</b>	<b>\$1,055,292</b>	<b>(\$1,138,411)</b>
Cash and Cash Equivalents, Beginning of the Year	\$13,986,465	\$14,276,676	\$13,580,626	\$11,548,975	\$8,905,812	\$9,961,104
<b>Cash and Cash Equivalents, End of the Year</b>	<b>\$14,276,676</b>	<b>\$13,580,626</b>	<b>\$11,548,975</b>	<b>\$8,905,812</b>	<b>\$9,961,104</b>	<b>\$8,822,694</b>

### C. Lead Service Pipe Removal

The financial plan is also required to detail the extent to which the information described above relates directly to the replacement of lead service pipes.

The City of Waterloo 2024-2026 approved Capital Budget and 2027-2033 capital forecast outlines the proposed rehabilitation and reconstruction projects for the next 10 years. Lead services are replaced as part of watermain rehabilitation projects and/or road reconstruction projects when undertaken. Although not all streets contain lead services, all water services to the property line are replaced for every rehabilitation and reconstruction project.

Lead services are also replaced individually when they are found in the field if the full rehabilitation or reconstruction project has not been identified in the capital forecast, and if the new service can be connected to the customer's service at the property line.

## **City of Waterloo Sanitary System Financial Plan**

While not mandatory, preparing a Sanitary System Financial Plan has become a municipal best practice over the past several years. It's typically prepared in a similar fashion to the water system and follows the same requirements of *O.Reg 453/07*. The plan will also be made available to the public at no charge and posted on the City's website.

### **A. Financial Model Analysis**

The City of Waterloo sanitary system financial plan is based on rate modelling performed by City staff. The financial model is comprised of various inputs including an analysis of future infrastructure replacement requirements as guided by the City's comprehensive Asset Management Plan (AMP). Additionally, an analysis of all factors impacting the capital and operating budget, including financing plans, consumption and wastewater flow forecasts, is also considered. The financial model and resultant rate forecast is used as the basis for preparing the financial statements.

#### **Tangible Capital Assets (TCA)**

Analysis of the City's TCA inventories is also used in the preparation of the financial statements. Amortization of the tangible capital assets is shown as a "non-cash" item that reflects the annual cost or "use" of assets until the end of their useful lives. Allowances are made to finance the replacement and/or rehabilitation of existing assets once they can no longer provide the required sanitary service to customers. Amortization is based on the original (i.e. historical) cost at the time the asset was placed into service and does not account for inflation over time as the asset ages and the replacement cost has increased. Therefore, basing asset replacement costs on amortization is not reflective of the future replacement needs within the sanitary collection system.

The TCA projections contained in the sanitary financial plan are based on the following assumptions:

- amortization of existing assets is based on the City's TCA policies and procedures;
- amortization of new infrastructure investments is based on straight line depreciation with full year depreciation charged in the year of acquisition;
- historical costs, life expectancy, and remaining useful life are, as identified in the TCA database, maintained by the City's accounting division;
- fully depreciated assets continue to be used in service (i.e. no asset removals); and,
- funding for new assets to be acquired are based on the City's capital budget and forecast, in addition to asset replacement projections based on the City's AMP.

## Asset Value

The sanitary system is comprised of the following capital asset classes:

- Sanitary Gravity Mains and Forcemains
- Maintenance Holes
- Pumping Stations

Table 5 shows the current capital asset value based on historical cost and accumulated amortization to the end of 2024. This is reflected as the net book value, i.e. the “accounting” value, and indicates that the sanitary system as a whole is approximately 36% depreciated or has approximately 64% remaining life based on the TCA data. This suggests that the sanitary system assets are relatively new.

**Table 5: Asset Amortization and 2024 Net Book Value (NBV)**

<b>2024 Sanitary Asset Details</b>		
Historical Cost	\$162,247,909	100%
Accumulated Amortization	\$58,740,704	36%
Net Book Value (2024)	<b>\$103,507,205</b>	<b>64%</b>

Based on the City’s Asset Management report card, total asset replacement value in 2024 dollars for the sanitary system is estimated to be \$873 million. For purposes of the financial model, this is the value used to maintain the target capital reserve balance of 1% of asset replacement value. This 2024 asset replacement figure is also inflated at a rate of 2% per annum throughout the forecast period to account for increasing costs of replacement over time.

## B. Financial Statements

The financial plan involves a review, analysis, and assessment of information contained in the City’s financial model and City accounting system including costs, revenues, debt (if applicable), cash transactions, and TCA to prepare the following three financial statements covering the period from 2021-2026 (consistent with the period covered by the Water Distribution System Financial Plan):

- i. Statement of Financial Position
- ii. Statement of Operations
- iii. Statement of Cash Flow

### i. Statement of Financial Position

The Statement of Financial Position is presented in Table 6. This statement summarizes the City’s sanitary financial and non-financial assets (i.e. TCA and liabilities) and provides the net financial asset position and accumulated surplus related to operating the sanitary system. The financial assets are primarily cash balances in the reserves and reserve funds. Liabilities consist of development charge (DC) reserve

fund balances as DC collections are reported as deferred revenue until spent, and long-term debt (if applicable). The non-financial assets (TCA) include the City's sanitary infrastructures net book value. The historical costs are amortized over the assets useful life to arrive at a net book value each year from 2026 to 2031. New assets are added in the years acquired or built as per the City-wide capital budget and forecast. Contributed assets are primarily new infrastructure and facilities that would be transferred to the City's ownership and control by developers as they are completed. However, this is assumed to be zero for the financial forecast exercise. It is also assumed that other non-financial assets such as inventory and prepaid expenses are zero.

Contained within the Statement of Financial Position are three important indicators:

- Net Financial Assets
- Net Book Value
- Accumulated Surplus

### Net Financial Assets

The first important indicator is net financial assets which is defined as the difference between financial assets and liabilities. This indicator provides a measure of the sanitary system's future revenue requirements. A positive number indicates that the system is in a good position to deal with future capital and other needs as prior spending has been addressed. A negative number indicates that past capital and other investments must be financed from future revenues.

Table 6 indicates that in 2026, the City's sanitary system will be in a net financial asset position of \$12.26 million. This will be reduced to a net financial asset position of negative \$4.05 million by 2031. The reduced net financial assets over the forecast period is due to the use of long-term debt to finance capital in order to stabilize sanitary rate increases.

### Net Book Value

The next important indicator contained in the Statement of Financial Position is the net book value of TCA. An increase in net book value of TCA is a signal that assets have been renewed faster than they were depleted. A decrease in net book value shows that assets are being used/amortized faster than they are renewed or rehabilitated. The net book value is projected to increase for sanitary assets over the forecast period indicating that they're being renewed faster than they are being used.

Table 6 shows that net TCA are expected to grow by \$26.47 million over the forecast period from \$157.64 million in 2026 to \$184.11 million by 2031. This indicates that the City has plans to invest in significant tangible capital assets in excess of the consumption of existing assets. Further, a consumption ratio consisting of the accumulated amortization of the City's TCA as a percent of historical cost highlights the aged condition of the assets and their potential replacement needs. The City's Sanitary Asset Consumption Ratio increases slightly over the forecast period from 29.0% to

30.5%, as newly acquired or constructed assets would more than offset the consumption of existing assets.

### Accumulated Surplus

A third key indicator in the Statement of Financial Position is the accumulated surplus. This indicator provides a measure of the resources available to the City for managing its sanitary system by showing cash on hand plus the net book value of tangible capital assets less any debt. The increasing projected surplus in sanitary operations indicates that if the City adheres to the Financial Plan, it will strengthen its combined cash and asset position. The accumulated surplus is projected to increase from \$169.90 million in 2026 to \$180.06 million by 2031.

**Table 6: Sanitary Statement of Financial Position**

Statement of Financial Position	2026	2027	2028	2029	2030	2031
<b>Financial Assets:</b>						
Cash, Receivables and Investment	\$13,284,015	\$9,568,303	\$12,573,247	\$12,288,014	\$15,317,156	\$19,498,562
<b>Total Financial Assets</b>	<b>\$13,284,015</b>	<b>\$9,568,303</b>	<b>\$12,573,247</b>	<b>\$12,288,014</b>	<b>\$15,317,156</b>	<b>\$19,498,562</b>
<b>Financial Liabilities:</b>						
Accounts Payable & Deferred Revenue	\$1,022,960	(\$333,638)	\$1,762,926	\$3,948,105	\$5,892,187	\$8,153,597
Long-term Liabilities	\$0	\$0	\$6,261,469	\$5,722,866	\$7,902,111	\$15,399,932
<b>Total Financial Liabilities</b>	<b>\$1,022,960</b>	<b>(\$333,638)</b>	<b>\$8,024,395</b>	<b>\$9,670,971</b>	<b>\$13,794,298</b>	<b>\$23,553,529</b>
<b>Net Financial Assets (Net Debt)</b>	<b>\$12,261,055</b>	<b>\$9,901,942</b>	<b>\$4,548,853</b>	<b>\$2,617,043</b>	<b>\$1,522,857</b>	<b>(\$4,054,967)</b>
<b>Non-Financial Assets:</b>						
Tangible Capital Assets	\$221,942,802	\$231,482,802	\$240,213,802	\$246,398,802	\$253,115,802	\$264,897,802
Accumulated Amortization	(\$64,302,739)	(\$67,389,176)	(\$70,592,027)	(\$73,877,344)	(\$77,252,221)	(\$80,784,192)
<b>Total Non-Financial Assets</b>	<b>\$157,640,063</b>	<b>\$164,093,626</b>	<b>\$169,621,775</b>	<b>\$172,521,458</b>	<b>\$175,863,581</b>	<b>\$184,113,610</b>
<b>Accumulated Surplus</b>	<b>\$169,901,118</b>	<b>\$173,995,568</b>	<b>\$174,170,628</b>	<b>\$175,138,500</b>	<b>\$177,386,438</b>	<b>\$180,058,643</b>
<b>Financial Indicators</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Increase (Decrease) in Net Financial Assets</b>	<b>(\$782,235)</b>	<b>(\$2,359,113)</b>	<b>(\$5,353,089)</b>	<b>(\$1,931,810)</b>	<b>(\$1,094,185)</b>	<b>(\$5,577,824)</b>
<b>Increase (Decrease) in Net Tangible Capital Assets</b>	<b>\$23,773,763</b>	<b>\$6,453,563</b>	<b>\$5,528,149</b>	<b>\$2,899,683</b>	<b>\$3,342,123</b>	<b>\$8,250,029</b>
<b>Increase (Decrease) in Accumulated Surplus</b>	<b>\$22,991,528</b>	<b>\$4,094,450</b>	<b>\$175,060</b>	<b>\$967,872</b>	<b>\$2,247,937</b>	<b>\$2,672,205</b>
<b>Sanitary Asset Consumption Ratio</b>	<b>29.0%</b>	<b>29.1%</b>	<b>29.4%</b>	<b>30.0%</b>	<b>30.5%</b>	<b>30.5%</b>

## ii. Statement of Operations

The Statement of Operations is presented in Table 7. It summarizes the annual revenues and expenses associated with managing the City's sanitary system and provides a report on the transactions and events that have an influence on the accumulated surplus. The main revenue items include:

- Revenues from Sanitary Rates
- Earned Revenues (development charges spent on TCA)
- Other Revenues (miscellaneous fees and charges, recoveries, additional sewage revenues, cross-border agreements, etc.)

The main expense items include:

- Annual cost of operating and maintaining the sanitary system, including wholesale wastewater treatment charges from the Region
- Amortization expenses on existing and added assets

The operating surplus (or deficit) is an important indicator contained in the Statement of Operations. It measures whether operating revenues generated in a year were sufficient to cover operating expenses incurred in that year. It is important to note that an annual surplus is necessary to ensure funds will be available to address non-operating (i.e. non-expense) items such as asset rehabilitation and acquisitions over and above amortization expenses. Annual contributions to reserves for asset replacement and rate stabilization (if needed) are built into the financial projections.

A ratio of operating surplus to total revenue is shown in Table 7 to reflect the percent of total revenue that can be allocated to fund non-expense items as noted above. This ratio decreases from 40.0% in 2026 to 6.0% in 2031. The ratio in 2026 is significantly higher under the assumption that DC capital projects scheduled for 2024 and 2025 that have not begun yet will begin in 2026 and the DC charges will be counted as revenue earned in 2026. Otherwise, the higher the ratio the greater proportion of operating revenues that are available for paying down debt (if applicable), purchasing/rehabilitating capital assets, and setting aside funds in reserves for future use. Cash generated from operations is discussed in the Statement of Cash Flows section.

**Table 7: Sanitary Statement of Operations**

Statement of Operations	2026	2027	2028	2029	2030	2031
<b>Sanitary Revenue:</b>						
User Rate & Service Fee Revenue	\$34,015,305	\$35,935,432	\$37,665,791	\$39,272,284	\$40,890,727	\$43,041,291
Earned Revenue (Development Charges)	\$22,905,000	\$3,963,000	\$570,000	\$542,000	\$846,000	\$593,000
Other Revenue	\$501,305	\$519,909	\$539,253	\$559,366	\$580,280	\$602,026
<b>Total Revenues</b>	<b>\$57,421,610</b>	<b>\$40,418,341</b>	<b>\$38,775,044</b>	<b>\$40,373,650</b>	<b>\$42,317,007</b>	<b>\$44,236,317</b>
<b>Sanitary Expenses:</b>						
Operating & Maintenance	\$5,576,799	\$5,789,273	\$6,012,288	\$6,371,611	\$6,573,343	\$7,122,252
Wastewater Treated by Region of Waterloo	\$25,894,046	\$27,448,181	\$29,128,845	\$29,748,849	\$30,120,849	\$30,909,889
<b>Operating Expenses</b>	<b>\$31,470,845</b>	<b>\$33,237,454</b>	<b>\$35,141,133</b>	<b>\$36,120,460</b>	<b>\$36,694,192</b>	<b>\$38,032,141</b>
Interest on Debt	\$0	\$0	\$256,000	\$0	\$0	\$0
Amortization	\$2,959,237	\$3,086,437	\$3,202,851	\$3,285,317	\$3,374,877	\$3,531,971
<b>Total Expenses</b>	<b>\$34,430,082</b>	<b>\$36,323,891</b>	<b>\$38,599,984</b>	<b>\$39,405,778</b>	<b>\$40,069,070</b>	<b>\$41,564,112</b>
<b>Annual Surplus/(Deficit)</b>	<b>\$22,991,528</b>	<b>\$4,094,450</b>	<b>\$175,060</b>	<b>\$967,872</b>	<b>\$2,247,937</b>	<b>\$2,672,205</b>
<b>Accumulated Surplus/(Deficit), Beginning of Year</b>	<b>\$146,909,590</b>	<b>\$169,901,118</b>	<b>\$173,995,568</b>	<b>\$174,170,628</b>	<b>\$175,138,500</b>	<b>\$177,386,438</b>
<b>Accumulated Surplus/ (Deficit), End of Year</b>	<b>\$169,901,118</b>	<b>\$173,995,568</b>	<b>\$174,170,628</b>	<b>\$175,138,500</b>	<b>\$177,386,438</b>	<b>\$180,058,643</b>
<b>Financial Indicators</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>Increase (Decrease) in Total Revenues</b>	<b>(\$1,602,552)</b>	<b>(\$17,003,269)</b>	<b>(\$1,643,297)</b>	<b>\$1,598,606</b>	<b>\$1,943,357</b>	<b>\$1,919,310</b>
<b>Increase (Decrease) in Total Expenses</b>	<b>\$2,403,237</b>	<b>\$1,893,809</b>	<b>\$2,276,092</b>	<b>\$805,794</b>	<b>\$663,292</b>	<b>\$1,495,042</b>
<b>Increase (Decrease) in Annual Surplus</b>	<b>(\$4,005,789)</b>	<b>(\$18,897,078)</b>	<b>(\$3,919,389)</b>	<b>\$792,812</b>	<b>\$1,280,065</b>	<b>\$424,268</b>
<b>Operating Surplus Ratio</b>	<b>40.0%</b>	<b>10.1%</b>	<b>0.5%</b>	<b>2.4%</b>	<b>5.3%</b>	<b>6.0%</b>

### iii. Statement of Cash Flow

The Statement of Cash Flow is presented in Table 8 and summarizes how the sanitary system is expected to generate and utilize cash resources through cash inflows and outflows related to the main areas of operating, capital, investing, and financing, and shows the annual changes in cash.

The operating cash transactions begin with the surplus or deficit identified in the Statement of Operations. This figure is adjusted to add or subtract non-cash items that were included as revenues or expenses (e.g. amortization expenses). The capital section indicates the amounts to be spent to acquire or rehabilitate capital assets (TCA) or to be received from the sale of any assets (if relevant). In the City's case, it is assumed that there are no assets to be sold to generate cash. The financing section identifies the funds to be received from development charges collections, Provincial/Federal grants (if any), and any proceeds from the issuance of debentures as cash inflows, offset with the portion of debt repaid as cash outflows. No grant funding is projected over the forecast period as grant awards and/or amounts are not certain into the forecast period and no debt is projected to be used over the forecast period.

Table 8 indicates that cash is generated from operations, which is used towards funding the acquisition of TCA along with existing reserve balances. The cash position is projected to increase over the forecast period from \$13.28 million in 2026 to \$19.50 million by 2031.

**Table 8: Sanitary Statement of Cash Flows**

Statement of Cashflows	2026	2027	2028	2029	2030	2031
<b>Cash Provided by:</b>						
<b>Operating Activities:</b>						
Annual Surplus/(Deficit)	\$22,991,528	\$4,094,450	\$175,060	\$967,872	\$2,247,937	\$2,672,205
<b>Non-Cash Items</b>						
Amortization	\$2,959,237	\$3,086,437	\$3,202,851	\$3,285,317	\$3,374,877	\$3,531,971
Earned Revenue	(\$22,905,000)	(\$3,963,000)	(\$570,000)	(\$542,000)	(\$846,000)	(\$593,000)
<b>Net Change in Cash Provided by Operating Activities</b>	<b>\$3,045,765</b>	<b>\$3,217,887</b>	<b>\$2,807,911</b>	<b>\$3,711,190</b>	<b>\$4,776,815</b>	<b>\$5,611,176</b>
<b>Capital Activities:</b>						
Purchase of TCA	(\$26,733,000)	(\$9,540,000)	(\$8,731,000)	(\$6,185,000)	(\$6,717,000)	(\$11,782,000)
<b>Net Change in Cash Used in Capital Activities</b>	<b>(\$26,733,000)</b>	<b>(\$9,540,000)</b>	<b>(\$8,731,000)</b>	<b>(\$6,185,000)</b>	<b>(\$6,717,000)</b>	<b>(\$11,782,000)</b>
<b>Financing Activities:</b>						
DC Collections (incl interest)	\$18,730,524	\$2,606,402	\$2,666,564	\$2,727,180	\$2,790,082	\$2,854,410
Provincial/Federal Grants	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds From Long-Term Debt	\$0	\$0	\$6,400,000	\$0	\$2,800,000	\$8,500,000
Repayment of Long-Term Debt	\$0	\$0	(\$138,531)	(\$538,603)	(\$620,755)	(\$1,002,179)
<b>Net Change in Cash Used in Financing Activities</b>	<b>\$18,730,524</b>	<b>\$2,606,402</b>	<b>\$8,928,033</b>	<b>\$2,188,576</b>	<b>\$4,969,327</b>	<b>\$10,352,231</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(\$4,956,711)</b>	<b>(\$3,715,711)</b>	<b>\$3,004,944</b>	<b>(\$285,234)</b>	<b>\$3,029,142</b>	<b>\$4,181,407</b>
Cash and Cash Equivalents, Beginning of the Year	\$18,240,725	\$13,284,015	\$9,568,303	\$12,573,247	\$12,288,014	\$15,317,156
<b>Cash and Cash Equivalents, End of the Year</b>	<b>\$13,284,015</b>	<b>\$9,568,303</b>	<b>\$12,573,247</b>	<b>\$12,288,014</b>	<b>\$15,317,156</b>	<b>\$19,498,562</b>