

# 2025-2030

# Drinking Water System

# Financial Plan

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**Mitchell Drinking Water System  
Financial Plan Number 060-301**



**Prepared by  
B.M. Ross and Associates LTD**





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## 2025-2030 Water Financial Plan

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**To:** Municipality of West Perth

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**Re:** Water Works Financial Plan – 2025 to 2030

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**File #:** 24246

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**Date:** February 4, 2025

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### 1.0 INTRODUCTION

#### 1.1 Purpose of Memo

On behalf of the Municipality of West Perth (West Perth), B. M. Ross and Associates Limited (BMROSS) has prepared a Financial Plan for the Mitchell Drinking Water System. The Plan includes the following basic components:

1. A **full cost analysis** of the provision of water services.
2. A **cost recovery plan**, including options for revenue adjustments.

This memo summarizes the information used and assumptions made in developing the Financial Plan. The Plan complies with O. Reg 453/07.

#### 1.2 Key Legislated Requirements

As identified in the Ontario Ministry of the Environment, Conservation and Parks (MECP) Guidelines<sup>1</sup> for financial planning, achieving financial sustainability in Ontario's municipal water sector is a long-term goal of the Province.

In addition to related municipal operating and financing legislation, the Province has set out, in the Safe Drinking Water Act, 2002 (SDWA), detailed requirements for financial planning related to water works systems.

The key aspects are considered to be as follows:

1. The Financial Plan must apply to a period of at least six years. The first year to which the Financial Plan must apply must be the year in which the drinking water system's existing Municipal Drinking Water License (MDWL) would otherwise expire.
2. Amortization costs for existing infrastructure must be identified in the Financial Plan, but there is no requirement to recover those costs.

The current MDWL for West Perth expires on August 19, 2025 and an application for renewal must be submitted by **February 19, 2025**.

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<sup>1</sup> Ministry of the Environment (MOE), "Toward Financially Sustainable Drinking Water and Wastewater Systems", August 2007.

### **1.3 Relationship to Previous Plans**

The most recent Water Financial Plan for the Municipality was completed in October 2019 in accordance with O. Reg. 453/07. This plan was used to determine water pricing for 2019 to 2025. Following the presentation of several different rate alternatives, council opted to target annual rate increases of 2.5 %. That report was reviewed and compared to the actual financial situation for 2023. This summary is provided in Section 5.1.

## **2.0 METHODOLOGY**

### **2.1 Available Information**

Information provided by West Perth includes;

1. 2021-2023 Capital and Operating Budgets and actual expenditures for the water system.
2. 2024 Capital and Operating Budgets for the water system.
3. Information concerning dedicated reserves for water supply.
4. Water Asset Inventory.
5. Number of customers.
6. 2025 water rates.
7. Other applicable information related to the water system.

### **2.2 Procedure**

The available information listed in Section 2.1 was reviewed for inclusion in the Financial Plan. Existing water assets are listed in West Perth's asset inventory with historical financial details. The historical financial details were used to calculate the amortization expenses and net book value of the tangible capital assets and are recorded in the Financial Plan. Expenditures and revenues budgeted for 2024 were included with an inflation rate of 2%, with some exceptions as noted later in this memo, applied for future years. Forecasted capital projects were included in the projection.

The inflation rate of 2% was selected as it approximately matches the average CPI inflation rate from the past 30 years (1994-2024).

The Memo concludes with a summary showing the consequences of a 0% rate increase and two additional annual rate increase scenarios:

- A 2.5% increase (i.e. matching previously selected rate increase)
- A 4.8% Increase (i.e. maintaining current rate of replacement of 28 years)

## **3.0 DESCRIPTION OF THE SYSTEMS**

### **3.1 General**

A very basic description of the existing system is as follows:

- Well Nos. 1, 2 and 3:
  - 3 groundwater wells (Well Nos. 1, 2 and 3) each well is located in a small pumphouse and water is pumped to Distribution 123
- Distribution 123:
  - Chlorine disinfection facilities
  - Iron sequestering using sodium silicate
  - In-ground reservoir
  - 3 Vertical Turbine High-lift Pumps
  - Diesel driven Standby Generator

- Well No. 4:
  - 1 groundwater well (Well No. 4) located within Distribution 4
- Distribution 4:
  - Chlorine disinfection facilities
  - Iron sequestering using sodium silicate
  - In-ground reservoir
  - 1 Vertical Turbine High-lift Pump
  - Diesel driven Standby Generator
- Other:
  - Equipment for monitoring flow and water quality
  - A 3,900 m<sup>3</sup> standpipe reservoir combined with 1 diesel powered fire pump
  - A 1,050 m<sup>3</sup> elevated water storage tank

The treatment and high lift pumphouse for Well Nos. 1, 2 and 3 (Distribution 123) is located at 132 St. George Street and the treatment and high lift pumphouse for Well No. 4 (Distribution 4) is located at 50 Arthur Street. The standpipe and fire pump system, constructed in 1980, are located at 97 Arthur Street. The elevated water storage tank was constructed in 2016 and is located at 125 Clarke St.

The Mitchell Water Distribution System consists of approximately 40 km of watermain ranging in size up to 350 mm diameter.

The current weighted (on cost) remaining life expectancy of the assets is 45 years.

### **3.2 Customer Information**

The Mitchell Drinking Water System has 2154 (2024) residential, commercial and industrial customers. The largest water consumers are Sofina Foods Inc. and Lactalis Canada Inc.

### **3.3 Growth Expectations**

At the time of the 2019 Water Financial Plan there were 2024 customers. Currently there are 2154 which indicates an average annual increase of 26 customers in the previous five years. This growth rate was used in the Financial Plan in projecting revenue in future years.

## **4.0 FULL COST OF SERVICE**

### **4.1 Cost Components**

The full cost of providing water services includes the following major categories<sup>2</sup>:

1. Operating expenses
2. Interest expense
3. Funding for Debt Principal Repayment
4. Amortization of Tangible Capital Assets
5. Funding for Inflation in Asset Costs
6. Funding for Historic Under-investment
7. Funding for Service Enhancements
8. Funding for System Growth

The above items can be defined as follows:

Operating expenses – The cost a business incurs to run its day-to-day operations.

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<sup>2</sup> MOE, August 2007.

Interest expense – The cost of borrowing money. Interest will be incurred on any existing debentures at a predetermined rate.

Funding for Debt Principal Repayment - The process of paying back the original amount of a loan, or principal, minus any interest.

Amortization of Tangible Capital Assets - The process of allocating the cost less the residual value of a tangible capital asset to operating periods as an expense over its useful life in a rational and systematic manner appropriate to its nature and use.

Funding for Inflation in Asset Costs – Inflation is the rate of increase in prices over a given period of time.

Funding for Historic Under-investment - Historic investment in the context of financial planning means the sum of all previous investments made towards replacing infrastructure. Historic under-investment is the difference between the accumulated historical investments and the amount currently required to replace the sum of all of the assets at their present replacement value.

Funding for Service Enhancements – Rather than replacing an asset like-for-like, a service enhancement refers to improving the asset or service offered which typically comes at an additional cost.

Funding for System Growth – Expansion of the system to incorporate additional customers.

Items 2 and 3 would apply when debt has been, or will be, incurred for capital projects. Items 4 to 6 relate to asset maintenance and replacement. The final two items, 7 and 8, relate to planned capital projects for improvements or growth. In some cases, the improvements may be driven by changing regulations, in other cases the Municipality may initiate the project.

## 4.2 Operating Expenses

### 4.2.1 Review of 2024 Water Budget

Budgets and actual expenses for the water system were reviewed for 2022 and 2023. The 2024 Budget is believed to reflect the cost of operating the current system. The 2024 anticipated expenses for water works operations are summarized in Table 4.1.

**Table 4.1  
ACW 2024 Water Operations Budget**

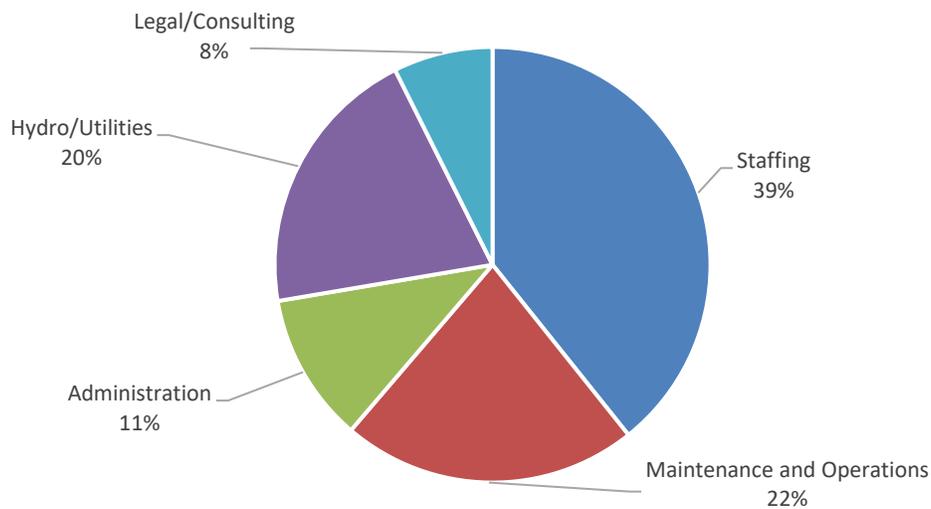
<b>Item<sup>1</sup></b>	<b>2024</b>	<b>Category<sup>2</sup></b>
Salaries & Wages	\$ 256,854	Staffing
Benefits	\$ 64,046	Staffing
Continuing Education	\$ 4,250	Staffing
Health & Safety	\$ 3,500	Staffing
Billing & Collecting	\$ 4,000	Administration
Building - Maintenance	\$ 54,200	Maintenance and Operations
Building - Insurance	\$ 39,049	Administration
Building - Taxes	\$ 15,000	Administration
Legal, Consulting	\$ 40,000	Legal/Consulting
Memberships	\$ 500	Staffing
Power Purchased	\$ 60,000	Hydro/Utilities
Chemical	\$ 110,000	Hydro/Utilities
Distribution system maintenance	\$ 43,000	Maintenance and Operations

Item <sup>1</sup>	2024	Category <sup>2</sup>
Well/equipment Maintenance	\$ 34,000	Maintenance and Operations
Water Meter Maintenance	\$ 5,000	Maintenance and Operations
Sampling	\$ 24,000	Maintenance and Operations
Small Tools	\$ 3,500	Maintenance and Operations
Computer	\$ 23,000	Administration
Office supplies, postage, telephone, internet, Misc	\$ 11,500	Administration
Annual Inspections & Calibrations	\$ 9,000	Maintenance and Operations
DWQMS/Audits & Licence	\$ 3,000	Maintenance and Operations
Vehicles	\$ 8,500	Maintenance and Operations
UTRCA - Source Water Protection	\$ 21,851	Legal/Consulting
Infrastructure Ontario - LT debt interest	\$ 277	Administration
<b>TOTAL 2024</b>	<b>\$ 838,027</b>	-

Note: 1. Grouping provided by West Perth  
 2. Category assignments by BMROSS

The above information is presented graphically in Figure 4.1.

**Figure 4.1  
 West Perth Water Works Operational Expenses 2019**



Because West Perth operates their own Drinking Water System, a large component of “Staffing” could also be interpreted as belonging under “Maintenance and Operations”.

#### 4.3 Interest Expense and Debt Repayment

West Perth currently has no water related debt.

#### 4.4 Amortization of Tangible Capital Assets

Amortization is defined as “...the accounting process of allocating the cost less the residual value of a tangible capital asset to operating periods as an expense over its useful life in a rational and systematic manner appropriate to its nature and use.”<sup>3</sup>

<sup>3</sup> MOE, August 2007

The current value (sometimes referred to as “net book value”) of the asset is its original cost less depreciation. It can be calculated as, original cost times current age divided by its life expectancy. This is a method traditionally called straight line depreciation.

Using the above approach the annual amortization expense and net book value for the water system, as of the start of 2024, are as follows:

**Table 4.2  
2024 Net Book Value and Amortization Expense for Water Works <sup>1</sup>.**

<b>System Component</b>	<b>Amortization Expense</b>	<b>Historical Costs</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Distribution Systems	\$ 306,515	\$ 20,028,118	\$ 5,920,768	\$ 14,107,350
Facilities (wells, storage, pumping)	\$ 63,298	\$ 2,326,982	\$ 912,485	\$ 1,414,497
<b>Totals</b>	<b>\$ 369,813</b>	<b>\$ 22,355,100</b>	<b>\$ 6,833,253</b>	<b>\$ 15,521,847</b>

Note: 1. Values are from Municipal records  
2. Start of year

#### 4.5 Reserve Funds

One reserve fund currently exists for the water works. The balance in reserves at the beginning of 2024 was reported to be \$2,230,776. In addition to this value, there is also a development charges reserve fund allocated to water (i.e. growth related projects). This reserve fund is currently in an overdraft position (\$1,029,459). It is anticipated that development projects in the future will bring this reserve back up to a net zero position and for the purposes of this financial plan it was not factored into the net financial position. Reserves were projected to grow at 4.4% interest/year which matches growth in previous years.

#### 4.6 Replacement Costs

The replacement cost of the Municipality’s Water System, as of 2024, is considered to be approximately \$32.4M. This value increases annually as construction costs increase. The annual increment would be roughly \$0.65M, based on inflation in construction costs at 2% per year.

### 5.0 ANALYSIS OF REVENUE

#### 5.1 2019 Financial Plan

Table 5.1 compares the 2023 predicted financial outcome with actual results.

**Table 5.1  
2019 Financial Plan – Predicted vs Actual for 2023**

<b>Item</b>	<b>2023 Predicted</b>	<b>2023 Actual</b>
Revenue	\$ 1,572,410	\$ 1,673,721
Operating Expenditures	\$ 1,136,928	\$ 1,101,928
Cash Reserves (end of year)	\$ 1,787,824	\$ 2,230,776
Financial Position	\$ 18,150,073	\$ 17,470,539

Revenues were 6% greater than predicted and operating expenditures were 3% less than predicted in the 2019 Financial Plan. Cash reserves at the end of 2023 were 25% higher than the predicted value and the actual 2023 financial position was 4% lower than predicted.

The reason for the reserves being 25% higher than projected is likely a cumulative effect of any of the following: less money being spent in the previous years on capital than what was projected in the previous plan, operation costs being slightly lower than what was projected, more money being collected through revenue than what was projected, grants were received which weren't factored into the previous plan.

## 5.2 Current Rate Structure and Charges

Current rates (2025) were established in conjunction with the consolidated 2019 Financial Plan and stated in By-Law 67-2024 Schedule H. A summary is shown in Table 5.2.

**Table 5.2**  
**Water Rate Structure**

<b>Component</b>	<b>2025 Charge</b>
<i>Monthly Service Charge</i>	
Residential	\$31.21
Commercial	\$41.07
<i>Consumption Charge</i>	
Residential	\$0.92
Commercial < 135 m <sup>3</sup>	\$1.41
Commercial > 135 m <sup>3</sup>	\$0.51
<i>Monthly Water Meter Charge</i>	
5/8"	N/A
3/4"	\$2.98
1"	\$10.48
1.5"	\$37.90
2"	\$65.32
3"	\$92.48
4"	\$142.86
6"	\$221.99

## 5.3 Review of Revenue

### 5.3.1 Method of Charging

As identified in the above rate structure, water works related revenue is principally generated in three parts as follows:

1. A flat rate per unit charge.
2. A volumetric (per m<sup>3</sup>) consumption charge based on type of customer.
3. A flat rate monthly water meter charge for services greater than 5/8".

There are other sources of consistent revenue (including connection fees and interest but excluding grants and dividends) but the total revenue generated from those sources is minor. In 2023 it was less than 3% of the total revenue.

### 5.3.2 Revenue Breakdown

The 2025 budget anticipates approximately \$1,678,500 in water revenue. In 2025 the revenue is expected to be approximately 39% greater than operating costs including amortization, resulting in a net revenue of approximately \$469,200. Out of this value capital replacement and improvement projects will be funded. Including amortization, the surplus increases to approximately \$848,300.

Average reserve transfers for 2022-2024 were approximately \$552,400 annually. Reserve transfers occur after contributions to capital.

### 5.3.3 Proceeds from Portfolio Investments

Proceeds from portfolio investments is essentially interest earned on reserves throughout the year. We have assumed future interest at 4.4%, which matches what the Municipality has historically been receiving in recent years. For Option 3 (see Section 7.2) anticipated interest on future reserves is shown below in Table 5.3.

**Table 5.3  
Anticipated Interest Earned on Reserves**

<b>Year</b>	<b>Interest Earned</b>
2025	\$109,900
2026	\$110,800
2027	\$131,700
2028	\$168,000
2029	\$200,300
2030	\$280,100

Notes: 1. Table applies to Option 3 (see Section 7.2).  
2. Interest based on assumed rate of 4.4%. Values shown above have been rounded.

## 6.0 FULL COST PROJECTIONS

### 6.1 General

The purpose of this Section is to identify the expected cost of service.

### 6.2 Assumptions

Assumptions regarding full cost of service for the Plan period (2025-2030) are as follows:

1. The starting point for operating expenses was the 2024 Budget.
2. Operating costs, other than those for electricity, chemical supply and insurance, will increase at the rate of 2% per year.
3. Electricity costs, chemical costs and insurance will increase 5% per year from 2025-2030.
4. Growth of 26 household per year is expected based on the previous five years.
5. 2025 projected revenue was based on the 2024 budgeted amount increased by the previously approved rate of 2.5%.

### 6.3 Funding for Historic Under-Investment

In recent years there have been some infrastructure replacement projects funded from reserves. Historically neither the amortization expense nor the inflation of asset costs for tangible capital assets was completely funded each year. As well, maintenance and replacement may have been deferred. These two factors combined are the historic under-investment in the system. As with amortization and inflation of asset costs there is no legislated requirement to generate a surplus which funds historic under-investment. If this amount is recovered along with amortization and inflation of asset cost the full cost of ongoing system replacement could be funded through reserves.

Table 6.1 summarizes the various components of the full cost of replacement including funding for historic under-investment. The values shown in the following table are based on the assumption that

items that are overdue for replacement, based on their theoretical useful life, are replaced in 2031. The annual full cost of replacement is calculated assuming \$0 in reserves and enough cash must be available in the asset replacement year to pay 100% of the costs of replacement. It should be noted there is currently a total water reserve balance of approximately \$2.0M, so part of this allowance has been covered.

**Table 6.1  
Annual Full Cost of Replacement for Water Works**

System Component	2024 Annual Funding Requirements Breakdown			
	Amortization Expense	Funding for Inflation of Asset Costs	Funding for Historic Under Investment	Annual Full Cost of Replacement <sup>1.</sup>
Distribution Systems	\$ 227,375	\$ 208,235	\$ 500,869	\$ 936,479
Supply and Storage Systems	\$ 140,596	\$ 157,380	\$ 396,662	\$ 694,638
<b>Total</b>	<b>\$ 367,971</b>	<b>\$ 365,615</b>	<b>\$ 897,531</b>	<b>\$ 1,631,117</b>

Notes: 1. Based on 2% per year inflation and 1.5% per year earned interest.

Amortization Expense is described in Section 4.4 and is calculated by dividing the original cost of the asset over the estimated useful life.

Funding for Inflation of Asset Costs is derived from its Annual Allowance, which is the annual amount set aside to replace the asset once it has reached its estimated useful life. It considers that the savings will earn interest and the cost of the asset is increasing due to compounding inflation over the life of the asset. The formula used to calculate the Annual Allowance is:

$$PMT = FV \left[ \frac{i}{((1+i)^n - 1)} \right]$$

Where:

- PMT = Annual Allowance
- FV = Future Value
- i = annual interest
- n = Estimated Useful Life

Then the Funding for Inflation of Asset Costs is the Annual Allowance less the Amortization Expense.

Annual Full Cost of Replacement is similar to the Annual Allowance calculation described above, however it assumes that the annual amount set aside was not started in year one. The value for n has been reduced to the Estimated Remaining Life of the asset.

Funding for Historical Under Investment is the Annual Full Cost of Replacement less the Annual Allowance. As noted in Section 4.1, historic investment in the context of financial planning means the sum of all previous investments made towards replacing infrastructure. Historic under-investment is the difference between the accumulated historical investments and the amount currently required to replace the sum of all of the assets at their present replacement value.

In addition to the average amount being transferred to reserves (\$552,400), a total of approximately \$600,900 has, on average, been put towards replacing water infrastructure during each of the past three years. This is still less than the annual full cost of replacement.

The average total weighted life expectancy as expressed in the Water Asset Inventory database of all of the water assets is approximately 73 years. The remaining average life expectancy is 45 years.

The Rate of Replacement has been defined as the current replacement cost of the water assets (i.e. \$32.4M) divided by the sum of the average annual capital expenditure on replacement plus the contribution to reserves. Based on the 2022 to 2024 capital expenditures and reserve contributions the current Rate of Replacement is:

$$\begin{aligned}
 \text{Rate of Replacement (2025)} &= \frac{\text{2025 Replacement Cost}}{\text{Average Capital Investment + Transfer to Reserves}} \\
 &= \frac{\$32,384,763}{\$600,881 + \$552,404} \\
 &= 28 \text{ Years}
 \end{aligned}$$

It is strongly recommended to target a replacement rate that is approximately equal to or lower than the remaining average life expectancy (i.e. 45 years), which is what is currently being achieved here. It is important to note, however, that recent grant funding received (i.e. ~\$375K in 2023) is contributing to the rate of replacement noted above (i.e. 28 years) being lower than it would be otherwise. If the grant funding is excluded from the above calculation, the current rate of replacement would calculate to 32 years.

## 6.4 Proposed Capital Program

### 6.4.1 Asset Replacement/Upgrading

Known maintenance/replacement work for the 2025-2030 period is identified and discussed in more detail below. This information was provided through discussions with Municipal employees. It is assumed that over the life of this Financial Plan capital costs will continue to be funded from reserves.

A summary of replacement, growth and service enhancement projects expected to occur over the life of this financial plan is provided in Table 6.2.

**Table 6.2  
Potential Water Works Capital Projects 2025 – 2030**

Project	Year	Approximate Cost
WTP – Radio antenna extensions	2025	\$ 5,000
WTP – Spare VFD	2025	\$ 4,000
WTP – Standpipe coating inspection	2025	\$ 6,000
WTP – Reservoir #4 baffle replacement	2025	\$ 70,000
WTP – Distribution 123 miscellaneous upgrades	2025	\$ 70,871
WTP – Distribution 123 flow meter replacement	2025	\$ 11,200
WTP – Distribution 123 Raw water well 3 inspection/rehab	2025	\$ 65,000
WTP – Distribution 4 well pump replacement	2025	\$ 59,607
WTP – Distribution 4 chlorine probe replacement	2025	\$ 4,500
WTP – Distribution 4 PLC upgrades	2025	\$ 50,000
Distribution – Water meter replacement	2025	\$ 50,000
Distribution – New or Replacement	2025	\$ 540,480
<b>Total for 2025</b>		<b>\$ 936,658</b>
WTP – Distribution 123 raw water wells inspection	2026	\$ 17,000
WTP – Distribution 123 chlorine probe replacement	2026	\$ 4,700
Distribution – Water meter replacement	2026	\$ 50,000
Distribution – New or Replacement	2026	\$ 482,900
<b>Total for 2026</b>		<b>\$ 554,608</b>

Project	Year	Approximate Cost
ET – Chlorine probe replacement and misc. upgrades	2027	\$ 7,900
Distribution – Water meter replacement	2027	\$ 50,000
Distribution – New or Replacement	2027	\$ 245,456
<b>Total for 2027</b>		<b>\$ 303,356</b>
ET – Misc. upgrades	2028	\$ 20,000
Distribution – Water meter replacement	2028	\$ 50,000
Distribution – New or Replacement	2028	\$ 440,220
<b>Total for 2028</b>		<b>\$ 510,220</b>
WTP – Distribution 123 raw water wells inspection	2029	\$ 17,000
Distribution – Water meter replacement	2029	\$ 50,000
Distribution – New or Replacement	2029	\$ 480,240
<b>Total for 2029</b>		<b>\$ 547,240</b>
Standpipe – Coating upgrades or replacement	2030	\$ 5,000,000
ET – Misc. upgrades	2030	\$ 3,000
Misc – New ¾ ton pickup truck	2030	\$ 37,250
Distribution – Water meter replacement	2030	\$ 50,000
Distribution – New or Replacement	2030	\$ 450,000
<b>Total for 2030</b>		<b>\$ 5,540,250</b>
<b>Total for 2025-2030</b>		<b>\$ 8,392,332</b>

Note 1. The above project costs have been developed for budgetary planning for this Financial Plan and should be used cautiously for other purposes.

## 7.0 COST RECOVERY

### 7.1 General

Rates have been developed in the past to enable operational costs of the systems to be recovered, to recover amortization expenses of the tangible capital assets and to offset some of the inflation of those assets. As has been mentioned earlier in this report, inflation costs were not always recovered in the past.

### 7.2 Proposed Water Rates 2025 to 2030

In addition to the goals set out in Section 7.1 and the assumptions stated in Section 6.2, each Option set out below has an additional consideration:

#### Option 1 – No Rate Increase

If no rate increase is applied, the financial position (i.e. Asset Book Value plus Reserves) will still continue to grow. However, the overall decrease in net revenue (with respect to the projected increase in expenses) will result in a decrease in the replacement cycle from 28 years to 43 years by 2030.

The financial position will continue to grow despite no increase to rates for two reasons:

1. The main reason is because as noted in Section 5.3.2 the revenue in 2025 is 39% higher than operating costs (including amortization). So, with 0% increase in rates, the gap between the revenue and the operating expenses gets smaller by the year 2030 but there would still be a

surplus of money that is available each year to put back into capital after expenses have been paid.

2. Another, but less significant reason is that even though the revenue rates aren't increasing, the plan still assumes growth of 26 customers per year (i.e. new revenue).

Option 2 – Maintain previously approved rate increase of 2.5%

Option 2 includes continuing with the previously approved rate increase of 2.5% recognizing that expenses will continue to increase at a rate that matches or exceeds inflation.

Option 3 – Match Current Rate of Replacement of 28 years

Option 3 would be a rate to build reserves and replace existing capital at the 28-year rate by 2030. This would match the current Rate of Replacement which, as mentioned in Section 6.3, is superficially low due to the effects of receiving significant grant funding in 2023.

Table 7.1 summarizes the results of Options 1 to 3 presented as proposed annual rate increases for the period 2025 to 2030.

**Table 7.1  
2025 to 2030 Annual Water Rate Increase Options**

<b>Option No.</b>	<b>Criteria</b>	<b>Annual Rate Increase Required</b>
1	No increase on rates	0.0%
2	Match previously approved rate increase	2.5 %
3	Increase rate of replacement (to 28 years)	4.8 %

**7.3 Basis of Comparison**

When comparing the effect of each option on the required water rates it was assumed that there would be a series of uniform increases.

For each option we considered the following:

- Annual % increase required
- Reserves at end of planning period (2030)
- Financial Position at 2030 (Asset value + Reserves)
- Financial Position change (\$ and %)
- Rate of Replacement

**7.4 Summary of Results**

Tables 8.1 A to C, which were attached to an earlier (Jan. 31/25) Memo, provide year by year details of the water system financial position for each of the Options shown in Table 7.1. Table 7.2 summarizes the effect of selecting each option.

**Table 7.2  
Summary of Outcomes for Rate Alternatives**

Option No.	Description	% Annual Increase Required	Reserves at 2030	Financial Position (2030)			Rate of Replacement <sup>2</sup> (Years)
				\$	Change <sup>1</sup>		
					\$	%	
	2025 Position	-	\$2.5M	\$18.6M	-	-	28
1	0% Rate Increase	0	\$1.0M	\$22.5M	\$3.9M	21	43
2	2.5% Annual Rate Increase (match previously approved rate)	2.5	\$1.7M	\$23.1M	\$4.5M	24	34
3	4.8% Annual Rate Increase (target and RoR of 28 years by 2030)	4.8	\$2.4M	\$23.8M	\$5.2M	28	28

Notes: 1. Difference between 2025 and 2030.  
2. Rate of Replacement in year 2030 based on method described in Section 6.3.

**7.5 Impact of the Rate Increase Options**

On the assumption that the average residential customer is currently using approximately 0.8m<sup>3</sup>/day (320 L/cap/day x 2.5 ppl/household) and has a ¾” water service, the following anticipates typical 2025 water fees:

Annual service charge –	\$31.21/mth x 12mths	=	\$372.52
Annual usage charge –	\$0.92/m <sup>3</sup> x 0.8m <sup>3</sup> /day x 365days	=	\$286.64
Annual meter charge –	\$2.98/mth x 12mths	=	\$ 35.76
	Total annual fee		\$694.92

Table 7.3 shows the impact on future rates based on the above assumptions.

**Table 7.3  
Impact on Future Rates based on the 3 Options Proposed**

Options	Annual Rates					
	2025	2026	2027	2028	2029	2030
1 - (0% increase)	\$695	\$695	\$695	\$695	\$695	\$695
2 - (2.5% increase)	\$695	\$712	\$730	\$748	\$767	\$786
3 - (4.8% increase)	\$695	\$728	\$763	\$800	\$838	\$879

**8.0 COUNCIL SELECTION OF A PROPOSED RATE**

The three options identified in Section 7.2 were presented to members of the Municipality of West Perth Council on February 3, 2025 at a Council Meeting. Council’s preference was Option 2 (i.e. a 2.5% increase in each year between 2026 and 2030). This was carried forward in Table 8.1 (attached).

All of which is respectfully submitted.

B. M. ROSS AND ASSOCIATES LIMITED

Per \_\_\_\_\_  
Ryan DeVries, P. Eng.

RPD:hv

**Table 8.1**  
**MUNICIPALITY OF WEST PERTH**  
**2025-2030 Financial Plan for Waterworks**  
**FINANCIAL PLAN - 060-301**

Revised - February 4, 2025  
2.5% Revenue Increase - Adopted Feb 3, 2025

	2024	2025	2026	2027	2028	2029	2030
<b>FINANCIAL POSITION</b>							
<b>Financial assets</b>							
Cash and cash equivalents	2,496,095	2,516,435	2,954,686	3,699,083	4,305,653	5,938,844	1,688,509
<b>Total FINANCIAL ASSETS</b>	<b>2,496,095</b>	<b>2,516,435</b>	<b>2,954,686</b>	<b>3,699,083</b>	<b>4,305,653</b>	<b>5,938,844</b>	<b>1,688,509</b>
<b>Liabilities</b>							
<b>Total LIABILITIES</b>	<b>-</b>						
<b>NET DEBT (Liabilities - Assets)</b>	<b>(2,496,095)</b>	<b>(2,516,435)</b>	<b>(2,954,686)</b>	<b>(3,699,083)</b>	<b>(4,305,653)</b>	<b>(5,938,844)</b>	<b>(1,688,509)</b>
<b>Non-financial assets (Tangible capital assets)</b>							
Existing water mains and facilities	15,239,763	15,490,677	16,048,154	16,207,062	16,105,694	16,205,259	16,333,075
Less: Amortization	(367,971)	(379,181)	(395,691)	(404,724)	(410,655)	(419,424)	(428,328)
Loss (gain) on disposal of tangible capital assets	-	-	-	-	-	-	-
New watermains and facilities - at cost	618,885	936,658	554,600	303,356	510,220	547,240	5,540,250
<b>Total NON-FINANCIAL ASSETS</b>	<b>15,490,677</b>	<b>16,048,154</b>	<b>16,207,062</b>	<b>16,105,694</b>	<b>16,205,259</b>	<b>16,333,075</b>	<b>21,444,998</b>
<b>Financial position (Non Finance assets - Net Debt)</b>	<b>17,986,772</b>	<b>18,564,588</b>	<b>19,161,748</b>	<b>19,804,777</b>	<b>20,510,912</b>	<b>22,271,919</b>	<b>23,133,507</b>
<b>Analysis of financial position</b>							
Equity in tangible capital assets	15,490,677	16,048,154	16,207,062	16,105,694	16,205,259	16,333,075	21,444,998
Reserves and reserve funds	2,496,095	2,516,435	2,954,686	3,699,083	4,305,653	5,938,844	1,688,509
General surplus (deficit)	-	-	-	-	-	-	-
<b>Financial position (from analysis)</b>	<b>17,986,772</b>	<b>18,564,588</b>	<b>19,161,748</b>	<b>19,804,777</b>	<b>20,510,912</b>	<b>22,271,919</b>	<b>23,133,507</b>
	2024	2025	2026	2027	2028	2029	2030
<b>FINANCIAL OPERATIONS</b>							
<b>Revenue</b>							
Water Sales - Domestic	1,483,821	1,539,275	1,596,115	1,654,376	1,714,094	1,775,305	1,838,046
Miscellaneous	10,000	10,250	10,506	10,769	11,038	11,314	11,597
Hydrant Revenue	30,000	30,750	31,519	32,307	33,114	33,942	34,791
Promissory Note Interest Earned	89,256	85,796	85,796	85,796	85,796	85,796	85,796
Connections, penalties, other revenue	11,000	11,275	11,557	11,846	12,142	12,445	12,757
<b>Total REVENUE</b>	<b>1,624,077</b>	<b>1,677,346</b>	<b>1,735,493</b>	<b>1,795,094</b>	<b>1,856,184</b>	<b>1,918,802</b>	<b>1,982,986</b>
<b>Expenses</b>							
<b>Operating</b>							
Salaries & Wages	256,854	261,991	267,231	272,576	278,027	283,588	289,259
Benefits	64,046	65,327	66,633	67,966	69,325	70,712	72,126
Administration	-	-	-	-	-	-	-
Continuing Education	4,250	4,335	4,422	4,510	4,600	4,692	4,786
Health & Safety	3,500	3,570	3,641	3,714	3,789	3,864	3,942
Billing & Collecting	4,000	4,080	4,162	4,245	4,330	4,416	4,505
Building - Maintenance	54,200	55,284	56,390	57,517	58,668	59,841	61,038
Building - Insurance	39,049	41,001	43,052	45,204	47,464	49,838	52,329
Building - Taxes	15,000	15,300	15,606	15,918	16,236	16,561	16,892
Legal, Consulting	40,000	10,200	10,404	10,612	10,824	11,041	11,262
Memberships	500	510	520	531	541	552	563
Power Purchased	60,000	63,000	66,150	69,458	72,930	76,577	80,406
Chemical	110,000	115,500	121,275	127,339	133,706	140,391	147,411
Distribution system maintenance	43,000	43,860	44,737	45,632	46,545	47,475	48,425
Well/equipment Maintenance	34,000	34,680	35,374	36,081	36,803	37,539	38,290
Water Meter Maintenance	5,000	5,100	5,202	5,306	5,412	5,520	5,631
Sampling	24,000	24,480	24,970	25,469	25,978	26,498	27,028
Small Tools	3,500	3,570	3,641	3,714	3,789	3,864	3,942
Computer	23,000	23,460	23,929	24,408	24,896	25,394	25,902
Office supplies, postage, telephone, internet, Misc	11,500	11,730	11,965	12,204	12,448	12,697	12,951
Annual Inspections & Calibrations	9,000	9,180	9,364	9,551	9,742	9,937	10,135
DWQMS/Audits & Licence	3,000	3,060	3,121	3,184	3,247	3,312	3,378
Vehicles	8,500	8,670	8,843	9,020	9,201	9,385	9,572
UTRCA - Source Water Protection	21,851	22,288	22,734	23,188	23,652	24,125	24,608
Infrastructure Ontario - LT debt interest	277	-	-	-	-	-	-
<b>Subtotal Operating Expense</b>	<b>838,027</b>	<b>830,176</b>	<b>853,365</b>	<b>877,347</b>	<b>902,154</b>	<b>927,820</b>	<b>954,380</b>
Loss (gain) on disposal of tangible capital assets	-	-	-	-	-	-	-
Amortization of capital assets	367,971	379,181	395,691	404,724	410,655	419,424	428,328
<b>Total EXPENSES</b>	<b>1,205,998</b>	<b>1,209,358</b>	<b>1,249,056</b>	<b>1,282,071</b>	<b>1,312,808</b>	<b>1,347,244</b>	<b>1,382,708</b>
<b>Net Revenue (Deficit) for the year</b>	<b>418,079</b>	<b>467,988</b>	<b>486,436</b>	<b>513,023</b>	<b>543,376</b>	<b>571,558</b>	<b>600,278</b>
	2024	2025	2026	2027	2028	2029	2030
<b>CASH FLOW</b>							
<b>Operating Transactions</b>							
Net revenue (deficit) for the year	418,079	467,988	486,436	513,023	543,376	571,558	600,278
Add-back (deduct) non-cash expense:							
Loss (gain) on disposal of tangible capital assets	-	-	-	-	-	-	-
Amortization of capital assets	367,971	379,181	395,691	404,724	410,655	419,424	428,328
<b>Total OPERATING TRANSACTIONS</b>	<b>786,050</b>	<b>847,169</b>	<b>882,128</b>	<b>917,747</b>	<b>954,031</b>	<b>990,983</b>	<b>1,028,606</b>
<b>Capital Transactions</b>							
Miscellaneous capital	-	-	-	-	-	-	-
Water meter project	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Water equipment purchases	(6,488)	-	-	-	-	-	-
Treatment 123 or 4 upgrades	(162,300)	(346,178)	(21,700)	(7,900)	(20,000)	(17,000)	(5,040,250)
James St. Reconstruction	(184,360)	-	-	-	-	-	-
Distribution system - new or replacement	(215,737)	(540,480)	(482,900)	(245,456)	(440,220)	(480,240)	(450,000)
<b>Total CAPITAL TRANSACTIONS</b>	<b>(618,885)</b>	<b>(936,658)</b>	<b>(554,600)</b>	<b>(303,356)</b>	<b>(510,220)</b>	<b>(547,240)</b>	<b>(5,540,250)</b>
<b>Investing Transactions</b>							
Proceeds from portfolio investments (reserve x 0.044)	98,154	109,828	110,723	130,006	162,760	189,449	261,309
Purchase of portfolio investments	-	-	-	-	-	-	-
<b>Total INVESTING TRANSACTIONS</b>	<b>98,154</b>	<b>109,828</b>	<b>110,723</b>	<b>130,006</b>	<b>162,760</b>	<b>189,449</b>	<b>261,309</b>
<b>Financing Transactions</b>							
Development Charge Contributions	-	-	-	-	-	1,000,000	-
LTD Debt Principal Payments	-	-	-	-	-	-	-
Federal/Provincial grants	-	-	-	-	-	-	-
<b>Total FINANCING TRANSACTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>
<b>Net Cash Receipts (Payments) for the year</b>	<b>265,319</b>	<b>20,339</b>	<b>438,251</b>	<b>744,397</b>	<b>606,570</b>	<b>1,633,191</b>	<b>(4,250,335)</b>
<b>Cash at beginning of year</b>	<b>2,230,776</b>	<b>2,496,095</b>	<b>2,516,435</b>	<b>2,954,686</b>	<b>3,699,083</b>	<b>4,305,653</b>	<b>5,938,844</b>
<b>Cash at end of year</b>	<b>2,496,095</b>	<b>2,516,435</b>	<b>2,954,686</b>	<b>3,699,083</b>	<b>4,305,653</b>	<b>5,938,844</b>	<b>1,688,509</b>