

January 9, 2020

Mr. Clinton Harper
General Manager
Lambton Area Water Supply System
1215 Fort Street
Sarnia, ON
N7V 1M1

Dear Mr. Harper:

Re: 2020 Water Financial Plan Ontario Regulation 453/07 – Revised

Watson & Associates Economists Ltd. (Watson) is pleased to provide you with our revised proposal submission concerning the Ontario Regulation (O. Reg.) 453/07: Water Financial Plan. As we understand, you are seeking our assistance in undertaking the water financial plan to meet the application requirements for a municipal drinking water licence. This update is to be based on a six-year capital and operating forecast.

Note, we have assumed in our base budget that LAWSS staff will present the findings of the Financial Plan to the Water Board to gain the necessary approvals and resolutions for submission to Province. However, we have also included an optional budget item to have our firm present the findings of the Financial Plan to the Water Board. Based on this request we are providing the following.

1. Water Financial Plan

1.1 Ontario Regulation 453/07: Water Financial Plan

As part of the compliance reporting for Ontario Regulation 453/07, municipalities and water operators are required to prepare “financial plans” along with details of the proposed financial position and operations for water for a minimum of six years. Watson will assist with the water financial plan to be compliant with the water licence legislation.

The financial plan must be submitted with the renewal application for the water licence and must start in the year the water licence is to be renewed, for LAWSS this is 2020.

LAWSS staff will provide the required information which will form the basis of the financial plan including such things as detailed forecasts of the capital, operating, reserve fund positions, capital asset inventories, future consumption volumes and rate



calculations on a full accrual basis (where available). If information is not on a full accrual basis, additional work will be required to convert the data. In order to prepare the financial plan as prescribed by the Regulation, the following process will be followed:

- Step 1 - Calculate Tangible Capital Asset Balance (utilizing the current PSAB 3150 information). It is assumed that staff would be able to provide a listing of their current water assets by category (i.e. watermain, water facilities, vehicles, water meters, etc.) from their asset management software. Should the asset inventory information not be up to date, Watson will review the data that was available during the last Financial Plan study process, apply inflationary factors to values, provide staff with the data and ask that they provided any known updates related to recent replacement of assets or additional of assets.
- Step 2 - Convert Forecasted Operating Statement to Full Accrual Statement of Operations (if required) utilizing the 2019 (or 2020 if available) operating budget to forecast operating expenditures over the required 6-year period.
- Step 3 - Utilize the existing capital plan to forecast capital expenditures over the forecast period
- Step 4 - Incorporate the required debt to finance capital expenditures into the operating forecast.
- Step 5 - Forecast transfers to and from reserves and reserve funds and incorporate necessary transfers into the operating and capital forecast as well as any other funding sources (e.g. grants, subsidies, other recoveries, etc.). This forecast will be based on information provided between steps 2 and 3.
- Step 6 - Enter Balances for Remaining Items on Statement of Financial Position to complete the statement of net debt and cash flow.
- Step 7 - Use Operating Statement and Statement of Financial Position to Complete Statement of Net debt and Cash Flow.
- Step 8 - Verification and Note Preparation.
- Step 9 - Prepare and provide the Water Financial Plan report to LAWSS staff.
- Step 10 - Present the findings of the Financial Plan to the Water Board (Optional).

The report will form part of the application documents for the drinking water licence. See Appendix B for the items required to complete the financial plan.

Please note that the process above does not include water rate calculations, however, general orders of magnitude can be discussed if required further out in the forecast period. We understand that you are currently undertaking an asset management and master plan process that will not be complete and available for this process, therefore,



the results of those studies may require a full update to the financial plan once completed.

2. Watson & Associates Economists Ltd.

Gary Scandlan, B.A., P.L.E., Director

Gary would act as advisor for all facets of the study process and would present the findings of the financial plan at staff and the Water Board if required. Mr. Scandlan has been with the firm of Watson & Associates Economists Ltd. for 30 years before which he worked for two Regional municipalities. In regard to the latter, he held senior managerial positions and was directly responsible for long range financial planning, long term rate and tax impact planning as well as all facets of capital financing. He is presently a member of the firm's senior management group, which develops interpretations of legislative requirements, as well as methodologies and formats and determines alternative policy strategies for all facets of the corporate assignments. Mr. Scandlan has undertaken rate studies for a number of municipalities of varying size and has advanced the concept of long-term lifecycle costing within rate structures. Mr. Scandlan has had considerable involvement in the changes being made to the water and wastewater industry in Ontario. Of particular note:

- represented the Ontario Water Works Association (O.W.W.A.), Ontario Municipal Water Association (O.M.W.A.) and Canada Environmental Association (C.E.L.A.) during the Walkerton Inquiry. He prepared several submissions, participated in two expert panels and made presentations to Judge O'Connor on two occasions;
- assisted in the preparation of a formal submission to the Province on behalf of O.W.W.A./O.M.W.A. upon first reading of Bill 155 (subsequently Bill 175);
- has been retained by O.W.W.A./O.M.W.A. to represent the Associations during stakeholder discussions on the Regulations for both S.W.S.S.A. and S.D.W.A.;
- has undertaken numerous lectures on Bill 175/195 and the Water Opportunities Act, as well as other aspects of the water industry in Ontario on behalf of A.M.O., A.M.C.T.O., A.P.W.A., O.G.R.A./R.O.M.A., O.M.W.A., O.W.W.A./C.W.W.A. and Trent University;
- worked with the Province of Ontario to refine Municipal Act legislation and regulations as it applies to water and wastewater services.

Nancy Neale, P.L.E., Manager

Nancy would assume responsibility for development of the plan, supervising the analysis and report documentation, data collection and compilation, analysis of long-term capital and operating costs, as well as being available for staff meetings. Nancy formerly worked for Halton Region, Milton and Oakville where she was the staff person responsible for development charges, financial agreements with developers, capital budgeting and many other related tasks. She joined the firm in 2003 and has



participated in over 80 water & wastewater rate studies and numerous financial plans, 150 DC assignments, and various financial impact assessments and long-term financial plans.

Byron Tan, M.B.E., Senior Consultant

Would undertake analysis, data compilation and draft report documentation. Since joining the firm in 2013, Byron has assisted in gathering and compiling background information for development charge studies, water and wastewater rate studies, asset management studies and fiscal impact assessments. Byron has assisted on over 30 Water and Wastewater Rate studies. Byron holds a B.A. (Honours) degree in Economics and a Master of Business Economics from Brock University.

3. Budget

We have separated our budget into two components, the base budget to undertake and prepare the Financial Plan and an option for Watson to present the findings to the Water Board.

Our proposed base budget is \$10,300 to undertake the Water Financial Plan. The budget provided assumes that the information provided by LAWSS staff is in a usable format and require minimal modifications. Should additional work be required to generate a financial plan, it will be notified to LAWSS staff and billed at cost, where approved. This base budget includes one (1) start-up conference call and one (1) staff meeting to present the findings of the plan.

If LAWSS decides to add the optional presentation to the Water Board, the cost would be an additional \$2,200.

The following table provides a breakdown of the proposed budgets (Base and Optional item).



Lambton Area Water Supply System O.Reg. 453/07 Water Financial Plan Detailed Budget by Study Step

Budget by Milestone	Watson & Associates Economists Ltd.			
	Gary Scandlan, Director	Nancy Neale, Manager	Byron Tan, Senior Consultant	Total Resources
Hourly Rates	\$300	\$220	\$175	
Water Financial Plan				
1 Study Start-up (Conference Call) and Data Collection	-	2	2	4
2 Calculate Tangible Capital Asset Balance	-	1	3	4
3 Convert Forecasted Operating Budget to Full Accrual Statement of Operations	-	2	2	4
4 Review and analysis of Capital Forecast Expenditures	1	2	2	5
5 Review and analysis of Capital financing requirements	1	2	2	5
6 Forecast transfers from reserves/reserve funds and other sources of funding	-	1	2	3
7 Prepare Statement of Financial Position	-	2	-	2
8 Prepare Statement of Net Debt and Cash Flow	-	2	-	2
9 Verification and Note Preparation	2	2	-	4
10 Report Preparation (1)*	5	2	5	12
Total Number of Hours	9	18	18	45
Disbursements (travel, reports, etc.)				\$ 500
Total Base Budget (excluding taxes)	\$ 2,700	\$ 3,960	\$ 3,150	\$ 10,300
Optional Item:				
11 Presentation to Water Board (1)*	5	1	1	7
Total Number of Hours	5	1	1	7
Disbursements (travel, reports, etc.)				\$ 300
Total Optional Item (excluding taxes)	\$ 1,500	\$ 220	\$ 175	\$ 2,200
Grand Total including Optional Item (excluding taxes)				\$ 12,500
Additional Meetings upon request				\$ 2,200

* Hours for Meetings include preparation and travel time

- Please note that we have not included a budget for engineering services in this proposal as it has been assumed that all required information needed to undertake the Study would be provided by LAWSS staff and that they are able to arrange for these services directly if they are required.
- Out-of-pocket disbursements for travel, long distance, copying and related expenses, are invoiced at cost. Budget does not include applicable taxes.
- Our billings are submitted on a monthly basis for time worked on the project during the previous month. Billings are on a net 30-day basis.
- The quotations provide for a digital copy of the Final Report, along with one print ready copy.

4. Time Schedule

Based on the request for proposal we have developed the work program to allow us to complete the study activities and have the preliminary calculations completed by March 2020. The timelines are presented below:



Lambton Area Water Supply System O.Reg. 453/07 Water Financial Plan Detailed Timelines by Study Step

Details	2020											
	January				February				March			
1 Study Start-up (Conference Call) and Data Collection			KCC									
2 Calculate Tangible Capital Asset Balance												
3 Convert Forecasted Operating Budget to Full Accrual Statement of Operations												
4 Review and analysis of Capital Forecast Expenditures												
5 Review and analysis of Capital financing requirements												
6 Forecast transfers from reserves/reserve funds and other sources of funding												
7 Prepare Statement of Financial Position												
8 Prepare Statement of Net Debt and Cash Flow												
9 Verification and Note Preparation												
10 Report Preparation (1)*									DR	SM	FR	
Optional Item:												
11 Presentation to Water Board (1)*												WB

DR - Draft Report
FR - Final Report
KCC - Kickoff Conference Call
SM - Staff Meeting
WB - Meeting with Water Board

We note that these timelines are dependent on staff meeting their timelines as we will require their input prior to being able to undertake all aspects of the financial plan.

5. Other Matters

5.1 LAWSS Staff Resources and Responsibilities

The Consulting Team will rely on LAWSS staff to facilitate the gathering and production of information that is required during the water financial plan. This will include, at a minimum, information related, capital and operating budget/forecast, reserve/reserve fund activity and balances, existing debt and future debt projections, water asset inventory, and other relevant information.

Staff will also be responsible for attending the conference call to initiate the project and the working meeting with the consultant to review the findings of the financial plan. If the optional item is approved, staff would also be required to attend the presentation of the findings to the Water Board.



6. Terms and Conditions

6.1 Timely and Accurate Information

You agree to use reasonable skill, care and attention to ensure that all information we may reasonably require is provided on a timely basis and is accurate and complete. You agree to notify us if you subsequently learn that the information provided is incorrect or inaccurate or otherwise should not be relied upon.

6.2 Changes to Service

Either party may request changes to the Services. We shall work with you to consider and, if appropriate, to vary any aspect of the Engagement, subject to payment of reasonable additional fees and a reasonable additional period to provide any additional Services. Any variation to the Contract, including any variation to fees, services or time for performance of the Services, shall be set forth in separate correspondence which shall form part of the Contract and to which these Terms and Conditions shall apply.

6.3 Reliance on Drafts

You acknowledge draft reports or advice, whether oral or written, issued by us may be subject to further work, revisions and other factors which may mean that such drafts are substantially different from any final report or advice issued.

6.4 Payment of Fees

We reserve the right to charge interest at the rate of 1% per month for payment of any invoices not received within 45 days of billing.

6.5 Limitation of Liability

Watson & Associates Economists Ltd.'s entire liability to the client under this engagement for damages from any cause whatsoever shall not exceed the aggregate of the amounts paid by you pursuant to this Contract Letter.

6.6 Resolving Disputes

If any dispute arises between us, we will attempt to resolve the dispute in good faith by senior level negotiations. Where both of us agree that it may be beneficial, we will seek to resolve the dispute through alternative dispute resolution.



6.7 Accessibility

Watson is committed to producing accessible documents that comply with municipal and AODA (Accessibility for Ontarians Disability Act) guidelines, including adherence to CNIB Clear Print guidelines. Watson can provide reports as PDF files that pass the Adobe Version 10 Accessibility Checker. However, in cases where complex data tables are being provided as part of our reports, we will discuss any special circumstances with the municipality. Often these complex data tables would be included as a separate appendix in order that they can be separated from the main document when being published in the public domain (e.g. municipal website) where accessibility is required.

6.8 Conflict of Interest

We have reviewed our current projects and confirm that none of the project team members has a conflict of interest.

6.9 Confirmation of Terms of Engagement

Having read the above Letter of Contract from Watson & Associates Economists Ltd., dated January 9, 2020, we agree to acceptance of this proposal and to engage Watson & Associates Economists Ltd. upon the terms set out therein.

WATSON & ASSOCIATES ECONOMISTS LTD.

Gary D. Scandlan, BA, PLE

Director

Confirm Approval of Optional Item: _____

Signed: _____

Accepted on behalf of: _____

Lambton Area Water Supply System

Date: _____



Appendix A – Corporate Profile and Experience

CORPORATE PROFILE

Watson & Associates Economists Ltd. (Watson) is one of Canada's leading economic consulting firms. Established in 1982, we offer a comprehensive range of fiscal planning and policy services to clients in government and the private sector throughout Ontario and beyond.

Our unique and dynamic team of specialists has assisted clients from over 250 municipalities, utilities and school boards, as well as private industry, and senior levels of government, to frame their financial and economic strategies.

Watson is widely recognized as a leading authority on the fiscal aspects of the municipal government sector. The firm has earned its reputation for quality of analysis, as well as pragmatic and insightful interpretation of the issues we manage. We are well known for achieving results that translate into successful outcomes for our clients.

“We are well known for achieving results that translate into successful outcomes for our clients.”

OUR PHILOSOPHY

At Watson, we firmly believe that professional expertise, wide experience with local issues and the provincial legislative environment, and an understanding of client expectations are the basic fundamentals for analyzing issues and securing the desired results.

With every assignment, we strive to identify the strategies that are best suited to meeting the challenges facing our clients. Since 1982, our integrated team of financial and economic specialists has provided quality research and analytical expertise to clients. In that time, we have built long-term relationships with a broad range of municipal, provincial and school board clients, who value our judgment and advice.

Also, Watson has numerous working relationships with major law firms, planning and engineering companies, with whom we also work on multi-disciplinary assignments.

“We strive to identify the strategies that are best suited to meeting the challenges facing our clients.”



OUR SERVICES

We offer our clients a broad range of economic forecasting and financial planning services to help them plan for their future. Our main areas of specialization include:

MUNICIPAL, SCHOOL BOARD AND UTILITY FINANCIAL POLICY STUDIES

- Financial and economic impact assessment for major projects and new development areas
- Municipal capital and operating budget policy
- User rate studies (i.e. water, wastewater, stormwater, solid waste, development processing and building permits)
- Long range planning for school accommodation
- Asset management and PSAB
- Water and wastewater financial plans (O.Reg.453/07).

DEVELOPMENT CHARGE POLICY

- Municipal, utility and education development charges, including research and calculation of the charge, by-law adoption process, expert witness testimony, front-end financing, subdivision agreement links and implementation matters.

DEVELOPMENT MARKET AND DEMOGRAPHIC FORECASTING STUDIES

- Forecasts, feasibility studies and land needs assessment for a variety of land uses
- Population, household, non-residential space and employment forecasts
- Growth management studies

SERVICE MASTERPLANNING AND ECONOMIC ASSESSMENT

- Assessment of long-term service needs
- Present value costing and financial affordability evaluation for major undertakings
- Property value impact and compensation policy
- Business, employment and other economic impacts

LOCAL GOVERNMENT ESTRUCTURING AND GOVERNANCE

- Assessment of options and strategies
- Service evaluation and financial impact analysis
- Benchmarking and performance measurement
- Asset and liability distribution
- Ward boundary reviews

Our goal is to do the very best for our clients. We are determined to produce outstanding results by taking advantage of the most appropriate computer modelling, analytical techniques and up-to-date databases and research available. At Watson, our vision is to continue to strive for excellence. We endeavour to go beyond our clients' expectations of service and establish ourselves as the leading provider of top-quality economic consulting services in our selected markets.



Water and Wastewater Financial Plans

Background

Financial Plan Reporting Under Safe Drinking Water Act

On August 16, 2007, the Ministry of the Environment passed O.Reg. 453/07 under the Safe Drinking Water Act, which requires the preparation of financial plans for water (and wastewater) systems. Generally, the financial plan:

- is to be completed and submitted by the later of July 1, 2010 or six months after approval of a water licence;
- will be for 6 years or longer; and
- is mandatory for water, and “encouraged” for wastewater.

Reporting to the Province will be on an accrual basis consistent with PSAB reporting requirements.

The following steps must be taken in preparing the financial plan:

- Analyze the immediate capital needs for infrastructure replacements.
- Analyze growth-related needs and how to finance them.
- Develop lifecycle replacement costs for longer term (up to 80 years) infrastructure needs, including how much money should be reserved.
- Assess the costs of the water and sewer systems, including operating, inflation, growth, capital and debt carrying charges.



Background cont'd

Subsequently, Ontario introduced the Water Opportunities Act, which will replace the present regulation and expand its requirements to include wastewater and storm water services. The provision of this Act will require:

- an asset management plan for the physical infrastructure;
- a financial plan;
- a conservation plan;
- an assessment of risks that may affect delivery of the service; and
- strategies for maintaining and improving the municipal service.

Implementation of the Water Opportunities Act is expected in conjunction with the asset management assessments being undertaken for the Infrastructure for Jobs and Prosperity Act.

Expertise

Protecting our drinking water supplies and safety is critical to the health of our municipalities and communities.

Having executed related assignments for almost 100 municipalities, we have the demonstrated knowledge to develop a financial plan that will meet or exceed the Province's requirements. Watson is committed to monitoring developments in this field.

Team

Our water and wastewater financial plans specialists include:

- Gary Scandlan, Managing Partner & Director
- Andrew Grunda, Managing Partner & Principal
- Nancy Neale, Senior Project Coordinator
- Peter Simcisko, Senior Project Coordinator
- Byron Tan, Consultant
- Daryl Abbs, Consultant
- Matt Bouroukis, Analyst
- Tina Chitsinde, Analyst

Experience in Ontario Regulation 453/07 – Financial Plans, 2009 to 2019

- **Adjala-Tosorontio** – Water (2011, 2015)
- **Amaranth** – Water (2011, 2015)
- **Arnprior** – Water (2015)
- **Aylmer** – Water (2012)
- **Aylmer Secondary Water System** – (2011)
- **Barrie** – Water and Wastewater (2014, 2015)
- **Bayham** – Water (2010, 2014, 2019)
- **Brantford** – Water and Wastewater (2010, 2015)
- **Brighton** – Water and Wastewater (2011)
- **Cavan-Monaghan** – Water and Wastewater (2010)
- **Central Elgin** – Water (2012, 2019)
- **Central Huron** – Water (2012)
- **Centre Hastings** – Water (2013)
- **Centre Wellington** – Water and Wastewater (2010, 2015)
- **Chatham-Kent PUC** – Water and Wastewater (2011, 2014)
- **Cobourg** – Water (2008)
- **Collingwood** – Water (2010)
- **Cornwall** – Water (2011)
- **Deep River** – Water and Wastewater (2009)
- **East Garafraxa** – Water (2011, 2015)
- **East Gwillimbury** – Water (2012)
- **Erin** – Water (2011, 2019)
- **Essex (Town)** – Water (2009, 2015)
- **Grand Valley** – Water (2015)
- **Guelph/Eramosa** – Water and Wastewater (2011, 2015)
- **Halton Region** – Water (2010, 2019)
- **Hornepayne** – Water (2016)
- **Kawartha Lakes** – Water (2011)
- **King** – Water and Wastewater (2009, 2011)



- **Kingsville** – Water (2010, 2019)
- **Lakeshore** – Water (2019)
- **Lambton Area Water Supply System (LAWSS)** – (2010, 2015)
- **Lambton Shores** – Water (2010, 2015)
- **Leamington** – Water (2010, 2015)
- **Leeds and The Thousand Islands** – Water and Wastewater (2015)
- **Lincoln** – Water (2010)
- **Machin** – Water (2013)
- **Madawaska Valley** – Water (2011)
- **Mapleton** – Water and Wastewater (2015)
- **Meaford** – Water and Wastewater (2010)
- **Midland** – Water and Wastewater (2009)
- **Minto** – Water (2012, 2015)
- **Mississippi Mills** – Water (2010, 2015)
- **Mono** – Water (2011, 2015)
- **Montague** – Water and Wastewater (2016)
- **North Glengarry** – Water (2015)
- **North Grenville** – Water (2012, 2016)
- **Orangeville** – Water and Wastewater (2011, 2015)
- **Owen Sound** – Water and Wastewater (2015)
- **Parry Sound** – Water (2012)
- **Penetanguishene** – Water and Wastewater (2010, 2013, 2015)
- **Perth** – Water (2012, 2016)
- **Petawawa** – Water (2012)
- **Petrolia** – Water (2012)
- **Plympton-Wyoming** – Water (2010)
- **Point Edward** – Water and Wastewater (2010, 2014)
- **Port Burwell Secondary Water System** – (2011)
- **Port Hope** – Water (2010, 2015)
- **Prince Edward County** – Water (2013)
- **Quinte West** – Water (2010)
- **Red Rock** – Water (2011)
- **Renfrew** – Water (2011, 2015)
- **Richmond Hill** – Water and Wastewater (2010)



- **Sarnia** – Water (2019)
- **Severn** – Water (2010, 2015)
- **Shelburne** – Water (2010)
- **Smiths Falls** – Water and Wastewater (2016)
- **South Huron** – Water (2012)
- **Southgate** – Water (2011, 2015)
- **Stratford** – Water (2010, 2014)
- **St. Thomas** – Primary Water System (2011)
- **St. Thomas** – Secondary Water System (2011, 2015)
- **Tay** – Water (2011)
- **Tecumseh** – Water (2010)
- **Thames Centre** – Water (2011, 2015)
- **Union Water System** – Water (2010, 2014, 2019)
- **Vaughan** – Water (2009)
- **Warwick** – Water (2011, 2019)
- **Wasaga Beach** – Water (2012)
- **Wellington North** – Water (2015)
- **West Lincoln** – Water (2010)
- **Westport** – Water and Wastewater (2016)
- **Whitchurch-Stouffville** – Water (2012, 2016)
- **Whitewater Region** – Water (2012)
- **Woolwich** – Water (2012, 2015)
- **York Region** – Water (2010)

Gary Scandlan, BA, PLE

Managing Partner and Director, Municipal Finance



Gary supports about 150 municipalities across Canada in economic, local government and planning matters.

In 2001, Gary had considerable involvement in the Walkerton Inquiry, and has since been working with 70 municipalities to establish water and wastewater rate structures that will ensure financial sustainability.

Gary often authors articles and presents on matters relating to the Development Charges Act, revenue alternatives to taxation, privatization of municipal services, municipal financial planning, and full cost pricing of water and wastewater services.

He frequently appears before the Ontario Municipal Board and other tribunals on behalf of municipalities.

EDUCATION

1985

Completed 9 courses towards attaining a Certified Management Accountant designation.

1978, McMaster University

Bachelor of Arts, Economics

EMPLOYMENT HISTORY

Current

Managing Partner and Director, Watson & Associates Economists Ltd.

- Carries co-responsibility for the firm's municipal sector practice.
- Managing studies related to development charges, local government finance and restructuring, financial operations and policy, asset management and lifecycle costing, and industrial market and economic forecasts.

1984-1989

Manager of Economic Analysis and Policy Development, Halton Region

- Handled capital budgets, debt, cash and reserve management, banking relations, credit rating, financial and economic studies, and financial and security requirements on new development.



EMPLOYMENT HISTORY cont'd

1983-1984

Capital Budget and Debt Management Analyst, Halton Region

- Led the areas of debt management, credit rating, work in progress accounting control, year-end financial statement preparation, debenture issues, and provincial capital grant application and audit.

1978-1983

Supervisor of Grants and Cash Management and Supervisor of Capital Programs, Regional Municipality of Hamilton-Wentworth

- Supported the areas of debt, cash and reserves management, payroll, accounts receivable, provincial grants, banking relations, capital budget, work in progress accounting control, local improvements, credit rating and debenture issues.

PROFESSIONAL CERTIFICATIONS

- Professional Land Economist (PLE)

PROFESSIONAL AFFILIATIONS

- Member, Municipal Finance Officers' Association of Ontario
- Member, Ontario Public Works Association
- Member, Ontario Water Works Association
- Member, Toronto Association for Business and Economics

EXPERTISE

- Asset management/PSAB
- Demographics and land needs studies
- Developer/cost sharing
- Development charge hearings/post development charge by-law
- Development charge studies
- Feasibility and business case studies
- Financial and economic impact
- Municipal financial planning and policy
- Municipal restructuring/annexations
- Municipal service master planning and environmental assessments
- Ward boundary reviews
- Waste management
- Water and sewer rate studies

Nancy Neale, PLE

Manager



Since joining Watson in 2003, Nancy has worked on numerous water and wastewater rate studies, development charge studies and fiscal impact studies.

Nancy has extensive experience in municipal budgeting and development. In her previous roles, she was responsible for the capital budget process, development charge studies, municipal debt, growth-related analysis, coordination and implementation of special financial agreements, and lifecycle modelling.

EDUCATION

2003, AMCTO

Municipal Administration Program

1997

Completed nine courses towards attaining a Certified General Accountant Designation

1987, Mohawk College of Applied Arts and Technology

Accounting program, with a major in Accounting and Finance

EMPLOYMENT HISTORY

Current

Manager, Watson & Associates Economists Ltd.

- Focuses on development charge studies, and water and wastewater rate studies.

1999-2003

Capital Development Analyst, Town of Milton

- Managed the capital budget processes, municipal debt, development charge studies, reserves, growth-related analysis, coordination and implementation of special financial agreements, lifecycle models and financial requirements of the Building Permit system.



EMPLOYMENT HISTORY cont'd

1992-1999

Capital Analyst, Town of Oakville

- Compiled the capital budget and nine-year forecast, prepared capital variance analysis and reports, and coordinated capital debt requirements.
- Reviewed grant applications.

1990-1992

Development Charges Analyst, Town of Oakville

- Focused on the administration and implementation of the development charges by-law; oversaw financial commitments on development agreements, securities and insurance.
- Assisted with analysis and preparation of development-related studies.

1987-1990

Development Clerk, The Regional Municipality of Halton

- Implemented the Water and Wastewater Master Servicing and Financing Scheme, which serviced two local municipalities.
- Managed securities, lot levy audit model, collection and allocation of lot levies on land severance and condominium applications.

PROFESSIONAL CERTIFICATIONS

- Professional Land Economist (PLE)

PROFESSIONAL AFFILIATIONS

- Member, Association of Ontario Land Economists

EXPERTISE

- Asset management/PSAB
- Developer/cost sharing
- Development charge studies
- Feasibility and business case studies
- Financial and economic impact
- Municipal financial planning and policy
- Municipal service master planning and environmental assessments
- O.Reg. 453/07 Financial Plans
- Water and sewer rate studies

Byron Tan, BA (Hons), MBE

Senior Consultant



Byron works primarily in the areas of municipal finance, development charges, water and wastewater rate studies, and fiscal impact assessments.

With a background in business economics, he has valuable experience in analytics, forecasting and project management.

EDUCATION

2013, Brock University
Master of Business Economics (MBE)

2011, Brock University
Bachelor of Arts (Honours), Economics

EMPLOYMENT HISTORY

Current

Senior Consultant, Watson & Associates Economists Ltd.

- Focused on municipal finance, development charges, water and wastewater rate studies, and fiscal impact assessments.

2012-2013

Purchasing Analyst, Purchasing and Customs Department, TRW Canada Ltd.

- Investigated and approved unaccounted payments for finance department.
- Assisted RFQ process and prospective supplier assessments for new program launches.
- Collaborated with local and global counterparts to build five-year budget forecasts, long-run projections and Global Competitive Sourcing of parts.



EMPLOYMENT HISTORY cont'd

2011-2013

Teaching Assistant, Economics Department (Dr. Tomson Ogwang & Professor Marilyn Cottrell), Goodman School of Business, Brock University

- Conducted labs and tutorials for students in the areas of Macroeconomics, Microeconomics and Business Econometrics.
- Demonstrated the application of theory by using mathematical equations and regression software to analyze and interpret forecasting results.

2007

Logistics Officer, Department of National Defence, Kanata, Ontario


- Worked as a civilian with an operating rank of 2nd Lieutenant.
- Acted as operations manager for living quarters of personnel.
- Coordinated with the Department of Public Works and Government Services to ensure infrastructure maintenance.

PROFESSIONAL AFFILIATIONS

- Candidate, Professional Land Economist (PLE)
- Member, Canadian Economics Association

EXPERTISE

- Asset management/PSAB
- Development charges
- Economic impact of development
- Feasibility/business case studies
- Ward boundary reviews
- Waste management
- Water and sewer rate studies



Appendix B – Compliance Reporting for Ontario Regulation 453/07



Appendix B – Compliance Reporting for Ontario Regulation 453/07

1. Legislative Background

- 1.1. On August 16, 2007, the Province of Ontario approved Ontario Regulation 453/07 which requires all Ontario municipalities who provide water services to prepare financial plans as “a key step in the long-term stability for municipal residential drinking water systems”.

The financial plan is part of the required documents to be filed as part of the Water Board obtaining its license to operate water systems. While the plans are mandatory for water systems, similar plans are encouraged for wastewater systems.

- 1.2. As per ss.3.1.4 of the Regulation, the financial plan for existing water systems must include information on:

1.2.1. Proposed/Projected Financial Position

- Total financial assets
- Total liabilities
- Net debt
- Non-financial assets (tangible capital assets, supplies, prepaid expenses)

1.2.2. Proposed/Projected Financial Operations

- Total revenues, including water rates, user charges and other revenues
- Total expenses, including amortization expenses, interest expenses and other expenses
- Annual surplus or deficit
- Accumulated surplus or deficit

1.2.3. Proposed/Projected Cash Flow

- Cash used/generated in operating transactions
- Cash used/generated in capital transactions
- Cash used/generated in investing transactions
- Cash used/generated in financing transactions



The financial plan for new water systems must include information from only 1.2.1 above.

- 1.3. The financial plan shall be for a period of at least six years but longer planning horizons are encouraged. The financial plan will be submitted to the Minister of Municipal affairs and will need to be undertaken every five years.

2. Approach

The required reporting categories described in section 1 above are consistent with the presentation of financial statements as per section 1200 of the Canadian Institute of Chartered Accountants Public Sector Accounting Board Handbook. This requires the reporting of Tangible Capital Assets (PSAB 3150) and full accrual accounting.

LAWSS's water budget/forecast and rate analysis will form the basis of the financial plan. The study is prepared on a "modified" cash accounting basis and provides detailed forecasts of the capital, operating, reserve fund positions, capital asset inventories, future consumption volumes and rate calculations. In order to prepare the financial plan as prescribed by the Regulation, the information contained in the study will need to be converted to a full accrual basis as per the following process:

2.1. Calculate T.C.A. balance

- Use historical cost and accumulated amortization provided by LAWSS, if available, to determine current year N.B.V.
 - If not available, use inventory records and Watson Deflator Study to calculate historical cost and accumulated amortization up to the year prior to the first forecast year
- Calculate amortization expense on existing inventory for each year of the forecast period
- Calculate disposals for each year of forecast period
- Using the capital needs forecast, calculate annual amortization expense for assets to be acquired
- Calculate total annual amortization for each year of forecast period
- Combine the historical cost, accumulated amortization, amortization expenses calculated above and record N.B.V. of T.C.A. on Statement of Financial Position



2.2. Convert forecasted operating statement to full accrual Statement of Operations

- Transfer all revenue and expense accounts to prescribed Statement of Operations
- Bring in non-T.C.A. expenses previously included in capital budget (i.e. expenses related to various studies)
- Add accrued revenues (i.e. development charges)
- Eliminate all capital expenditures
- Eliminate principal payments on debt (interest expense remains)
- Eliminate all transfers to/from reserves
- Deduct amortization expense
- Add gains/losses from disposal of assets (if applicable)
- Deduct write-offs (if applicable)

2.3. Enter balances for remaining items on Statement of Financial position

- A/R, Inventory, o/s debt (principal only)
- Cash may be a calculated value (from cash flow statement)
- Forecasted numbers are generated from current Water Study (capital, new debt, debt repayment, D.C. reserve balances) and previous steps

2.4. Use operating statement and statement of financial position to complete statement of net debt and cash flow

- Statements of Cash Flow and Net Debt will be derived based on Statements of Operations and Financial Position
- Cash will be a calculated value over the forecast period but opening balance will be based on actual/ending balance for year before first forecast period
 - “Actual” balance will either be provided by LAWSS staff or approximated based on ending reserve balances
- Opening net debt position will be a calculated figure
- Endeavour to get additional information on:
 - Gains/Losses on Disposals
 - Write-downs
 - Acquisition/consumption of supplies inventory
 - Acquisition/use of prepaid expenses

2.5. Verification and Note Preparation

- Verify that statements are in balance by ensuring that:



- Accumulated Surplus/Deficit on Statement of Financial Position should equal Accumulated Surplus/Deficit on Statement of Operations
- Net Financial Assets/Debt on Statement of Financial Position should equal Net Financial Assets/Debt on Statement of Operations
- Ending cash position from Statement of Cash Flow should equal ending (Total) reserve balances from continuity statements
- Document assumptions used in reporting conversion process and provide notes where necessary