AURORA WATER DISTRIBUTION SYSTEM FINANCIAL PLAN

Financial Plan No. 115-301
As per Ontario Regulation 453/07
September 2025

AURORA

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Introduction

Executive Summary

A requirement for the renewal of Municipal Drinking Water Licence 115-101 (herein referred to as "the Licence") issued under the *Safe Drinking Water Act, 2002* is the development of a Financial Plan covering a period of at least six years. The initial year for the Financial Plan is the year the drinking water system's Licence is set to expire. The Town of Aurora's (the Town's) Licence expires on June 15, 2026, the timeline of this Financial Plan begins in 2026. The year 2025 has been included to show the opening position that forms the basis of the estimates for the following six years.

This Financial Plan outlines the funding strategy, cost recovery mechanisms, and financial policies required to ensure long-term sustainability, regulatory compliance and service reliability for a drinking water distribution system serving a population of 66,300 with 18,025 private residences served.

The Town's Drinking Water System consists of watermain piping, a booster station, bulk filling station, fire hydrants, valves, service connections and meters. The water network is comprised of approximately 256 kilometers of watermain with diameters ranging between 50mm to 500mm and approximately 18,264 total water service connections.

Watermain pipe materials include polyvinyl chloride and high-density polyethylene (51.6%), ductile iron (41.6%), cast iron (3.4%), copper (1.7%), concrete pressure pipe (1.4%) and asbestos-cement (0.4%). There are no lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.

Regulatory Context

Safe Drinking Water Act and Ontario Regulation 453/07

The Safe Drinking Water Act, 2002 and Ontario Regulation 453/07 requires the development of a Financial Plan covering a period of at least six years. The Regulation requires that the Owner of a drinking water system approve a Financial Plan that must be submitted to the Province within the timeline listed in the Licence.

The Financial Plan requirements identified in this Regulation are summarized below and must:

- Be approved through resolution by Council that indicates that the drinking water system is financially viable.
- Provide for a planning period of at least six years, starting the last year in which the drinking water system's existing municipal drinking water licence would otherwise expire.
- Include the current financial position, projected operating costs, capital plan, and revenues to demonstrate appropriate fiscal management.
- Be made available to the public, at no cost upon request, be published on the internet site and the public must be notified of its availability.
- Be submitted to the Ministry of Municipal Affairs and Housing.

Municipal Drinking Water Licence

The Town received its current Licence in June 2021 and with an amendment in November 2024. The Licence expires on June 15, 2026, with the requirement to submit a renewal application before December 15, 2025.

Section 8 of the Licence requires that a Financial Plan numbered 115-301 be submitted with the renewal application.

Financial Planning

Asset Management

The Town's 10-year Capital Plan is informed by the Town's Asset Management Plan. It outlines necessary works, including asset rehabilitation and replacement, that helps mitigate risk in the system. The Capital Plan for Asset Management works is funded through a reserve account that is replenished annually via water rates. These water rates are set to ensure sufficient reserve balances to meet the water system's capital needs over the long-term.

The Town is also currently undertaking the creation of a Water and Wastewater Master Plan, that will inform and identify long-term infrastructure capacity needs taking into consideration Town growth projections.

Impact of Community Growth

The Town's projected total population growth is 5,600 over the planning horizon of 2026-2032, with a total projected population of 71,900 at the end of this period.

The majority of the Town's green field development is nearing completion. Once these developments have been serviced, minimal further infrastructure growth is anticipated.

Financial Position

The Town's water system's financial position consists of both financial and non-financial assets. The system's financial assets include any cash holdings, net of any liabilities. Its non-financial assets include its current tangible capital assets in use (net of annual additions, donations, write-downs or disposals), assets under construction, as well as all supply inventories and prepaid expenses.

Financial Plan

Opening Position (Table 1)

The information in Table 1 provides a starting point for the Financial Plan and is based on the 2025 operating year.

Capital Expenditures (Table 2)

Capital planning establishes the water system's future investments required to maintain its existing infrastructure at established levels of service as well as accommodate for future growth and changes in water demand.

Table 2 summarizes the system's annual expected capital expenditures from 2025 to 2031 which are primarily funded by the water reserve. The capital plan demonstrates a reasonably balanced annual expected investment rate with relatively higher expenditures planned in 2031 to rehabilitate a watermain that is approaching the end of its useful life. Overall, the presented plan achieves all water system objectives and is affordable.

Statement of Operations (Table 3)

The Statement of Operations provides a profile of the direct costs related to the operation of the water system. The largest operating expense includes the wholesale purchase of water from the Regional Municipality of York (York Region). The Financial

Plan includes projected annual wholesale water rate increases of 3.3% from 2026 to the end of the forecast period.

The Statement of Operations also incorporates the system's tangible capital asset amortization expense which reflects the minimum level of capital rehabilitation and replacement expenditures that are required annually to maintain the system.

Another key element on this statement is the accumulated surplus/deficit. An accumulated surplus indicates available net resources to be used in the provision of future water services. As indicated in Table 3, the Financial Plan anticipates that its accumulated surplus will increase from a 2025 closing surplus of $12.9 million to over $21 million by the end of 2031.

Statement of Cash Flow – Direct Method (Table 4)

The Statement of Cash Flow summarizes how the water system is expected to generate and use cash resources during the planning period. The transactions that provide/use cash are classified as operating, capital and finance activities as shown in Table 4. The Financial Plan anticipates the cash position of the Town's water system to decrease from approximately $11.6 million at the end of 2025 to $9.8 million by the end of 2031. This decline is mostly the result of anticipated capital expenditures exceeding the replenishment of the system's reserve in a few years over this period. Overall, the system's cash remains in a strong position throughout the planning period.

Statement of Change in Net Financial Assets (Table 5)

Table 5 presents the Statement of Change in Net Financial Assets which indicates whether sufficient revenue is available to offset the system's operating, capital asset, and other non-financial asset costs.

Reserve Balance (Table 6)

Table 6 presents the forecasted closing reserve balance for the planning period 2025 - 2031. In comparing the reserve's contributions to the amortization costs shown in Table 5, it is demonstrated that its annual contributions exceed the system's minimum capital asset replacement costs but continue to be lower than its average capital investment need of $3.8 million until 2030. By 2030 the system's reserve contributions begin to exceed its average capital investment needs indicating an improvement in its health.

Rate Forecast (Table 7)

Table 7 presents the water rate forecast as a cost-per-cubic-meter. This rate reflects a full cost recovery of the system's identified requirements relative to expected net volumetric water sales after a deduction for unbillable water use and loss.

Statement of Financial Position (Table 8)

The Statement of Financial Position describes the assets, liabilities and accumulated surplus of the Town's water system. A key element of this statement is the tangible capital asset balance which increases when assets are acquired through construction or donation and decreases when assets are disposed of, written down, or amortized. The Town's tangible capital asset balance is expected to grow by $7.4 million by the end of 2031, indicating investments in new tangible capital assets will exceed the use of existing assets over the forecast period. Also of interest, the included cash item in this statement represents the system's reserve balance which is fully cash in nature.

Debt Management

The water system's debt may include any existing liabilities such as balances owing to its contractors, or outstanding debenture principle. In this instance, the Town's water system presently does not have any debt or other liabilities.

Conclusion

The Financial Plan for the Town has been prepared to incorporate all the required elements and demonstrates a commitment to move to full cost accounting and a sustainably funded water system. As the Town's water system's infrastructure ages, its capital rehabilitation and replacement requirements will continue to grow which will continue to subject the system's annual required reserve contribution to upward pressure.

It is anticipated that all of the Town's greenfield lands will be fully developed within the next ten years, resulting in a stabilization of demand on the water system. All anticipated growth requirements for the water system for the next ten years have been captured in the Town's 2024 Development Charge study. Through its Development Charge Study, the Town strives to address the timing and funding of these noted requirements while adhering to the principle of "growth pays for growth". This Plan strives to ensure that the system's growth requirements have no net impact on the annual operating budget. Presently, the Town is undertaking a Water & Wastewater

Master Plan which will further inform its water system’s capital requirements once complete.

Appendix A – Financial Tables

Table 1
Opening Position 2025 ('000)

Description	Amount
Revenue	14,836
Operating Expenses	3,260
Reserve Contribution	2,289
Cash Reserve	12,578
Fixed Assets	62,740

Table 2
Capital Expenditures ('000)

Description	2025	2026	2027	2028	2029	2030	2031
Asset Management	3,003	3,931	2,473	2,692	3,162	2,650	8,103
Growth & New	126	60	-	-	-	-	-
Studies & Other	168	68	-	-	-	-	-
Total	3,297	4,059	2,473	2,692	3,162	2,650	8,103

Table 3
Statement of Operations ('000)

Description	2025	2026	2027	2028	2029	2030	2031
Revenues	14,836	15,729	16,525	17,318	18,135	18,977	19,847
Expenses							
Operating Costs	3,260	3,507	3,574	3,640	3,707	3,776	3,849
Wholesale purchase of water	9,286	9,684	10,003	10,334	10,675	11,027	11,391
Interest	-	-	-	-	-	-	-
Amortization	1,983	2,035	2,102	2,144	2,189	2,242	2,287
Gross Expenses	14,529	15,226	15,680	16,117	16,571	17,045	17,527
Annual Surplus/(deficit)	307	503	845	1,201	1,564	1,932	2,321
Accum. Surplus beginning of of period	12,578	12,885	13,388	14,233	15,434	16,998	18,930
Accum. Surplus end of period	12,885	13,388	14,233	15,434	16,998	18,930	21,250

Table 4
Statement of Cash Flow (Direct Method) ('000)

Description	2025	2026	2027	2028	2029	2030	2031
Operating Transactions							
Cash received from:							
Water Operations	14,836	15,729	16,525	17,318	18,135	18,977	19,847
Cash paid for:							
Operating costs	12,547	13,190	13,577	13,974	14,382	14,803	15,240
Cash provided from operating transactions	2,289	2,538	2,948	3,344	3,753	4,174	4,608
Capital Transactions							
Acquisition of tangible capital assets	3,297	4,059	2,473	2,692	3,162	2,650	8,103
Cash applied to capital transactions	(1,008)	(1,521)	475	652	591	1,524	(3,495)
Finance Transactions							
Cash from Reserves	-	-	-	-	-	-	-
Increase/(Decrease) in cash and equivalents	(1,008)	(1,521)	475	652	591	1,524	(3,495)
Cash and equivalents beginning of period	12,578	11,570	10,050	10,525	11,177	11,769	13,293
Cash and equivalents end of period	11,570	10,050	10,525	11,177	11,769	13,293	9,798

Table 5
Statement of Change in Net Financial Assets ('000)

Description	2025	2026	2027	2028	2029	2030	2031
Annual Surplus/(deficit)	307	503	845	1,201	1,564	1,932	2,321
Add: Amortization of capital assets	1,983	2,035	2,102	2,144	2,189	2,242	2,287
Less: Acquisition of capital assets	3,297	4,059	2,473	2,692	3,162	2,650	8,103
Disposal of tangible capital assets	-	-	-	-	-	-	-
Change in net financial assets (debt)	(1,008)	(1,521)	475	652	591	1,524	(3,495)
Net financial asset (debt) position beginning of period	12,578	11,570	10,050	10,525	11,177	11,769	13,293
Net financial asset (debt) position end of period	11,570	10,050	10,525	11,177	11,769	13,293	9,798

Table 6
Reserve Balance ('000)

Description	2025	2026	2027	2028	2029	2030	2031
Opening Reserve Balance	12,578	11,570	10,050	10,525	11,177	11,769	13,293
Contribution to Reserve	2,289	2,538	2,948	3,344	3,753	4,174	4,608
Capital Investments	(3,297)	(4,059)	(2,473)	(2,692)	(3,162)	(2,650)	(8,103)
Rate Stabilization Draw	-	-	-	-	-	-	-
Closing Reserve Balance	11,570	10,050	10,525	11,177	11,769	13,293	9,798

Table 7
Rate Forecast

Description	2025	2026	2027	2028	2029	2030	2031
Total Costs to be Recovered ('000)	14,526	15,419	16,215	17,008	17,825	18,667	19,537
Volumetric Sales Forecast ('000)	5,515	5,576	5,598	5,621	5,643	5,666	5,688
Annual Blended Retail Rate (Jan 1)	2.63	2.77	2.90	3.03	3.16	3.29	3.43
Actual Rate for Billing Period (May1)	2.67	2.80	2.93	3.06	3.19	3.33	3.47

Table 8
Statement of Financial Position ('000)

Description	2025	2026	2027	2028	2029	2030	2031
Financial Assets							
Cash	11,570	10,050	10,525	11,177	11,769	13,293	9,798
Liabilities							
Debt	-	-	-	-	-	-	-
Net financial assets	11,570	10,050	10,525	11,177	11,769	13,293	9,798
Non Financial Assets							
Tangible Capital Assets	69,008	70,498	70,579	70,813	71,416	71,514	76,383
Accumulated Surplus/ (Deficit)	80,579	80,548	81,104	81,990	83,185	84,807	86,181