

## What legislation governs the financing of drinking water systems in Ontario?

### [Safe Drinking Water Act 2002, O Reg. 453/07](#)

This regulation, passed under the Safe Drinking Water Act, 2002, requires owners of water systems to prepare a financial plan. The regulation is broken down into 6 sections.

The first section stipulates that all persons who wish to apply for a new licence or a renewal of their previous licence to run municipal a municipal drinking water system must prepare financial plans for the system. These plans must be approved before an application for a licence can be granted.

The second section lays out in detail the [requirements](#) that a financial plan for a new system should satisfy. In brief, the financial plans must cover a period of at least six years and include details of the proposed or projected financial operations of the drinking water system itemized by:

- i. total revenues, further itemized by water rates, user charges and other revenues,
- ii. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
- iii. annual surplus or deficit, and
- iv. accumulated surplus or deficit.

The third section lays out detailed [requirements](#) for the plans to be prepared in an application for licence renewal. Subsection 4 provides the breakdown:

- i. Details of the proposed or projected financial position of the drinking water system itemized by:
  - A. total financial assets,
  - B. total liabilities,
  - C. net debt,
  - D. non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and
  - E. changes in tangible capital assets that are additions, donations, write downs and disposals.
- ii. Details of the proposed or projected financial operations of the drinking water system itemized by:
  - A. total revenues, further itemized by water rates, user charges and other revenues,
  - B. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
  - C. annual surplus or deficit, and
  - D. accumulated surplus or deficit.
- iii. Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by:
  - A. operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges,

- B. capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,
  - C. investing transactions that are acquisitions and disposal of investments,
  - D. financing transactions that are proceeds from the issuance of debt and debt repayment,
  - E. changes in cash and cash equivalents during the year, and
  - F. cash and cash equivalents at the beginning and end of the year.
- iv. Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.

The fourth section allows an owner of two drinking water systems to submit a single plan covering both systems. The fifth section allows amendments to be made to the financial plans, and the sixth section allows system owners to provide additional financial information beyond what the regulation requires in their financial plans if they so choose.

#### [Water Opportunities Act 2010](#)

This Act requires water system owners to produce sustainability plans, including a financial plan.

[Section 26\(2\)](#) of the Act spells out the requirements of the sustainability plans:

1. An asset management plan for the physical infrastructure.
2. A financial plan.
3. If the municipal service is a municipal water service, a water conservation plan.
4. An assessment of risks that may interfere with the future delivery of the municipal service, including, if required by the regulations, the risks posed by climate change and a plan to deal with those risks.
5. Strategies for maintaining and improving the municipal service, including strategies to,
  - i. ensure the municipal service can satisfy future demand,
  - ii. consider technologies, services and practices that promote the efficient use of water and reduce negative impacts on Ontario's water resources, and
  - iii. increase co-operation with other municipal service providers.
6. Such other information or things as may be prescribed relating to the municipal service.

At the time of writing (January 2013), no regulations have been passed under the *Water Opportunities Act* that lay out the requirements of a financial plan. When regulations are passed and plans become mandatory, the plans under the *Water Opportunities Act* will differ from plans made under the *Safe Drinking Water Act* in that they will include stormwater and wastewater plans as well as drinking water asset management and financial plans.