

Final Report

Prepared by Hemson for the City of Welland

Water Financial Plan

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1. Introduction

The City of Welland operates and maintains the water system which includes approximately 21,000 customer connections serving a population estimated at about 68,000 people in 2026.¹ The fee structure for water service in the City includes a flat fixed charge differentiated by meter size plus a consumption charge for each cubic metre of water consumed. The City recovers its costs through user fees charged to its customers on the basis of a full cost recovery system.

The City's Drinking Water Licence is set to expire in 2026. Hemson was retained in late-2025 to undertake the Water Financial Plan to be consistent with the requirements of the *Safe Drinking Water Act* (the SDWA) and its associated regulation *Ontario Regulation 453/07* (O. Reg. 453/07). The plan is prepared as part of a five submission requirement process for reviewing the municipal drinking water licence under the SDWA. While a Wastewater Financial Plan is not required by regulation, a similar plan has been prepared under separate cover.

The Water Financial Plan is prepared consistent with requirements of the SDWA and its associated regulation O.Reg.453/07. The Water Financial Plan is part of the process required for the City to renew its municipal drinking water license under the SDWA. The preparation of a financial plan requires a thorough analysis of operating and capital needs, as well as consideration of available funding sources.

The financial plan includes specific statements such as: statement of operations, statement of financial position, and statement of cash flow. In addition, a statement of net financial assets/debt has been prepared. Although this statement is not required under O. Reg. 453/07, it does provide further information about the financial performance of the City's water system. Section 2 of the report explains each statement in greater detail.

The financial plan has been prepared for an eleven-year period from 2026-2036 to ensure it can be used to support the City's 2026 licence renewal requirement and provide a longer term outlook of the financial analysis.

¹ Based on projections in 2022 Development Charges Background Study.

2. Background

The City of Welland Water Financial Plan is prepared as one of the submission requirements necessary in renewing the municipal drinking water licence under the SDWA. The City is required to update the Financial Plan to again renew its drinking water license.

Financial Plans are defined in section 30(1) of the SDWA as follows: Financial plans that satisfy the requirements prescribed by the Minister, in any other case, 2002, c. 32, s. 30(1).

At this time, the *Sustainable Water and Sewage Systems Act, 2002* (SWSSA) has been repealed, however, the standards identified underpin the specific requirements of s.30 outlined in O. Reg. 453/07. The SDWA and O. Reg. 453/07 include the following general requirements for a financial plan:

- Mandatory for all municipal water systems and recommended for wastewater systems;
- Includes a planning horizon of at least six years (commencing when the system first serves the public, for new systems);
- Must be completed and approved by the later of July 1, 2010 and the date that is six months after the first licence is issued;
- May be amended and additional information may be included beyond what is prescribed, as necessary; and
- Must be approved by Council resolution indicating that the drinking water system is financially viable.

In addition to the above noted general requirements, the following specific statements are required in the financial plan:

i. **Statement of Operations**

This statement includes details on the projected financial operations itemized by total revenues, total expenditures, annual surplus/deficit, and the accumulated surplus/deficit for each year in which the financial plan applies. An annual surplus represents funds available to the City to fund non-operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve and reserve funds. The Statement of Operations is discussed in detail later in this report and is included as Table 1.

ii. **Statement of Financial Position**

This statement includes details on the financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets. In recording the tangible capital assets the City is able to account for its ability to provide for future benefits. A net financial asset position on this statement indicates whether the water system has the financial resources necessary to fund its future operations. The Statement of Financial Position is discussed in detail later in this report and is included as Table 2.

iii. **Statement of Cash Flow**

This statement provides information on the generation and use of cash resources. The gross cash receipts/payments are itemized by: operating, capital, investing and financial transactions. Itemizing the cash receipts and payments by category allows the reader to understand where the cash is being generated (e.g. water rates), and how the cash is being used (e.g. capital and operating expenses).

iv. **Statement of Net Financial Assets/Debt**

Although this statement is not required under O. Reg. 453/07, it does provide further information about the financial performance of the City's water systems. The Statement of Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital asset costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

The remainder of this study sets out the information and analysis upon which the statements were prepared.

Section 3 includes a discussion on the key inputs and documents used to develop the financial plan consistent with the governing legislation.

Section 4 includes the Statement of Operations, Statement of Financial Position, Statement of Cash Flows, and Statement of Change in Net Financial Assets/Debt that form the Financial Plan for Water Services.

Section 5 includes the Notes and Assumptions to the Financial Plan.

Section 6 includes an Overview of Results.

3. Key Inputs

This chapter discusses the key inputs and documents used to develop the financial plan consistent with the governing legislation. The costs, revenues and assumptions used in preparing the financial projections are based on the City's data including the 2026 operating budget, 2026-2035 capital forecast, Asset Management Plan, Fixed Asset Inventory List, the 2022 Development Charges Background Study, year-end reserve continuity schedules and other relevant information provided by staff. The five key financial inputs discussed below drive the prescribed statements outlined in Section 2 and are described in detail in Section 4 of this report.

i. Expenditure and Revenue Forecast

The expenditure and revenue forecast is based upon the information obtained from the City's 2026 operating budget. This forecast includes a projection of operating expenditures and revenues to 2036 with a provision for annual contributions to reserves for the purpose of asset repair and replacement. The City recovers its costs through user fees charged to its customers that includes a fixed fee that is differentiated by meter size, with an additional consumption charge for each cubic metre of water consumed. The forecast of expenditures and revenues is included in Appendix A – Table 1 Operating Budget Forecast.

Some main assumptions used to derive the operating and revenue projections are as follows:

Expenditures and non-rate revenues will increase annually at:

- Salaries – 2.5% per annum;
- Materials and Supplies – 2.0% per annum;
- Electricity, Gas Fuel, etc. – 5.0% per annum;
- Contractual Services – 3.0% per annum;
- Interdepartmental Transfers – 2.0% per annum;
- All other expenditures – 2.0% per annum;
- Non-rate water revenues – 2.0% per annum.

It is further assumed that the City's water purchasing costs will increase at about 9.0% annually to 2031, and at 5.0% annually from 2032 onwards. This assumption is consistent with projections provided by Niagara Region in the short-term.²

Water rate revenues are assumed to increase at an annual rate of about 5.0% per year to 2036, slightly lower than historical water rate revenue increases since 2022 which averaged about 6.8% annually.³

ii. Capital Expenditures

The City's capital budget forecast used in preparing the financial plan is outlined in Appendix A – Table 2. This table identifies the cumulative cost for all in-year capital projects over the planning period and identifies the assumed annual funding sources based on the availability of funds at the time of writing this study.

The growth-related capital expenditures over the forecast period equate to over \$12.8 million, which would need to be funded from development charges and external sources, while the non-growth program amounts to \$35.3 million for a total of \$48.2 million. The capital program projection is based on the City's capital program from 2026 to 2035. An additional year of 2036 is based on the average expenditure of non-growth related costs of the previous 10-years to complete a 10-year forecast of 2027-2036 plus the base year approved capital in 2026 based on the 2026 capital budget.

In order to smooth the financial impact these projects would have on the existing reserve funds and utility rates, debenture financing requirements are assumed to assist in carrying out the program. As a result, the City should continue to exercise caution in planning for these projects to ensure the projects can properly be funded from the water utility system. Please note, the quantum of external financing required would be determined by staff and council through the budget process at the time of expenditure. It is assumed that all growth-related infrastructure requirements are funded from development charges and external sources and are not supported through the utility rates.

² Based on Niagara Region staff report CSD 48-2024 notes increases 8%-9% in 2026 to 2028.

³ Historical average based on actuals from 2022 to 2024 and budget from 2025 to 2026.

iii. Reserve Fund Statements

Water Reserves

The 2026 Water Reserve Fund opening balance was provided by staff. The projected transfers to and from the Water Reserve Fund are outlined in Appendix A – Table 3, Reserve and Reserve Fund Continuity. Please note the information outlined in this table represents the “water only” share of the City’s rate reserves, under the assumption of a 41% allocation of the total 2026 opening water/wastewater reserve fund to water services, based on the replacement value of existing assets.⁴

The Water Reserve Fund is used to fund non-growth related capital projects as well as the repair and replacement of water assets. Additionally, these funds can be used to address revenue shortfalls that can arise from fluctuating annual water consumption (i.e. less water is billed during wet summers).

Development Charge Reserve Fund – Water Services

The Development Charge Reserve Fund is used to fund growth-related capital projects outlined in the City’s Development Charges Background Study. The 2026 opening balance was provided by municipal staff. The timing and costs of each project is subject to change based on annual capital budget reviews. Please note that the reserve funds identified in this study reflect the reserve fund balances and projects associated with the City-wide and area-specific DCs combined.

iv. Debt Repayment

Based on the 2026 budget, the City has total debt payments of about \$2.1 million related to the water system which is fully rate funded. The City does not currently have any development charge funded debt. A summary of existing debt is illustrated in Appendix A as Table 4.

In addition to the existing debt, a further \$11.7 million in development charge funded debenture financing is identified to help “smooth” out the immediate cash requirements to carry-out the \$48.2 million in projected total capital expenditures

⁴ The City’s reserve schedule data reports water and wastewater reserves combined. For the purposed of this report, an assumption is made to allocate an amount to each service.

over the forecast period. The financing terms include repayment over a 20-year period at a 4.50% annual interest rate.

Please note, the quantum of external financing required would be determined by staff and council through the budget process at the time of expenditure and is included in this study for financial planning purposes.

v. Tangible Capital Asset Analysis (TCA)

The City's internal TCA data was used to develop financial information related to the water systems assets. The statements included are not audited documents and contain estimates and assumptions as described below.

The following assumptions were made in regard to tangible capital assets:

- The amortization of assets is based on straight line depreciation;
- The useful life of each asset, as included in the City's asset register, was included in the calculation of amortization;
- Amortization of future growth-related assets is assumed with an average useful life of 80 years;
- It is assumed that no write-offs occurred in any of the years;
- It is assumed that there were no gains or losses on the disposal of assets (assets were disposed when they had reached the end of their useful life and therefore the historic cost is equal to accumulated depreciation); and
- Contributed assets were unknown and therefore not included in the forecast.

A summary of the tangible capital asset balances for the City's water system is as follows:

City of Welland
Summary of Tangible Capital Asset Balances
(in \$000's)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Opening Tangible Capital Assets	\$53,377	\$59,907	\$61,938	\$65,990	\$68,713	\$74,368	\$78,608	\$82,238	\$86,567	\$92,970	\$97,926
Plus: Acquisitions - Repair/Replacement	\$2,735	\$2,031	\$1,453	\$2,722	\$2,110	\$1,341	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630
Plus: Acquisitions - Growth Related	\$3,795	\$0	\$2,599	\$0	\$3,545	\$2,898	\$0	\$0	\$0	\$0	\$0
Less: Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Tangible Capital Assets	\$59,907	\$61,938	\$65,990	\$68,713	\$74,368	\$78,608	\$82,238	\$86,567	\$92,970	\$97,926	\$101,556
Opening Accumulated Amortization	\$24,293	\$26,785	\$29,277	\$31,721	\$34,132	\$36,462	\$38,761	\$41,003	\$43,155	\$45,231	\$47,235
Plus: Amortization Expense	\$2,492	\$2,492	\$2,443	\$2,411	\$2,330	\$2,299	\$2,243	\$2,151	\$2,076	\$2,005	\$1,912
Less: Amortization of Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Accumulated Amortization	\$26,785	\$29,277	\$31,721	\$34,132	\$36,462	\$38,761	\$41,003	\$43,155	\$45,231	\$47,235	\$49,147
Net Book Value	\$33,122	\$32,661	\$34,270	\$34,581	\$37,906	\$39,847	\$41,234	\$43,413	\$47,740	\$50,691	\$52,409

Note: Amounts are unaudited for planning purposes only. Actual results will differ from the above.

4. Water Financial Plan

This section summarizes the complete financial plan for the City of Welland's water system, which represents a forecast or projection of the City's future financial position. The statements included in this study are not audited documents and contain estimates and assumptions as described in Section 5 of this report.

A. Statement of Operations – Table 1

The Statement of Operations provides information on the revenues and expenses generated from the water system in each year. An annual surplus will be generated where annual revenues exceed annual expenses for the year. Conversely, where the expenses exceed the revenues, an annual deficit will result. The annual surplus is available to fund non-operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve funds.

In 2026, the projected revenue is \$18.5 million with expenditures of \$16.1 million. As revenues exceed expenses, an annual surplus is projected of approximately \$2.4 million. The beginning period accumulated surplus of \$21.2 million is equal to the opening reserve fund balances, plus tangible capital assets, and less any debt obligations and deferred revenue. A reconciliation of this amount can be found in Table 5. The City's forecasted Statement of Operations indicates an annual surplus in each of the years projected, with the accumulated surplus growing by approximately \$26.8 million by 2036. This supports the City's need to grow its reserve funds to pay for the repair and replacement of the City's capital assets.

B. Statement of Financial Position – Table 2

The Statement of Financial Position provides information on the assets and liabilities of the City's water system. Net Financial Assets/ (Debt) is the difference between assets and liabilities. A position of net financial assets occurs when assets are greater than liabilities. Conversely, net financial debt occurs when liabilities exceed their assets. A net financial assets position implies that the system has the financial resources required to fund its future operations. A net financial debt position indicates that future revenues will be required to pay for past transactions.

Table 1
City of Welland
Statement of Operations
(in \$000's)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Revenues											
Water Sales											
Metered	\$16,511	\$17,337	\$18,204	\$19,114	\$20,070	\$21,073	\$22,127	\$23,233	\$24,395	\$25,615	\$26,895
Non-Rate Revenue	\$917	\$935	\$954	\$973	\$993	\$1,012	\$1,033	\$1,053	\$1,074	\$1,096	\$1,118
Interest Earned	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earned DC Revenue	\$25	\$206	\$206	\$405	\$405	\$678	\$901	\$901	\$901	\$901	\$901
Other Funding Sources (External)	\$1,095	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Total Revenue</i>	\$18,548	\$18,478	\$19,364	\$20,493	\$21,468	\$22,764	\$24,060	\$25,187	\$26,370	\$27,611	\$28,914
Expenditures											
Amortization Expense	\$2,492	\$2,492	\$2,443	\$2,411	\$2,330	\$2,299	\$2,243	\$2,151	\$2,076	\$2,005	\$1,912
Interest on Debt Expense	\$316	\$391	\$342	\$408	\$363	\$479	\$560	\$515	\$476	\$434	\$413
Operating Expense	\$13,339	\$14,169	\$15,066	\$16,035	\$17,081	\$18,213	\$18,959	\$19,739	\$20,555	\$21,407	\$22,297
<i>Total Expenditures</i>	\$16,146	\$17,053	\$17,851	\$18,854	\$19,775	\$20,990	\$21,762	\$22,406	\$23,106	\$23,846	\$24,623
Annual Surplus/(Deficit)	\$2,402	\$1,425	\$1,512	\$1,638	\$1,693	\$1,773	\$2,299	\$2,782	\$3,264	\$3,766	\$4,291
Annual Surplus/(Deficit)	\$2,402	\$1,425	\$1,512	\$1,638	\$1,693	\$1,773	\$2,299	\$2,782	\$3,264	\$3,766	\$4,291
Accumulated Surplus, Beginning of Period	\$21,233	\$23,635	\$25,060	\$26,572	\$28,211	\$29,904	\$31,677	\$33,976	\$36,758	\$40,021	\$43,787
Accumulated Surplus, End of Period	\$23,635	\$25,060	\$26,572	\$28,211	\$29,904	\$31,677	\$33,976	\$36,758	\$40,021	\$43,787	\$48,079

Table 2
City of Welland
Statement of Financial Position
(in \$000's)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Financial Assets											
Cash	\$4,098	\$4,081	\$4,725	\$4,468	\$4,928	\$5,947	\$5,357	\$4,602	\$2,156	\$1,947	\$3,490
Total Assets	\$4,098	\$4,081	\$4,725	\$4,468	\$4,928	\$5,947	\$5,357	\$4,602	\$2,156	\$1,947	\$3,490
Liabilities											
Debt	\$11,916	\$10,056	\$10,837	\$9,253	\$11,334	\$12,768	\$11,726	\$10,814	\$9,862	\$9,256	\$8,629
Deferred Revenue	\$1,670	\$1,625	\$1,586	\$1,585	\$1,597	\$1,348	\$889	\$444	\$12	(\$405)	(\$808)
Total Liabilities	\$13,585	\$11,682	\$12,423	\$10,838	\$12,930	\$14,116	\$12,615	\$11,258	\$9,875	\$8,851	\$7,820
Net Financial Assets/(Debt)	(\$9,487)	(\$7,600)	(\$7,697)	(\$6,370)	(\$8,002)	(\$8,170)	(\$7,258)	(\$6,655)	(\$7,718)	(\$6,903)	(\$4,330)
Non-Financial Assets											
Tangible Capital Assets	\$33,122	\$32,661	\$34,270	\$34,581	\$37,906	\$39,847	\$41,234	\$43,413	\$47,740	\$50,691	\$52,409
Accumulated Surplus/(Deficit)	\$23,635	\$25,060	\$26,572	\$28,211	\$29,904	\$31,677	\$33,976	\$36,758	\$40,021	\$43,787	\$48,079

In 2026, liabilities are expected to total about \$13.6 million due to existing debt and deferred revenues, while financial assets are approximately \$4.1 million, which leaves the City in a net financial debt position of approximately \$9.5 million. However, the City's net financial debt position is expected to shrink over the planning period as debt is reduced and financial assets are expected to grow in order to carry-out the capital program. Despite the debt position, the City's reserves remain positive throughout the period and reserves are accumulated as the City's outstanding debt is reduced over time (Appendix A - Table 3).

The Statement of Financial Position also provides information on the City's tangible capital assets. The reporting of tangible capital assets is a requirement under PS3150 of the Public Sector Accounting Board. Prior to 2009, the costs to acquire or construct capital assets were expensed in the year in which they occurred. As of 2009, municipalities are required to capitalize their assets and account for their ability to provide future benefits. An increase in the tangible capital asset balance suggests that new assets have been acquired, and a decrease in the balance indicates the disposal, write down or use of assets. The City's tangible capital assets are valued at \$33.1 million in 2026 and are anticipated to grow to \$52.4 million by the end of the period.

C. Statement of Cash Flow – Table 3

The Statement of Cash Flow provides information on the generation and use of cash resources in the following categories: operating; capital; investments; and financing activities. The statement describes how the cash from operations (\$5.0 million) will be used to support the 2026 capital transactions (\$6.5 million). Deducted from this will be cash applied to financing transactions of about \$872,000. The difference between the total cash generated and cash used results in an increase or decrease in cash and cash equivalents. The beginning of period cash and cash equivalents is equal to the water reserve funds on hand at the start of the period.

In 2026, the City will see a net \$633,000 decrease in cash and cash equivalents. Overall, the City's cash position declines from \$4.7 million in 2026 to about \$3.5 million by 2036. This decline is minor, but related to the acquisition of new assets and debt repayment.

D. Statement of Change in Net Financial Assets/Debt – Table 4

The Statement of Change in Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital asset costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. The statement outlines that the surplus of about \$2.4 million and amortization (\$2.5 million) does not exceed the forecasted capital expenditures of \$6.5 million, resulting in a net decrease in net financial assets for 2026 of about \$1.6 million. Net financial assets remain negative for some of the early years of the forecast as the City carries-out the \$48.2 million capital program. The change in net financial assets improves to a positive position toward the latter end of the planning period. While net financial assets remain negative, there is improvement by 2036 as the City acquires assets and repays debt, furthermore water rate funded reserves remain positive and increase modestly by 2036.

Table 3
City of Welland
Statement of Cash Flow
(in \$000's)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Operating Transactions											
Annual Surplus/(Deficit)	\$2,402	\$1,425	\$1,512	\$1,638	\$1,693	\$1,773	\$2,299	\$2,782	\$3,264	\$3,766	\$4,291
Add: Amortization of TCA's	\$2,492	\$2,492	\$2,443	\$2,411	\$2,330	\$2,299	\$2,243	\$2,151	\$2,076	\$2,005	\$1,912
Less: DC Revenue	(\$25)	(\$206)	(\$206)	(\$405)	(\$405)	(\$678)	(\$901)	(\$901)	(\$901)	(\$901)	(\$901)
Add: Development Charge Proceeds	\$157	\$162	\$166	\$405	\$417	\$429	\$442	\$455	\$469	\$483	\$498
Less: Interest Proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Provided by Operating:	\$5,026	\$3,873	\$3,916	\$4,049	\$4,035	\$3,823	\$4,083	\$4,487	\$4,908	\$5,353	\$5,801
Capital Transactions											
Proceeds on Sale of Tangible Capital Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Used to Acquire Tangible Capital Assets	(\$6,530)	(\$2,031)	(\$4,053)	(\$2,722)	(\$5,656)	(\$4,239)	(\$3,630)	(\$4,330)	(\$6,403)	(\$4,956)	(\$3,630)
	(\$6,530)	(\$2,031)	(\$4,053)	(\$2,722)	(\$5,656)	(\$4,239)	(\$3,630)	(\$4,330)	(\$6,403)	(\$4,956)	(\$3,630)
Investing Transactions											
Proceeds from Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Cash Used to Acquire Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Provided by Investing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing Transactions											
Proceeds from Debt Issues	\$2,675	\$0	\$2,599	\$0	\$3,545	\$2,898	\$0	\$0	\$0	\$0	\$0
Less: Debt Repayment (principal only)	(\$1,804)	(\$1,859)	(\$1,819)	(\$1,584)	(\$1,464)	(\$1,463)	(\$1,042)	(\$912)	(\$951)	(\$606)	(\$627)
Cash Applied for Financing	\$872	(\$1,859)	\$780	(\$1,584)	\$2,081	\$1,435	(\$1,042)	(\$912)	(\$951)	(\$606)	(\$627)
Increase/(Decrease) in Cash and Cash Equivalents	(\$633)	(\$17)	\$644	(\$257)	\$460	\$1,019	(\$589)	(\$755)	(\$2,446)	(\$209)	\$1,543
Cash and Cash Equivalents											
Beginning of Period	\$4,731	\$4,098	\$4,081	\$4,725	\$4,468	\$4,928	\$5,947	\$5,357	\$4,602	\$2,156	\$1,947
Increase/(Decrease)	(\$633)	(\$17)	\$644	(\$257)	\$460	\$1,019	(\$589)	(\$755)	(\$2,446)	(\$209)	\$1,543
End of Period	\$4,098	\$4,081	\$4,725	\$4,468	\$4,928	\$5,947	\$5,357	\$4,602	\$2,156	\$1,947	\$3,490

Table 4
City of Welland
Statement of Change in Net Financial Assets (Debts)
(in \$000's)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Annual Surplus/(Deficit)	\$2,402	\$1,425	\$1,512	\$1,638	\$1,693	\$1,773	\$2,299	\$2,782	\$3,264	\$3,766	\$4,291
Amortization of Tangible Capital Assets	\$2,492	\$2,492	\$2,443	\$2,411	\$2,330	\$2,299	\$2,243	\$2,151	\$2,076	\$2,005	\$1,912
Less: Acquisition of Tangible Capital Assets	(\$6,530)	(\$2,031)	(\$4,053)	(\$2,722)	(\$5,656)	(\$4,239)	(\$3,630)	(\$4,330)	(\$6,403)	(\$4,956)	(\$3,630)
Change in Net Financial Assets/(Debt)	(\$1,637)	\$1,886	(\$97)	\$1,327	(\$1,632)	(\$167)	\$912	\$603	(\$1,063)	\$815	\$2,573
<i>Net Financial Assets/(Debt)</i>											
Beginning of Period	(\$7,850)	(\$9,487)	(\$7,600)	(\$7,697)	(\$6,370)	(\$8,002)	(\$8,170)	(\$7,258)	(\$6,655)	(\$7,718)	(\$6,903)
Increase/(Decrease)	(\$1,637)	\$1,886	(\$97)	\$1,327	(\$1,632)	(\$167)	\$912	\$603	(\$1,063)	\$815	\$2,573
End of Period	(\$9,487)	(\$7,600)	(\$7,697)	(\$6,370)	(\$8,002)	(\$8,170)	(\$7,258)	(\$6,655)	(\$7,718)	(\$6,903)	(\$4,330)

5. Notes and Assumptions to Financial Plan

Section 3(2) of O. Reg. 453/07 states that the information is required only if the information is known to the owner at the time the financial plan is prepared. The assumptions used in preparing the financial plan are noted below.

i. Cash

The beginning of period Cash and Cash equivalents contained in the Statement of Cash Flows is the total of the opening balance of reserve funds. The opening balances were unaudited at the time the Financial Plan was prepared and may change.

ii. Receivables and Payables

It is assumed that the water receivables and payables are not significant and therefore have not been identified.

iii. Debt

Further to the existing approved debt, an additional \$11.7 million in development charge funded debenture financing is included in the Water Financial Plan to help “smooth” out the immediate cash requirements to carry-out the \$12.8 million in projected DC-funded capital expenditures over the forecast period. This debt is assumed over a 20-year period at a 4.50% annual interest rate.

iv. Deferred Revenue

Deferred revenue represents the development charge reserve fund balance. For financial reporting purposes, development charges are deemed a liability until they are used to acquire or construct the infrastructure for which they were collected.

v. Accumulated Surplus

The accumulated surplus for all years in the forecast period is contained in Table 5.

Table 5
City of Welland
Reconciliation of Accumulated Surplus
in \$000's

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Accumulated Surplus consists of:											
Opening Reserve Balance											
Development Charges	\$1,538	\$1,670	\$1,625	\$1,586	\$1,585	\$1,597	\$1,348	\$889	\$444	\$12	(\$405)
Water Reserves	\$3,194	\$2,429	\$2,456	\$3,139	\$2,883	\$3,331	\$4,599	\$4,468	\$4,158	\$2,144	\$2,353
Total Reserve Balance	\$4,731	\$4,098	\$4,081	\$4,725	\$4,468	\$4,928	\$5,947	\$5,357	\$4,602	\$2,156	\$1,947
Less: Debt Obligations and Deferred Revenue	(\$12,582)										
Add: Tangible Capital Assets	\$29,083	\$33,122	\$32,661	\$34,270	\$34,581	\$37,906	\$39,847	\$41,234	\$43,413	\$47,740	\$50,691
Total Opening Balance	\$21,233	\$23,635	\$25,060	\$26,572	\$28,211	\$29,904	\$31,677	\$33,976	\$36,758	\$40,021	\$43,787
Add: Contributions To/(From) Reserves (excl. DC)											
Water Reserve	(\$765)	\$27	\$683	(\$257)	\$449	\$1,267	(\$131)	(\$310)	(\$2,015)	\$209	\$1,946
Total Change in Reserve	(\$765)	\$27	\$683	(\$257)	\$449	\$1,267	(\$131)	(\$310)	(\$2,015)	\$209	\$1,946
Add: Changes in TCA during the year											
Capital Assets Acquired/(Disposed)	\$6,530	\$2,031	\$4,053	\$2,722	\$5,656	\$4,239	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630
Amortization of Capital Assets	(\$2,492)	(\$2,492)	(\$2,443)	(\$2,411)	(\$2,330)	(\$2,299)	(\$2,243)	(\$2,151)	(\$2,076)	(\$2,005)	(\$1,912)
Total Change in Tangible Capital Assets	\$4,039	(\$461)	\$1,609	\$311	\$3,326	\$1,941	\$1,387	\$2,179	\$4,327	\$2,951	\$1,718
Subtract Changes in Debt Position											
New Debt	(\$2,675)	\$0	(\$2,599)	\$0	(\$3,545)	(\$2,898)	\$0	\$0	\$0	\$0	\$0
Debt Repayment (Principal Only)	\$1,804	\$1,859	\$1,819	\$1,584	\$1,464	\$1,463	\$1,042	\$912	\$951	\$606	\$627
Total Change in Debt	(\$872)	\$1,859	(\$780)	\$1,584	(\$2,081)	(\$1,435)	\$1,042	\$912	\$951	\$606	\$627
Total Ending Balance	\$23,635	\$25,060	\$26,572	\$28,211	\$29,904	\$31,677	\$33,976	\$36,758	\$40,021	\$43,787	\$48,079

vi. Lead Pipes

Ontario Regulation 453/07 regulation contains a requirement for municipalities to include in the Financial Plan the cost associated with replacing lead pipes that are part of the drinking water system. The City currently does not have to replace any lead pipes and does not expect to replace any in the future. Therefore, no provision for lead pipe replacement is required for this plan.

6. Overview of Results

The main purpose of this report is intended to illustrate the financial viability of the water system over an 11-year planning period to 2036. The financial plan contained in this document outlines that the City's drinking water systems are financially viable, although, some important items should be considered.

- In developing this Water Financial Plan, the City recognizes that this is a living document, and it is expected to be reviewed again during the City's next Water and Wastewater Rate Study update or earlier if deemed necessary by the City.
- In addition to annual operating, maintenance and debt servicing costs, water infrastructure will require periodic rehabilitation and eventual replacement. When assets require rehabilitation or are due for replacement, the source of funds are essentially limited to reserves or contributions from operating. In maintaining a user-pay approach, it is important for the City to continue to build sufficient reserves for the scheduled replacement of infrastructure through contributions from operating. As the City's water infrastructure ages, maintaining assets in a state of good repair will ensure these assets continue to maintain service levels and the services are operated in accordance with Provincial legislation that guarantees safety, quality and reliability. The contribution requirements are intended to be informed through the City's Asset Management Plan which will continue to be refined over the coming years.
- The City does expect to experience significant growth and non-growth related capital pressures over the next few years to expand the capacity of the existing system to facilitate development over the long-term (i.e. new watermains, watermain upgrades, booster pump station, etc.). This means that these projects will require careful monitoring to continue to ensure financial sustainability.
- The growth-related capital expenditures over the forecast period equate to over \$12.8 million, which would need to be funded from development charges and external sources, while the non-growth program amounts to about \$35.3 million. In order to smooth the financial impact these projects would have on the existing reserve funds and utility rates, debenture financing requirements

are assumed to assist in carrying out the program. As a result, the City should continue to exercise caution in planning for these projects to ensure the projects can properly be funded from the water utility system and development charges for the growth-related infrastructure. Please note, the quantum of external financing required would be determined by staff and council through the budget process at the time of expenditure and is included in this study for financial planning purposes.

It is fiscally prudent the City continue to monitor their water operations to compare the accuracy of the financial projections with the actual results, as this will lead to improved planning in the future.

Appendix A

Supporting Tables

Appendix A - Table 1
City of Welland
Operating Budget Forecast
(in \$000's)

	Budget	Forecast									
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Expenditures											
Operating Costs											
Salaries/Wages/Benefits	\$2,510	\$2,573	\$2,637	\$2,703	\$2,770	\$2,840	\$2,911	\$2,983	\$3,058	\$3,135	\$3,213
Materials and Supplies	\$556	\$567	\$578	\$590	\$601	\$613	\$626	\$638	\$651	\$664	\$677
Utilities	\$96	\$100	\$105	\$111	\$116	\$122	\$128	\$134	\$141	\$148	\$156
Contractual Services	\$552	\$569	\$586	\$603	\$622	\$640	\$659	\$679	\$700	\$721	\$742
Water Purchase	\$7,756	\$8,454	\$9,215	\$10,044	\$10,948	\$11,933	\$12,530	\$13,156	\$13,814	\$14,505	\$15,230
Interdepartmental Transfers	\$1,757	\$1,792	\$1,828	\$1,864	\$1,902	\$1,940	\$1,979	\$2,018	\$2,058	\$2,100	\$2,142
Other Expenditures	\$113	\$115	\$118	\$120	\$122	\$125	\$127	\$130	\$133	\$135	\$138
Debt Payments	\$2,120	\$2,251	\$2,161	\$1,992	\$1,828	\$1,942	\$1,602	\$1,428	\$1,427	\$1,041	\$1,041
Subtotal - Operating Costs	\$15,458	\$16,420	\$17,227	\$18,027	\$18,909	\$20,155	\$20,561	\$21,167	\$21,982	\$22,447	\$23,338
Capital Related Costs											
Growth-Related Capital	\$3,795	\$0	\$2,599	\$0	\$3,545	\$2,898	\$0	\$0	\$0	\$0	\$0
Non-Growth Capital	\$2,735	\$2,031	\$1,453	\$2,722	\$2,110	\$1,341	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630
Future Debt Financing - Non-Growth	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Future Debt Financing - Growth	(\$2,675)	\$0	(\$2,599)	\$0	(\$3,545)	(\$2,898)	\$0	\$0	\$0	\$0	\$0
Subtotal - Capital Related Costs	\$3,855	\$2,031	\$1,453	\$2,722	\$2,110	\$1,341	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630
Reserve Contribution											
Contributions to/(from) Water Reserve	\$1,970	\$2,058	\$2,137	\$2,466	\$2,559	\$2,609	\$3,499	\$4,020	\$4,388	\$5,164	\$5,576
Contributions to/(from) DC Water Reserve Fund	(\$25)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal - Reserve Contribution	\$1,945	\$2,058	\$2,137	\$2,466	\$2,559	\$2,609	\$3,499	\$4,020	\$4,388	\$5,164	\$5,576
Total Expenditures	\$21,258	\$20,509	\$20,817	\$23,215	\$23,578	\$24,105	\$27,690	\$29,517	\$32,773	\$32,567	\$32,544
Revenues											
Non-User Rate Revenue	\$917	\$935	\$954	\$973	\$993	\$1,012	\$1,033	\$1,053	\$1,074	\$1,096	\$1,118
Water Billing Revenue	\$16,511	\$17,337	\$18,204	\$19,114	\$20,070	\$21,073	\$22,127	\$23,233	\$24,395	\$25,615	\$26,895
Contribution from DC Reserves (Debt)	\$0	\$206	\$206	\$405	\$405	\$678	\$901	\$901	\$901	\$901	\$901
Transfer from Water Reserve (non-growth) for Capital	\$2,735	\$2,031	\$1,453	\$2,722	\$2,110	\$1,341	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630
Other Funding Sources (External)	\$1,095	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$21,258	\$20,509	\$20,817	\$23,215	\$23,578	\$24,105	\$27,690	\$29,517	\$32,773	\$32,567	\$32,544

Appendix A - Table 2
City of Welland
Capital Budget Forecast
(in \$000's)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Capital Program											
Growth Related	\$3,795	\$0	\$2,599	\$0	\$3,545	\$2,898	\$0	\$0	\$0	\$0	\$0
Non-Growth Related	\$2,735	\$2,031	\$1,453	\$2,722	\$2,110	\$1,341	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630
Total	\$6,530	\$2,031	\$4,053	\$2,722	\$5,656	\$4,239	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630
Debt Financing	(\$2,675)	\$0	(\$2,599)	\$0	(\$3,545)	(\$2,898)	\$0	\$0	\$0	\$0	\$0
Revised Total	\$3,855	\$2,031	\$1,453	\$2,722	\$2,110	\$1,341	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630
Funding Sources											
Transfer from Water Reserve	\$2,735	\$2,031	\$1,453	\$2,722	\$2,110	\$1,341	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630
Transfer from Development Charges Reserve	\$25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-Growth Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Growth-Related Debenture Requirements	\$2,675	\$0	\$2,599	\$0	\$3,545	\$2,898	\$0	\$0	\$0	\$0	\$0
Other Funding Sources (External)	\$1,095	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Funding	\$6,530	\$2,031	\$4,053	\$2,722	\$5,656	\$4,239	\$3,630	\$4,330	\$6,403	\$4,956	\$3,630

Appendix A - Table 3
City of Welland
Reserve and Reserve Fund Continuity
in \$000's

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Water Reserves											
Opening Balance	\$3,194	\$2,429	\$2,456	\$3,139	\$2,883	\$3,331	\$4,599	\$4,468	\$4,158	\$2,144	\$2,353
Transfer from Operating	\$1,970	\$2,058	\$2,137	\$2,466	\$2,559	\$2,609	\$3,499	\$4,020	\$4,388	\$5,164	\$5,576
Transfer to Capital	(\$2,735)	(\$2,031)	(\$1,453)	(\$2,722)	(\$2,110)	(\$1,341)	(\$3,630)	(\$4,330)	(\$6,403)	(\$4,956)	(\$3,630)
Interest Earned	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$2,429	\$2,456	\$3,139	\$2,883	\$3,331	\$4,599	\$4,468	\$4,158	\$2,144	\$2,353	\$4,299
Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Development Charge Reserve											
Opening Balance	\$1,538	\$1,670	\$1,625	\$1,586	\$1,585	\$1,597	\$1,348	\$889	\$444	\$12	(\$405)
Revenue	\$157	\$162	\$166	\$405	\$417	\$429	\$442	\$455	\$469	\$483	\$498
Transfer to Capital	(\$25)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer to Operating Existing											
Transfer to Operating Future	\$0	(\$206)	(\$206)	(\$405)	(\$405)	(\$678)	(\$901)	(\$901)	(\$901)	(\$901)	(\$901)
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$1,670	\$1,625	\$1,586	\$1,585	\$1,597	\$1,348	\$889	\$444	\$12	(\$405)	(\$808)
Debenture Requirements	\$2,675	\$0	\$2,599	\$0	\$3,545	\$2,898	\$0	\$0	\$0	\$0	\$0

Notes: Transfer to capital is net of debenture requirements.

Appendix A - Table 4
 City of Welland
 Debenture Schedule
 in \$000's

	2026		2027		2028		2029		2030		2031	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Existing Debt	\$1,804	\$316	\$1,774	\$271	\$1,730	\$225	\$1,408	\$179	\$1,280	\$142	\$1,158	\$106
Future Debt	\$0	\$0	\$85	\$120	\$89	\$117	\$176	\$230	\$184	\$222	\$305	\$373
	\$1,804	\$316	\$1,859	\$391	\$1,819	\$342	\$1,584	\$408	\$1,464	\$363	\$1,463	\$479
	2032		2033		2034		2035		2036		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Existing Debt	\$631	\$70	\$483	\$44	\$502	\$24	\$137	\$3	\$137	\$3	\$11,044	\$1,383
Future Debt	\$411	\$490	\$430	\$471	\$449	\$452	\$469	\$431	\$490	\$410	\$3,090	\$3,315
	\$1,042	\$560	\$912	\$515	\$951	\$476	\$606	\$434	\$627	\$413	\$14,133	\$4,698