

August 1, 2018

Mr. Ryan McLeod
Director of Financial Services
Town of Kingsville
2021 Division Road North
Kingsville, Ontario
N9Y 2Y9

Dear Mr. McLeod:

Re: 2018 Water and Wastewater Rate Study and Ontario Regulation 453/07

Watson & Associates Economists Ltd. (Watson) is pleased to provide you with our proposal submission concerning the updates to the Water and Wastewater Rate Study as well as the Ontario Regulation (O. Reg.) 453/07: Water Financial Plan. As we understand, you are seeking our assistance in updating the water rate study we provided to you in 2010 in order to update the rate forecast as well as to provide a rate forecast for wastewater. This update is to be based on your 2018 operating budget and capital forecast. Note, Watson will be concurrently working with Union Water to provide them with a rate study analysis and financial plan. This will provide efficiencies with respect to travel and information collection/analysis for the Town of Kingsville. Based on this request we are providing the following.

1. Introduction

Based upon the request for the rate study, our comments on each of the study tasks are detailed below:

1. Consumption and Customer Data Update and Analysis
2. Capital Forecast Update
3. Capital Cost Financing Options
4. Operating Cost and Revenue Analysis
5. Rate Analysis and Update
6. Review Calculations and Preliminary Rates with Staff
7. Council Workshop
8. Water and Wastewater Rate Study
9. Ontario Regulation 453/07: Water Financial Plan
10. Council Presentation



1.1 Consumption and Customer Data Update and Analysis (Task #1)

- We have provided for a meeting with staff to solicit their input on the process and to obtain historical information and data regarding consumption, existing infrastructure inventory, capital and operating information, along with presenting background for discussion.
- Review historic records on water consumption and sewage flows by system. The historic consumption/flows records will be classified by class of user to assess consumption patterns. These classes may be defined as residents (single vs. multi-residential), commercial, industrial, and institutional. Further refinements can be made based on discussions with staff.
- Based on the average consumption patterns for above, a consumption forecast will be developed with the Town's residential and non-residential forecasts resulting from the Town's recent Development Charges Background Study or any other approved forecast document.

1.2 Capital Forecast Update (Task #2)

Review with staff and update the capital needs based upon:

- Update the Capital Forecast based on the 2018 approved Budget/Forecast and current DC study, confirming timing of growth projects with staff.
- Municipality inventory information will be used for lifecycle costing purposes and capital forecast requirements within the forecast period. (Note: Watson can use benchmark costs for water and wastewater assets from surrounding municipalities.)
- Update the timing of expenditures related to servicing new growth as per any changes in assumptions in growth (as identified by staff through Task #1 above).

1.3 Capital Cost Financing Options (Task #3)

- Based on findings of Task #2, consider debt and/or transfers from operating budgets and/or reserves. Evaluation would include other statutory authorities such as Development Charges, Part XII charges under the Municipal Act, development agreements under the Planning Act, local improvements, regulations, etc.
- In addition, we will consider the potential for and applicability to grant funding for capital works proposed in #2.
- Review with Town personnel prior to proceeding with rate determination. This discussion will address potential short to medium term impacts of utilizing alternative capital financing methods as a means of controlling rate levels.



1.4 Operating Cost and Revenue Analysis (Task #4)

- Update operating budget based on 2018 base data to be provided by staff. Review operating costs and related annual cost components such as maintenance costs, testing, engineering/administration, reading/billing/collecting, etc. Break down into fixed and variable components
- Update and include existing debenture issues.
- Update and include December 31, 2017 reserve/reserve fund balances into the model.

1.5 Rate Analysis and Update (Task #5)

- Rate forecast to be updated based on present structure for water and wastewater.
- The present rates for water consist of a consumption charge of \$0.95 per cubic metre and a quarterly fixed charge of \$19 for each customer.
- There are three wastewater rate areas:
 - Cottam:
 - Fixed residential charge: \$85 per quarter
 - Fixed multi-residential, commercial, and industrial charge: 130% of total water charges
 - Greenhouse rate: \$1.24 per cubic metre of sewage discharge
 - Foreign worker housing: $\text{Occupant load}/3.2 * \85 per quarter
 - Lakeshore West:
 - Fixed residential charge: \$83 per quarter
 - Fixed multi-residential, commercial, and industrial charge: 130% of total water charges
 - Greenhouse rate: \$1.24 per cubic metre of sewage discharge
 - Foreign worker housing: $\text{Occupant load}/3.2 * \83 per quarter
 - Kingsville:
 - Fixed residential charge: \$83 per quarter
 - Fixed multi-residential, commercial, and industrial charge: 130% of total water charges
 - Greenhouse rate: \$1.24 per cubic metre of sewage discharge
 - Foreign worker housing: $\text{Occupant load}/3.2 * \83 per quarter

1.6 Review Calculations and Preliminary Rates with Staff (Task #6)

- One meeting has been provided to review the preliminary findings of the rate analysis and discuss options for rate increases over the forecast period.
- Review all information provided to date as well as options for rate changes over the forecast period.



1.7 Council Workshop (Task #7)

- Prepare a PowerPoint presentation to Council outlining the most recent information on the legislation surrounding the water and wastewater industry, preliminary rate calculations and a comparison to rates of neighbouring municipalities.

1.8 Water and Wastewater Rate Study Report (Task #8)

- Finalize the long-term plans prepared as part of the previous tasks for capital (existing system/future) and operating needs from a value engineering and/or long-term lifecycle perspective.
- Prepare a capital/operating implementation plan from a technical and cost perspective.
- We will provide a Water and Wastewater Rate Study Report. The report will summarize the model results and will include discussion of the impact of customers buying into the distribution systems as well as include the financial plan.

1.9 Ontario Regulation 453/07: Water Financial Plan (Task #9)

- As part of the compliance reporting for Ontario Regulation 453/07, municipalities are required to prepare “financial plans” along with details of the proposed financial position and operations for water (and optional for wastewater) for a minimum of six years. Watson assisted the Town with their financial plan (for water) in 2010 to be compliant with the water licence legislation.
- The financial plan must be submitted with the Town’s renewal application for its water licence and must start in the year the water licence is to be renewed, for the Town this is 2019. Watson proposes to undertake this work after the completion of the rate study, to ensure the financial plan reflects the most recent information available.
- Watson’s water/wastewater rate study update for the Town will form the basis of the financial plan. The rate study update 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:

Step 1 - Calculate Tangible Capital Asset Balance (utilizing the Town’s current PSAB 3150 information)



- Step 2 - Convert Forecasted Operating Statement to Full Accrual Statement of Operations
- Step 3 - Enter Balances for Remaining Items on Statement of Financial Position.
- Step 4 - Use Operating Statement and Statement of Financial Position to Complete Statement of Net debt and Cash Flow
- Step 5 - Verification and Note Preparation

1.10 Council Presentation (Task #10)

- Present the final rate calculations and rate study at a meeting of Council. The presentation will include the most recent information on the legislation surrounding the water and wastewater industry, final rate calculations and a comparison to rates of neighbouring municipalities.

2. Watson & Associates Economists Ltd.

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

Would represent the firm and be responsible for all facets of the rate study process and will present the findings of both the rate study and financial plan at all staff, Council and Public Meetings. Gary would assume responsibility for development of the rate model, 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. Mr. Scandlan has been with the firm of Watson & Associates Economists Ltd. for 29 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.

Daryl Abbs, M.B.E., Consultant

Would provide assistance in completion of the study, and would assist in report documentation, data compilation, and analysis. Daryl would be the main contact for day-to-day questions and be responsible for the collection, compilation, and initial analysis. Since joining the firm in 2015, Daryl has assisted in gathering and compiling background information for development charge studies, water and wastewater rates, and fiscal impact assessments. Daryl holds a B.A. (Honours) degree in Economics from McMaster University and a Master of Business Economics from Brock University.

Nancy Neale, P.L.E., Senior Project Coordinator

Would provide assistance in completion of the rate study and would assume responsibility for preparation and completion of the O.Reg. 453/07: Water Financial Plan 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 150 DC assignments, over 80 water & wastewater rate studies and various financial impact assessments and long term financial plans.

3. Budget

Our proposed budget for the project, based on the items outlined in our full work program, is \$25,000. We would note that this budget reflects the study budget provided for the 2010 study, indexed to current dollars. Further, our work includes the completion of the water financial plan as per O.Reg. 453/07. As the Town's current license is set to expire in early 2019, we have provided for this in our proposed budget.

The quotation provides for an updated water and wastewater rate study in PDF format which will be provided to the municipality electronically upon completion of the study as well as electronic versions of the Council Workshop and Public Meeting presentations in PowerPoint format.



Town of Kingsville
Water and Wastewater Rate Study and O.Reg. 453/07 Water Financial Plan
Detailed Budget by Study Step

Budget by Milestone	Watson & Associates Economists Ltd.			
	Gary Scandlan, Director	Nancy Neale, Senior Project Coordinator	Daryl Abbs, Consultant	Total Resources
Hourly Rates	\$285	\$190	\$140	
Water and Wastewater Rate Study				
1 Study Start-up (1)* and Data Collection	6	-	8	14
2 Assessment of Consumption/Flows/Customers	2	-	8	10
3 Capital Needs and Financing	2	-	8	10
4 Operating Costs and Lifecycle Planning	2	-	8	10
5 Rate Calculations	2	-	8	10
6 Review Calculations & Preliminary Rates with Staff (1)*	6	-	8	14
7 Council Workshop	6	-	6	12
8 Report Preparation	3	2	10	15
9 O. Reg. 453/07 Water Financial Plan	4	10	8	22
10 Presentation to Council (1)*	6		2	8
Total Number of Hours	39	12	74	125
Disbursements (travel, telephone, courier, reports)				\$ 1,200
Total Water and Wastewater Fees	\$ 11,115	\$ 2,280	\$ 10,360	\$ 25,000
Additional Meetings upon request (based on 7 hours)				\$ 2,000

* 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 update the Rate Study would be provided by Town staff and that the Town is able to arrange for these services directly if they are required. The engineering assessment that you provide (if needed) should include the updated evaluation of the water and wastewater system inventory and capital needs which will feed into our financial analysis. This data may be obtained from the Town's most recent Asset Management Plan. As noted, Watson will use benchmark costs for the assets.
- 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.
- Our estimated budget is an "upset," with invoicing only to the extent of time spent on the project, and not to exceed the upset limit.
- 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 before the end of 2018, in advance of the water license application deadline.

Details	2018											
	August			September			October			November		
Water and Wastewater Rate Study												
1 Study Start-up (1)* and Data Collection	SM											
2 Assessment of Consumption/Flows/Customers												
3 Capital Needs and Financing												
4 Operating Costs and Lifecycle Planning												
5 Rate Calculations												
6 Review Calculations & Preliminary Rates with Staff (1)*							SM					
7 Council Workshop							CW					
8 Report Preparation												
9 O. Reg. 453/07 Water Financial Plan												
10 Presentation to Council (1)*											CM	

SM - Staff Meeting

CW - Council Workshop

CM - Council Meeting

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 analysis.

5. Other Matters

5.1 Municipal Staff Resources and Responsibilities

Information Requirements for the Water and Wastewater Rate Update:

Municipal staff assistance will be required regarding the provision of information such as historical consumption/flow data, financial data (both capital and operating), system inventory information, existing policies regarding present rate structure, and other fees and revenues sources. It is anticipated that time commitments over and above the time requirements for the provision of data will, to some extent, depend upon the number of policy issues which may be defined at the project initiation meeting. Based on information gained during the last study, we will review and update the following information:

- 2018 Operating and Capital budget and forecast;
- Any significant changes to the inventory of water system infrastructure (W.I.M.'s) and sewer infrastructure (S.I.M.'s) provided during the previous rate analysis. To include age, materials, location, length, size and any related maintenance history information, provided in A.I.M.S. and/or state of the art lifecycle report;
- December 31, 2017 Reserve/Reserve fund balances for water and wastewater (including water and wastewater D.C. reserve fund balances);
- Debenture repayment schedules issued in 2017 or 2018 and/or expected to be issued prior to 2019;



- Current Water and Wastewater Rates;
- Water consumption and wastewater flows by class of customer and by month for 2017 and 2018;
- Summary of number of customers by class and consumption data by classes of users for 2017 and 2018, and;
- Most recent letter from Ministry of Municipal Affairs regarding debt capacity limits.

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 August 1, 2018, 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, B.A., P.L.E.

Director

Signed: _____

Accepted on behalf of: _____

Town of Kingsville

Date: _____



Appendix A – Corporate Profile and Experience

CORPORATE PROFILE

Watson & Associates 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 & Associates 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.”



Plaza Three, 101-2000 Argentia Rd.
Mississauga, Ontario Canada L5N 1V9
Phone: (905) 272-3600
Fax: (905) 272-3602
e-mail: info@watson-econ.ca

OUR PHILOSOPHY

At Watson & Associates, 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, the firm 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.”



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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 RESTRUCTURING 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 & Associates, 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.



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Financial Plan Reporting Under Safe Drinking Water Act

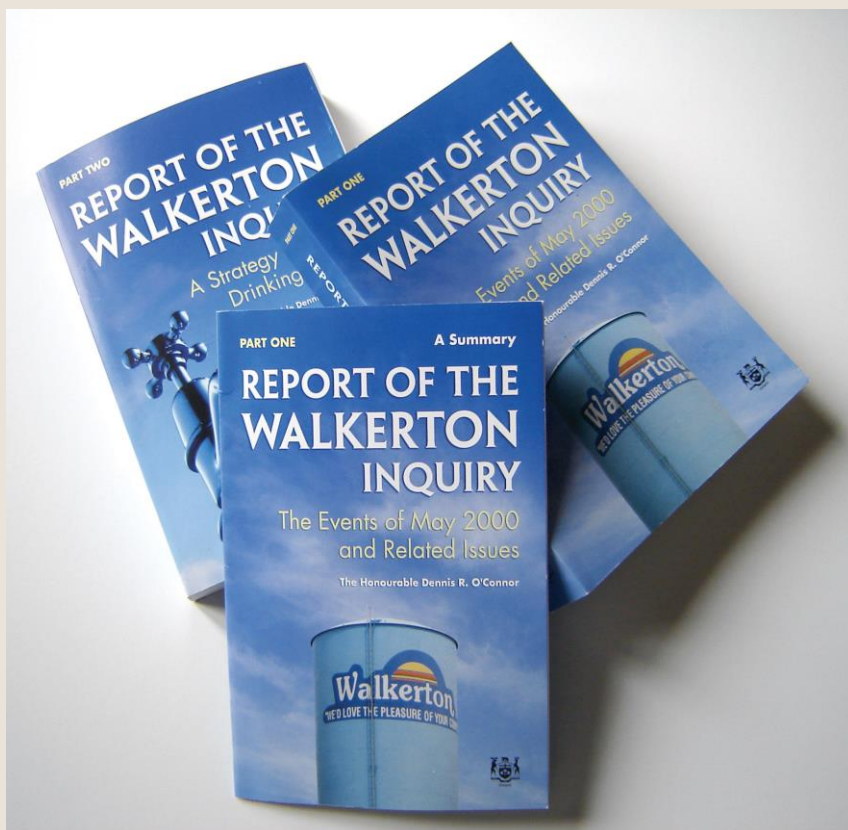
On August 16, 2007, the MOE passed O.Reg. 453/07 under the *Safe Drinking Water Act* which requires the preparation of financial plans for water (and wastewater) systems. Generally,

- the financial plan is to be completed and submitted by the later of July 1, 2010 or six months after approval of water license;
- the financial plan shall be for 6 years or longer;
- the financial plan is mandatory for water and “encouraged” for wastewater;
- reporting to the Province will be on an accrual basis consistent with PSAB reporting requirements.

There are several steps that must be taken in preparing the financial plan. These include:

- analyzing the immediate capital needs for infrastructure replacements and growth-related needs and how to finance them;
- looking at longer term needs – up to 80 years – and developing life cycle replacement costs for the infrastructure and determining how much money needs to be reserved for those replacement costs;
- assessing the costs of the water and sewer systems, including operating, inflation, growth, capital and debt carrying charges.

Watson & Associates has both the knowledge of municipal finance and economics, and the demonstrated experience in this particular area, to undertake the financial plan that will meet, or exceed the Province’s requirements. Our firm is committed to carefully monitoring developments in this field. We have already carried out similar assignments for more than 75 municipalities.



Our specialists in this area include:

Gary Scandlan,
Director

Andrew Grunda,
Principal

Nancy Neale,
Senior Project Coordinator

Peter Simcisko,
Senior Project Coordinator

Byron Tan,
Consultant

Daryl Abbs,
Consultant

Matt Bouroukis,
Analyst

Tina Chitsinde,
Analyst

Gary Scandlan

Director

Gary Scandlan is a Director and a managing partner with Watson & Associates. His career spans more than 33 years, working in a management capacity for two Ontario Regional municipalities and, more recently, with Watson & Associates.

Gary's primary area of focus is the municipal financial sector. His previous employment with the Region of Hamilton-Wentworth and the Region of Halton, enabled Gary to gain extensive expertise in the highly-specialized field of financial policy analysis. Today this expertise has proven to be invaluable to the firm's municipal clients in addressing today's challenging financial environment.

Since joining the firm, Gary has worked with over 125 municipalities assisting them in long range capital planning, development charges, developer agreement negotiations, water and wastewater rate studies, growth management strategies and economic/financial feasibility studies.

In 2001, he participated in two Expert Panel sessions for the Walkerton Inquiry on behalf of the Ontario Water Works Association (OWWA), the Ontario Municipal Water Association (OMWA), and the Canadian Environmental Law Association (CELA), providing recommendations concerning water system financial management and privatization. Since that time, Gary has been working with over 60 municipalities to establish water and wastewater rate structures (including lifecycle costing, as well as infrastructure upgrades) that would ensure financial sustainability.

Gary has made numerous presentations and authored several articles on 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 has appeared before the Ontario Municipal Board and other tribunals on behalf of municipalities on many occasions.

Gary holds a degree in Economics from McMaster University, and is a Professional Land Economist. He is a member of Municipal Finance Officers of Ontario, Toronto Area Business Economists, Ontario Water Works Association and Ontario Public Works Association.



Gary D. Scandlan, B.A., PLE

Director

EDUCATION

- 1993 Professional Land Economist
- 1985 Completed nine courses towards the attainment of a Certified Management Accountant designation.
- 1978 Received Bachelor of Arts degree in Economics from McMaster University.

EMPLOYMENT HISTORY

- 1989- Senior Consultant and latterly Director, Watson & Associates Economists Ltd. (formerly C.N. Watson and Associates Ltd.). Involved in studies related to Development Charge Studies, Local Government Finance and Restructuring, Financial Operations and Policy, Asset Management and Lifecycle Costing, and Industrial Market and Economic Forecasts.
- 1984-89 Manager of Economic Analysis and Policy Development, Regional Municipality of Halton. Responsible for Capital Budgets, Debt Management, Cash Management, Banking Relations, Reserve Management, Credit Rating, Financial and Economic Studies and Financial and Security Requirements on new development.
- 1983-84 Capital Budget and Debt Management Analyst, Regional Municipality of Halton. Responsible for Debt Management, Credit Rating, Work in Progress Accounting Control, Year End Financial Statement Preparation, Debenture Issues and Provincial Capital Grant Application and Audit.
- 1978-83 Held several finance positions including, Supervisor of Grants and Cash Management and Supervisor of Capital Programs, within the Regional Municipality of Hamilton-Wentworth. Experience gained in the areas of Cash Management, Accounts Receivable, Reserves Management, Provincial Grants, Banking Relations, Capital Budget, Work in Progress Accounting Control, Local Improvements, Credit Rating, Debt Management, Debenture Issues and Payroll.

Prior to joining Watson & Associates, Mr. Scandlan had eleven years' experience in a municipal finance environment, progressing to the senior management level. He has had direct responsibility and exposure to virtually all aspects of a Municipal Finance Department. During his tenure at the Region of Halton, Mr. Scandlan managed the Policy and Special Studies Section of the Finance Department, which provides internal financial, economic and administrative studies for the Corporation. Regional studies participated in included Residential Development Charge, Commercial/Industrial Development Charge, Development Processing Fees, Energy From Waste Financial Feasibility, Landfill Affordability and Impact Analysis, Recycling Program and Facility, Waterfront Parks and Municipal Marinas, Transit for the Disabled, Childcare, Liability Insurance, Administrative Space Needs, Museum Feasibility, and an Urban Structural Review.

Gary Scandlan has more than 24 years' experience as a consultant in economic, local government and planning matters. He has completed assignments in more than 125 municipalities, as well as for a number of private sector clients. His experience includes work in the Northwest Territories and throughout Ontario.

With respect to development charge studies, Mr. Scandlan has been study director for more than 150 policy studies, ranging from the large urban municipalities (eg. Cities of Hamilton, London, Guelph, Orillia, St. Thomas and Orangeville) to smaller urban centres (eg. Renfrew, Arnprior, Milton, Halton Hills, Leamington, Tecumseh, Centre Wellington, East Gwillimbury), and Townships and Villages (eg. Townships of Guelph-Eramosa, Centre

Gary D. Scandlan, B.A., PLE

Director (Cont'd)

Wellington, Wilmot, Central Elgin). In addition to undertaking development charge calculations and completing public processes, Mr. Scandlan is a member of the firm's senior management group, which interprets development charge legislative requirements, and develops innovative approaches to meet client needs within the legislative framework. Further, Mr. Scandlan provides continuing advice on development charge issues to his client base, and has been involved in a number of special studies and negotiation of front ending agreements and special development related contributions.

Mr. Scandlan has had considerable involvement in the changes being made to the Water and Wastewater industry in Ontario, participating in the Walkerton Inquiry on behalf of the Ontario Municipal Water Association and the Ontario Municipal Water Association and assisting in presenting a discussion paper to the province with regard to Bill 175 (Sustainable Water and Sewage Systems Act). He has prepared articles on the new Act and has undertaken numerous seminars and workshops on behalf of OWWA, OMWA, AMO, MFOA, ACMTO, OPWA and Trent University. He has assisted over 60 municipalities in developing water and wastewater rates which incorporate Sustainable Asset Management principles.

Mr. Scandlan is a member of the Municipal Finance Officers of Ontario, Canadian Water Works Association, Ontario Public Works Association and Toronto Area Business Economists. In addition, he is a Professional Land Economist.

Nancy Neale

Senior Project Coordinator

Nancy Neale is a Senior Project Coordinator with Watson & Associates. Since joining the company in 2003, she has worked on numerous water and wastewater rate studies, development charge studies and fiscal impact studies.

Prior to joining Watson & Associates, Nancy worked for the Region of Halton and the Towns of Milton and Oakville. In those capacities, Nancy was responsible for the capital budget process, development charge studies, municipal debt, growth-related analysis, the coordination and implementation of special financial agreements, as well as lifecycle modeling.

Nancy has a Diploma in Accounting, with a major in Accounting and Finance from Mohawk College. She also completed the Municipal Administration Program through AMCTO and the third year in the C.G.A. program.



Nancy A. Neale, PLE

Senior Project Coordinator

EDUCATION

- | | |
|------|---|
| 2014 | Professional Land Economist |
| 2003 | Municipal Administration Program, AMCTO |
| 1997 | Completed nine courses towards the attainment of a Certified General Accountant Designation |
| 1987 | Accounting program, with a major in Accounting and Finance, Mohawk College of Applied Arts and Technology |

EMPLOYMENT HISTORY

- | | |
|---------|---|
| 2003- | Joined Watson & Associates Economists Ltd. (formerly C.N. Watson and Associates Ltd.) as a Senior Consultant, progressing to her current responsibilities as Senior Project Coordinator, participating in development charge studies and water and wastewater rate studies. |
| 1999-03 | Capital Development Analyst, Town of Milton. Responsible for the capital budget processes, municipal debt, development charge studies, reserves, growth-related analysis, coordination and implementation of special financial agreements, life cycle models and financial requirements of Building Permit system. |
| 1992-99 | Capital Analyst, Town of Oakville. Responsibilities included compiling the capital budget and nine year forecast, review of grant applications, variance analysis, debt and capital leases, review and coordination of operating budget for Arts Council and Humane Society. |
| 1990-92 | Development Charges Analyst, Town of Oakville. Responsibilities included administration and implementation of development charge by-law, commitments on development agreements, securities and assisted with analysis and preparation of development related studies. |
| 1987-90 | Development Clerk, The Regional Municipality of Halton. Responsible for implementation of Water and Wastewater Master Servicing and Financing Scheme servicing two local municipalities, securities, lot levy audit model, collection and allocation of lot levies on land severance and condominium applications and amounts collected by area municipalities. |

Nancy Neale brings 16 years of experience in municipal budgeting and development with her. She has been involved with numerous life cycle replacement plans, development charge background studies, capital budgeting and numerous other growth-related studies and analysis.

Daryl Abbs

Consultant

Daryl is a Consultant with Watson & Associates Economists Ltd., working primarily in the areas of municipal finance, development charges, water and wastewater rate studies and fiscal impact assessments.

Daryl joined the firm in 2015, after previously working as a Junior Analyst for the Labour Market and Socioeconomic Information Directorate branch of Service Canada where he utilized statistical analysis and forecasting techniques to determine potential labour market outcomes. He brings experience from the municipal realm after completing two graduate level co-op terms with the City of St. Catharines.

Daryl holds a Master's of Business Economics degree from Brock University as well as a Bachelor of Arts degree in Economics from McMaster University.



Daryl M. Abbs, BA (Honours), MBE


Consultant

EDUCATION

- 2014 Brock University
Master of Business Economics (MBE)
- 2011 McMaster University
Bachelor of Arts (Honours) in Economics

EMPLOYMENT HISTORY

- 2015 Joined Watson & Associates Economists Ltd. as an Analyst, progressing to his current responsibilities as Consultant focused in the areas of municipal finance, development charges, water and wastewater rate studies and fiscal impact assessments.
- 2014 Junior Analyst, Labour Market and Socioeconomic Information Directorate, Service Canada, North York, Ontario. Responsible for analyzing economic trends within the Ontario labour market to create reports on potential occupational outcomes. Updated the economic “environmental” scan for Ontario, analyzing various federal, provincial and local economic trends.
- 2013 Co-op Student, Recreation and Community Services, City of St. Catharines, St. Catharines, Ontario. Facilitated and monitored the “New Trees” planting program. Responsible for the scheduling, agenda and minute preparation for the Urban Forestry Advisory Committee meetings.
- 2012-13 Teaching Assistant, Economics Department, Brock University, St. Catharines, Ontario. Conducted tutorials and review sessions, as well as graded exams and assignments for the following courses: Introductory Microeconomics, Introductory Macroeconomics, Intermediate Microeconomics, Advanced Microeconomics and Economics for the MBA students.



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 Town obtaining its license to operate water systems. While the plans are mandatory for water systems, similar plans are encouraged for wastewater systems. The financial plan is to be completed by the later of July 1, 2010 and the date that is six months after the first license is issued.

- 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.

Watson's Water rate study for the Town 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 Town, 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 Town 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