



MUNICIPALITY OF

PORT HOPE

BUDGET

Water and Wastewater Utility Financial Update

Summary of Significant Changes

The financial sustainability of the Water and Wastewater Utilities are reviewed and analyzed on a regular basis and significant changes are identified to Council. There are several changes that have affected the projected reserve fund balance for the utilities, based on the 2014 Water and Wastewater Rate Study.

The significant changes include:

- Reduced Wastewater Revenue
- Reduction in Development Charges
- Long-term Loan Payment Adjustment
- Other Variances
- Opening Balance Adjustments

Reduced Wastewater Revenue

- The primary impact is that 2014 rate study was based on past consumption, which included a large amount of atypical consumption from an industrial customer which did not continue. This resulted in using a higher consumption than normal to estimate the rates.
- The total decrease over the past five years is estimated at:

2015 Actual	\$ 690,029
2016 Actual	841,562
2017 Actual	930,322
2018 Budget	957,337
2019 Budget	992,034
Total	<u><u>\$ 4,411,284</u></u>

Reduction in Development Charges

- The study has a provision for the repayment of the loans for the Water Treatment Plant and the Wastewater Treatment Plant for the growth portion
- As the growth projection has not met what was identified in the Development Charge Study, there are less funds available to transfer into the Utility Reserve Funds
- DC Revenue Shortfall Estimate:

Water DC \$ 2,897,362

Wastewater DC \$ 1,409,394

Long-term Loan Payment Adjustment

- Staff identified that the Water and Wastewater long-term loan payments had not been recorded against the Reserve Fund for their respective utility
- An adjustment within the Municipal Equity section was required in 2015 to transfer funds from the Utility Reserves to General Municipal Operating:

Water	\$ 1,538,116
Wastewater	\$ 2,755,480

Other Variances

There are a few variances from the rate study where the cost is not in the control of management. The accumulated cost over the past 5 years is:

	Water	Wastewater
Property Tax	\$ 645,000	\$ 150,000
Increase in Insurance	217,000	401,000
Increase in Utility Costs	350,000	242,000
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	\$ 1,212,000	\$ 793,000

Opening Balance Adjustments

	Water	Wastewater
Revenue from 2014 Operating Transfer	\$ (503,000)	\$ (927,000)
Capital Projects Requiring Funding	3,053,686	-
Development Charge Transfer		(1,194,000)
WWTP Construction over Debenture	-	(3,700,000)
	<u>\$ 2,550,686</u>	<u>\$ (5,821,000)</u>

Challenge Mitigation

- Staff are aware of the financial challenges and are making adjustments where they have control, without decreasing the levels of the service to residents
- Examples are:
 - deferral of capital projects to future years – Water \$2.25M and Wastewater \$1.1M
 - utilizing grant funding for capital projects

Water Reserve Fund

Water Reserve Fund	2015	2016	2017	2018	2019
Study Closing Balance	\$ 98	\$ 204,639	\$ 611,714	\$ 822,337	\$ 504,021
Actual/Projected Balance	(3,166,233)	(3,852,990)	(3,471,063)	(3,731,630)	(4,311,728)
Variance	\$ (3,166,331)	\$ (4,057,629)	\$ (4,082,777)	\$ (4,553,967)	\$ (4,815,749)

Wastewater Reserve Fund

Wastewater Reserve Fund	2015	2016	2017	2018	2019
Study Closing Balance	\$ (505,739)	\$ 134,187	\$ 153,557	\$ 653,541	\$ 402,040
Actual/Projected Balance	2,142,751	1,600,289	433,469	(1,010,928)	(2,009,322)
Variance	\$ 2,648,490	\$ 1,466,102	\$ 279,912	\$ (1,664,469)	\$ (2,411,362)

Overall

- Staff are aware of the financial challenges and are mitigating the challenges where possible
- The financial sustainability will continue to be monitored with detailed information for preparation of the next Financial Plan
- The 2019 Water and Wastewater Financial Plan will account for these changes and will include improved information for better decision making
- Projected Reserve Fund Decrease to the Study
 - Water \$ 4,815,749 less than planned
 - Wastewater \$ 2,411,362 less than planned