

Request for Decision

2016 Water Wastewater Operating Budget Variance Report - June

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Sep 20, 2016

Report Date Wednesday, Aug 24,
2016

Type: Routine Management
Reports

Resolution

THAT the City of Greater Sudbury accepts the June 30, 2016 Water Wastewater Variance Report dated August 24, 2016 from the Acting Chief Financial Officer/City Treasurer and the General Manager of Infrastructure Services outlining the projected year end position.

YEAR END VARIANCE

The year end net under expenditure for Water and Wastewater Services is projected to be \$742,624 as outlined in Schedule A.

Water is projecting an under expenditure of \$1,141,630 while Wastewater is trending to an over expenditure of \$399,006.

The major contributors to this under expenditure are:

Category	Favourable/(Unfavourable)
User Fees	\$(1,652,370)
Frontage and Other Revenues	\$212,265
Salaries and Benefits	\$954,144
Materials	\$652,700
Energy	\$(670,100)
Purchased Services	\$1,204,945
Other net variances	<u>\$41,040</u>
Total Projected Under Expenditure	<u>\$742,624</u>

Signed By

Report Prepared By

Dion Dumontelle
Co-ordinator of Finance, Water
Wastewater
Digitally Signed Aug 24, 16

Division Review

Shawn Turner
Manager of Financial & Support
Services
Digitally Signed Aug 24, 16

Recommended by the Department

Ed Stankiewicz
Acting Chief Financial Officer/City
Treasurer
Digitally Signed Aug 24, 16

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Sep 7, 16

VARIANCE EXPLANATIONS

User Fees

Actual user fee revenues are trending below budgeted amounts. For 2016 the estimated consumption has been budgeted at 14.0 million cubic metres. Based upon the most recent information provided by GSU, it is estimated that the consumption will be approximately 13.5 million cubic metres. This is still an estimate as final consumption numbers will be known in early 2017.

Other miscellaneous user fees are projected to be under budget as well.

Salaries and Benefits

Salaries and benefits are projected to be under budget by approximately \$954,145. The division experienced staff turnover and in some cases were / are unable to successfully fill those specialized vacancies on a timely basis. At the time of the writing of this report, there were as many as 5 temporary full-time vacancies that were unfilled. Overtime has been kept to a minimum, particularly in the plants areas.

Materials

Materials are projected to be under budget by \$652,800. This is a combination of savings in chemicals, break down repair related materials and other plant related maintenance savings.

Energy

Energy costs are projected to be over budget by approximately \$670,100. Energy consumption at the Wanapitei water treatment plant was higher than normal during the winter event as production was increased to maintain flows through the system. The Sudbury Wastewater plant electricity costs will be higher than budgeted as it is supplying power to the Biosolids plant through a sub-meter. The additional electricity costs related to the Biosolids operation are being recovered through other revenue resulting in a net cost of zero to the City.

Purchased Services

Purchased service costs are projected to be under budget by approximately \$1.2 million:

1. There have been 41 watermain breaks to the end of June 2016. This number is projected to be 80 for the calendar year using historical averages for the remaining months, compared to 184 breaks for 2015 and 141 for 2014. It is estimated that contracted repairs of watermains will be under budget by \$1.0 million.
2. All other repair work to water related infrastructure (hydrants, curb boxes, and valves) are anticipated to exceed budget by \$100,000.
3. Sewer main and manhole repairs will be under budget by \$200,000.
4. Sludge haulage is anticipated to be under budget by \$100,000 due to savings realized through the tendering process.
5. Locate costs will be under budget by \$200,000 due to decreased activity and the ability of staff to limit the amount of locates performed by the contractor.
6. Other contracted services are over budget by \$200,000 due to snowplowing and additional repairs and maintenance costs.

Conclusion

The under expenditure in 2016 is a result of the favourable weather and in particular, milder winter conditions offsetting reduced consumption. Operations works to balance the use of own crews versus contractors to maximize value and maintain service response levels as quickly as possible for citizens.

The final year end water under expenditure will be contributed to the Water Capital Financing Reserve Fund while the wastewater over expenditure will be funded by a contribution from the Waste Water Capital Financing Reserve Fund in accordance with the By-law.

Revenue & Expense Summary Water/Waste Water Mtce.

Projected for Year Ended December 31, 2016 (based on June 30 operating results)



Schedule A

	Annual Budget	Projected Actual at December 31	Variance Favourable/ (Unfavourable)	Projected % of Budget
Frontage Charges	58,908	127,908	69,000	217
Provincial Grants & Subsidies	-	-	-	
User Fees	65,372,751	63,720,381	(1,652,370)	97
From Reserve and Reserve Funds	374,998	374,998	-	100
Other Revenues	517,100	660,365	143,265	128
Municipal Levy (fire protection)	3,459,000	3,459,000	-	100
Total Revenues	69,782,757	68,342,652	(1,440,105)	98
Salaries & Benefits	13,339,361	12,385,217	954,144	93
Materials Expenses	4,656,746	4,004,047	652,699	86
Equipment Expenses	-	-	-	
Energy Costs	4,313,559	4,983,660	(670,101)	116
Purchased/Contract Services	11,847,764	10,642,819	1,204,945	90
Debt Repayment	4,010,789	4,010,789	-	100
Prof Development & Training	75,198	102,966	(27,768)	137
Grants/Rents and Financial	24,260	24,927	(667)	103
Prov to Reserves & Capital	24,473,260	24,473,260	-	100
Internal Recoveries	7,041,820	6,972,343	69,477	99
Total Expenses	69,782,757	67,600,028	2,182,729	97
Excess (Deficiency) of Revenue Over Expenses (before contribution to Reserve Funds)	-	742,624	742,624	
Contribution from (to) Water Reserve Fund	-	(1,141,630)		
Contribution from (to) Waste Water Reserve Fund	-	399,006		
Excess (Deficiency) of Revenue Over Expenses (after contribution to Reserve Funds)	-	-		