

Request for Decision

2015 Water Wastewater Operating Budget Variance Report - September

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Dec 08, 2015

Report Date Friday, Nov 20, 2015

Type: Routine Management
Reports

Recommendation

THAT the City of Greater Sudbury accepts the September 30, 2015 Water Wastewater Variance Report dated November 18, 2015 from the Chief Financial Officer/Treasurer and the General Manager of Infrastructure Services outlining the projected year end position.

Year End Variance

The year end net over expenditure for Water and Wastewater Services is projected to be \$2,098,578 as outlined in Schedule A. Water is projecting an over expenditure of \$3,822,047 while Wastewater is trending to an under expenditure of \$1,723,469.

The major contributors to this over expenditure are:

Signed By

Report Prepared By

Dion Dumontelle
Co-ordinator of Finance, Water
Wastewater
Digitally Signed Nov 20, 15

Recommended by the Department

Ed Stankiewicz
Acting Chief Financial Officer/City
Treasurer
Digitally Signed Nov 20, 15

Recommended by the C.A.O.

Kevin Fowke
Acting Chief Administrative Officer
Digitally Signed Nov 25, 15

Category	Favourable/(Unfavourable)
User Fees	\$(1,105,200)
Salaries and Benefits	\$924,600
Materials	\$321,800
Energy	\$(181,700)
Purchased Services	\$(3,818,600)
Debenture and Insurance Costs	\$1,483,600
Internal Recoveries	\$159,300
Other Net Variances	\$117,622
Total Projected Over Expenditure	\$(2,098,578)

Variance Explanations

User Fees

Actual user fee revenues are trending below budgeted amounts. For 2015 the estimated consumption has been budgeted at 14.2 million cubic metres. Based upon the most recent information provided by GSU, it is estimated that the consumption will be approximately 13.9 million cubic metres. This is still an estimate as final consumption numbers will be known in early 2016.

Other miscellaneous user fees are projected to be under budget as well but are partially offset by an increase in other revenues.

Salaries and Benefits

Salaries and benefits are projected to be under budget by approximately \$924,600. 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 several full-time vacancies that were unfilled. Overtime, other than that required during the frozen winter services event, has been kept to a minimum, particularly in the plants areas.

Materials

Materials are projected to be under budget by \$321,800. 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 \$181,700. Energy consumption at the Wahnapiite 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 hydro is now trending below budget due to process improvements, completion of capital projects and lower than expected rainfall.

Purchased Services

Purchased service costs are projected to be over budget by approximately \$3.8 million:

1. There have been 151 watermain breaks to the end of September 2015. This number is projected to be 180 for the calendar year using historical averages for the remaining months, compared to 141 breaks for 2014 and 103 for 2013. It is estimated that contracted repairs of watermains will be over budget by \$2.4 million.

2. The unusual cold weather also had an impact on water services freezing. Frozen water services thawing repairs performed by contractors amounted to approximately \$1.0 million in unanticipated expenditures over budgeted amounts. A separate report summarizing these expenditures procured under the emergency provision of the City's Purchasing by-law has been received by Council. Only a very small amount was recovered from property owners who are billed when the freeze occurred on private property.
3. All other repair work to water related infrastructure (hydrants, curb boxes, and valves) are anticipated to exceed budget by \$ 500,000.
4. Sewer main and manhole repairs will be over budget by \$100,000.

The cumulative effect of the above four items is an overage of \$4.0 million. Offsetting this are projected savings of \$200,000 related to other contracted services, resulting in the net overage of \$3.8 million.

Debenture and Insurance Costs

The projected costs for the external debt repayments related to the Biosolids facility will be lower than budgeted in fiscal 2015 due to the delay in the completion date and acquiring external debt through Infrastructure Ontario at both a lower than expected principal and an interest rate lower than budgeted.

Internal Recoveries

Internal recoveries are projected to be under budget by \$159,300 due to savings in the GSU billing and collection costs, interdepartmental allocations and fleet costs.

Conclusion

The over expenditure in 2015 is a result of the harsh winter conditions, aging infrastructure as well as reduced consumption. Operations works to balance the use of own crews versus contractors to maximize value and maintain service levels as quickly as possible for citizens. The under expenditure in salaries and over expenditure in purchased services reflect this strategy.

The final year end water over expenditure will be funded by a contribution from the Water Capital Financing Reserve Fund while the wastewater under expenditure will be contributed to the Waste Water Capital Financing Reserve Fund in accordance with the By-law. After taking into account these projections, it is estimated that the balance of the Water Capital Financing Reserve Fund will drop to approximately \$1,000,000 while the Wastewater Capital Financing Reserve Fund will rise to around \$7.4M. The balances may vary by year end pending actual results.

Revenue & Expense Summary

Water/Waste Water Mtce.

Projected for Year Ended December 31, 2015 (based on September 30 operating results)



Schedule A

	Annual Budget	Projected Actual at December 31	Variance Favourable/ (Unfavourable)	Projected % of Budget
Frontage Charges	229,938	229,938	-	100
Provincial Grants & Subsidies	-	-	-	
User Fees	61,251,728	60,146,554	(1,105,174)	98
From Reserve and Reserve Funds	2,797,213	2,797,213	-	100
Other Revenues	359,600	477,000	117,400	133
Municipal Levy (fire protection)	3,321,002	3,321,002	-	100
Total Revenues	67,959,481	66,971,707	(987,774)	99
Salaries & Benefits	13,441,788	12,517,159	924,629	93
Materials Expenses	4,715,510	4,393,735	321,775	93
Equipment Expenses	-	-	-	
Energy Costs	4,211,393	4,393,127	(181,734)	104
Purchased/Contract Services	10,867,552	14,686,136	(3,818,584)	135
Debenture & Insurance Costs	4,289,574	2,806,002	1,483,572	65
Prof Development & Training	75,198	75,000	198	100
Grants - Transfer Payments	5,000	5,000	-	100
Prov to Reserves & Capital	23,405,157	23,405,157	-	100
Internal Recoveries	6,948,309	6,788,969	159,340	98
Total Expenses	67,959,481	69,070,285	(1,110,804)	102
Excess (Deficiency) of Revenue Over Expenses (before contribution to Reserve Funds)	-	(2,098,578)	(2,098,578)	
Contribution from (to) Water Reserve Fund	-	3,822,047		
Contribution from (to) Waste Water Reserve Fund	-	(1,723,469)		
Excess (Deficiency) of Revenue Over Expenses (after contribution to Reserve Funds)	-	-		