

Presented To:	Audit Committee
Presented:	Tuesday, Jun 16, 2015
Report Date	Friday, May 22, 2015
Type:	Managers' Reports

## Request for Decision

### 2014 Water Wastewater Variance Report

#### Recommendation

THAT the City of Greater Sudbury accepts the December 31, 2014 Water Wastewater Variance Report dated May 22, 2015 from the General Manager of Assets and Finance/Chief Financial Officer and the General Manager of Infrastructure Services outlining the audited year end position.

#### YEAR END VARIANCE

The yearend net over expenditure for Water and Wastewater Services is \$1,581,509 as outlined in Schedule A. Water is recording an over expenditure of \$1,878,672 while Wastewater is in an under expenditure of \$297,163. In accordance with the By-law, the water over expenditure was funded by a contribution from the Water Capital Financing Reserve Fund and the wastewater under expenditure was contributed to the Waste Water Capital Financing Reserve Fund.

The major contributors to this over expenditure are:

Category	Favourable/(Unfavourable)
User Fees	\$(900,628)
Salaries and Benefits	\$1,247,074
Materials	\$976,518
Purchased Services	\$(3,169,317)
Other net variances	\$264,844
Total 2014 Over Expenditure	\$(1,581,509)

#### Signed By

##### Report Prepared By

Dion Dumontelle  
Co-ordinator of Finance, Water  
Wastewater  
*Digitally Signed May 22, 15*

##### Division Review

Shawn Turner  
Manager of Financial & Support  
Services  
*Digitally Signed May 22, 15*

##### Recommended by the Department

Lorella Hayes  
General Manager of Assets and  
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*Digitally Signed May 22, 15*

##### Recommended by the C.A.O.

Bob Johnston  
Interim Chief Administrative Officer  
*Digitally Signed Jun 3, 15*

#### VARIANCE EXPLANATIONS

##### User Fees

Actual user fee revenues are below budgeted amounts. For 2013 the estimated consumption was budgeted

at 14.3 million cubic metres while the actual consumption for 2014 was \$14.1 million cubic metres. For 2015 the budgeted consumption has been set at 14.2 million cubic metres.

## **Salaries and Benefits**

Salaries and benefits are under budget by approximately \$1,247,000. The division experienced staffing vacancies from a variety of factors such as short and long term employee illnesses, and turnover. For many of these specialized vacancies, the division has been unable to fill the vacancies on a timely basis. This problem is particularly acute for short term, temporary, or limited vacancies as candidates with the required certifications and other qualifications are not forthcoming for such transient opportunities. In addition, the use of overtime was significantly lower than budgeted contributing to the under expenditure.

At its March 4, 2015 meeting, the Finance and Administration Committee received a 2014 Budget to Actual Comparison of Staffing Levels report which provided Council with data to support this under expenditure.

## **Materials**

Materials were under budget by \$976,000. This is a combination of savings in chemicals, break down repair related materials and other plant related maintenance savings.

## **Purchased Services**

Purchased service costs were over budget by \$3,169,000 and the contributing factors to this budget overrun are:

1. Due to staff vacancies, certain repair work was directed to contractors.
2. The increased repair rate related to the age of the infrastructure
3. The 2014 winter was unusually cold and there were large amounts of snowfall that increased the number and cost of repairs. As well, the wet fall left the ground saturated when the frost came creating conditions conducive to breaks.

The budget overages occurred as follows:

1. There were 141 watermain breaks to the end of December, compared to 103 breaks for the 2013 calendar year. In addition, the average cost per watermain break repair was \$21,500 which was more than \$3,000 higher than the previous 3 year average. This resulted in this line item being over budget by \$1,523,000.
2. Frozen water services thawing repairs performed by contractors numbered approximately 400 compared to less than 15 in 2013. This additional expense amounted to approximately \$280,000 in unanticipated expenditures over budgeted amounts.
3. All other repair work to water related infrastructure (hydrants, curb boxes, valves etc) was over budget by \$920,000.
4. Sewer main and manhole repairs were over budget by \$440,000.

The cumulative effect of the above four items is an overage of \$3,163,000 which accounts for the variance in this category.

Given the high demand on City staff time for regularly scheduled operations and maintenance activities, which in most cases have regulatory implications, more than half of the emergency watermain and sanitary sewer repairs are being performed by contractors. To minimize the disruption to citizens affected by the lack of water these are most frequently performed after hours when City crews are unavailable. Consequently purchased services are higher but are partially offset by savings in salaries and materials.

## **Conclusion**

In accordance with the By-law, the water over expenditure has been funded by a contribution from the Water Capital Financing Reserve Fund and the wastewater under expenditure was contributed to the Waste Water Capital Financing Reserve Fund.

# Revenue & Expense Summary

## Water/Waste Water Mtce.

Year Ended December 31, 2014 (based on December 31 audited operating results)



Schedule A

	Annual Budget	Audited Actual at December 31	Variance Favourable/ (Unfavourable)	Projected % of Budget
Frontage Charges	522,034	521,986	(48)	100
Provincial Grants & Subsidies	-	-	-	-
User Fees	61,455,385	60,554,757	(900,628)	99
From Reserve and Reserve Funds	264,437	344,996	80,559	130
Other Revenues	79,600	101,481	21,881	127
Municipal Levy (fire protection)	3,262,136	3,262,136	-	100
<b>Total Revenues</b>	<b>65,583,592</b>	<b>64,785,356</b>	<b>(798,236)</b>	<b>99</b>
Salaries & Benefits	13,398,078	12,151,004	1,247,074	91
Materials Expenses	4,672,662	3,696,144	976,518	79
Equipment Expenses	-	-	-	-
Energy Costs	4,110,128	4,086,957	23,171	99
Purchased/Contract Services	6,945,199	10,114,516	(3,169,317)	146
Debenture & Insurance Costs	1,293,723	1,264,776	28,947	98
Prof Development & Training	75,198	55,284	19,914	74
Grants - Transfer Payments	25,500	3,400	22,100	13
Prov to Reserves & Capital	28,354,528	28,354,528	-	100
Internal Recoveries	6,708,576	6,640,256	68,320	99
<b>Total Expenses</b>	<b>65,583,592</b>	<b>66,366,865</b>	<b>(783,273)</b>	<b>101</b>
Excess (Deficiency) of Revenue Over Expenses (before contribution to Reserve Funds)	-	(1,581,509)	(1,581,509)	
Contribution from (to) Water Reserve Fund	-	1,878,672		
Contribution from (to) Waste Water Reserve Fund	-	(297,163)		
Excess (Deficiency) of Revenue Over Expenses (after contribution to Reserve Funds)	-	-		