

## For Information Only

### W/WW 2015 Operating Budget Variance Report

Presented To: Operations Committee

Presented: Monday, May 04, 2015

Report Date: Wednesday, Apr 29, 2015

Type: Correspondence for Information Only

### Recommendation

For Information Only

## BACKGROUND

Actual revenues and expenditures are being tracked regularly against budgets. At this early point in the year, potential budget variances that may occur are described below. The attached Schedule A contains the March 31 Year to date budget versus actual results as well as the annual budget for expenditures. Actuals include estimated accruals for invoices on hand that have not been processed at the time of this report. As of March 31, the department is \$2.8 million over budget on expenditures largely as a result of the significant winter conditions impacting frozen service & watermain break numbers.

### Revenues

It is too early in the year to project the user fees with accuracy. For 2015, the estimated consumption has been budgeted at 14.2 million cubic metres. Staff will have a better indication of the consumption levels with the June projection report, using information from GSU.

### Expenses

The City establishes budgets for watermain breaks using historical averages and known contractual obligations. The frequency and severity of the breaks are often affected by the weather patterns and the winter of 2014-2015 has resulted in the highest number of breaks during the last 20 years. By the end of March, Water / Wastewater Services had responded to approximately 98 watermain breaks.

Table 1 summarizes the year to date actual and budgeted spending for watermain break repairs. Contracted services related to watermain breaks are over budget by approximately \$1.4 million for the first three months of 2015, while the internal resources were at or below budget, primarily due to the fact that they were redirected to the frozen water crisis.

### Signed By

#### Report Prepared By

Dion Dumontelle  
Co-ordinator of Finance, Water  
Wastewater  
*Digitally Signed Apr 29, 15*

#### Division Review

Nick Benkovich  
Director of Water/Wastewater Services  
*Digitally Signed Apr 29, 15*

#### Recommended by the Department

Tony Cecutti  
General Manager of Infrastructure  
Services  
*Digitally Signed Apr 29, 15*

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

Kevin Fowke  
Acting Chief Administrative Officer  
*Digitally Signed Apr 30, 15*

**Table 1 – Watermain Break Repairs**

<b>Watermain Repairs</b>	<b>Actual to Mar 31</b>	<b>Budget to Mar 31</b>	<b>YTD Variance</b>	<b>Annual Budget</b>
<b>Salaries and Benefits</b>	\$62,192	\$53,593	(\$8,599)	\$162,897
<b>Materials</b>	\$33,056	\$66,668	\$33,612	\$193,240
<b>Purchased/Contract Services</b>	\$1,847,800	\$407,983	(\$1,439,817)	\$1,096,348
<b>Total</b>	\$1,943,048	\$528,244	(\$1,414,804)	\$1,452,485

Additionally, the department received over 1,500 no water service calls, many of which turned out to be related to frozen services which were handled by external plumbers and other contractors, again, reflecting the unusually severe winter conditions experienced this year. These contractors were supplemental to City staff who were fully engaged in the crisis.

Table 2 summarizes the actual and budgeted spending related to frozen water services. By the end of March, purchased services related to the frozen water services emergency were over budget by approximately \$878,000 and labour was over budget by \$192,000.

**Table 2 – Frozen Water Services**

<b>Frozen Water Services</b>	<b>Actual to Mar 31</b>	<b>Budget to Mar 31</b>	<b>YTD Variance</b>	<b>Annual Budget</b>
<b>Salaries and Benefits</b>	\$200,049	\$7,635	(\$192,414)	\$10,180
<b>Materials</b>	\$20,764	\$0	(\$20,764)	\$0
<b>Purchased/Contract Services</b>	\$888,200	\$10,444	(\$877,756)	\$28,485
<b>Total</b>	\$1,109,013	\$18,079	(\$1,090,934)	\$38,655

Although the primary impacts from the extreme winter conditions relate to water services and watermains, expenditures related to other water and sewer related repairs are over budget by approximately \$290,000. At this time other departments are operating within budgeted amounts and the overall result is an unfavourable variance in expenditures of \$2.8 million.

A number of expenditures related to the frozen water crisis were made under the emergency provisions of the Purchasing By-law. Staff is in the process of quantifying these amounts and will be reporting them to Council at a later date.

Council should also be aware that staff anticipates a substantial amount of follow up work related to the frozen water crisis that will largely be unbudgeted.

## **SUMMARY**

Staff continues to manage and closely monitor Water and Wastewater Services budgets. This has been a

preliminary review of the revenues and expenditures for the first 3 months of 2015, again, based on amounts recorded in the accounts as well as invoices received to date.

With only 3 months of operations, it is too early to provide an accurate year-end projection. A more comprehensive review will take place after the June 2015 month end and Council will be presented with a corporate year-end projection in September. Quarterly variance reports will be prepared for Council throughout 2015.

In accordance with the By-law, any net overexpenditure will be funded from the water and wastewater reserve funds. The water capital financing reserve fund has an uncommitted balance of approximately \$4.5 million and the wastewater capital financing reserve fund balance is approximately \$5.7 million.

## SCHEDULE A

### Expense Summary Water/Waste Water Mtce. March 31, 2015 YTD Variance



	YTD Budget at Mar 31	YTD Actual at Mar 31	Variance Favourable/ (Unfavourable)	Annual Budget
<b>Salaries &amp; Benefits</b>	\$3,071,871	\$3,077,788	(\$5,917)	\$13,441,788
<b>Materials Expenses</b>	843,030	675,480	167,550	4,710,750
<b>Energy Costs</b>	799,406	851,933	(52,527)	4,211,393
<b>Purchased/Contract Services</b>	1,274,801	4,008,561	(2,733,760)	7,021,312
<b>Biosolids</b>	0	0	0	2,101,000
<b>Debenture &amp; Insurance Costs</b>	172,500	172,500	0	4,289,574
<b>Prof Development &amp; Training</b>	18,668	20,900	(2,232)	75,198
<b>Grants - Transfer Payments</b>	805	500	305	5,000
<b>Prov to Reserves &amp; Capital</b>	23,405,157	23,405,157	0	23,405,157
<b>Internal Recoveries</b>	1,628,443	1,797,555	(169,112)	6,948,309
<b>Total Expenses</b>	<b>\$31,214,681</b>	<b>\$34,010,374</b>	<b>(\$2,795,693)</b>	<b>\$66,209,481</b>

### Summary of expenditure variance by activity

Watermain Break repairs	(\$1,414,804)
Frozen water Services	(\$1,090,934)
All Other ( plants, sewer, compliance etc)	(\$289,955)
<b>Total YTD variance</b>	<b>(\$2,795,693)</b>