

Request for Decision

2011 Water Wastewater Operating Budget Variance Report - September

Presented To:	Finance Committee
Presented:	Monday, Dec 05, 2011
Report Date	Thursday, Dec 01, 2011
Type:	Managers' Reports

Recommendation

That Council accepts the September 30, 2011 Water Wastewater Variance Report dated November 30, 2011 from the Chief Financial Officer/Treasurer and the General Manager of Infrastructure Services outlining the projected year end position.

BUDGET MANAGEMENT STRATEGIES IN 2011

Beginning early in 2010, Water and Wastewater Services began to take a number of steps to curtail operating expenditures. These initiatives have been continuing and include energy reduction and treatment chemical optimization strategies and changes to staff scheduling. Other measures such as using the deployment of casual labour to reduce overtime hours as well as reductions to some maintenance programs have contributed to cost containment. These cost containment strategies are and will continue in order to offset declining consumption, but are not sustainable in the long run.

YEAR END VARIANCE

For the year ending December 31, 2011 Water and Wastewater Services is projecting a deficit of approximately \$304,507, as outlined in Schedule A.

The major contributors to this deficit are:

Category	Favourable/(Unfavourable)
User Fees	\$(905,000)
Contribution from Reserves and Reserve Funds	316,800
Salaries and Benefits	234,700
Materials	575,000
Energy Costs	301,800
Purchased/Contract Services	(627,200)
Other Net Variances	\$(200,607)
Total Projected Deficit	\$(304,507)

Signed By

Report Prepared By

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Division Review

Paddy Buchanan
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Recommended by the Department

Lorella Hayes
Chief Financial Officer/Treasurer
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Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
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VARIANCE EXPLANATIONS

User Fees

Annual water consumption has continued to decline from 16.3 million cubic metres in 2006 to a projected consumption of 14.4 million cubic metres in 2011. the average annual decline in consumption has been approximately 360,000 cubic metres. Projecting water consumption in this declining environment is very challenging.

Water and waste water user fees are therefore projected to be under budget by approximately \$1.1 million. The budgeted consumption for 2011 was estimated at 14.9 million cubic metres and the current projections indicate that the actual consumption could be as low as 14.4 million cubic metres.

This decrease in user fee revenues will be offset by additional ancillary revenues of \$210,000 related to work done for the public and the recovery of temporary salaries from external partners.

Reserve and Reserve Funds

The additional contribution from Reserve Funds will fund unbudgeted contractual obligations that arose during the third quarter, as per previous Council approval.

Salaries and Benefits

Salaries and Benefits are projected to be under budget by approximately \$235,000 due primarily to vacancies as a result of illness and a reduction in overtime costs.

Materials

Materials are projected to be under budget by \$575,000.

A major contributor to this anticipated saving relates to chemicals which between water and waste water are projected to be under budget by \$200,000. Chemical costs are affected favourably by the optimization programs as well as moderate weather conditions in 2011, as was the case in 2010.

Spare parts and other materials were under budget by \$375,000 due to the reduction in maintenance programs. WWW Services continues to defer some plant maintenance in order to offset declining consumption.

Energy Costs

Energy costs are projected to be under budget by approximately \$302,000. The savings are related primarily to the installation of more energy efficient pumps and blowers at waste water treatment plants.

Purchased/Contract Services

Purchased /Contract services are projected to be over expended by approximately \$627,000.

There have been 92 watermain breaks through the end of September compared to 64 breaks for the same period in 2010. In addition, the severity of these breaks has been greater than prior years illustrated by Barrydowne Road, Main Street in Chelmsford, Hillsdale and most recently Paris at Ramsey Lake Road. It is estimated that contract services related to repairing water main breaks will be over budget by approximately \$650,000, of which \$300,000 is the estimated cost to repair the watermain break on Paris at Ramsey Lake Road.

This over expenditure will be offset by savings in sludge haulage and various contract maintenance costs.

Revenue & Expense Summary

Water/Waste Water Mtce.

Projected for Year Ended December 31, 2011 (based on September 30 operating results)



Schedule A

	Annual Budget	Projected Actual at December 31	Variance Favourable/ (Unfavourable)	Projected % of Budget
Frontage Charges	498,733	498,733	-	100
Provincial Grants & Subsidies	-	-	-	
User Fees	53,647,476	52,742,476	(905,000)	98
From Reserve and Reserve Funds	280,702	597,502	316,800	213
Other Revenues	9,600	11,195	1,595	117
Municipal Levy (fire protection)	2,889,693	2,889,693	-	100
Total Revenues	57,326,204	56,739,599	(586,605)	99
Salaries & Benefits	12,164,069	11,929,402	234,667	98
Materials Expenses	3,969,535	3,394,492	575,043	86
Equipment Expenses	-	-	-	
Energy Costs	3,939,277	3,637,518	301,759	92
Purchased/Contract Services	7,127,248	7,754,446	(627,198)	109
Debenture & Insurance Costs	1,762,470	1,812,902	(50,432)	103
Prof Development & Training	73,199	78,102	(4,903)	107
Grants - Transfer Payments	25,500	25,500	-	100
Prov to Reserves & Capital	22,398,013	22,398,013	-	100
Internal Recoveries	5,866,893	6,013,731	(146,838)	103
Total Expenses	57,326,204	57,044,106	282,098	100
Excess (Deficiency) of Revenue Over Expenses (before contribution to Reserve Funds)	-	(304,507)	(304,507)	
Net Contribution from (to) Water and Waste Water Reserve Funds	-	304,507		
Excess (Deficiency) of Revenue Over Expenses (after contribution to Reserve Funds)	-	-		