

## Request for Decision

### 2010 Water Wastewater Variance Report

Presented To: Audit Committee

Presented: Wednesday, Jun 22, 2011

Report Date Wednesday, Jun 15, 2011

Type: Managers' Reports

### Recommendation

That the Audit Committee accept the December 31, 2010 Water Wastewater Variance Report dated June 15, 2011 from the Chief Financial Officer/Treasurer and the General Manager of Infrastructure outlining the year end position.

### BUDGET MANAGEMENT STRATEGIES IN 2010

Beginning early in 2010, the quarterly variance reports were projecting that Water and Wastewater Services would be in a deficit. In response, staff took a number of steps to mitigate the projected deficit. These initiatives along with favourable weather conditions in 2010 enabled Water and Wastewater Services to achieve a surplus of \$802,432. The major strategies undertaken were:

1. A reallocation of existing City resources to identify incidences of water meter tampering and subsequent recovery of lost revenue has been a high priority. Since June, 2010, 83 incidents of tampering have been identified and the customers billed approximately \$180,000. These efforts will continue in 2011.

With recent revisions to the Water Use By-law and the hiring of an enforcement officer in Water and Wastewater, there will be a new revenue stream for fines and penalties. This revenue stream will begin to materialize in 2011.

2. Staff scheduling that saw a reduction in overtime hours and the use of casual labour
3. Some maintenance programs were scaled back for 2010 in order to reduce expenditures and these included:
  - Non-emergency repairs to masonry structures such as man holes and valve chambers;
  - Swabbing and flushing of water mains was reduced by about 25%;
  - Reduced use of Vactor trucks for maintenance of lift stations and sewer mains;
  - Hydrant painting was deferred;
  - Critical spare parts were not replaced;
  - Equipment replacement for items such as pumps, valves, flow meters, panel upgrades was deferred.

#### Signed By

##### Report Prepared By

Dion Dumontelle  
Co-ordinator of Accounting  
*Digitally Signed Jun 15, 11*

##### Recommended by the Department

Lorella Hayes  
Chief Financial Officer/City Treasurer  
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Doug Nadorozny  
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It is important to point out that although program cut backs have had a positive effect on the 2010 expenditures, these types of expenditure reductions are not sustainable in the long run.

## YEAR END VARIANCE

The results of operations for Water and Wastewater Services for the year ended December 31, 2010 is a surplus of \$802,432, as outlined in Schedule A attached. The surplus has been transferred to the Water and Wastewater Capital Financing Reserve Funds in accordance with policy.

The major contributors to this surplus were:

Category	Favourable/(Unfavourable)
User Fees	(\$1,073,000)
Salaries and Benefits	\$310,700
Materials	\$1,065,700
Internal Recoveries	\$404,300
Other net variances	<u>\$94,732</u>
<b>Total Surplus</b>	<b><u>\$802,432</u></b>

## VARIANCE EXPLANATIONS

### User Fees

Water and waste water user fees were under budget by \$1.07 million. This short fall is related to declining consumption and the City's experience is consistent with trends across North America and can be attributed to growing environmental consciousness, price elasticity and a focus on conservation.

### Salaries and Benefits

Salaries and benefits were under budget by \$311,000. Administrative and Supervision salaries were over budget due to unbudgeted supervisory relief, Overall Responsible Operator pay, temporary staff and co-op students, vacation payouts upon retirement and related benefits on these overages. Offsetting this was an under expenditure in operational salaries due to lower overtime costs and casual and student wages.

### Materials

Materials were under budget by \$1,066,000.

A major contributor to this saving was in the area of chemicals which, between water and waste water was under budget by \$451,000. Chemical costs were favourably affected by moderate weather conditions in 2010, as well as by the decreased volume of water that had to be treated.

Spare parts and other materials were under budget by \$355,000 due to the reduction in maintenance programs in order to mitigate the projected deficit.

Sewer and property restoration repairs were under budget by \$260,000.

## **Internal Recoveries**

Internal recoveries were under budget by \$404,000. Engineering costs allocated to water and wastewater from the Infrastructure Services Department was under budget by \$320,000, primarily due to savings in the Construction Service and Design and Drafting budgets.

# Revenue & Expense Summary

## Water/Waste Water Mtce.

Actual for Year Ended December 31, 2010 (audited)



### Schedule A

	Annual Budget	Actual at December 31	Variance Favourable/ (Unfavourable)	Projected % of Budget
<b>Frontage Charges</b>	<b>498,733</b>	<b>527,023</b>	<b>28,290</b>	<b>106</b>
<b>Provincial Grants &amp; Subsidies</b>	<b>-</b>	<b>6,750</b>	<b>6,750</b>	
<b>User Fees</b>	<b>52,205,385</b>	<b>51,132,535</b>	<b>(1,072,850)</b>	<b>98</b>
<b>From Reserve and Reserve Funds</b>	<b>537,187</b>	<b>609,700</b>	<b>72,513</b>	<b>113</b>
<b>Other Revenues</b>	<b>9,600</b>	<b>6,974</b>	<b>(2,626)</b>	<b>73</b>
<b>Municipal Levy (fire protection)</b>	<b>2,883,337</b>	<b>2,883,337</b>	<b>-</b>	<b>100</b>
<b>Total Revenues</b>	<b>56,134,242</b>	<b>55,166,319</b>	<b>(967,923)</b>	<b>98</b>
<b>Salaries &amp; Benefits</b>	<b>11,530,835</b>	<b>11,220,102</b>	<b>310,733</b>	<b>97</b>
<b>Materials Expenses</b>	<b>4,030,664</b>	<b>2,964,987</b>	<b>1,065,677</b>	<b>74</b>
<b>Equipment Expenses</b>	<b>-</b>	<b>281</b>	<b>(281)</b>	
<b>Energy Costs</b>	<b>3,411,725</b>	<b>3,350,545</b>	<b>61,180</b>	<b>98</b>
<b>Purchased/Contract Services</b>	<b>6,436,904</b>	<b>6,270,714</b>	<b>166,190</b>	<b>97</b>
<b>Debenture &amp; Insurance Costs</b>	<b>2,096,464</b>	<b>2,145,830</b>	<b>(49,366)</b>	<b>102</b>
<b>Prof Development &amp; Training</b>	<b>83,064</b>	<b>57,362</b>	<b>25,702</b>	<b>69</b>
<b>Grants - Transfer Payments</b>	<b>25,500</b>	<b>4,000</b>	<b>21,500</b>	<b>16</b>
<b>Prov to Reserves &amp; Capital</b>	<b>20,311,464</b>	<b>20,546,789</b>	<b>(235,325)</b>	<b>101</b>
<b>Internal Recoveries</b>	<b>8,207,622</b>	<b>7,803,277</b>	<b>404,345</b>	<b>95</b>
<b>Total Expenses</b>	<b>56,134,242</b>	<b>54,363,887</b>	<b>1,770,355</b>	<b>97</b>
<b>Excess (Deficiency) of Revenue Over Expenses (before contribution to Reserve Funds)</b>	<b>-</b>	<b>802,432</b>	<b>802,432</b>	
<b>Contribution from (to) Water Reserve Fund</b>	<b>-</b>	<b>(152,303)</b>		
<b>Contribution from (to) Waste Water Reserve Fund</b>	<b>-</b>	<b>(650,129)</b>		
<b>Excess (Deficiency) of Revenue Over Expenses (after contribution to Reserve Funds)</b>	<b>-</b>	<b>-</b>		