

For Information Only

2009 Water Wastewater Variance Report

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Recommendation

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Executive Summary

This report provides the year end position for Water and Wastewater Services at the end of December, 2009. These results are subject to year end audit.

Background

During the 2010 Budget deliberations, Council requested additional variance analysis reporting on Water and Wastewater Services. A more detailed breakdown of the variances between expenditures and revenues is attached as Schedule A.

Expenditures

Salaries and Benefits

This category experienced a gross over expenditure of \$816,000. The overage was largely due to unbudgeted supervision relief (\$153,000), additional temporary and student salaries (\$125,000), succession planning and special initiatives (\$264,000) and increased overtime and casual (\$184,000). One time expenditures estimated at \$75,000 were incurred to maintain the Skead Heritage Homes water system. These were approved previously by Council and were to be funded from the water capital financing reserve fund, and will continue until the water system is transferred over to the home owners. Other one-time expenditures of \$75,000 are related to the incremental cost of operating staff supporting capital projects such as the Levack water treatment system and the ISF projects. The succession planning and special initiatives were funded by contributions from capital and reserve funds, and external grants of \$30,000 resulting in a net over expenditure of \$522,000.

Purchased/Contract Services

This category experienced a gross over expenditure of \$1,748,000. There were a number of factors contributing to the overage:

- Sludge haulage contract was over budget by \$220,000 due to rerouting trucks around the former

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Town of Lively and the renegotiated extension of the contract for years 4 and 5 at a price level 22.5% higher than the original tender, as well as the introduction of a fuel surcharge in years 4 and 5.

- Water main break repairs were significantly higher during 2009 (129) compared to the prior three year average (93) resulting in an unfavourable variance of \$570,000 for this account. Additional over expenditures in water service, curb box repairs and hydrant repairs brought the variance to \$850,000. Staff is concerned that this trend will continue until the aging infrastructure is replaced.
- Additional contract costs of \$197,000 were incurred in the maintenance of lift stations due to high spring run-offs, pump repairs and the July storm.
- Road and property restoration costs were over budget by \$417,000 but were offset by contributions from reserves related to amounts carried forward from 2008.
- The purchased services for sewer repairs were over expended by \$120,000. These amounts were offset by savings in materials and own crew salaries related to these activities.
- Various smaller and other overages amounted to \$272,000, which were offset by savings of \$328,000 in amounts related to the purchase of water and wastewater treatment from Vale.

The net over expenditure in purchased services amounted to \$1,356,000 after accounting for the contribution from 2008 funds to offset the cost of additional road and property restoration.

Internal Recoveries

There was a significant unfavourable variance in vehicle charges for “white fleet vehicles” of \$170,000 due to a budgeting error. Overages in Public Works depot costs have increased the water/wastewater share by \$207,000. Offsetting these are savings from reduced use of own equipment and increased recoveries from Work Done For Others activities. This category experienced a net over expenditure of \$121,000.

Materials

There was a favourable variance of \$254,000 in materials due the fact that less than anticipated sewer manhole work was performed by city crews and the majority of road and property restoration was performed by contractors. This resulted in the City using less of its own materials, but as mentioned earlier, was more than offset by increased contract services costs.

Energy

Both divisions experienced savings in energy costs due in part to favourable weather conditions and lower consumption of electricity as a result of decreased volumes in treated water.

Revenues

Council is aware that consumption decreases continue to plague the department. Water fees were short by \$1.2 million and wastewater fees came in at \$1.7 less than budget. Factors contributing to the decreased consumption include, but are not limited to, second consecutive wet summer, decreased commercial consumption and conservation efforts. Staff is in the process of analyzing consumption to determine where the decrease has come from, particularly in the commercial sector.

Other revenues such as new meter fees, work done for others and external contributions exceeded the budget by \$66,000.

The combined shortfall for water and wastewater amounted to \$4,239,000 which will be funded from the

respective capital financing reserve funds, in accordance with policy. Taking into account one-time operating expenditures of approximately \$200,000 the normalized deficit would have been estimated at closer to \$4,000,000.

Action Plan

Staff has prepared an action plan to achieve a balanced budget in 2010. Key items in this plan are:

- curtailing discretionary expenditures (use of overtime, casual/part-time and relieving)
- preparing and analyzing detailed monthly variance reports (internally) and quarterly variance reporting (Council)
- detailed review of budget to more accurately align resources
- major adjustment to budgeted consumption were made for 2010 and staff will continue to analyze consumption
- review of all internal allocations of costs within and across departments
- analysis of major operating contracts
- preparation of the water financial plan

Summary

The 2009 projected deficits in water and wastewater will be reduced by contributions from reserve funds in accordance with policy, leaving balances in the corresponding reserve funds of approximately \$4,800,000 and \$274,000 respectively. The balance in the Wastewater Reserve Fund will not be sufficient to fund a similar deficit in 2010. Staff is taking steps to mitigate both unbudgeted expenditures and revenue shortfalls, as part of the action plan.

For 2010, Council will be provided with quarterly financial projections for the Water and Wastewater divisions.

Revenue & Expense Summary
Water/Waste Water Mtce.

Year to Date, as of December 31, 2009



Schedule A

	Budget for January to December	Year-to-Date Actual	Variance Favourable/ (Unfavourable)	YTD % Actual
Frontage Charges	561,032	551,046	(9,986)	98
Provincial Grants & Subsidies	-	26,796	26,796	
User Fees	51,893,363	49,182,044	(2,711,319)	95
From Reserve and Reserve Funds	-	713,253	713,253	
Other Revenues	-	11,400	11,400	
Municipal Levy (fire protection)	2,927,096	2,927,096	-	
Total Revenues	55,381,491	53,411,635	(1,969,856)	96
Salaries & Benefits	11,052,280	11,868,912	(816,632)	107
Materials Expenses	3,853,183	3,599,046	254,137	93
Equipment Expenses	-	4,124	(4,124)	
Energy Costs	3,223,530	2,986,284	237,246	93
Purchased/Contract Services	6,550,374	8,298,045	(1,747,671)	127
Debenture & Insurance Costs	1,250,828	1,349,052	(98,224)	108
Prof Development & Training	82,242	74,362	7,880	90
Grants - Transfer Payments	25,500	8,250	17,250	32
Prov to Reserves & Capital	21,277,464	21,277,464	-	100
Internal Recoveries	8,066,090	8,186,096	(120,006)	101
Total Expenses	55,381,491	57,651,635	(2,270,144)	104
Excess (Deficiency) of Revenue Over Expenses (before draw from Reserve Funds)	-	(4,240,000)	(4,240,000)	
Contribution from Water Reserve Fund	-	2,633,000		
Contribution from Waste Water Reserve Fund	-	1,607,000		
Excess (Deficiency) of Revenue Over Expenses (after draw from Reserve Funds)	-	0		

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