

For Information Only

2017 Water Wastewater Operating Budget Variance Report - September

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Dec 05, 2017

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Type: Correspondence for
Information Only

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

This report provides a financial projection of Water Wastewater Services for the year ended December 31, 2017 based upon September 30, 2017 results.

Financial Implications

There are no financial implications.

Signed By

Report Prepared By

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Manager Review

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Financial Implications

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YEAR END VARIANCE

The 2017 year end net over expenditure for Water and Wastewater Services is projected to be \$606,343 as outlined in Schedule A. Water is anticipating a net under expenditure of \$209,080 while Wastewater is in a net over expenditure position of \$815,423. In accordance with the By-law, the water under expenditure will be contributed to the Water Capital Financing Reserve Fund and the wastewater over expenditure will be funded by a contribution from the Waste Water Capital Financing Reserve Fund.

The major contributors to this over expenditure are:

Category	Favourable/(Unfavourable)
User Fees	\$(1,591,593)
Other Revenues	\$354,331
Salaries and Benefits	\$425,471
Materials	\$383,142
Energy	\$(724,520)
Purchased/Contract Services	\$769,339
Internal recoveries	\$(194,553)
Other net variances	<u>\$(27,960)</u>
Total 2017 Projected Net Over Expenditure	<u>\$(606,343)</u>

VARIANCE EXPLANATIONS

User Fees

Actual user fee revenues are trending below budgeted amounts. For 2017 the estimated consumption was budgeted at 13.8 million cubic metres. Based upon the most recent information provided by GSU, it is estimated that the consumption will be 13.2 million cubic metres. This is still an estimate as final consumption numbers will be known in early 2018. The anticipated decrease in consumption has been affected by the wet spring and early summer. This shortfall is offset partially by increased miscellaneous user fees.

Other Revenues

The other revenues projected favourable variance of \$354,331 is due to higher than anticipated volumes of hauled liquid waste from commercial customers and hydro costs of \$180,000 recovered from the Biosolids operator.

Salaries and Benefits

Salaries and benefits are projected to be under budget by approximately \$425,500. The division is experiencing staffing vacancies at the management and operations level. Since last fall, all watermain breaks, except for one, have been attended to by staff and there have been increased costs in this area related to overtime and standby costs. In addition, the use of overtime has increased in the plants section, particularly in wastewater treatment due to wet weather events.

Materials

Materials are anticipated to be under budget by about \$383,000. This is a combination of savings in breakdown materials and other plant related maintenance savings.

Energy

Energy costs are projected to be over budget by \$725,000. Of this overage, approximately \$180,000 will be recovered from the Biosolids plant for their share of hydro going through the City meter at the Sudbury treatment plant (see other revenues). Additional overages at the Sudbury wastewater treatment plant is a result of a combination of increased processing demands.

Purchased Services

Since the fall of 2016 City crews have been responsible for performing emergency repairs to its linear infrastructure. There have been obvious savings in certain aspects of the purchased services accounts, but there have been some additional expenses related to rented equipment, cold patching repairs and the fact that some repair work has been performed by external contractors due to size and complexity and unavailability of own crews. There have been 69 watermain breaks through the end of September and only one of those repairs has been attended to by an external contractor, as previously reported in the June variance report. There is an anticipated under expenditure of \$350,000 in linear repair related purchased service accounts.

Sludge haulage costs are projected to be under budget by \$60,000 due to savings realized through the ability to thicken sludge at outlying plants, effectively reducing water content and subsequently the number of loads hauled.

Locate costs are projected to be under budget by \$200,000 due to decreased activity and the ability of staff to limit the amount of locates performed by the contractor.

Costs related to the purchase of water from Vale are projected to be under budget by \$100,000 due to decreased consumption by customers in the catchment area.

Taking into account other small projected savings in various accounts, the projected under expenditure in purchased services is anticipated to be \$770,000.

Internal Recoveries

The projected over expenditure of \$194,500 in this category is due primarily to internal direct charges from support departments estimated to be higher than budgeted amounts and increased usage of owned equipment, offset by a modest amount of savings on the GSU billing contract.

Conclusion

Management has been successful in decreasing the projected year end net over expenditure by 23% from the June projection and will continue with actions to mitigate it further. In accordance with the By-law, the water net under expenditure will be contributed to the Water Capital Financing Reserve Fund and the wastewater net over expenditure will be funded from the Waste Water Capital Financing Reserve Fund.

Revenue & Expense Summary

Water/Waste Water Mtce.

Projected for Year Ended December 31, 2017 (based on September 30 operating results)



Schedule A

	Annual Budget	Projected Actual at December 31	Variance Favourable/ (Unfavourable)	Projected % of Budget
Frontage Charges	58,908	59,489	581	101
Provincial Grants & Subsidies	-	-	-	
User Fees	69,519,030	67,927,437	(1,591,593)	98
From Reserve and Reserve Funds	445,345	445,345	-	100
Other Revenues	517,100	871,431	354,331	169
Municipal Levy (fire protection)	3,619,000	3,619,000	-	100
Total Revenues	74,159,383	72,922,702	(1,236,681)	98
Salaries & Benefits	13,693,975	13,268,504	425,471	97
Materials Expenses	4,877,735	4,494,593	383,142	92
Equipment Expenses	-	-	-	
Energy Costs	4,507,295	5,231,815	(724,520)	116
Purchased/Contract Services	11,079,719	10,310,380	769,339	93
Debt Repayment	4,177,445	4,177,445	-	100
Grants/Rents and Financial	29,260	57,801	(28,541)	198
Prov to Reserves & Capital	28,302,725	28,302,725	-	100
Internal Recoveries	7,491,229	7,685,782	(194,553)	103
Total Expenses	74,159,383	73,529,045	630,338	99
Excess (Deficiency) of Revenue Over Expenses (before contribution to Reserve Funds)	-	(606,343)	(606,343)	
Contribution from (to) Water Reserve Fund	-	(209,080)		
Contribution from (to) Waste Water Reserve Fund	-	815,423		
Excess (Deficiency) of Revenue Over Expenses (after contribution to Reserve Funds)	-	-		