

For Information Only

2017 Water Wastewater Operating Budget Variance Report - June

Presented To: Finance and
Administration
Committee

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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 June 30, 2017 results.

Financial Implications

There are no financial implications.

Signed By

Report Prepared By

Dion Dumontelle
Co-ordinator of Finance, Water
Wastewater
Digitally Signed Sep 5, 17

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Sep 6, 17

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Sep 6, 17

Financial Implications

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Sep 6, 17

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Sep 6, 17

YEAR END VARIANCE

The 2017 year end net under expenditure for Water and Wastewater Services is projected to be \$780,550 as outlined in Schedule A. Water is anticipating an under expenditure of \$88,952 while Wastewater is in an over expenditure position of \$869,502. 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 under expenditure are:

Category	Favourable/(Unfavourable)
User Fees	\$(1,591,593)
Other Revenues	\$304,331
Salaries and Benefits	\$234,401
Materials	\$418,771
Energy	\$(724,500)
Purchased/Contract Services	\$850,020
Internal recoveries	\$(244,000)
Other net variances	\$(27,980)
Total 2017 Projected Over Expenditure	\$(780,550)

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.

Other Revenues

The other revenues projected favourable variance of \$304,331 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 \$234,000. 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 area particularly in wastewater treatment due to wet weather events.

Materials

Materials are anticipated to be were under budget by about \$419,000. 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 are a result 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 47 watermain breaks through the end of June and only one of those repairs has been attended to by an external contractor. This past winter a linear repair on MR80 was affected by an external contractor under the emergency provisions of the Purchasing By-law at a total cost of \$230,000. Barring another emergency repair of this magnitude there is an anticipated net under expenditure of \$350,000 in linear repair related purchased service accounts.

Other net savings are anticipated in the following areas:

- Sludge haulage \$60,000
- Locates services \$200,000
- Purchased water from Vale \$100,000
- Miscellaneous accounts (net) \$150,000

The projected under expenditure in purchased services is anticipated to be \$850,000.

Internal Recoveries

The projected over expenditure of \$244,000 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 will undertake actions over the next few months to mitigate the amount of the projected over expenditure. 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 from the Waste Water Capital Financing Reserve Fund.

Revenue & Expense Summary

Water/Waste Water Mtce.

Projected for Year Ended December 31, 2017 (based on June 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	821,431	304,331	159
Municipal Levy (fire protection)	3,619,000	3,619,000	-	100
Total Revenues	74,159,383	72,872,702	(1,286,681)	98
Salaries & Benefits	13,693,975	13,459,574	234,401	98
Materials Expenses	4,877,735	4,458,964	418,771	91
Equipment Expenses	-	-	-	
Energy Costs	4,507,295	5,231,815	(724,520)	116
Purchased/Contract Services	11,079,719	10,229,699	850,020	92
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	7,735,229	(244,000)	103
Total Expenses	74,159,383	73,653,252	506,131	99
Excess (Deficiency) of Revenue Over Expenses (before contribution to Reserve Funds)	-	(780,550)	(780,550)	
Contribution from (to) Water Reserve Fund	-	(88,952)		
Contribution from (to) Waste Water Reserve Fund	-	869,502		
Excess (Deficiency) of Revenue Over Expenses (after contribution to Reserve Funds)	-	-		