

## Request for Decision

### 2016 Water Wastewater Operating Budget Variance Report - September

Presented To: Finance and  
Administration  
Committee

Presented: Tuesday, Dec 06, 2016

Report Date Wednesday, Nov 16,  
2016

Type: Routine Management  
Reports

### Resolution

THAT the City of Greater Sudbury accepts the September 30, 2016 Water Wastewater Variance Report dated November 16, 2016 from the Acting Chief Financial Officer/Treasurer and the General Manager of Infrastructure Services outlining the projected year end position.

### Year End Variance

The year end net under expenditure for Water and Wastewater Services is projected to be \$1,102,075 as outlined in Schedule A. Water is projecting an under expenditure of \$1,225,157 while Wastewater is trending to an over expenditure of \$123,082.

The major contributors to this under expenditure are:

#### Signed By

##### Report Prepared By

Dion Dumontelle  
Co-ordinator of Finance, Water  
Wastewater  
*Digitally Signed Nov 16, 16*

##### Division Review

Shawn Turner  
Manager of Financial & Support  
Services  
*Digitally Signed Nov 16, 16*

##### Recommended by the Department

Ed Stankiewicz  
Acting Chief Financial Officer/City  
Treasurer  
*Digitally Signed Nov 16, 16*

##### Recommended by the C.A.O.

Ed Archer  
Chief Administrative Officer  
*Digitally Signed Nov 20, 16*

Category	Favourable/Unfavourable
User Fees	\$(1,151,718)
Frontage and Other Revenues	\$275,395
Salaries and Benefits	\$689,281
Materials	\$507,477
Energy	\$(504,014)
Purchased Services	\$1,293,311

Other Net Variances	\$(7,657)
<b>Total Projected Under Expenditure</b>	<b>\$1,102,075</b>

## Variance Explanations

### User Fees

Actual user fee revenues are trending below budgeted amounts. For 2016 the estimated consumption has been budgeted at 14.0 million cubic metres. Based upon the most recent information provided by GSU, it is estimated that the consumption will be approximately 13.7 million cubic metres. This is still an estimate as final consumption numbers will be known in early 2017.

Other miscellaneous user fees are projected to be under budget as well.

### Salaries and Benefits

Salaries and benefits are projected to be under budget by approximately \$689,281. The division experienced staff turnover and in some cases were / are unable to successfully fill those specialized temporary vacancies on a timely basis. This has led to increased overtime in the water plants section, but overall division overtime has been kept to a minimum, particularly in the wastewater plants areas, as favourable weather conditions have translated to a reduced number of emergency events.

### Materials

Materials are projected to be under budget by \$507,477. This is a combination of savings in chemicals, break down repair related materials and other plant related maintenance savings.

### Energy

Energy costs are projected to be over budget by approximately \$504,014. Energy consumption at the David Street treatment plant was higher than normal as production there was ramped up to compensate for planned maintenance at the Wanapitei plant. The Sudbury Wastewater plant hydro will be higher than budget as it is supplying power to the Biosolids plant through a sub-meter. The additional hydro costs of approximately \$180,000 related to the Biosolids operation are being recovered through other revenue resulting in a net cost of zero to the City.

### Purchased Services

Purchased service costs are projected to be under budget by approximately \$1.3 million:

1. There have been 67 watermain breaks to the end of September 2016. This number was projected to be 90 for the calendar year using historical averages for the remaining months, compared to 184 breaks for 2015 and 141 for 2014. Given these trends, it is estimated that contracted repairs of watermains will be under budget by \$1.2 million.
2. All other repair work to water related infrastructure (hydrants, curb boxes, and valves) are anticipated to exceed budget by \$ 200,000.
3. Sewer main and manhole repairs will be under budget by \$200,000.
4. Sludge haulage is anticipated to be under budget by \$100,000 due to savings realized through the ability to thicken the sludge at outlying plants, effectively reducing the number of loads as less water is being hauled. Additionally, as plants are meeting the percent biosolids required for the Biosolids

plant, the sludge can be dumped directly into the tanks that go to the facility. By not having to move the sludge from outlying plants through the Sudbury plant, there are some energy and chemical savings.

5. Locate costs will 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.
6. Other contracted services are over budget by \$200,000 due to snowplowing and additional repairs and maintenance costs.

## **Conclusion**

The expected under expenditure in 2016 is a result of the milder winter conditions offsetting reduced consumption. Operations has worked to rebalance the use of own crews versus contractors to maximize value and maintain service levels as quickly as possible for citizens. The financial impact of utilizing less contracted services and more internal resources to affect emergency repairs during the last four months of the year cannot be predicted at this time.

The final year end water under expenditure will be contributed to the Water Capital Financing Reserve Fund while the wastewater over expenditure will be funded by a contribution from the Waste Water Capital Financing Reserve Fund in accordance with the By-law.

# Revenue & Expense Summary

## Water/Waste Water Mtce.



Projected for Year Ended December 31, 2016 (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	127,908	69,000	217
Provincial Grants & Subsidies	-	-	-	
User Fees	65,372,751	64,221,033	(1,151,718)	98
From Reserve and Reserve Funds	374,998	374,998	-	100
Other Revenues	517,100	723,495	206,395	140
Municipal Levy (fire protection)	3,459,000	3,459,000	-	100
<b>Total Revenues</b>	<b>69,782,757</b>	<b>68,906,434</b>	<b>(876,323)</b>	<b>99</b>
Salaries & Benefits	13,339,361	12,650,080	689,281	95
Materials Expenses	4,731,944	4,224,467	507,477	89
Equipment Expenses	-	-	-	
Energy Costs	4,313,559	4,817,573	(504,014)	112
Purchased/Contract Services	11,847,764	10,554,453	1,293,311	89
Debt Repayment	4,010,789	4,010,789	-	100
Grants/Rents and Financial	24,260	24,387	(127)	101
Prov to Reserves & Capital	24,473,260	24,473,260	-	100
Internal Recoveries	7,041,820	7,049,350	(7,530)	100
<b>Total Expenses</b>	<b>69,782,757</b>	<b>67,804,359</b>	<b>1,978,398</b>	<b>97</b>
Excess (Deficiency) of Revenue Over Expenses (before contribution to Reserve Funds)	-	1,102,075	1,102,075	
Contribution from (to) Water Reserve Fund	-	(1,225,157)		
Contribution from (to) Waste Water Reserve Fund	-	123,082		
Excess (Deficiency) of Revenue Over Expenses (after contribution to Reserve Funds)	-	-		