

YEAR END VARIANCE

The 2016 year end net under expenditure for Water and Wastewater Services is \$2,230,143 as outlined in Schedule A. Water is recording an under expenditure of \$2,177,377 while Wastewater is in an under expenditure position of \$52,766. In accordance with the By-law, the water under expenditure was contributed to the Water Capital Financing Reserve Fund and the wastewater under expenditure was contributed to the Waste Water Capital Financing Reserve Fund.

The major contributors to this under expenditure are:

Category	Favourable/(Unfavourable)
User Fees	\$(964,390)
Cont'n from Reserve Funds/Frontage Charges	\$28,523
Other Revenues	\$458,580
Salaries and Benefits	\$956,742
Materials	\$451,907
Energy	\$(427,143)
Purchased/Contract Services	\$1,524,053
Internal recoveries	190,676
Other net variances	\$11,195
Total 2016 Under Expenditure	<u>\$2,230,143</u>

VARIANCE EXPLANATIONS

User Fees

Actual user fee revenues are below budgeted amounts. For 2016 the estimated consumption was budgeted at 14.0 million cubic metres while the actual consumption for 2016 was 13.6 million cubic metres. For 2017 the budgeted consumption has been set at 13.8 million cubic metres.

Other Revenues

The other revenues favourable variance of \$459,000 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 under budget by approximately \$957,000. The division experienced staffing vacancies from a variety of factors such as short and long term employee illnesses, and turnover. For many of these specialized vacancies, the division has been unable to fill the vacancies on a timely basis. This problem is particularly acute for short term, temporary, or limited vacancies as candidates with the required certifications and other qualifications are not forthcoming for such transient opportunities. In addition, the use of overtime was significantly lower than budgeted contributing to the under expenditure.

Materials

Materials were under budget by \$452,000. Year end inventory adjustments amounted to \$84,000, while other materials related to break down repairs were under budget by \$326,000 due to the favourable weather experienced in 2016.

Energy

Energy costs were over budget by \$427,000. Of this overage, approximately \$180,000 was recovered from the Biosolids plant for their share of hydro going through the City meter at the Sudbury treatment plant (see other revenues). The David street plant hydro costs were \$87,000 over budget due to extra water production demands on the plant while scheduled maintenance was performed at the Wahnapipei plant. Other plants, wells and lift stations experienced net overages of \$160,000 due to increased rates as hydro consumption was consistent with prior years.

Purchased Services

Purchased service costs were under budget by \$1,524,000. The budget underages occurred as follows:

1. There were only 85 watermain breaks to the end of December, compared to 185 and 141 breaks for the 2015 and 2014 calendar years, respectively. In addition, the contract with the external provider expired on August 31, 2016 and own crews performed repairs for the last 4 months of the year. This resulted in this line item being under budget by budget by \$1,506,000.

2. Sludge haulage costs were under budget by \$135,000 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 were some energy and chemical savings.
3. Locate costs were under budget by \$300,000 due to decreased activity and the ability of staff to limit the amount of locates performed by the contractor.

The cumulative effect of the above three items is an under expenditure of \$2,106,000.

Offsetting these underages were the following overages:

1. Hired equipment costs were \$400,000 over budget due primarily to the fact that own crews affected all repair work after August 31 resulting in increased use of rented equipment to support the increased volume of work.

The cumulative effect of these underages and overages is a net underage of \$1,524,000 in this line item.

Internal Recoveries

The under expenditure of \$191,000 in this category is due primarily to internal direct charges from support departments coming in at less than budgeted amounts, as well as savings on the GSU billing contract.

Conclusion

In accordance with the By-law, the water under expenditure has been contributed to the Water Capital Financing Reserve Fund and the wastewater under expenditure was contributed to the Waste Water Capital Financing Reserve Fund.