

WATER & WASTEWATER OPERATING BUDGET REPORT ENDING OCTOBER 31, 2011

Recommendation

The Commissioner of Finance & City Treasurer and the Director of Financial Services recommends:

That the Water and Wastewater Operating Budget Report ending October 31, 2011 be received.

Economic Impact

Not applicable

Communications Plan

Not applicable

Purpose

To report the year-to-date actual operating results for water and wastewater operations for the period ending October 31, 2011.

Background - Analysis and Options

Following are the financial operating results and analysis for both the water and wastewater operations from January 2011 to October 2011. The variance analysis includes both a comparison to the calendarized operating budget to actual and budgeted water volumes.

The water/wastewater system in York Region operates as a two-tier system. The Region of York is responsible for the supply of water and treatment of wastewater through Regionally owned infrastructure to the York Region lower tier municipalities. The lower tier municipalities are responsible for the water and wastewater distribution systems within the local municipality. The revenues that are generated annually by the City of Vaughan from the operations of the water and wastewater utilities fund primarily costs associated with the purchase of water supply and wastewater treatment from the Region of York, as well as the City's administration, financing costs, operational and infrastructure maintenance costs and the reserves. The water/wastewater rates are designed to provide for a financially sustainable infrastructure system for the future and for the delivery of reliable clean water and wastewater services to the City's residents and businesses.

Water Operations

Year-to-date (YTD) actual water revenues for the period ending October 31, 2011 are unfavourable by \$195K. This is primarily due to lower than expected residential growth activity combined with lower average household consumption which continues to decline from prior years. This likely is a result of conservation efforts and seasonal factors. Although commercial growth activity is lower than budget, commercial water billings are favourable by \$500K as average consumption remains steady at 2010 levels.

Unfavourable revenues are offset by \$481k favourable variance for water purchases, reflecting the lower consumption billed by the Region of York.

Unmetered water is slightly under budget at 14.6% for the ten months ending October 31, 2011 but just over the annual target of 13%. It is anticipated that the City will come in on budget for the year ended 2011.

The Gross Margin indicates the net funding available to the City after the Region of York has been paid for the water supply.

Other revenues consist primarily of installation and service fees and are unfavourable by \$277K, actual activity is based on demand. Water expenses are favourable by \$924K which consists of maintenance and installations, favourable by \$671K and general administration is favourable by \$255K. The favourable variances are largely the result of temporary vacancies and fewer customer service requests and emergency contracted works than anticipated.

The YTD water lifecycle contribution at \$4.1M is the net of actual water billings, less water purchases and City of Vaughan water operation expenses and reflects a net year to date favourable variance of \$1M. It is anticipated that there will be an additional favourable adjustment of \$1.0M favourable due to a York Region prior year adjustment which will be reflected in the year end actuals.



**City of Vaughan
Statement of Operations
Water Division
For the period ending October 31, 2011**

	2011 Budget	2011 YTD Budget	2011 YTD Actual	Variance Fav. / (Unfav.)
Water Revenues				
Residential Billings	25,073,925	21,040,380	20,290,877	(749,503)
Commercial Billings	15,496,335	13,008,145	13,521,040	512,895
Other	223,110	192,560	233,842	41,282
	\$40,793,370	\$34,241,085	\$34,045,759	(\$195,326)
Water Purchases				
Metered Water Purchases	24,945,810	21,295,830	20,813,848	481,982
Unmetered Water	3,727,085	3,699,275	3,549,379	149,896
	\$28,672,895	\$24,995,105	\$24,363,227	\$631,878
Gross Margin	\$12,120,475	\$9,245,980	\$9,682,532	\$436,552
Other Revenues	\$1,295,000	\$914,515	\$637,569	(\$276,946)
Expenses				
Maintenance and Installation	5,545,950	4,229,205	3,557,901	671,304
General Administration	3,146,075	2,307,165	2,052,409	254,756
Joint Service Costs	731,580	609,650	611,486	(1,836)
	\$9,423,605	\$7,146,020	\$6,221,796	\$924,224
Lifecycle Contribution	\$3,991,870	\$3,014,475	\$4,098,305	\$1,083,830

Wastewater Operations

Wastewater bills are based on water consumption; therefore trending is very similar to water revenues. Wastewater YTD billings were unfavourable by \$98K for the period ending October 31, 2011. Residential billings were unfavourable by \$950K offset by favourable commercial billings totaling \$853K. Wastewater revenue is billed based on water consumption. The net unfavourable variance is offset by the \$286k favourable variance in payments to York Region, similar to the water operation year to date financial results.

Other revenues are unfavourable by \$144K offset by favourable expenses totalling \$1.5M. Maintenance and installation at \$586K and storm sewer maintenance at \$786K are lower than budget as a result of less than expected activity such as unplanned, emergency related repairs, timing of invoices and temporary staff vacancies.

The YTD wastewater lifecycle contribution at \$3.8M is the net of actual wastewater billings, less Region of York wastewater treatment charges and City of Vaughan wastewater operation expenses and reflects a net year to date favourable variance of \$1.5M. It is anticipated that there will be a charge of \$174K relating to a York Region prior year adjustment, which will be reflected in the year end actuals.



**City of Vaughan
Statement of Operations
Wastewater Division
For the period ending October 31, 2011**

	2011 Budget	2011 YTD Budget	2011 YTD Actual	Variance Fav. / (Unfav.)
Wastewater Revenues				
Residential Billings	26,352,520	22,095,620	21,145,161	(950,459)
Commercial Billings	16,290,180	13,664,160	14,516,775	852,615
	\$42,642,700	\$35,759,780	\$35,661,936	(\$97,844)
Wastewater Expense				
Regional Treatment Charges	\$31,673,225	\$27,477,260	\$27,190,901	\$286,359
Gross Margin	\$10,969,475	\$8,282,520	\$8,471,035	\$188,515
Other Revenues	\$668,200	\$220,630	\$76,655	(\$143,975)
Expenses				
Maintenance and Installation	3,645,560	2,904,375	2,317,886	586,489
General Administration	1,686,245	1,203,010	1,115,882	87,128
Storm Sewer Maintenance	2,104,605	1,711,510	925,318	786,192
Joint Service Costs	487,720	406,435	407,627	(1,192)
	\$7,924,130	\$6,225,330	\$4,766,713	\$1,458,617
Lifecycle Contribution	\$3,713,545	\$2,277,820	\$3,780,977	\$1,503,157

Relationship to Vaughan Vision 2020

Demonstrates Excellence in Service Delivery, Manages Corporate Assets and Ensures Financial Sustainability

Regional Implications

No Implications

Conclusion

Based on the 10 month operating analysis ending October 31, 2011 unfavourable revenue variances are more than offset by favourable cost variances for both the water and wastewater operations, resulting in year-to-date lifecycle contribution from Water operations of \$4.1M and for Wastewater operations a lifecycle contribution of \$3.8M. It is currently projected that year end contributions to water and wastewater reserves will be higher than budgeted, subject to finalization of all year end adjustments.


Attachments

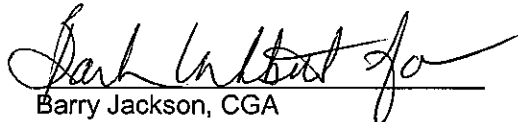
No attachments

Report prepared by:

Barry E. Jackson, CGA
Director of Financial Services
Ext. 8272

Respectfully submitted,


Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer


Barry Jackson, CGA
Director of Financial Services