



City of North Bay Report to Council

Report No: CORP 2021 - 33 **Date:** April 27, 2021
Originator: Laura Boissonneault
Business Unit: Corporate Services **Department:** Financial Services
Subject: 2020 Water & Wastewater Year-end Financial Report
Closed Session: yes ☐ no ☒

Recommendation

1. That the Chief Financial Officer be authorized to complete the 2020 reserve transfers as outlined in Appendix A to Report to Council CORP 2021-33.
 2. That the City of North Bay's 2020 Year-end Water and Wastewater Financial Report be received and filed.
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Background

Pending any final year-end entries or external audit adjustments, the City of North Bay's Water and Wastewater operations will end the 2020 fiscal year with a combined deficit of (\$201,077).

There have been limited interruptions to essential water and wastewater services due to COVID-19. Since March, departments have reviewed in detail operational practices. Accordingly, steps have been taken to mitigate the COVID-19 impact to customers including: waiving of certain fees and penalties, introducing protective measures for staff and citizens, and scheduling staff and services to meet restriction requirements. No Safe Restart funding was allocated to this business unit.

As predicted in the September variance Report to Council, overall consumption revenues were lower than budget. The City ended the year with a water and wastewater revenue deficit of approximately (\$492,520). It is important to recognize that the City will continue to experience variances in consumption patterns based on seasonal trends, changing weather patterns and conservation initiatives undertaken by customers.

Actual costs can fluctuate from year to year depending upon the frequency and type of unplanned infrastructure issues and the extent of emergency repairs required. These events are difficult to predict as they are largely affected by weather conditions. The budget is established based on events in a typical year in order to mitigate significant fluctuations in rates. Below is a five-year summary of these types of activities. It should be noted the chart outlines basic trends and that costs for each work order can vary.

Annual Operating Work Orders	2020	2019	2018	2017	2016
Sanitary Main Backups	29	35	36	28	23
Sanitary Service Backups - Rodding	28	65	97	97	81
Water Services - Repair & Replace	43	39	40	44	45
Water - Repair Mains	32	63	46	47	41
Total	132	202	219	216	190

**Does not include capital or regular operational maintenance work orders*

Corporate Strategic Plan

- | | |
|---|--|
| <input type="checkbox"/> Natural North and Near | <input type="checkbox"/> Economic Prosperity |
| <input checked="" type="checkbox"/> Affordable Balanced Growth | <input type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> Responsible and Responsive Government | |

Specific Objectives

- Provide smart, cost effective services and programs to residents and businesses
 - Ensure that Council and staff have a shared perception of goals
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Financial/Legal Implications

A departmental summary of year-end actual results and associated budgets is attached to this report (see Appendix B). A summary of the year-end results is as follows:

Water Distribution and Water Plant Operations ended the year with an estimated deficit of (\$306,878) resulting from lower consumption revenues, higher personnel costs due to scheduling (see wastewater savings), higher supplies, and insurance costs; partially offset with lower fuel, parts, and contract costs.

Wastewater Distribution and Wastewater Treatment Plant Operations ended the year with an estimated surplus of \$105,801 resulting from lower fuel and interest costs, lower personnel costs due to scheduling (see water deficit), operational staff being deployed to major construction projects, as well as gapping and vacancies; partially offset with higher utilities, chemicals, supplies, contract and insurance costs, as well as lower consumption revenues.

Reserves

In order to close the financial records for 2020, year-end transfers are required to be approved to the appropriate reserves. Council retains the discretion to then re-allocate funds as required at a later date. A summary of the recommended transfers has been included in Appendix A. Finalizing these transfers will allow for the closing of the 2020 financial records in preparation for the annual external audit.

Subject to final year-end adjustments, reserve balances as at the date of this report (excluding year-end balance transfers recommended in Appendix A) are estimated as follows:

- Water Operating Reserve Fund (#99576R) - \$1,341,829
- Sanitary Sewer Operating Reserve Fund (#99577R) - \$1,378,873

As per the City's Reserve Policy, the Water and Wastewater Stabilization Reserve target is 10% to 15% of budgeted expenditures. Accordingly, with 2020 gross Water Operating budgeted expenditures of \$13.5 million, the Water Operating Reserve should ideally be in the range of approximately \$1.3 million to \$2 million. Based on 2020 gross Wastewater Operating budgeted expenditures of approximately \$10.9 million, the Sanitary Sewer Operating Reserve should be in the range of \$1.1 million to \$1.6 million. After the year-end transfers recommended in Appendix A are complete, the City's Sanitary Sewer Reserve will remain with the policy range but the Water Reserve will fall below the policy target.

A separate reserve, 'Water Treatment Surcharge', Reserve No. 99580R, is available to offset any shortfalls in the Water Filtration Charge should actual revenues be lower than budget. This reserve was established with surplus funds from the Water Treatment Capital Project No. 2592WS and is intended to be applied against the principal and interest on debt issued for the Water Treatment Facility. A reserve transfer in the amount of \$164,100 was budgeted within the 2020 Water and Wastewater Operating Budget to pay a portion of the on-going principal and interest on debt issued. The balance in this Reserve as at the date of this report is \$1,201,686, which is net of the annual \$164,100 transfer to operations.

Options/Analysis

Option # 1

Council authorizes the Chief Financial Officer to complete the 2020 reserve transfers as outlined in Appendix A to Report to Council CORP 2021-33. Authorizing the transfers will enable staff to finalize the 2020 financial records in preparation for the external audit. This option is recommended.

Option # 2

Council does not authorize the Chief Financial Officer to complete the 2020 reserve transfers as outlined in Appendix A to Report to Council CORP 2021-33. If Council does not authorize the transfers to be completed then there would be a delay in closing the 2020 financial records which is required for the external audit. This option is not being recommended as there are commitments that must be fulfilled following completion of the audit. Financial Statements as well as the Provincial Financial Information Return (FIR) must also be completed and submitted.

Recommendation

1. That the Chief Financial Officer be authorized to complete the 2020 reserve transfers as outlined in Appendix A to Report to Council CORP 2021-33.
 2. That the City of North Bay's 2020 Year-end Water and Wastewater Variance report be received and filed.
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Respectfully submitted,

Laura Boissonneault, BBA, CPA, CGA
Manager of Financial Services

We concur in this report and recommendation.

Margaret Karpenko, CPA, CMA
Chief Financial Officer / Treasurer

Domenic Schiavone
Director of Public Works and Parks

David Euler, P.Eng., PMP
Chief Administrative Officer

Personnel designated for continuance: Chief Financial Officer/Treasurer

Attachment: Appendix A 2020 Reserve Transfers for the year ended December 31, 2020
Appendix B 2020 Business Unit Summary as at December 31, 2020