

FINANCE COMMITTEE REPORT

Report Date	May 24, 2019
Meeting Date	May 29, 2019

Chairman Councillor Merrithew and Members of Finance Committee

SUBJECT: Saint John Water Year End Projection

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Finance Committee.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Craig Lavigne</i>	<i>Brent McGovern</i>	<i>John Collin</i>

RECOMMENDATION

It is recommended that the Finance Committee receive and file this report.

EXECUTIVE SUMMARY

Saint John Water has prepared a year end forecast based on actual results as of April 30, 2019, estimated revenues to be earned and estimated expenditures to occur. Saint John Water is estimating a year end deficit of (\$135,271) or 0.28% of budget.

PREVIOUS RESOLUTION

N/A

STRATEGIC ALIGNMENT

The recommendation aligns with Council's priority of fiscal responsibility.

REPORT

Saint John Water has prepared a year-end projection based on actual results at April 30, 2019 and estimated revenue and expenditures for the remaining eight months. The Utility is currently estimating a year-end deficit of (\$135,271) or 0.28%.

There are still several risks that could significantly change this number, namely that there are eight months left in 2019, so there is a large amount of

assumptions. Revenue can be extremely difficult to predict, particularly on the meter revenue as consumption is tied into the Commercial and Industrial users and the Utility does not have insight to the customers' future consumption.

Operationally, there is always the risk of watermain breaks, major equipment failure that can have an impact on estimated expenditures.

Revenues - estimating a favorable variance of \$1,347,835 largely due to meter revenue and interest revenue. Meter revenue is a large driver of the positive variance and is due to a particular Industrial customer continuing to use potable water when they were budgeted to use raw water. This will change as the Safe Clean Drining Water Project (SCDWP) moves toward substantial completion and final watermain connections are made.

Interest revenue is the other major driver of the estimated surplus. The 2019 budget was passed with the expectation that the SCDWP would have been substantially completed in late 2018. However, substantial completion and payment is not due to occur until approximately June 2019, which has resulted in the Utililty having unexpected cash on hand in 2019 and earning unbudgeted interest revenue.

Expenditures – estimated an unfavorable variance of (\$1,483,106). The main area causing the majority of this variance is related to the SCDWP. There have been two major settlements made in 2019 relating to this project. The new settlement costs have been absorbed due to operating expenses budgeted for the treatment plant that will not materialize until substantial completion around June, 2019. Also the additional interest revenue being earned has been taken into consideration to offset these additional costs.

Overall, the Utility will continue to aggressively manage its expenditures, controlling cost and finding savings. A year-end projection for the Finance Committee in early fall will be much more accurate and meaningful for the committee members due to reduced amount of assumptions.

SERVICE AND FINANCIAL OUTCOMES

The additional revenue being earned from interest and the delay in substantial completion of the SCDWP has given the ability to pay for additional costs and settlement associated with the project. These additional costs do not have to be borrowed for and therefore will have very little impact on rate payers.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

N/A

ATTACHMENTS

Water and Sewer Budget Analysis April 2019