

COMMUNICATION 132066

Received From: Guy Bourgon, Director of Public Works
Addressed To: Committee of the Whole
Date: May 11, 2021
Topic: OCWA 2020 Cost Plus Reconciliation Report

BACKGROUND

The Ontario Clean Water Agency (OCWA) is contracted by the Town for the operation and maintenance of the Water Treatment Plant, the Wastewater Treatment Plant and the sanitary pumping stations. The structure of the current contract is such that the actual costs are reconciled at the end of each fiscal year. This reconciliation results in either an amount owing to OCWA from the Town or a credit from OCWA to the Town.

DISCUSSION

For 2020, OCWA has identified an unfavourable variance on the expenses at the combined facilities of 6.4% or \$103,826.43, which is primarily associated with the wastewater facility. The variances can be attributed to several factors including COVID-19, chemical cost increases, and compliance risk mitigation.

Listed below are the details provided by OCWA for the variances broken down by Operational Category based on the facilities combined:

- **Salary and Benefits** – actuals came in approximately \$70,000 over budget primarily based on restrictions put in place due to Covid19 limiting travel between facilities and the sharing of resources to reduce the spread of the virus. More detailed preventative maintenance was completed at the affected facilities based on the restrictions which impacted the wastewater facility the most. Another impact was the high flow demands at the water treatment facility requiring a lot of additional monitoring (overtime and call-backs) during the peak summer periods.
- **Chemicals** – actuals came in approximately \$115,000 over budget. The variance can be broken down into two (2) categories, cost and risk. Shortly after the 2020 budget was completed, the price of the cost of aluminum sulfate (alum) used at both facilities increased by 50%. This increase, which was industry wide, was apparently due to a shortage of raw materials and mergers of the primary manufacturers of this product. In addition to costs, the dosage of a second chemical, sodium hydroxide (caustic soda) was increased (based on engineered recommendations) to increase the alkalinity levels in the wastewater treatment process to aid in the nitrification process to meet the ammonia limits for compliance in our final effluent (which had been an issue in previous years).
- **Sludge Haulage** – actuals came in approximately \$32,000 over budget. With limited storage at the facility during the winter months, we can no longer concentrate and store the solids on site between the fall and spring haulage period without the liquids being removed during the thickening and storage process, which can result in a negative impact of the facility's compliance. A decision (based on engineered recommendations) was made to haul solids to a third party storage facility for

disposal to prevent increased loadings coming back to the facility to help meet Ammonia criteria outlined in the facility Environmental Compliance Approval (ECA).

- **Hydro** – under budget by \$13,000
- **Services** – under budget by \$69,000. As mentioned above in the Salary and Benefits section, the benefit to Covid19 was that travel, training and other costs typically affecting this cost category were lower than previous years.
- **Supplies and Equipment** – under budget by \$30,000

Staff will be working with OCWA to carefully track expenses going forward in order to mitigate possible future large overages such as the one detailed above.

FINANCIAL IMPLICATIONS

As noted above, the Town owes OCWA an additional \$103,826.43 based on the 2020 reconciliation.

The below table identifies the previous three (3) years' reconciliations (all credits):

YEAR	WATER	WASTEWATER	TOTAL
2019	-\$69,315.98	-\$60,507.12	-\$129,823.10
2018	-\$66,136.02	-\$23,762.04	-\$89,898.06
2017	-\$16,064.31	-\$62,575.34	-\$78,639.65
TOTAL	-\$151,516.31	-\$146,844.50	-\$298,360.81

Credits from previous years have been held in reserves in the event of shortfalls such as that experienced in 2020. There are therefore sufficient funds in reserves to pay for this variance.

STAFF RECOMMENDATION

THAT Council approves the payment of \$103,826.43 to Ontario Clean Water Agency as detailed in the water and wastewater reconciliation report from the Director of Public Works dated May 12, 2021.