

DEPARTMENT OF UTILITIES

BUDGET OVERVIEW

APRIL 21, 2010

Presentation Overview

- FY09/10 Budget Development (History)
- FY09/10 Midyear Update
- FY10/11 Proposed Budget
- Budget-Driven Programmatic Impacts
- Department of Utilities Audits
- Topics of Interest

FY2009/10 Budget Development

- Rate Advisory Commission – FY09/10 and FY10/11 Two-year rate recommendation to Council
- FY09/10 Approved Budget
 - Layoffs/programmatic impacts
- Council – FY09/10 and FY10/11 Approved rates
- FY09/10 Amended Budget
 - Additional layoffs/programmatic reductions

DEPARTMENT OF UTILITIES

FY2009/10 MIDYEAR BUDGET

FY2009/10 Midyear Update – Operations

Water Fund

- Reduce user fees revenue \$1 million
- Reduce inflation adjustments (CPI) and bad debt expenditures by \$1 million
- Year end projection – on target; revenue watch

Sewer Fund

- Reduce user fee revenue and misc. income \$850,000
- Reduce CPI, bad debt and service & supplies by \$850,000
- Year end projection – on target

FY2009/10 Midyear Update – Operations

Drainage Fund

- No change from approved budget
- Year end projection – net savings \$1M to the bottom line

Solid Waste Fund

- Increased other financing sources and expenditures for \$3 million
Total financing
- No other changes from approved budget
- Year end projection – on target

FY2009/10 Midyear Update – CIP

Water, Sewer and Drainage CIP Scrub

- Added 6 new projects
- Reallocated existing resources

Multi-Year Operating Projects

- Added 8 new projects
- Reallocated existing resources

FY2009/10 Midyear Budget Update

	Water	Sewer	Storm Drain	Solid Waste
Rate Increase	15.00%	5.00%	0.00%	9.00%
REVENUE				
User Fees	69,700	19,800	33,100	57,800
Miscellaneous Revenues	4,100	1,500	3,100	4,300
TOTAL REVENUES	73,800	21,300	36,200	62,100
EXPENDITURES				
OPERATIONS:				
Employee Services	22,900	6,800	22,600	14,700
Supplies/Services	17,940	3,370	6,300	25,050
Fleet Replacement	250	515	430	1,920
Bad Debt	1,200	650	550	1,250
Interfund Transfers	(1,990)	2,860	(5,500)	2,410
Cost Plan	2,900	840	1,670	2,910
General Fund Tax	7,700	2,150	3,600	6,300
Contingency	0	0	0	0
Operations	50,900	17,185	29,650	54,540
Debt Service	11,600	1,000	3,900	3,900
MYOP	0	0	0	0
METER CIP	6,600	0	0	0
CIP	4,700	3,115	1,425	1,110
Total MYOP/CIP	11,300	3,115	1,425	1,110
TOTAL EXPENDITURES	73,800	21,300	34,975	59,550
NET CURRENT YEAR ACTIVITY	0	0	1,225	2,550
Beginning Fund Balance - NAAFA	2,522	2,899	9,895	(1,048)
Ending Fund Balance - NAAFA Estimate	2,522	2,899	11,120	1,502

DEPARTMENT OF UTILITIES

FY2010/11 PROPOSED BUDGET

FY2010/11 Proposed Budget

Overview:

- FY2009/10 base budget (status quo)
- Defunded 55.5 FTE positions (697.5 FTE)
- Incorporated Proposition 218 adjustments into the Proposed Budget (approximately \$2 million impact)
- Critical Augmentations

	WATER	SEWER	SOLID WASTE	STORM DRAINAGE
Rate Increase	15%	5%	9%	0%
Contingency	\$500	\$100	\$500	\$300
Reserves	\$0	-\$2.5M	\$2.2M	-\$2.9M

FY2010/11 Proposed Budget

Augmentations (Rate Increase):

- SCERS (unanticipated)
- Fleet
- Meter repair/replacement
- Water Conservation rebates/outreach
- CIP/Water Meter Program
 - \$23.3 Million for FY2010/11
 - Water Meter Program \$8.8 million
 - Drainage projects \$1 million
- Contingency

FY2010/11 Proposed Prop 218 Adjustments

Recommendation	FY2011 Budget Adjustment	Budget Impacts to DOU Funds
The Department will phase-in the standard rate for the Parks & Recreation and Convention, Culture and Leisure departments, and will charge the full standard water rates for all other City departments.	\$193,364	Water Fund 6005 Revenue
Solid Waste garbage, recycling and street sweeping services will be provided to City departments at standard rates with the exception of the Parks & Recreation Department which will receive a phased-in rate.	\$186,717	Solid Waste Fund 6007 Revenue
Solid Waste will no longer provide illegal dumping, toter and litter can pickup services.	\$934,716	Solid Waste Fund 6007 Reduction in Expenditures
City parks will be billed for drainage services utilizing the cemetery drainage rate.	\$295,726	Storm Drainage Fund 6011 Revenue
Recycle bins will be removed from City parks as Solid Waste will no longer fund the recycling program.	\$317,220	Solid Waste Fund 6007 Reduction in Expenditures
The Department will increase fees for development review that reflect full cost recovery rates.	\$100,000	Water Fund 6005 Revenue Wastewater Fund 6006 Revenue Storm Drainage 6011 Revenue
The cost for green waste seasonal leaf season pickup in the Downtown area will be absorbed by the Drainage fund.	\$0	Solid Waste Fund 6007 Reduction in Expenditures of \$84,000 Storm Drainage Fund 6011 Increase in Expenditures of \$84,000

Total

\$2,027,743

FY2010/11 Proposed Budget

	Water	Sewer	Storm Drain	Solid Waste
Rate Increase	15.00%	5.00%	0.00%	9.00%
REVENUE				
User Fees	79,739	20,812	33,659	62,315
Miscellaneous Revenues	2,851	1,680	3,282	804
TOTAL REVENUES	82,590	22,492	36,941	63,119
EXPENDITURES				
OPERATIONS:				
Employee Services	24,327	7,787	24,164	15,626
Supplies/Svcs	19,920	4,078	8,363	22,320
Fleet Replacement	631	377	1,072	4,060
Bad Debt	1,876	1,100	844	2,158
Interfund Transfers	(2,282)	3,452	(6,595)	2,139
Cost Plan	3,069	879	1,737	2,256
General Fund Tax	8,565	2,168	3,610	6,620
Contingency	500	100	300	500
Operations	56,606	19,941	33,495	55,679
Debt Service	11,564	1,024	3,909	3,762
MYOP	808	175	1,305	0
METER CIP	8,820	0	0	0
CIP	4,792	3,875	1,148	1,457
Total MYOP/CIP	14,420	4,050	2,453	1,457
TOTAL EXPENDITURES	82,590	25,015	39,857	60,898
NET CURRENT YEAR ACTIVITY	0	(2,523)	(2,916)	2,221
Beginning Fund Balance - NAAFA Estimate	2,522	2,899	9,895	0
Ending Fund Balance - NAAFA Estimate	2,522	376	6,979	2,221

DEPARTMENT OF UTILITIES

**BUDGET IMPACTS, AUDITS
AND TOPICS OF INTEREST**

Budget-Driven Programmatic Impacts

Impact of “no concessions” layoffs & insufficient revenues

- Solid Waste service reductions increasing potential for blight
- Increased potential for higher equipment/infrastructure failures and costly repairs
- Response time is slower to customer phone and field requests
- Larger structural imbalances – need for higher rate increases to correct the imbalance
- Meter program implementation slowed – potential for not meeting deadline
- Infrastructure not sufficiently addressed causing increase for catastrophic failure
- Reactive vs. proactive (less strategic planning)

Budget-Driven Programmatic Impacts (con't)

Preventative and Routine Maintenance impacts:

- Grounds maintenance of all 140+ facilities (Plant Operations) has been decreased
- Cleaning only to maintain compliance and operation of the pumps – normal cyclical cleaning not performed
- Severe delay of cleaning & inspection of well tanks.
- Changing of equipment oils and greases has been deferred. Adding oil only as needed to maintain compliance.
- Handling only the critical work to maintain operations.
- Delays on fluoride saturator cleaning.
- Electrical, instrumentation, & mechanical corrective and preventative work orders are not being completed within their time schedule.
- Taking longer to get jobs done and having to shift staff around to handle the most important and critical jobs.
- Increased out of class and overtime for the Water Plant Operator classifications to cover shift work that requires state water certifications.

Budget-Driven Programmatic Impacts (con't)

- Full service Taps – Suspended service in Water and Wastewater with new development.
- Hydrant inspections – Changed standard of servicing and painting all City owned hydrants from every 4 years to every 5-6 years potentially impacting operation reliability and longevity.
- Distribution Flushing – Implement a flushing program to improve system wide water quality delayed potentially impacting water quality standards.
- Air inspections and repairs – Program suspended increasing risk of water main failures.
- Wastewater repair crew reduction – fewer crews performing repairs in Wastewater and reduced to number of First Responder crews.
- Swing Shift – Assigning Wastewater and Drainage staff to Swing Shift was suspended.
- Delay performing routine repairs and preventive maintenance.
- Drainage no longer staff trucks that performs preventive maintenance on the larger pipes; now only performed as needed.
- Drainage no longer provide weekend clean up in joint use drainage basins.
- Asset management program has been affected by lack of staffing.

Department of Utilities Audits

- Annual financial auditors (accounting processes, billing, receivables, internal accounting controls, financial transactions, cash balances verification, etc.)
- Internal “City” auditor (DOU financials and operations)
- Internal DOU audits (billing, petty cash, inventory)
- Sacramento Regional County Sanitation District audit (focus on billing)
- Management Partners audit (Council approved citywide audit)
- Solid Waste Cost of Service Study (SW Management and Financial Consultant)
- RFQ for Cost of Service and Rate Study

Management Partners

Significant Observations to Date

Infrastructure Funding

- ❖ Utility funding is at seriously low levels and poses a threat to General Fund revenue and system maintenance

Unless sufficient rate increases are approved, utility funds will have negative fund balances

- ❖ Ending Fund Balance in Water Fund as a percentage of annual operating expenses

▪ Bakersfield	70%	San Jose	15%
▪ Fresno	56%	Long Beach	11%
▪ Stockton	43%	Sacramento	2%

Topics of Interest

Proposition 218 Update

- Report back to Council on status
- Grand Jury response approved by Council
- Corrective action proposed in FY10/11 budget

Howard Jarvis Lawsuit

Sacramento County Taxpayer “Utilities Rollback” Initiative

- Fiscal impacts
- Level of service impacts
- Education & Communication Strategy
- Future RAC Agenda item

QUESTIONS?

