

**SALT LAKE CITY COUNCIL STAFF REPORT**  
**BUDGET ANALYSIS – FISCAL YEAR 2004-05**

**DATE:** April 9, 2004  
**SUBJECT:** **SEWER FUND**  
**STAFF REPORT BY:** Gary Mumford  
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The operating budget for the Sewer Fund for fiscal year 2004-05 is proposed to be \$9,680,049, which is an increase of \$75,349 or 0.8% over fiscal year 2003-04. The capital budget is proposed to be \$34,476,450. The Council previously approved multiyear rate increases with a 9% increase to take effect on July 1, 2004.

<b>SEWER FUND PROPOSED BUDGETS</b>				
	Adopted 2003-04	Proposed 2004-05	Difference	Percent Change
<b>Revenue &amp; other sources</b>				
Sewer services fees	\$15,613,160	<b>\$17,018,344</b>	\$ 1,405,184	9.0%
Interest income	450,000	<b>450,000</b>	-	-
Permits	85,000	<b>85,000</b>	-	-
Impact fees	600,000	<b>325,000</b>	(275,000)	(45.8%)
Interfund charges	140,000	<b>140,000</b>	-	-
Other	667,000	<b>667,000</b>	-	-
Bond proceeds	25,000,000	-	(25,000,000)	(100.0%)
Use of cash reserves	10,441,284	<b>25,471,155</b>	15,029,871	143.9%
<b>Total revenue &amp; other sources</b>	<b>\$52,996,444</b>	<b>\$44,156,499</b>	\$(8,839,945)	(16.7%)
<b>Expenses</b>				
Salaries, wages & benefits	\$5,685,520	<b>\$5,987,213</b>	\$ 301,693	5.3%
Materials & supplies	1,320,352	<b>1,368,934</b>	48,582	3.7%
Charges for services	2,593,828	<b>2,323,902</b>	(269,926)	(10.4%)
<b>Capital Outlay</b>				
Capital improvement	39,657,244	<b>31,074,000</b>	(8,583,244)	(21.6%)
Vehicles & equipment	959,500	<b>1,068,000</b>	108,500	11.3%
Debt Services	2,780,000	<b>2,334,450</b>	(445,550)	(16.0%)
<b>Total Expenses &amp; Capital</b>	<b>\$52,996,444</b>	<b>\$44,156,499</b>	\$(8,839,945)	(16.7%)

### **POTENTIAL MATTERS AT ISSUE**

The major matters reflected in the proposed budgets for the Sewer Fund include:

- Sewer rate increase – In June 2000, the City Council adopted a six-year incremental sewer rate increase to coincide with a six-year capital improvement plan. Sewer rates were increased 12½% on January 1, 2001,

9% on July 1, 2001, 9% on July 1, 2002, 9% on July 1, 2003, and 9% on July 1, 2004. A 7% future rate increase is already authorized for July 1, 2005. While the rate ordinance does not bind future Councils, it makes it necessary for the Council to take formal action in order for the planned increase not to be implemented.

- Capital improvement program - The proposed budget includes the continuation of a \$70 million, six year capital improvement program that was approved by the City Council in June 2000. The program includes an upgrade to the waste water reclamation plant to handle an increase in organic loading. A detail listing of the projects is included in the budget book from the Department. In 2000, the Council approved several rate increases to coincide with the capital improvement program. A 9% increase will take effect on July 1, 2004.
- Appropriation of bond proceeds - This budget proposes appropriating the \$25 million proceeds of bonds that were issued in fiscal year 2004 for upgrades to the Water Reclamation Plant and to fund the City's share for cleanup of the Northwest Drainage Canal.
- Salary adjustments - The proposed budget includes \$301,000 for employee compensation adjustments. Most of the Department's employees (76%) are 100 and 200 series employees with pay increases included in the third year of a memorandum of understanding agreed to by the City and the American Federation of State County & Municipal Employees Local 1004 (AFSCME). Contracted related salary increases of 2½% effective June 20, 2004 and merit increases on each employee's employment anniversary date (unless topped out) are included in the proposed budget. The Department developed the budget before the Administration made any decisions regarding pay adjustments for other employees. To be conservative, the Department of Public Utilities included a 3% adjustment for other employees. However, the Department didn't project increases to insurance and retirement premium as great as they will actually be. If no pay adjustments are provided to employees other than the 100 and 200 series, the Sewer Fund will have excess budget of \$16,078 after netting the additional amounts necessary for insurance and retirement premiums. The budget does include an increase of 1.2 FTE's. The additional positions relate to a request for a new laboratory chemist position to handle the additional work loads related to increasing standards and the transfer of one engineering position from the Water Utility to cover the additional project review during the Reclamation Plant upgrade project. The remaining 0.8 decrease is in a reduction in a part time engineering tech position.

### **Capital Improvement Budget**

The proposed budget reflects a capital improvement budget of \$31,074,000 for fiscal year 2004-05. A detail listing of the projects is included in the budget book from the Department (included in your packet).

<b>Proposed Capital Improvement Program</b>	
Treatment plant	\$25,585,000
Collection lines	4,309,000
Maintenance & repair shops	1,050,000
Lift stations	115,000
Site improvements	15,000
Total Capital Improvement Program	<b>\$31,074,000</b>

The proposed capital improvement program budget includes \$250,000 for design of a new lab and engineering building to be located northwest of the Department's administration building. The existing lab building, located at the Sewer Reclamation Plant, is in need of updating or replacing. The Department is proposing relocating the lab because the air quality in the immediate vicinity of the Reclamation Plant is abrasive to the sensitive lab equipment. The construction costs are estimated to be \$2,500,000, which probably would be proposed for fiscal year 2006.

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### *Additional Information*

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## **BACKGROUND**

The Department of Public Utilities has over 48,350 sewer connections. The Sewer Fund maintains 633 miles of sanitary sewer pipe and connection lines. The reclamation plant treats an average of 35,000,000 gallons of sanitary sewer per day. Maintaining the sewer lines and operating the lift stations and reclamation plant is accomplished with 102 employees. Effective January 1, 2001, sewer fees are based on discharge strength as well as volume. Approximately 1,700 of the 48,000 accounts are charged an additional fee because they discharge sewage with strengths greater than domestic or residential sewer flows. This change sets rates so that residential customers or commercial customers with domestic discharges do not subsidize customers with greater than domestic strength discharges. This rate structure encourages businesses to reduce discharge strengths. The average residential sewer bill in fiscal year 2003-04 was \$111.89 and is estimated to be \$121.96 in fiscal year 2004-05.

## **LEGISLATIVE INTENT STATEMENTS**

No legislative intent statements are outstanding for the Sewer Fund.

*During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Department of Management Services.*

*During the briefing, the Council may wish to identify potential programs or functions to be added to the Council's list for future audits.*