

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2006

DATE: December 6, 2005

BUDGET FOR: Salt Lake Valley Solid Waste Management Facility - Proposed
2006 Calendar Year Budget

STAFF REPORT BY: Sylvia Jones, Research and Policy Analyst

cc: Cindy Gust-Jenson, Rocky Fluhart, Rick Graham, Steve
Fawcett, Kevin Bergstrom, Greg Davis, Romney Stewart and
Stuart Palmer

POTENTIAL MOTIONS:

1. ["I move that the Council"] **Adopt an ordinance adopting the calendar year 2006 Solid Waste Management Facility budget as proposed.**
2. ["I move that the Council"] **Request additional information or refer the budget adoption to the December 13, 2005 meeting for discussion or for further consideration.**

WORK SESSION SUMMARY:

During the November 10, 2005 Work Session, the City Council raised the following issues:

1. Has the Landfill Council considered land acquisition for the future? Would it be wise to acquire land now and then sell excess land in the future if it is not needed? A representative from the Administration explained that as a result of changes in the current waste market, the estimated life of the Landfill is more than 45 years. New technologies and opportunities to reduce the waste stream may make the acquisition of additional land unnecessary.
2. Is there a national standard for the number of FTEs needed for landfills in the waste industry? Landfill management responded by stating that the City/County Landfill is a more mature landfill with more fixed costs and more FTEs to administer programs that are not necessarily offered by other landfills.
3. Does the City need another transfer station? According to the Landfill Council, an additional transfer station is not necessary at this time.
4. Is there value in pursuing joint partnerships with private landfills? The Landfill Council is in the process of examining opportunities for additional partnerships with commercial organizations.
5. The Council Chair inquired as to the elimination of the contribution to the trust fund and the increase in the State's requirement. Landfill management stated that in the past Landfill funds were transferred annually to the trust fund

(approximately \$1.2 million each year) which fulfilled the State's requirement. According to Landfill management, one option the Landfill Council considered during budget preparation was to fund the liability with a surety bond. Since then, the Landfill Council decided that in order to move the five-year permitting process forward with the State, they would transfer reserve funds to the trust fund to meet the additional funding required by the State. According to Landfill management, in prior years, the State required the bottom lining of modules to be HDPE (high-density polyethylene), and the top to be closed with 1½ feet of soil. To renew the permit for another five years, the State now requires both the top and bottom to be HDPE, which reflects a large portion of the increased cost of the State's permitting requirement.

The following information was provided previously for the November 10, 2005 briefing. It is provided again for your reference.

The Solid Waste Management Council has forwarded the proposed 2006 calendar year Solid Waste Management Facility budget for the City Council's review.

SALT LAKE VALLEY SOLID WASTE MANAGEMENT FACILITY PROPOSED BUDGET				
	Amended 2005	Proposed 2006	Difference	Percent Change
Revenue & other sources				
Landfill Fees	\$14,280,000	\$12,300,000	(\$1,980,000)	(13.9%)
Compost Sales	400,000	400,000	- 0 -	- 0 -
Salvage Sales	220,000	220,000	- 0 -	- 0 -
Interfund Charges	105,000	100,000	(5,000)	(4.8%)
Interest	675,000	640,000	(35,000)	(5.2%)
Other Sources	257,000	257,000	- 0 -	- 0 -
Total revenue & other sources	\$15,937,000	\$13,917,000	(\$2,020,000)	(12.7%)
Expenditures and uses				
Salaries, Wages and Benefits	\$4,062,252	\$ 3,352,878	\$ (709,374)	(17.5%)
Operating and Maintenance Supply	261,200	231,500	(29,700)	(11.4%)
Charges and Services	7,765,757	7,658,345	(107,412)	(1.4%)
Total Operating Expenses	12,089,209	11,242,723	(846,486)	(7.0%)
Transfer to trust fund	1,110,000	- 0 -	(1,110,000)	(100%)
Purchase of surety bond	- 0 -	275,000	275,000	
Capital Outlay	1,149,300	1,412,200	262,900	22.9%
Appropriation to Fund Balance	1,588,491	987,077	(601,414)	(37.9)%
Total Expenses	\$15,937,000	13,917,000	(\$2,020,000)	(12.7%)

The Salt Lake County Council will also hold a public hearing and consider adopting this budget on December 6, 2005.

The Administration's paperwork outlines the proposed changes to the Solid Waste Management Facility's budget. Calendar year 2006 revenues are estimated at \$13,917,000; expenditures are estimated at \$12,929,923. Excess revenues over expenditures of \$987,077 are proposed to accumulate in the fund balance to be used

for future capital costs and for COLA (cost of living) mid-year adjustments (estimated to be \$125,000). The county uses a calendar year budget, and when the budget is prepared in August, there is no way of knowing what, if any, the county's COLA adjustment will be.

POTENTIAL MATTERS AT ISSUE:

The most significant changes to the budget as compared to the amended 2005 budget are as follows:

1. Landfill tipping revenues are projected to decrease by \$1,980,000 or (13.9%) based on a projected decrease in tonnage resulting from Allied Waste's new landfill in Tooele. According to the Administration, however, some additional tonnage is expected at the City/County Landfill from ACE, Waste Management, and A1, as well as baled waste from the privately owned Metro Waste Transfer Station, therefore offsetting a portion of the loss of tonnage from Allied Waste.
2. As a result of the decrease in tonnage revenues, a reduction in force of 16 FTE's (22%) is proposed which equates to a reduction in personal services costs of \$709,374. The Landfill currently has 72.75 FTE. With the reduction in force, the number of personnel will decrease to 56.75 FTE.

Landfill management indicated that a portion of the 16 employees have found other county positions or jobs with other employers, or will have retired by the time the reduction in force takes place.

3. The annual budget transfer to the trust fund is proposed to be eliminated (a decrease of \$1,110,000). To operate the landfill, the State Department of Environmental Quality requires a permit which is renewable every five years. The last permit from the state, which expired March 31, 2005, required a trust fund be established so that the state could close the landfill should the City and County abandon it.

To renew the permit for the next five years, the State Department of Environmental Quality (DEQ) increased the trust fund amount to \$23,376,105, which is an increase of \$12,224,973. According to Landfill management, in prior years, the state required the bottom lining of modules to be HDPE (high-density polyethylene), and the top to be closed with 1½ feet of soil. To renew the permit for another five years, the state now requires both the top and bottom to be HDPE, which reflects a large portion of the increase to the trust fund. At the time the budget was prepared in August, the Landfill Council considered other methods for satisfying the state mandated trust fund, including insurance, surety bonds, etc.

For budget purposes, the Landfill Council decided in August to set aside funds to purchase a surety bond, which will be purchased only if necessary. The \$275,000 listed in the proposed budget reflects the cost of an annual premium for the surety bond. Subsequent to the presentation of the 2006 budget, the Landfill Council decided to submit a proposal to transfer \$12,224,973 from Landfill reserve funds to the trust fund to meet the closure/postclosure liability. If this proposal is accepted, Landfill Council will come back to the City Council (and County Council) during a budget opening.

The Landfill Council is continuing to discuss issues relating the use of fund balance. Landfill management has asked representatives from both the city and the county to provide recommendations as to what to do with the fund balance, including recommendations on how to fund the trust fund closure costs in the future. Legal opinions have been requested from the district attorney as well as the state in regards to the proper use of fund balance. According to the Administration, the Landfill Council is waiting for a final recommendation from staff on what funding level should be maintained and how the fund should grow in the future. The Landfill Council plans to have this issue resolved by the first of the year.

4. Contract hauling costs associated with the existing contractor are anticipated to increase by \$143,000. The budget reflects an increase in the costs of hauling refuse from the City's transfer station.
5. Capital expenditures are anticipated to increase by \$262,900. The capital expenditures include the perforated methane gas line installation \$400,000; and the following equipment will be replaced: D9T dozer \$633,000, loader \$140,000, submersible pumps \$34,200, three rolloff containers (at \$5,500 each) \$16,500, a steamer \$8,500, and a trammel screen used in the composting operation \$180,000.
6. While fleet fuel costs will decrease by \$33,730 as a result of handling less tonnage, the fleet maintenance budget reflects an increase of \$113,394. In actuality, according to Landfill management, maintenance costs are decreasing because in 2005, the Landfill was able to subsidize its maintenance budget with \$252,593 of accumulated monies from the County's fleet maintenance fund.
7. Facility maintenance costs are projected to decrease by \$197,815, given that there are no structural improvements planned for 2006.
8. Costs for computer software will decrease by \$22,300.
9. Clothing provisions and laundry costs will decrease by \$5,000.
10. Small equipment expenses will decrease by \$2,400.

CURRENT MARKET CONDITIONS AND BACKGROUND:

The Salt Lake City/County Solid Waste Management Facility is jointly owned and operated by Salt Lake City and Salt Lake County. The Solid Waste Management Facility's operation is based on an Interlocal agreement entered into by Salt Lake City and Salt Lake County in 1978 and updated in 2000. The Interlocal agreement establishes a Salt Lake Valley Solid Waste Management Council. The Management Council appoints the Director of the Solid Waste Management Facility, who supervises and manages the day-to-day activities of the Facility. Information on the facility and its programs has been provided by the Administration.

The Salt Lake Valley Solid Waste Management Council worked with the Facility's Director to develop a proposed 2006 calendar year operating and capital improvement

budget for the Facility. The Landfill Council reviewed and approved the proposed budget on August 26, 2005. According to the agreement both the City Council and the County Council must approve a budget for the landfill.

According to the Administration, since 1998, the City and County have been sending municipal waste using the transfer station to East Carbon County's landfill. As mentioned earlier in this report, the changing circumstances in the waste market may dramatically influence the City/County Landfill waste revenue. For instance, a private transfer station was recently opened in West Salt Lake. The waste coming through this transfer station is hauled to the Goshute Indian Reservation, causing the City/ County Landfill to lose a portion of its commercial waste stream. Additionally, Allied Waste (owners of East Carbon County landfill) opened a new landfill in Tooele County, and will soon open its own transfer station in February 2006. Allied currently hauls approximately 150,000 tons of commercial waste to the City/County Landfill; however, Allied may not continue this practice once their transfer station is opened.

The Administration states that the life of the landfill according to consultants is projected to be over 45 years. The Landfill Council is considering re-bidding its hauling contract to explore whether other providers want the business. It is also considering hauling its own waste from the transfer station to the landfill. Additionally, it is considering expansion of the recycling program at the transfer station.

OCT 28 2005

RICHARD GRAHAM
PUBLIC SERVICES DIRECTOR

SALT LAKE CITY CORPORATION

DEPARTMENT OF PUBLIC SERVICES

ROSS C. "ROCKY" ANDERSON
MAYOR

COUNCIL TRANSMITTAL

TO: Rocky Fluhart *RF*
Chief Administrative Officer

Date: October 26, 2005

FROM: Rick Graham *RG*
Public Services Department

SUBJECT: Salt Lake Valley Landfill Calendar Year 2006 Budget

STAFF CONTACT: Greg Davis 535-6397
Stuart Palmer 974-6920
Salt Lake Valley Solid Waste Facility

DOCUMENT TYPE: Budget

RECOMMENDATION: That the City Council adopt the proposed budget.

BUDGET IMPACT: User fees collected and managed by Salt Lake County.

DISCUSSION: The FY 2006 budget reflects changes to the ongoing Landfill operations. The proposed budget was reviewed and approved by the Salt Lake Valley Solid Waste Management Council on October 19, 2005. The Salt Lake County Council has scheduled its public hearing and formal adoption of the proposed budget on December 6, 2005. Schedules attached.

PUBLIC PROCESS: Conducted by Salt Lake County. (See above)

SLVSWMF 2006 Budget

Initiative Name

2005-06

Fiscal Year

Initiative Number

Public Services

Co-Approve SLVSWMF Annual Budget

Department

Type of Initiative

Greg Davis

535.6397

Prepared By

Telephone Contact

General Fund (Fund Balance) Impact

Revenue Impact By Fund:

1st Year

2nd Year

2005

2006

General Fund

Total

\$0

\$0

Internal Service Fund

Total

\$0

\$0

Enterprise Fund

Salt Lake Valley Solid Waste Management Facility

Interest

640,000

640,000

Landfill Fees

12,300,000

12,300,000

Compost Sales

400,000

400,000

Salvage Sales

220,000

220,000

Interfund Charges

100,000

100,000

Other Sources

257,000

257,000

Fund Balance...(Favorable) / Unfavorable

601,414

(621,099)

Total

\$14,518,414

\$13,295,901

Other Fund

Total

0

\$0

Staffing Impact:

Existing Number of FTE's

72.75

0.00

Change In Number of FTE's

(16.00)

0.00

Total

56.75

0.00

Description

Accounting DetailGrant # and CFDA # If Applicable: **Revenue:**

Cost Center Number

Object Code Number

Amount

Expenditure:1st Year
20052nd Year
2006

Personal Services	3,352,878	3,520,522
Operating and Maintenance Supplies	231,500	231,500
Charges and Services	7,933,345	8,131,679
Capital Outlay	1,412,200	1,412,200
Total	12,929,923	13,295,901

Additional Accounting Details:

(1) SLVSWMF budgets on a calendar year.

(2) This is a co-approval budget opening for the SLVSWMF. Accounting for this facility is handled by Salt Lake County. Therefore, cost centers and object codes are not applicable.

Grant Information:

Grant funds employee positions?

(Yes or No)

Is there a potential for grant to continue?

(Yes or No)

If grant is funding a position is it expected the position will be eliminated at the end of the grant?

(Yes or No)

Will grant program be complete in grant funding time frame?

(Yes or No)

Will grant impact the community once the grant funds are eliminated?

(Yes or No)

Does grant duplicate services provided by private or Non-profit sector?

(Yes or NO)

Initiative Name:	Title of Initiative
Initiative Number:	Blank
Initiative Type:	Type of Initiative
<p>Initiative Discussion:</p> <p>Each year the Salt Lake Valley Solid Waste Management Facility (SLVSWMF), which is jointly owned by Salt Lake County and Salt Lake City, submits its budget to Salt Lake City for its approval. Salt Lake City last provided its approval of the SLVSWMF budget in December 2004 for calendar year 2005.</p> <p>SLVSWMF has submitted its 2006 budget to Salt Lake County for approval. SLVSWMF is also seeking the approval of the 2006 budget from Salt Lake City.</p> <p>Revenue is proposed to match expense with a contribution being made to fund balance. Year-to-year both revenue and expense will decrease by \$1,418,586 after a contribution to fund balance of \$987,077. The contribution to fund balance in calendar year 2006 is budgeted to be \$601,414 less than the amended calendar year budget for 2005.</p> <p>The major changes to revenue and expense follow. Landfill tipping fees are budgeted to decrease by \$1,980,000 based on a projected double digit decrease in tonnage. This change in tonnage has two components. Allied Waste has constructed a new landfill in Tooele County. As a result, the Allied tonnage will no longer be tipped at the SLVSWMF. Offsets to this decrease however are anticipated. Tonnage from ACE, Waste Management, A1 and baled waste from the privately owned Metro Waste Transfer Station are expected to increase. Hence, tonnage at the landfill is projected to drop by 14% which will result in a corresponding 14% drop in tipping fee revenue. Expense at the SLVSWMF is proposed to decrease by \$1,418,586. To compensate for the loss in tons, a reduction in force of 16.00 FTEs has been proposed. This will reduce personal services costs year-to-year by \$709,374. Supplies will also be decreased by \$29,700 based on reduced tonnage and the proposed reduction in force. The costs associated with contract hauling will increase by \$143,000 based on the existing contract with Allied. Landfill closure costs are proposed to decrease by \$835,000. Existing cash balance is being transferred from undesignated cash and designated cash to the landfill closure trust fund. Hence, less revenue collected from operations will be used for closure trust funding. No structural improvements are budgeted for 2006. Therefore, facility maintenance will decrease by \$197,815. Planned capital expenditures will continue at the landfill. Year-to-year, the cost of capital is proposed to increase by \$262,900.</p> <p>It is recommended that the Council approve the SLVSWMF budget.</p>	

SOLID WASTE MANAGEMENT FACILITY

Funding	Interest	Fees and Charges				Other Sources	Use / (Add To) Fund Balance	Total
		Landfill Fee	Cost Sales	Salvage Sales	Interfund Charges			
FY0405 Budget - Adopted	675,000	14,280,000	400,000	220,000	105,000	257,000	(1,379,437)	14,557,563
FY0405 Budget - Mid year adjustments							(209,054)	(209,054)
FY0405 Budget - Amended	675,000	14,280,000	400,000	220,000	105,000	257,000	(1,588,491)	14,348,509
								15,937,000

Significant Changes								
Conservative stance on interest rates	(35,000)							(35,000)
Allied/BFI waste going to new landfill sites		(1,980,000)						(1,980,000)
Health Department transfer to landfill					(5,000)			(5,000)
Fund Balance						601,414		601,414
Total Changes	(35,000)	(1,980,000)			(5,000)	601,414		(1,418,586)
FY0506 Budget	640,000	12,300,000	400,000	220,000	100,000	257,000	(987,077)	12,929,923
per landfill budget		-14%						13,917,000

Budget History	FTE	Personal Services	Materials/ Supplies	Charges/ Services	Capital		Fund Balance	Total
FY9697 Budget - Amended	55.67	2,387,951	457,800	5,615,273	9,511,000			17,972,024
FY9798 Budget - Amended	71.67	2,728,761	688,824	11,682,792	9,809,000			24,909,377
FY9899 Budget Amended	73.67	3,136,899	642,000	7,521,650	2,539,300			13,839,849
FY9900 Budget - As Adjusted	70.90	3,263,984	645,000	7,819,478	4,428,140			16,156,602
FY0001 Budget - Adopted	70.90	3,300,011	669,000	13,720,218	1,494,000			19,183,229
Technical Adjustments		62,061	36,750	(123,032)				(24,221)
FY0001 Budget - As Amended	70.90	3,362,072	705,750	13,597,186	1,494,000			19,159,008
FY0102 Budget - Adopted	71.40	3,402,305	762,200	8,547,788	2,158,900			14,871,193
Technical Adjustments		125,371	(525,000)	688,804				289,175
FY0102 Budget - As Amended	71.40	3,527,676	237,200	9,236,592	2,158,900			15,160,368
FY0203 Budget - As Adopted	71.40	3,574,438	295,700	9,414,379	2,466,900			15,751,417
Technical Adjustments		25,056		(32,363)	739,703			732,396
FY0203 Budget - As Amended	71.40	3,599,494	295,700	9,382,016	3,206,603			16,483,813
FY0304 Budget - Adopted	72.40	3,738,118	265,700	9,315,031	2,241,000			15,559,849
FY0304 Budget - Mid year adjustments	0.35	162,732		(41,832)				120,900
FY0304 Budget - As Amended	72.75	3,900,850	265,700	9,273,199	2,241,000			15,680,749
FY0405 Budget - Adopted	72.75	3,940,420	261,200	9,206,643	1,149,300			14,557,563
FY0405 Budget - Mid year adjustments		121,832		(330,886)				(209,054)
FY0405 Budget - As Amended	72.75	4,062,252	261,200	8,875,757	1,149,300			14,348,509

Significant Changes								
Adjustment to Base		2,439			(1,149,300)			(1,146,861)
Reduction in force	(15.00)	(675,985)						(675,985)
Temporary Employees	(1.00)	(35,828)						(35,828)
Computer Supplies + Computer Components			(22,300)					(22,300)
Clothing Provisions + Laundry			(5,000)					(5,000)
Small Equipment, value<\$1,000			(2,400)					(2,400)
Contract hauling				143,000				143,000
Fleet maintenance				113,394				113,394
Contract labor				50,500				50,500
Fleet fuel				(33,730)				(33,730)
Travel + Mileage Allowance				1,600				1,600
Landfill closure costs				(835,000)				(835,000)
Maintenance of facilities 'n grounds + office equip+ s/w				(197,815)				(197,815)
Landfill Cover Material				(60,000)				(60,000)
Vehicle Rental 'n Replacement Charge				44,045				44,045
Utilities				(33,796)				(33,796)
Intergovernmental Charges				(33,500)				(33,500)
Consulting:								
SLC City Engineering Support				(68,510)				(68,510)
Environmental + aerial monitoring				(25,000)				(25,000)
Gas Collection / Flare				(5,000)				(5,000)
Compost Operation				(2,000)				(2,000)
D9T Dozer					633,000			633,000
Perforated Gas Line Installation					400,000			400,000
Trommel Screen					180,000			180,000
Loader					140,000			140,000
Submersible pumps					34,200			34,200
Rolloff Container, qty 3					16,500			16,500
Steamer					8,500			8,500
Miscellaneous adjustments				(600)				(600)
Total Changes	(16.00)	(709,374)	(29,700)	(942,412)	262,900			(1,418,586)
FY0506 Budget	56.75	3,352,878	231,500	7,933,345	1,412,200			12,979,923

SALT LAKE CITY ORDINANCE

No. _____ of 2005

(Adopting the Solid Waste Management Facility budget,
which has been prepared and submitted by the
Salt Lake Valley Solid Waste Management Council
for calendar year 2006, subject to specific policy directives)

AN ORDINANCE ADOPTING THE SOLID WASTE MANAGEMENT
FACILITY BUDGET, AS PREPARED AND SUBMITTED BY THE SALT LAKE
VALLEY SOLID WASTE MANAGEMENT COUNCIL, FOR CALENDAR YEAR
2006, SUBJECT TO SPECIFIC POLICY DIRECTIVES.

PREAMBLE

On November 14, 2000, Salt Lake City (the "City") and Salt Lake County (the "County") entered into an Interlocal Cooperation Agreement (the "Agreement"), pursuant to Title 11, Chapter 13 of the Utah Code Annotated, regarding the joint management and operation of a Solid Waste Management Facility. The Agreement established the Salt Lake Valley Solid Waste Management Council and provided it with authority and responsibility relating to the operation and management of the Solid Waste Management Facility.

Pursuant to the Agreement, all actions by the Salt Lake Valley Solid Waste Management Council constitute recommendations to the City and the County and the City and the County have the power to review, ratify, modify or veto any action of the Salt Lake Valley Solid Waste Management Council.

The Salt Lake Valley Solid Waste Management Council has prepared the attached Solid Waste Management Facility budget for calendar year 2006 and has submitted said attached budget to the City Council for their approval. The City Council has authority

relating to budgets and appropriation of funds and, therefore, must approve, on behalf of the City, the Solid Waste Management Facility budget. The attached Solid Waste Management Facility budget has been available for public inspection in the Office of the City Recorder for at least ten days.

The City Council fixed the time and place for a public hearing to be held on December 6, 2005 to consider the adoption of the attached Solid Waste Management Facility budget and ordered notice thereof be published at least seven days prior to the hearing. Notice of said public hearing was duly published as required herein. A public hearing to consider adoption of said Solid Waste Management Facility budget was held on December 6, 2005, in accordance with said notice, at which hearing all interested persons were heard for and against the estimates of revenue and expenditures in the Solid Waste Management Facility budget.

The City Council wants to adopt the attached Solid Waste Management Facility budget for calendar year 2006, submitted by the Salt Lake Valley Solid Waste Management Council, subject to specific policy directives.

Be it ordained by the City Council of Salt Lake City, Utah:

SECTION 1. PURPOSE. The purpose of this Ordinance is to adopt the attached Solid Waste Management Facility budget, prepared and submitted by the Salt Lake Valley Solid Waste Management Council, for calendar year 2006, subject to the attached policy directives.

SECTION 2. ADOPTION OF BUDGET. The attached Solid Waste Management Facility budget, prepared and submitted by the Salt Lake Valley Solid

Waste Management Council, for calendar year 2006, is hereby adopted subject to the attached policy directives, and subject to similar approval by the County.

SECTION 3. RESERVE THE RIGHT TO AMEND. The City reserves the right to amend the attached Solid Waste Management Facility budget at any time, consistent with the Agreement.

SECTION 4. PUBLIC INSPECTION. Copies of the attached Solid Waste Management Facility budget shall be available for public inspection during regular business hours in the Office of the City Recorder.

SECTION 5. EFFECTIVE DATE. This Ordinance shall take effect on its first publication.

Passed by the City Council of Salt Lake City, Utah, this 6th day of December, 2005.

CHAIRPERSON

ATTEST:

CHIEF DEPUTY CITY RECORDER

APPROVED AS TO FORM
Salt Lake City Attorney's Office
Date 10-21-05
By Boyd Ferguson

Transmitted to the Mayor on _____.

Mayor's Action: _____ Approved. _____ Vetoed.

MAYOR

ATTEST:

CHIEF DEPUTY CITY RECORDER

(SEAL)

Bill No. _____ of 2005.

Published: _____.

