

SALT LAKE CITY COUNCIL STAFF REPORT
BUDGET ANALYSIS – CALENDAR YEAR 2007

DATE: November 17, 2006

BUDGET FOR: Salt Lake Valley Solid Waste Management Facility - Proposed
2007 Calendar Year Budget

STAFF REPORT BY: Sylvia Richards, Research and Policy Analyst

cc: Cindy Gust-Jenson, Rick Graham, Steve Fawcett, Kevin Bergstrom, Greg Davis, Philip Bernal and Stuart Palmer

The Solid Waste Management Council has forwarded the proposed 2007 calendar year Solid Waste Management Facility budget for the City Council’s review. A representative of the Solid Waste Management Facility will be present at the November 21st briefing to respond to inquiries from the City Council.

SALT LAKE VALLEY SOLID WASTE MANAGEMENT FACILITY PROPOSED BUDGET				
	Amended 2006	Proposed 2007	Difference	Percent Change
Revenue & other sources				
Landfill Fees	\$12,720,000	\$10,884,000	(1,836,000)	(14.4%)
Compost Sales	400,000	350,000	(50,000)	(12.5%)
Salvage Sales	220,000	350,000	130,000	59.1%
Interfund Charges	100,000	100,000	- 0 -	- 0 -
Interest	640,000	2,950,000	2,310,000	361.0%
Other Sources	257,000	257,400	400	.16%
Total revenue & other sources	\$14,337,000	\$14,891,400	554,400	3.9%
Expenditures and uses				
Salaries, Wages and Benefits	\$3,480,667	\$ 3,425,398	\$ (55,269)	(1.6%)
Operating and Maintenance Supply	321,500	226,500	(95,000)	(29.5%)
Charges and Services	8,263,345	5,537,345	(2,726,000)	(33.0%)
Total Operating Expenses	12,065,512	9,189,243	(2,876,269)	(23.8%)
Capital Outlay	1,412,200	3,074,200	1,662,000	117.7%
Appropriation to Fund Balance	859,288	2,627,957	1,768,669	205.8%
Total Expenses	\$14,337,000	14,891,400	554,400	3.9%

The Salt Lake City Council may wish to hold a public hearing and consider adopting this budget on December 12, 2006. In order to provide adequate advertising for the public hearing, the set date will be listed under Consent items on the November 21st City Council agenda. The Salt Lake County Council will also hold a public hearing and consider adopting this budget on December 5, 2006.

The Administration's paperwork outlines the proposed changes to the Solid Waste Management Facility's budget. Calendar year 2007 revenues are estimated at \$12,263,443; expenditures are estimated at \$12,263,443. Excess revenues over expenditures of \$2,627,957 are proposed to accumulate in the fund balance to be used for future capital costs and for COLA (cost of living) adjustments. The landfill 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 2006 budget are as follows:

1. Landfill tipping revenues are projected to decrease by \$1,836,000 or (14.4%) based on a projected net loss of approximately 40,000 tons of waste. Allied Waste opened their transfer station in April of 2006. Since April, Allied Waste has taken 40% of their waste to their transfer station rather than to the City/County Landfill. Other City/County landfill users have taken their waste to the Ace/Metro transfer station which opened in 2005. In an attempt to regain some of the tonnage, the SLVSWMF is proposing to reduce the charge per ton for all commercial loads at the City/County transfer station by 22.5% or \$6.95 per ton.
2. As approved during the 2006 budget, sixteen FTE's were laid off, and then six of those employees were rehired and added to the budget with the assumption that they would be needed as a result of the changes taking place in the landfill industry. Four of the six FTE's were rehired for a three month period. The other two employees were rehired with no time limitation. The 2007 budget proposes that the four FTE's hired for three months be eliminated from the budget.
3. Interest income is projected to increase by \$2.3 million or 361 percent. Increasing interest rates account for a portion of this increase. The 2006 budget was based on the assumption that approximately 50% of cash reserves of \$40 million dollars would be distributed last year, but this did not take place. Thus the base level of cash reserves on which interest is calculated is much higher for 2007 as compared to what was budgeted for 2006.
4. Total operating expenses are proposed to decrease by approximately \$2.8 million mostly as a result of a reduction in contract hauling fees. Currently, Allied Waste hauls waste from the City/County transfer station to Allied's landfill in Tooele County at \$23.85 per ton.
5. Capital expenditures are anticipated to increase by approximately \$1.6 million. The capital expenditures include the scheduled replacement of the following equipment: Scraper \$580,000; D9T dozer \$782,000; transport truck \$108,000; 2 walking floor trailers \$130,000; 2 rolloff trucks \$230,000; water wagon \$286,000; loader \$175,000, 4 rolloff containers \$25,000. In addition, \$758,200 will be used in association with the leachate pond construction and replacement pumps. The leachate pond collects and moves water coming off the landfill. As part of the landfill master plan, the leachate pond is being moved to property adjacent to the landfill. These are one-time costs.

6. The budget includes an additional \$244,000 for fleet fuel, while the fleet maintenance budget reflects a decrease of \$105,000. An additional \$56,000 is needed for the maintenance of facilities, grounds, office equipment and software.
7. Landfill excavation costs are expected to decrease by \$135,000 due to a decrease in tonnage coming to the Landfill.
8. Materials and supplies are projected to decrease by \$95,000 largely due to tonnage decrease. The projected decrease in tonnage equates to a decrease in cover material closure costs by \$70,000. Small tools expenses are expected to decrease by \$28,500, while the cost of pesticides is expected to increase by \$9,000.

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 Interim Director to develop a proposed 2007 calendar year operating and capital improvement budget for the Facility. The Landfill Council reviewed and approved the proposed budget on September 8, 2006. According to the agreement both the City Council and the County Council must approve a budget for the landfill.

As mentioned earlier in this report, the changing circumstances in the waste market will dramatically influence the City/County Landfill waste revenue. The arrangement with Allied Waste to haul waste by rail to its landfill site in East Carbon County was ended. Allied now hauls the transfer station waste by truck to its Tooele County landfill at the same rate it charged to haul by rail to Carbon County. Some time after the first of the year, SLVSWMF anticipates entering into an agreement with a private waste hauler to haul waste from the City/County transfer station to the City/County Landfill. As mentioned in last Thursday night's landfill briefing, the current life of the landfill is estimated to be 49 years.

NOV 15 2006

RICHARD GRAHAM
PUBLIC SERVICES DIRECTOR

SALT LAKE CITY CORPORATION
DEPARTMENT OF PUBLIC SERVICES

ROSS C. "ROCKY" ANDERSON
MAYOR

COUNCIL TRANSMITTAL

TO: Rocky Fluhart, **Date:** October 26, 2006
Chief Administrative Officer

FROM: Rick Graham *My*
Public Services Department

SUBJECT: Salt Lake Valley Landfill Calendar Year 2007 Budget

STAFF CONTACT: Greg Davis 535-6397
Stuart Palmer 562-6424
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 2007 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 September 8, 2006. The Salt Lake County Council has scheduled its public hearing and formal adoption of the proposed budget on December 05, 2006. Schedules are attached.

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

SALT LAKE CITY ORDINANCE

No. _____ of 2006

(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 2007, 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
2007, 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 2007 and has submitted said attached budget to the City Council for its 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 10 days.

The City Council fixed the time and place for a public hearing to be held on December 12, 2006 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 12, 2006, 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 2007, 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 2007, 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 2007, 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 12th day of December, 2006.

CHAIRPERSON

ATTEST:

APPROVED AS TO FORM
Salt Lake City Attorney's Office
Date 10-2-06
By Boyd Ferguson

CHIEF DEPUTY CITY RECORDER

Transmitted to the Mayor on _____.

Mayor's Action: ____ Approved. ____ Vetoed.

MAYOR

ATTEST:

CHIEF DEPUTY CITY RECORDER

(SEAL)

Bill No. _____ of 2006.

Published: _____.

Initiative Name:

SLVSWMF - 2007

Initiative Number: »

(Blank)

Initiative Type:

(Type of Initiative)

Initiative Discussion:

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 2005 for calendar year 2006.

SLVSWMF has submitted its 2007 budget to Salt Lake County for approval. SLVSWMF is also seeking the approval of the 2007 budget from Salt Lake City.

After Salt Lake City approved the 2006 SLVSWMF budget, 6 of the 16 FTEs who were laid-off as part of the approved 2006 SLVSWMF budget were added back to the budget by Salt Lake County. The rationale was that additional FTEs would be needed while the major changes which were occurring at the landfill and in the waste disposal industry as a whole leveled out. Four of these FTEs were added back for a "three-month window." The remaining two were added back without time limitations. As part of the 2007 SLVSWMF budget, the four "three-month window" FTEs are being eliminated.

The post Salt Lake City approval FTEs, described above, along with the traditional types of midyear adjustments seen each year have been combined with the approved budget to form the 2006 amended SLVSWMF budget.

Revenue is proposed to match expense with a contribution being made to fund balance. Year-to-year both revenue and expense will decrease by \$1,214,269 after a contribution to fund balance of \$2,627,957. The contribution to fund balance in calendar year 2007 is budgeted to be \$1,768,669 more than the amended calendar year budget for 2006.

The major changes to revenue and expense follow. All comparisons are made to the **amended** 2006 budget. Landfill tipping fees are budgeted to decrease by \$1,836,000, driven by a net loss of approximately 40,000 tons of waste. Two factors are influencing this net loss. During the first three months of 2006, some of Allied Waste's Inc. customers continued to use the SLVSWMF. Once the Allied Transfer Station opened in April 2006, most of the remaining customers no longer came to the SLVSWMF. This pattern is expected to continue. To try and offset the tonnage loss to Allied, the SLVSWMF is proposing to reduce the price charged on commercial loads at the Transfer Station by 22.5% or \$6.95/ton.

Interest income is projected to increase by \$2,310,000. Increasing interest rates account for a portion of this increase. However, the budget for 2006 was based on an assumption that approximately 52.5% of the cash reserves of \$40M would be distributed. This distribution did not occur. Hence the base level of cash reserves on which interest is being calculated is much higher for 2007 than it was for 2006.

Expense at the SLVSWMF is proposed to decrease by \$1,214,269. A major component of this decrease is a reduction of \$2,890,500 in contract hauling fees. Waste from the Transfer Station is currently hauled by Allied Waste to its landfill in Tooele County. The cost for this service is \$23.85 per ton. In a very short time that contract will be terminated and the Landfill will use Western Disposal to haul Transfer Station waste to the City/County Landfill site at a lower cost per ton.

The proposed budget also includes an additional \$244,000 for fleet fuel, a decrease of \$105,000 in fleet maintenance and an additional \$56,000 for the maintenance of facilities, grounds, office equipment and software. Landfill excavation costs are also budgeted to decrease by \$135,000 because of decreased tonnage coming to the landfill. Utility costs are also budgeted to increase by \$38,000.

Materials and supplies are projected to decrease by \$95,000. The largest component of this decrease is associated with landfill closure costs. Driven by the decrease in tonnage describe above, closure costs are projected to be \$70,000 less in 2007 than was budgeted in 2006. The budget for small tools is projected to decrease by \$28,500. An offsetting increase will be the cost of pesticides which is expected to increase to by \$9,000.

Capital expense is projected to increase by \$1,662,000. All items on the list fall under scheduled replacement except for the \$758,200 in cost associated with the leachate pond construction and the pumps for the leachate pond.

It is recommended that the Council approve the SLVSWMF budget.

SLVSWMF - 2007			
Initiative Name			
(Blank)	Initiative Number		2006-07
Public Services Department	Department		(Type of Initiative)
Greg Davis	Prepared By		Type of Initiative
			535-6397
			Telephone Contact
General Fund (Fund Balance) Impact			
Revenue Impact By Fund:			
		1st Year	2nd Year
		2007	2008
General Fund			
	Total	\$0	\$0
Internal Service Fund			
	Total	\$0	\$0
Enterprise Fund			
Salt Lake Valley Solid Waste Management Facility			
	Interest	2,950,000	2,950,000
	Landfill Fees	10,884,000	10,884,000
	Compost Sales	350,000	350,000
	Salvage Sales	350,000	350,000
	Interfund Charges	100,000	100,000
	Other Sources	257,400	257,400
	Fund Balance...(Favorable) / Unfavorable	(2,627,957)	(2,318,253)
	Total	\$12,263,443	\$12,573,147
Other Fund			
	Total	0	\$0
Staffing Impact:			
Existing Number of FTE's		56.75	58.75
Change In Number of FTE's:			
(1) Approved by SL County after SL City had approved 2006 budget		6.00	
(2) Proposed 2007 RIF		(4.00)	
Total		58.75	58.75
Description			
Personnel approved from 01 Jan 06 to 31 Mar 06		(1)	4.00
A/P-Payroll		(1)	1.00
Temp Employee		(1)	1.00
			6.00
Personnel approved from 01 Jan 06 to 31 Mar 06		(2)	(4.00)

Accounting Detail		Grant # and CFDA # If Applicable:	
Revenue:			
Cost Center Number	Object Code Number	Amount	
Expenditure:		<u>1st Year</u>	<u>2nd Year</u>
		2007	2008
Personal Services		3,425,398	3,596,668
Operating and Maintenance Supplies		226,500	226,500
Charges and Services		5,537,345	5,675,779
Capital Outlay		3,074,200	3,074,200
Total		12,263,443	12,573,147
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)	

SOLID WASTE MANAGEMENT FACILITY

Funding	Interest	Fees and Charges				Other Sources	Use / (Add To) Fund Balance	Total
		Landfill Fee	Compost Sales	Salvage Sales	Interfund Charges			
FY0506 Budget - Adopted	640,000	12,300,000	400,000	220,000	100,000	257,000	(987,077)	12,929,923
FY0506 Budget - Mid year adjustments		420,000					127,789	547,789
FY0506 Budget - Amended	640,000	12,720,000	400,000	220,000	100,000	257,000	(859,288)	13,477,712

Significant Changes

Prior year assumed a large portion of cash reserves were being distributed. Hence low interest. This distribution didn't occur. Therefore interest is now much higher.

Loss of several major customers to Allied Waste's landfill

Decreased yard and wood waste being processed

Higher market prices for salvaged materials

Misc .

Fund Balance	2,310,000					400	(1,768,669)	(1,768,669)
Total Changes	2,310,000	(1,836,000)	(50,000)	130,000		400	(1,768,669)	(1,214,269)
FY0607 Budget per landfill	2,950,000	10,884,000	350,000	350,000	100,000	257,400	(2,627,957)	12,263,443

Budget History	FTE	Personal Services	Materials/Supplies	Charges/Services	Capital	Fund Balance	Total
FY0506 Budget - Adopted	56.75	3,352,878	231,500	7,933,345	1,412,200		12,929,923
FY0506 Budget...after SL City adopted budget but before SL County adopted budget:							
Personnel approved from 01 Jan 06 to 31 Mar 06	4.00	37,344					37,344
A/P-Payroll	1.00	45,985					45,985
Temp Employee	1.00	10,345					10,345
FY0506 Budget - Mid year adjustments		34,115	90,000	330,000			454,115
FY0506 Budget - As Amended	62.75	3,480,667	321,500	8,263,345	1,412,200		13,477,712

Significant Changes

Adjustment to Base		(17,925)			(1,412,200)		(1,430,125)
Personnel approved from 01 Jan 06 to 31 Mar 06	(4.00)	(37,344)					(37,344)
Computer Supplies + Computer Components			(2,500)				(2,500)
Communication Equipment			(5,000)				(5,000)
Janitorial Supplies			3,000				3,000
Pesticides			9,000				9,000
Small Equipment, value<\$1,000 + Small Tools			(28,500)				(28,500)
Landfill Cover Material			(70,000)				(70,000)
Landfill Closure Costs				25,400			25,400
Contract hauling - cost/ton decreasing by \$17.35				(2,890,500)			(2,890,500)
Fleet maintenance				(105,000)			(105,000)
Fleet fuel				244,000			244,000
Regulatory fees				(40,000)			(40,000)
Health Department fees				(90,000)			(90,000)
Travel + Mileage Allowance				(5,800)			(5,800)
Maintenance of facilities 'n grounds + office equip+ s/w				56,600			56,600
Utilities				38,000			38,000
Education 'n Training				(2,000)			(2,000)
Printing				(3,000)			(3,000)
Intergovernmental Charges				(28,000)			(28,000)
Consulting:							
SLC City Engineering Support				24,600			24,600
Landfill Excavation Services				(135,000)			(135,000)
Landscape Consultant				(1,500)			(1,500)
Leachate Pond:							
SLC City Engineering Consulting - Design 'n Construction				186,200			186,200
Construction					724,000		724,000
Pumps					34,200		34,200
Scraper					580,000		580,000
D9T Dozer					782,000		782,000
Transport Truck					108,000		108,000
Walking Floor Trailer, qty 2					130,000		130,000
Rolloff Truck, qty 2					230,000		230,000
Water Wagon					286,000		286,000
Loader					175,000		175,000
Rolloff Container, qty 4					25,000		25,000
Miscellaneous adjustments			(1,000)				(1,000)
Total Changes	(4.00)	(55,269)	(95,000)	(2,726,000)	1,662,000		(1,214,269)
FY0607 Budget	58.75	3,425,398	226,500	5,537,345	3,074,200		12,263,443

SOLID WASTE MANAGEMENT FACILITY
Bridge from County to City numbers
FY0607 Budget

Revenue

Per County	14,891,400	
plus: net addition to fund balance	(2,627,957)	
plus: gain on sale of vehicles		
Per City	<u>12,263,443</u>	12,263,443

Expenses

Per County	11,648,879	
less: depreciation	(1,807,000)	
less: loss on sale of vehicles	(1,000)	
less: indirect costs	(651,636)	
add: capital	<u>3,074,200</u>	
Per City	<u>12,263,443</u>	12,263,443