

SALT LAKE CITY COUNCIL STAFF REPORT
BUDGET ANALYSIS – CALENDAR YEAR 2009

DATE: November 18, 2008

BUDGET FOR: Salt Lake Valley Solid Waste Management Facility - Proposed 2009 Calendar Year Budget

STAFF REPORT BY: Lehua Weaver

cc: Cindy Gust-Jenson, Rick Graham, Lyn Creswell, Gina Chamness, Kevin Bergstrom, Greg Davis, Nancy Sanders, Linda Hamilton and Stuart Palmer

The Solid Waste Management Council has forwarded the proposed 2009 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 18th briefing to respond to inquiries from the City Council.

SALT LAKE VALLEY SOLID WASTE MANAGEMENT FACILITY				
PROPOSED BUDGET				
	Amended 2008	Proposed 2009	Difference	Percent Change
Revenue & other sources				
Landfill Fees	\$10,450,000	\$11,530,000	1,080,000	\$0
Compost Sales	395,000	395,000	0	0.00%
Salvage Sales	385,000	460,000	75,000	19.48%
Interfund Charges	95,000	95,000	0	0.00%
Interest	2,500,000	1,400,000	-	-44.00%
			1,100,000	
Other Sources	251,500	265,500	14,000	5.57%
Total revenue & other sources	\$14,076,500	\$14,145,500	69,000	\$0
Expenditures and uses				
Salaries, Wages and Benefits	\$3,560,256	\$3,560,256	0	\$0
Operating and Maintenance Supply	206,300	226,300	20,000	9.69%
Charges and Services	5,621,879	5,879,377	257,498	4.58%
Total Operating Expenses	9,388,435	9,665,933	277,498	2.96%
Capital Outlay	5,894,800	579,700	-	-90.17%
			5,315,100	
Appropriation To / -From Fund Balance	-1,206,735	3,899,867	5,106,602	-423.18%
Total Expenses & Uses	\$14,076,500	\$14,145,500	69,000	\$0

A public hearing is scheduled on the Landfill budget for December 2, 2008. In order to provide adequate advertising for the public hearing, the set date will be listed under Consent items on the November 18th City Council agenda (same night as the briefing).

The Administration's paperwork outlines the proposed changes to the Solid Waste Management Facility's budget. For calendar year 2009, revenues are estimated at \$14,145,500 and expenditures are estimated at \$10,245,633, plus an appropriation to fund balance of \$3,899,867. Also included in the budget is \$579,700 in capital expenditures. This represents a significant decrease in capital outlay.

There has been more discussion regarding possibly withdrawing some funds out of the 'closure / post-closure' account. (More information below in "Fund Balance".)

Based on current tonnage deposited at the Landfill, the estimated closing date is 2052. This factors in a 1% growth rate. This is an earlier closure date by four years than the last time Council staff received an estimate.

POTENTIAL MATTERS AT ISSUE:

The most significant changes to the budget as compared to the amended 2008 budget are as follows:

Fund Balance

The Landfill's fund balance has three categories: Undesignated Cash, Designated Cash, and a Closure/Post-Closure Fund. The category used for various needs, including capital, is Undesignated Cash. In the current budget, calendar year 2008, the Landfill used \$1,206,735 from fund balance toward capital expenses, as planned. The 2009 budget proposes a transfer of \$3,899,867 to fund balance.

As mentioned above, the Landfill Management Council, with representatives from the County and City's Public Services Department, has been furthering discussion on possible withdraw and use of funds from the Closure / Post-Closure fund. The required annual balance for the Closure/Post Closure fund is calculated based on standards found in the accounting directive GASB 18. Discussions on withdrawing funds from the Closure/Post Closure fund will include verification that the required annual balance can still be maintained after any proposed withdrawal. The projected cash balance at the end of 2009 in the Closure/Post-Closure fund, before any withdrawals, is \$26,820,337.

The discussions between the City and County at the Landfill Management Council meetings would negotiate the details of the possible uses of the funds, and the amount. There would be the possibility of using the funds in a joint project at the landfill, or each entity using funds for separate projects.

The Council may wish to ask for more information about the progress of the discussions, more information on the possible types of projects, and a possible timeline. The Council may further wish to confirm whether the Interlocal Cooperation Agreement amendments would need to come through the County and City Councils for approval.

Revenues

Landfill tipping revenues are projected to increase by \$1,080,000 due to an increase of about 12,660 tons of waste. In 2008 more tons of waste were taken to the transfer station than expected, and that is projected to continue in 2009.

In addition to the increase of tonnage, several tipping fees are proposed to change:

- Green Waste: decrease 16.7% to \$5.00 / load
- Daily Cover material (used as cover material on the landfill face): fee is proposed to increase by 148.6% to \$22.00 / ton. The increase is proposed because the landfill is receiving more than needed of this type of material.
- Clean fill material (materials that can be sold /re-sold to customers): fee is proposed to increase from no charge to \$12.35 / ton. This increase is also proposed because of the volume of this type of material being deposited.
- Special handling materials (materials that the customer wants to watch be buried): fee is proposed to increase by 53.8% to \$100.00 / ton. This proposed increase brings the price in line with what other landfills charge for the service.

Interest income is projected to decrease by \$1,100,000 or (44%), due to a drastic drop in the PTIF interest rate – from 5.26% to 3.01%.

Compost Sales are projected to remain the same at \$395,000. This estimate is based on prior years' actuals.

Salvage Sales are project to increase by \$75,000 because of higher market prices. These are the sales of recovered materials at the landfill, such as steel, aluminum, carpet pad, and other miscellaneous items.

Expenses

Total operating expenses are proposed to increase by \$277,498 or 3.0%, which is made up of Charges & Services, Personal Services, and Materials & Supplies.

Charges & Services is proposed to increase by \$257,498 or 4.6%, which includes increases in fleet fuel and fleet maintenance. These increases are offset by decreases in maintenance of facilities, grounds, office equipment, software and roads.

Personal Services is proposed to remain the same. (At the time of budget preparation, any potential salary increases are not known. Any amendment to this amount could be made during a mid-year adjustment.)

Materials & Supplies is proposed to increase by \$20,000 primarily due to an increase of \$30,000 in small equipment and tools, offset by a \$10,000 decrease in computer components.

Capital expenditures are anticipated to significantly decrease, because no capital equipment is expected to be replaced in 2009. The landfill has reviewed capital equipment replacement cycles and the condition of existing equipment. Based on this review, no capital equipment replacement is needed. The capital budget is proposed at \$579,700 for three capital projects: De-watering Ditch Litter Fence: \$200,700; Asphalt Overlay Road Surface: \$111,000; and Asphalt Citizen Brush Unloading Area: \$268,000.

The Council may recall discussions last year of two major capital projects at the Landfill – moving the leachate pond, and a methane gas collection line. The methane gas collection line has been completed, and the leachate pond project should be complete by the end of November.

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 2009 calendar year operating and capital improvement budget for the Facility. The Landfill Council reviewed and approved the proposed budget and has forwarded this for review and approval by the City and County councils. According to the agreement both the City Council and the County Council must approve a budget for the landfill.

Allied Waste opened their transfer station in April of 2006, which resulted in less tonnage to the City / County Landfill for the first few years. Other City/County landfill users have also taken their waste to the Ace/Metro transfer station, which opened in 2005. For the CY 2007 budget, the Council adopted a proposal to reduce the per ton charge for commercial loads at the Transfer Station (the fee at the Landfill did not change), to stay competitive. It was assumed that these competitors would continue to affect the tonnage taken to the Transfer Station. However, during 2008 use of the Transfer Station increased based on the landfill's competitive tipping fees, and the material and direct savings customer realized based the landfill's convenient location.

As mentioned earlier in this report, the changing circumstances in the waste market will dramatically influence the City/County Landfill waste revenue. On August 30, 2006, the Landfill signed a contract with Western Container Company for hauling waste from the Transfer Station to the Landfill.


CITY COUNCIL TRANSMITTAL



David Everitt, Chief of Staff

Date Received: 11/4/08-JRB
Date sent to Council: 11/10/08

TO: Salt Lake City Council
Jill Remington-Love, Chair

DATE: October 29, 2008

FROM: Rick Graham, Director 
Department of Public Services

SUBJECT: Salt Lake Valley Landfill Calendar Year 2009 Budget 

STAFF CONTACT: Greg Davis
Department of Public Services
535-6123

Stuart Palmer
Department of Sanitation, Salt Lake County
562-6424

DOCUMENT TYPE: Budget

RECOMMENDATION: That the City Council adopt the proposed budget.

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

BACKGROUND/DISCUSSION: The FY 2009 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 5, 2008. The Salt Lake County Council has scheduled its public hearing and formal adoption of the proposed budget on December 9, 2008.

PUBLIC PROCESS: Public Hearing

SALT LAKE CITY ORDINANCE

No. _____ of 2008

(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 2009, 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
2009, 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 2009 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 2, 2008 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 2, 2008, 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 2009, 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 2009, 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 2009, 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 ____ day of December, 2008.

CHAIRPERSON

ATTEST:

CHIEF DEPUTY CITY RECORDER

Transmitted to the Mayor on _____.

Mayor's Action: ____ Approved. ____ Vetoed.

MAYOR

APPROVED AS TO FORM
Salt Lake City Attorney's Office
Date 11-4-08
By Boyd Ferguson

ATTEST:

CHIEF DEPUTY CITY RECORDER

(SEAL)

Bill No. _____ of 2008.

Published: _____.

HB_ATTY-#6107-v1-Ordinance_adopting_landfill_budget_for_2009.DOC

Initiative Name:	Name of Initiative SLVSWMF Landfill 2009 Budget
Initiative Number:	Blank
Initiative Type:	Type of Initiative
Initiative Discussion:	<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 2007 for calendar year 2008.</p> <p>SLVSWMF has submitted its 2009 budget to Salt Lake County for approval. SLVSWMF is also seeking the approval of the 2009 budget from Salt Lake City.</p> <p>Traditional types of midyear adjustments have been combined with the approved 2008 budget to form the 2008 amended SLVSWMF budget. The major changes to revenue and expense will now be reviewed. All comparisons are made to the amended 2008 budget.</p> <p>Year-to-year both revenue and expense will decrease by \$5,037,602. Revenue is budgeted to equal expense including an increase of \$3,899,867 in fund balance. The projected December 31, 2009 cash balance for the SLVSWMF is \$49,888,851. The projected cash balances by type are: Closure/Post Closure \$26,820,337, Designated \$17,431,392 and Undesignated \$5,637,122.</p> <p>Landfill tipping fee revenue is budgeted to increase by \$1,080,000. This is driven by two factors. Ongoing tonnage is proposed to increase by 12,660 tons. During 2008 approximately 9,000 tons which were previously taken to transfer stations owned by vendors were tipped instead at the SLVSWMF transfer station. Based on cost and the convenient location of the SLVSWMF transfer station this trend is expected to continue. Several types of tipping fees are proposed to change. Green waste tipping fees are proposed to decrease by (16.7%) to \$5.00/load. Daily cover material tipping fee rate is proposed to increase by 148.6% to \$22.00/ton. Clean fill material tonnage was previously tipped at the landfill for no charge. It is now proposed that the clean fill tipping fee be \$12.35/ton. The special handling materials fee is proposed to increase by 53.8% to \$100.00 per ton.</p> <p>Interest income revenue is projected to decrease by \$1,100,000. PTIF interest rates July 07 to July 08 have fallen from 5.26% to 3.01%. This is a 42.8% decrease.</p> <p>Expense at the SLVSWMF is proposed to decrease by \$5,037,602. To follow is a discussion of the factors driving this decrease, by major category of expense.</p> <p>Personal services is projected to be flat year-to-year. This is based on the dual impact of vacancies and lower-cost backfilling. The number of FTEs at the Landfill is proposed to stay flat with a total headcount of 57.25.</p> <p>Materials and supplies are projected to increase by \$20,000. The largest component of this change is an increase of \$30,000 in small equipment and tools. The other component is a reduction of \$10,000 in computer components.</p> <p>It is proposed that the charges and services budget increase by \$257,498. The changes in this category include an increase of \$315,000 for fleet fuel, an increase of \$29,998 in fleet maintenance and a \$221,000 decrease in maintenance of facilities, grounds, office equipment, software and roads. A component of this savings is the landfill harvesting materials deposited at the landfill which can be used for road base maintenance. Contract labor is projected to decrease by \$60,000 now that staffing issues related to such items as traffic control and water wagon driving have been resolved. Contract hauling costs are projected to increase by \$.90/ton for a total increase of \$182,000. Other adjustments total \$11,500 in increases.</p> <p>Capital expense is projected to decrease by \$5,315,100. Within the last several years, the landfill has completed several large on-site construction projects. Hence, only three new on-site capital projects are planned for 2009. In addition, no capital equipment is proposed to be replaced during 2009. The landfill has reviewed replacement cycles and equipment condition. Based on this review the landfill believes that no equipment should be replaced during 2009.</p> <p>It is recommended that the Council approve the SLVSWMF budget.</p>

SLVSWMF Landfill 2009

Budget

Initiative Name

(Blank)

Initiative Number

Public Services

Department

Greg Davis

Prepared By

2008-09

Fiscal Year

(Type of Initiative)

Type of Initiative

535-6123

Telephone Contact

Positive

SLVSWMF - Fund Balance- Impact (Negative) 3,899,867

<u>Revenue Impact By Fund:</u>		<u>Fiscal Year</u>	<u>Annual</u>
		<u>Impact Amount</u>	<u>Impact Amount</u>

General Fund

Total	\$0	\$0
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Internal Service Fund

Total	\$0	\$0
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Enterprise Fund

SLVSWMF

10,245,633

10,245,633

Total	\$10,245,633	\$10,245,633
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Other Fund

Total	\$0	\$0
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Staffing Impact:

Requested Number of	0	0
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Position Title:

Accounting Detail		Grant # and CFDA # If Applicable:	
Revenue:			
			Amount
Salt Lake Valley Solid Waste Management Facility			
Interest		\$	1,400,000
Landfill Fees		\$	11,530,000
Compost Sales		\$	395,000
Salvage Sales		\$	460,000
Interfund Charges		\$	95,000
Other Sources		\$	265,500
Fund Balance...(Favorable) / Unfavorable		\$	(3,899,867)
Total		\$	10,245,633
Expenditure:			
			Amount
Personal Services		\$	3,560,256
Operating and Maintenance Supplies		\$	226,300
Charges and Services		\$	5,879,377
Capital Outlay		\$	579,700
Total		\$	10,245,633
Additional Accounting Details:			
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			
FY0708 Budget - Adopted	2,500,000	10,450,000	395,000	385,000	95,000	251,500	1,266,677	15,343,177
FY0708 Budget - Mid year adjustments							(59,942)	(59,942)
FY0708 Budget - Amended	2,500,000	10,450,000	395,000	385,000	95,000	251,500	1,206,735	15,283,235

Significant Changes

Interest... rates dropping significantly...5.26% vs 3.01%	(1,100,000)							(1,100,000)
Changes to tipping n handling fees - some down others up significantly		1,080,000						1,080,000
Higher market prices for salvage materials				75,000				75,000
Favorable changes in soil regeneration market						15,000		15,000
Rental						(1,000)		(1,000)
Fund Balance							(5,106,602)	(5,106,602)
Total Changes	(1,100,000)	1,080,000		75,000		14,000	(5,106,602)	(5,037,602)
FY0809 Budget per landfill	1,400,000	11,530,000	395,000	460,000	95,000	265,500	(3,899,867)	10,245,633

Budget History

	FTE	Personal Services	Materials/Supplies	Charges/Services	Capital		Fund Balance	Total
FY0708 Budget - Adopted	57.25	3,530,677	206,300	5,711,400	5,894,800			15,343,177
FY0708 Budget - Mid year adjustments		29,579		(89,521)				(59,942)
FY0708 Budget - As Amended	57.25	3,560,256	206,300	5,621,879	5,894,800			15,283,235

Significant Changes

Adjustment to Base					(5,894,800)			(5,894,800)
Computer Components			(10,000)					(10,000)
Small Equipment, value<\$1,000 + Small Tools			30,000					30,000
Landfill Closure Costs ...light by \$30K				20,000				20,000
Rental Equipment				(30,000)				(30,000)
Contract labor				(60,000)				(60,000)
Contract hauling - cost/ton increasing by \$.90				182,000				182,000
Health Department / Hazardous Waste				75,000				75,000
Fleet maintenance				29,998				29,998
Fleet fuel				315,000				315,000
Intergovernmental Charges								
Accounting Support				(43,300)				(43,300)
Other				800				800
Maintenance of facilities 'n grounds + office equip+ s/w				(120,000)				(120,000)
Maintenance of roads				(101,000)				(101,000)
Other Professional / Consulting								
SLC City Engineering Support				(7,600)				(7,600)
Aerial and Ground Surveys				(3,000)				(3,000)
Other				(400)				(400)
Capital Projects:								
De-watering Ditch Litter Fence					200,700			200,700
Asphalt Overlay Road Surface					111,000			111,000
Asphalt Citizen Brush Unloading Area					268,000			268,000
Capital Equipment - None								
Prior Year Items - None								
Total Changes			20,000	257,498	(5,315,100)			(5,037,602)
FY0809 Budget	57.25	3,560,256	226,300	5,879,377	579,700			10,245,633

SOLID WASTE MANAGEMENT FACILITY
Bridge from County to City numbers
FY0809 Budget

Revenue

Per County	14,145,500	
plus: net use of fund balance	(3,899,867)	
plus: gain on sale of vehicles		
Per City	<u>10,245,633</u>	10,245,633

Expenses

Per County	11,880,988	
less: depreciation	(1,820,000)	
less: loss on sale of vehicles	(1,000)	
less: indirect costs	(394,055)	
add: capital	579,700	
Per City	<u>10,245,633</u>	10,245,633