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SECTION – 21 **Utilities**

Utilities

The Department of Utilities provides high quality, reliable, and environmentally sensitive water, wastewater, and drainage services.

The **Department of Utilities** (DOU) provides and maintains water, wastewater, and storm drainage services and facilities. These services and facilities are provided for its customers, the ratepayers of the City, and are in place to safeguard the health and safety of the public, provide services vital to economic development, and improve the quality of life in our City. The Department works in conjunction with other City departments, Sacramento County, as well as regional, state, and federal agencies in the development and rehabilitation of urban utility infrastructure.

DOU has and will continue to work closely with the City Manager's Office and the Internal City Auditor to implement audit recommendations to ensure the Utilities Department operates as efficiently and effectively as possible. In FY2010/11 under the direction of the Internal City Auditor, the Department of Utilities Operational Efficiency and Cost Savings Audit was conducted and several findings from the audit have been incorporated into DOU operations. DOU continues to implement various components of the audit as well as pursue other strategies to ensure the department operates as efficiently and effectively as possible. Consistent with the City Auditor's work plan for FY2011/12, a utilities billing operations audit is also being conducted.

As part of the overall audit process, DOU was asked to complete and integrate a Cost of Service study, a Capital Improvement Program guide, and an infrastructure financing plan with the implementation of the audit. These activities led to the development of the Utilities Water and Wastewater Infrastructure Program (Program), which is a long-term strategy of investing in the City's water and wastewater capital and regulatory programs. As part of the Program, a three-year specific capital and a finance plan was adopted by City Council which approved rate increases for water and wastewater services for FY2012/13 through FY2014/15. The finance plan for the Program uses a mix of bond and cash financing that allows the City to invest in its infrastructure and meet regulatory requirements while smoothing rate increases and avoiding rate spikes for utility customers.

Detailed five-year forecasts for each of the utility enterprise funds are included in the Overview section of this document.

APPROVED BUDGET/STAFFING CHANGES

The City reached agreements for labor concessions with SCXEA and Local 39. These agreements resulted in the restoration of 8.5 FTE that were proposed to be eliminated.

The Water, Wastewater, and Storm Drainage Funds will be reduced by \$3.2 million in labor expenses due to the net reduction of 27.0 FTE. The reduction of 35.0 FTE include 8.0 vacant FTE; the transfer of 7.0 FTE; and the moves of 16.0 FTE for SAFCA and 4.0 FTE for the City-County Office of Water Planning (CCOMWP) as well as their associated budgets to Citywide and Community Support. There is also an increase of 8.0 FTE that includes 7.0 FTE specifically to comply with the California Sportfishing Protection Alliance (CSPA) Consent Decree to add operational resources to ensure the reduction of Sanitary Sewer (Wastewater) Overflows and 1.0 FTE for the utility services marking program.

Utility fund revenue is anticipated to increase in the amount of \$10.3 million as a result of approved rate adjustments in the Water and Wastewater Funds. Storm Drainage Fund revenue is budgeted to continue fairly flat with a slight increase to reflect revenue generated through reviews and adjustments of customer accounts. However, due to rising operating, regulatory, and capital costs as well as no rate increases to offset these increases, the Storm Drainage Fund is budgeted to use \$2.7 million of fund balance.

The following outlines the changes to the Utilities Department Budget as a result of budget reductions and the utility rate increases.

Reductions and Moves: \$3,829,165 and 35.0 FTE

CCOMWP

Reduction: CCOMWP Fund in the amount of \$405,260 and 4.0 FTE have been transferred out of DOU.

Impact: The budget and FTE for this program transferred to Citywide and Community Support.

Operational

Adjustment: The administrative components currently managed by the DOU will be transferred to the Finance Department.

CIP Engineering

Reduction: Storm Drainage Fund savings of \$775,682 and the elimination of 8.0 FTE.

Impact: A reduction of 1.0 FTE will result in reassignment of workload within the department. Due to restructuring, there will be an additional 2.0 FTE reduction. There will also be a transfer of 3.0 FTE to the Public Works Department and 2.0 FTE to the General Services Department (Solid Waste).

Operational

Adjustment: The workload being reassigned will severely impact construction inspection and the ability to manage CIP programs and maintain project schedules.

Customer Service

Reduction: Water Fund savings of \$94,333 and the elimination of 1.0 FTE.

Impact: The workload associated with this position is transferring with the position to the new department, so there is no impact to Utilities.

Operational

Adjustment: A 1.0 FTE, as a result of restructuring, transferred to the General Services Department (Solid Waste).

Maintaining Drainage Facilities

Reduction: Storm Drainage Fund savings of \$90,301 and the elimination of 1.0 FTE.

Impact: Reassignment of the workload will hinder the department's ability to implement and manage the Drainage System Management Plan, which prescribes preventive maintenance required on the separated drainage system. In addition, it will also further reduce winter preparation and rain patrol staffing levels, thereby compromising staff's ability to monitor and respond to interior flooding issues.

Operational

Adjustment: A reduction of 1.0 FTE will result in reassignment of workload within the department.

Public Education and Outreach

Reduction: Water Fund savings of \$79,231 and the elimination of 1.0 FTE.

Impact: As a result of restructuring, 1.0 FTE will be transferred to the General Services Department (Solid Waste).

Operational

Adjustment: The workload associated with this position will transfer with the position to the General Services Department (Solid Waste).

Sacramento Regional Flood Control Agency (SAFCA)

Reduction: Storm Drainage Fund savings of \$2,023,258 and 16.0 FTE; transferred out of DOU.

Impact: The FTE and budget moved from DOU to Citywide and Community Support. DOU operations will not be impacted.

Operational

Adjustment: The payroll processing of SAFCA staff will move to the General Fund out of the Storm Drainage Fund.

Wastewater Collection

Reduction: Wastewater Fund savings of \$90,301 and the elimination of 1.0 FTE.

Impact: Reassignment of this workload will hinder the implementation of fats, oil, and grease maintenance as required by the CSPA consent decree, exposing the City to the risk of regulatory non-compliance.

Operational

Adjustment: This reduction will result in reassignment of workload within the department.

Water Distribution System Operations and Maintenance – Water Metering Program

Reduction: Water Fund savings of \$173,342 and the elimination of 2.0 FTE.

Impact: Reassignment of this workload will delay the distribution system preventative maintenance schedule as well as delay inspections and meter validations required for an accelerated Water Meter Retrofit Program.

Operational

Adjustment: This reduction will result in reassignment of workload within the department.

Water Treatment Plant and Well Maintenance

Reduction: Water Fund savings of \$97,457 and the elimination of 1.0 FTE.

Impact: Reassignment of this workload will further reduce the level of maintenance that is performed on Plant Services' equipment, likely increasing the rate of failure.

Operational

Adjustment: This reduction will result in reassignment of workload within the department.

User Fees: \$10.3 million in revenue, \$10.4 million in expenditures, and 8.0 FTE added

Augmentation: Water Fund increase of \$7.1 million in revenue and Wastewater Fund increase of \$3.2 million in revenue.

Impact: This increase in revenue is necessary to provide the means for DOU to meet regulatory requirements, to comply with recent consent decrees, to address aging infrastructure and to offset commodity price increases as well as the decrease in revenues as a result of lower consumption. This increase is supported by Council-adopted rate increases for the Water and Wastewater Funds.

Operational

Adjustment: These increases will provide funding for capital projects, regulatory compliance, and cover increasing commodity expenses within all DOU programs.

Regulatory Compliance - CSPA Consent (or Wastewater Collection)

Augmentation: Wastewater Fund increase of \$3.4 million and the addition of 7.0 FTE.

Impact: An increase of 7.0 FTE is required to comply with the consent decree.

Operational

Adjustment: This augmentation is necessary to comply with the CSPA Consent Decree to ensure the reduction of annual Sanitary Sewer (Wastewater) Overflows. The increased staffing and funds will be used to perform preventive maintenance, purchase new equipment, provide services, and perform inspections.

Regulatory Compliance - Other

Augmentation: Storm Drainage, Wastewater, and Water Funds increase of \$5.6 million and the addition of 1.0 FTE.

Impact: An increase to cover regulatory requirements.

Operational

Adjustment: This increase is necessary to meet regulatory requirements for the following programs: Water Conservation, Water Quality, Sanitary Sewer Management Plan, Combined System Drainage Inlet Upgrade (Flood Control), Air Quality, Security/Loss Prevention, IT/Efficiency, Rehab and Repair to Maintain Regulatory Compliance, and the Drainage System Management Plan. This increase is will be supported by the increase in revenues provided by the Council-approved rate increases for the Water and Wastewater Funds.

Increases to CPI

Augmentation: Storm Drainage, Wastewater, and Water increase of \$1.4 million.

Impact: An increase to cover expected increases in operational costs required for all programs under the DOU.

Operational

Adjustment: This increase is necessary to reflect increased commodity prices for certain operation expenses such as fuel, chemicals and electricity in the Storm Drainage, Wastewater, and Water Funds.

Department Budget Summary

Utilities

Budget Summary

	FY2010/11	FY2011/12		FY2012/13		Change More/(Less)
	Actuals	Approved	Amended	Approved	Amended	FY12 Amended/ FY13 Amended
Budgeted Expenditures						
Debt Service	1,099,692	-	-	-	-	-
Employee Services	65,425,531	68,744,945	68,690,447	51,284,582	51,264,212	(17,426,235)
Labor/Supply Offset	2,493,955	5,042,575	5,042,575	2,642,354	2,642,354	(2,400,221)
Operating Transfers	21,081,522	20,533,200	20,533,200	15,693,416	15,693,416	(4,839,784)
Other Services and Supplies	46,872,753	60,720,693	55,371,155	42,885,663	42,885,663	(12,485,492)
Property	7,637,691	9,008,498	3,104,109	3,228,412	3,228,412	124,303
Total:	\$144,611,144	\$164,049,911	\$152,741,486	\$115,734,427	\$115,714,057	(\$37,027,429)

Funding Summary by Fund/Special District

Community Center	4,983	4,983	4,983	4,983	4,983	-
Fleet Mgmt	120,436	158,979	158,979	158,979	158,979	-
General Fund	136,513	162,410	162,410	122,410	122,410	(40,000)
Golf	78,832	23,940	23,940	60,000	60,000	36,060
Lighting and Landscape	137,592	137,592	137,592	137,592	137,592	-
Parking	1,359	1,359	1,359	1,359	1,359	-
Risk Mgmt	-	(958,075)	(958,075)	-	-	958,075
Sewer Development Fees	(1,521,829)	-	-	-	-	-
Solid Waste	51,503,678	56,309,006	49,807,202	1,880,651	1,880,651	(47,926,551)
Special Districts	250,837	874,965	1,012,288	1,007,288	1,007,288	(5,000)
State Route 160	56,447	-	-	-	-	-
STATE ROUTE 275	20,511	22,119	22,119	-	-	(22,119)
Storm Drainage	29,446,144	34,735,448	32,290,924	32,045,821	31,986,074	(304,850)
Wastewater	17,669,818	17,736,975	17,166,203	22,657,993	22,617,947	5,451,744
Water	45,849,439	52,835,829	50,956,182	57,657,351	57,736,774	6,780,592
Water Planning	856,383	2,004,380	1,955,380	-	-	(1,955,380)
Total:	\$144,611,144	\$164,049,911	\$152,741,486	\$115,734,427	\$115,714,057	(\$37,027,429)

Division Budget Summary

Utilities

Division Budgets

	FY2010/11	FY2011/12		FY2012/13		Change More/(Less)
	Actuals	Approved	Amended	Approved	Amended	FY12 Amended/ FY13 Amended
Business Services	4,943,301	5,721,234	5,721,238	5,875,425	5,935,156	213,918
Engineering Services	5,684,431	7,396,868	7,326,865	6,464,253	6,419,893	(906,972)
Field Services	25,325,008	29,052,259	27,834,985	33,067,369	33,030,296	5,195,311
Office of the Director	44,724,586	53,141,911	47,984,227	40,478,795	40,650,811	(7,333,416)
Plant Services	26,834,598	29,094,478	28,952,132	29,848,585	29,677,900	725,768
Solid Waste Services	37,099,221	39,643,160	34,922,039	-	-	(34,922,039)
Total:	\$144,611,144	\$164,049,911	\$152,741,486	\$115,734,427	\$115,714,057	(\$37,027,429)

Staffing Levels

Utilities

Division FTEs

	FY2010/11	FY2011/12		FY2012/13		Change More/(Less)
	Actuals	Approved	Amended	Approved	Amended	FY12 Amended/ FY13 Amended
Business Services	54.50	54.50	54.50	53.00	54.50	-
Engineering Services	84.50	84.50	84.50	73.50	74.50	(10.00)
Field Services	220.00	220.00	220.00	223.00	224.00	4.00
Office of the Director	29.00	28.00	28.00	7.00	8.00	(20.00)
Plant Services	149.50	150.50	150.50	148.50	149.50	(1.00)
Solid Waste Services	160.00	160.00	-	-	-	-
Total:	697.50	697.50	537.50	505.00	510.50	(27.00)