

21

SECTION – 21 **Utilities**

Utilities

The Department of Utilities provides dependable, high quality water, storm drainage, and wastewater services in a fiscally and environmentally sustainable manner.

The **Department of Utilities** (DOU) provides and maintains water, wastewater, and storm drainage services and facilities for its customers, the ratepayers of the city. These services are crucial to safeguard the health and safety of the public, support 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 continues to work closely with the City Manager's Office and the Internal City Auditor to ensure the Utilities Department operates as efficiently and effectively as possible. DOU has addressed the majority of the recommendations in the Operational Efficiency and Cost Savings Audit conducted in FY2010/11 and the Utilities Billing Operations audit performed in FY2011/12. In addition, DOU recently completed an organizational assessment to identify how it can better perform its services and position Sacramento for the challenges facing water utilities now and in the foreseeable future. The outcome of the assessment is an updated five-year strategic plan, with updated priorities, and a revised organization structure targeted to go into effect the beginning of FY2013/14. Addressing some of the major goals of the new strategic plan has already begun, including the renewed emphasis on security and emergency preparation, development of a more effective and high profile water conservation program, review and updating of policies and procedures, and an increased commitment to audit response and follow up.

In addition to these programs, DOU is updating the Water Master Plan, Water Conservation Plan, and water policies, that combined will help guide the City's long-range water planning efforts and assure compliance with state mandates, including 20-percent per capita water use reductions by 2020.

DOU also continues to focus on a long-term sustainable approach to maintaining and replacing the city's aging infrastructure and has made integrated planning and asset management, as well as implementation of the Utilities Water and Wastewater Infrastructure Program (Program) among its highest priorities. The Program 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 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. DOU is moving into the second year of the three-year specific capital and finance plan after securing bond funding for its water and wastewater capital programs in FY2012/13.

ORGANIZATIONAL CHANGES

The Department recently implemented a revised organization structure that reflects the following primary Department objectives:

- Focus on department-wide integrated planning
- Increase collaboration, innovation, and integration
- Realize efficiencies and reallocate resources to identified priorities
- Distribute responsibility and accountability throughout all levels of the organization
- Become a more agile and rewarding place to work
- Continue to provide excellent customer service

The major changes resulting from the restructuring are consolidation of two of the major operating divisions (Field and Plant Services) into a single Operations and Maintenance Division, streamlining operational activities as well as support functions such as purchasing and fleet management; merging Asset Management, Financial Planning, and Strategic Planning into an Integrated Planning unit; centralizing the department administrative and employee services activities into a single unit; realigning the Water Quality Laboratory with Engineering to support more innovation and research and development activities; and moving the Water Conservation program into the Engineering and Water Resources Division, formerly Engineering Division.

The FY2013/14 budget reflects the revised organizational structure and associated funding for ongoing operations and addressing the near-term priorities of the strategic plan.

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 Water, Wastewater and Storm Drainage Funds will be increased by \$14.6 million that includes a reduction of 1.0 FTE (net of 3.0 FTE reductions and 2.0 FTE additions). This reflects adjustments in labor costs, new programs, regulatory compliance, and multi-year operating projects. These adjustments are explained below.

CIP Engineering

Reduction: Storm Drainage Fund savings of \$124,282 and 1.0 FTE (Associate Civil Engineer).

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

Operational

Adjustments: Reassignment of this workload will hinder critical Capital Improvement Program (CIP) planning and modeling efforts and hamper the department's ability to develop and implement an effective CIP in a timely manner.

Operation and Maintenance – Water and Drainage Maintenance

Reduction: Storm Drainage Fund savings of \$79,038 and 1.0 FTE (Machinist Helper) and Water Fund savings of \$79,038 and 1.0 FTE (Machinist Helper).

Impact: These reductions will result in reassignment of workload within the department.

Operational

Adjustments: Reassignment of the workload will increase repair times and costs due to Machinists performing work normally completed by Machinist Helpers. Preventative maintenance may be deferred, delayed, or performed by the higher paid Machinist. The Machinist Helpers are also certified crane operators, and the loss will result in higher cost due to hiring contractors to perform crane work.

Regulatory Compliance & Other Operational Programs

Augmentation: Water, Wastewater, and Storm Drainage Funds increase of \$3.5 million and 1.0 FTE (Program Manager).

Impact: The increase in expenditures will be offset by increased revenues.

Operational

Adjustments: This augmentation is necessary for continued compliance with regulatory and other operational programs such as Water Meter Replacement, Water Conservation, Security and Emergency Preparedness, CSS Drainage Inlet Upgrade Replacement, Information Technology Upgrades, AMI Replacement, Asset Management, Drainage Mitigation, and Financial Planning and Rate Structure Development. The Program Manager will support requirements resulting from the California Sportfishing Protection Alliance Consent Decree.

Increases based on Consumer Price Index (CPI)

Augmentation: Water, Wastewater, and Storm Drainage increase of \$1.3 million.

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

Operational

Adjustments: This reflects increased commodity prices for certain operation expenses such as fuel, chemicals, and electricity in the Water, Wastewater, and Storm Drainage Funds.

Multi-year Operating Projects

Augmentation: Water, Wastewater, and Storm Drainage Funds increase of \$8.9 million and 1.0 FTE (Program Analyst).

Impact: This increase addresses ongoing regulatory requirements.

Operational

Adjustments: This reflects the annual funding necessary to meet ongoing regulatory requirements for the following programs: Water Conservation and Meter Replacement, Water Quality, Sanitary Sewer Management Plan, Flood Plain Management and Flood Control, and Combined Sewer System Regulatory Compliance. The 1.0 FTE Program Analyst is necessary to provide administrative support to the Low-Income Rate Assistance Program established in the FY2012/13 Approved Budget.

One-time Labor Adjustments

Augmentation: Water, Wastewater, and Storm Drainage Funds increase of \$1.2 million.

Impact: This is a technical adjustment to remove one-time labor reductions that were required in FY 2012.

Operational

Adjustments: This adjustment does not change FTE, but removes a labor adjustment calculation which was applied in FY 2012 for labor savings, and carried over to FY 2013. Both the Water and Wastewater Funds are projected to have sufficient revenues to cover the revised labor budgets. Without additional revenues, the Drainage Fund will continue to use some fund balance to cover the ongoing labor expense.

Department Budget Summary

Utilities

Budget Summary

	FY2011/12	FY2012/13		FY2013/14	Change
	Actuals	Approved	Amended	Approved	More/(Less) Approved/Amended
Budgeted Expenditures					
Debt Service	922,232	-	-	-	-
Employee Services	64,974,679	51,264,212	51,230,938	51,776,476	545,538
Labor/Supply Offset	3,424,682	2,642,354	2,642,354	2,173,685	(468,669)
Operating Transfers	21,218,001	15,693,416	15,693,416	17,372,968	1,679,552
Other Services and Supplies	48,080,926	42,885,663	36,355,902	46,107,745	9,751,843
Property	1,906,618	3,228,412	1,345,669	4,437,998	3,092,329
Total:	140,527,137	115,714,057	107,268,279	121,868,872	14,600,593

Funding Summary by Fund/Special District

Community Center	4,983	4,983	4,983	4,983	-
Fleet Management	79,968	158,979	158,979	147,729	(11,250)
General Fund	97,338	122,410	122,410	122,410	-
Golf	74,376	60,000	60,000	8,550	(51,450)
Landscaping and Lighting	51,357	137,592	137,592	137,592	-
Parking	1,359	1,359	1,359	1,359	-
Risk Management	-	-	-	-	-
Solid Waste	46,329,456	1,880,651	1,880,651	1,880,651	-
Special Districts	856,229	1,007,288	1,006,001	982,186	(23,815)
State Route 275	22,119	-	-	-	-
Storm Drainage	27,626,374	31,986,074	28,372,706	32,283,411	3,910,705
Wastewater	16,112,439	22,617,947	20,591,131	25,524,771	4,933,640
Water	48,329,174	57,736,774	54,932,467	60,775,230	5,842,763
Water Planning	941,965	-	-	-	-
Total:	140,527,137	115,714,057	107,268,279	121,868,872	14,600,593

Division Budget Summary

Utilities

Division Budgets

	FY2011/12	FY2012/13		FY2013/14	Change
	Actuals	Approved	Amended	Approved	More/(Less) Approved/Amended
Engineering and Water	5,819,160	6,419,893	13,470,848	12,377,706	(1,093,142)
Integrated Planning/Bus Ops	4,780,660	5,935,156	5,971,441	7,120,404	1,148,963
Office of the Director	45,115,283	40,650,811	32,616,043	44,683,730	12,067,687
Operations and Maintenance	52,853,636	62,708,196	55,209,947	57,687,032	2,477,085
Solid Waste Services	31,958,398	-	-	-	-
Total:	140,527,137	115,714,057	107,268,279	121,868,872	14,600,593

Staffing Levels

Utilities

Division FTEs

	FY2011/12	FY2012/13		FY2013/14	Change
	Actuals	Approved	Amended	Approved	More/(Less) Approved/Amended
Engineering and Water	84.50	74.50	74.50	111.50	37.00
Integrated Planning/Bus Ops	54.50	54.50	54.50	66.00	11.50
Office of the Director	28.00	8.00	8.00	7.00	(1.00)
Operations and Maintenance	370.50	373.50	373.50	325.00	(48.50)
Total:	537.50	510.50	510.50	509.50	(1.00)