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SECTION – 21
Utilities

Utilities

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

The **Department of Utilities** (DOU) provides and maintains water, sewer, solid waste, 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, contribute 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 is working closely with the City Manager's Office and the Internal City Auditor to implement a multi-pronged audit strategy to ensure the Utilities Department operates as efficiently and effectively as possible. The audit strategy involves three separate tracks: Operational/Efficiency Focus, City Auditor Focus, and Ongoing Studies.

Consistent with the first track, an operational/efficiency audit, conducted under the direction of the Internal City Auditor, was conducted and key findings from the audit will be incorporated during the FY2011/12 budget hearings. The second prong of the strategy is the City Auditor Focus element which will occur in FY2011/12 as part of the City Auditor's work plan to audit DOU's billing operation. The third track includes the integration and coordination of the following studies into the respective audits:

- Cost of Service (Utility Rate) Study – FCS Group
- Capital Improvement Program (CIP) Programming Guide – FCS Group
- Infrastructure Financing – Treasurer's Office/Banking Community

The results of the operational/efficiency audit, the Utility Rate Study, the CIP Programming Guide and Infrastructure Financing strategy will be used to help guide and inform the development of a multi-year utility rate plan that reflects adjustments necessary to generate revenues sufficient to meet the City's utility infrastructure, regulatory, and operational needs. DOU anticipates bringing the rate plan forward for consideration during FY2011/12.

PROPOSED BUDGET CHANGES

Solid Waste revenue is budgeted to increase by \$1.5 million in FY2011/12 as the result of additional revenue for an increase in commercial garbage and recycle services.

All other utility fund revenue is budgeted to show a net decrease in the amount of \$3.8 million. This is consistent with revenue projections for FY2010/11 which are projected to be lower than budget due to a decline in consumption/usage.

The net reduction in Utility fund revenues has been offset by an overall reduction of Utility expenditures in the FY2011/12 proposed budget and use of Storm Drain fund balance. Detailed five-year forecasts for each of the Utility Enterprise Funds are included in the Overview section of this document. The proposed budget includes the following material changes:

Budget Reductions

- \$2 million reduction of bad debt expenses, which is consistent with FY2010/11 bad debt performance which is projected to be \$2 million under budget.
- \$413,000 reduction in vehicle replacement costs due to the change in mileage criteria within the replacement schedule.
- \$2.1 million reduction in CIP appropriations to sewer projects.

Budget Increases

- \$2.6 million increase in CIP appropriations for critical storm drain and combined sewer system projects.
- \$841,000 increase in fuel expense due to projected increases in fuel costs.
- \$514,000 increase in debt service expense due to an increase in scheduled principal payments primarily within the Water Fund.

Department Budget Summary

Utilities Budget Summary	FY2009/10 Actual	FY2010/11 Approved	FY2010/11 Amended	FY2011/12 Proposed	Change More/(Less) Proposed/Amended
Funded Positions (FTE)	753.00	697.50	697.50	697.50	-
Budgeted Expenditures					
Debt Service	525,952	164,009	164,009	-	(164,009)
Employee Services	65,399,122	70,599,917	68,931,940	68,397,083	(534,857)
Labor/Supply Offset	3,840,622	4,861,948	4,308,292	5,042,575	734,283
Operating Transfers	19,661,411	20,963,000	20,963,000	20,533,200	(429,800)
Property	7,588,560	9,293,619	9,298,619	9,008,498	(290,121)
Service And Supplies	46,312,525	57,464,744	58,764,511	60,432,019	1,667,508
Total:	143,328,191	163,347,237	162,430,371	163,413,375	983,004
Funding Summary by Fund/Special District					
Citywide Lndscpng&Lghting Dist	137,592	137,592	137,592	137,592	-
Community Center Fund	4,983	4,983	4,983	4,983	-
Cty/Cnty Office-Water Planning	1,089,219	(0)	1,343,235	1,332,602	(10,633)
Fleet Management	100,428	181,734	181,734	158,979	(22,755)
General Fund	67,373	122,410	142,410	162,410	20,000
Golf Fund	33,958	23,940	23,940	23,940	-
Habitat Management Element	120,462	-	381,936	381,936	-
N Natomas Lands Cfd 3	1,310,609	736,952	1,310,608	820,000	(490,608)
Neighborhood Water Quality Dst	25,515	23,979	25,515	25,515	-
Northside Subdiv Maint Dist	5,000	5,000	5,000	5,000	-
Parking Fund	1,359	1,359	1,359	1,359	-
Risk Management	-	(958,075)	(958,075)	(958,075)	-
Sew er Fund	15,063,784	19,737,582	19,512,086	17,736,975	(1,775,111)
Solid Waste Fund	52,343,063	54,499,215	53,894,011	55,961,145	2,067,134
State Route #160-Relinq	60,622	56,447	56,447	-	(56,447)
State Route 275	15,146	20,511	20,511	22,119	1,608
Storm Drainage Fund	27,912,045	33,029,411	31,400,538	34,735,448	3,334,910
Water Fund	57,320,584	55,684,697	54,922,091	52,836,996	(2,085,095)
Willow creek Assmnt Md	23,450	39,500	24,450	24,450	-
Total:	143,328,191	163,347,237	162,430,371	163,413,375	983,004

Division Budget Summary

Utilities					
Division Budgets	FY2009/10	FY2010/11		FY2011/12	Change
	Actual	Approved	Amended	Proposed	More/(Less) Proposed/Amended
Business Services	4,837,109	5,959,356	5,807,318	5,721,234	(86,084)
Engineering Services	6,405,208	8,317,107	8,250,880	7,396,868	(854,012)
Field Services	27,033,221	33,027,233	31,725,345	29,052,258	(2,673,087)
Office of the Director	40,148,255	45,815,965	47,448,868	52,853,237	5,404,369
Plant Services	25,929,849	31,018,970	30,574,558	29,094,478	(1,480,080)
Solid Waste Services	38,974,549	39,208,606	38,623,402	39,295,299	671,897
Total:	143,328,191	163,347,237	162,430,371	163,413,375	983,004

Staffing Levels

Utilities					
Division FTEs	FY2009/10	FY2010/11		FY2011/12	Change
	Actual	Approved	Amended	Proposed	More/(Less) Proposed/Amended
Business Services	56.50	54.50	54.50	54.50	-
Engineering Services	87.50	84.50	84.50	84.50	-
Field Services	233.00	220.00	220.00	220.00	-
Office of the Director	29.00	29.00	29.00	28.00	(1.00)
Plant Services	161.00	149.50	149.50	150.50	1.00
Solid Waste Services	186.00	160.00	160.00	160.00	-
Total:	753.00	697.50	697.50	697.50	-