

# Mayor and Council Communication

DATE: 09/13/22

M&C FILE NUMBER: M&C 22-0716

LOG NAME: 60FY22BUDGETADJUSTMENTII

**SUBJECT**

(ALL) Enact Fiscal Year 2022 Budget Adjustments in the Water & Sewer Fund by Allocating Projected Current-Year Revenues to Offset Projected Shortfalls, Departmental Capital Outlays and Capital Projects, Adopt Appropriation Ordinances, and Amend the Fiscal Year 2022 Adopted Budget and the Fiscal Years 2022-2026 Capital Improvement Program

**RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Water & Sewer Fund in the amount of \$9,000,000.00, from newly recognized revenues, for the purpose of funding increased operating expenses and transferring to the Water and Sewer Capital Projects Fund;
2. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Water & Sewer Capital Projects Fund in the amount of \$2,500,000.00, transferred from available funds in the Water and Sewer Fund, for the purpose of funding the Water and Sewer Outlay programmable project (City Project No. P00087); and
3. Amend the Fiscal Year 2022 Adopted Budget and Fiscal Years 2022-2026 Capital Improvement Program.

**DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to recognize additional Water & Sewer revenue projected to be received by the Utility due to drier than usual weather conditions during the fiscal year. Receipts and appropriations in the Water & Sewer Fund will be increased to be used for current operating costs affected by inflation and supply chain issues, funding capital equipment and supplementing the Utility's pay-as-you-go capital program which has also been affected by inflation and supply chain issues.

**Water & Sewer Fund** (recommendation 1)

Per Ordinance No. 25073-09 2021 Section 4, the Fiscal Year (FY) 2022 adopted budget for the Water and Sewer Fund was \$491,582,041.00. M&C appropriations throughout the year increased the budget by \$38,385,052.00 to \$529,967,093.00 (M&C 22-0260, M&C 22-0043, M&C 22-0486 and Pending 03FY2022WINDUP). This M&C recommends an additional \$9,000,000.00 in revenue appropriations for FY2022, for an adjusted budget of \$538,967,093.00.

Expenditure appropriations in the General Operating and Maintenance accounts will increase by \$4,000,000.00. Residential meter costs have significantly increased and supply chain issues have caused delays in receiving needed parts and supplies. These issues are causing large projected overruns. Expenditure appropriations in the Transfers and Other accounts will increase by \$5,000,000.00. Emergency equipment repairs and equipment improvements are required to maintain operations; additionally, the Utility's repair and rehabilitation projects have been affected by inflation and supply chain issues. To balance these increases in expenditures, revenue appropriations will also increase by \$9,000,000.00. This fiscal year has been significantly warmer and drier than normal, and retail service revenue is expected to exceed projections, helping to offset the aforementioned rising costs.

The action in this M&C will amend the Fiscal Year 2022 Adopted Budget as approved in connection with Ordinance 25073-09-2021, Section 4. Enterprise Funds, as listed on page 18.

Fund / Department Budget Category	FY2022 Adopted Budget	Authority	Budget Adjustment	Revised FY2022 Budget
Water and Sewer Fund				
Revenues				
License and Permits	\$ 1,345,700.00			\$ 1,345,700.00
Charges for Services	\$ 459,626,060.00	M&C 22-0486	\$ 22,100,000.00	\$ 481,726,060.00
		03FY22WINDUP	\$ 13,500,000.00	\$ 13,500,000.00
		Rec 8		
		This M&C Rec 1	\$ 9,000,000.00	\$ 9,000,000.00
Use of Money and Property	\$ 1,166,503.00			\$ 1,166,503.00
Other Revenue	\$ 9,885,000.00			\$ 9,885,000.00
Sale of Capital Asset	\$ 80,000.00	M&C 22-0043	\$ 493,028.00	\$ 573,028.00
Salvage Sales	\$ 25,000.00	M&C 22-0482	\$ 1,200,000.00	\$ 1,225,000.00

Transfer from Water Impact	\$ 11,500,000.00		\$ 11,500,000.00
Transfer from Sewer Impact	\$ 5,000,000.00		\$ 5,000,000.00
Transfer from Environ Protection Fund	\$ 452,726.00		\$ 452,726.00
Transfer from Stormwater Utility Fund	\$ 1,182,816.00		\$ 1,182,816.00
Transfer from Solid Waste Fund	\$ 1,318,236.00		\$ 1,318,236.00
COI Proceeds - Refunding Portion		M&C 22-0260	\$ 950,000.00 \$ 950,000.00
		03FY22WINDUP	
Transfer from 2018 Bond Program		Rec 8	\$ 142,024.00 \$ 142,024.00
<b>Total Revenues</b>	<b>\$ 491,582,041.00</b>		<b>\$ 47,385,052.00 \$ 538,967,093.00</b>
<b>Expenditures</b>			
Water	\$ 181,248,103.00	M&C 22-0486	\$ 5,800,000.00 \$ 187,048,103.00
		03FY22WINDUP	
		Rec 8	\$ 6,500,000.00 \$ 6,500,000.00
		This M&C Rec 1	\$ 3,000,000.00 \$ 3,000,000.00
Reclaimed Water Department	\$ 108,421.00	M&C 22-0486	\$ 100,000.00 \$ 208,421.00
Wastewater Department	\$ 100,646,434.00	M&C 22-0486	\$ 6,150,000.00 \$ 106,796,434.00
		03FY22WINDUP	
		Rec 8	\$ 5,500,000.00 \$ 5,500,000.00
		This M&C Rec 1	\$ 1,000,000.00 \$ 1,000,000.00
Transfer to Water Capital Fund	\$ 5,121,000.00	M&C 22-0043	\$ 493,028.00 \$ 5,614,028.00
		M&C 22-0486	\$ 10,050,000.00 \$ 10,050,000.00
		This M&C Rec 2	\$ 2,500,000.00 \$ 2,500,000.00
Transfer to General Fund for Public Art	\$ 480,712.00		\$ 480,712.00
Transfer to General Fund for Position Expenses	\$ 78,953.00		\$ 78,953.00
Transfer to General Fund for Energy Savings Program	\$ 27,116.00		\$ 27,116.00
Transfer to Capital Fund	\$ 120,000.00		\$ 120,000.00
Transfer to Water/Sewer Capital Fund	\$ 77,625,532.00	M&C 22-0482	\$ 1,200,000.00 \$ 78,825,532.00
		03FY22WINDUP	
		Rec 8	\$ 1,642,024.00 \$ 1,642,024.00
		This M&C Rec 2	\$ 2,500,000.00 \$ 2,500,000.00
Payment in Lieu of Taxes	\$ 5,355,686.00		\$ 5,355,686.00
Street Rental	\$ 23,549,018.00		\$ 23,549,018.00
Transfer to Water Debt Funds	\$ 97,221,066.00		\$ 97,221,066.00
COI Proceeds		M&C 22-0260	\$ 950,000.00 \$ 950,000.00
<b>Total Expenditures</b>	<b>\$ 491,582,041.00</b>		<b>\$ 47,385,052.00 \$ 538,967,093.00</b>

**Water & Sewer Capital Project Fund** (recommendation 2)

Per Ordinance No. 25073-09 2021 Section 4, the FY2022 adopted budget for the Water and Sewer Capital Project Fund in the programmable Capital Outlay project (P00087) was \$5,121,000.00. M&C appropriations throughout the year increased the budget by \$2,408,000.00 to \$7,529,000.00 (M&C 22-0486). This M&C recommends an additional \$2,500,000.00 in appropriations for FY2022, for an adjusted budget of \$10,029,000.00.

The action in this M&C will amend the Fiscal Year 2022 Adopted Budget as approved in connection with Ordinance 25073-09-2021, Section 6. Capital Improvements, as listed on page 28.

Capital Fund Name	Project Name	FY2022 CIP Appropriations	Authority	Budget Adjustment	Revised FY2022 Budget
Water & Sewer Capital Projects - Fund 56002	P00087 - Water & Sewer Outlay	\$0.00	M&C 22-0002	\$5,121,000.00	\$5,121,000.00
			M&C 22-0486	\$2,408,000.00	\$7,529,000.00
			This M&C Rec 2	\$2,500,000.00	\$10,029,000.00

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon the approval of the above recommendations and adoption of the attached ordinances, funds will be available in the current operating budget, as appropriated, in the Water & Sewer Fund and the capital budget, as appropriated, in the W&S Capital Projects Fund for the Water and Sewer Outlay project. Prior to any expenditure being incurred, the Water department has the responsibility to

validate the availability of funds.

**Submitted for City Manager's Office by:** Dana Burghdoff 8018

**Originating Business Unit Head:** Chris Harder 5020

**Additional Information Contact:** Kristina Ashton 8743

Expedited