

Mayor and Council Communication

DATE: 11/14/23

M&C FILE NUMBER: M&C 23-0971

LOG NAME: 60FY23BUDGETADJUSTMENTII

SUBJECT

(ALL) Adopt Ordinance Enacting Fiscal Year 2023 Budget Adjustments in the Water and Sewer Fund in the Amount of \$41,800,000.00 by Allocating Higher than Anticipated Projected Revenues to Offset Anticipated Operating Shortfalls and Fund Departmental Capital Projects and Amend the Fiscal Year 2023 Adopted Budget

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 \$41,800,000.00, from newly recognized revenues, for the purpose of funding increased operating expenses and transfers to Water & Sewer Capital Projects Fund; and
2. Amend the Fiscal Year 2023 Adopted Budget.

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 higher than usual water usage revenues associated with drier than normal weather conditions during the fiscal year. Receipts and appropriations in the Water & Sewer Fund will be increased to be used for operating costs affected by inflation and supply chain issues and supplementing the Utility’s pay-as-you-go capital program.

Per Ordinance No. 25773-09-2022 Section 4, the FY2023 adopted budget for the Water and Sewer Fund was \$515,451,460.00. M&C appropriations throughout the year increased the budget by \$50,430,000.00 to \$566,187,460.00 (M&C 23-0105, M&C 23-0539, M&C 23-0697 and M&C 23-0706). This M&C recommends an additional \$41,800,000.00 in revenue appropriations for FY2023, from newly recognized revenues, for an adjusted budget of \$607,987,460.00.

Expenditure appropriations in the General Operating and Maintenance accounts will increase by \$1,800,000.00. Inflationary factors have increased the costs of commercial meters, chemicals and fuel; and electricity costs have increased due to increased demand on our system. These issues are causing large projected overruns to the FY2023 budget. These same inflationary costs and supply chain issues, such as the cost of pipe and electrical materials, are impacting the costs of debt-funded capital projects and the pay-as-you-go program as well. Consequently, the Transfer appropriations will increase by \$40,000,000.00 to allow the Utility to address these rising costs. Additional capital appropriations will be brought forward as needed.

To balance these increases in expenditures, revenue appropriations will also increase by \$41,800,000.00. This fiscal year has been significantly warmer and drier than normal, especially during the summer, and retail service revenue is expected to exceed projections, helping to offset the aforementioned rising costs.

The actions in this M&C will amend the FY2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 4. Enterprise Funds, as listed on page 19.

Fund/Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Revenues				
License and Permits	\$1,420,659			\$1,420,659
Charges for Services	\$474,620,055	M&C 23-0105	\$130,000	\$474,750,055
		M&C 23-0539	\$40,000,000	\$40,000,000
		M&C 23-0706	\$10,300,000	\$10,300,000
		This M&C	\$32,900,000	\$32,900,000
Use of Money and Property	\$1,646,386	This M&C	\$6,000,000	\$7,646,386
Other Revenue	\$11,515,000	This M&C	\$2,900,000	\$14,415,000
Sale of Capital Asset	\$80,000	M&C 23-0697	\$306,000	\$386,000
Salvage Sales	\$25,000			\$25,000
Transfer from Water Impact	\$14,669,420			\$14,669,420
Transfer from Sewer Impact	\$8,311,270			\$8,311,270
Transfer from Environ Protection Fund	\$495,475			\$495,475
Transfer from Stormwater Utility Fund	\$1,268,956			\$1,268,956
Transfer from Solid Waste Fund	\$1,399,239			\$1,399,239

Total Revenues	\$515,451,460		\$92,536,000	\$607,987,460
Expenditures				
Water	\$196,654,144	M&C 23-0105	\$65,000	\$196,719,144
		M&C 23-0539	\$7,500,000	\$7,500,000
		M&C 23-0706	\$2,500,000	\$2,500,000
		This M&C	\$700,000	\$700,000
Reclaimed Water	\$119,164	M&C 23-0706	\$100,000	\$219,164
		This M&C	\$500,000	\$500,000
Wastewater	\$109,159,558	M&C 23-0105	\$65,000	\$109,224,558
		M&C 23-0539	\$7,500,000	\$7,500,000
		This M&C	\$600,000	\$600,000
Transfer to Capital Fund	\$120,000			\$120,000
Transfer to Water Capital Fund	\$2,999,000	M&C 23-0539	\$2,500,000	\$5,499,000
		M&C 23-0706	\$1,700,000	\$1,700,000
Transfer to General Fund for Public Art	\$480,712			\$480,712
Transfer to General Fund to Energy Savings Program	\$27,116			\$27,116
Transfer to Dev Services for Positions	\$1,060,221			\$1,060,221
Transfer to Financial Management Services for Purchasing Positions	\$244,394			\$244,394
Transfer to Water and Sewer Capital Fund	\$74,102,103	M&C 23-0539	\$22,500,000	\$96,602,103
		M&C 23-0706	\$6,000,000	\$6,000,000
		This M&C	\$40,000,000	\$40,000,000
Payment in Lieu of Taxes	\$5,791,939	M&C 23-0697	\$306,000	\$6,097,939
Street Rental	\$24,038,181			\$24,038,181
Transfer to Water Debt Funds	\$100,472,611			\$100,472,611
Transfer to IT Refresh Capital	\$182,317			\$182,317
Total Expenditures	\$515,451,460		\$92,536,000	\$607,987,460

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 ordinance, funds will be available in the fiscal year 2023 operating budget, as appropriated, in the Water & Sewer Fund. 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

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