

Mayor and Council Communication

DATE: 06/28/22

M&C FILE NUMBER: M&C 22-0486

LOG NAME: 60FY22BUDGETADJUSTMENT

SUBJECT

(ALL) Enact Budget Adjustments by Allocating Projected Current-Year Revenues to Offset Projected Shortfalls, Fund Departmental Capital Outlays and Future Capital Projects, Adopt Attached Appropriation Ordinances and Amend the Fiscal Year 2022 Adopted Budget

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt attached appropriation ordinance increasing estimated receipts and appropriations in the Water and Sewer Fund in the amount of \$22,100,000.00, 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 \$2,408,000.00, 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.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to fund anticipated shortfalls in operating funds and capital projects by recognizing additional Water & Sewer revenues projected to be received by the Utility due to significantly drier than usual weather conditions during the first half of the fiscal year. Receipts and appropriations in the Water & Sewer Fund will be increased to address current operating costs affected by inflation and supply chain issues, pre-funding capital equipment and vehicle purchases originally slated for the FY2023 budget, 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 FY2022 adopted budget for the Water and Sewer Fund was \$491,582,041.00. M&C appropriations throughout the year increased the budget by \$1,443,028.00 to \$493,025,069.00 (M&C 22-0260 and M&C 22-0043). This M&C recommends an additional \$22,100,000.00 in revenue and expenditure appropriations for FY2022, for an adjusted budget of \$515,125,069.00.

Expenditure appropriations in the General Operating and Maintenance accounts will increase by \$12,050,000.00. Recent chemical bids and residential meter costs have significantly increased, natural gas rates have increased four-fold, and supply chain issues have caused delays in receiving needed parts and supplies. These issues are causing large projected overruns to the current FY2022 budget. These same inflationary costs and supply chain issues, such as the cost of pipe and electrical materials, are impacting the costs of our capital projects and pay-as-you-go program as well. The Utility will also pre-fund capital equipment and some vehicles originally slated for the FY2023 budget in FY2022. Consequently, the Transfer appropriations will also increase by \$10,050,000. These appropriations will allow the Utility to address these rising costs.

To balance these increases in expenditures, revenue appropriations will also increase by \$22,100,000.00. The first half of 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	This M&C	\$ 22,100,000.00	\$ 481,726,060.00
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			\$ 80,000.00
Salvage Sales	\$ 25,000.00			\$ 25,000.00
		M&C 22-0043	\$ 493,028.00	\$ 493,028.00

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
Total Revenues	\$ 491,582,041.00	\$	23,543,028.00 \$ 515,125,069.00
Expenditures			
Water	\$ 181,248,103.00	This M&C \$	5,800,000.00 \$ 187,048,103.00
Reclaimed Water Department	\$ 108,421.00	This M&C \$	100,000.00 \$ 208,421.00
Wastewater Department	\$ 100,646,434.00	This M&C \$	6,150,000.00 \$ 106,796,434.00
Transfer to Water Capital Fund	\$ 5,121,000.00	This M&C \$	2,408,000.00 \$ 7,529,000.00
		M&C 22-0043 \$	493,028.00 \$ 493,028.00
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	This M&C \$	7,642,000.00 \$ 85,267,532.00
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
Total Expenditures	\$ 491,582,041.00	\$	23,543,028.00 \$ 515,125,069.00

Additional Funding in 5900016- pre-funding is needed for FY23 vehicle needs in FY22 due to inflationary pressures in FY23 budget.

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 \$493,028.00 to \$5,614,028.00 (M&C 22-0043). This M&C recommends an additional \$2,408,000.00 in appropriations for FY2022 to pre-fund capital equipment and some vehicle purchases originally slated for the FY2023 budget, for an adjusted FY2022 budget of \$8,022,028.00.

Capital Fund Name	Project Name	FY2022 CIP Appropriations	Authority	Budget Changes (Increase/Decrease)	Revised FY2022 Budget
Water & Sewer Capital Projects - Fund 56002	P00087 - Water & Sewer Outlay	\$5,121,000.00			\$5,121,000.00
			M&C 22-0043	\$493,028.00	\$493,028.00
			This M&C	\$2,408,000.00	\$2,408,000.00
				\$2,901,028.00	\$8,022,028.00

Additional funding in 5956001 is needed due to the increased investment in the capital program due to inflationary pressure and supply chain issues.

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, of the Water & Sewer Fund and the capital budget, as appropriated, of the Water & Sewer Capital Project Fund. Prior to any expenditure being incurred, the Water department has the responsibility to validate the availability of funds.

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Expedited