

Mayor and Council Communication

DATE: 06/27/23

M&C FILE NUMBER: M&C 23-0539

LOG NAME: 60FY23BUDGETADJUSTMENT

SUBJECT

(ALL) Enact Fiscal Year 2023 Budget Adjustments by Allocating Projected Current-Year Revenues to Offset Projected Shortfalls, Fund Departmental Capital Outlays and Capital Projects, Authorize All Associated Transfers and Adopt Appropriation Ordinances and Amend the Fiscal Year 2023 Adopted Budget and the 2023-2027 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 \$40,000,000, from newly recognized revenues, for the purpose of funding increased operating expenses and transfers;
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 2023 Adopted Budget and the 2023-2027 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. 25773-09 2022 Section 4, the Fiscal Year (FY) 2023 adopted budget for the Water and Sewer Fund was \$515,451,460.00. M&C appropriations throughout the year increased the budget by \$130,000.00 to \$515,581,460.00 (M&C 23-0105). This M&C recommends an additional \$40,000,000.00, from newly recognized revenues, in revenue appropriations for FY2023, for an adjusted budget of \$555,581,460.00.

Expenditure appropriations in the General Operating and Maintenance accounts will increase by \$15,000,000.00. Inflationary factors have increased the costs of residential meters, chemicals, fuel and paving materials. These issues are causing large projected overruns to the current FY2023 budget. These same inflationary costs and supply chain issues, such as the cost of pipe and electrical materials, are impacting the costs of capital projects and pay-as-you-go program as well. The Utility will also fund capital equipment purchases such as motors, drives, pumps and compressors in FY2023. Consequently, the Transfer appropriations will increase by \$25,000,000.00. These appropriations will allow the Utility to address these rising costs.

To balance these increases in expenditures, revenue appropriations will also increase by \$40,000,000.00. 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 2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 4. Enterprise Funds, as listed on page 19.

Fund/Department	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Revenues				
License and Permits	\$1,420,659.00			\$1,420,659.00
Charges for Services	\$474,620,055.00	M&C 23-0105 This M&C	\$130,000.00 \$40,000,000.00	\$474,750,055.00 \$40,000,000.00
Use of Money and Property	\$1,646,386.00			\$1,646,386.00
Other Revenue	\$11,515,000.00			\$11,515,000.00
Sale of Capital Asset	\$80,000.00			\$80,000.00
Salvage Sales	\$25,000.00			\$25,000.00
Transfer from Water Impact	\$14,669,420.00			\$14,669,420.00
Transfer from Sewer Impact	\$8,311,270.00			\$8,311,270.00
Transfer from Environ Protection Fund	\$495,475.00			\$495,475.00
Transfer from Stormwater Utility Fund	\$1,268,956.00			\$1,268,956.00

Transfer from Solid Waste Fund	\$1,399,239.00		\$1,399,239.00
Total Revenues	\$515,451,460.00	\$40,130,000.00	\$555,581,460.00
Expenditures			
Water	\$196,654,144.00	M&C 23-0105	\$65,000.00 \$196,719,144.00
		This M&C	\$7,500,000.00 \$7,500,000.00
Reclaimed Water	\$119,164.00		\$119,164.00
Wastewater	\$109,159,558.00	M&C 23-0105	\$65,000.00 \$109,224,558.00
		This M&C	\$7,500,000.00 \$7,500,000.00
Transfer to Capital Fund	\$120,000.00		\$120,000.00
Transfer to Water Capital Fund	\$2,999,000.00	This M&C	\$2,500,000.00 \$5,499,000.00
Transfer to General Fund for Public Art	\$480,712.00		\$480,712.00
Transfer to General Fund to Energy Savings Program	\$27,116.00		\$27,116.00
Transfer to Dev Services for Positions	\$1,060,221.00		\$1,060,221.00
Transfer to Financial Management Services for Purchasing Positions	\$244,394.00		\$244,394.00
Transfer to Water and Sewer Capital Fund	\$74,102,103.00	This M&C	\$22,500,000.00 \$96,602,103.00
Payment in Lieu of Taxes	\$5,791,939.00		\$5,791,939.00
Street Rental	\$24,038,181.00		\$24,038,181.00
Transfer to Water Debt Funds	\$100,472,611.00		\$100,472,611.00
Transfer to IT Refresh Capital	\$182,317.00		\$182,317.00
Total Expenditures	\$515,451,460.00	\$40,130,000.00	\$555,581,460.00

Water & Sewer Capital Project Fund (recommendation 2)

The FY2023 adopted budget for the Water and Sewer Capital Project Fund in the programmable Capital Outlay project (P00087) was \$2,999,000.00. This M&C recommends an additional \$2,500,000.00, from newly recognized revenues, in appropriations for FY2023, for an adjusted budget of \$5,499,000.00.

Capital Fund Name	Project Name	FY2023 CIP Appropriations	Authority	Budget Changes (Increase/Decrease)	Revised FY2023 Budget
Water & Sewer Capital Projects - Fund 56002	P00087 - Water & Sewer Outlay	\$2,999,000.00			\$2,999,000.00
			This M&C	\$2,500,000.00	\$2,500,000.00
		\$2,999,000.00		\$2,500,000.00	\$5,499,000.00

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 appropriation 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 W&S Capital Project 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: Sarath Padar 8743

Expedited