

MEMORANDUM

TO: John Glascock, Deputy City Manager

FROM: Tad Johnsen, Director, Utilities

DATE: Aug 15, 2017

SUBJECT: FY18 Columbia Utilities Budget Reductions If Rate Increases Not Approved

You requested we identify budget reductions to be implemented for the FY18 budget if the operational rate increases were not approved for Columbia Utilities. This memo is intended to provide additional information regarding staff's recommended FY18 budget reduction if utilities rate increases are not approved.

Electric Utility: The FY18 Electric Budget includes a 1% operational rate increase. The 1% operational rate increase is projected to increase electric utility revenue \$1,301,000 of which \$91,000 will be in PILOT revenue in FY18. Included below are proposed FY18 budget reductions that would be recommended should the rate increase not be approved:

- PILOT Expense \$91,000
- CIP E0182 \$100,000 Multi-year project to replace remaining Mercury Vapor streetlights in system.
- CIP E0180 \$100,000 Project to Replace Streetlights Downtown.
- CIP E0184 \$200,000 Future Substation Transformer. Project to install additional transformer as loads dictate.
- O&M 17430908 505005 \$100,000 COMMERCIAL/INDUST REFUNDS. Reduction of proposed additional funding from \$100,000 to \$0 for FY18.
- O&M 17430908 505006 \$70,000 RESIDENTIAL SOLAR REBATES. Reduction of proposed additional funding from \$70,000 to \$0 for FY18.
- O&M 17430908 505007 \$30,000 COMM/INDUST SOLAR REBATES. Reduction of proposed additional funding from \$30,000 to \$0 for FY18.
- Supplemental Personnel requests:
 - \$150,306 Eliminate 1.5 additional FTE
 - \$330,000 17620392-506525 Postpone replacement of #529 2007-C-8500 Digger Derrick
 - \$190,000 17510311-506101 Postpone replacement of south condensate storage tank.

Total \$1,361,306

Sewer Utility: The FY18 Sewer Budget includes a total 6% rate increase. 1% of the increase is

associated with voter approved bonds. The remaining 5% increase is due to operation and maintenance needs. The 5% operational portion of the rate increase would be \$910,833 in FY18. Included below are proposed FY18 budget reductions that would be recommended should the rate increase not be approved:

- Reduce funding for removal of sludge from the WTU for FY18 (deferred maintenance) \$204,020 55506322 504990
- Eliminate bar screen from the supplemental request (safety issue) \$250,000 55506323 506640
- Eliminate Sewer Utility 25% participation in purchase of the sewer jet/vac. This will increase the expense to the Storm Water Utility \$97,500 55506330 506525
- Reduce contracted sludge disposal by 50% \$75,000 55506321 504990
- Eliminate heat loop replacement for FY18 (deferred maintenance) \$75,000 55506321 504990
- Eliminate pavement replacement (deferred maintenance)
 - \$16,500 55506320 506101
 - \$12,300 55506320 506101
 - \$91,400 55506323 506101
- Reduce funding for inflow and infiltration reimbursement and building backup reimbursement by 50%. \$50,000 55506330 504030
- Reduce funding for Wetland Treatment Unit berm repairs for FY18 (deferred maintenance) \$39,113 55506321 504990

Total: \$910,833

Solid Waste Utility: The FY18 Solid Waste Budget includes a 4% increase to residential rates, a 13.63% increase to landfill rates and a rebalancing of commercial rates to reflect the actual cost of providing the service. The residential increase is anticipated to generate \$353,904 and the landfill increase is anticipated to generate \$455,924. Included below are proposed FY18 budget reductions that would be recommended should the rate increase not be approved:

- Reduce funding for residential black bags by 50% \$250,000 55706530 501610
- Reduce funding for residential recycling bags by 33% \$125,000 55706570 501610

Total: \$375,000

Water Utility: The FY18 Water Budget includes a 4% operational rate increase. The 4% operational rate increase is projected to increase water utility revenue \$969,000 of which \$68,000 will be in PILOT revenue in FY18. Included below are proposed FY18 budget reductions that would be recommended should the rate increase not be approved:

- PILOT Expense \$68,000
- CIP W0273 \$560,000 Replace and close loop approx. 3200 ft. along Country Club Drive S southwardly to East Walnut.
- CIP W0267 \$420,000 Crown Point - Replace approx. 2400 ft. of 6" main on Loop to Spring Valley

Total \$1,048,000