
Public Works

Budget Office Report

This report summarizes a due diligence review with departments of line item compliance with budget guidelines. The departments have submitted revised budget amounts based upon negotiations between the department and the Budget Office.

Tonya Wallace, Budget Advisor
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GENERAL FUND – Lighting, Drainage, and Environmental Services

Revenues/Expenses (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Total Revenues	\$515	\$507	\$642	\$652
Total Expenditures	\$2,280	\$2,406	\$2,196	\$2,185
NET TAX SUPPORT	\$1,765	\$1,899	\$1,554	\$1,532

Revenues

The department has projected increased reimbursement revenue from outside agencies and flat development revenues for FY 2004 and 2005 over FY 2002 actuals. Indirect revenues reflect the largest increase.

Revenues (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
License & Permit Revenue	\$51	\$82	\$71	\$71
Internal Fee Revenue	\$380	\$341	\$488	\$501
Development Revenue	\$82	\$83	\$82	\$80
Other Revenue	\$2	\$1	\$1	\$0
TOTAL REVENUE	\$515	\$507	\$642	\$652
% Change	10.3%	-1.5%	26.6%	1.6%

Key Revenue Accounts

- 1) The “License & Permit” revenue category includes reimbursement from outside agencies such as ACHD for the Intergovernmental Agreement.
- 2) Indirect revenue increased 34% in FY 2004 over FY 2003 revised budget. This is because of increased Public Works administrative costs and increased allocated costs from other departments to Public Works. This revenue is reimbursement for administrative and supervisory support to other Public Works divisions.
- 3) The department projects development revenue to remain at the same level as FY 2002.

Personnel Costs

Public Works had 17.9 approved FTE’s in the General Fund.

Key personnel changes in FY 2003 include:

- ✓ The storm water specialist position increased from .5 FTE to .7 FTE funded from the Professional Services budget.
- ✓ The air quality position increased from .75 FTE to 1.0 FTE funded from the Air Quality professional services account.
- ✓ A position was transferred from PDS to Public Works to better serve the addressing and subdivision management of the city.

Personnel (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
All Salary Accounts	\$807	\$842	\$843	\$843
Other Personnel Costs	\$264	\$277	\$276	\$277
TOTAL PERSONNEL	\$1,071	\$1,118	\$1,119	\$1,120
% Change	13.4%	4.4%	0.0%	0.0%
FTE's	16.48	17.93	17.91	17.91

Key Personnel Accounts

Overall, personnel costs are in line. There are cost increases related to changes in benefit rates.

M&O

The M&O budget for FY 2004 and FY 2005 was within the negotiated targets. Certain M&O costs fluctuate from year to year depending permit compliance needs and street light power rates.

Below are key cost accounts for Public Works.

M&O (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Professional Services (all)	\$179	\$258	\$108	\$108
Power	\$573	\$550	\$536	\$536
R/M-Other	\$114	\$85	\$96	\$96
Drainage Maintenance	\$21	\$39	\$39	\$39
Other M&O accounts	\$268	\$291	\$249	\$252
TOTAL M&O	\$1,155	\$1,223	\$1,028	\$1,031
% Change	15.4%	5.9%	-15.9%	0.3%

Key M&O Accounts

- 1) Professional Services – The department uses professional services for such things as the Source Water Assessment, Clean Waterworks Exhibit, and GIS services. The largest one-time costs in this category for FY 2002 and 2003 were Source Water Assessment, Orthophotography, and the NPDES Intergovernmental Agreement. The FY 2004 and 2005 budgets cover the maintenance and operation costs for the NPDES Intergovernmental Agreement (\$67,365, of which \$20,820 is reimbursed), hillside development consulting, mapping services, dig lines, and ground water testing and analysis (\$10,000).
- 2) Power costs have increased for two reasons: 1) additional lights from development and 2) electric rate increases. There are approximately 400 to 500 new lights added to the city system per year from development. Once added, they become the responsibility of the City to power and maintain.

The impact of increased rates from FY 2001 to FY 2002 was about \$160,000. Idaho Power assesses a different rate depending on whether the lights are City-owned, owned by Idaho Power (“Company”), or metered. The power rate for company-owned lights is between 31% to over 70% higher (depending on wattage) than City-owned lights, plus a charge based on pole type – wood or steel. The Company provides maintenance in exchange for this higher rate. City-owned fixtures require the City to pay for the labor and cost of replacing cables, broken glass, and/or painting or refinishing metal poles.

The impact of the recent rate reduction by Idaho Power (approved May 16, 2003, by the PUC) is a \$54,000 cost decrease (based on FY 2002 actuals and no growth). Because of the timing of the rate reduction, this has not been reflected in the FY 2004 or 2005 budgets.

- 3) Drainage Maintenance – The amount of maintenance required depends on the amount of snow and rain received – more moisture means more maintenance. In FY 2002, the City benefited from a light rainy season and costs were down. The projected cost in FY 2003, assuming more rain and maintenance, is \$39,420. The department projected \$38,567 for FY 2004 and FY 2005.
- 4) The department accounts for repair and maintenance of City-owned lights in the “R/M-Other” account. This cost increased 30% from \$87,783 in FY 2001 to \$114,453 in FY 2002, because of developer additions, 400 to 500 lights per year, and the increased average maintenance cost per light, mainly for bulbs. The department projected \$95,680 for the FY 2004 and FY 2005 budgets - 12.1% higher than FY 2003 budget, but nearly 20% less than the actual cost in FY 2002.

Recommendation

- Review funding options for public street lighting systems that will enhance and maintain the system.

Equipment

Public Works was within their equipment target. The FY 2004 and 2005 amounts will primarily replaces staff PC's.

Equipment (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Computers	\$16	\$38	\$18	\$12
Auto Equipment	\$13	\$0	\$0	\$0
Other Equipment	\$0	\$7	\$2	\$0
TOTAL EQUIPMENT	\$29	\$45	\$20	\$12
% Change	-34.3%	55.2%	-55.6%	-40.0%

The spike in FY 2003 is for air quality technology.

CONCLUSION – General Fund

Key issues:

- Street light maintenance costs are increasing at a faster rate than revenue growth.

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Sewer Fund

Summary

Revenues/Expenses (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Total Revenues	\$31,591	\$28,838	\$30,630	\$31,470
% Change	16.6%	-8.7%	6.2%	2.7%
Personnel Costs	\$9,096	\$9,976	\$10,071	\$10,045
M&O Costs	\$16,036	\$17,358	\$17,508	\$17,616
Equipment/Capital	\$861	\$37,619	\$1,059	\$718
Total Expenditures	\$25,993	\$64,953	\$28,638	\$28,379
% Change	11.2%	149.9%	-55.9%	-0.9%
NET FUND SUPPORT	-\$5,598	\$36,115	-\$1992	-\$3,091
FTE's	175.43	189.68	189.68	189.68

FY 2002 Equipment and Capital amounts reflect only the expensed portion of the cost. At the end of the fiscal year, the capitalized portion of the cost is reclassified.

FY 2004 and FY 2005 amounts do not include any CIP's. CIP's will be added upon approval by City Council.

FY 2003 FTE history includes:

- 9 positions approved in the FY 2002/2003 budget process
- 1 receptionist position for biosolids (farm)
- 2 maintenance workers for West Boise treatment facility
- 2 non-regular positions for the Utility Billing system, 1 IT manager & 1 position transferred from the IT Division
- Eliminated 1.0 non-regular position and .75 pilot position

Key Issues

▪ Development

Developers, in accordance with the City's master plan, have completed nearly all sewer line installation in the southwest service area. However, new development is continuing in the southwest, resulting in increasing numbers of developer agreements to oversize on-site sewer pipes or install off-site sewer lines. The FY 2004 and FY 2005 budgets reflect this activity with estimates of developer revenue from specific subdivisions and city reimbursement. The dollar amounts of the agreements are known, but the timing of the payout is a "best guess" and can vary based on a number of factors including: acceptance date by the city, receipt of lien releases and the timing of the receipt of trunk connection fees within the reimbursement area. The budget amounts are the department's estimate of the timing of the reimbursements for which amounts have been determined.

▪ Biosolid Farm Operation Expansion

In December 2000, the City acquired the Watkins property adjacent to the Twenty Mile South Farm to expand the biosolid disposal program. The City leased the land to local farmers and planned to begin internal farming in FY 2004, when all leases have expired. The FY 2004 and 2005 budget amounts reflect the change in operations.

▪ 5% Customer Rate Increase

The Department requests a 5% rate increase in both FY 2004 and FY 2005. The budget amounts do not reflect the proposed rate increase. This proposed increase exceeds inflation. As of May 2003, the Municipal Cost Index was 4.0% and the Consumer Price Index was 3.0%.

Solid Waste Fund

Summary

Revenues/Expenses (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Total Revenues	\$13,022	\$14,064	\$13,734	\$13,780
% Change	-4.6%	8.0%	-2.3%	0.3%
Personnel Costs	\$270	\$283	\$294	\$271
M&O Costs	\$14,105	\$14,788	\$14,561	\$14,631
Equipment/Capital	\$2	\$105	\$2	\$3
Total Expenditures	\$14,377	\$15,177	\$14,857	\$14,905
% Change	5.5%	5.6%	-2.1%	0.3%
NET FUND SUPPORT	\$1,355	\$1,113	\$1,123	\$1,125
FTE's	5.15	5.00	5.00	5.00

The City contracts for the collection and disposal of solid waste.

FY 2003 FTE history includes:

- .5 pilot position from FY 2002 converted to .35 FTE permanent for glass recycling program and budget from remaining .15 to temp wages.

Key Issues

- **5% Customer Rate Increase**

In December 2002, City Council approved a series of customer rate increases to assure that the Solid Waste Fund maintains targeted cash reserves. The first recommended increase was 5% effective March 1, 2003, followed by 5% effective September 1, 2003, 5% effective September 1, 2004, and 3.75% effective September 1, 2005.

The 5% increase effective September 1, 2003 is before City Council. The proposed customer rate increase is not included in the FY 2004 budget.

- **Reimbursement Rate Increase**

In FY 2003, City Council approved a 3.1% reimbursement rate increase after completion of contract negotiations with BFI. The FY 2004 and 2005 budget does not include a reimbursement rate increase. The department will present a financial impact report to City Council if BFI requests a rate increase.

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Geothermal Fund

Summary

Revenues/Expenses (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Total Revenues	\$485	\$405	\$381	\$413
% Change	9.6%	-16.5%	-5.9%	8.4%
Total Expenditures	\$370	\$575	\$280	\$283
% Change	22.5%	55.4%	-51.3%	1.1%
NET FUND SUPPORT	-\$115	\$170	\$101	\$130
FTE's	0.6	0.6	0.6	0.6

Key Issues

- **Increased Capacity**

The aquifer study will be completed by July 2003. The study will provide a better understanding of the aquifer and its capacity.

- **Reimbursement of Indirect Costs**

The FY 2004 and 2005 budgets include reimbursement from the General Fund for indirect costs. City Council agreed to reimburse the fund for indirect charges until the advance from the Sewer Fund had been paid. The outstanding balance due the Sewer Fund was \$450,000, as of March 2003. The targeted payoff date is 2013; however, the department states there is a high probability the advance could be paid between 2007 and 2009.

- **Customer Rates**

Intermountain Gas has proposed a rate increase averaging 37.7%. If approved, the department will propose a rate increase for geothermal service. The FY 2004 and 2005 budget amounts do not include any proposed rate increases.

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Municipal Irrigation Fund

Summary

Revenues/Expenses (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Total Revenues	\$34	\$137	\$32	\$32
% Change	-52.3%	8.0%	-2.3%	0.3%
Total Expenditures	\$39	\$117	\$49	\$58
% Change	20.0%	200.0%	-58.1%	18.4%
NET FUND SUPPORT	\$5	\$19	\$17	\$26

In FY 2001, over \$62,000 in revenue was booked as “contributing assets”. There was nothing booked in FY 2002.

Key Issues

▪ Fund Solvency

The Municipal Irrigation Fund will have a \$20,000 projected fund balance (retained earnings) deficit by the end of FY 2003. The department has budgeted an operating deficit of \$17,000 and \$26,000 for FY 2004 and 2005, respectively. The cumulative impact by the end of the TYB is a \$68,000 fund balance deficit (includes the FY 2002 deficit of \$5,000). From an accounting standpoint, fund deficits without a plan for recovery is questionable.

Assessment revenue covers only the direct operation of the irrigation systems, and does not cover the full cost of doing business.

Public Works proposed that the water franchise fee be increased and that a portion of the proceeds be used to subsidize costs and enhance marketing. If City Council approves a water franchise increase and allocates to the Municipal Irrigation Fund, the deficit can be covered. If either the water franchise increase isn't approved or if it is approved and City Council doesn't allocate to the Municipal Irrigation Fund, then structural changes would be required.

Alternatives include:

1. Assess users the full cost of operations. This option could result in assessments as high as \$1,600 per acre compared to the approved FY 2003 assessment of \$503 per acre.
2. Transfer operations to other entities and maintain surface water rights through the ordinance process. A one-time amount of about \$50,000 may be required to cover legal costs associated with agreement transfers.
3. Monopolize the system to achieve economies of scale.

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