



City of Lawrence

UTILITIES

MEMORANDUM

TO: Dave Corliss, City Manager
Cynthia Boecker, Assistant City Manager
Diane Stoddard, Assistant City Manager
Casey Toomay, Budget Manager

FROM: Dave Wagner, Utilities Director

RE: Department of Utilities 2010 Budget Request

DATE: April 17, 2009

The Utilities Department's 2010 Budget Request and Capital Request Package supports our commitment to provide the Lawrence community with safe, clean drinking water and to return wastewater safely to the environment through cost-effective, efficient, reliable and continuously improving operations.

All Utilities Department Divisions and the Finance Department/Utility Billing Division are funded by the 501 Water/Wastewater Enterprise Fund. The Utilities Department's combined 2010 Operating and Maintenance Budget Request is \$22,350,738.¹ This requested amount is 3.3% greater than the 2009 Adopted Budget due in large part to increasing fixed commodities costs of chemicals, energy and equipment.

The Request Package only addresses budgetary funding for the operation of existing Utilities infrastructure. It does not address the funding of future capital needs needed to support community development and growth. Staff believes these future capital needs are significant and pressing. Funding sources for these capital needs are the water and wastewater rates and debt financing. Staff awaits direction from the City Commission regarding presentation of information about these capital needs and funding recommendations.

With respect to Utilities operations and maintenance, this Request supports an ever expanding system currently comprised of two water and one wastewater treatment plants, more than 860 miles of water distribution and wastewater collection lines, 31 lift stations, 9 water towers and related infrastructure needed to deliver 24/7 services. Some highlights of the 2010 Budget Request are outlined below.

1. Chemical and energy increases represent \$354,850. This is a 10% increase from 2009 Budget plus an additional \$40,000 for operating the new treatment train at Clinton.
2. Capital Outlay requests total \$687,000. Of this amount:
 - a. \$438,000 is to replace old and worn out equipment.
 - b. \$124,000 is to purchase new equipment for laboratory services. This will allow Utilities to begin performing some of the testing currently out-sourced to outside

¹ The Enterprise Fund also funds the Finance Department's 2010 Budget Request of \$1,855,105 for its Utility Billing Division.



laboratories. These costs of these capital outlays will be recouped over the estimated life of the equipment through reduced shipping and outside laboratory fees.

- c. \$125,000 is the initial annual set aside in an equipment replacement fund for a Jetter/Vacuum Truck to be replaced in 2013.
3. Transfers to the General Fund have been increased by 5% or \$133,095 for a total of \$2,795,003.
4. Funding was increased for the continuation of water meter replacements, sewer point repairs, in-house watermain construction, valve exercising, pump and motor rehabilitation, and electrical equipment maintenance. Mechanical reliability of the Department's facilities and equipment is a priority goal.
5. Personal Services are reduced by \$478,028 from the elimination or reclassification of 9 positions.

With respect to Utilities personnel, the 2010 Budget Request will support 104 Full Time Equivalent employees and 3 Part Time Temporary employees across 8 divisions (Administration, Engineering, Clinton Water Treatment Plant, Kaw Water Treatment Plant, Wastewater Treatment Plant, Collections, Water Quality and Distribution). This represents a reduction of 4 Full Time Equivalent positions due to restructuring. Six City employees based in other departments are also supported by this Budget Request in whole or in part by 4 additional Full Time Equivalent positions. This represents a reduction of 1 Full Time Equivalent position. The Budget Request also funds \$35,000 in costs for City Hall operations and certain other expenses.

Significant accomplishments for the Utilities Department in 2009 include:

1. Substantial reductions in customer service calls and sanitary sewer overflows due to Collections Division's cleaning and scheduled preventive maintenance programs. Comparative data for the first 3 months of 2008 and 2009 document:
 - a. 45% reduction in customer service calls related to City blockages, which builds on a 50% reduction from 2007 to 2008.
 - b. 20% reduction in sanitary sewer overflows, which builds on a 55% reduction from 2007 to 2008.
2. Targeted replacement of 50 meters equal to or larger than 1.5-inches pursuant to the Distribution Division's Water Meter Replacement Program for improved accuracy in tracking water usage.
3. Expanding use of automation and other technological tools to enable same-level or reduced staffing levels to manage a large and expanding infrastructure.
4. Identification of several "green initiative" possibilities within the Department for energy savings, such as energy efficient HVAC equipment for the Wastewater Plant, alternative energy generation through the new anaerobic digester, and load control monitoring for electrical usage and system control integration.
5. Numerous awards and other recognitions of Utilities' commitment to excellence:
 - a. ISO 9001 Quality Management System Certification.
 - b. Recertification of the Department's Management System for ISO 14001 Environmental Management, OHSAS 18001 Occupational Health & Safety Management and NPB EMS for Biosolids Management.

- c. 2008 USEPA Clean Water Act Recognition Award for Exemplary Biosolids Management. This is the first year the Department was eligible to apply for the award after first receiving it in 2005.
 - d. Upcoming submission to the Partnership for Safe Water – Level III, Director’s Award on behalf of the Clinton and Kaw Water Treatment Plants. Out of the five Kansas Water Suppliers (including Lawrence) awarded the Partnership’s Level II designation, we would be the first Water Supplier to receive the Level III designation in Kansas.
6. Continued participation in Kansas One-Call, with Utilities responsible for incoming locates requests for all City departments.
 7. Installation of sodium hypochlorite for water purification purposes at the Kaw Water Treatment Plant, which means the elimination of chlorine gas at all Utilities facilities. This represents the removal of one of the highest rated risks in Utilities.
 8. Implementation of GBA Master Series for all work orders across the Department. Combined with last year’s establishment of after-hours call notification through a local answering service, this has expanded Utilities’ responsiveness to customer service questions, action and follow-up.
 9. Comprehensive review of field water map books and as-built drawings and updated GIS Water Layers via Utilities’ Enterprise GIS initiative.

Significant issues for the Utilities Department in 2010 include:

1. Ensuring sufficient funds are available to maintain an aging infrastructure.
2. Planning future CIP projects and water and sewer rates based on new master plans.
3. Justifying infrastructure expansion, particularly when the growth intended to fund new infrastructure has slowed or is inadequate for recouping costs incurred and/or leveraged.
4. Funding substantial increases in General Fund transfers over the past few years, which both impact user rates and reduce available revenues for water and wastewater costs of service.
5. Forecasted annual debt principal payments as high as \$16 Million if all growth-related projects identified thus far were to be funded.
6. Increasing regulatory requirements for water and wastewater operations.

Thank you for your consideration of the Utilities Department’s 2010 Recommended Budget Request and Capital Request Package. Staff is ready to answer any questions or provide any additional information you may need.

Sincerely,

Dave Wagner
Director of Utilities