

Response to Questions on the FY 2012 Budget

Request By: Supervisor Foust

Question: Sewer Operation and Maintenance costs (Fund 401) in FY 2011 were \$4.4 million (excluding encumbered carryover) less than the FY2011 Revised Budget Plan. When was staff aware of this decrease? Why was the Board was not informed of these expenditure decreases before setting sewer rates for FY 2012? Are these lower expenses projected going forward to determine future sewer rates? What is the impact on the projected future sewer rate increases as a result of the current and projected expenditure decreases?

Response: FY 2011 actual expenditures in Fund 401, Sewer Operation and Maintenance were \$84,646,658, a decrease of \$5,181,914 or 5.8 percent from the *FY 2011 Revised Budget Plan* amount of \$89,828,572. Of this amount, \$760,701 was due to encumbered carryover, leaving \$4,421,213 or 4.9 percent from the FY 2011 estimate. These reduced operating costs were based on actual usage and invoices, primarily associated with a reduction in the unit price for chemicals used in the treatment of wastewater which include sodium hydroxide, sodium bisulfate and lime, utility savings and other operational savings such as fuel, vehicle maintenance costs and other repair and maintenance requirements. Projecting plant operational requirements is dependent on many outside influences; therefore, balances can fluctuate.

Wastewater Management staff reviews expenditure estimates for this fund on a regular basis and in fact reduced FY 2011 estimates by \$10,552,430 as part of the *FY 2011 Third Quarter Review*. Of this amount, \$4,218,039 in Personnel Services was associated with savings based on managed position vacancies and fringe benefits. In addition, a decrease of \$6,334,391 in Operating Expenses was based on overall operating efficiencies. This included the unit price for petroleum based chemicals and a switch to less expensive chemicals in the treatment of wastewater. Electricity requirements were also lower than anticipated based on actual fuel factor rates and a reduction in kilowatt usage. Reduced operational costs at the County plant are reflective of operational costs at other plants, therefore reducing interjurisdictional payments as well. These savings were anticipated during FY 2011 and were considered in the FY 2012 rate analysis and the recommendations associated with the sewer rates for the next five years. The favorable conditions in all of the sewer system funds will be factored into the FY 2013 budget development and rate proposals.