



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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### **REPORT TO COUNCIL**

#### **SUBJECT**

Approve Budget Modification No. 35 to Appropriate Funds for a Water and Wastewater Engineering Fee Study and Re-prioritize Funding for Water Pollution Control Plant Capital Projects

#### **BACKGROUND**

##### **Engineering Fee Study**

Approximately once every five years, the City budgets for a review of its utility fees for both consumption of utility services (water, sewer, garbage and recycling) and utility engineering fees related to new development. The review includes a look at each of the fees and analyzes them for cost recovery. The City reviewed water use fees in FY 2011/12 and sewer use fees in FY 2012/13. The water study was complex in that it made significant adjustments to the user fees, adjusting billing tiers for both consumption and price. The recent sewer fee study was also complex, looking at a variety of use fees and ways to address the changing characteristics of the City's sewer customers as more mixed use development has arisen. Given these complexities, staff elected to temporarily defer the work on engineering fees. The City still has an open contract with a consultant who specializes in this area and is available to conduct the engineering fee review. Given the high level of development activity currently occurring, it would be beneficial to review and update the engineering fees at this time.

##### **Reprioritization of Water Pollution Control Plant (WPCP) Capital Projects**

As part of the Adopted FY 2012/13 Projects Budget, four projects were included which provided funds for the repair of each of the treatment processes (primary, secondary, and tertiary) as well as the power generation facility at the WPCP.

Funding was allocated for these projects over the next three to four years to address the immediate needs to refurbish each process area, and address long standing process control and compliance challenges. Originally, staff anticipated that significant work on the tertiary process would not be required to start until FY 2014/15. However, over the last several months the tertiary process has had several failures related to process control and performance that necessitated several immediate repair projects, including replacement of the filter media, upgrading of the control panel and re-cabling of the electrical and instrumentation wiring.

#### **EXISTING POLICY**

Council Policy 7.1.B.5.4 - User fees should be established at a level which reflects the full cost of providing services.

#### **ENVIRONMENTAL REVIEW**

N/A

## **DISCUSSION**

### **Engineering Fee Study**

The consultant who completed the sewer user fee study last year (Bartle Wells Associates) will conduct a detailed review of both water and wastewater development related engineering fees. The primary fee to be reviewed is the City's connection fees, which represent a development's buy in to the existing system (water or sewer). The review will also include smaller fees like tapping fees, frontage fees, meter purchase fees, and more. Results will be presented to Council for consideration with the City's annual adoption of its utility rates.

### **Reprioritization of WPCP Capital Projects**

Funding for Project 830220 - Tertiary Treatment Process was not allocated until FY 2014/15. Due to the urgent need to repair the failing tertiary processes, funds from the Wastewater Equipment Replacement account were used to pay for the repairs. Using equipment replacement funding has forced the temporary deferral of several other purchases of equipment that, while less urgent, are still needed in the near term.

## **FISCAL IMPACT**

### **Engineering Fee Study**

The total cost to conduct the study will not exceed \$25,000. Funding will come half from each utility enterprise fund. The City has an active Special Project appropriation of approximately \$25,000 left over from the sewer use fee cost of service study and half will be needed to conduct the sewer portion of the engineering fee study. The remaining balance is being returned to the Wastewater Management Fund Rate Stabilization Reserve for future needs. Budget modification No. 35 has been prepared to appropriate the remaining \$12,500 from the Water Supply and Distribution Fund Rate Stabilization Reserve to the Wastewater Cost of Service Study project to fund the work related to water engineering fees. The Rate Stabilization Reserves in each utility are maintained to stabilize annual rate increases even in the event of fluctuations in financial requirements year to year. Therefore this is an appropriate source of funding for this project, and is not significant enough as to impact water rates going forward.

### **Reprioritization of WPCP Capital Projects**

The current budget contains four projects totaling \$4.4 million over four years. Staff is recommending that current funding be re-appropriated from the primary, secondary, and power generation facility projects to the tertiary project. The recommendation also includes bringing \$50,000 forward from the tertiary project budget for FY 2014/15. Staff has accounted for expenditures in these other projects that funds are being moved away from, and concluded that adequate funding exists to meet current needs in those projects and the additional funding can be re-allocated to fund the tertiary process needs.

Budget Modification No. 35 has been prepared to implement changes to appropriations for both the engineering fee study and the reprioritization of WPCP Capital Projects.

**Budget Modification No. 35  
FY 2013/14**

	<b>Current</b>	<b>Increase/ (Decrease)</b>	<b>Revised</b>
<b>Engineering Fee Study Appropriations</b>			
<b>Water Supply and Distribution Fund</b>			
<u>Reserves</u>			
Rate Stabilization Reserve	\$4,205,087	(\$12,500)	\$4,192,587
<b>Wastewater Management Fund</b>			
<u>Expenditures</u>			
824341 - Wastewater Cost of Service Study	\$25,238	\$12,500	\$37,738
824341 - Wastewater Cost of Service Study	\$37,738	(\$12,738)	\$25,000
<u>Reserves</u>			
Rate Stabilization Reserve	\$6,981,362	\$12,738	\$6,994,100
<b>Reprioritization of WPCP Capital Projects Appropriations</b>			
<b>Wastewater Management Fund</b>			
<u>Expenditures</u>			
830190 - Repairs to the Primary Process	\$350,000	(\$100,000)	\$250,000
830200 - Repairs to the Secondary Process	\$200,000	(\$150,000)	\$50,000
830210 - Repairs to the Power Generation Facility	\$350,000	(\$50,000)	\$300,000
FY 2014/15 Budget for 830220 - Repairs to the Tertiary Process	\$200,000	(\$50,000)	\$150,000
FY 2013/14 Budget for 830220 - Repairs to the Tertiary Process	\$0	\$350,000	\$350,000

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board

outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

**RECOMMENDATION**

Approve Budget Modification No. 35 to appropriate funds for a water and wastewater engineering fee study and re-prioritize Water Pollution Control Plant capital projects.

Prepared by: Timothy J. Kirby, Assistant Director of Finance

Reviewed by: Grace Leung, Director, Department of Finance

Approved by: Robert A. Walker, Interim City Manager