

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – CALENDAR YEAR 2008

DATE: November 20, 2007

BUDGET FOR: Salt Lake Valley Solid Waste Management Facility - Proposed 2008 Calendar Year Budget

STAFF REPORT BY: Lehua Weaver

cc: Cindy Gust-Jenson, Rick Graham, Steve Fawcett, Kevin Bergstrom, Greg Davis, Nancy Sanders, Linda Hamilton and Stuart Palmer

The Solid Waste Management Council has forwarded the proposed 2008 calendar year Solid Waste Management Facility budget for the City Council's review. A representative of the Solid Waste Management Facility will be present at the November 20th briefing to respond to inquiries from the City Council.

SALT LAKE VALLEY SOLID WASTE MANAGEMENT FACILITY				
PROPOSED BUDGET				
	Amended 2007	Proposed 2008	Difference	Percent Change
Revenue & other sources				
Landfill Fees	\$10,884,000	\$10,450,000	-434,000	-3.99%
Compost Sales	350,000	395,000	45,000	12.86%
Salvage Sales	350,000	385,000	35,000	10.00%
Interfund Charges	95,000	95,000	0	0.00%
Interest	2,950,000	2,500,000	-450,000	-15.25%
Other Sources	257,400	251,500	-5,900	-2.29%
Total revenue & other sources	\$14,886,400	\$14,076,500	-809,900	-5.44%
Expenditures and uses				
Salaries, Wages and Benefits	\$3,620,387	\$3,530,677	-89,710	-2.48%
Materials and Supplies	226,500	206,300	-20,200	-8.92%
Charges and Services	5,534,800	5,711,400	176,600	3.19%
Total Operating Expenses	9,381,687	9,448,377	66,690	0.71%
Capital Outlay	3,074,200	5,894,800	2,820,600	91.75%
Fund Balance: To / -From	2,430,513	-1,266,677	-3,697,190	-152.12%
Total Expenses & Uses	\$14,886,400	\$14,076,500	-809,900	-5.44%

The Council may wish to hold a public hearing and consider adopting this budget on December 11, 2007. In order to provide adequate advertising for the public hearing, the set date will be listed under Consent items on the November 20th City Council agenda (same night as the briefing).

The Administration's paperwork outlines the proposed changes to the Solid Waste Management Facility's budget. Calendar year 2008 revenues are estimated at \$15,343,177, which includes an allocation from fund balance of \$1,266,677; expenditures are estimated at \$15,343,177, including \$5,894,800 in capital expenditures.

In 2007 it is expected that revenues will exceed expenditures by \$2,430,513, and this would drop to the Landfill fund balance to be used for future capital costs and for COLA (cost of living) adjustments. For the proposed 2008 calendar year budget, fund balance will be used for the planned capital costs, in the amount of \$1,266,677.

(The landfill uses a calendar year budget, and when the budget is prepared in August, there is no way of knowing what, if any, the county's COLA adjustment will be.)

POTENTIAL MATTERS AT ISSUE:

The most significant changes to the budget as compared to the amended 2007 budget are as follows:

Revenues

Landfill tipping revenues are projected to decrease by \$434,000 or (4.0%) based on a continuing loss of approximately 22,000 tons of waste. Allied Waste opened their transfer station in April of 2006, which is being utilized and results in less tonnage to the City / County Landfill. Other City/County landfill users have also taken their waste to the Ace/Metro transfer station, which opened in 2005. For the CY 2007 budget, the Council adopted a proposal to reduce the per ton charge for commercial loads at the Transfer Station (the fee at the Landfill did not change), to stay competitive. There is no proposed price adjustment for 2008.

Interest income is projected to decrease by \$450,000 or (15%), because the fund balance was incorrectly accounted for, and adjusted in 2007. This results in a smaller balance on which to earn interest.

Compost Sales are projected to increase by \$45,000 or 12.9%, partially due to the likelihood of more yard waste from the City's new green waste program (beginning in March 2008), and because of a change in procedure. A smaller screen will be used on the grinder, which should result in capturing more material for sale.

Salvage Sales are project to increase by \$35,000 or 10% because of higher market prices. These are the sales of recovered materials at the landfill, such as steel, aluminum, carpet pad, and other miscellaneous items.

Fund Balance – "Undesignated Cash"

The Landfill's fund balance has three categories: Undesignated Cash, Designated Cash, and a Post-Closure Fund. The category used for various needs, including capital, is Undesignated Cash. In the current budget, calendar year 2007, the Landfill has budgeted a transfer of \$2,430,513 to the "Undesignated Cash" fund balance. In calendar year 2008, it is proposed that \$1,266,677 will be used from

fund balance toward capital expenses, as planned. If this is approved, at the end of 2008 the remaining amount in the "Undesignated Cash" fund balance would be \$7,509,720.

Expenses

Total operating expenses are proposed to increase by \$66,690 or 0.7%, which is made up of Charges & Services, Personal Services, and Materials & Supplies.

Charges & Services is proposed to increase by \$176,600 or 3.2%, which includes increases in fleet fuel, fleet maintenance, and facility and land maintenance. These increases are offset by decreases in contract services, and a decrease in contract hauling costs by \$0.40 / ton (resulting in an overall \$42,500 decrease). Some funding for environmental monitoring should decrease as well, because the work was completed in 2007 on the methane gas collection line.

Personal Services is proposed to decrease by a net of \$89,710 or (2.5%) due to a reduction of 1.5 FTE in temporary services. There is also a savings as the result of two other changes. The proposal is to transfer the \$83,000 of funding for a fiscal manager to the County Sanitation Division. The cost is reflected as an operating cost rather than a personnel cost. This personnel savings is offset by adding a heavy equipment operator for \$47,412.

Materials & Supplies is proposed to decrease by \$20,200 or (8.9%) primarily due to decreases in small equipment.

Capital expenditures are anticipated to increase by approximately \$2.8 million largely due to schedule replacement purchases, including \$1,523,000 of prior year purchases that were deferred. This equipment includes:

Equipment Purchases			
2 Compactors	\$1,480,000		
3 Loaders	670,000	(2 for the transfer station)	
D9T Dozer	815,000		
Scraper	580,000		
Compost Turner	168,000		
Excavator	230,000		
2 Roll-off Trucks	230,000	Prior Year item	
Water Wagon	286,000	Prior Year item	
Loader	175,000	Prior Year item	
Transport Truck	108,000	Prior Year item	
TOTAL	\$4,742,000		

In addition, \$758,500 will be used in association with the leachate pond construction and replacement pumps, of which \$724,000 was rolled over from 2007. The leachate pond collects and moves water coming off the landfill. As part of the landfill master plan, the leachate pond is being moved to property adjacent to the landfill. These are one-time costs.

A methane gas collection line is included in the capital costs in the amount of \$320,000. As required by the operating permit, more collection lines are installed to accommodate the new waste. The gas collected at the Landfill fuels electrical generators providing electricity to over 2,000 homes in Murray, which results in some revenue for the Landfill.

The Capital costs also include various other purchases in the amount of \$74,300 for a steam cleaner, air compressor and other miscellaneous items.

CURRENT MARKET CONDITIONS AND BACKGROUND:

The Salt Lake City/County Solid Waste Management Facility is jointly owned and operated by Salt Lake City and Salt Lake County. The Solid Waste Management Facility's operation is based on an Interlocal agreement entered into by Salt Lake City and Salt Lake County in 1978 and updated in 2000. The Interlocal agreement establishes a Salt Lake Valley Solid Waste Management Council. The Management Council appoints the Director of the Solid Waste Management Facility, who supervises and manages the day-to-day activities of the Facility. Information on the facility and its programs has been provided by the Administration.

The Salt Lake Valley Solid Waste Management Council worked with the Facility's Director to develop a proposed 2008 calendar year operating and capital improvement budget for the Facility. The Landfill Council reviewed and approved the proposed budget and has forwarded this for review and approval by the City and County councils. According to the agreement both the City Council and the County Council must approve a budget for the landfill.

As mentioned earlier in this report, the changing circumstances in the waste market will dramatically influence the City/County Landfill waste revenue. On August 30, 2006, the Landfill signed a contract with Western Container Company for hauling waste from the Transfer Station to the Landfill. As of 2007, the estimated remaining life of the Landfill is 49 years, which uses the current level of waste with a 2% growth factor.

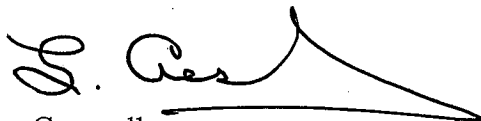
LYN L. CRESWELL
CHIEF ADMINISTRATIVE OFFICER

SALT LAKE CITY CORPORATION

DEPARTMENT OF MANAGEMENT SERVICES
PURCHASING, CONTRACTS AND PROPERTY MANAGEMENT DIVISION

ROSS C. "ROCKY" ANDERSON
MAYOR

COUNCIL TRANSMITTAL



TO: Lyn Creswell
Chief Administrative Officer

DATE: October 24, 2007

FROM: Rick Graham, Director 
Public Services Department

SUBJECT: Salt Lake Valley Landfill Calendar Year 2008 Budget

STAFF CONTACT: Greg Davis 535-6397
Public Services Finance

Stuart Palmer 562-6424
Salt Lake Valley Solid Waste Facility

DOCUMENT TYPE: Budget

RECOMMENDATION: That the City Council adopt the proposed budget.

BUDGET IMPACT: User fees collected and managed by Salt Lake County.

DISCUSSION: The FY 2008 budget reflects changes to the ongoing Landfill operations. The proposed budget was reviewed and approved by the Salt Lake Valley Solid Waste Management Council on September 21, 2007. The Salt Lake County Council has scheduled its public hearing and formal adoption of the proposed budget on December 6, 2007. Schedules are attached.

PUBLIC PROCESS: Conducted by Salt Lake County. See above.

LOCATION: 451 SOUTH STATE STREET, ROOM 238, SALT LAKE CITY, UTAH 84111-3104

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SALT LAKE CITY ORDINANCE

No. _____ of 2007

(Adopting the Solid Waste Management Facility budget,
which has been prepared and submitted by the
Salt Lake Valley Solid Waste Management Council
for calendar year 2008, subject to specific policy directives)

AN ORDINANCE ADOPTING THE SOLID WASTE MANAGEMENT
FACILITY BUDGET, AS PREPARED AND SUBMITTED BY THE SALT LAKE
VALLEY SOLID WASTE MANAGEMENT COUNCIL, FOR CALENDAR YEAR
2008, SUBJECT TO SPECIFIC POLICY DIRECTIVES.

PREAMBLE

On November 14, 2000, Salt Lake City (the "City") and Salt Lake County (the "County") entered into an Interlocal Cooperation Agreement (the "Agreement"), pursuant to Title 11, Chapter 13 of the Utah Code Annotated, regarding the joint management and operation of a Solid Waste Management Facility. The Agreement established the Salt Lake Valley Solid Waste Management Council and provided it with authority and responsibility relating to the operation and management of the Solid Waste Management Facility.

Pursuant to the Agreement, all actions by the Salt Lake Valley Solid Waste Management Council constitute recommendations to the City and the County and the City and the County have the power to review, ratify, modify, or veto any action of the Salt Lake Valley Solid Waste Management Council.

The Salt Lake Valley Solid Waste Management Council has prepared the attached Solid Waste Management Facility budget for calendar year 2008 and has submitted said attached budget to the City Council for its approval. The City Council has authority

relating to budgets and appropriation of funds and, therefore, must approve, on behalf of the City, the Solid Waste Management Facility budget. The attached Solid Waste Management Facility budget has been available for public inspection in the Office of the City Recorder for at least 10 days.

The City Council fixed the time and place for a public hearing to be held on December 11, 2007 to consider the adoption of the attached Solid Waste Management Facility budget and ordered notice thereof be published at least seven days prior to the hearing. Notice of said public hearing was duly published as required herein. A public hearing to consider adoption of said Solid Waste Management Facility budget was held on December 11, 2007, in accordance with said notice, at which hearing all interested persons were heard for and against the estimates of revenue and expenditures in the Solid Waste Management Facility budget.

The City Council wants to adopt the attached Solid Waste Management Facility budget for calendar year 2008, submitted by the Salt Lake Valley Solid Waste Management Council, subject to specific policy directives.

Be it ordained by the City Council of Salt Lake City, Utah:

SECTION 1. PURPOSE. The purpose of this Ordinance is to adopt the attached Solid Waste Management Facility budget, prepared and submitted by the Salt Lake Valley Solid Waste Management Council, for calendar year 2008, subject to the attached policy directives.

SECTION 2. ADOPTION OF BUDGET. The attached Solid Waste Management Facility budget, prepared and submitted by the Salt Lake Valley Solid

Waste Management Council, for calendar year 2008, is hereby adopted subject to the attached policy directives, and subject to similar approval by the County.

SECTION 3. RESERVE THE RIGHT TO AMEND. The City reserves the right to amend the attached Solid Waste Management Facility budget at any time, consistent with the Agreement.

SECTION 4. PUBLIC INSPECTION. Copies of the attached Solid Waste Management Facility budget shall be available for public inspection during regular business hours in the Office of the City Recorder.

SECTION 5. EFFECTIVE DATE. This Ordinance shall take effect on its first publication.

Passed by the City Council of Salt Lake City, Utah, this ____ day of December, 2007.

CHAIRPERSON

ATTEST:

CHIEF DEPUTY CITY RECORDER

APPROVED AS TO FORM
Salt Lake City Attorney's Office
Date 11-8-07
By Boyd Ferguson

Transmitted to the Mayor on _____.

Mayor's Action: ____ Approved. ____ Vetoed.

MAYOR

ATTEST:

CHIEF DEPUTY CITY RECORDER

(SEAL)

Bill No. _____ of 2007.

Published: _____.

HB_ATTYY-#2402-v1-Ordinance_adopting_landfill_budget_for_2008.DOC

Initiative Name:
SLVSWMF - 2008
Initiative Number:
(Blank)
Initiative Type:
(Type of Initiative)
Initiative Discussion: Each year the Salt Lake Valley Solid Waste Management Facility (SLVSWMF), which is jointly owned by Salt Lake County and Salt Lake City, submits its budget to Salt Lake City for its approval. Salt Lake City last provided its approval of the SLVSWMF budget in December 2006 for calendar year 2007. SLVSWMF has submitted its 2008 budget to Salt Lake County for approval. SLVSWMF is also seeking the approval of the 2008 budget from Salt Lake City. Traditional types of midyear adjustments have been combined with the approved 2007 budget to form the 2007 amended SLVSWMF budget. The major changes to revenue and expense will now be reviewed. All comparisons are made to the amended 2007 budget. Year-to-year both revenue and expense will increase by \$2,887,290. Revenue is budgeted to equal expense once a proposed draw of \$1,266,677 from undesignated cash is included as revenue. The projected balance of undesignated cash at 12/31/07 is \$8,776,397. With the proposed draw, undesignated cash is projected to be \$7,509,720 at 12/31/08. Landfill tipping fee revenue is budgeted to decrease by \$434,000, driven by a loss in tonnage. In the 2007 budget it was assumed that Allied Waste would tip 32,000 tons at the landfill. Based on actual results thus far, it is projected that Allied will tip 10,000 tons. The result is an incremental loss of 22,000 tons between the 2007 budget and the 2008 budget. At this point in time given the competitive market and landfill options available to consumers, no change in price on commercial tonnage is proposed. Interest income revenue is projected to decrease by \$450,000. During 2007, it was determined that the County Treasurer had overallocated interest income to the Landfill. The net result was a decrease in the fund balance of the Landfill. Going forward, this smaller fund balance will earn less interest income. Expense at the SLVSWMF is proposed to increase by \$2,887,290. To follow is a discussion, by major category of expense, of the factors driving this increase. Personal services is projected to decrease by \$89,710. The number of FTEs at the Landfill is budgeted to decrease by 1.50 for a total headcount of 57.25. Materials and supplies are projected to decrease by \$20,200. The largest component of this change is a decrease of \$13,200 in small equipment and tools. The other components of this reduction are a \$2,000 decrease in janitorial supplies and a \$5,000 decrease in landfill cover material.

It is proposed that the charges and services budget increase by \$176,600. The changes in this category include a decrease of \$34,000 for fleet fuel, an increase of \$248,000 in fleet maintenance and an additional \$145,000 for the maintenance of facilities, grounds, office equipment and software. Contract labor is projected to decrease by \$90,500 now that staffing issues related to such items as traffic control and water wagon driving have been resolved. Contract hauling costs are projected to decrease by \$.40/ton for a total decrease of \$42,500. Environmental monitoring is budgeted to decrease by \$55,000 based on work completed in 2007 on the methane gas collection line. Other adjustments total \$5,600 in increases.

Capital expense is projected to increase by \$2,820,600 and includes items which are part of scheduled replacement and rollover capital items from the amended 2007 budget.

It is recommended that the Council approve the SLVSWMF budget.

SOLID WASTE MANAGEMENT FACILITY

Funding	Interest	Landfill Fee	Compost Sales	Salvage Sales	Interfund Charges	Other Sources	Use / (Add To) Fund Balance	Total
FY0607 Budget - Adopted	2,950,000	10,884,000	350,000	350,000	100,000	257,400	(2,627,957)	12,263,443
FY0607 Budget - Mid year adjustments					(5,000)		197,444	192,444
FY0607 Budget - Amended	2,950,000	10,884,000	350,000	350,000	95,000	257,400	(2,430,513)	12,455,887

Significant Changes

County Treasurer was overallocating to Landfill, therefore fund balance was adjusted in 07, therefore smaller fund balance to earn interest
 07 budget assumed Allied Waste would tip 32K ton/yr...Allied Waste ended up tipping only 10K ton/yr
 Smaller screens on grinder...therefore able to capture more of the final product...therefore increased tonnage being sold
 Higher Market Prices
 Reduction in soil regeneration revenue + misc
 Fund Balance
 Total Changes
 FY0708 Budget
 per landfill

(450,000)	(434,000)	45,000	35,000	(5,900)	3,697,190	2,887,290	15,343,177
(450,000)	(434,000)	45,000	35,000	(5,900)	3,697,190	2,887,290	15,343,177

Budget History

FTE	Personal Services	Materials/Supplies	Charges/Services	Capital	Fund Balance	Total
58.75	3,425,398	226,500	5,537,345	3,074,200		12,263,443
	194,989		(2,545)			192,444
58.75	3,620,387	226,500	5,534,800	3,074,200		12,455,887

Significant Changes

Adjustment to Base
 Full Time
 Fiscal Manager...now paid out of other funding
 Heavy Equip Operator at Xfer Station
 Temp reduction
 Janitorial Supplies
 Small Equipment...value<\$1,000 + Small Tools
 Landfill Cover Material
 Landfill Closure Costs
 Contract labor...traffic control, water wagon drivers, staffing problems solved
 Contract hauling - cost/ton decreasing by \$.40
 Fleet maintenance
 Fleet fuel
 Regulatory fees
 Health Department fees
 Travel + Mileage Allowance
 Maintenance of facilities 'n grounds + office equip+ s/w
 Intergovernmental Charges
 Consulting:
 SLC City Engineering Support
 Environmental Monitoring
 Other
 Legal, auditing and accounting fees
 Methane Gas Collection Line
 Compactor, qty 2
 Loader
 Loader, Xfer Station, qty 2
 D9T Dozer
 Scraper
 Light Plant
 Steam Cleaner
 Air Compressor
 Rolloff Containers, qty 4
 Pumps, Leachate Pond
 Compost Turner
 Excavator
 Prior Year Items:
 Leachate Pond construction
 Rolloff Truck, qty 2
 Water Wagon
 Loader
 Transport Truck
 Total Changes
 FY0708 Budget

(35,709)	(83,000)	(18,413)	(2,000)	(13,200)	(5,000)	14,600	(90,500)	(42,500)	248,000	(34,000)	30,000	(10,000)	(3,000)	145,000	20,500	(36,300)	(55,000)	(11,500)	1,300	320,000	1,480,000	210,000	460,000	815,000	580,000	17,500	10,000	14,800	32,000	34,500	168,000	230,000	724,000	230,000	286,000	175,000	108,000	2,887,290	15,343,177
(35,709)	(83,000)	(18,413)	(2,000)	(13,200)	(5,000)	14,600	(90,500)	(42,500)	248,000	(34,000)	30,000	(10,000)	(3,000)	145,000	20,500	(36,300)	(55,000)	(11,500)	1,300	320,000	1,480,000	210,000	460,000	815,000	580,000	17,500	10,000	14,800	32,000	34,500	168,000	230,000	724,000	230,000	286,000	175,000	108,000	2,887,290	15,343,177

SOLID WASTE MANAGEMENT FACILITY
Bridge from County to City numbers
FY0708 Budget

Revenue	
Per County	14,076,500
plus: net use of fund balance	1,266,677
plus: gain on sale of vehicles	
Per City	<u>15,343,177</u>

Expenses	
Per County	11,858,473
less: depreciation	(1,820,000)
less: loss on sale of vehicles	(1,000)
less: indirect costs	(589,096)
add: capital	5,894,800
Per City	<u>15,343,177</u>