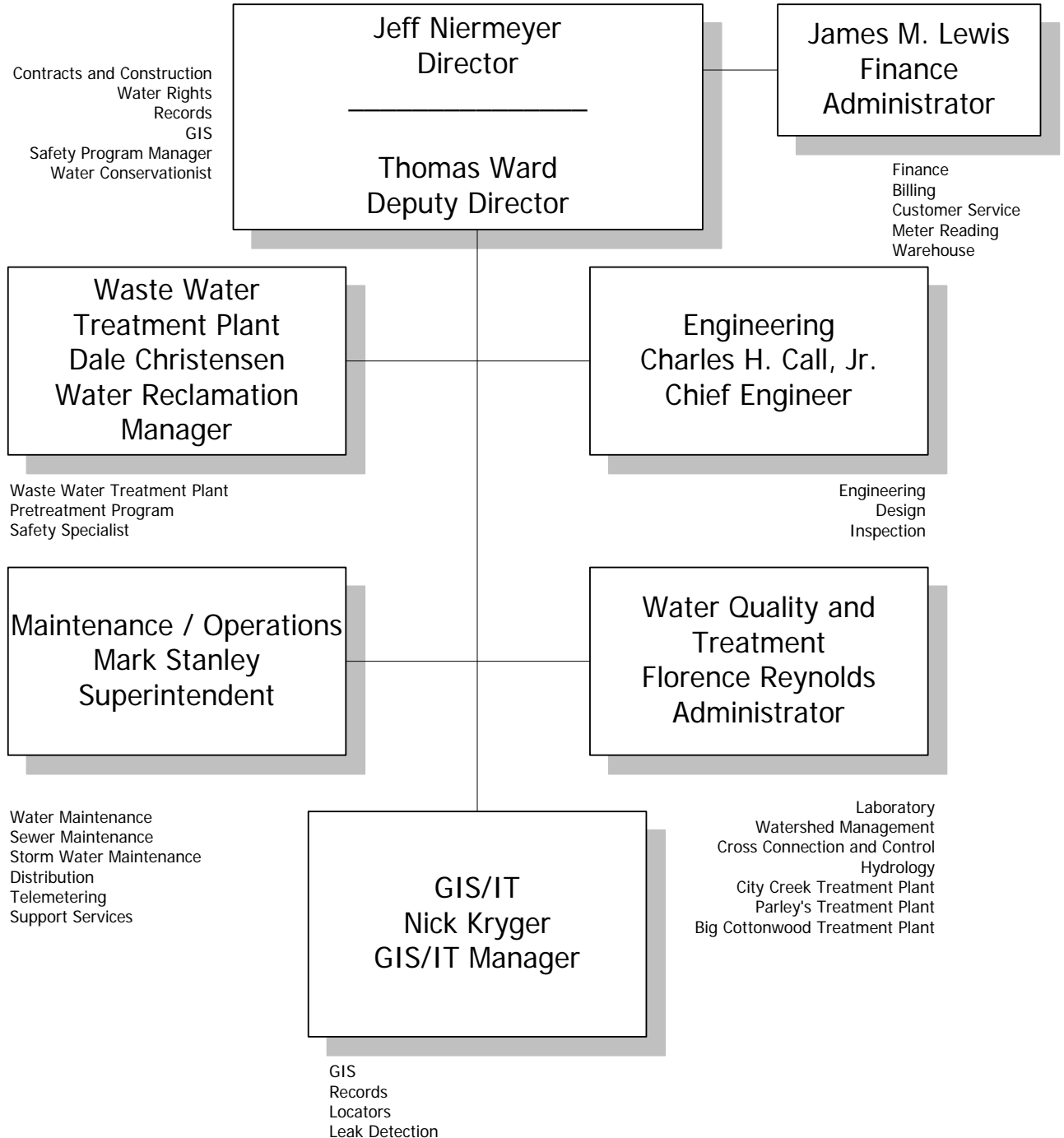


PUBLIC UTILITIES

Organizational
 Structure
 Fiscal Year 2008-09



Public Utilities Department

- ***Administration Division***
- ***Engineering Division***
- ***Water Quality Division***
- ***Water Reclamation Division***
- ***Maintenance and Distribution Division***
- ***Finance Division***
- ***Capital Improvements***

Jeff Niermeyer, Director
Tom Ward , Deputy Director

Mission Statement

The mission of the Salt Lake City Public Utilities Department is to continuously improve water, waste water, and storm water services that meet or exceed public health and environmental standards while ensuring efficiency, public trust and customer satisfaction.

The following pages include the Public Utilities Department's budget, performance measures, and a discussion of the department's organization and the services they provide. The performance measures and the narrative discussion comprise the department's five year business plan.

Salt Lake City leaders developed goals in four business categories: customer service, financial health, efficiency and effectiveness, and workforce quality. Each department identified objectives and measures to achieve those overall goals, as well as other department specific goals. The measurements listed in the table show the progress made in achieving these objectives in the past two years (results) as well as the targets for the next five years. Following the table of the performance measures is a discussion of the department's organization and responsibilities, the actions they will be taking to achieve their goals, and the resources expected to be needed in the future.

Department of Public Utilities

Jeff Niermeyer, Director

	FY 2006-07 Actual	FY 2007-08 Adopted Budget	FY 2008-09 Adopted Budget	Explanation of Changes
Full Time Equivalent Positions	382.80	382.00	382.00	No change
OPERATING BUDGET				
Personal Services	22,029,967	23,596,831	24,896,265	Cola , merit and health insurance increases
Operations and Maintenance Supply	3,240,621	3,740,320	3,741,080	Continuation of current service
Charges for Services	25,122,602	27,551,522	29,077,404	Special studies, chemical increases, postage
Bonding/Debt/Interest Charges	5,283,046	6,132,000	6,132,000	Continuation of current service
Capital Outlay	20,008,917	36,968,966	42,158,300	Planned capital improvement program
Transfers Out	<u>52,595</u>	<u>52,920</u>	<u>229,292</u>	Share of financial system costs
Total Department of Public Utilities	75,737,748	98,042,559	106,234,341	
PROGRAM BUDGET				
Administration				
Safety and Emergency Preparedness	165,041	214,562	208,690	Continuation of current service
Contracts	496,143	484,008	499,587	Continuation of current service
Developmental Services	286,871	283,886	308,644	Continuation of current service
Administration	1,089,736	1,124,374	1,671,381	Special Riparian Corridor Study
GIS	1,204,650	1,216,770	1,313,872	Continuation of current service
Water Conservation	<u>101,374</u>	<u>143,098</u>	<u>146,374</u>	Continuation of current service
Total Administration	3,343,815	3,466,698	4,148,548	
Finance				
Meter Reading	677,424	910,104	907,634	Continuation of current service
Billing	970,642	1,093,576	1,211,800	Transfer employee from customer service
Customer Service	1,181,844	1,216,699	1,216,640	Transferred employees to Billing
Accounting	1,475,742	1,449,416	1,540,352	Higher banking fees
Utility General Administration	3,582,418	4,239,007	3,530,585	Continuation of current service
Storehouse (Inventory)	<u>261,200</u>	<u>275,328</u>	<u>291,730</u>	Continuation of current service
Total Finance	8,149,270	9,184,130	8,698,741	
Engineering				
Water Engineering	402,023	590,406	633,178	Plan to replace 50,000 Linear feet of pipe
Sewer Engineering	259,512	313,936	336,345	Plan to replace 40,000 Linear feet of pipe
Stormwater Engineering	<u>267,479</u>	<u>413,806</u>	<u>438,699</u>	Plan to replace 10,000 Linear feet of pipe
Total Engineering	929,014	1,318,148	1,408,222	
Water Quality and Treatment				
Hydrology	164,134	256,894	265,540	Continuation of current service
Watershed Patrol	793,718	1,000,896	1,012,651	Continuation of current service
Little Dell Recreation	73,060	104,043	93,200	Continuation of current service
Water Treatment	3,151,302	2,948,014	3,147,242	Increased chemical costs
Metropolitan Water Purchases	15,212,398	16,085,893	16,621,893	Increased price of purchase water
Cross Connection Control	216,622	182,905	190,458	Continuation of current service
Laboratory	341,387	428,614	423,645	Continuation of current service
Water Quality and Analysis	<u>497,498</u>	<u>742,150</u>	<u>828,839</u>	Increased water testing
Total Water Quality	20,450,119	21,749,409	22,583,468	
Water Reclamation				
Water Reclamation Plant	4,805,310	6,032,114	5,994,242	Expansion cost increases
Pre-Treatment Program	<u>205,857</u>	<u>230,852</u>	<u>305,672</u>	Expansion cost increases
Total Water Reclamation	5,011,167	6,262,966	6,299,914	

Department of Public Utilities

Jeff Niermeyer, Director

	FY 2006-07 Actual	FY 2007-08 Adopted Budget	FY 2008-09 Adopted Budget	Explanation of Changes
Maintenance and Distribution				
Water Operations and Maintenance	9,730,779	10,410,698	10,841,088	Higher gasoline and utility costs
Wastewater Collections	1,883,528	1,363,675	2,552,483	Expansion of sewer line cleaning
Stormwater Collections	<u>948,093</u>	<u>1,202,872</u>	<u>1,428,577</u>	Higher utility costs
Total Maintenance	12,562,400	12,977,245	14,822,148	
Capital Improvement Program and Debt Service				
Water	15,181,175	23,646,000	30,093,300	Land purchases and line replacements
Sewer	7,076,051	12,433,100	13,044,000	Plant upgrades and line replacements
Stormwater	<u>3,034,737</u>	<u>7,004,866</u>	<u>5,136,000</u>	Lift station upgrades and line replacements
Total CIP	25,291,963	43,083,966	48,273,300	
<i>Total Department of Public Utilities</i>	<i>75,737,748</i>	<i>98,042,562</i>	<i>106,234,341</i>	
FUND SOURCES				
Water Utility Fund	53,685,816	64,410,179	72,611,388	4% rate increase plus \$18 million from reserve
Sewer Utility Fund	16,345,310	23,494,914	24,558,852	No rate increase plus \$7 million from reserves
Stormwater Utility Fund	5,706,622	10,137,466	9,064,101	No rate increase plus \$2.8 million from reserve
<i>Total Department of Public Utilities</i>	<i>75,737,748</i>	<i>98,042,559</i>	<i>106,234,341</i>	

Five Year Business Plan – Public Utilities Department

Measures	Annual Results & Targets						
	2006-07 Results	2007-08 Results	2008-09 Target	2009-10 Target	2010-11 Target	2011-12 Target	2012-13 Target
1. Public Utilities will maintain the number of lost calls to below 10%.	9.89%	9.46%	9%	9%	9%	9%	9%
2. Public Utilities will respond to all water quality inquiries within 24 hours.	100%	100%	100%	100%	100%	100%	100%
3. Public Utilities will continue Customer Satisfaction surveys, maintaining a rating of > 90%.	95%	93%	>90%	>90%	>90%	>90%	>90%

Financial Perspective

Objective

The Department will budget responsibly, maintain financial stability, and protect its bond ratings.

Measures	Annual Results & Targets						
	2006-07 Results	2007-08 Results	2008-09 Target	2009-10 Target	2010-11 Target	2011-12 Target	2012-13 Target
1. Public Utilities will maintain adequate cash reserves of 25% or higher of annual operating costs for each of the Utilities Enterprise Funds.							
Water Utility	201%	173%	25%	25%	25%	25%	25%
Sewer Utility	228%	243%	25%	25%	25%	25%	25%
Storm water Utility	208%	239%	25%	25%	25%	25%	25%
2. Public Utilities will ensure that each Enterprise Fund maintain a return on assets, on an annual basis, higher than the following:							
Water Utility – 2%	3.2%	2.5%	2%	2%	2%	2%	2%
Sewer Utility – 2%	2.5%	2.2%	2%	2%	2%	2%	2%
Stormwater Utility – 1%	1.0	.4%	1%	1%	1%	1%	1%
3. Public Utilities will perform quarterly analysis of actual to budget expenditures and revenues.	100%	100%	100%	100%	100%	100%	100%
4. Public Utilities will maintain a bond coverage requirement - net revenues over aggregate debt service greater than 2.0.	6.09	5.59	>2.0	>2.0	>2.0	>2.0	>2.0
5. Public Utilities will maintain the Utilities stand-alone AA bond rating.	AA	AA	AA	AA	AA	AA	AA

Efficiency / Effectiveness Perspective							
Objective							
The Department will provide best-in-class service to our customers.							
Measures	Annual Results & Targets						
	2006-07 Results	2007-08 Results	2008-09 Target	2009-10 Target	2010-11 Target	2011-12 Target	2012-13 Target
1. Public Utilities will provide quality drinking water meeting and exceeding federal standards and treating water to finished water turbidity at below 0.10 NTU's. (Fed Std is 0.3 NTU)	0.04	0.04	<0.10	<0.10	<0.10	<0.10	<0.10
2. Public Utilities will replace or rehabilitate 1% of water and sewer lines per year, subject to budget approval.	2.1%	1.2%	1%	1%	1%	1%	1%
3. Public Utilities will attend each community council twice per year.	100%	100%	100%	100%	100%	100%	100%
4. The Department will add one new internal business service to the web per year.	1	1	1	1	1	1	1
5. The Sewer Utility will meet and exceed all Fed. Standards under their NPDES permit and all requirements under the Clean Water Act	100%	100%	100%	100%	100%	100%	100%
6. The Water Utility will meet and exceed all Federal Standards under the Safe Drinking Water Act and Clean Water Act (CWA).	100%	100%	100%	100%	100%	100%	100%
7. The Stormwater Utility will meet and exceed all Fed. Standards under their NPDES permit and all requirements under CWA.	100%	100%	100%	100%	100%	100%	100%
8. The Sewer Utility will continue to limit the number of sewer overflows to a calculation far below the current National Average of 4.3 per 100 miles of pipe.	2.66 per 100 miles	1.89 per 100 miles	<4.3 per 100 miles	<4.3 per 100 miles	<4.3 per 100 miles	<4.3 per 100 miles	<4.3 per 100 miles

Workforce Quality Perspective							
Objective							
The Department will attract and retain qualified employees to ensure effective delivery of municipal services in a cost-effective manner.							
Measures	Annual Results & Targets						
	2006-07 Results	2007-08 Results	2008-09 Target	2009-10 Target	2010-11 Target	2011-12 Target	2012-13 Target
1. All new Public Utilities employees will attend orientation within 1 month of being hired.	100%	100%	100%	100%	100%	100%	100%
2. Public Utilities will maintain turnover rate at below 10% per year.	6%	7.85%	<10%	<10%	<10%	<10%	<10%
3. Every employee will receive 12 hours of training per year.	100%	100%	100%	100%	100%	100%	100%
4. Public Utilities will ensure that all employees are evaluated annually.	100%	100%	100%	100%	100%	100%	100%
5. Public Utilities will decrease the number of lost work days due to accidents to less than 100 days.	149	28	<100	<100	<100	<100	<100

Narrative

The Department of Public Utilities provides water, wastewater, and storm water management services to its customers within Salt Lake City's service area, focusing on customer satisfaction in product and service deliveries. Financially the Department operates as an enterprise fund, earning the money required to fully operate the Department without the aid of any type of tax subsidy.

The budget for Fiscal Year 2008-09 responds to the general policy direction outlined by the Mayor and City Council. The organization of the Department continues to look for better ways to accommodate the Department's current and future needs. The Department employee level will remain at 389.6 FTEs. Since 2000 the department has eliminated 16 FTEs by continually re-examining the quantity of work within the department to ensure that employee's workloads are reasonable.

The FY 2008- 09 budgets will be both a focus on capital improvements and internal needs such as physical facilities expansion and remodeling. Water will require a 4% rate increase to keep pace with rising costs and the perpetual need to replace existing infrastructure. Other than mentioned, this budget represents very little change from the previous year's budget either in capital or expense. It continues to implement the water capital improvement plans approved by the City Council. This budget continues to promote long-term water conservation by continuing to educate our customers on ways to conserve and improve the environment. Sewer and storm water capital improvement programs continue with two major new studies (1) Riparian Corridor Study, to protect our above ground streams within the City and (2) a comprehensive Sewer Master Plan that will review growth and capacity concerns. Sewer and Storm Water rates while not increasing this year are expected to increase in the near future.

Major Issues

1. **Metropolitan Water District Capital Improvement Plan** – In 1996, Salt Lake City Public Utilities conducted a water master plan to determine its water supply needs through the year 2025. Sandy City did likewise. The Metropolitan Water District of Salt Lake City took the two plans and developed a master plan of improvements to meet both cities' water needs to 2025. Salt Lake City will need additional water supply and treatment conveyance systems to meet its future growth demand. This project will provide redundancy in protecting against seismic events and unforeseen source of supply or facility failures, and protection against droughts. Stronger water conservation measures may still be needed and the department will continue to monitor this area. The total cost of the new increased capacity and facilities is estimated at \$188 million, of which Salt Lake City's allocation is \$102 million, to be financed by annual assessments paid each fiscal year for 30 years beginning incrementally in FY 2004 –05. The total cost to the City over 30 years will be approximately \$217 million. Water rates were increased in 2004 and 2005 to finance the annual assessment of \$7 million dollars. In addition, Metropolitan will be raising their current raw water rates per acre foot over the next five year period to pay for other capital improvements above the original assessment.
2. **Improving Our Competitiveness** - The Department has made progress in improving our competitive gap over the last few years. This business plan will focus on continuing to improve our competitiveness by implementing the following:
 - (1) Maintaining a partnership between the union and management

- (2) Benchmarking performance standards
- (3) Expanding training programs for employees
- (4) Contracting out non-core functions
- (5) Automating processes with enhanced instrumentation
- (6) Cross training employees
- (7) Proposing reforms in purchasing and human resources.

3. Watershed Management Plan – With funding from the phased initiatives outlined in the 1999 Watershed Management Plan, the Department designed an education and public information program to inform the public of the importance of their watersheds in providing safe drinking water. This program included signing major trailheads and recreation sites and developing a classroom education program for the 4th and 9th grades. This initiative, the “Keep It Pure” program, has received many compliments from the community and other watershed programs. During the 2008/2009 school year, the Department will continue promoting the classroom educational program.

The Department will also focus on revising our strategies and strengthening our efforts to acquire and finance the purchase of watershed property, the expansion of conservation overlay zones on property that is already held, and to pursue efforts to increase the wilderness designation in the canyons. This will allow for the perpetual protection of valuable watershed land that might otherwise be lost. Further efforts will be extended to help fire mitigation in the canyons; recent wild fires have emphasized the need for additional efforts to lessen the intensity of future wild fire. Invasive weed control will continue since their presence can alter and intensify fire regime. Funding for these projects will have to be found.

4. Capital Investments in the Infrastructure – This budget includes funding for upgrading and replacing aging water, sewer, and storm water infrastructure to ensure effective and efficient delivery of services. The water, sewer and storm water systems are capital intensive with numerous utility plants and buried pipes. The City Council has recognized the need to finance utility capital improvements by approving the water and sewer five-year and six-year capital improvement programs. Additional funding will be needed in the water utility to finance capital improvement needs into the future. Water rates need to increase by 5% in 2008-2009 with future increases averaging 5% to continue a strong capital improvement program. The Sewer Utility will need to increase rates by 5% each of the next four years to maintain a strong capital improvement program. In 2004 the Sewer Utility issued \$25 million in revenue bonds to help finance a \$30 million capital improvement program to upgrade the existing water reclamation plant. It is anticipated that the upgrade to the existing plant will be completed in the spring of 2008. The storm water program bonded for \$8 million in 2004 to finance a portion of the \$14 million 900 South storm drain line. This proposed plan does not anticipate a storm water rate increase over the next five year period.

5. Future Water Financing – The water utility will need additional funding for the following reasons:

- (1) To cover additional costs related to facility protection from terrorists.
- (2) To increase the cash reserve balance to cover possible litigation costs related to the change in the government immunity laws as it pertains to enterprise funds.
- (3) Increase cash reserves to adjust for revenue fluctuations due to both too much moisture and too little.
- (4) To finance replacement of the continued aging infrastructure and our water line replacement program

Department Program Areas

Administration

This Division provides coordinated direction and support to carry out the Department's goals and policies and ensures that all City obligations under the Safe Drinking Water and Clean Water Acts are met and exceeded. In addition, this Division is responsible for all contractual agreements for mainline extensions, water exchange agreements, water rights and hydrology. The major increase in this area relates to our focus on safety and a new safety incentive program that has helped to improve employee safety. The other major change is our new Department-wide training program to train all employees on management techniques, computer skills, equipment skills, safety, and specific job functions.

Finance

This Division provides financial services, billing, accounting, budgeting, auditing, debt service, information management and customer assistance services for the Department. This Division shows very little change in operations. We also continue to bill for the City's sanitation pickup and recycling. Most of our billing increases are from rising printing, postage and data processing charges.

Engineering

This Division provides engineering services for the Department. Through design efforts, this Program attempts to minimize customer inconvenience caused by utility projects. With the implementation of the sewer, water and storm water capital improvement plan; this section will be responsible for over \$24 million on an average basis over the next five years, with over \$35 million this next year in capital improvements.

Water Quality

Federal regulations under the Safe Drinking Water Act are focusing on the distribution system and water quality at the tap. These rules have increased monitoring and testing costs for the division, but must be met to deliver drinking water. The Water Quality Division is charged with managing these new regulations, as well as the existing regulations. The Water Quality Division establishes and maintains controls to ensure that raw water; culinary water, wastewater and storm water programs meet Environmental Protection Agency and public health standards. Cross Connection control, a part of the Water Quality Division, is designed to prevent system contamination in the distribution system by ensuring that back flow devices are in place and operational. Regulations will also play a significant new role within the Cross connection program.

The Water Quality Division manages watershed areas to protect the City's source of drinking water, and to control long term costs for treatment. The cost of purchasing treated water from the Metropolitan Water District is included in this Division as well as funding for programs outlined in the City approved Watershed Management Plan. Additional activities in the watershed include efforts to control invasive weed species, fire management and mitigation and trail maintenance.

Emphasis from the Division is being placed on educational programs. The watershed is implementing a 4th and 9th grade Wasatch Front supplement to the water curriculum to help students understand the

importance of protecting the watersheds to preserve our water quality, and to maintain a healthy environment. The City Council has also requested additional importance be placed on stormwater education, and budget has been requested for that program.

Water Reclamation

This Division treats wastewater and biosolids in accordance with Federal NPDES permits held by the facility. The Program ensures that our wastewater discharges are well below all public health and EPA limits. The Pretreatment Program monitors industrial use of the sewer system to prevent introduction of waste that may harm the collection or treatment facilities and increase service costs. During 2006, our wastewater facility completed another year of perfect NPDES permit compliance, and the facility was honored with its nineteenth NACWA (National Association of Clean Water Agencies—formerly AMSA), Gold Award for perfect compliance. The plant and its employees continue to receive an excellent performance rating.

The Water Reclamation Plant continues upgrading treatment process for odor control and secondary treatment processes. The facility is planning on spending only \$3.6 million this next year and completing the \$27 million upgrade project.

Water, Sewer, and Storm Water Maintenance

This Division operates and maintains all City-owned water distribution, sewer collections and storm water systems in the service area. The Program ensures that culinary water carried throughout its water system meets or exceeds all federal, state and local water quality standards and is available to all water customers in the service area for culinary and fire protection purposes, and that the system is kept in good repair. The Program also ensures that the sewer and storm water systems are also kept in good repair, meeting or exceeding all local, state and federal standards as mandated by the Environmental Protection Agency (EPA), while maintaining benchmarked performance ratings within the industry.

Capital Improvements

This Division is responsible for the Capital Improvement Program for all three utility funds. This budget continues the implementation of the Water, Sewer, and Storm Water Capital Improvement Programs. Highlights of this year include:

1. Continue the fourth year of the upgrade to the existing Water Reclamation Plant in the amount of \$27 million. The sewer capital improvement program has budgeted \$3.6 million next year at the wastewater treatment plant.
2. Replacement of about 61,000 feet of water lines to meet the average of 50,000 feet of pipe per year over a five-year period. This will allow the Department to meet the goal of replacing 1% of the water system per year.
3. Rehabilitation of about 38,000 feet of sewer lines which is about 1% of our sewer lines and it will meet the national average of 1% of the existing sewer system.
4. Improvements to the Oil Ditch Lift Station 1250 West and 2200 North.