



County of Los Alamos

Council Meeting Staff Report

March 25, 2020

Agenda No.:	7.A.
Indexes (Council Goals):	DPU FY2020 - 2.0 Achieve and Maintain Excellence in Financial Performance
Presenters:	Bob Westervelt
Legislative File:	12592-20

Title

Approval of Department of Public Utilities FY2021/22 Budget

Recommended Action

I move that the Board of Public Utilities approve the Fiscal Year 2021/22 budget as presented and forward to Council for adoption. I further move that the Board of Public Utilities approve the FY2021 budget options and the interfund transfers of the FY2019 and FY2020 profit transfer funds as presented and forward to Council for approval.

Staff Recommendation

Staff recommends approval of Fiscal Year 2021/22 budget, the budget options, and the interfund transfers of FY2019 and FY2020 profit transfer funds as presented.

Body

Attached is the proposed budget for fiscal year 2021 and 2022. This is the first year of a two-year budget cycle. Changes from the preliminary presentation in February are as follow, and are summarized on the table "Changes to Budget since February Board Meeting", Attachment A.

A new Vector Truck was included in the FY2022 capital plan with a projected cost of \$158,000. That budget has been moved to IDCs per direction from the Budget Office. This change does not affect the total budget proposed.

Included an upgrade for a scheduled truck replacement to a 2020 Ford F550 Regular Cab 84'CA 4x4 dump truck. \$36,522 added to Vehicle IDCs, split between GWS and WP, offset by reducing the training budget in these divisions.

Changed number of single-family flat rate customers to reflect anticipated project development trends, increasing sewer revenue by \$251,535

Added \$12K per year in the Admin budget for the AMI Cellular Backhaul in Meter Reading. This was originally planned to be carried via existing fiber pathways, but the project team has concluded the cellular option will be more feasible. This changes the Admin Allocation for ED, Gas, & GWS.

There were certain revisions to labor costs provided by the budget office. Changes to the Temp/Casual benefits calculation resulted in a decrease of approximately (\$7K) in each year FY21 and FY22. Changes to position control resulted in increases in Labor and Benefits of \$18,166 in FY21 and \$39,194 in FY22. Changes in Labor and Benefits totaling \$1,092 in FY21 and \$1,001 in FY22 to round odd cents to match budget book and Munis.

Updated debt service for WP to show updated CIP for FY21-2031 and to include the WPF-4826

Overlook Park Effluent Water Booster Station Loan, netting a (\$2,287) decrease in FY21 but a \$5,638 increase in FY22.

The remainder of this staff report is a re-presentation of the information distributed in February, with updates or corrections included as necessary.

Direction from Council and the ordinance ~~proposed for approval~~ approved in February calls for the Department to budget for the five percent profit transfer in the electric and gas sub funds, but to propose infrastructure projects that would be funded by return of those funds to the Department. Those projects are included in this presentation as “Budget Options” in accordance with Council guidance.

Comparing to the final FY20 approved budget before revisions and carryovers, the proposed FY21 budget represents a ~~33.95~~ 33.98% percent increase. This is due primarily to the inclusion of \$14,800,856 for the White Rock Treatment Plant, scheduled for construction in FY21 and FY22 and funded with state loan financing; and \$6,831,060 for several water projects funded by loan/grant funds or other external funding sources. Excluding these items, the budget for department funded activities represents a ~~0.37%~~ 0.41% percent increase over the approved FY20 budget, including the projected wage and benefits increases discussed below.

~~Note: this is a preliminary draft. Some inputs are still being finalized and some numbers are likely to change between now and final presentation to the Board for approval in March. For example, we have been notified by the Budget Office of a change to the temp/casual calculation for benefits that will be updated for the March presentation. These changes should be minor, and all changes will be noted when the Board considers the final budget for adoption in March.~~

Staffing changes

There is a planned reduction of three FTEs in meter reading staff as a result of the AMI project. DPU is requesting that 2 of those FTE’s be repurposed into a Conservation Officer and a Senior Office Specialist position to support GWS and ED. These proposed positions are planned in Admin’s budget. In addition, DPU is requesting to convert an existing limited term position in Water Production to a Regular FTE. Utilizing the vacancies created by the repurposing of the meter reading positions, DPU is able to staff these critical functions and also create a plan for succession without an increase to our overall budgeted FTE’s. Budget office guidance is to budget those positions at the current salary, and to include funding for potential reclassification of the positions in the “promotions/new hires” line item in the Admin budget. \$75,000 is included in FY21 for that purpose.

There are no salary realignments contemplated. If negotiation of Union agreements results in changes to the wage or benefits for those positions, a budget adjustment will be proposed when those agreements are considered for approval.

Budget Highlights

Per County Budget Office guidance, salaries were budgeted with a 3% overall increase, except for the increments included in the existing Union agreements.

Department admin costs increased by ~~\$1,170,595~~, \$1,187,954 or 25% in FY21 compared to the FY20 budget. In FY20 the planned reconfiguration of the Customer Care Center, previously budgeted at \$250k in FY18 plus \$100k in FY19, was cancelled while uncertainties regarding County tax revenues were resolved. Now that those issues have been resolved, we are re-budgeting that

important project in FY21. We are budgeting the project at \$425,000, which reflects the actual bids that were received on the project before it was postponed in FY20.

The ten-year capital plan and project descriptions is included in the agenda packet. The project plan shown by utility is included so will not be discussed further in this staff report.

The following bullets highlight key points related to the current budget proposal:

All Divisions

- Increase in labor costs of 3%, (\$336,024 \$336,664 more from FY20)
- Increase 8% in benefits for medical (\$128,709 \$135,890 more from FY20)
- Increase in Supervision, Misc Direct Admin org due to planning of nonproductive hours to account for timekeeping with new Tyler systems.
- Overall decrease in IDCs of 3% 2%, \$81,015 \$44,483 total from FY20, primarily because the CCC credit is applied to IDCs (8719 IDC-Admin Other) for all division. Previously the CCC credit was applied to the administrative allocation. Since it is no longer being applied here this increases the share charged to each division. The credit total for FY 21 (based on the 2018 cost allocation plan) is (\$206,508), and a 3% increase is assumed for the credit and IDC charges for FY 22.
- Continuation of GIS and SCADA upgrades

Division	GIS Upgrades	SCADA
EP	0	175,000
ED	0	12,000
Gas	40,000	15,000
DW	40,000	0
WP	45,000	0
WW	40,000	0
Total	\$165,000	\$202,000

Admin

- A new vehicle is proposed in the FY 21 budget to replace the admin vehicle given up in FY2017. To emphasize our commitment to a carbon free utility and also to gain experience to better understand our customer’s needs as more EVs come into the community, a Chevy Bolt is planned at an estimated acquisition cost of \$40,000 in FY21 and IDC costs in FY 22 of \$4,756.
- Double fill for the Deputy of Finance for 6 months due to planned retirement is planned in FY 22.
- Increase in contractual services for a customer portal acquisition and implementation is planned in FY21.
- An additional limited term engineering associate position is planned for the Engineering division.
 - 1 current vacancy for a senior engineer (P.Guiterrez)
 - \$250,000 is included in the Engineering Division FY2021 budget for a systems wide condition assessment of all utilities.

Electric Distribution

No rate increases are projected in FY21 for electric distribution, although a revenue neutral rate

restructuring may be proposed in FY21 with implementation of the AMI project. The ten-year O&M budget forecast includes essentially inflationary increases of 1.5% per year after FY20. Overall operating expenses in ED are lower higher by \$263k, \$483k, due primarily to increases in labor and benefits, and in the allocation of admin costs, offset somewhat by lower cost of power, which will be discussed further in the Electric Production section below.

Highlights follow:

- Increase in contractual services for monthly safety training and tree trimming services (approx. \$220K total for these two items).
- Increase in supplies/equipment budget for HVAC on two substation units, and relay and display replacements on LASS substation, and T&D relay coordination needed to connect to new station at TA-3.
- Proposed capital budget for FY21 includes \$700,000 for URD replacements (in WR and LA) and overhead system replacements, as well as \$50,000 for the White Rock GWS & ED Facility.
- Proposed capital budget for FY21 includes \$700,000 for URD replacements (in WR and LA) and overhead system replacements.
- 1 current vacancy for a senior electrical engineer.

Electric Production

The O&M budget for Electric Production is \$2.8M lower than FY20, due primarily to continuing low purchased power costs. LANL is planning on increasing onsite generation, however currently the onsite generation does not have an associated cost in our budget as we have yet to agree to contractual framework for inclusion. LANL's load forecast is higher by 12,659 MWh but will be offset by 70,582 MWh due to the onsite generation. San Juan has a scheduled outage in FY21 which will be the last planned outage before planned retirement. Laramie River environmental upgrades were completed in FY19 and will not be repeated. There are no costs associated with the Carbon Free Power Project as they are now being rolled into the cost of the project. Cost will be determined by LAC's continued involvement or subsequent departure from the project.

Highlights follow:

- Decrease in purchased power in FY 2021 due to use of DOE resource with no associated costs per ECA.
- Planned increase of 9.5% for Sandia Kirkland
- Will be receiving 15MW a year per the new Uniper contract starting in November of FY 21.
- San Juan Operations budget decreases in FY 2022 due closure of plant.
- Increase in Capital for FY 21 for El Vado transformer replacement (\$400,000) and penstock evaluation (\$100,000), redesign and install of El Vado shaft seal (\$150,000), and Abiquiu office replacement (\$150,000). Total of \$800,000.
- Increase in capital for FY 22 for El Vado controls upgrade (\$440,000) and ultrasonic flow meter (\$90,000), fiber optic line spills substation to hydroelectric plant (\$350,000) and Abiquiu transformer replacement (\$100,000). Total of \$980,000.
- Also included in FY 21 is \$100,000 for electric SCADA equipment.
- 1 current vacancy for a power system operator.

Gas

The NMMEAA deal guarantees a \$0.295 discount, which is included in the budget for FY2021. Natural gas market prices remain low, and gas purchases are budgeted at \$2.17/MMBTU in FY21 including transportation (after the NMMEAA discount).

Highlights follow:

- Increase in contractual services for on call assistance with main line maintenance, cathodic protection and PRV maintenance in FY21 and 22.
- Increase in supplies for the AMI project in meter changeouts and maintenance in FY21 and 22.
- Proposed FY 21 capital projects include GWS/GA facilities at the WR WWTP (\$50,000) and Barranca Mesa area PRV station (100,000).
- Proposed FY 22 capital projects include the White Rock Key Steel Valve project (phase 1, \$281,000) and the Public Works road project for Alamo & Capulin streets (\$535,000).

Water Production and Distribution

The capital plan for Water Production, as has been the practice for several years, includes non-potable projects that are funded through a grant/loan from the Water Trust Board (WTB). These projects will only occur if the WTB funding is realized. The capital plan also includes \$1.9M for the Otowi Well #2 well house, pump, and equipment, re-budgeted in FY21 due to delays in completing the well drilling phase of the project. Like the well drilled in FY19, these projects are funded with existing fund balance.

The O&M and capital budget for water production and distribution has been revised extensively to reflect the proposed 20-year plan presented to the Board at the November 2017 BPU meeting. Water sales appear to have stabilized more in line with the revised sales projections we adopted in FY18's budget cycle. The three-year rate adjustments adopted in FY20 are incorporated into budgeted revenues.

Highlights follow:

Water Distribution

- Increase in contractual services for on call assistance with main line maintenance and valve maintenance (for 5 valves) in FY21 and 22.
- Increase in supplies for the AMI project in meter changeouts and maintenance, and PRV station R&R in FY21 and 22. Also, \$250,000 is planned for meter changeouts in FY 21 and 22 for approx. 1,200 meters.
- Proposed FY 21 capital projects include GWS/DW facilities at the WR WWTP (\$50,000) and Barranca Mesa area PRV station (100,000).
- Proposed FY 22 capital budget for the Public Works road project for Alamo & Capulin streets (\$732,000).

Water Production

- Decrease in pumping power is projected (\$100,000 less).
- Requesting 1 limited term employee to become a regular FTE in WP as a Senior Water Systems Operator. This FTE will be repurposing the remaining staff reduction from metering related to AMI, as discussed previously.
- Increase in contractual services for on call assistance with well station maintenance, booster station maintenance for both potable and NP, transmission line maintenance, NP treatment

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- system maintenance, and NP main and delivery line maintenance in FY 21 and 22.
- Increase in supplies for new control valves for wells and booster stations, and new pipeline valves are planned for transmission line valves in FY 21 and 22.
 - Planned increase in contractual services for FY 21 and FY 22 for tabletop dam EAP in non-potable.
 - Proposed FY 21 capital projects include risk assessment and emergency response plans (\$120,000), Camp May water line (\$2M county and \$2M other funding, total of \$4M), Otowi Well #2 building and equipment and Pajarito well #4 MCC (\$1,900,000), WP facilities at WR WWTP (\$50,000), tank piping upgrades (\$300,000), Bayo booster station tank (NP-WTB, (\$1,080,000), and LA Reservoir road stabilization project (NP- FEMA, \$2,206,926). Total of \$9,656,926.
 - Proposed FY 22 capital projects include 2nd group 12 tank (NP-WTB, \$900,000), and repainting of Barranca Mesa tank 2 (\$675,000). Total of \$1,575,000.

Wastewater Division

The O&M budget in the wastewater division is essentially flat from FY20 to FY21, with a slight increase attributable to the wage increases discussed previously. The FY22 operating budget increases somewhat with the initiation of debt service payments on the WWTP. Like water, the three-year rate adjustments adopted in FY20 are incorporated into budgeted revenues.

Highlights follow:

- Increase in contractual services for on call assistance with main line maintenance, lift station maintenance, and LA WWTF preventative maintenance in FY21 and 22. Additional increase for a new blower and large equipment at the LA WWTF.
- Increase in supplies for new pumps and motor control stations for lift stations and SCADA field devices in FY 21 and 22.
- Increase in utilities for the new WR WWTF in WW Treatment in FY 21 and 22.
- Proposed FY 21 capital projects include GWS/WC facilities at WR WWTP (\$50,000), and the WR WWTP replacement project - construction (\$14,800,856). Total of \$14,850,856.
- Proposed FY 22 capital budget for the Bayo Canyon sewer lift station elimination pipeline (\$550,000).

Alternatives

N/A.

Fiscal and Staff Impact

See above

Attachments

- A. Changes to Budget since February Board Meeting
- B. FY2021 & FY2022 FundFlos
- C. Ten Year Forecast Revenues and Expenses FY2021 through FY2030
- D. Schedule of funds - FY2021 through FY2030
- D.2. Schedule of funds - FY2021 through FY2030 - Expanded
- E. Ten Year Capital Plan
- F. Ten Year Profit Transfer- Budget Options

