



**M E M O R A N D U M**  
**Finance Department**

**DATE:** December 11, 2007

**TO:** City Council

**FROM:** Dave Warren  
Director of Finance

**SUBJECT: RESOLUTION ADOPTING A CONTINUING BUDGET  
APPROPRIATION FOR THE SEWER ENTERPRISE FUND**

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**RECOMMENDATION:**

Adopt a resolution authorizing interim operating expenditure controls for the period of January 1, through March 31, 2008 for the Sewer Enterprise Fund.

**BACKGROUND:**

Due to ever changing State and Federal regulations applying to waste water, a growing need for capital replacement throughout the City, and rising operating costs, staff is in the process of updating the City's strategic plan for the waste water system including the Water Reclamation Facility and the sewer line distribution system. It's imperative that the City's Sewer Enterprise Fund align with the financial needs of the revised strategic plan. Staff is in the process of evaluating the present and future operating and capital replacement needs anticipated at this time. Staff is also analyzing the Sewer Enterprise Fund's revenue generating capacity and fund balance to project available financial resources that can be used to meet the City's operating and infrastructure needs today and on into the future. For example, the City is working on revising the Sewer FCC program which has not been updated in several years.

In response to the need for updating the City's Waste Water System Strategic Plan prior to adopting the Fiscal Year 2007/2008 Sewer Enterprise Fund Operating Budget, the City Council adopted a 90 day continuing budget appropriation for the Sewer Enterprise Fund (please see attached Resolution No. 7518) at its regularly scheduled meeting on June 26, 2007. Due to the workload impacts of other important projects (e.g., medical insurance study, salary study update, etc.), the City Council adopted a second 90 day continuing budget appropriation for the Sewer Enterprise Fund (please see attached Resolution No. 7547) at its regularly scheduled meeting on September 25, 2007. The latest 90 day appropriation will expire on December 31, 2007, and an additional appropriation is needed so that waste water operations may continue without interruption.

## **ANALYSIS:**

Staff originally anticipated completing its analysis this month. Due to the workload impacts of other important projects (e.g., Master Fee Schedule update, transitioning to the new SDRMA medical insurance program, editing the Streets MSR and Water/Waste Water MSR, preparing for the TDA audit, the annual Year-End Audit, and Single Audit, etc.), staff now anticipates completing its Waste Water System Strategic Plan and related financial analysis in the next 60 to 90 days.

As mentioned earlier, the current interim budget appropriation will expire on December 31, 2007. The proposed appropriations are through March 31, 2008, to ensure that necessary operating expenditures are authorized until the Fiscal Year 2007/2008 Sewer Enterprise Fund Operating Budgets is adopted. The interim spending controls are calculated using a simple formula, prorating existing FY 2006/2007 operating line items for the three month period, or 25%:

Sewer Enterprise Fund Operating Expenditures:  $\$3,746,417 \times 25\% = \$936,604$

Once the City's Waste Water System Strategic Plan and related financial analysis are complete, staff will recommend an operating budget and CIP budget for Fiscal Year 2007/2008. Staff anticipates bringing recommendations to the City Council within the next 60 to 90 days. Staff respectfully requests the Council to adopt the above appropriations as presented.

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Dave Warren  
Director of Finance

Reviewed and Approved:

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John Driscoll  
City Manager/City Attorney