Value Task Force
Sewer Department Final Report

General Summary

Department heads with large budgets like the Sewer Utility seem to default budget management and oversight to the City Finance and Administration leadership. Because many budget-related questions could not be answered, unclear allocations of inter-department expenses, and due to its significant size, it is recommended that Council conduct a thorough analysis of this department's budget.

Aside from the budget findings, the utility is well-managed by a knowledgeable superintendent in Scott Tutas. With 7 full-time employees, staffing levels are balanced, and salaries are in-line with like-sized municipalities. Technological advancements and equipment upgrades in the past 20 years have allowed a significant reduction in staffing requirements. Sufficient cross-training has been implemented, and Sewer Utility employees are well-equipped and capable to handle multiple functions. Mercury loadings to the treatment plant have been reduced significantly since the Sewer Utility's acceptance into the Mercury Green Tier Charter in 2010, as well as implementation of amalgam separators and recycling initiatives.

The Sewer Utility is a very important revenue producer to the city, generating $6.3 million in 2011.

Findings

1. Salaries
   A. The expense portion of budget is not in-line with employee salary & benefit information provided. Based on figures in the RFI document, salaries for 7 employees totaled $352,226; however, salaries in the provided 10-year budget showed $794,829 within the "salaries" line item. That's a $442,603 difference.
   B. Salary figures include allocations to administration and other department salaries; a breakout of these inter-departmental salary allocations was not available with the information provided.
2. Pensions and Benefits
   A. 63% increase from 2002 to 2011 in pensions and benefits.
   B. Health Insurance costs have increased significantly since 2002, up $120,000.
3. Supplies
   A. Supply costs have more than doubled from $170,855 in 2002 to $380,306 in 2011, largely due to chemical costs.
   B. The Sewer Department's machinery requires specific chemicals to operate effectively - particularly for phosphorus removal.
      i. Only one supplier, Kemira, has the ability to provide this chemical necessity.
      ii. No other chemical suppliers are quoted, and according to Scott, Kemira has monopolized chemical purchasing.

    iii. Kemira is one of the most-used and top-cost vendors for the department ($127,800 in past 12 months, per RFI document).
    iv. Various purchasing methods like bulk purchasing, longer payables terms, and co-purchasing strategies with other Kemira customers have been unsuccessful. Negotiating attempts with Kemira have been exhausted.
4. Other
    A. Per the budget, the Sewer Utility showed a $300,000 profit in 2002, and almost $400,000 loss in 2011. Several years in between showed a zero-balance. This is dependent on the type and size of projects being implemented at that time.
    B. The Sewer Utility pays portions of the wages, benefits, utilities, and operating purchases of other departments that support the Utility: Finance, Engineering, Economic and Community Development, GIS, Administration, Human Resources, and Attorney.

Recommendations

1. Identify and document inter-departmental allocations within the budget for a more transparent breakdown of the numbers. These may include salary allocations, billings, or any other funding shortfalls allocated to the Sewer Utility.
2. Review the significant healthcare cost increases, and consider these findings when choosing insurance policies.
3. Utilize full MUNIS resources to validate financial determinations.