



Your  
Utilities.  
*Your Community.*

## **Water and Wastewater Utility Service Rate Adjustments Public Hearing**

Utilities Rate Advisory Commission

January 27, 2016

# Presentation Overview

- Utilities Introduction
- Water and Wastewater Systems Overview
- Finance Plan
- Rate Comparisons
- Community Engagement Summary
- Next Steps

# Utilities at Work in Your Community

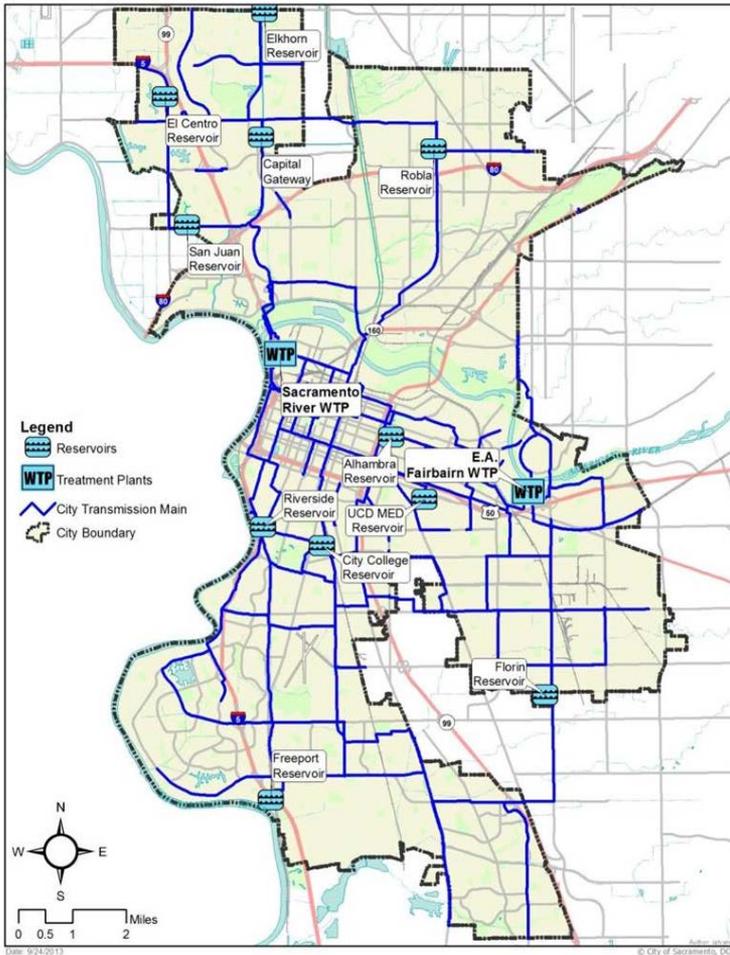


# Maintaining Your Utilities for Future Generations



# WATER SYSTEM OVERVIEW

# The Water System



- 136,000 City water service accounts
- 2 water treatment plants
- 29 groundwater wells
- 11 reservoirs
- 1,727 miles of pipeline

# Aging Water System



# Maintenance and Replacement Saves \$\$ Over Time

## Water Pipelines



**OUR GOAL:** 100 YEAR  
REPLACEMENT CYCLE



**2012:** 400 YEAR REPLACEMENT CYCLE



**2015:** 280 YEAR  
REPLACEMENT CYCLE

# Our Water Promise: Delivered



Rehabilitated century-old Sacramento River Water Treatment Plant  
**\$160 million**



Installed 21,000 meters and replaced 28 miles of water main pipeline  
**\$79 million**



Security & Emergency Prep Operations & Maintenance Pipeline & Facilities Contingency  
**\$10 million**



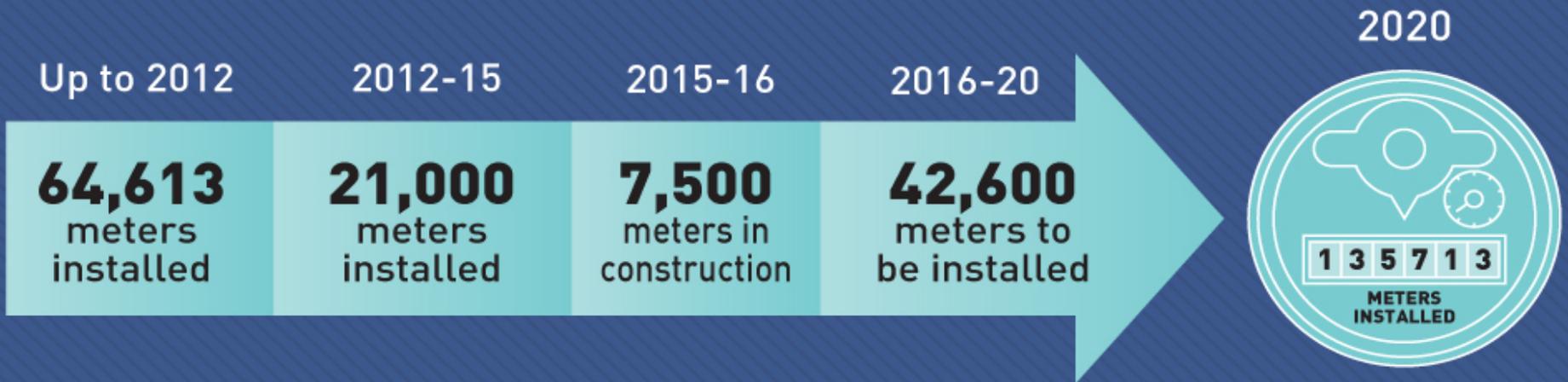
Rehabilitated 29 groundwater wells  
**\$12 million**



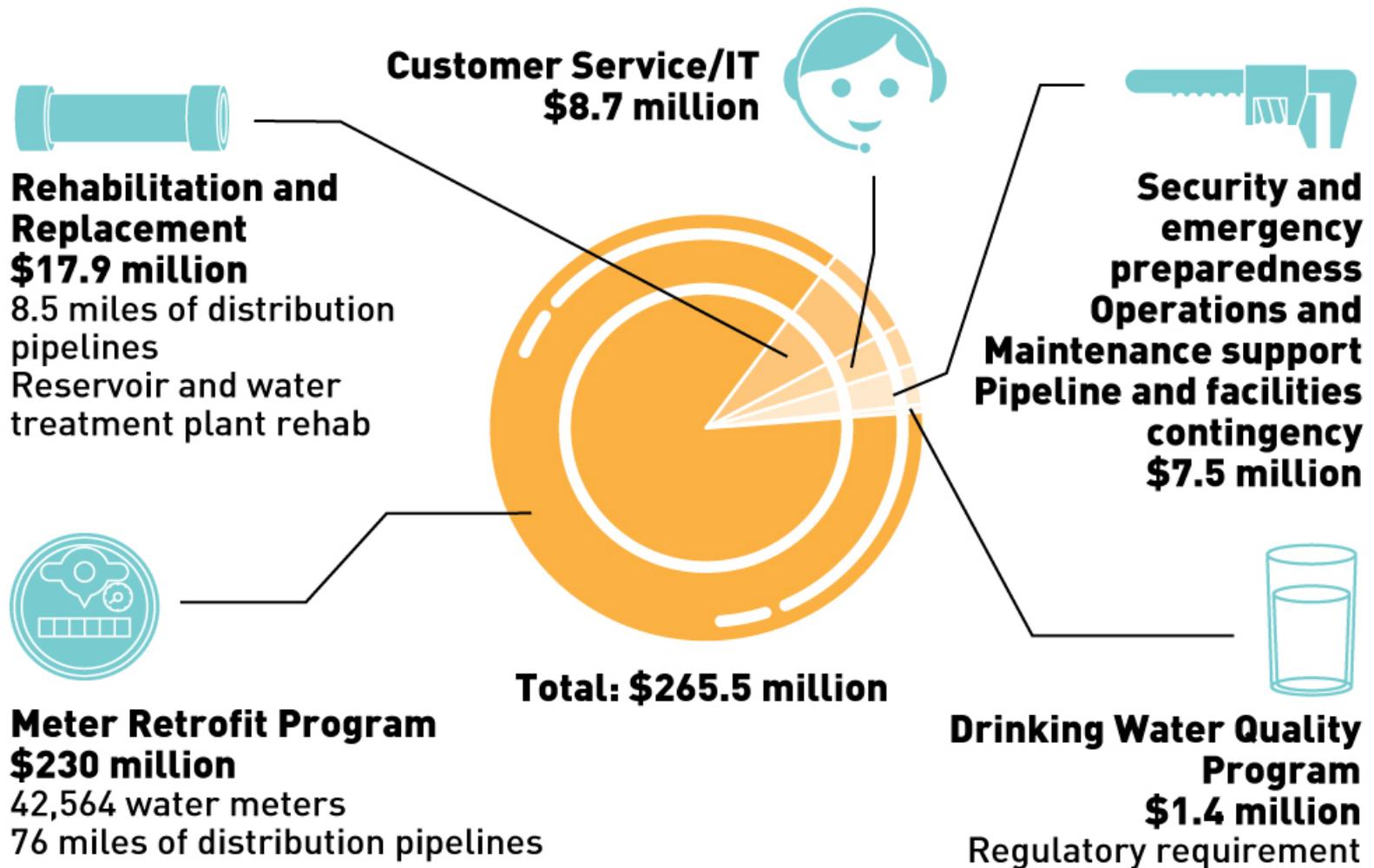
Plus, we secured \$8.4 million in grant funds:

- Additional meter installations
- Fairbairn well construction
- Shasta Park well construction

# Moving to a Fully Metered City

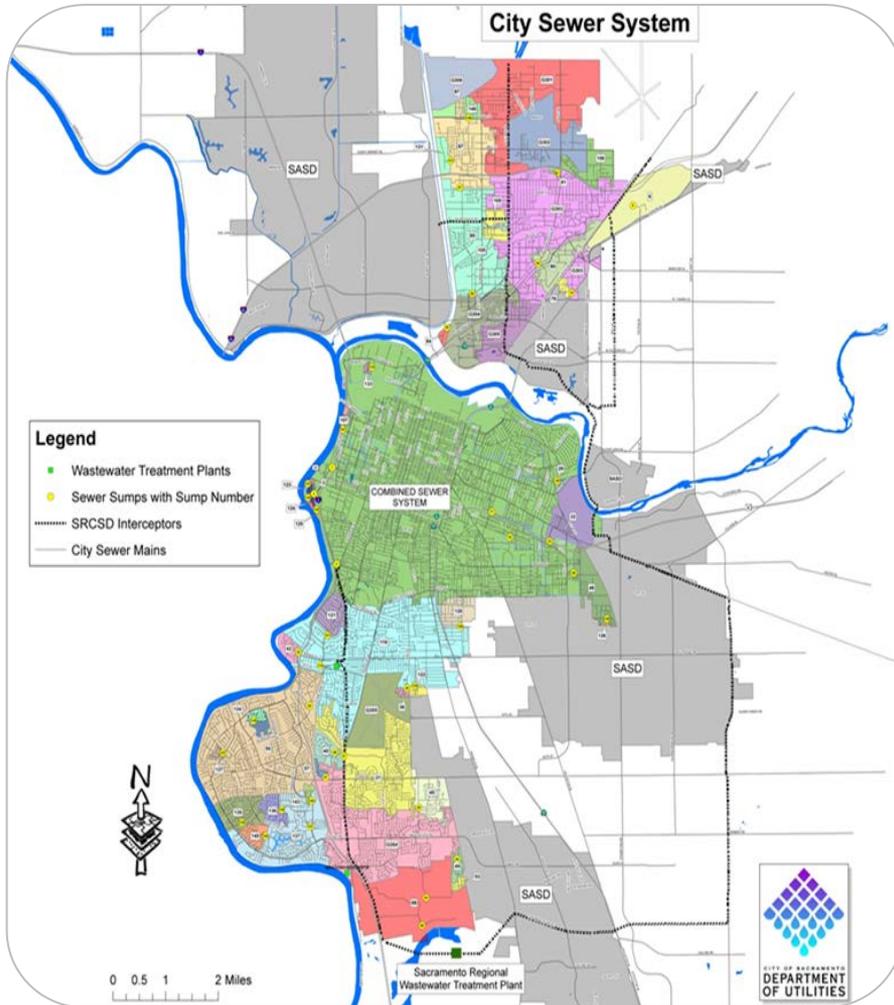


# Water System Improvement Costs: Next 4 Years



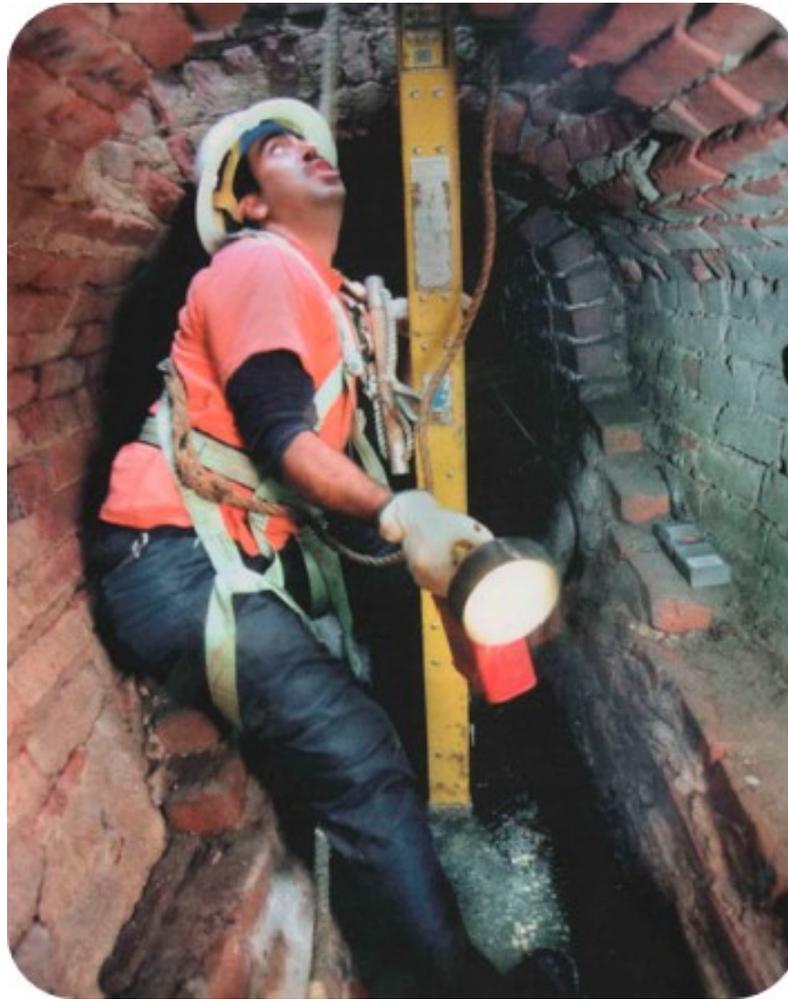
# WASTEWATER SYSTEM OVERVIEW

# Wastewater System



- Combined Sewer System
- Separated Sewer System
  - 35 pumped basins
  - 6 gravity fed basins
- About 40% of the city served by SASD
- DOU serves 76,657 customers

# Aging Wastewater System



# Maintenance and Replacement Saves \$\$ Over Time

## Wastewater Pipelines



**OUR GOAL:** 100 YEAR  
REPLACEMENT CYCLE



**2012:** 650 YEAR REPLACEMENT CYCLE



**2015:** 406 YEAR  
REPLACEMENT CYCLE

# Our Wastewater Promise: Delivered

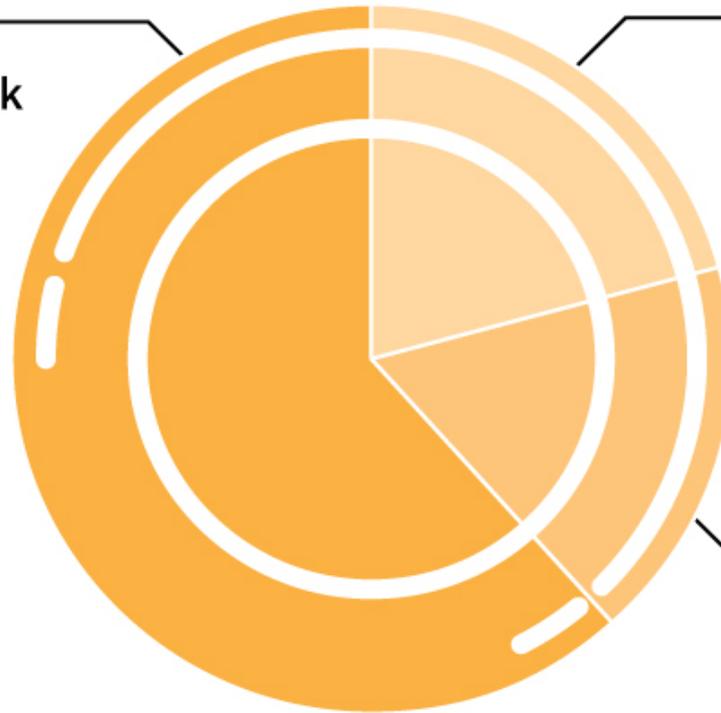


Completed Oak Park  
Combined System  
Storage Project  
**\$12 million**



Plus, we secured \$6.6 million in grant funds:

- Improved Downtown combined sewer system
- Upgraded P Street combined sewer system

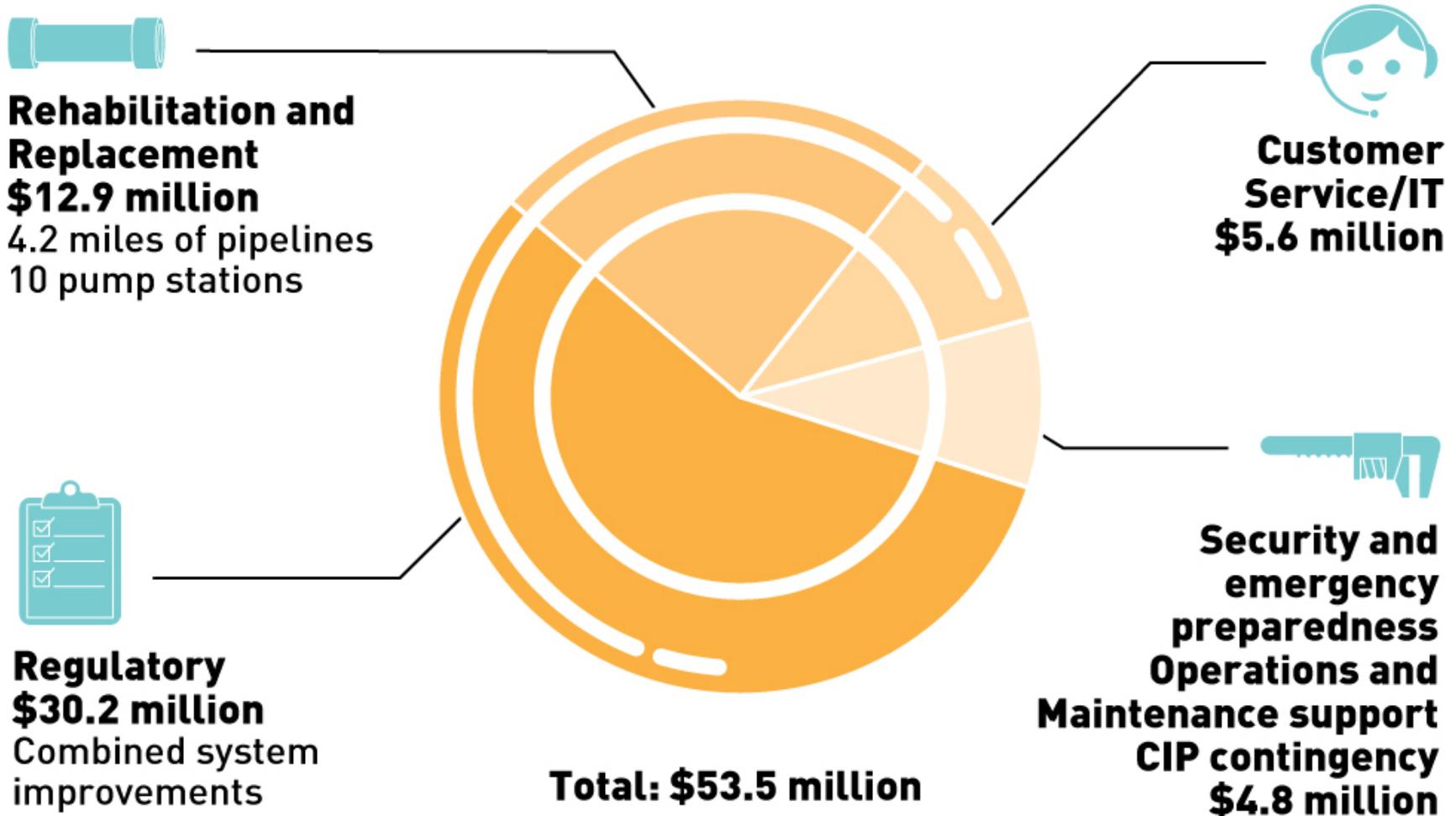


Rehabbed 6 pump stations  
and treatment facilities  
**\$4 million**



Rehabbed the  
7th Street sewer  
**\$3.4 million**

# Wastewater System Improvement Costs: Next 4 Years



# FINANCE PLAN

# Proposed Water Rate Adjustment

Effective Date of Proposed Increase	<i>Current Rate</i>	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
Percent Increase		10%	10%	10%	10%
Monthly Increase		\$4.57	\$5.03	\$5.53	\$6.09
Total Water Charge	<b>\$45.73</b>	\$50.30	\$55.33	\$60.86	\$66.95

# Proposed Wastewater Rate Adjustment

Effective Date of Proposed Increase	<i>Current Rate</i>	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
Percent Increase		9%	9%	9%	9%
Monthly Increase		\$2.02	\$2.20	\$2.40	\$2.61
Total Wastewater Charge	<b>\$22.42</b>	<b>\$24.44</b>	<b>\$26.64</b>	<b>\$29.04</b>	<b>\$31.65</b>

# Storm Drainage

The City has decided to postpone the proposed storm drainage service rate changes for approximately one year

- Avoids potential conflicts with forthcoming ballot initiatives
- Provides the opportunity to further inform customers about the storm drainage system condition, challenges and budget realities

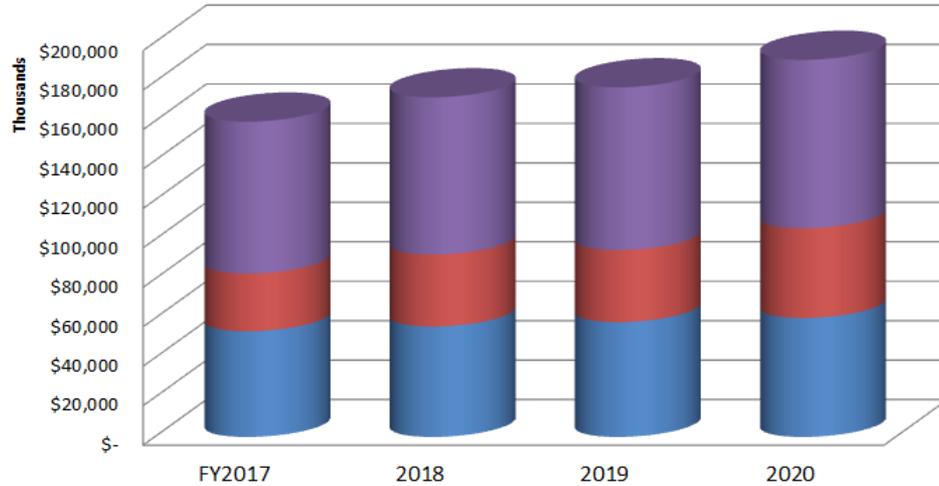
# Finance Strategy

- Work closely with City Treasurer's Office
- Mix of cash and debt financing mechanisms for capital funding
- Maximizes use of existing resources to the fullest extent in order to mitigate rate increases
- Four-Year Funding Plan
- Meets regulatory requirements and addresses needs of critical assets
- Positions the enterprise funds to issue debt and reduce risk to the general fund
- Self-contained

# Cost Driver Projections

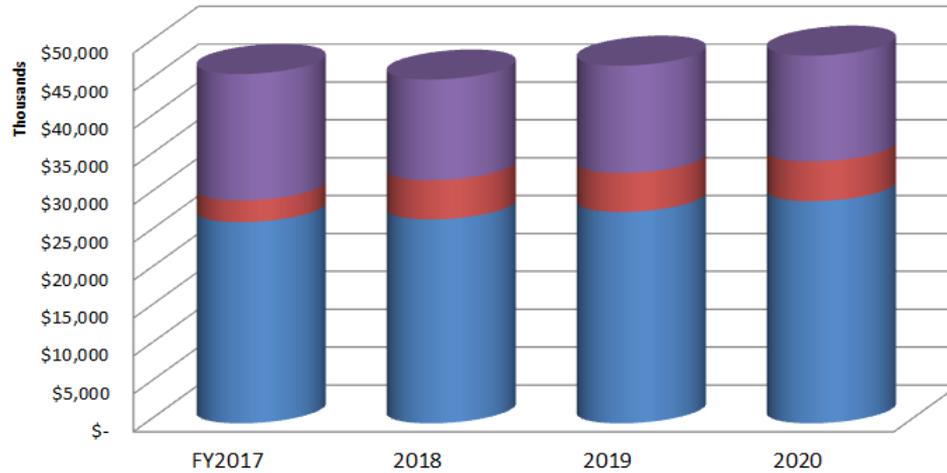
Cost Driver	FY17	FY18	FY19	FY20	Note
Labor	4%	4%	4%	4%	3%/yr + 1%/yr additional PERS costs; Low growth a factor of a workforce mostly at the top of the salary range; includes approved step + COLA
Utilities	4%	4%	4%	4%	Based on historical trends
Fuel	5%	5%	5%	5%	Based on historical trends
Chemicals	3%	3%	3%	3%	Based on historical trends
CPI	2.5%	2.5%	2.5%	2.5%	Based on historical trends
CCI	3.5%	3.5%	3.5%	3.5%	Based on historical trends
General Fund Tax	11%	11%	11%	11%	Mandated transfer to City General Fund

# Expenses by Category



## WATER

- CIP
- Debt Service
- Operating



## WASTEWATER

# Program Benefits

- Continued high quality, reliable services
- Continued regulatory compliance
- Local control
- Environmental stewardship
- Return on Investment: Economic development and job creation
  - Produce \$128 million of economic output
  - Create 829 new full-time equivalent jobs
- Financial stability
- Sustainability

# What Happens if We Don't Act?

- Public health/safety threats
- Regulatory non-compliance
  - Federal/state enforcement
  - Loss of local control
  - Fines, moratoriums, consent decrees
- Lawsuits and risk claims
- Negative impact on economic development objectives
- Financial instability

# Utility Rate Assistance Program

- More than 1,600 customers actively participating
- Over \$490,000 spent to date
- Bill Stuffer – March 2016
- Leveraging SMUD's customer database for outreach

# Proposition 218 Protest Summary

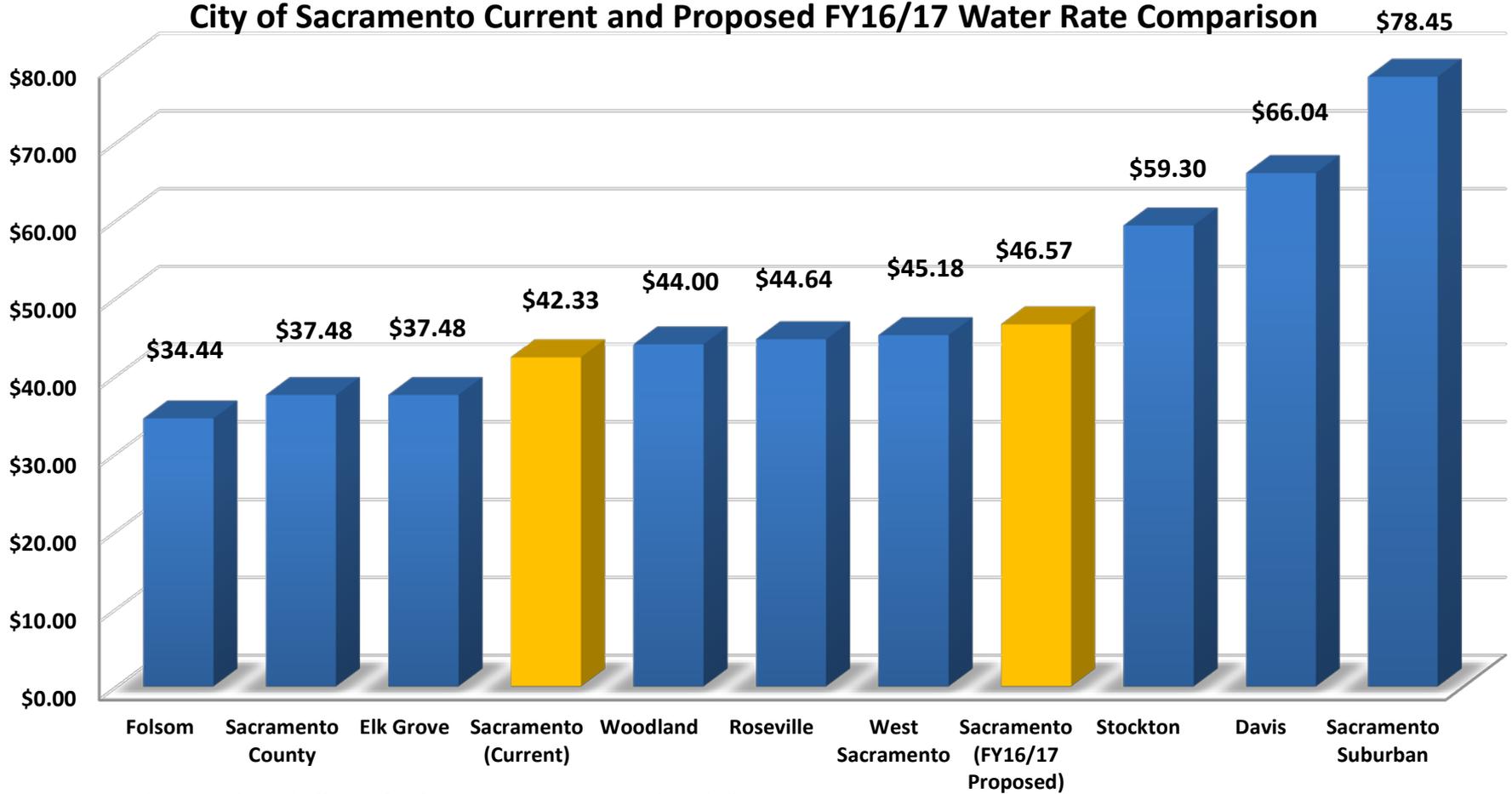
## Proposed Utility Service Rate Adjustments Protest Summary as of January 27, 2016

<b>Total Notices Mailed</b>	<b>181,849</b>	
- No Specific Comment	161	<1%
- Increase is Excessive or Unjustified	73	<1%
- Causes a Financial Hardship	79	<1%
- Quality/Level of Service Does Not Warrant Increase	28	<1%
<b>Total Written Protests Received</b>	<b>341</b>	<b>&lt;1%</b>

# RATE COMPARISONS

# How Sacramento Compares: Regionally

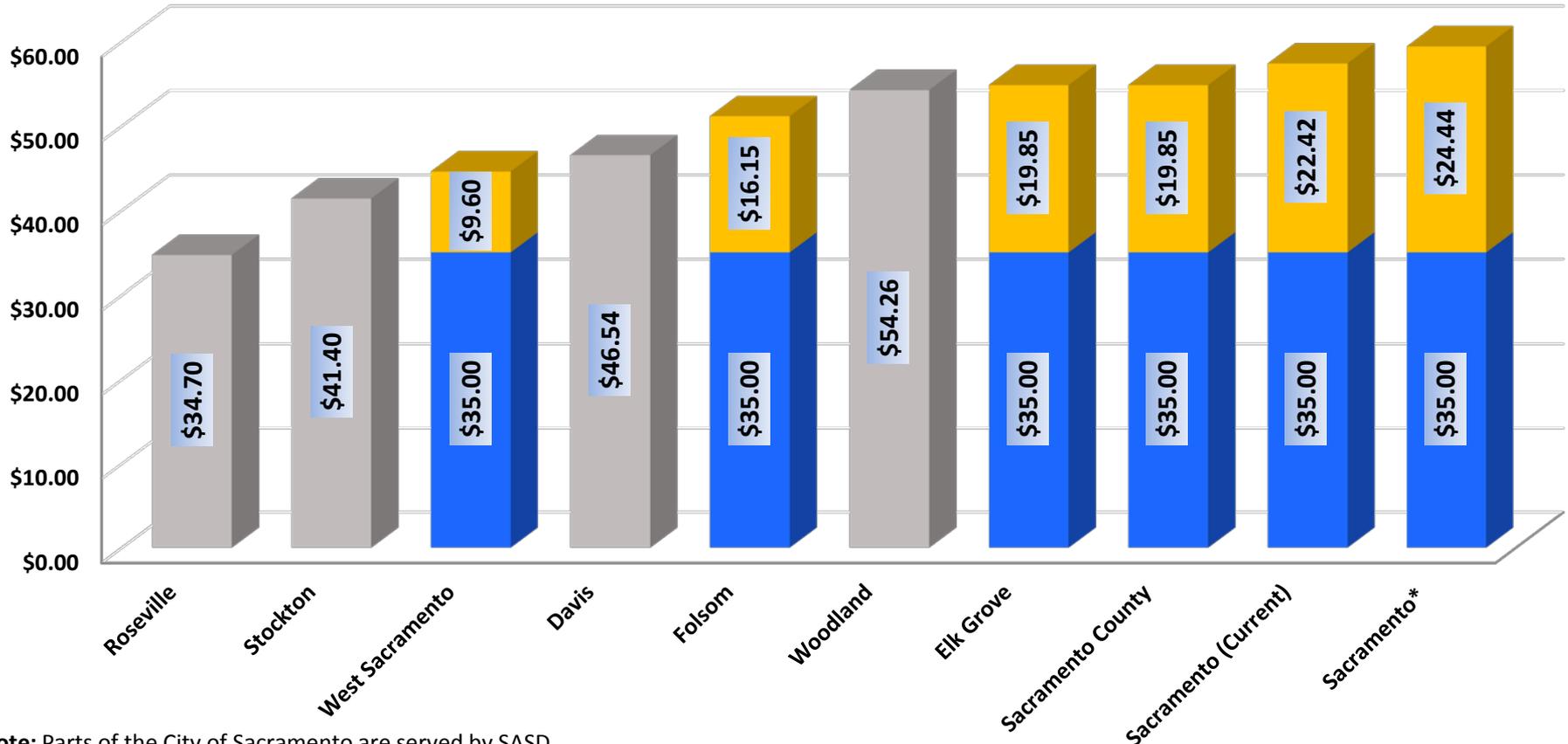
City of Sacramento Current and Proposed FY16/17 Water Rate Comparison



Note: Assumed usage is based off 18 cdfs of consumption per month and 1" meter size.  
2016 rates used where possible

# How Sacramento Compares: Regionally

City of Sacramento Current and FY2016/17 Proposed Wastewater Rate Comparison



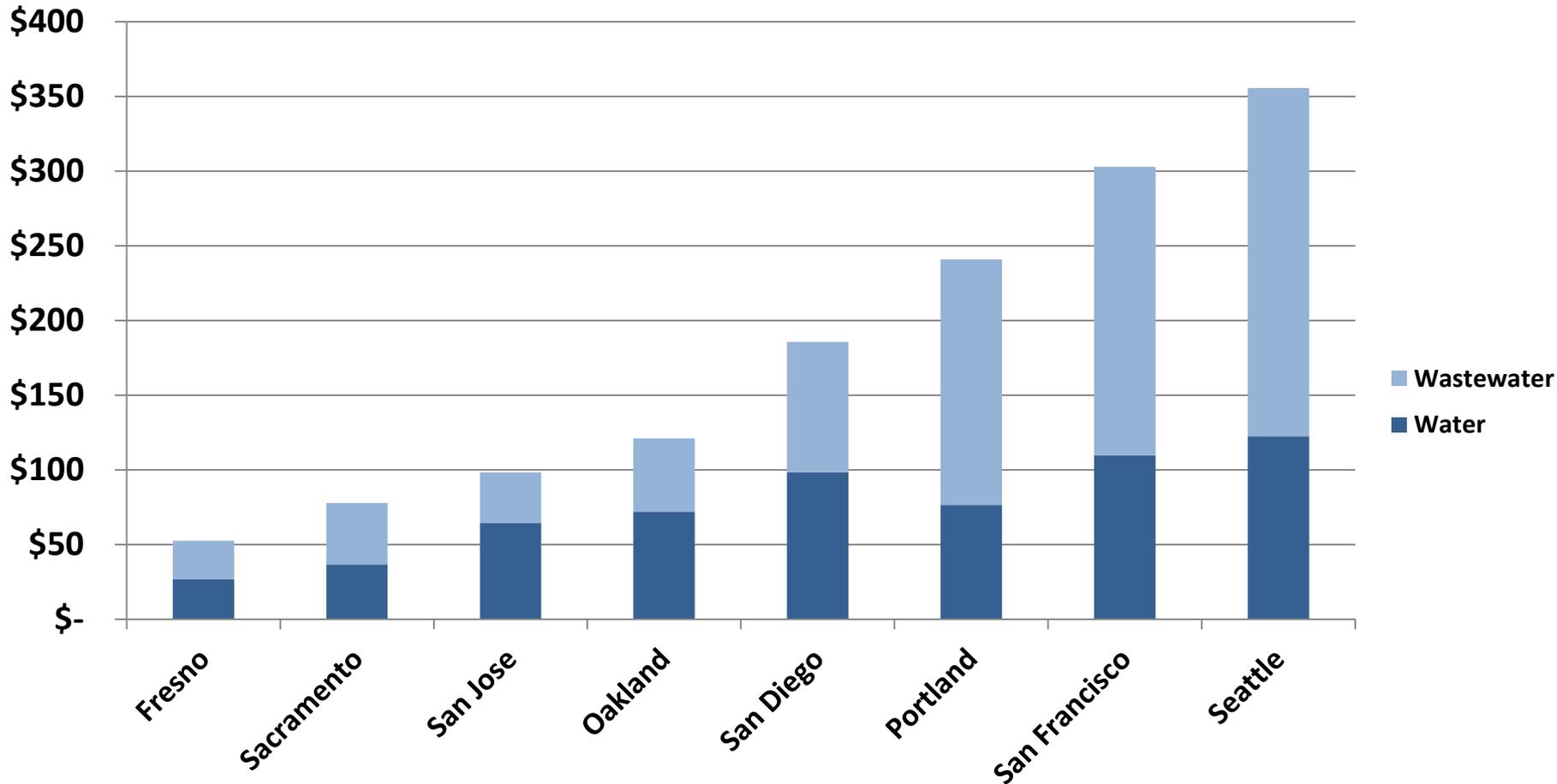
Note: Parts of the City of Sacramento are served by SASD

2016 rates used where possible

\* Recommended rate for FY16/17, including SRCSD treatment rate increase for FY16/17

■ Collection ■ SRCSD Treatment ■ Treatment and Collection

# How Sacramento Compares: West Coast Cities



*Assumes 15,000 gallons (or 2,000 cubic feet) monthly usage and a 3/4" (or nearest equivalent) meter size. Actual average usage for a 3/4" residential customer will vary by utility. Rates effective April 2, 2013. Data is from the 2012/13 Black & Veatch 50 Largest Cities Water/Wastewater Rate Survey.*

# COMMUNITY ENGAGEMENT PROGRAM

# Your Utilities. Your Community.

- 24 presentations to Neighborhood Associations and Business Community Leaders
- New website serves as a central information hub: [YourUtilitiesYourCommunity.com](http://YourUtilitiesYourCommunity.com)
- Multicultural outreach program to Spanish, Russian and Hmong communities
- Mailed more than 180,000 Rate Change Notifications to property owners and bill paying tenants

# Next Steps

- Community Engagement Activities – Ongoing
- Final Rate Recommendations to City Council – March, 2016
- If approved, rates effective beginning July 1, 2016



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Questions?

Learn more:  
[YourUtilitiesYourCommunity.com](http://YourUtilitiesYourCommunity.com)

City of  
**SACRAMENTO**  
Department of Utilities