

**Meeting Date: 9/28/16**

**Report Type: Information**

**Utilities Rate Advisory  
Commission Report**

915 I Street, 1st Floor

[www.CityofSacramento.org](http://www.CityofSacramento.org)

**Title: Department of Utilities Financial Update**

**Location:** Citywide

**Recommendation:** Receive and File

**Contact:** Susan Goodison, Business Services Manager, 808-8995

**Presenter:** Susan Goodison, Business Services Manager

**Department:** Utilities

**Division:** Business & Integrated Planning

**Dept. ID:** 14001661

**Attachments:**

**01 Description/Analysis**

**02 Background**

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Submitted By:

Wally Cole

Adobe  
Signature:



Approved By:

Bill Busath

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Signature:



## **Attachment 01 – Description/Analysis**

**Policy Considerations:** None.

**Economic Impacts:** None.

**Environmental Considerations:** None.

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** Not applicable.

**Financial Considerations:** None.

## Attachment 02 – Background

### Background

This update is part of the Department of Utilities (DOU) periodic reporting on various water, wastewater and storm drainage financial matters. This report includes an overview by fund of the FY2016/17 budget.

### FY2016/17 Budget Overview

The City's FY2016/17 budget has been released and is available on the City's public website for review. The Department completed and submitted its proposed FY2016/17 budget for each fund prior to the Council's approval of four-year rate increases for the Water (10% per year) and Wastewater (9% per year) Funds. The Department presented revised Water and Wastewater budgets that included rate adjustment-supported augmentations to City Council on May 10, 2016, which was approved for FY16/17. In general, the Department's FY2016/17 budget reflects increased expenditures to sustain operating needs, replace aging infrastructure, comply with regulatory mandates, and maintain the financial stability of the funds. All of these activities are in alignment with the long-term strategy approved by the City Council in 2012 and affirmed in 2016 that focuses on:

- Continuing to ensure public health and safety
- Investment in the City's capital and regulatory programs
- Maintaining reliable and high quality service
- Moving the City toward industry best practices for infrastructure replacement and maintenance
- Complying with legislative and regulatory mandates and regulations
- Ensuring environment compliance

#### *Water Fund*

The FY2016/17 Water Fund Budget reflects a continued focus on acceleration of the Water Meter Program. Revenues from the approved 10% rate increase, projected at \$9.1 million, will be used primarily to support infrastructure projects. The majority of the expenditure increase will be used for the Residential Meter Program Capital Improvement Program (CIP). This budget includes an addition of ten Full Time Equivalent (FTE) positions primarily focused on supporting the drinking water quality program. These positions will support assurance reporting and testing, and regulatory and safety compliance measures; implement water distribution system flushing to ensure water quality; alleviate operator staffing shortages at both water treatment plants; accelerate improvement of security systems at water treatment and distribution plants; and enhance GIS capabilities to facilitate water quality and other data availability and accuracy.

#### *Wastewater Fund*

The FY2016/17 Wastewater Fund budget reflects new projected revenues of \$2.7 million from the approved 9% rate increase that will be used primarily to support infrastructure projects. The majority of the expenditure increase will be used for the Wastewater Combined Sewer System Program CIP and operating expenditures including the addition of three FTE positions to manage the Supervisory Control and Data Acquisition (SCADA) system and provide project management oversight of the new customer information and billing administration system.

## *Storm Drainage Fund*

The Storm Drainage Fund FY2016/17 Budget reflects an immaterial increase in revenues and a decrease in expenditures from FY2015/16 to FY2016/17. Nevertheless, projected expenditures for the Storm Drainage Fund are expected to exceed projected revenues for FY2016/17, resulting in use of fund balance to cover the variance. The five-year forecast does not include a rate increase, and will continue to rely on the use of reserves to balance the fund. Pursuant to Proposition 218, a voter-approved ballot measure is required to increase rates, which will be necessary in the future to sustain operational, capital, and regulatory requirements as fund reserves continue to be depleted.

The Storm Drainage Fund has not had a rate increase since 1996, prior to the implementation of Proposition 218. Challenges facing the Storm Drainage Fund include the following:

- Declining reserves, as current revenue is not sufficient to cover current operating and capital expenses.
- Upgrading drainage service to areas outside of the City's Combined Sewer System (CSS) to meet citywide standards.
- Improving drainage system reliability and contributing to the combined wastewater system repair, rehabilitation, and improvements.
- Maintaining state and federal regulatory compliance, e.g., National Pollution Discharge Elimination System (NPDES), and supporting regional flood control efforts.
- Implementing low impact development standards, green infrastructure to further minimize urban runoff, conserve water, and preserve resources.