



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

PUBLIC HEARING
December 2, 2008

**Honorable Mayor and
Members of the City Council**

**Title: FY2008/09 PROPOSED WATER RATE, FEE AND CHARGE ADJUSTMENT –
DEPARTMENT OF UTILITIES**

Location/Council District: Citywide

Recommendation: Conduct a public hearing on the FY2008/09 Proposed Water Rate, Fee and Charge Increase and upon conclusion of the hearing 1) adopt a Resolution amending the Water Service Fee and Charge Report, and 2) directing the City Manager to include this amendment to the Water Revenue Fund (Fund 6005) in the FY2008/09 Approved Budget.

Contact: Jamille Moens, Business Services Division Manager, 808-5988

Presenters: Marty Hanneman, Interim Director, Department of Utilities, 808-7508
Jamille Moens, Business Services Manager, 808-5988

Department: Utilities

Division: Office of the Director

Organization No: 14001011

Description/Analysis

Issue: In June 2008, the City Council adopted the FY2008/09 Utilities Operating and Capital Improvement Budgets, and adopted Resolutions approving adjustments to the Sewer and Solid Waste Service Fee and Charge Reports. The Water Service Fee and Charge Report was deferred to provide Council the opportunity to hear the report on the City's Internal Audit of the Department of Utilities prior to taking action on the proposed Water Service rate, fee and charge adjustments.

The information provided in the audit is valuable and the Department of Utilities (DOU) has, or is in the process of, implementing the recommendations of the Internal Audit.

This report requests approval of the Water Service Fee and Charge Report to be effective January 1, 2009. The proposed rate increase totals 4.5%, 3% for the state-mandated meter program and 1.5% for baseline operational increases for water services. In addition, the Department is proposing increases to various miscellaneous fees and charges to reflect its costs of service. Pursuant to Proposition 218, on October 16, 2008, the City mailed notice of the proposed water rate increases to all property owners subject to the proposed increase.

Policy Considerations: Adopting a resolution amending the Water Service Fee and Charge Report and approving the amendment to the Approved FY2008/09 Operating Budget to increase the Water Revenue, are necessary to maintain and improve vital services and infrastructure, helping to achieve the City's goals to improve and expand public safety, achieve sustainability and livability, and expand economic development throughout the City.

Environmental Considerations:

California Environmental Quality Act (CEQA): The actions recommended in this report pertain solely to the establishment of rates and other fees and charges and are not subject to the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080(b)(8). The recommended actions also constitute administrative and fiscal activities that will not have any significant effect on the environment, and that do not constitute a "project" as defined by the CEQA Guidelines [Sections 15061(b)(3); 15378(b)(2), (4) and (5)].

Sustainability Considerations: Not applicable.

Rationale for Recommendation: The DOU is proposing a water (metered and unmetered service) rate increase for FY2008/09, to go into effect January 1, 2009, of 4.5%. Fuel, labor, chemicals, electricity, and debt service are major cost drivers increasing the cost of delivering water services. The DOU is able to absorb most of the increased costs through use of one-time reserves and wholesale water revenue, implementation of operational efficiencies, furloughs for unrepresented employees, and holding non-critical positions vacant, and therefore, is proposing only a 1.5% rate increase to cover the difference. Additionally, the Department is proposing a 3% rate increase to meet the State-mandated requirement to install meters on all service connections by 2025.

In addition to the increased costs due to our major cost drivers noted above, DOU is facing a large unanticipated deficit in this current fiscal year as a result of bad debt. Due to the numerous foreclosures and bankruptcies that have occurred this year, the Water Fund is expecting a shortfall in its Bad Debt budget. The Bad Debt budget is \$220,000 and as of October 31, 2008, the Bad Debt expense is \$719,506. If the current trend for foreclosures and bankruptcies continues through the end of the year, a deficit of \$1,938,519 is projected for the water fund operations for FY2008/09.

DOU is closely monitoring the bad debt situation and identifying strategies to address the deficit. While this deficit will not be addressed with the proposed 4.5% increase, the Water Fund balance will be further reduced, leaving the Water Fund far below what is a prudent reserve, if the proposed rate is not approved.

The Department recently completed an in-depth analysis of the miscellaneous fees and charges charged by the City to recover the City's costs to provide various services, such as water tap and connection service, water meter installation, water service discontinuance or restoration, water lock box replacement, services relating to fire hydrant installation and use, fire protection testing and analysis and water service abandonment. As a result of this analysis, it is recommended that these fees and charges be adjusted to recover the costs incurred by the City to provide these services.

Financial Considerations: Approval of the proposed rates will enable the Department of Utilities to continue to provide high quality, reliable and environmentally sensitive water services to City of Sacramento residents. The proposed rate increase will generate additional user revenues to address increased operating and Capital Improvement Program costs and are necessary to align revenues with expenditures. Approval of the FY2008/09 rate increase of 4.5% will generate approximately \$1.4 million in revenue and will require an amendment to the Approved Operating Budget as identified in the table below:

Fund	FTE	Net Change	Description
6005	0	\$1,395,072	4.5% User Fee Revenue Augmentation
		\$1,395,072	Total

Emerging Small Business Development (ESBD): None.

Respectfully Submitted by: *Jamille Moens*
Jawamille Moens
Business Services Manager

Approved by: *Marty Hanneman*
Marty Hanneman
Interim Director, Department of Utilities

Recommendation Approved:

Ray Kerridge
Ray Kerridge
City Manager

Table of Contents:

Report	Pg. 1
Attachments	
1 Background	Pg. 6
2 Proposition 218 Notification of Utility Rate Increase	Pg. 7
3 Proposed 218 Notification Protest Map per Council District	Pg. 9
4 Proposed: Amended Water Fees and Charges	Pg. 10
5 Resolution – Amended Fee and Charge Report	Pg. 16
Exhibit A – Water Fees and Charges	Pg. 18
6 Department of Utilities Presentation Materials	Pg. 24

Attachment 1**BACKGROUND**

The Department of Utilities (DOU) provides and maintains water, sewer, solid waste, storm collection and drainage, and flood control services and facilities. These services and facilities are provided for its customers, the ratepayers of the City, and are in place to safeguard the health safety of the public and improve the quality of life in our City. The DOU is an enterprise operation self-supported through fee and charge revenues.

The DOU is proposing a Water service (metered and unmetered service) rate increase for FY2008/09 of 4.5%. Increasing costs for fuel, labor, chemicals, utilities, and debt service would have required a 7.98% rate increase to meet current levels of service and equip vehicles with new State air quality standards. However, with operational efficiencies, increased revenues from wholesaling water to other water purveyors, and holding the fund reserve level to that of the prior year (less than 45 days), the Department will be able to absorb most of the increased costs and is proposing only a 1.5 % rate increase to cover the difference. Additionally, the Department is proposing a 3% rate increase to meet the State-mandated requirement to install meters on all service connections by 2025.

In addition, the Department is proposing increases to various miscellaneous fees and charges to reflect its costs of service.

Staff recommends that the City Council adopt a Resolution amending the Water Service Fee and Charge Report as follows:

- Water Service Rates increased by 4.50% as shown on Attachment 4 (Sections I through IV, and Section XII).
- Miscellaneous Fees and Charges adjusted to recover cost of service as shown on Attachment 4 (Sections V through XI, and Section XIII).

Staff also recommends amending the Approved Utilities' Operating budget to reflect the projected increased Revenue amount of \$1,395,072 in Fund 6005 as a result of the Water Service rate increase.

Pursuant to Proposition 218 and City Code Chapter 3.44, on October 16, 2008 the City mailed notice of the proposed water service rate increases to all owners of property subject to the fees. As of November 14, 2008, the protest rate is less than one percent. Any additional information received prior to the public hearing, including the total number of written protests that have been received by the City Clerk, will be presented to the City Council in a verbal report on December 2, 2008. All protests received are on file and available for review in the Office of the City Clerk.



CITY OF SACRAMENTO
DEPARTMENT OF UTILITIES
1395 35th AVENUE
SACRAMENTO, CA 95822

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Assistant City Manager
Interim Department of Utilities Director
Marty Hanneman

INSIDE: NOTICE OF PROPOSED UTILITY SERVICE RATE INCREASE AND PUBLIC HEARING

**CITY OF SACRAMENTO
NOTICE OF PROPOSED UTILITY SERVICE RATE
INCREASE AND PUBLIC HEARING**

Dear Customer:

Earlier this year, you received a notification similar to this notice regarding proposed increases to the City's rates for water service and solid waste services. After that notification was issued, the City Council held a Public Hearing and approved the proposed solid waste rate increases that went into effect on July 1, 2008; the City Council deferred action on the proposed water rate increase, no change was made to the City's water service rates.

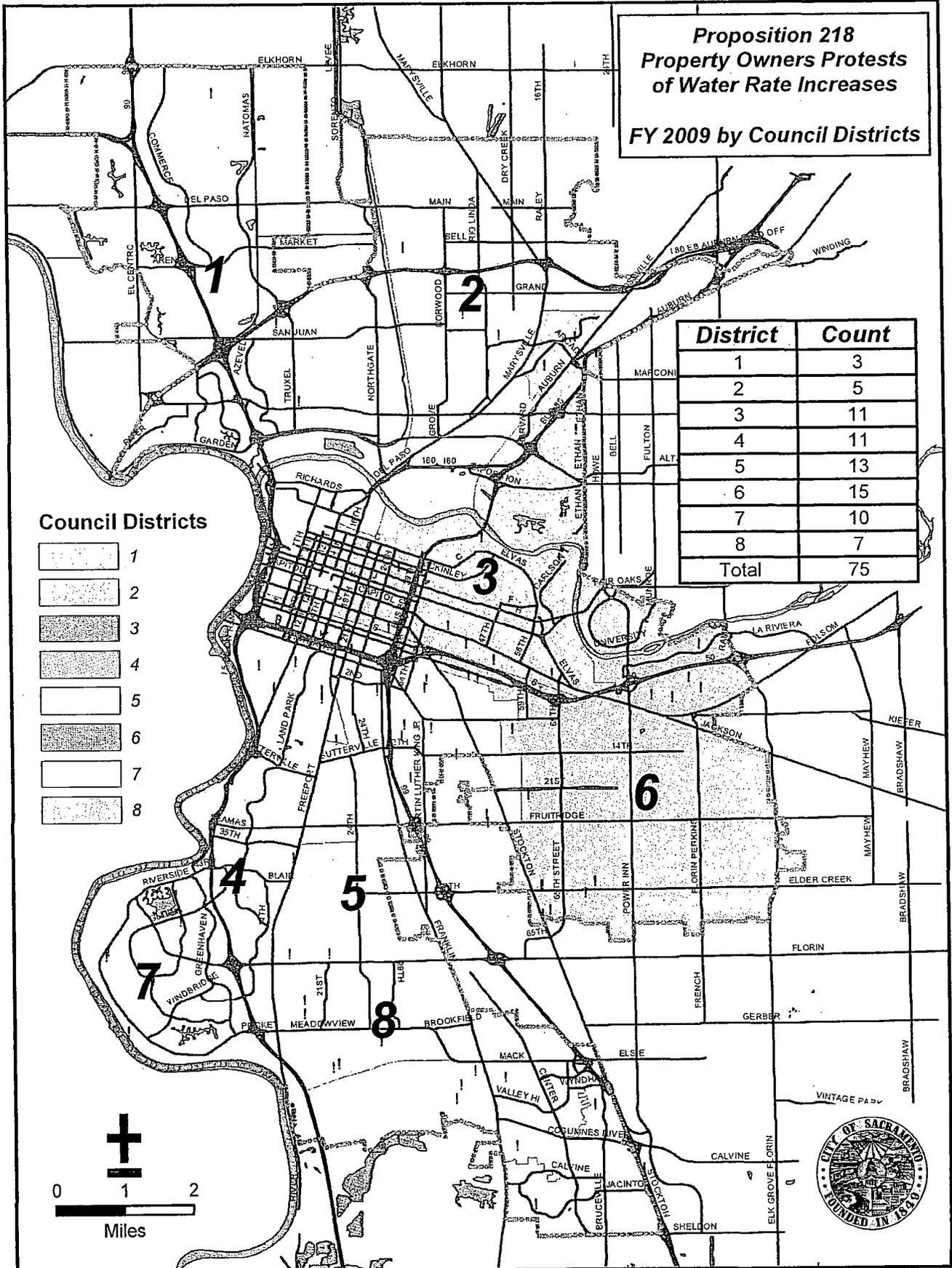
The Department is now proposing an increase of 4.5% to the City's water service rates and a restructuring of the City's rate for metered service. The proposed rate increase will be used to help cover increased costs for fuel, utilities, labor, and debt service that are incurred by the City to provide water service as well as the costs of the State mandated water meter implementation program. The restructured metered rate schedule is being proposed to provide a more accurate and equitable allocation of costs incurred by the City to provide metered water service. The restructured metered rate will replace the current metered rate schedule that applies to the city's residential and commercial customers. The restructured metered rate will apply only to customers that currently pay metered rates, as well as customers who transition to a metered rate as required by State law. State law requires that all customers with a meter be charged a metered water rate beginning in January 2010. The law also allows for one year of comparative billing before metered billing begins to provide customers with experience in volume-based water service charges. Adoption of the restructured metered water service rates by January 2009 will provide metered customers currently paying a flat rate with a year of comparative

billing on the new metered rate prior to the commencement of metered billing in January 2010.

This notice shows the proposed water service rate increase and the restructured metered rate schedule for a typical single-family customer. The proposed water rates and restructured metered water rates for all customer categories may be viewed on the City's website at www.cityofsacramento.org and are on file with the City Clerk. The exact amount proposed to be charged for water service to your parcel may also be obtained by calling **Customer Service at (916) 808-5454**.

The Sacramento City Council will consider the proposed water rate and metered rate restructure changes at two Public Hearings to be held on **Tuesday, December 2, 2008 at 2 p.m. at the City Hall Council Chamber located at 915 "I" Street, Sacramento.** You may attend the hearing to support or protest the proposed changes.

Under Proposition 218, if you are the owner of record or the tenant of a parcel subject to these proposed water rate changes, you may submit a protest against the proposed rate change(s) by filing a **written protest** with the City Clerk at or before the time set for the public hearing. Only one protest per parcel will be counted. A written protest must identify the parcel number(s) and the address(es) of the affected parcel(s). If written protests are filed for a majority of the affected parcels, the proposed rate changes will not be imposed. Protests regarding the proposed rate change(s) may be delivered personally or mailed to: **City of Sacramento, City Clerk, 915 "I" Street, First Floor, Sacramento, CA 95814**



ATTACHMENT 4

Water Service Fees and Charges

The Fee and Charge Report of the City of Sacramento is hereby amended to include the following water service, connection, special services, and development fees and charges effective January 1, 2009.

	<u>Rate</u>	
I. WATER USE RATES, MONTHLY DOMESTIC		
Single-family residence:		
1-3 rooms	48.36	19.19
4-5 rooms	23.89	24.97
6-9 rooms	25.97	27.14
10-15 rooms	30.02	31.37
Over 15, each additional room	2.40	2.19
Multiple-family residences		
(for each family dwelling unit in a multiple family residence)		
1-3 rooms	14.08	14.71
4-5 rooms	18.03	18.84
6-7 rooms	22.00	22.99
8-9 rooms	25.97	27.14
10-15 rooms	30.02	31.37
Over 15, each additional room	2.40	2.19
Lot Irrigation, per Water Service Tap	36.57	38.22
II. WATER USE RATES, MONTHLY COMMERCIAL		
Bakery, first 1,000 sq. ft. of gross floor area or fraction thereof	50.99	53.28
Each additional 1,000 sq. ft. or fraction thereof	33.94	35.44
Barber Shop or Beauty Parlor, first 1,000 sq. ft. of gross floor area or fraction thereof	25.50	26.65
Each additional 1,000 sq. ft. or fraction thereof	16.45	17.19
Bowling Alley, first 1,000 sq. ft. of gross floor area or fraction thereof	25.50	26.65
Each additional 1,000 sq. ft. or fraction thereof	16.45	17.19
Cemetery, for the irrigation season, first 1,000 sq. ft. or fraction thereof	46.80	48.91
Each additional 1,000 sq. ft. or fraction thereof	3.73	3.90
Dining Facilities (including restaurant, cafeteria, cafe, bar)		
first 1,000 sq. ft. of gross floor area or fraction thereof	50.82	53.11
Each additional 1,000 sq. ft. or fraction thereof	33.50	35.01
Drug Store, first 1,000 sq. ft. of gross floor area or fraction thereof	23.49	24.55
Each additional 1,000 sq. ft. or fraction thereof	10.46	10.93
Fire Hydrant Service Charge		
Wharf Hydrant	9.88	10.32
Standard Hydrant	24.42	25.52

	<u>Rate</u>	
II. WATER USE RATES, MONTHLY COMMERCIAL (cont'd)		
Furniture Store, first 1,000 sq. ft. of gross floor area or fraction thereof	23.49	24.55
Each additional 1,000 sq. ft. or fraction thereof	2.58	2.70
Garage, first 1,000 sq. ft. of gross floor area or fraction thereof	23.49	24.55
Each additional 1,000 sq. ft. or fraction thereof	2.58	2.70
Halls (including lodge and auditorium), first 1,000 sq. ft. of gross floor area or fraction thereof	23.49	24.55
Each additional 1,000 sq. ft. or fraction thereof	10.46	10.93
Hotel, Rest or Convalescent Homes, first 10 sleeping rooms or fraction thereof	46.80	48.91
Over 10 sleeping rooms, each additional sleeping room	3.73	3.90
Laundry, first 1,000 sq. ft. of gross floor area or fraction thereof	101.56	106.13
Each additional 1,000 sq. ft. or fraction thereof	64.58	67.49
Market, first 1,000 sq. ft. of gross floor area or fraction thereof	25.50	26.65
Each additional 1,000 sq. ft. or fraction thereof	16.45	17.19
Mortuary, first 1,000 sq. ft. of gross floor area or fraction thereof	23.49	24.55
Each additional 1,000 sq. ft. or fraction thereof	10.46	10.93
Motel, first 10 sleeping rooms or fraction thereof	46.80	48.91
Each additional sleeping room over 10	3.73	3.90
Office Building, first 1,000 sq. ft. of gross floor area or fraction thereof	23.49	24.55
Each additional 1,000 sq. ft. or fraction thereof	7.96	8.32
Park (not municipal), for irrigation season, first 1,000 sq. ft. or fraction thereof	46.80	48.91
Each additional 1,000 sq. ft. or fraction thereof	3.73	3.90
Religious Worship, including the building used exclusively for religious worship and any other building used for religious activities, first 1,000 sq. ft. of gross floor area or fraction thereof	23.49	24.55
Each additional 1,000 sq. ft. or fraction thereof	4.33	4.52
School, first 100 pupils or fraction thereof	45.44	47.17
Each additional 100 pupils or fraction thereof	35.46	36.74
Service Station (no wash racks) and Used Car Lots:		
tap size to City main: 3/4"	25.50	26.65
1"	33.50	35.01
1 1/2"	54.73	57.19
2"	93.57	97.78
Store, first 1,000 sq. ft. of gross floor area or fraction thereof	23.49	24.55
Each additional 1,000 sq. ft. or fraction thereof	10.46	10.93

	<u>Rate</u>	
II. WATER USE RATES, MONTHLY COMMERCIAL (cont'd)		
Theater, first 1,000 sq. ft. of gross floor area or fraction thereof	25.60	26.75
Each additional 1,000 sq. ft. or fraction thereof	16.45	17.19
Warehouse, first 1,000 sq. ft. of gross floor area or fraction thereof	23.49	24.55
Each additional 1,000 sq. ft. or fraction thereof	2.58	2.70
Minimum Rate: In no case shall a commercial flat-rate be less than:	23.49	24.55
III. SPECIAL WATER USE RATES, MONTHLY		
Air Conditioning System:		
Monthly demand charge (system without water conservation devices) per ton of capacity for each month of the air conditioning season of 5 months.	15.60	16.30
For systems on flat-rate service the following charge will apply for each month during the air conditioning season, per ton of system capacity		
With Water Conservation Device	3.59	3.75
Without Water Conservation Device	54.81	57.28
Evaporative coolers (commercial establishments) - for units on flat rate service the following charges will apply for each month during the air conditioning season, per 1,000 cubic feet per minute unit capacity.		
With Water Conservation Device	2.07	2.16
Without Water Conservation Device	5.62	5.87
Refrigeration Systems:		
For systems on flat-rate service, the following charges will apply for each month during the year, per compressor horsepower.		
With Water Conservation Device	3.80	3.97
Without Water Conservation Device	35.85	37.46
Dining Facility, (including restaurant, cafeteria, cafe, kitchen, bar) each 1,000 sq. ft. of gross floor area or fraction thereof	27.50	28.74
Gymnasium, each shower head	12.42	12.98
Hydraulically-operated elevator		
With Water Conservation Device	19.62	20.50
Without Water Conservation Device	109.09	114.00
Irrigation: Supplemental (Commercial)		
0 - 10,000 sq. ft. (net irrigable area)	0.00	0.00
over 10,000 sq. ft. (net irrigable area), each additional 1,000 sq. ft.	3.73	3.90
Irrigation: Supplemental (Domestic)		
0 - 13,000 sq. ft. (gross lot area)	0.00	0.00
over 13,000 sq. ft. (gross lot area), each additional 1,000 sq. ft.	3.73	3.90

			<u>Rate</u>	
III. SPECIAL WATER USE RATES, MONTHLY (Cont)				
Private Fire Protection	Tap size to City main:	0 - 2"	45.60	16.30
		3"	23.49	24.55
		4"	31.18	32.58
		6"	46.80	48.91
		8"	62.41	65.22
		10"	78.00	81.51
		12"	93.57	97.78
Swimming Pool, non-residential (where pool is not principal function of said establishment)				
	Under 300 cu. ft. fill & draw, per 100 cu. ft.		0.00	0.00
	Over 300 cu. ft. fill & draw, per 100 cu. ft.		4.80	5.02
	Under 300 cu. ft. per 100 cu. ft., filtered		0.00	0.00
	Over 300 cu. ft. per 100 cu. ft., filtered		0.9456	0.9568

IV. MONTHLY METERED WATER USE, PER 100 CUBIC FEET

A.	For irrigation of landscaping on parks and medians which are owned and operated by the City of Sacramento and are open to the general public, provided that a turf audit is submitted to the Department of Utilities once every three (3) years, or at such time sooner as may be required by any individual user's case by the Department of Utilities:	Per 100 cubic feet:	0.1150	0.1202
B.	For all other metered water services:	Per 100 cubic feet:	0.5600	0.5852

For metered service, monthly basic service charges, regardless of water usage, as follows:

<u>Metered Size</u>		
5/8" x 3/4"	14.19	14.83
3/4"	14.19	14.83
1"	14.19	14.83
1 1/2"	26.77	27.97
2"	41.86	43.74
3"	77.08	80.55
4"	127.39	133.12
6"	253.16	264.55
8"	404.09	422.27
10"	580.18	606.29
12"	1,083.28	1,132.03

V. INSTALLATION CHARGES - WATER TAP WATER TAP AND SERVICE CONNECTION FEES

<u>Nom. Dia</u>	<u>Rate</u>		<u>Rate</u>	
	<u>Streets/Alleys</u>		<u>Easements</u>	
1"	2,309	3,205	1,293	1,881
1 1/2"	2,449	3,490	1,433	2,166
2"	2,586	3,762	1,569	2,438
4"	4,624	5,949	2,432	3,088
6"	4,769	6,188	2,580	3,327
8"	5,076	6,507	2,887	3,646
10"	7,893	10,203	4,355	6,026
12"	8,372	10,971	4,834	6,794
12" (tie-in)	8,287 Full Cost Recovery		5,249 Full Cost Recovery	

INSTALLATION CHARGES - METERS WATER METER INSTALLATION FEES

Size	Rate		Rate	
	Charge for Meter Only		Charge for Meter and installation by City	
1"	n/a		385 (without yoke, box or fittings)	
1"	n/a		462	679
1½"	n/a		560	678
2"	n/a		617	741
3"	1,236	1,594	1,615	2,099
4"	1,957	2,495	2,336	3,000
6"	2,728	3,384	3,395	4,262
8"	3,749	4,978	4,416	5,856
10"	2,857	5,038	3,524	5,916
12"	3,547	7,189	4,184	8,068

		Rate	
VI. WATER SERVICE FEES			
	Restoration of service following discontinuance	140.00	181.00
	Discontinuance and Restoration of Service		
	Vacancy credit service fee	115.00	181.00
	Vacancy (Discontinuance and Restoration of Service)		
VII. WATER MAIN CONSTRUCTION CHARGE	Full Cost Recovery		
VIII. REPLACEMENT OF LOST OR DAMAGED WATER LOCK BOX			
	Water lock box removed	75.00	95.00
	Water lock box removed and chain cut or lock missing	95.00	115.00
	Water lock box, chain, and lock missing	173.00	214.00
IX. FIRE HYDRANT INSTALLATION AND USE FEES			
A. Limited Periodic Use - Service Charge			
	1 - 10 days	35.00	37.00
	11 - 30 days	92.00	98.00
	31 - 60 days	178.00	189.00
B. Water Truck Use - Annual Fee			
	Truck Capacity -		
	1,000 gallons or less	173.00	183.00
	2,000 gallons	351.00	372.00
	3,000 gallons or more	535.00	567.00
C. Installation			
	Standard Complete	7,002.00	8,040.00
	Relocation		Full Cost Recovery
D. Damage to fire hydrant:	Full Cost Recovery		
E. Backflow Prevention Assemblies			
	Security Deposit		
	2" (Backflow device only)	360.00	
	4" (Backflow device and meter)	3,600.00	
	Installation / Testing		
	2"	165.00	211.00
	4"	562.00	725.00

	<u>Rate</u>	
X. WATER SUPPLY FOR FIRE PROTECTION		
Engineering Analysis	90.00	113.00
Field Test	493.00	640.00
XI. WATER SERVICE ABANDONMENT		
1" - 3" Taps	901.00	1,085.00
4" - 12" Taps	1,666.00	2,112.00
XII. TEMPORARY WATER SERVICE FEE (new residential construction)		
Per Lot	53.55	55.96

XIII. WATER SYSTEM DEVELOPMENT FEES		<u>Rate</u>
(Pursuant to Sacramento City Code section 13.04.820 (C), fees were effective July 1, 2008)		
Water Service or Meter Size, Inches:		
	3/4"	1,299.36
	1"	2,338.03
	1-1/4"	3,446.69
	1-1/2"	4,528.98
	2"	9,373.42
	3"	26,348.24
	4"	58,449.75
	6"	103,822.76
	8"	129,035.96
	10"	476,101.14

Attachment 5

RESOLUTION NO.

Adopted by the Sacramento City Council

**AMENDMENT TO THE CITY OF SACRAMENTO FEE AND CHARGE REPORT
FOR WATER SERVICE RATES, FEES AND CHARGES, AND TO THE FY2008/09
UTILITIES' OPERATING BUDGET**

BACKGROUND:

- A. Articles XIIC and XIID of the California Constitution (Proposition 218) establish various procedures for the approval of local taxes, assessments and property-related service fees.
- B. For the imposition or increase of water service rates that are "property-related fees" within the meaning of Proposition 218, Proposition 218 requires that a notice describing the proposed fee or fee increase and establishing a date, time and location of a public hearing on the proposed fee or fee increase, be mailed to the record owner of each parcel subject to the proposed fee or fee increase.
- C. At such hearing (held not less than 45 days after the notice is mailed), Proposition 218 requires the agency proposing such fee or fee increase to consider all protests filed against the proposed fee or fee increase, and prohibits the agency from approving the proposed fee or fee increase if written protests against the proposed fee or fee increase are presented by a majority of the owners or tenants of the affected parcels.
- D. On October 16, 2008, the City mailed a notice to all owners of property subject to the City's water service rates, which notice: (i) described a proposed increase in the City's water service rates; (ii) stated that the proposed rate increase would be considered for adoption by the City Council at a public hearing to be held on December 2, 2008 at 2 pm, in the City Hall Council Chamber; and (iii) provided notice that an owner or tenant had the right to file a written protest against the proposed rate increase with the City Clerk at or before the time set for public hearing.
- E. On December 2, 2008, the City Council held such public hearing, and considered all protests against the proposed rate increase as well as all testimony and other information presented by City staff and members of the public.
- F. Based on the testimony and other information presented to it, the City Council found that as of the date and time of the public hearing, the number of written protests received by the City Clerk against the proposed increase in the City's water service rates was less than a

majority of the record owners of the parcels that will be subject to the proposed increased rates.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

1. The City of Sacramento Fee and Charge Report is hereby amended to include the water service rates shown in Sections I through IV, and Section XII, of the fee and charge schedule attached hereto as Exhibit A, to take effect on January 1, 2009.
2. The City of Sacramento Fee and Charge Report is hereby amended to include the fees and charges shown in Sections V through XI, and Section XIII, of the fee and charge schedule attached hereto as Exhibit A, to take effect on January 1, 2009.
3. Based on the information presented to it and upon all information in the public record, and in compliance with Public Resources Code Section 21080(b)(8), the City Council finds that the increased rates, fees and charges are for the purpose of:
 - a. Providing funds to meet operating expenses, including employee wage rates and fringe benefits.
 - b. Permitting the generation of necessary cash flow to finance maintenance of the City's water service system and meeting financial reserve needs and requirements.
 - c. Funding the purchase or lease of necessary supplies and equipment for the system.
 - d. Providing funds for capital projects necessary to provide and maintain service by the system.
4. The amendment to the FY2008/09 Utilities' Operating Budget increasing the Water Revenue Fund (Fund 6005) by \$1,395,072 is hereby approved.
5. The City Manager is directed to include the amendment to the Water Revenue Fund (Fund 6005) approved in the FY2008/09 Approved Budget.

Table of Contents:

Exhibit A: Water Service Fees and Charges

EXHIBIT A

Water Service Fees and Charges

The Fee and Charge Report of the City of Sacramento is hereby amended to include the following water service, connection, special services, and development fees and charges effective January 1, 2009.

	<u>Rate</u>
I. WATER USE RATES, MONTHLY DOMESTIC	
Single-family residence:	
1-3 rooms	19.19
4-5 rooms	24.97
6-9 rooms	27.14
10-15 rooms	31.37
Over 15, each additional room	2.19
Multiple-family residences	
(for each family dwelling unit in a multiple family residence)	
1-3 rooms	14.71
4-5 rooms	18.84
6-7 rooms	22.99
8-9 rooms	27.14
10-15 rooms	31.37
Over 15, each additional room	2.19
Lot Irrigation, per Water Service Tap	38.22
II. WATER USE RATES, MONTHLY COMMERCIAL	
Bakery, first 1,000 sq. ft. of gross floor area or fraction thereof	53.28
Each additional 1,000 sq. ft. or fraction thereof	35.44
Barber Shop or Beauty Parlor, first 1,000 sq. ft. of gross floor area or fraction thereof	26.65
Each additional 1,000 sq. ft. or fraction thereof	17.19
Bowling Alley, first 1,000 sq. ft. of gross floor area or fraction thereof	26.65
Each additional 1,000 sq. ft. or fraction thereof	17.19
Cemetery, for the irrigation season, first 1,000 sq. ft. or fraction thereof	48.91
Each additional 1,000 sq. ft. or fraction thereof	3.90
Dining Facilities (including restaurant, cafeteria, cafe, bar)	
first 1,000 sq. ft. of gross floor area or fraction thereof	53.11
Each additional 1,000 sq. ft. or fraction thereof	35.01
Drug Store, first 1,000 sq. ft. of gross floor area or fraction thereof	24.55
Each additional 1,000 sq. ft. or fraction thereof	10.93
Fire Hydrant Service Charge	
Wharf Hydrant	10.32
Standard Hydrant	25.52

	<u>Rate</u>
II. WATER USE RATES, MONTHLY COMMERCIAL (cont'd)	
Furniture Store, first 1,000 sq. ft. of gross floor area or fraction thereof	24.55
Each additional 1,000 sq. ft. or fraction thereof	2.70
Garage, first 1,000 sq. ft. of gross floor area or fraction thereof	24.55
Each additional 1,000 sq. ft. or fraction thereof	2.70
Halls (including lodge and auditorium), first 1,000 sq. ft. of gross floor area or fraction thereof	24.55
Each additional 1,000 sq. ft. or fraction thereof	10.93
Hotel, Rest or Convalescent Homes, first 10 sleeping rooms or fraction thereof	48.91
Over 10 sleeping rooms, each additional sleeping room	3.90
Laundry, first 1,000 sq. ft. of gross floor area or fraction thereof	106.13
Each additional 1,000 sq. ft. or fraction thereof	67.49
Market, first 1,000 sq. ft. of gross floor area or fraction thereof	26.65
Each additional 1,000 sq. ft. or fraction thereof	17.19
Mortuary, first 1,000 sq. ft. of gross floor area or fraction thereof	24.55
Each additional 1,000 sq. ft. or fraction thereof	10.93
Motel, first 10 sleeping rooms or fraction thereof	48.91
Each additional sleeping room over 10	3.90
Office Building, first 1,000 sq. ft. of gross floor area or fraction thereof	24.55
Each additional 1,000 sq. ft. or fraction thereof	8.32
Park (not municipal), for irrigation season, first 1,000 sq. ft. or fraction thereof	48.91
Each additional 1,000 sq. ft. or fraction thereof	3.90
Religious Worship, including the building used exclusively for religious worship and any other building used for religious activities, first 1,000 sq. ft. of gross floor area or fraction thereof	24.55
Each additional 1,000 sq. ft. or fraction thereof	4.52
School, first 100 pupils or fraction thereof	47.17
Each additional 100 pupils or fraction thereof	36.74
Service Station (no wash racks) and Used Car Lots:	
tap size to City main: 3/4"	26.65
1"	35.01
1 1/2"	57.19
2"	97.78
Store, first 1,000 sq. ft. of gross floor area or fraction thereof	24.55
Each additional 1,000 sq. ft. or fraction thereof	10.93

	<u>Rate</u>
II. WATER USE RATES, MONTHLY COMMERCIAL (cont'd)	
Theater, first 1,000 sq. ft. of gross floor area or fraction thereof	26.75
Each additional 1,000 sq. ft. or fraction thereof	17.19
Warehouse, first 1,000 sq. ft. of gross floor area or fraction thereof	24.55
Each additional 1,000 sq. ft. or fraction thereof	2.70
Minimum Rate: In no case shall a commercial flat-rate be less than:	24.55
III. SPECIAL WATER USE RATES, MONTHLY	
Air Conditioning System:	
Monthly demand charge (system without water conservation devices) per ton of capacity for each month of the air conditioning season of 5 months.	16.30
For systems on flat-rate service the following charge will apply for each month during the air conditioning season, per ton of system capacity	
With Water Conservation Device	3.75
Without Water Conservation Device	57.28
Evaporative coolers (commercial establishments) - for units on flat rate service the following charges will apply for each month during the air conditioning season, per 1,000 cubic feet per minute unit capacity.	
With Water Conservation Device	2.16
Without Water Conservation Device	5.87
Refrigeration Systems:	
For systems on flat-rate service, the following charges will apply for each month during the year, per compressor horsepower.	
With Water Conservation Device	3.97
Without Water Conservation Device	37.46
Dining Facility, (including restaurant, cafeteria, cafe, kitchen, bar) each 1,000 sq. ft. of gross floor area or fraction thereof	28.74
Gymnasium, each shower head	12.98
Hydraulically-operated elevator	
With Water Conservation Device	20.50
Without Water Conservation Device	114.00
Irrigation: Supplemental (Commercial)	
0 - 10,000 sq. ft. (net irrigable area)	0.00
over 10,000 sq. ft. (net irrigable area), each additional 1,000 sq. ft.	3.90
Irrigation: Supplemental (Domestic)	
0 - 13,000 sq. ft. (gross lot area)	0.00
over 13,000 sq. ft. (gross lot area), each additional 1,000 sq. ft.	3.90

			<u>Rate</u>
III. SPECIAL WATER USE RATES, MONTHLY (Cont)			
Private Fire Protection	Tap size to City main:	0 - 2"	16.30
		3"	24.55
		4"	32.58
		6"	48.91
		8"	65.22
		10"	81.51
		12"	97.78
Swimming Pool, non-residential (where pool is not principal function of said establishment)			
		Under 300 cu. ft. fill & draw, per 100 cu. ft.	0.00
		Over 300 cu. ft. fill & draw, per 100 cu. ft.	5.02
		Under 300 cu. ft. per 100 cu. ft., filtered	0.00
		Over 300 cu. ft. per 100 cu. ft., filtered	0.9568

IV. MONTHLY METERED WATER USE, PER 100 CUBIC FEET

A.	For irrigation of landscaping on parks and medians which are owned and operated by the City of Sacramento and are open to the general public, provided that a turf audit is submitted to the Department of Utilities once every three (3) years, or at such time sooner as may be required by any individual user's case by the Department of Utilities:	Per 100 cubic feet:	0.1202
B.	For all other metered water services:	Per 100 cubic feet:	0.5852

For metered service, monthly basic service charges, regardless of water usage, as follows:

<u>Metered Size</u>	
5/8" x 3/4"	14.83
3/4"	14.83
1"	14.83
1½"	27.97
2"	43.74
3"	80.55
4"	133.12
6"	264.55
8"	422.27
10"	606.29
12"	1,132.03

V. WATER TAP AND SERVICE CONNECTION FEES

		<u>Rate</u>
<u>Nom. Dia</u>	<u>Streets/Alleys</u>	<u>Easements</u>
1"	3,205	1,881
1½"	3,490	2,166
2"	3,762	2,438
4"	5,949	3,088
6"	6,188	3,327
8"	6,507	3,646
10"	10,203	6,026
12"	10,971	6,794
12" (tie-in)	Full Cost Recovery	Full Cost Recovery

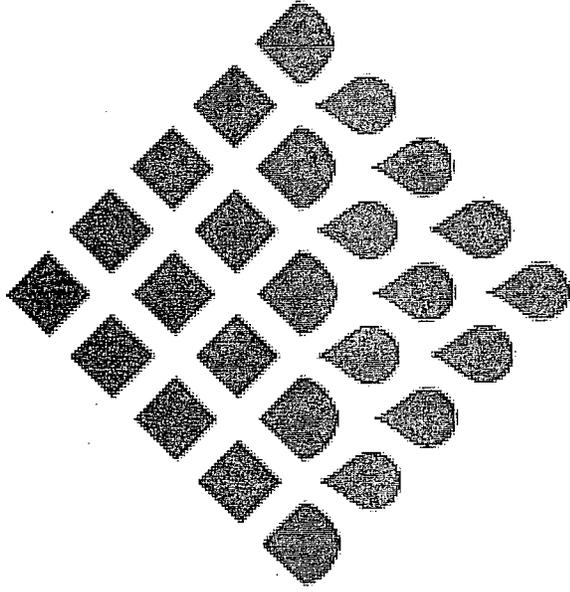
WATER METER INSTALLATION FEES

<u>Size</u>	<u>Charge for Meter Only</u>	<u>Rate</u>	<u>Charge for Meter and installation by City</u>
1"	n/a		385 (without yoke, box or fittings)
1"	n/a		679
1½"	n/a		678
2"	n/a		741
3"	1,594		2,099
4"	2,495		3,000
6"	3,384		4,262
8"	4,978		5,856
10"	5,038		5,916
12"	7,189		8,068

		<u>Rate</u>
VI. WATER SERVICE FEES		
	Discontinuance and Restoration of Service	181.00
	Vacancy (Discontinuance and Restoration of Service)	181.00
VII. WATER MAIN CONSTRUCTION CHARGE	Full Cost Recovery	
VIII. REPLACEMENT OF LOST OR DAMAGED WATER LOCK BOX		
	Water lock box removed	95.00
	Water lock box removed and chain cut or lock missing	115.00
	Water lock box, chain, and lock missing	214.00
IX. FIRE HYDRANT INSTALLATION AND USE FEES		
A. Limited Periodic Use - Service Charge		
	1 - 10 days	37.00
	11 - 30 days	98.00
	31 - 60 days	189.00
B. Water Truck Use - Annual Fee		
	Truck Capacity -	
	1,000 gallons or less	183.00
	2,000 gallons	372.00
	3,000 gallons or more	567.00
C. Installation		
	Standard Complete	8,040.00
	Relocation	Full Cost Recovery
D. Damage to fire hydrant:	Full Cost Recovery	
E. Backflow Prevention Assemblies		
	Security Deposit	
	2" (Backflow device only)	360.00
	4" (Backflow device and meter)	3,600.00
	Installation / Testing	
	2"	211.00
	4"	725.00

	<u>Rate</u>
X. WATER SUPPLY FOR FIRE PROTECTION	
Engineering Analysis	113.00
Field Test	640.00
XI. WATER SERVICE ABANDONMENT	
1" - 3" Taps	1,085.00
4" - 12" Taps	2,112.00
XII. TEMPORARY WATER SERVICE FEE (new residential construction)	
Per Lot	55.96

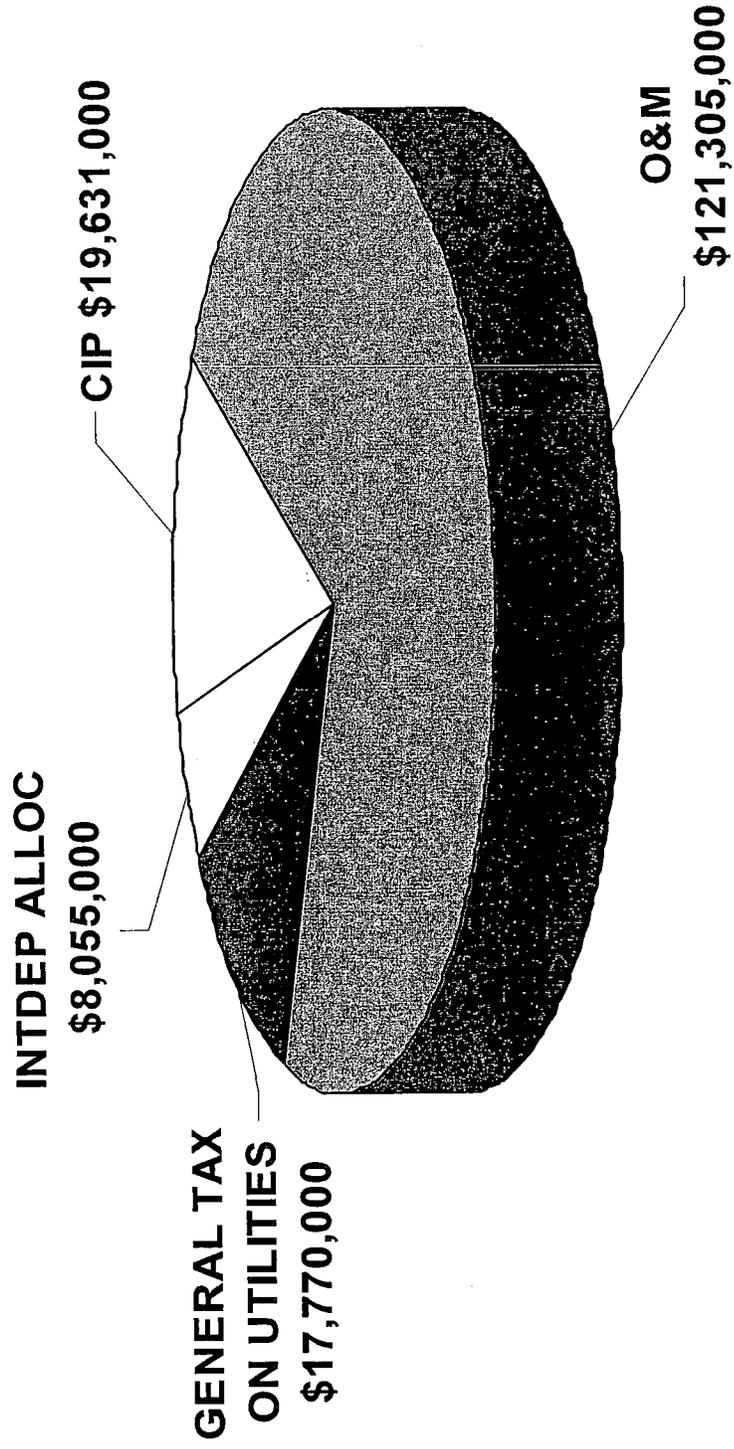
XIII. WATER SYSTEM DEVELOPMENT FEES		<u>Rate</u>
(Pursuant to Sacramento City Code section 13.04.820 (C), fees were effective July 1, 2008)		
Water Service or Meter Size, Inches:		
3/4"		1,299.36
1"		2,338.03
1-1/4"		3,446.69
1-1/2"		4,528.98
2"		9,373.42
3"		26,348.24
4"		58,449.75
6"		103,822.76
8"		129,035.96
10"		476,101.14



CITY OF SACRAMENTO
**DEPARTMENT
OF UTILITIES**

Proposed FY 2008/09 Adjustments for Water Fees and Charges

DEPARTMENT OF UTILITIES APPROVED FY08/09 BUDGET



TOTAL BUDGET \$166,760,615

Department of Utilities

WATER SERVICE GOALS

Provide High Quality & Reliable Drinking Water

Preserve City of Sacramento Water Rights

Promote Water Conservation

Comply with Regulatory Requirements

Implement Long-Range Financial Plan

Deliver Exceptional Customer Service

Recruit, Retain and Develop Employees

Projected Cost Increases

WATER FUND	% Increase
Major Cost Drivers (labor, fuel, electricity, chemicals) and inflation for Services & Supplies	5.73%
Other Costs Debt Service SMUD Back-bill Emissions Standards	2.25% ✓ ✓ ✓
Projected Increase	7.98%

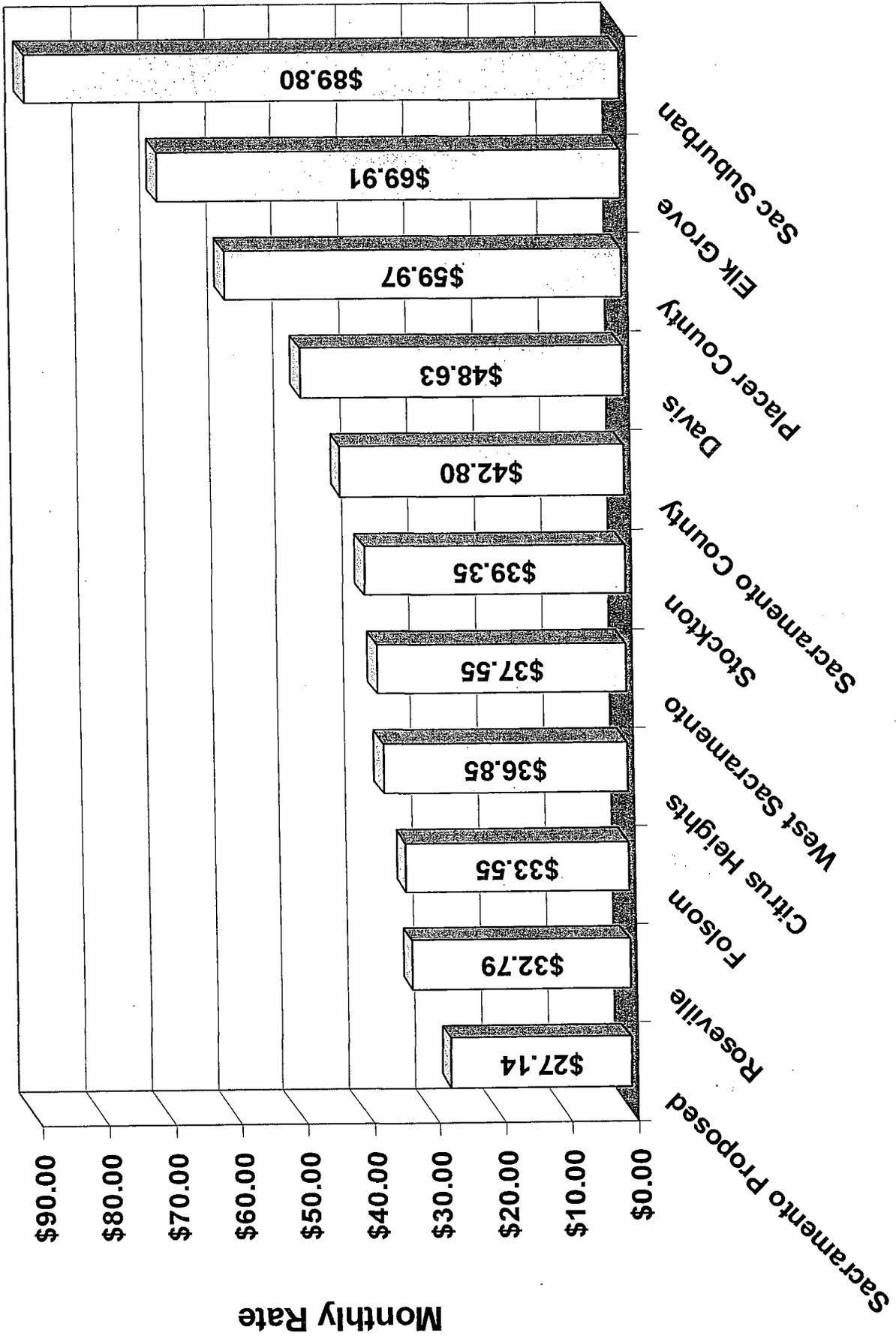
Proposed Rate Increase

WATER FUND	% Increase
Water Operation/CIP Cost Increase	7.98%
Offsets (Wholesale Revenue, Efficiencies, One-Time Reserves, Defer CIPs, Furloughs, Vacancies)	-6.48%
Water Operation/CIP Increase	1.50%
Mandatory Meter Program Increase	3.00%
Total Proposed Increase	4.50%

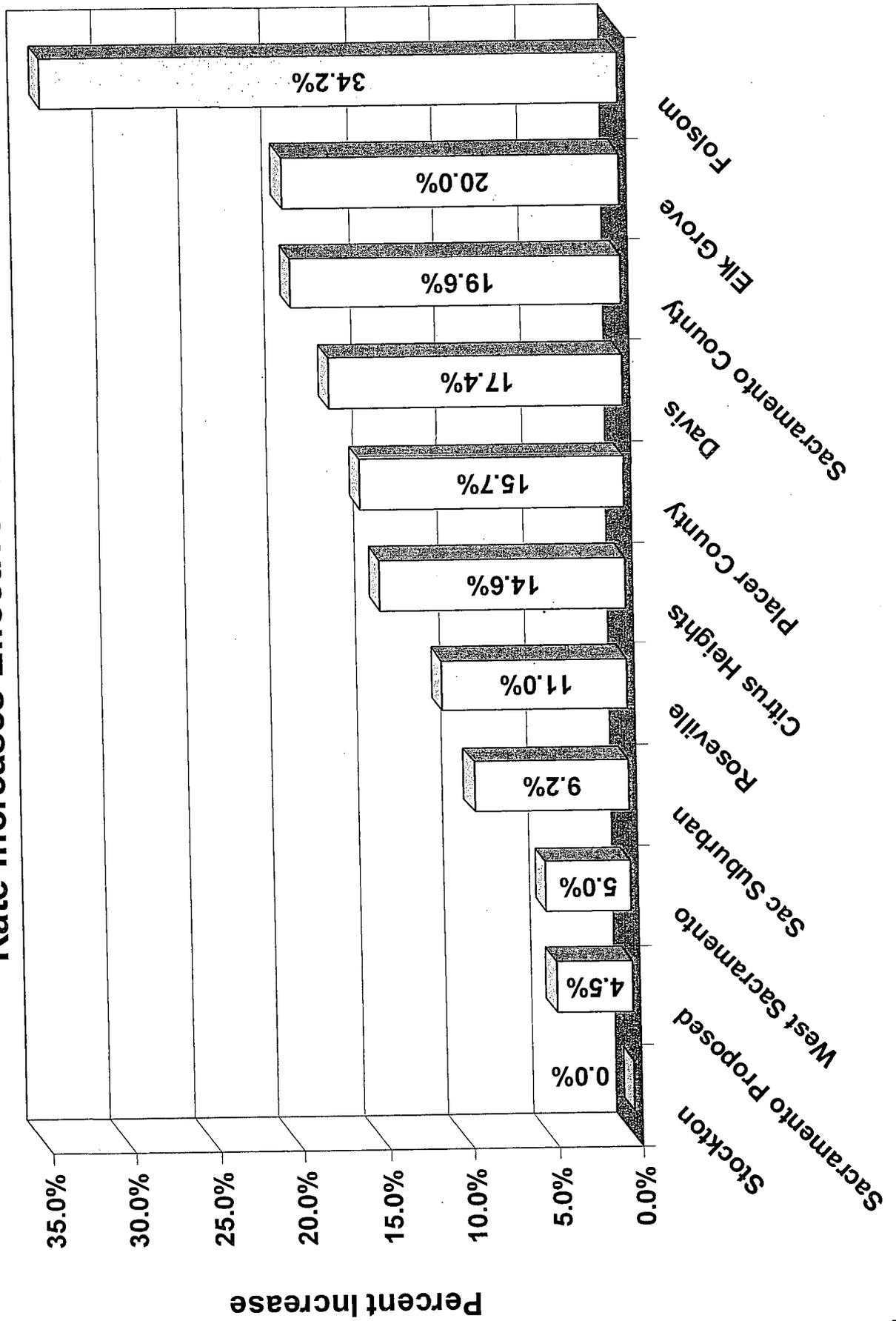
**Proposed FY2008/09
(effective January 1, 2009)
Average Residential Bill**

	Current FY08 Charge	Proposed FY09 Charge	Total Change	Percent Change
WATER	\$25.97	\$27.14	\$1.17	4.5%

Water Rate Comparison



Comparison of Water Rate Increase Rate Increases Effective 1/1/2008 or After



Unanticipated Cost Increase

ACCOUNT	FY 08/09 Budget	FY 08/09 Projected Year-end
Bad Debt*	\$220,000	\$2,158,519

WATER RATE	% Increase
Projected Increase for Bad Debt	3.75% (FY 2008/09) 7.5% (Jan. 1, 2009)

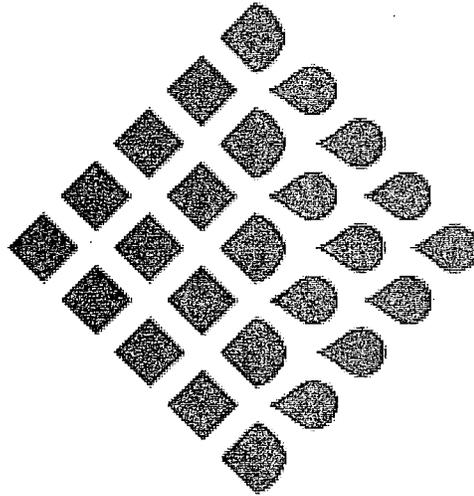
* Primarily driven by foreclosures & bankruptcies

Proposition 218 Notification

Proposition 218 Summary – Results as of 11/14/08	
Total Notices Mailed*	158,940
Written Protest Summary:	
- No Specific Comment	38 <1%
- Increase is Excessive or Unjustified	14 <1%
- Causes a Financial Hardship	23 <1%
- Quality/Level of Service Does Not Warrant Increase	3 <1%
Total Written Protests Received	78 <1%

*Undeliverable Notices 2,547

THANK YOU



**CITY OF SACRAMENTO
DEPARTMENT
OF UTILITIES**