City of Sacramento
City Council

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

Meeting Date: **2/21/2012** **Report Type:** Consent

Title: (Pass for Publication) Ordinance Amendment: City's Fee and Charge Report for Water and Wastewater Utility Service Rates

Report ID: 2012-00060

Location: Citywide

Recommendation: Review an Ordinance 1) amending the City's Fee and Charge Report to increase water and wastewater utility service rates for three years, consisting of an increase of 10% per year for three years for water rates, and an increase of 16%, 15% and 14%, respectively, for three years for wastewater rates; and 2) pass for publication the ordinance title as required by Sacramento City Charter § 32(c), to be submitted to the City Council for adoption on March 13, 2012.

Contact: Dave Brent, Interim Director, 808-1420; Jamille Moens, Business Services Manager, 808-5988 - Department of Utilities

Department: Department Of Utilities
Division: Department Administration
Dept ID: 14001011
Attachments:

1-Description/Analysis
2-Background
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6-Accountability Plan
7-Ordinance
8-Attachment 1-Location Map

City Attorney Review
Approved as to Form
Joe Robinson
2/13/2012 3:39:12 PM

City Treasurer Review
Reviewed for Impact on Cash and Debt
Russell Fehr
2/9/2012 3:39:20 PM

Approvals/Acknowledgements

Department Directoror Designee: Dave Brent -2/13/2012 1:08:09 PM

Eileen Teichert, City Attorney Shirley Concolino, City Clerk Russell Fehr, City Treasurer
John F. Shirey, City Manager

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Description/Analysis

Issue: On November 8, 2011, the City Council conceptually approved the Department of Utilities' (DOU) Water and Wastewater Program (Program). The Program includes a 30-year Water and Wastewater Infrastructure Investment Program and a 3-year rate proposal to begin to implement the Program. Following an extensive public process and a public hearing held by the Utilities Rate Advisory Commission (URAC) on January 25, 2012, DOU is now proposing that Council adopt an ordinance amending the City's Fee and Charge Report to increase water and wastewater (sewer) utility service rates for three years, with the increases to take effect on July 1, 2012, July 1, 2013, and July 1, 2014. The proposed 3-year rate increases are 10% per year for water, and 16%, 15% and 14% per year, respectively, for wastewater. The proposed rate increases for water and wastewater services are set forth in Exhibits A and B of the attached Ordinance.

The revenue generated from the proposed rate increases will fund needed infrastructure projects to ensure system reliability and sustainability as well as beginning to move toward meeting industry best practices for infrastructure replacement and maintenance. In addition, the rate increases will allow the City to invest in capital improvements and operational and maintenance practices necessary to maintain compliance with federal, state, and local regulatory mandates.

DOU is proposing a rate adjustment at this time for water and wastewater services only. The proposed wastewater rate increase would not apply to City residents who receive wastewater service from the Sacramento Area Sewer District (see Attachment 1).

Policy Considerations: Rate adjustments are being proposed to comply with existing and new regulatory requirements, rehabilitate critical utility assets, phase-in a more proactive schedule of replacing old pipes and other water and wastewater infrastructure, and maintain daily operations including water production and repair and maintenance of the water and wastewater systems.

In compliance with the Proposition 218 requirement to mail notice of a public hearing to increase utility rates not less than 45 days prior to the public hearing date, on December 8, 2011 DOU mailed notice of the proposed 3-year water and wastewater service rate increases, and the January 25, 2012 public hearing, to all property owners subject to the City's utility service rates. On January 25, 2012 the URAC held the public hearing on the proposed three-year water and wastewater utility service rate increases. On February 2, 2012 the URAC approved recommendations to Council which are described under Commission Action below.

The City Council, through its policy decisions and rate setting authority, ultimately determines the level of utility services to be provided and the rates necessary to generate revenue sufficient to provide those services. Investment in utility infrastructure and regulatory compliance at sustainable levels and delivering core water and wastewater services helps achieve the City's goals of improving and expanding public safety, achieving sustainability and livability, and supporting economic development throughout the City.

Environmental Considerations: The establishment and modification of utility service rates is exempt from the California Environmental Quality Act (CEQA) (Public Resources Code § 21080(b)(8)).

Sustainability: DOU's proposed water and wastewater utility service rate increases are consistent with the City's sustainability targets to:

- Protect the ecological integrity of the City's primary drinking water source
- Implement the Statewide Urban Water Conservation Council's water conservation best management practices
- Reduce sanitary sewer overflows

Commission/Committee Action: The City Council formed a URAC in 2008 to provide recommendations to the Mayor and City Council on the City's utility service rates. The URAC is also charged with holding the public hearing required by Proposition 218 when the City proposes to impose or increase utility rates.

On January 25, 2012, the URAC held the public hearing on the proposed three-year water and wastewater utility service rate increases. Under Proposition 218, utility service rates cannot be adopted or increased if, at the time of the public hearing, written protests are received from a majority of the owners or tenants of parcels receiving the service. At the time of the public hearing, 235 written protests were validated and reported to the URAC. The final validated number of protests is 240, representing less than 1% of the parcels that will be subject to the proposed rate increases. Attachments 2 and 3 detail the protests received by category and location.

On February 2, 2012, the URAC approved the following recommendations for increases to the City's water and wastewater utility service rates:

1. That the City Council adopt the proposed rate increases for water at 10% per year for three years, and for wastewater at 16% in FY2012/13, 15% in FY2013/14 and 14% in 2014/2015;

2. That prior to adoption of these rate increases, the City Council join the Commission and DOU in committing to the goal of making sure that the additional revenue generated by the water and wastewater rate increases proposed by DOU, and recommended to the Council by the Commission, that is intended to support capital replacement and improvement, be appropriated and spent for those purposes only;

3. That the City use the increased increment of revenue to the General Fund (provided through the General Fund Tax) that is generated by the increased rates to establish and operate a low-income rate assistance program to help offset the costs of these rate increases on low-income residents;

4. That DOU follow an accountability plan that has the Department: (1) reporting with an off-agenda written report to the URAC and the City Council on a semi-annual basis the status of obtaining and securing credit, bond issuance, any new revenue secured through grants or other funding sources, and capital improvement project status; and (2) reporting to the Commission at a public meeting on an annual basis with a summary of the past year so that the Commission can evaluate DOU's performance during that past year; and

5. That DOU be accountable to its ratepayers by providing information on its website pertaining to the Capital Improvement Budget approved by the City Council, the status of projects within that budget, and information pertaining to the specific projects, in addition to continuing DOU's practice of notifying customers in project areas through various means, including postcards, signage, mailings, and meetings.

Rationale for Recommendation: Recent audits of DOU recommended that the City adopt water and wastewater rate plans sufficient to fund infrastructure investment and build adequate reserves. The City Manager, in his City Manager Performance Goals, Strategies and Metrics presented to City Council on January 10, 2012, identified achieving financial stability and responsible capital replacement investment levels in the water and sewer utilities as one of his top goals.

Much of the City's water and wastewater infrastructure is very old. At current rates of infrastructure investment, the City will replace its entire water system every 400 years and its wastewater system every 650 years. According to utility industry best practices, water and wastewater systems should be replaced on average, every 70-100 years in order to sustain them in a condition that can reliably deliver service. In addition to the undergound pipes, two of the City's most critical assets, the water treatment plants, are in need of major repair and rehabilitation. Moreover, investment in capital improvements and operational and maintenance practices are necessary to maintain compliance with federal, state, and local regulatory mandates, notably the water meter program and Sewer System Management Plan.

Over the past year, DOU worked closely with the City Manager's Office, the City Treasurer's Office, and the community to develop an Infrastructure Program that addresses the challenges of replacing old pipes, rehabbing deteriorating water treatment plants, complying with ever increasing regulations and funding insufficient reserves in an affordable and accountable manner.

Financial Considerations: The rate proposal complies with the Proposition 218 mandate which allows utilities to only charge rates sufficient to recover the cost of providing utility services. DOU is proposing a rate adjustment at this time for water and wastewater services only. The proposed water and wastewater rate increases are as follows:

Fiscal Year Rate Increase	Water	Wastewater
• Year 1 (July 1, 2012-June 30, 2013):	10%	16%
• Year 2 (July 1, 2013-June 30, 2014):	10%	15%
• Year 3 (July 1, 2014-June 30, 2015):	10%	14%

This recommendation is consistent with the rate portion of the recommendations made by the URAC on February 2, 2012. In the first year, this will increase the overall monthly utility bill of a typical residential customer who receives both water and wastewater service from the City by approximately 19%. Over the course of the next three years, the average single-family residential customer who receives both City water and wastewater service would see their overall monthly City utility bill increase approximately $19.06 (equivalent to 64 cents per day).

As the regulatory compliance and infrastructure needs are significant and immediate, funding the water and wastewater program on a cash basis would cause dramatic rate spikes. Therefore, the proposed rate increases assume a mix of bond and cash financing that will allow the City to invest in its infrastructure and meet regulatory requirements while smoothing rate increases and avoiding rate spikes for utility customers. While issuing bonds will increase the long-term cost of financing the City's capital and regulatory programs, issuing bonds in the near term will mitigate the impact on water and wastewater rates and more equitably spread the benefits and costs of the infrastructure and regulatory investment to utility customers over a longer term. The long-term financing plan gradually builds up the cash funding portion and decreases the debt financing component to ultimately achieve a sustainable "pay-go" program. Details of the funding methodology and approach are found in the Background section of this report.

Emerging Small Business Development (ESBD): Not applicable.

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Background

On November 8, 2011, the City Council conceptually approved the Department of Utilities' Water and Wastewater Program (Program). The Program includes a 30-year Water and Wastewater Infrastructure Investment Program and a 3-year rate proposal to begin to implement the Program.

Water and Wastewater Program Overview

The Program is a long-term strategy of investing in the City's water and wastewater capital and regulatory programs at levels that reduce the risk of infrastructure failures, maintain reliable and high quality service, and comply with regulatory mandates. The Program includes the following components:

- A high-level 30-year Water and Wastewater Infrastructure Investment Program based on industry best practices for system replacement – given the long term nature of this strategy, it is DOU's intent to remain flexible and adjust the Program as needed to respond to future circumstances and conditions
- A specific 5-year Capital Improvement Program for FY2012/13 through FY2016/17
- A 3-year rate proposal
- Compliance with new and existing regulatory mandates
- Continuity of existing production and maintenance activities

Input from the community supports the objectives in the Program. DOU used surveys, community meetings, websites and social networking sites to inform the community about the City's capital and regulatory challenges and sought input on the fiscal strategy and rate setting priorities that should be considered.

Water and Wastewater Program Return on Investment and Economic Benefits

The proposed 3-year rate increases will generate enough revenue to begin to address infrastructure needs to ensure system reliability and sustainability as well as meet industry best practices for infrastructure replacement and maintenance. In addition to capital investments, the proposed rate increases will provide the revenue to invest in infrastructure, operations, and maintenance practices necessary to maintain compliance with federal, state, and local regulatory mandates. The proposed 3-year rate increases will fund, among others, the following capital and regulatory projects:

- Rehabilitation of the Sacramento River Water Treatment Plant built in 1923
- Increased investment in the residential water meter program to comply with state law and encourage water conservation

- Continued federally mandated investment in improvements to the City's Combined Sewer System to reduce discharges to the Sacramento River and minimize overflows from the system onto private property and city streets
- Compliance with state mandated sewer system management plan to reduce the occurrence of sanitary sewer overflows, including compliance with the provisions of a recent Consent Decree covering the City's separated sewer system
- Gradual transition to a 100-year replacement schedule for the City's water and wastewater infrastructure instead of the current 400 and 650-year schedules to improve system reliability and safety and minimize the risk of failures including:
  - *Water system:* replacement of approximately 2 miles of transmission main pipes and 9 miles of distribution pipes as well as the rehabilitation and repair of 6 north area wells
  - *Wastewater system:* rehabilitation and replacement of approximately 3 miles of pipes in the Separated System and replacement of approximately 1 mile in the Combined System as well as rehabilitation and replacement work at approximately 9 sump stations

More details on the capital program funded by the proposed rate increase are found in Attachment 4.

To ensure funds dedicated to the Program are spent appropriately and that DOU is accountable for those expenditures, DOU has developed a proposed Accountability Plan to regularly update our customers, the URAC and City Council in a transparent way through as many means as possible. As part of the proposed Accountability Plan, DOU will:

- Post the DOU capital improvement programming guide online
- Post approved capital improvement budget and list of projects on website
- Provide a project "one-sheet" for each approved CIP project and post the information online
- Notify customers adjacent to project areas about capital improvement work in their area and why the work is being completed (aging infrastructure, regulatory compliance, etc.)

- Provide semi-annual written reports to the URAC and City Council detailing DOU's progress obtaining and securing credit and financing, as well as project status
- Annually present a capital program progress report to the URAC detailing the status of the Program

Detail of the proposed Accountability Plan is found in Attachment 5.

Economic Impacts and Job Creation

DOU contracted with the California State University, Sacramento - College of Business Administration to determine the regional economic impact of the proposed DOU Program. Results of the study indicate that investing in the City's infrastructure at the levels proposed in the Program will act as a catalyst for new economic activity, create new jobs, add to the labor income of the region, produce net new indirect business taxes, and in general add to the gross domestic product of the City and the region. The study results found that the Program's total economic impact to the region (to include direct, indirect, and induced effects) over the first five years will:

- Produce $857.6 million of economic output
- Create 6,446 new employment full-time equivalent jobs
- Result in $321.6 million of new labor income
- Yield $568.2 million of new value added
- Generate $40.6 million in new indirect business taxes

Similarly, the Program's total economic impact to the region over the next thirty years could likely yield an even greater total economic impact measuring:

- $3.5 billion in total output
- 26,620 new employment of full-time equivalent jobs
- $1.3 billion in new labor income
- $2.3 billion in new value added
- Generate $167.8 million in new indirect business taxes

Regulatory Program Overview

Compliance with existing regulations and anticipated new requirements and mandates is a primary driver of the Program and a major component of the 3-year rate proposal, especially for the wastewater increases. The following information provides an overview of the major regulatory mandates funded in the Program:

Water
The primary regulatory mandate affecting the water fund is the state mandate to have water meters installed on all the City's residential connections by January 1, 2025. On September 24, 2004, Governor Arnold Schwarzenegger signed Assembly Bill 2572 setting a deadline of 100% metering of all accounts by 2025. On May 24, 2005, the City Council adopted Resolution 2005-347, directing that water meters be installed throughout the City. In addition, Governor Schwarzenegger signed Senate Bill 7-7 (SBx7-7) in 2009 mandating a 20 percent reduction in per capita water use by 2020. This new mandate is significant as water meters will be a critical tool in effectively achieving and documenting water conservation targets.

If the City cannot meet the requirements of the water meter law, eligibility for state grants and low interest loans will be compromised, and the City's water rights and future diversions off the Sacramento and American Rivers may be adversely impacted.

Wastewater
The City's Combined Sewer System (CSS) is governed by a National Pollutant Discharge Elimination System (NPDES) Permit that prohibits dry weather discharges to the river, limits wet weather discharges to the river, and requires continued improvements to the CSS to minimize street and property flooding during storm events. The NPDES Permit requires treatment for discharges to the river; implementation of a Long Term Control Plan requiring an annual capital improvement program with an average expenditure of approximately $10 million; mitigation of increased flows in the CSS from new development; extensive monitoring and data analysis; and various other specific minimum control measures.

Operation of the City's separated sanitary sewer system is governed by the federal Clean Water Act and Statewide General Waste Discharge Requirements (WDR) that prohibit sewer overflows and requires implementation of a sanitary sewer management plan. The WDR requires system-wide cleaning, inspection and rehabilitation; a fats, oils and grease control program; a root control program; enforcement; and a short and long term capital improvement program.

Failure to comply with these permits could subject the City to Federal and State enforcement actions and third party lawsuits. Enforcement actions could include cease and desist orders, fines for violations (up to $10,000 per day plus $10 per gallon of discharge), and consent decrees and/or building moratoriums. Beginning in the next fiscal year, operation and improvement of the City's separated sanitary sewer system will be subject to the mandatory provisions of a 5-year Consent Decree that resulted from a Clean Water Act lawsuit brought against the City in early 2011 by the California

Sportfishing Protection Alliance. This Consent Decree was approved by the federal District Court on January 9, 2012.

Program Financing Approach and Methodology

The Program uses a mix of bond and cash financing that allows the City to invest in its infrastructure and meet regulatory requirements while smoothing rate increases and avoiding rate spikes for utility customers. By smoothing rates, rate spikes are minimized from one year to the next. Cash flow and coverage requirements are accounted for in future years, and rates are set so they are roughly equal from year to year to meet these requirements in future years.

This methodology provides predictable rates for the utility's customers and provides additional revenues in the near term intended to reduce future bond issuance amounts, ultimately lowering rates in the long run. The financing approach and methodology for the 3-year rate increase:

- Meets critical, near-term regulatory and capital needs, including the Water Treatment Plant rehabilitation and the meter transition program
- Utilizes debt financing and defers debt service payments for 30 months (capitalized interest)
- Maximizes use of existing resources to the fullest extent in order to mitigate rate increases (re-appropriates existing capital program and refunds existing capital projects)
- Establishes a sustainable program that meets bond requirements (reserves)

If the proposed water and wastewater rate increases are approved by Council, DOU will be able to issue $297 million in bonds to finance water projects and $45 million to finance wastewater projects for an overall total bond financing of $342 million to implement the first three years of the Program. The DOU worked closely with the City Treasurer's Office to develop bond financing assumptions and an issuance strategy designed to achieve a bond rating strong enough to market revenue bonds. The following bond financing assumptions have been built into the long-term utilities finance plan for the Program and are utilized for the first three years of the Program:

- Reserve requirements:
    - An operating/liquidity reserve (fund balance) of 120 days worth of annual operating expenditures
    - Rate stabilization reserve fund balance equivalent to 25% of annual debt Service

    - Debt Service Reserve Fund level of 10% of the PAR value of the bond Issuance
- Bond Loan Terms:
    - FY 2012/13 issuance – 5.25% interest rate
    - All issuances thereafter – 5.75% interest rate
    - All issuances assumed to have 36 months of capitalized interest. Capitalized interest costs are included in the issuance amount
    - All issuances are assumed to be repaid in equal annual payments over 30 years
- Debt coverage ratio:
    - 1.30 times the fund's net operating income to debt ratio

Future Obligations

The proposed 3-year rate increases finance a program that uses a mix of bond and cash financing that allows the City to invest in its infrastructure and meet regulatory requirements while smoothing rate increases and avoiding rate spikes for utility customers. The 3-year proposal is essentially self-contained, and can be viewed as a stand-alone proposal. If the proposed 3-year rate increase is approved, this financing methodology would necessitate an increase of water rates by approximately 2% and an increase of wastewater rates by approximately 1% in the fourth year (FY2015/16) in order to meet program bond requirements and debt service obligations. After FY2015/16, no additional rate increases would be needed to meet the debt service requirement generated from the proposed FY13 bond issuance. It is likely that subsequent rate increases, beyond this three year period, will be necessary to continue complying with regulatory requirements and investing in rehabilitation and replacement of old infrastructure.

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Proposition 218 Protest Results FY 2011/2012

Proposed Utility Service Rate Adjustments for Water and Wastewater Summary as of 1/30/12		
Total Notices Mailed	171,909	
- No Specific Comment	86	<1%
- Increase is Excessive or Unjustified	21	<1%
- Causes a Financial Hardship	115	<1%
- Reduce level of service to offset cost	6	<1%
- Quality/Level of service does not warrant increase	12	<1%
Total Written Protests Received	240	**<1%**

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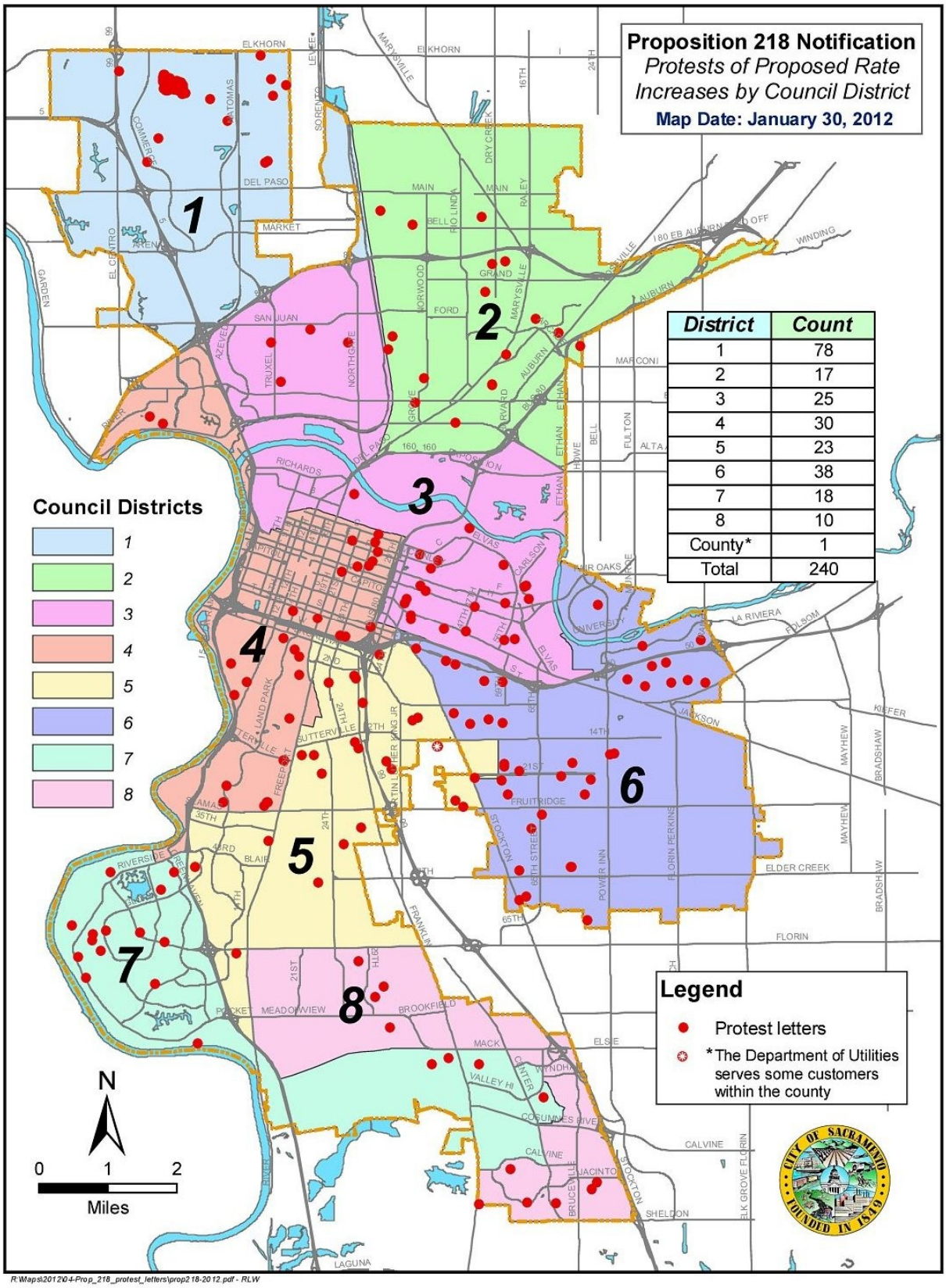
FY 2011/12 Proposed Utility Rate Increases



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Water and Wastewater Infrastructure Investment Program
FY2012/13 through FY2014/15 "Best Practices" Project Summary

Water System

FY2012/13

Pipes
First year best practice project needs include replacement of approximately 1,400 feet of transmission main pipe in the downtown area and approximately 8,000 feet of distribution pipe along the boundaries of 4th Avenue, 22nd street, Broadway, and 99 Freeway.

Wells
First year best practice project needs include rehabilitation and repair of approximately 4 wells in the North area that include underground work consisting of internal casing and screen cleaning, chemical treatment of mineral deposits in the near well environment as well as above ground replacement work that includes electrical equipment, tanks, and site improvements.

FY2013/14

Pipes
Second year best practice project needs include replacement of approximately 2,800 feet of transmission main pipe in the downtown area and approximately 16,000 feet of distribution pipe along the boundaries of 4th Avenue, 99 Freeway, Broadway, and San Joaquin Street.

Wells
Second year best practice project needs include rehabilitation and repair of approximately 4 wells in the North area that include underground work consisting of internal casing and screen cleaning, chemical treatment of mineral deposits in the near well environment as well as above ground replacement work that includes electrical equipment, tanks, and site improvements.

FY2014/15

Pipes
Third year best practice project needs include replacement of approximately 4,200 feet of transmission main pipe in the downtown area and approximately 24,000 feet of distribution pipe along the boundaries of Broadway, Sacramento River, T Street, and 34th Street.

Wells
Third year best practice project needs include rehabilitation and repair of approximately 4 wells in the North area that include underground work consisting of

internal casing and screen cleaning, chemical treatment of mineral deposits in the near well environment as well as above ground replacement work that includes electrical equipment, tanks, and site improvements.

Wastewater System

FY2012/13

Pipes
First year best practice project needs include replacement of approximately 3,500 feet of pipe in the Separated System with no pipe replacement in the Combined System.

Sumps
First year best practice project needs include rehabilitation and replacement work at approximately 4 sump stations that include rehabilitation of trash racks and flap gates and replacement of pumps, motors, and switchgear.

FY2013/14

Pipes
Second year best practice project needs include rehabilitation and replacement of approximately 3,500 feet of pipe in the Separated System and the replacement of approximately 700 feet of pipe in the Combined System.

Sumps
Second year best practice project needs include rehabilitation and replacement work at approximately 3 sump stations that include rehabilitation of trash racks and flap gates and replacement of pumps, motors, and switchgear.

FY2014/15

Pipes
Third year best practice project needs include rehabilitation of approximately 9,000 feet of pipe in the Separated System and the replacement of approximately 1,400 feet of pipe in the Combined System.

Sumps
Third year best practice project needs include rehabilitation and replacement work at approximately 2 sump stations that include rehabilitation of trash racks and flap gates and replacement of pumps, motors, and switchgear.

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Accountability Counts

Since August 2011, the City of Sacramento Department of Utilities has been asking our customers what their top priorities are for the Department while it faces significant challenges with aging infrastructure and mounting regulations. The answer has been clear: Utilities customers want the Department to comply with the law and have reliable, fiscally responsible and safe infrastructure. But they also want the City to be accountable for how rates are being used. The Department has put together the following proposal on how to regularly update our customers, the Utilities Rate Advisory Commission and City Council in a transparent way through as many means as possible.

Step #1: Post Capital Improvement Programming Guide online.

The CIP guide spells out for customers how the Department evaluates its assets, ranks those assets in need of rehabilitation and repair, funds those projects, and completes those projects. Upon approval of the proposed utility rate increases, DOU will be able to post its CIP Guide online at www.cityofsacramento.org/utilities.

Deadline: Within 2 months of approval of proposed rate increases

Step #2: Obtain City Council Approval for Capital Improvement Budget

Upon approval of the proposed utility rate increases, the Department will complete its proposed Capital Improvement Budget for 2013 and bring it to the City Council for approval. Once this budget is approved, the Department will have committed these funds for the purpose of completing capital improvements and the funds cannot be used, without prior Council approval, for other functions.

As part of the management of the Capital Improvement Program (CIP), the Department of Utilities periodically reviews project budgets and timelines. This review process results in recommended budget adjustments on a project-by-project basis to ensure financial resources are allocated such that progress continues on priority projects.

The City Council approves a Capital Improvement Budget for DOU annually. DOU plans to present the Capital Improvement Budget to Council for approval in Spring 2012.

Step #3: Post Approved Capital Improvement Budget and list of projects on website

The Department will post the approved Capital Improvement Budget and a list of the projects to be completed during the next fiscal year on its website at www.cityofsacramento.org/utilities.

Deadline: The Department will post this information within 2 weeks of the City Council's Approval of the Capital Improvement Budget.

Step #4: Provide a Project "One-Sheet" for each approved CIP project and post online.

The Department is currently drafting project "one-sheets" for each of the projects proposed for FY12/13 (see samples attached). The sheet includes the asset's age, criticality score, and condition score, as well as its material type, location, and estimated cost of rehabilitation or repair. The Department will post each project one-sheet online at www.cityofsacramento.org/utilities so that customers can see the details for each project planned in the coming fiscal year.

Deadline: The Department will post this information for each project before the beginning of each fiscal year.

Step #5: Notify customers adjacent to project areas regarding the work in their area and why the work is being completed (aging infrastructure, regulatory compliance, etc).

The Department will continue its practice of notifying residents and businesses adjacent to project areas of the work being completed. At a minimum, communication to the customer will be a postcard mailed to adjacent properties and a sign placed at the site of the work being completed. More complicated and invasive projects will potentially include community meetings, additional mailings, and door tags. Communications will include the project manager's name, phone number and a URL for additional project information.

Deadline: The Department will complete all customer communications within 2 weeks prior to the project start date.

Step #6: Provide semi-annual written reports to the Utilities Rate Advisory Commission and City Council regarding the progress of obtaining and securing credit and financing and status of projects.

The Department will provide an off-agenda written report to the Utilities Rate Advisory Commission and the Sacramento City Council twice a year. The report will provide the status of obtaining and securing credit and financing, information pertaining to any new grants, loans, or other revenue received, and the status of capital improvement projects as well as any new regulatory compliance issues.

These reports will be made available to the public upon request.

Deadline: The semi-annual written reports must be completed In January and July of each year.

Step #7: Provide an annual presentation to the Utilities Rate Advisory Commission where the Department will report out its annual progress. The Commission will provide an evaluation to the Department in each of, but not limited to, the following categories:

- Use of funds in a way compatible with their funding sources (i.e. funds secured by bonds, loans, or grants are used solely for the projects they are intended for and water projects are funded by the Water Fund, etc).
- Status and completion of projects on schedule and within budget.
- Communication with the community regarding the projects, their status and their funding sources.

The Department will then share the evaluations with its customers and the City Council as part of an annual “State of Utilities” presentation to be given to the City Council in January each year. This will be posted on the website.

Deadline: The Department will present its annual report to the Utilities Rate Advisory Commission in April each year. The Department will present its annual “State of Utilities” report to the City Council by January of each year.

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ORDINANCE NO.

Adopted by the Sacramento City Council

Date Adopted

AN ORDINANCE AMENDING THE CITY OF SACRAMENTO FEE AND CHARGE REPORT FOR WATER AND WASTEWATER SERVICE RATES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

The Sacramento City Council makes the following findings:

A. Articles XIIIC and XIIID of the California Constitution (Proposition 218) establish various procedures for the approval of taxes, assessments and property-related service fees by local government agencies.

B. For the imposition or increase of water and sewer (wastewater) 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 (held not less than 45 days after the notice is mailed), be mailed to the record owner of each parcel subject to the proposed fee or fee increase. Under Section 13.02.040(C) and Section 3.44.100(B) of the Sacramento City Code, for fees or fee increases proposed by the City of Sacramento, the public hearing is held by the City's Utilities Rate Advisory Commission.

C. At the public hearing, Proposition 218 requires that all protests filed against the proposed fee or fee increase be considered, and the agency may not approve the proposed fee or fee increase if written protests against the proposed fee or fee increase are presented by a majority of owners of the affected parcels.

D. On December 8, 2011, the City mailed a notice to all owners of property subject to the City's water and wastewater service rates, which notice: (i) described proposed three-year increases in the City's water and wastewater service rates, to take effect on July 1, 2012, July 1, 2013, and July 1, 2014, respectively; (ii) provided the date, time and location of the

public hearing when these proposed rate increases would be heard by the City's Utilities Rate Advisory Commission; and (iii) provided notice that an owner or tenant had the right to file a written protest against the proposed rate increases at or before the time set for public hearing.

E. The City's Utilities Rate Advisory Commission held such public hearing on January 25, 2012, and considered all protests against the proposed rate increases as well as all testimony and other information presented by City staff and members of the public.

F. As of the date and time of such public hearing, the number of written protests received against the proposed three-year increases in the City's water and wastewater service rates was less than a majority of record owners or tenants of the parcels that will be subject to the proposed increased rates.

G. After the public hearing was closed, the City's Utilities Rate Advisory Commission approved recommendations to the City Council relative to the proposed increases to the City's water and wastewater service rates.

H. The City Council has considered the Utilities Rate Advisory Commission's recommendations and all other information presented to it and in the public record, and finds that the amount of the water and wastewater service rates approved and imposed in Section 2 of this ordinance does not exceed the costs of providing these services, and that the revenues derived from these water and wastewater service rates will not exceed the funds required to pay the costs of providing water and wastewater service.

I. Based on the information presented to it and upon all information in the public record, and pursuant to Public Resources Code Section 21080(b)(8), the City Council finds that the approval and imposition of the water and wastewater service rates approved and imposed in Section 2 of this ordinance are exempt from the California Environmental Quality Act and finds that the increased rates are for the purpose of:

1. Providing funds to meet operating expenses, including employee wage rates and fringe benefits.

2. Permitting the generation of necessary cash flow to finance maintenance of the City's utility service systems and meeting financial reserve needs and requirements.

3. Funding the purchase or lease of necessary supplies and equipment for the systems.

4. Providing funds for capital projects necessary to provide and maintain service by the systems.

SECTION 2.

The three-year utility service rates shown on Exhibit A (Water Rates), and Exhibit B (Wastewater Rates), to take effect on July 1, 2012, on July 1, 2013, and on July 1, 2014, respectively, are hereby approved and imposed. The City of Sacramento Fee and Charge Report is amended to include the utility service rates shown on Exhibits A and B, which exhibits are incorporated herein by this reference.

Table of Contents:

Exhibit A: Water Rates
Exhibit B: Wastewater Rates

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 charges effective July 1, 2012, July 1, 2013, and July 1, 2014, respectively.

	Rates Effective:		
	July 1, 2012	July 1, 2013	July 1, 2014
I. WATER USE RATES, MONTHLY DOMESTIC			
Single-family residence:			
1-3 rooms	26.71	29.38	32.32
4-5 rooms	34.75	38.23	42.05
6-9 rooms	37.79	41.57	45.73
10-15 rooms	43.67	48.04	52.84
Over 15, each additional room	3.06	3.37	3.71
Multiple-family residences (for each family dwelling unit in a multiple family residence)			
1-3 rooms	20.48	22.53	24.78
4-5 rooms	26.22	28.84	31.72
6-7 rooms	32.01	35.21	38.73
8-9 rooms	37.79	41.57	45.73
10-15 rooms	43.67	48.04	52.84
Over 15, each additional room	3.06	3.37	3.71
Lot Irrigation, per Water Service Tap	53.21	58.53	64.38
II. WATER USE RATES, MONTHLY COMMERCIAL			
Bakery, first 1,000 sq. ft. of gross floor area or fraction thereof	74.18	81.60	89.76
Each additional 1,000 sq. ft. or fraction thereof	49.34	54.27	59.70
Barber Shop or Beauty Parlor, first 1,000 sq. ft. of gross floor area or fraction thereof	37.10	40.81	44.89
Each additional 1,000 sq. ft. or fraction thereof	23.94	26.33	28.96
Bowling Alley, first 1,000 sq. ft. of gross floor area or fraction thereof	37.10	40.81	44.89
Each additional 1,000 sq. ft. or fraction thereof	23.94	26.33	28.96
Cemetery, for the irrigation season, first 1,000 sq. ft. or fraction thereof	68.08	74.89	82.38
Each additional 1,000 sq. ft. or fraction thereof	5.42	5.96	6.56
Dining Facilities (including restaurant, cafeteria, cafe, bar) first 1,000 sq. ft. of gross floor area or fraction thereof	73.93	81.32	89.45
Each additional 1,000 sq. ft. or fraction thereof	48.74	53.61	58.97
Drug Store, first 1,000 sq. ft. of gross floor area or fraction thereof	34.17	37.59	41.35
Each additional 1,000 sq. ft. or fraction thereof	15.21	16.73	18.40
Fire Hydrant Service Charge			
Wharf Hydrant	14.37	15.81	17.39
Standard Hydrant	35.52	39.07	42.98

Exhibit A

	July 1, 2012	July 1, 2013	July 1, 2014
II. WATER USE RATES, MONTHLY COMMERCIAL (cont'd)			
Furniture Store, first 1,000 sq. ft. of gross floor area or fraction thereof	34.17	37.59	41.35
Each additional 1,000 sq. ft. or fraction thereof	3.76	4.14	4.55
Garage, first 1,000 sq. ft. of gross floor area or fraction thereof	34.17	37.59	41.35
Each additional 1,000 sq. ft. or fraction thereof	3.76	4.14	4.55
Halls (including lodge and auditorium), first 1,000 sq. ft. of gross floor area or fraction thereof	34.17	37.59	41.35
Each additional 1,000 sq. ft. or fraction thereof	15.21	16.73	18.40
Hotel, Rest or Convalescent Homes, first 10 sleeping rooms or fraction thereof	68.08	74.89	82.38
Over 10 sleeping rooms, each additional sleeping room	5.42	5.96	6.56
Laundry, first 1,000 sq. ft. of gross floor area or fraction thereof	147.74	162.51	178.76
Each additional 1,000 sq. ft. or fraction thereof	93.95	103.35	113.69
Market, first 1,000 sq. ft. of gross floor area or fraction thereof	37.10	40.81	44.89
Each additional 1,000 sq. ft. or fraction thereof	23.94	26.33	28.96
Mortuary, first 1,000 sq. ft. of gross floor area or fraction thereof	34.17	37.59	41.35
Each additional 1,000 sq. ft. or fraction thereof	15.21	16.73	18.40
Motel, first 10 sleeping rooms or fraction thereof	68.08	74.89	82.38
Each additional sleeping room over 10	5.42	5.96	6.56
Office Building, first 1,000 sq. ft. of gross floor area or fraction thereof	34.17	37.59	41.35
Each additional 1,000 sq. ft. or fraction thereof	11.57	12.73	14.00
Park (not municipal), for irrigation season, first 1,000 sq. ft. or fraction thereof	68.08	74.89	82.38
Each additional 1,000 sq. ft. or fraction thereof	5.42	5.96	6.56
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	34.17	37.59	41.35
Each additional 1,000 sq. ft. or fraction thereof	6.30	6.93	7.62
School, first 100 pupils or fraction thereof	65.67	72.24	79.46
Each additional 100 pupils or fraction thereof	51.14	56.25	61.88
Service Station (no wash racks) and Used Car Lots:			
tap size to City main: 3/4"	37.10	40.81	44.89
1"	48.74	53.61	58.97
1 1/2"	79.62	87.58	96.34
2"	136.13	149.74	164.71
Store, first 1,000 sq. ft. of gross floor area or fraction thereof	34.17	37.59	41.35
Each additional 1,000 sq. ft. or fraction thereof	15.21	16.73	18.40

Exhibit A

	July 1, 2012	July 1, 2013	July 1, 2014
II. WATER USE RATES, MONTHLY COMMERCIAL (cont'd)			
Theater, first 1,000 sq. ft. of gross floor area or fraction thereof	37.25	40.98	45.08
Each additional 1,000 sq. ft. or fraction thereof	23.94	26.33	28.96
Warehouse, first 1,000 sq. ft. of gross floor area or fraction thereof	34.17	37.59	41.35
Each additional 1,000 sq. ft. or fraction thereof	3.76	4.14	4.55
Minimum Rate: In no case shall a commercial flat-rate be less than:	34.17	37.59	41.35
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.	22.69	24.96	27.46
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	5.23	5.75	6.33
Without Water Conservation Device	79.73	87.70	96.47
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	3.01	3.31	3.64
Without Water Conservation Device	8.17	8.99	9.89
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	5.53	6.08	6.69
Without Water Conservation Device	52.15	57.37	63.11
Dining Facility, (including restaurant, cafeteria, cafe, kitchen, bar) each 1,000 sq. ft. of gross floor area or fraction thereof	40.01	44.01	48.41
Gymnasium, each shower head	18.06	19.87	21.86
Hydraulically-operated elevator			
With Water Conservation Device	28.53	31.38	34.52
Without Water Conservation Device	158.70	174.57	192.03
Irrigation: Supplemental (Commercial)			
0 - 10,000 sq. ft. (net irrigable area)	0.00	0.00	0.00
over 10,000 sq. ft. (net irrigable area), each additional 1,000 sq. ft.	5.42	5.96	6.56
Irrigation: Supplemental (Domestic)			
0 - 13,000 sq. ft. (gross lot area)	0.00	0.00	0.00
over 13,000 sq. ft. (gross lot area), each additional 1,000 sq. ft.	5.42	5.96	6.56

Exhibit A

			July 1, 2012	July 1, 2013	July 1, 2014
III. SPECIAL WATER USE RATES, MONTHLY (Cont'd)					
Private Fire Protection	Tap size to City ma	0 - 2"	22.69	24.96	27.46
		3"	34.17	37.59	41.35
		4"	45.36	49.90	54.89
		6"	68.08	74.89	82.38
		8"	90.79	99.87	109.86
		10"	113.48	124.83	137.31
		12"	136.13	149.74	164.71
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	0.00
Over 300 cu. ft. fill & draw, per 100 cu. ft.			6.9828	7.6811	8.4492
Under 300 cu. ft. per 100 cu. ft., filtered			0.00	0.00	0.00
Over 300 cu. ft. per 100 cu. ft., filtered			1.3319	1.4651	1.6116
IV. MONTHLY METERED WATER USE, PER 100 CUBIC FEET					
A. For irrigation of landscaping on parks 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:	0.5763	0.9057	0.9963
B. For all other metered water services:		Per 100 cubic feet:	0.8234	0.9057	0.9963
For metered service, monthly basic service charges, regardless of water usage, as follows:					
		Metered Size			
		5/8" x 3/4"	20.16	22.18	24.40
		3/4"	20.16	22.18	24.40
		1"	20.16	22.18	24.40
		1½"	37.97	41.77	45.95
		2"	59.35	65.29	71.82
		3"	109.22	120.14	132.15
		4"	180.47	198.52	218.37
		6"	358.58	394.44	433.88
		8"	572.31	629.54	692.49
		10"	821.67	903.84	994.22
		12"	1,534.12	1,687.53	1,856.28

Exhibit B

Wastewater Service Fees and Charges

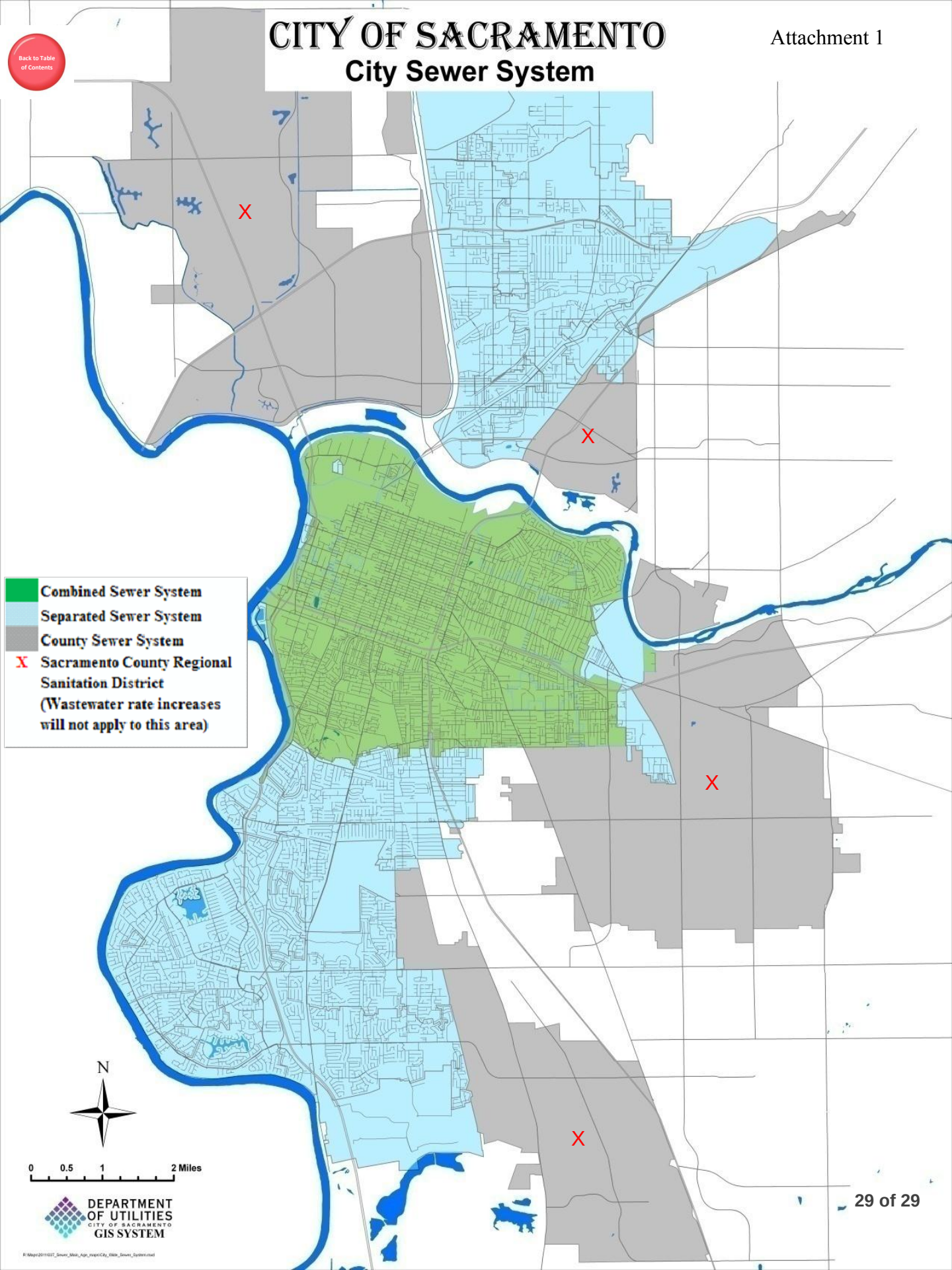
The Fee and Charge Report of the City of Sacramento is hereby amended to include the following wastewater service, charges effective July 1, 2012, July 1, 2013, and July 1, 2014, respectively.

		Rates Effective: July 1, 2012	July 1, 2013	July 1, 2014
I. WASTEWATER SERVICE RATES - MONTHLY RESIDENTIAL				
Single-family residence:	1-3 rooms	11.21	12.89	14.69
	4-5 rooms	14.20	16.33	18.62
	6-7 rooms	17.10	19.67	22.42
	8-9 rooms	19.76	22.72	25.90
	10-15 rooms	22.67	26.07	29.72
	over 15, each additional room	1.55	1.78	2.03
Multiple-family residence:	Each dwelling unit charged the same as a single-family residence			
II. WASTEWATER SERVICE RATES - MONTHLY COMMERCIAL				
Bakery, each 1,000 sq.ft. of gross floor area or fraction thereof		24.73	28.44	32.42
Barber Shop or Beauty Parlor, each 1,000 sq.ft. of gross floor area or fraction thereof		13.26	15.25	17.39
Bowling Alley, each 1,000 sq.ft. of gross floor area or fraction thereof		11.58	13.32	15.18
Dining Facilities (including restaurant, cafeteria, cafe, bar) each 1,000 sq.ft. of gross floor area or fraction thereof		26.54	30.52	34.79
Drug Store, each 1,000 sq.ft. of gross floor area or fraction thereof		8.70	10.01	11.41
Furniture Store, each 1,000 sq.ft. of gross floor area or fraction thereof		2.86	3.29	3.75
Garage, each 1,000 sq.ft. of gross floor area or fraction thereof		2.34	2.69	3.07
Halls (including lodge or auditorium), each 1,000 sq.ft. of gross floor area or fraction thereof		7.69	8.84	10.08
Hotel, per sleeping room		2.63	3.02	3.44
Laundry (where laundry is performed on premises), each 1,000 sq. ft. of gross floor area or fraction thereof		51.41	59.12	67.40
Market, each 1,000 sq.ft. of gross floor area or fraction thereof		11.08	12.74	14.52
Mortuary, each 1,000 sq.ft. of gross floor area or fraction thereof		7.30	8.40	9.58
Motel, per sleeping room or fraction thereof		2.63	3.02	3.44
Office Building, each 1,000 sq.ft. of gross floor area or fraction thereof		8.98	10.33	11.78
Religious Worship (premises), each 1,000 sq.ft. of gross floor area or fraction thereof		3.97	4.57	5.21
Rest or Convalescent Home, per sleeping room or fraction thereof		4.25	4.89	5.57
School, each 100 pupils or fraction thereof		23.46	26.98	30.76
Service Station and Used Car Lot (no wash racks):				
	Water tap size to City main: 3/4"	13.96	16.05	18.30
	1"	18.17	20.90	23.83
	1 1/2"	29.87	34.35	39.16
	2"	51.41	59.12	67.40

	July 1, 2012	July 1, 2013	July 1, 2014
Store, each 1,000 sq.ft. of gross floor area or fraction thereof	9.21	10.59	12.07
Theater, each 1,000 sq.ft. of gross floor area or fraction thereof	10.94	12.58	14.34
Warehouse, each 1,000 sq.ft. of gross floor area or fraction thereof	2.13	2.45	2.79
Minimum rate, not less than:	13.86	15.94	18.17
III. SPECIAL WASTEWATER RATES - MONTHLY			
Air Conditioning Systems			
For systems on flat-rate service, each month during air conditioning season, per ton of system capacity:	22.12	25.44	29.00
With water conservation device:	2.13	2.45	2.79
Evaporative coolers (commercial establishments), for each month during air conditioning season, unit capacity - per 1,000 cfm, without recirculation	2.97	3.42	3.90
With water conservation device, with recirculation:	0.86	0.99	1.13
Refrigeration systems, for systems on flat-rate service, per compressor horsepower:	22.12	25.44	29.00
With water conservation device:	2.13	2.45	2.79
Dining Facility, each 1,000 sq.ft. or fraction thereof	17.17	19.75	22.52
Gymnasium, each shower head	7.92	9.11	10.39
Hydraulically operated elevator	68.11	78.33	89.30
With water conservation device	11.90	13.69	15.61
Swimming Pool, non-commercial, per pool capacity			
Under 300 cu.ft. (fill & draw)	0.00	0.00	0.00
Over 300 cu.ft. (fill & draw), each 100 cu.ft. contents	2.8647	3.2944	3.7556
Under 300 cu.ft. (filtered)	0.00	0.00	0.00
Over 300 cu.ft. (filtered), each 100 cu.ft. contents	0.7418	0.8531	0.9725
IV. MONTHLY METERED WASTEWATER USE, UNIT RATE (Per 100 Cu.Ft. of Monthly Metered Water Use)	0.6999	0.8049	0.9176

The minimum monthly charge, based on water meter size and monthly metered water use, is set forth below. The minimum charge is the Unit Rate times the maximum monthly metered water use set forth below for each water meter size. Each additional 100 cubic feet of monthly metered water use, or portion thereof, will be billed at the Unit Rate.

Water Meter Size	Monthly Metered Water Use				
5/8"	0- 1,200	cu.ft.	8.40	9.66	11.01
3/4"	0- 1,700	cu.ft.	11.90	13.68	15.60
1"	0- 2,100	cu.ft.	14.70	16.90	19.27
1 1/2"	0- 3,700	cu.ft.	25.90	29.78	33.95
2"	0- 6,200	cu.ft.	43.40	49.90	56.89
3"	0- 12,500	cu.ft.	87.49	100.61	114.70
4"	0- 21,800	cu.ft.	152.59	175.46	200.03
6"	0- 50,000	cu.ft.	349.97	402.44	458.79
8"	0- 106,200	cu.ft.	743.34	854.79	974.48
10"	0- 168,700	cu.ft.	1,180.80	1,357.84	1,547.97
12"	0- 262,500	cu. ft.	1,837.35	2,112.82	2,408.66

Attachment 1

CITY OF SACRAMENTO
City Sewer System