



# City of Sacramento City Council

915 I Street, Sacramento, CA, 95814  
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**Meeting Date:** 2/26/2013

**Report Type:** Staff/Discussion

**Title:** Department of Utilities Accountability Plan Update

**Report ID:** 2013-00077

**Location:** Citywide

**Recommendation:** Receive and file the Department of Utilities first annual update of its Accountability Plan, its progress in securing funding for its capital improvement program, the status of its current capital improvements, and the implementation of the Utilities Rate Assistance Program.

**Contact:** Dave Brent, Director, (916) 808-1420; Jessica Hess, Media and Communications Specialist, (916) 808-8260 - Department of Utilities

**Presenter:** Dave Brent, Director, (916) 808-1420

**Department:** Department Of Utilities

**Division:** Department Administration

**Dept ID:** 14001011

## **Attachments:**

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1-Description/Analysis

2-Background Information

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### **City Attorney Review**

Approved as to Form  
Joe Robinson  
2/20/2013 10:30:16 AM

### **City Treasurer Review**

Reviewed for Impact on Cash and Debt  
Russell Fehr  
2/19/2013 9:19:10 AM

### **Approvals/Acknowledgements**

Department Director or Designee: Dave Brent - 2/20/2013 9:35:11 AM

## Description/Analysis

**Issue:** In accordance with the Accountability Plan approved as part of the water and sewer rate increases adopted in 2012, the Department of Utilities (DOU) is providing the City Council with the attached progress update on financing the 3-year capital improvement program, status of capital improvement projects, and implementation of the Utilities Rate Assistance Program.

**Policy Considerations:** DOU continues to maintain its commitment to the Accountability Plan, as recommended by the Utilities Rate Advisory Commission, and to providing the community it serves with clear, concise and accurate information about the status of its funds and projects.

**Economic Impacts:** None.

**Environmental Considerations:** This report does not request approval of a project, and, therefore, is not subject to the California Environmental Quality Act (CEQA).

**Sustainability:** None.

**Commission/Committee Action:** DOU has been presenting quarterly updates to the Utilities Rate Advisory Commission.

**Rationale for Recommendation:** DOU is presenting this report as receive and file in accordance with the Accountability Plan, approved as part of the rate increase in March 2012.

**Financial Considerations:** None.

**Emerging Small Business Development (ESBD):** Not applicable.

## **Background**

This update is part of the Accountability Plan recommended by the Utilities Rate Advisory Commission and approved by City Council in conjunction with the water and wastewater rate increases adopted by City Council in March 2012. This report includes updates on the capital improvement program (CIP) and the Utilities Rate Assistance Program authorized by City Council, and a Director's Report that summarizes some of the other activities of the Department of Utilities (DOU).

## **Accountability Plan**

In accordance with the Accountability Plan, DOU has updated its website pertaining to upcoming utilities projects (located at [www.cityofsacramento.org/utilities/water/current-projects.cfm](http://www.cityofsacramento.org/utilities/water/current-projects.cfm)) and is informing customers of upcoming work in their area and is continuing its community engagement efforts.

In addition, DOU has been reporting the progress of its CIP program and bond financing efforts to the Utilities Rate Advisory Commission each quarter since July 2012.

## **Capital Improvement Program**

DOU continues to work actively as part of the City's finance team to secure financing for the first three-year increment of the long term CIP that was presented to the Commission and the City Council as part of the rate hearing process leading up to the adoption of the three-year rate increases that took effect July 2012. At the time this report was written, the City finance team is completing final bond documents and preparing for rating agency presentations for the 2013 Series Water Revenue Bonds. Work is also proceeding on the bond financing for the 2013 Wastewater Revenue Bonds. The wastewater bond financing process is expected to be completed about a month after securing the Water Bonds. The City Treasurer's Office will be providing a more detailed and up-to-date discussion of the 2013 Series Water Revenue Bonds as part of a resolution requesting City Council's approval of the bond sale.

The approved three-year water and wastewater capital improvement projects are on schedule and are summarized as follows:

### Water Treatment Plants Rehabilitation

#### Project Schedule

- Final plans and specifications on November 26, 2012
- Invitation to bid December 3, 2012
- Bid award March 26, 2013
- Notice for contractor to proceed April 15, 2013
- Project completed Summer 2016

## Project Cost

- Estimated construction cost is \$131 million (including construction contingency)
- Estimated total project cost is \$171 million (including all contingencies)

## Meter Program

- Proposed meter projects include seven pipeline replacement projects and three meter retrofit projects during which 15,000 new water meters will be installed
- Schedule: These projects are currently in the preliminary design phase and will go out for bids in 2013 with construction being completed by the end of 2015
- Cost: Estimated cost is \$77.2 million

## Groundwater Wells Rehabilitation

- Conduct condition assessments of 27 groundwater wells
- Currently rehabilitating four wells and conducting condition assessment on 10 wells
- Schedule: Complete condition assessment in 2013 and rehabilitate six additional wells by end of 2015
- Cost: Estimate program cost is \$6.3 million

## Three-year Wastewater System CIP

### Combined Sewer Improvement Projects (bond funded)

- Oak Park Regional Storage – This \$12 million underground structure located in Oak Park will provide 500,000 cubic feet of storage to relieve the surcharged large diameter interceptors in the City's combined system
- Project is out to bid with construction scheduled to begin in May 2013 with an estimated project completion December 2013

### Combined Sewer Repair/Replacement Projects (bond funded)

- Ten projects totaling \$2.4 million
- Two projects in design
- Eight projects in pre-design

### Separated Sewer Repair/Replacement Projects (bond funded)

- Thirty projects totaling \$8.3 million
- Four projects in design
- Twenty-six projects in pre-design

DOU has also finalized the latest version of the Capital Improvement Programming Guide. In-house training is scheduled in early calendar year 2013. This document will be used as the basis for planning short and long term capital projects and is intended to be an iterative document that will continue to be updated over time.

### **Utility Rate Assistance Program**

In accordance with Council direction, DOU launched the Utility Rate Assistance Program on January 25, 2013. The program provides qualified customers with a \$3.50 reduction in their water bill and \$2.50 reduction in their wastewater collection bill each month. This program is funded from the increase in revenue to the General Fund from the Enterprise Fund Tax resulting from the July 1, 2012, increase to water and wastewater rates. To qualify for the program, the customer must:

- Have income level at or below 100% of the federal poverty level;
- Property consists of a single-family residential structure, or a Condominium or townhome unit;
- Reside at the property where the discount is received; and
- For a tenant, have a lease agreement stating the tenant's responsibility for the City utility services and the owner has a Bill Tenant form on file with the City.

Eligible services include domestic water and wastewater service only (fire service, irrigation water service, storm drainage, and solid waste services are not eligible).

### **Director's Report**

As identified in DOU's 30-year capital improvement plan, minimizing the risk associated with aging infrastructure will be a long term effort. This past year has been a reminder of the consequences of failing infrastructure including two high-profile water main failures. The first of these occurred in the spring of 2012 resulting in flooding and closure of a portion of Highway 99 and the second occurred just recently and damaged several houses in East Sacramento. Pipeline failures, especially of older pipes during cold weather, are increasing.

In addition, early season, intense rain, and wind events tested the City's internal, storm drainage system and the Combined Sewer System. Unlike storm drainage systems in many communities, Sacramento's is almost entirely reliant on pump stations to convey the storm water runoff over the levees that protect the City from flooding by the local rivers and creeks. Successfully draining most parts of the City is greatly dependent on

well-maintained pump stations, reliable backup power, and, most importantly, people power. Though the early season storms did cause some damage, if not for the preparation and response efforts of hundreds of City workers over the course of several days, damage would have been considerably worse.

In general, DOU has been more prepared to tackle these types of event because of a renewed focus on emergency preparation and response. This increased preparedness is an early implementation outcome of DOU's nearly-completed organizational assessment that was initiated this past year to update DOU's business model. The intent of this assessment is to align the organization to better perform its services and position Sacramento for the challenges facing water utilities now and in the foreseeable future. As part of this exercise, DOU is embracing the Effective Utilities Management (EUM) model which was developed by the American Public Works Association, the American Water Works Association, the Association of Metropolitan Water Agencies, the National Association of Clean Water Agencies, the National Association of Water Companies, and the Water Environment Federation, in collaboration with the U.S. Environmental Protection Agency. The EUM model will be the basis for DOU's strategic goals and objectives.

This strategic planning effort will culminate this spring with a Strategic Plan, a revised organization structure, and updated priorities to go into effect the beginning of FY2013/14. Addressing some of the major goals of the new strategic plan has already begun, including the renewed emphasis on security and emergency preparation; development of a more effective and high profile water conservation program; a comprehensive cataloging, review and updating of policies and procedures; and an increased commitment to audit response and follow up.

In the next couple of months, DOU will also be working with the Water Ad Hoc Committee and stakeholder groups to bring forward to City Council an updated Water Master Plan, an updated Water Conservation Plan, and updated water policies, that combined will help guide the City's long range water planning efforts and assure compliance with State mandates, including 20-percent per capita water use reductions by 2020.