

Meeting Date: 3/29/2016

Report Type: Staff/Discussion

Report ID: 2016-00248

Title: Ordinance Amending the City's Fee and Charge Report for Water and Wastewater Utility Service Rates (Passed for Publication 03/22/2016; Published 03/25/2016)

Location: Citywide

Recommendation: Pass 1) an Ordinance amending the City's Fee and Charge Report to increase water and wastewater utility service rates, consisting of an increase of 10% per year for four years for water rates, and an increase of 9% per year for four years for wastewater rates, and 2) a Motion directing the expansion of the scope of the existing Utilities Rate Assistance Program to include non-profit organizations that provide housing.

Contact: Bill Busath, Director, (916) 808-1434; Susan Goodison, Business Services Manager, (916) 808-8995, Department of Utilities

Presenter: None

Department: Department Of Utilities

Division: Business & Integrated Planning

Dept ID: 14001661

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Ordinance
- 4-Exhibit A (Water Rates Clean)
- 5-Exhibit B (Wastewater Rates Clean)
- 6-Exhibit C (Sewer Basins Map City-SASD)
- 7-Exhibit D (Proposition 218 Protest Results)
- 8-Exhibit E (Water and Wastewater FY17-20 Project Summary)

City Attorney Review

Approved as to Form
Joe Robinson
3/21/2016 4:22:42 PM

Approvals/Acknowledgements

Department Director or Designee: Bill Busath - 3/18/2016 3:14:53 PM

Description/Analysis

Issue Detail: The City's Department of Utilities (DOU) manages Sacramento's water, wastewater and storm drainage services. DOU is responsible for supplying safe and reliable drinking water, sanitary sewer services and storm drainage services. DOU serves almost half a million people living in Sacramento and hundreds of thousands of visitors, convention guests and others who come to Sacramento every year. DOU has over 500 employees who perform many functions including the operation and maintenance of four different utility systems, protecting the City's water quality, complying with state and federal regulations, and responding to sanitary sewer overflows to protect creeks and rivers.

The systems operated by DOU are aging, highly regulated and costly to operate. Among those systems is the Combined Sewer System which combines sewer and storm drainage in the same pipe systems, and which is one of only four such systems in the western United States.

With much of the infrastructure far past its intended life expectancy, many of the City's pipelines and facilities need to be improved or replaced. Given many years of underfunding capital projects, additional revenues are required to address critical infrastructure. Four years ago, DOU conducted a comprehensive outreach program called *Your Utilities. Your Voice.* to educate the public and stakeholders about significant needs of Sacramento's water and wastewater facilities and pipelines. The program focused on obtaining input about rate setting guiding principles and educating customers about best practices for water and wastewater pipeline replacement and why Sacramento needed new rate revenue to cover the cost of system upgrades. The program focused on DOU's 30-Year Water and Wastewater Infrastructure Improvement Plan and five-year Capital Improvement Program. Additionally, the Sacramento River Water Treatment Plant is close to a century old, and many of the original facilities were still in operation and needed to be replaced.

In February 2012, the Utilities Rate Advisory Commission (URAC) recommended that the City Council approve the rate increases proposed by DOU for fiscal years 2013, 2014 and 2015. The URAC also recommended the City Council approve a Utility Rate Assistance Program (URAP) to help offset water and wastewater service rates for income-eligible customers. The City Council voted to approve three-year rate adjustments as proposed in March 2012 and to implement the URAP in January 2013.

Since then, using rate revenue and grant funding, DOU has made significant progress on its capital improvement program and is moving closer to the best practice of replacing pipelines every 100 years. In Sacramento, 40 percent of the wastewater pipelines and 23 percent of water pipelines are at least 70 years old.

Revenue from the FY13-15 water rate increases used for the water meter program was critical in moving the program forward and by the end of 2016, 70 percent of customers will have water meters installed. In February 2015, City Council approved the Accelerated Meter Program. The program requires that the City complete installation of water meters four years earlier than the January 1, 2025 State mandated completion date.

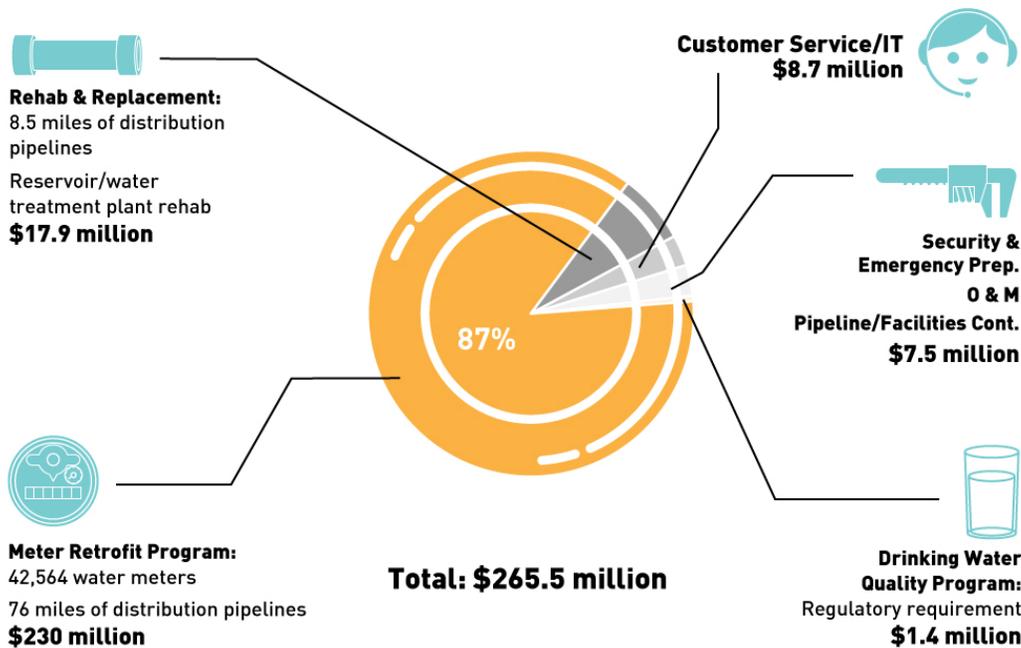


Figure 1. Fiscal Year 2017-2020 Proposed Water Capital Program

As shown in Figure 1 above, the accelerated water meter program comprises 87 percent of the proposed water capital program. Without the proposed rate adjustments, there will not be sufficient funds to complete the Meter Acceleration Program.

It is recommended that the City Council:

- Adopt an ordinance to amend the City's Fee and Charge Report to increase water and wastewater utility service rates for four years, starting with FY2017. The proposed rate increases are 10 percent per year for water and 9 percent per year for wastewater, and
- Direct the expansion of the scope of the existing Utilities Rate Assistance Program to include non-profit organizations that provide housing.

The proposed water and wastewater rate increase detail is shown in Exhibits A and B of the attached Ordinance.

In addition to providing the funds necessary to complete acceleration of the water meter program, the proposed rate adjustment revenue will also allow the City to make critical improvements to aging water and wastewater pipelines and facilities.

The rate adjustment proposal ensures system reliability and sustainability and allows the City to remain in compliance with regulatory requirements. The City is moving toward industry best practices for infrastructure replacement and maintenance. The additional revenue will also allow DOU to invest in the operations and maintenance practices necessary to maintain compliance with federal, state and local regulatory mandates.

In compliance with Proposition 218, DOU mailed all ratepayers written notice of proposed, four-year

water, wastewater and storm drainage service rate adjustments. However, the proposed storm drainage rate adjustments have been postponed to avoid potential confusion with another forthcoming ballot proposal by the Sacramento Area Flood Control Agency (SAFCA). The postponement will provide the opportunity to further inform customers about the storm drainage system condition, challenges, needed improvements and budget realities. The proposed wastewater rate increase will not apply to City residents who receive wastewater service from the Sacramento Area Sewer District (see Exhibit C – City of Sacramento Sewer Basins Map).

To inform the public about the proposed rate adjustments, DOU has implemented a community outreach and engagement program, “*Your Utilities. Your Community.*” With it, customers are being informed about the state of their utility systems, the improvements still needed and their responsibility to help protect and maintain the systems. The grassroots outreach program has included community meetings, one-on-one briefings, media, advertising, social media and multicultural components.

Customer and stakeholder feedback included the following overarching themes:

- General understanding of the critical improvements needed to the community’s water and wastewater systems
- Desire for system improvements if it means not only ensuring a safe and reliable water supply, but also full transparency and responsible planning/management by DOU
- Concerns about additional rate increases and the effects on the community, especially low-income residents and those on fixed incomes

Policy Considerations: Adjustments to utility service rates require Council approval. It is critical that the City fund the Council-approved accelerated water meter program, invest in utility infrastructure and regulatory compliance at sustainable levels, and deliver core water and wastewater services. This will help the City achieve its goals to improve and expand public safety, achieve sustainability and livability, and support economic development throughout the City.

Economic Impacts: DOU estimates that if the proposed budget and financial plan are approved along with the rate increases, the proposed projects will create 829 total jobs and \$128 million in total economic output.

The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations: Establishing and modifying utility service rates is exempt from the California Environmental Quality Act (CEQA) (Public Resources Code § 21080(b) (8)). While this action is not subject to CEQA, the projects constructed as part of the proposed 2017-20 capital improvement program will require and receive review for CEQA compliance.

Sustainability: The proposed program is consistent with the City's sustainability targets to:

- Protect the safety of the City's primary drinking water sources
- 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 Utilities Rate Advisory Commission (URAC) in 2008. The URAC is charged with holding the public rate hearing required by Proposition 218. Once the URAC votes on rate adjustment recommendations, they are forwarded to the Mayor and City Council for final review and action.

The URAC public hearing for water and wastewater rate adjustments was held January 27, 2016. At the conclusion of the January 27 hearing, the URAC voted to continue the hearing to February 10, 2016 to hear additional information.

At the February 10 hearing, the following additional information was provided:

- The effect on proposed water rates if the water meter program completion was delayed to the end of 2024 instead of meeting the accelerated program completion target of December 31, 2020 as approved by the City Council in February 2015,
- The benefits of the current meter program, and
- The City's Utility Rate Assistance Program.

At the conclusion of the public hearing on February 10, 2016 the URAC recommended that the City Council:

1. Adopt the rate increases as proposed for the recommended four-year programs which are water at 10 percent per year (an average of \$5.30 per month for a typical residential customer) and wastewater at 9 percent per year (an average of \$2.31 per month for a typical residential customer).
2. Direct DOU to further research and report to City Council about opportunities to expand the current Utility Rate Assistance Program scope to include tenants and non-profit entities that provide housing to low-income residents.

Under Proposition 218, utility service rates cannot be adopted or increased if, at the time of the public hearing, written protests are received from the owners or tenants of a majority of the parcels subject to the utility service rates. As of the conclusion of the public hearing on February 10, 2016, a total of 428 validated written protests were received which represents less than 1 percent of the parcels subject to the proposed rates. Exhibit D details the protests received by category and location.

About the Utility Rate Assistance Program

Based on the URAC recommendation, and Council approval, the Utility Rate Assistance Program was implemented in January 2013 to help offset water and wastewater service rates for low-income customers. The eligibility threshold was initially set at 100 percent of the federal poverty level. The threshold was increased to 200 percent of the federal poverty level in February 2014 to increase the number of eligible customers. The 200 percent poverty level for a family of four is \$48,500 annually and \$4,042 monthly.

DOU has conducted the following outreach activities to promote availability of the URAP:

- Program information posted on DOU's website which includes applications in English, Spanish, Russian and Hmong
- Bi-annual Utility bill stuffers with Utility Rate Assistance Program information
- Information provided directly to customers when they contact DOU regarding available rate assistance or other billing questions
- Targeted outreach to customers who were previously denied for exceeding income guidelines to inform them about the increase to 200 percent of federal poverty level

There are currently 1,706 customers participating in the URAP, which is a little over 1% percent of the City utility customers.

DOU is actively engaged in efforts to increase the participation in the Utility Rate Assistance Program. To this end an agreement with SMUD has been entered into giving DOU access to the SMUD rate assistance program data base. This will allow DOU to identify all customers that are enrolled in the SMUD program that may also be eligible for the City's program. DOU will reach out to these customers to enroll them in the URAP, which DOU anticipates should dramatically increase the number of participants.

Rationale for Recommendation: DOU worked closely with the City Manager's Office to develop an Infrastructure Investment Program that includes water metering installation, addresses the challenges of replacing old pipelines, and complies with permit regulations and funding reserves. The proposed water and wastewater rate adjustments will move the City closer to achieving system reliability and sustainability and meeting industry best practices for system replacement.

The proposed rate increases are necessary to fund the proposed FY2017-FY2020 capital improvement program. Other benefits include:

- Completing the citywide metering program by December 31, 2020 as approved by City Council
- Continuing high quality and reliable water and wastewater services
- Maintaining compliance with local, state and federal regulations and mandates
- Maintaining local control of the City's water and wastewater systems
- Continuing to serve as good environmental stewards
- Providing a strong return on investment for economic development and job creation
- Strengthening DOU's financial stability

- Planning for current and future generations by implementing long-term sustainability efforts

If the proposed rate increases are not approved, the City faces a number of potential consequences including:

- Threats to public health and safety
- Derailing of the Council-approved Accelerated Water Meter Program intended to have 100 percent of residential customers on water meters by 2020 (over 80 percent of proposed water rate adjustments supports the accelerated water meter program)
- Possible failure of the customer billing system
- Regulatory non-compliance which could lead to enforcement actions (fines, etc.) and loss of local control to the state and federal government
- Lawsuits and risk claims
- Negative effects on economic development objectives such as the Mayor’s 10,000 housing units initiative
- Could adversely affect DOU’s credit rating

Financial Considerations: The rate proposal complies with the Proposition 218 mandate that allows utilities to only charge rates sufficient to recover the cost of providing utility services. DOU is proposing the following rate adjustments that will increase the typical residential customer’s monthly bill for water service by \$21.22 a month and wastewater service by \$9.23 a month by the end of the four year proposal period.

<u>Fiscal Year Rate Increase</u>	<u>Water Amount</u>	<u>Monthly Percentage Increase</u>	<u>Wastewater Amount</u>	<u>Monthly Percentage Increase</u>
• Year 1 (July 1, 2016-June 30, 2017)	\$4.57	10 percent	\$2.02	9 percent
• Year 2 (July 1, 2017-June 30, 2018):	\$5.03	10 percent	\$2.20	9 percent
• Year 3 (July 1, 2018-June 30, 2019):	\$5.53	10 percent	\$2.40	9 percent
• Year 4 (July 1, 2019-June 30, 2020):	\$6.09	10 percent	\$2.61	9 percent
	Four Year Total: \$21.22		\$9.23	

The proposed rates are projected to generate the following additional revenues each year:

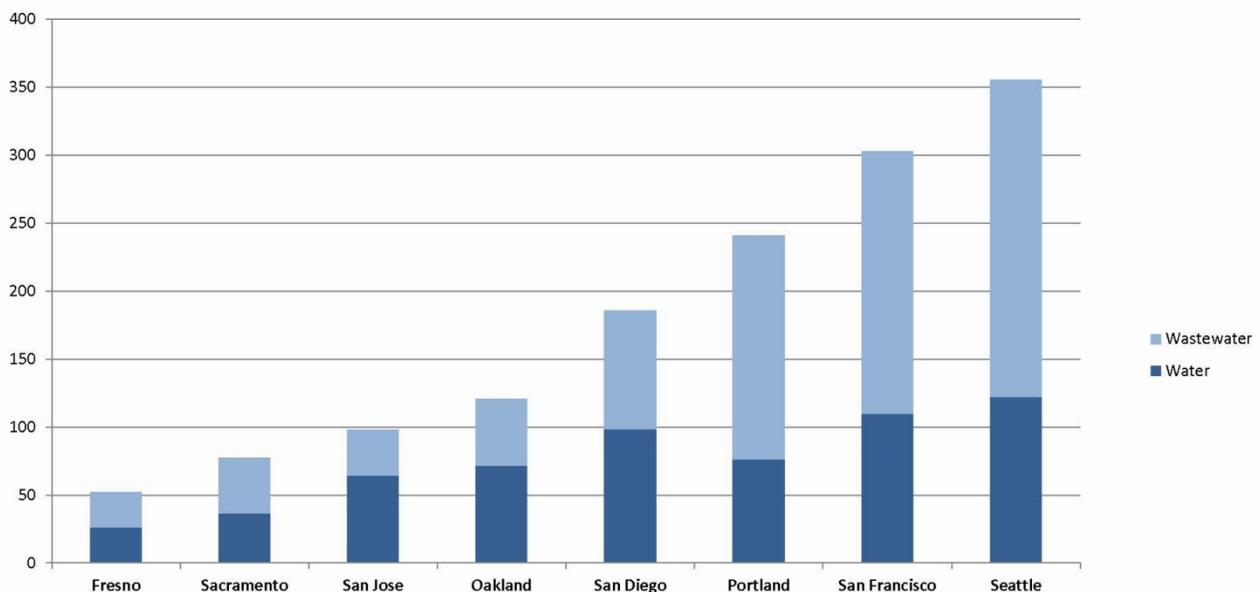
<u>Fiscal Year</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>
2017	\$9.2 million	\$2.7 million
2018	\$18.9 million	\$5.7 million
2019	\$29.6 million	\$8.9 million
2020	\$41.1 million	\$12.5 million
TOTAL	\$98.8 million	\$29.8 million

For both the water and wastewater funds, the revenue will be used to finance the respective capital programs using a mix of cash and debt financing, pay for associated general fund tax transfer increases and the normal escalation of operating costs.

Since infrastructure needs are significant and immediate, DOU will fund the water and wastewater program using a mix of debt and cash financing to avoid dramatic rate spikes. While issuing bonds and receiving loans increases the long-term cost of financing the City's capital and regulatory programs, it will offset the need for dramatic water and wastewater rate adjustments in the near term. For example, if the proposed FY2017-2020 water capital improvement program were funded on a cash basis, it would require an initial rate increase of over 70%. It will also more equitably spread infrastructure costs and regulatory investments to utility customers over a longer term. The long-term financing plan for both funds gradually builds up the cash funding portion and gradually decreases the debt component to ultimately achieve a sustainable "pay-go" program. Details of the funding methodology and approach can be found in the Background section of this report.

For water and wastewater services combined, Sacramento remains at the low end of the rate scale among other similar regional and West Coast providers. Portland, San Francisco and Seattle, the other three cities in the western U.S. with combined sewer systems, have some of the highest rates.

Water and Wastewater Rates for West Coast Cities



Assumes 15,000 gallons (or 2,000 cubic feet) monthly usage and a 3/4" (or nearest equivalent) meter size. Actual average usage for a 3/4" residential customer will vary by utility. Rates effective April 2, 2013. Data is from the 20012/13 Black & Veatch 50 Largest Cities Water/Wastewater Rate Survey.

Sacramento's current water rates are on the lower end when compared to other water agencies in the region. The average residential customer pays \$45.73 per month in Sacramento. The City of Folsom has the lowest average monthly rates in the region (\$34.44) and Woodland has the highest (\$99.70). At the end of the proposed rate adjustment period, Sacramento will remain in the middle of regional agencies with the average monthly residential rate increasing to \$66.95. However, Sacramento may still be one of the lower water rates in 2020 if other water providers pass rate increases in the coming years, which appears likely.

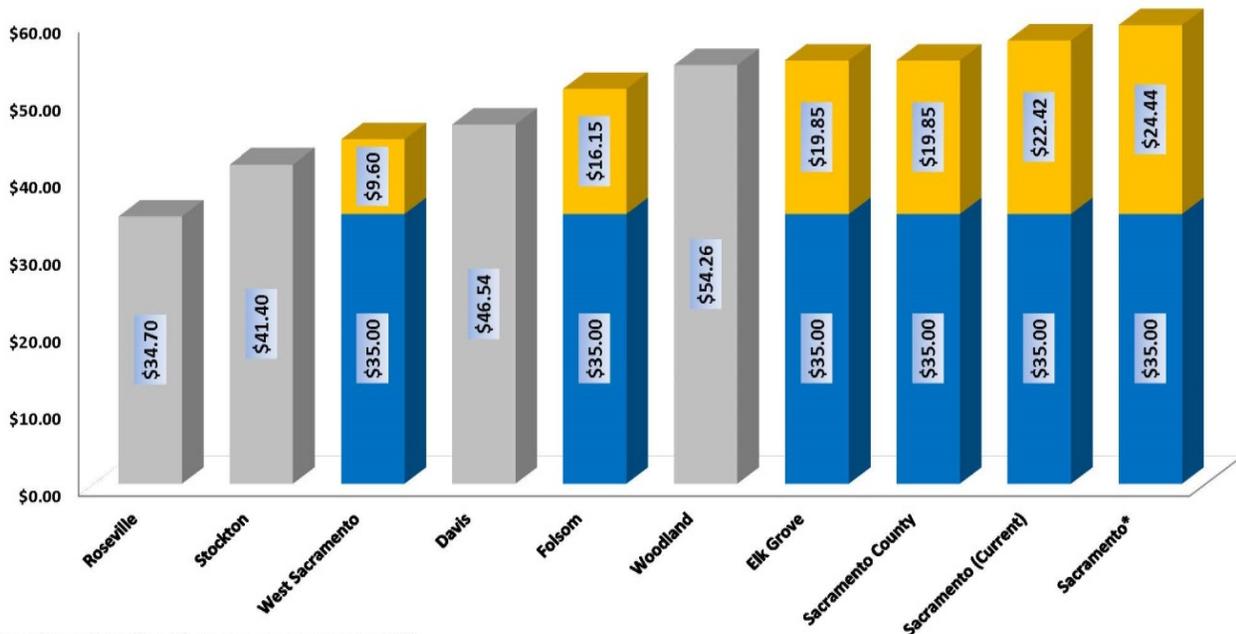
City of Sacramento Current and FY2016/17 Proposed Regional Water Rate Comparison



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

When compared to other wastewater agencies in the region, Sacramento's proposed rates for FY 2016/17 are among the highest at \$22.42 a month. Sacramento's wastewater costs are higher because Sacramento's wastewater system, which includes the only combined wastewater system in the region, contains some of the oldest infrastructure that is highly regulated, costly to maintain, and in need of significant replacement and improvement. Another factor is a small wastewater rate base (about 76,000 customers compared to 135,000 customers for water).

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



Note: Parts of the City of Sacramento are served by SASD
2016 rates used where possible

* Recommended rate for FY16/17, including SRCS D treatment rate

Collection SRCS D Treatment Treatment and Collection

Local Business Enterprise (LBE): Not Applicable

Background

Water and Wastewater Financial Plan and Rate Proposal Overview

On October 27, 2015, DOU presented its Water, Wastewater and Storm Drainage Financial Plan and Rate Proposal to City Council. The proposed water and wastewater rate adjustments will support implementing the water and wastewater portions of the financial plan.

The proposal includes continuing the long-term strategy started in 2012 to:

- Continue ensuring public health and safety
- Invest 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
- Move the City toward meeting industry best practices for infrastructure replacement and maintenance
- Comply with legislative and regulatory mandates and regulations
- Ensure environmental compliance

The financial plan and rate proposal includes the following:

- A 30-year Water and Wastewater Infrastructure Investment Program based on:
 - Industry best practices for system replacement
 - Meeting regulatory requirements
 - Sustainable financing
- A 4-year water and wastewater capital improvement program for FY2017-FY2020 that outlines specific projects based on criticality and condition, including completion of the accelerated water meter program
- A 4-year rate proposal to fund the proposed four-year capital improvement programs
- Continuing existing maintenance and regulatory activities

Water and Wastewater Infrastructure Investment Program: Return on Investment and Economic Benefits

In 2012, the City Council made a commitment to invest in infrastructure projects to improve aging system pipelines and facilities, ensure system reliability and sustainability and move the City toward meeting industry best practices of every 100 years, on average, for infrastructure replacement and maintenance. The rate adjustments passed by City Council in March 2012 were the first phase toward achieving financial stability and responsible capital replacement investment levels for the water and wastewater systems. The investments made over the past four years have reduced the water system's replacement cycle from 400 to 280 years and the wastewater system's cycle from 650 to 406 years.

The proposed four-year rate increases for FY2017-FY2020 will generate revenue to continue to address infrastructure needs, increase system reliability and sustainability and move the City closer to meeting industry best practices for infrastructure replacement and maintenance. In addition, the proposed rate increases will provide the revenue necessary to invest in the infrastructure and

operations and maintenance practices necessary to maintain compliance with federal, state and local regulatory mandates.

The proposed four-year rate adjustments will fund the following capital and regulatory projects among others:

- Complete the Accelerated Metering Program by December 2020, the benefits of which include:
 - Meters increase water conservation because residents and the City are able to closely monitor their water use – an essential tool given the historic drought
 - Meters ensure fair and equitable billing for all customers since billing is based on consumption instead of a flat rate based on home size
 - Meters are the most effective way to enhance leak detection
 - The City will achieve significant short-term cost savings by completing the meter installations over a shorter period of time
 - DOU will be able to transition more rapidly to a conservation rate structure, such as tiered rates
- Continue a gradual transition to a 100-year replacement cycle for the City's water and wastewater infrastructure
- Continue investment in the Drinking Water Quality Program
- Continue federally mandated investment in improvements to the City's Combined Sewer System
- Ensure continued compliance with the state mandated separated sewer management plan to reduce the occurrence of sanitary sewer overflows and meet provisions of the Consent Decree covering the City's separated sewer system
- Update the Customer Information System (CIS) which is DOU's billing system and update other critical computer systems used to operate and manage facilities effectively and efficiently, and to enhance DOU's ability to perform long term planning based on condition assessment
- Construct security systems to protect water facilities

Specific proposed projects include:

Water System

- Approximately 87 percent of the proposed water budget will cover the cost of implementing the City's accelerated water meter installation program. It includes installing approximately 42,000 water meters and replacing approximately 76 miles of aged distribution mains located in backyards (\$230 million)
- Upgrade and replace approximately 8.5 miles of distribution mains, reservoirs and water treatment plants (\$17.9 million)
- Drinking Water Quality Program (\$1.4 million)
- Customer service/IT (\$8.7 million)
- Other projects including security/emergency preparedness, operations/maintenance support and pipeline/facilities CIP contingency (\$7.5 million)

Wastewater System

- Combined sewer system improvement projects account for 56 percent of the proposed wastewater budget. They will help the City meet regulatory requirements and include construction of a new underground storage facility near McKinley Park and feasibility studies/design of two additional underground storage facilities (\$30.2 million).
- Rehabilitate and replace approximately 4.2 miles of pipeline and 10 sump stations (\$12.9 million)
- Customer service/IT (\$5.6 million)
- Other projects including security/emergency preparedness, operations/maintenance support and CIP contingency (\$4.8 million)

More detail on the programs and projects funded by the proposed rate increase is in Exhibit E.

Accountability

The Department implemented an accountability plan to ensure funds dedicated to the FY2012-FY2015 Water and Wastewater Infrastructure Investment Program (Program) were spent appropriately and that DOU was held accountable for those expenditures. The plan required DOU to regularly update customers, the Utilities Rate Advisory Commission and City Council in a transparent way through as many means as possible. DOU will continue to execute this plan.

Key components are:

- Posting the DOU capital improvement programming guide on DOU's public website
- Posting the approved capital improvement budget on the City's public website
- Posting a project information sheet for each approved CIP project on DOU's public website
- Notifying customers adjacent to project areas about work in their area and why it is being performed (aging infrastructure, regulatory compliance, etc.)
- Providing quarterly written reports to the Utilities Rate Advisory Commission detailing DOU financing and project status progress
- Presenting an annual capital improvement program progress report to the City Council that details the program status

With the rate adjustments approved four years ago, DOU planned numerous improvements to the water and wastewater facilities, pipelines, wells, pump stations and water meter projects.

Key improvement projects that were promised and completed or are nearing completion include:

Water Projects

- Water Treatment Plant Rehabilitations, \$160M Total: Significant repairs and upgrades on time and under budget on the century-old Sacramento River Water Treatment Plant, \$142M; extensive improvements to the solids handling infrastructure and process efficiency at the Fairbairn Water Treatment Plant, \$18M
- Water Meter Program, \$79M: Planned to install 18,000 water meters and 11 miles of water main pipeline; installation of 21,000 meters and 28 miles of water main pipeline

- Groundwater Well Rehabilitation, \$12M: Promised to upgrade 6 groundwater wells; improvements to all 29 City wells which was critical in the face of severe drought
- Operations/Maintenance Support, Security/Emergency Preparedness and Other Rehabilitation Projects (Reservoirs, Treatment Plants), \$10M

Wastewater Projects

- Oak Park Combined System Storage, \$12M: Built the new regional storage facility and completed the project on time and under budget
- Sump and Treatment Plant Rehabilitation, \$4M: Upgrades to six pump stations.
- Combined System - 7th Street Improvement Project, \$3.4M: Necessary upgrades to the combined sewer system

Concurrent with the water and wastewater rate increases, DOU also received non-rate payer dollars for system improvement projects. Since 2012, DOU has obtained approximately \$15 million in federal, state and local grants for water and wastewater projects. Grant funds allowed DOU to complete several additional improvement projects, including:

- Additional water meter installations
- Construction of wells at the Fairbairn Water Treatment Plant and Shasta Park
- Improvements to the Downtown and P Street combined sewer systems

In an effort to streamline operational activities, DOU completed an organizational assessment which led to a revised organizational structure and implementing a five-year strategic plan. DOU also implemented numerous innovation and technology efficiencies to reduce operation and maintenance costs. This includes purchasing alternative fuel or hybrid vehicles whenever possible and installing solar panel arrays at both water treatment plants to reduce electrical utility costs.

Regulatory Program Overview

Complying with existing regulations and anticipated new requirements and mandates is a primary cost driver and a major component of the four-year rate proposal, especially for the wastewater system. Major elements of the proposed FY2017-FY2020 capital improvement program comply with all of the regulatory mandates listed below. 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, consent decrees, and building moratoriums.

The following information provides an overview of the major regulatory mandates that will be funded:

Water

The primary regulatory requirement affecting the water fund is the state mandate to complete citywide water meter installations. On September 24, 2004, Governor Arnold Schwarzenegger signed Assembly Bill 2572, setting a deadline for 100 percent metering of all customer accounts by January 1, 2025. On May 24, 2005, the City Council adopted Resolution 2005-347, directing that water meters be installed throughout the City.

On February 24, 2015, Council approved a program to accelerate installing water meters so they are complete by the end of December 2020. The City is now approximately 65 percent metered. If the proposed water rate adjustments are approved, the remaining installations will be completed over the next four years.

Wastewater

The City's Combined Sewer System is governed by a National Pollutant Discharge Elimination System Permit that prohibits dry weather discharges to the river, limits wet weather discharges to the river and requires continued improvements to minimize street and property flooding, and system discharges to the river during storm events.

The permit requires:

- Treatment for discharges to the river
- Implementing a long-term control plan requiring an annual capital improvement program with an average annual expenditure of approximately \$10 million
- Mitigating increased flows in the combined sewer system from new development
- Extensive monitoring and data analysis

Operation of the City's separated sanitary sewer system is governed by the Federal Clean Water Act and Statewide General Waste Discharge Requirements. These requirements prohibit sanitary sewer overflows and require implementation of a sanitary sewer management plan, including 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.

Operation and improvement of the City's separated sanitary sewer system is also subject to mandatory provisions of a five-year consent decree. The decree resulted from a Clean Water Act lawsuit brought against the City in early 2011 by the California Sportfishing Protection Alliance. The consent decree was approved by the federal District Court on January 9, 2012.

Program Financing Approach and Methodology

The Water and Wastewater Infrastructure Investment Program (Program) uses a mix of debt 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 in a manner to avoid rate spikes from year to year.

This methodology provides predictable rates for customers and provides additional revenues in the near term to reduce future bond issuance amounts and will ultimately lower rate increases in the long run. The financing approach and methodology for the four-year rate increase:

- Meets critical, near-term regulatory and capital needs, including combined system underground storage, pipeline replacement and the water meter installation program
- Utilizes a mix of cash and debt financing
- Maximizes use of existing resources to the fullest extent in order to mitigate rate increases
- Establishes a sustainable program that meets bond requirements (reserves)

If the proposed rate increases are approved by Council, DOU will continue to work closely with the City Treasurer's Office to obtain a projected total of approximately \$305 million in debt obligations which is anticipated to be comprised of State Revolving Fund Loan debt and revenue bond issuances. DOU sought guidance from the City Treasurer's Office to develop debt financing assumptions. The following assumptions have been built into the long-term DOU finance plan for the Water and Wastewater Infrastructure Investment Program and are used for the next four 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 percent of annual debt service
 - Debt Service Reserve Fund levels at amounts required to maintain the ratings on the bonds (currently 50 percent of maximum annual debt service for water revenue bonds and \$2.5 million for wastewater revenue bonds)

- State Revolving Fund Loan terms:
 - 3 percent interest rate
 - Water issuances are assumed to be repaid over 30 years
 - Wastewater issuances are assumed to be repaid over 30 years

- Bond Terms:
 - 5.75 percent interest rate
 - All issuances are assumed to be repaid over 30 years

- Debt service coverage ratio:
 - 1.20 times the fund's net system revenues to debt ratio

Future Obligations

The four-year proposal is essentially self-contained and can be viewed as a stand-alone proposal. If the proposed four-year rate increases are approved, the financing methodology will necessitate an increase of water rates by 10 percent and wastewater rates by 9 percent each year in FY2016/17, FY2017/18, FY2018/19, and FY2019/20 to meet program requirements and debt service obligations. After FY2019/20, no additional rate increases will be needed to meet the debt service requirement generated from the proposed additional debt obligations to be incurred from FY2017-FY2020. It is likely that subsequent rate increases, beyond this four-year period, will be necessary to continue to comply with regulatory requirements and invest in rehabilitation and replacement of old infrastructure.

Public Outreach

From 2011-12, DOU executed an outreach program with property owners, stakeholder groups, businesses/business organizations and the media to help inform them about their utilities. The department connected with customers through *Your Utilities. Your Voice.*, which empowered

customers to add their voices and opinions into the rate setting process and emphasized that the City's infrastructure is also theirs to protect and maintain.

For the FY2017-FY2020 rate adjustment proposal, DOU developed the *Your Utilities. Your Community.* outreach program, which identifies the utilities that help keep the community safe and must be protected and maintained. The outreach facilitates community engagement and understanding for the rate process and proposed rate adjustments. DOU is able to obtain customer feedback and input about storm drainage, water and wastewater utilities.

Outreach has raised awareness about:

- The condition of the water and wastewater systems and how it impacts customers
- The critical nature of the capital projects proposed for FY2017-FY2020
- DOU's challenges and budget realities
- Benefits of water metering
- Customers' role in maintaining and paying for the systems

The grassroots outreach program includes community meetings, one-on-one briefings, media, advertising, social media and multicultural components. Outreach activities performed to date include:

Community Outreach

- Created and updated *Your Utilities. Your Community.* microsite to serve as a central hub for information
- Developed fact sheets and infographics to demonstrate accountability, state of the systems, water and wastewater challenges, budget realities, and how customer rates help pay for and maintain systems
- Developed newsletter content for distribution by City Council Members
- Provided presentations to 24 neighborhood/community associations throughout the City
- Coordinated with neighborhood association leaders and members throughout the project
- Conducted outreach to 10 key business organizations including the Sacramento Metro Chamber, Downtown Sacramento Partnership and North State Building Alliance
- Placed stories and comments on Nextdoor
- Presented information at URAC meetings as well as conducted the Prop 218 public hearing
- Developed and shared notifications and information through direct mail and bill inserts
- Sent Proposition 218 notice to more than 180,000 property owners and bill-paying tenants

Media Outreach

- Placed print and digital advertisements in the *Sacramento Bee*
- Developed and placed stories in City Express
- Created and posted social media content on City channels
- Placed information and questions on Envision Sacramento
- Distributed media announcements for proposed rate adjustments, timing change for proposed storm drainage rates, overview of key completed infrastructure projects, URAC public hearing outcome and water metering program milestones

- Conducted a media tour of the Sacramento River Water Treatment Plant

Multicultural Outreach

- Created and distributed fact sheets in Spanish, Russian and Hmong
- Coordinated with Crossings TV to reach the Hmong community
- Coordinated with churches to reach the Spanish-speaking community
- Placed print ads in the *Sacramento Observer*, *Russian Observer* and *Vida en el Valle*

Community Feedback

DOU has received valuable feedback from residents and stakeholders through the community engagement program. General themes gleaned from feedback include the following:

- General understanding of the critical improvements needed on the community's water and wastewater systems
- Desire for system improvements if it means not only ensuring a safe and reliable water supply but also full transparency and responsible planning/management by DOU
- Concerns about additional rate increases and the effects on customers, especially low-income residents and those on fixed incomes

Several common questions were asked during meetings and briefings with community members and other stakeholders. These were answered at the meetings, on the program microsite and in program materials and presentations. Questions include:

- Can you provide more information on the water metering project? What are the benefits? Why is it so expensive? Who is managing it and who is doing the construction work?
- Can you provide more details about the rate assistance program? Who is eligible to apply? How much do you save? Where does the program money come from?
- How safe is our drinking water? Are we meeting all regulatory requirements?
- Why are there more rate increases now? Doesn't the Department have money from the last increases?
- What projects will be completed in return for these rate increases?
- Do these planned rates get us to the 100-year pipeline replacement cycle? If not, how far does it get us and what is our plan for getting the rest of the way?
- What happens if the rate adjustments are not approved?

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 XIIC and XIID 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 owners or tenants of a majority of the affected parcels (only one protest is allowed per parcel).
- D. On December 2, 2015, 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 4-year increases in the City’s water and wastewater service rates, to take effect on July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019, 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 27, 2016, and February 10, 2016, 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 conclusion of the public hearing, written protests against the proposed 4-year increases in the City's water and wastewater service rates were not received for a majority of the parcels that will be subject to the proposed increased rates.
- G. Upon conclusion of the public hearing, 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 reasonable cost of providing these services, and that the revenues derived from these water and wastewater service rates will not exceed the funds required to provide 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 4-year utility service rates shown on Exhibit A (Water Rates), and Exhibit B (Wastewater Rates), to take effect on July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019, 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

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, which increase by 10% each year for four years, with the annual increases effective on July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019, respectively.

	<u>Rates Effective:</u>			
	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
I. WATER USE RATES, MONTHLY DOMESTIC				
Single-family residence:				
1-3 rooms	35.55	39.11	43.02	47.32
4-5 rooms	46.26	50.89	55.98	61.58
6-9 rooms	50.30	55.33	60.86	66.95
10-15 rooms	58.12	63.93	70.32	77.35
Over 15, each additional room	4.08	4.49	4.94	5.43
Multiple-family residences (for each family dwelling unit in a multiple family residence)				
1-3 rooms	27.26	29.99	32.99	36.29
4-5 rooms	34.89	38.38	42.22	46.44
6-7 rooms	42.60	46.86	51.55	56.71
8-9 rooms	50.30	55.33	60.86	66.95
10-15 rooms	58.12	63.93	70.32	77.35
Over 15, each additional room	4.08	4.49	4.94	5.43
Lot Irrigation, per Water Service Tap	70.82	77.90	85.69	94.26
II. WATER USE RATES, MONTHLY COMMERCIAL				
Bakery, first 1,000 sq. ft. of gross floor area or fraction thereof	98.74	108.61	119.47	131.42
Each additional 1,000 sq. ft. or fraction thereof	65.67	72.24	79.46	87.41
Barber Shop or Beauty Parlor, first 1,000 sq. ft. of gross floor area or fraction thereof	49.38	54.32	59.75	65.73
Each additional 1,000 sq. ft. or fraction thereof	31.86	35.05	38.56	42.42
Bowling Alley, first 1,000 sq. ft. of gross floor area or fraction thereof	49.38	54.32	59.75	65.73
Each additional 1,000 sq. ft. or fraction thereof	31.86	35.05	38.56	42.42
Cemetery, for the irrigation season, first 1,000 sq. ft. or fraction thereof	90.62	99.68	109.65	120.62
Each additional 1,000 sq. ft. or fraction thereof	7.22	7.94	8.73	9.60
Dining Facilities (including restaurant, cafeteria, cafe, bar) first 1,000 sq. ft. of gross floor area or fraction thereof	98.40	108.24	119.06	130.97
Each additional 1,000 sq. ft. or fraction thereof	64.87	71.36	78.50	86.35
Drug Store, first 1,000 sq. ft. of gross floor area or fraction thereof	45.49	50.04	55.04	60.54
Each additional 1,000 sq. ft. or fraction thereof	20.24	22.26	24.49	26.94
Fire Hydrant Service Charge				
Wharf Hydrant	19.13	21.04	23.14	25.45
Standard Hydrant	47.28	52.01	57.21	62.93

Exhibit A

	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
II. WATER USE RATES, MONTHLY COMMERCIAL (cont'd)				
Furniture Store, first 1,000 sq. ft. of gross floor area or fraction thereof	45.49	50.04	55.04	60.54
Each additional 1,000 sq. ft. or fraction thereof	5.01	5.51	6.06	6.67
Garage, first 1,000 sq. ft. of gross floor area or fraction thereof	45.49	50.04	55.04	60.54
Each additional 1,000 sq. ft. or fraction thereof	5.01	5.51	6.06	6.67
Halls (including lodge and auditorium), first 1,000 sq. ft. of gross floor area or fraction thereof	45.49	50.04	55.04	60.54
Each additional 1,000 sq. ft. or fraction thereof	20.24	22.26	24.49	26.94
Hotel, Rest or Convalescent Homes, first 10 sleeping rooms or fraction thereof	90.62	99.68	109.65	120.62
Over 10 sleeping rooms, each additional sleeping room	7.22	7.94	8.73	9.60
Laundry, first 1,000 sq. ft. of gross floor area or fraction thereof	196.64	216.30	237.93	261.72
Each additional 1,000 sq. ft. or fraction thereof	125.06	137.57	151.33	166.46
Market, first 1,000 sq. ft. of gross floor area or fraction thereof	49.38	54.32	59.75	65.73
Each additional 1,000 sq. ft. or fraction thereof	31.86	35.05	38.56	42.42
Mortuary, first 1,000 sq. ft. of gross floor area or fraction thereof	45.49	50.04	55.04	60.54
Each additional 1,000 sq. ft. or fraction thereof	20.24	22.26	24.49	26.94
Motel, first 10 sleeping rooms or fraction thereof	90.62	99.68	109.65	120.62
Each additional sleeping room over 10	7.22	7.94	8.73	9.60
Office Building, first 1,000 sq. ft. of gross floor area or fraction thereof	45.49	50.04	55.04	60.54
Each additional 1,000 sq. ft. or fraction thereof	15.40	16.94	18.63	20.49
Park (not municipal), for irrigation season, first 1,000 sq. ft. or fraction thereof	90.62	99.68	109.65	120.62
Each additional 1,000 sq. ft. or fraction thereof	7.22	7.94	8.73	9.60
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	45.49	50.04	55.04	60.54
Each additional 1,000 sq. ft. or fraction thereof	8.38	9.22	10.14	11.15
School, first 100 pupils or fraction thereof	87.41	96.15	105.77	116.35
Each additional 100 pupils or fraction thereof	68.07	74.88	82.37	90.61
Service Station (no wash racks) and Used Car Lots:				
tap size to City main: 3/4"	49.38	54.32	59.75	65.73
1"	64.87	71.36	78.50	86.35
1 1/2"	105.97	116.57	128.23	141.05
2"	181.18	199.30	219.23	241.15
Store, first 1,000 sq. ft. of gross floor area or fraction thereof	45.49	50.04	55.04	60.54
Each additional 1,000 sq. ft. or fraction thereof	20.24	22.26	24.49	26.94

Exhibit A

	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
II. WATER USE RATES, MONTHLY COMMERCIAL (cont'd)				
Theater, first 1,000 sq. ft. of gross floor area or fraction thereof	49.59	54.55	60.01	66.01
Each additional 1,000 sq. ft. or fraction thereof	31.86	35.05	38.56	42.42
Warehouse, first 1,000 sq. ft. of gross floor area or fraction thereof	45.49	50.04	55.04	60.54
Each additional 1,000 sq. ft. or fraction thereof	5.01	5.51	6.06	6.67
Minimum Rate: In no case shall a commercial flat-rate be less than:	45.49	50.04	55.04	60.54
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.	30.21	33.23	36.55	40.21
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	6.96	7.66	8.43	9.27
Without Water Conservation Device	106.12	116.73	128.40	141.24
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	4.00	4.40	4.84	5.32
Without Water Conservation Device	10.88	11.97	13.17	14.49
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	7.36	8.10	8.91	9.80
Without Water Conservation Device	69.42	76.36	84.00	92.40
Dining Facility, (including restaurant, cafeteria, cafe, kitchen, bar) each 1,000 sq. ft. of gross floor area or fraction thereof	53.25	58.58	64.44	70.88
Gymnasium, each shower head	24.05	26.46	29.11	32.02
Hydraulically-operated elevator				
With Water Conservation Device	37.97	41.77	45.95	50.55
Without Water Conservation Device	211.23	232.35	255.59	281.15
Irrigation: Supplemental (Commercial)				
0 - 10,000 sq. ft. (net irrigable area)				
over 10,000 sq. ft. (net irrigable area), each additional 1,000 sq. ft.	7.22	7.94	8.73	9.60
Irrigation: Supplemental (Domestic)				
0 - 13,000 sq. ft. (gross lot area)	0.00	0.00	0.00	0.00
over 13,000 sq. ft. (gross lot area), each additional 1,000 sq. ft.	7.22	7.94	8.73	9.60

July 1, 2016 July 1, 2017 July 1, 2018 July 1, 2019

III. SPECIAL WATER USE RATES, MONTHLY (Cont'd)

Private Fire Protection	Tap size to City ma	0 - 2"	30.21	33.23	36.55	40.21
		3"	45.49	50.04	55.04	60.54
		4"	60.38	66.42	73.06	80.37
		6"	90.62	99.68	109.65	120.62
		8"	120.85	132.94	146.23	160.85
		10"	151.04	166.14	182.75	201.03
		12"	181.18	199.30	219.23	241.15
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	0.00
	Over 300 cu. ft. fill & draw, per 100 cu. ft.		9.2941	10.2235	11.2459	12.3705
	Under 300 cu. ft. per 100 cu. ft., filtered		0.00	0.00	0.00	0.00
	Over 300 cu. ft. per 100 cu. ft., filtered		1.7728	1.9501	2.1451	2.3596

IV. MONTHLY METERED WATER USE, PER 100 CUBIC FEET

For all other metered water services:	Per 100 cubic feet:	1.0959	1.2055	1.3261	1.4587
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For metered service, monthly basic service charges, regardless of water usage, as follows:

Metered Size

5/8" x 3/4"	26.84	29.52	32.47	35.72
3/4"	26.84	29.52	32.47	35.72
1"	26.84	29.52	32.47	35.72
1½"	50.55	55.61	61.17	67.29
2"	79.00	86.90	95.59	105.15
3"	145.37	159.91	175.90	193.49
4"	240.21	264.23	290.65	319.72
6"	477.27	525.00	577.50	635.25
8"	761.74	837.91	921.70	1,013.87
10"	1,093.64	1,203.00	1,323.30	1,455.63
12"	2,041.91	2,246.10	2,470.71	2,717.78

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, which increase by 9% each year for four years, with the annual increases effective on July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019, respectively.

		<u>Rates Effective:</u>			
		<u>July 1,</u> <u>2016</u>	<u>July 1,</u> <u>2017</u>	<u>July 1,</u> <u>2018</u>	<u>July 1,</u> <u>2019</u>
I. WASTEWATER SERVICE RATES - MONTHLY RESIDENTIAL					
Single-family residence:	1-3 rooms	16.01	17.45	19.02	20.74
	4-5 rooms	20.30	22.12	24.11	26.28
	6-7 rooms	24.44	26.64	29.03	31.65
	8-9 rooms	28.23	30.77	33.54	36.56
	10-15 rooms	32.39	35.31	38.49	41.95
	over 15, each additional room	2.21	2.41	2.63	2.87
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	35.34	38.52	41.98	45.76
	Barber Shop or Beauty Parlor, each 1,000 sq.ft. of gross floor area or fraction thereof	18.96	20.66	22.52	24.55
	Bowling Alley, each 1,000 sq.ft. of gross floor area or fraction thereof	16.55	18.04	19.66	21.43
	Dining Facilities (including restaurant, cafeteria, cafe, bar) each 1,000 sq.ft. of gross floor area or fraction thereof	37.92	41.33	45.05	49.11
	Drug Store, each 1,000 sq.ft. of gross floor area or fraction thereof	12.44	13.56	14.78	16.11
	Furniture Store, each 1,000 sq.ft. of gross floor area or fraction thereof	4.09	4.46	4.86	5.29
	Garage, each 1,000 sq.ft. of gross floor area or fraction thereof	3.35	3.65	3.98	4.33
	Halls (including lodge or auditorium), each 1,000 sq.ft. of gross floor area or fraction thereof	10.99	11.98	13.05	14.23
	Hotel, per sleeping room	3.75	4.09	4.45	4.86
	Laundry (where laundry is performed on premises), each 1,000 sq. ft. of gross floor area or fraction thereof	73.47	80.08	87.28	95.14
	Market, each 1,000 sq.ft. of gross floor area or fraction thereof	15.83	17.25	18.80	20.50
	Mortuary, each 1,000 sq.ft. of gross floor area or fraction thereof	10.44	11.38	12.41	13.52
	Motel, per sleeping room or fraction thereof	3.75	4.09	4.45	4.86
	Office Building, each 1,000 sq.ft. of gross floor area or fraction thereof	12.84	14.00	15.26	16.63
	Religious Worship (premises), each 1,000 sq.ft. of gross floor area or fraction thereof	5.68	6.19	6.75	7.35
	Rest or Convalescent Home, per sleeping room or fraction thereof	6.07	6.62	7.21	7.86
	School, each 100 pupils or fraction thereof	33.53	36.55	39.84	43.42
	Service Station and Used Car Lot (no wash racks):				
	Water tap size to City main:				
	3/4"	19.95	21.74	23.70	25.83
	1"	25.97	28.31	30.86	33.64
	1 1/2"	42.68	46.53	50.71	55.28
	2"	73.47	80.08	87.28	95.14

Exhibit B

	<u>July 1,</u> <u>2016</u>	<u>July 1,</u> <u>2017</u>	<u>July 1,</u> <u>2018</u>	<u>July 1,</u> <u>2019</u>
Store, each 1,000 sq.ft. of gross floor area or fraction thereof	13.16	14.34	15.63	17.04
Theater, each 1,000 sq.ft. of gross floor area or fraction thereof	15.63	17.04	18.57	20.24
Warehouse, each 1,000 sq.ft. of gross floor area or fraction thereof	3.04	3.31	3.61	3.94
Minimum rate, not less than:	19.81	21.59	23.53	25.65

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:	31.61	34.45	37.56	40.94
With water conservation device:	3.04	3.31	3.61	3.94

Evaporative coolers (commercial establishments), for each month during air conditioning season, unit capacity - per 1,000 cfm, without recirculation	4.25	4.63	5.05	5.51
With water conservation device, with recirculation:	1.23	1.34	1.46	1.60
	0.00	0.00	0.00	0.00

Refrigeration systems, for systems on flat-rate service, per compressor horsepower:	31.61	34.45	37.56	40.94
With water conservation device:	3.04	3.31	3.61	3.94
	0.00	0.00	0.00	0.00

Dining Facility, each 1,000 sq.ft. or fraction thereof	24.55	26.76	29.16	31.79
	0.00	0.00	0.00	0.00
Gymnasium, each shower head	11.33	12.34	13.46	14.67
	0.00	0.00	0.00	0.00
Hydraulically operated elevator	97.34	106.10	115.65	126.05
With water conservation device	17.01	18.55	20.22	22.03
Swimming Pool, non-commercial, per pool capacity				
Under 300 cu.ft. (fill & draw)	0.00	0.00	0.00	0.00
Over 300 cu.ft. (fill & draw), each 100 cu.ft. contents	4.0936	4.4620	4.8636	5.3013
Under 300 cu.ft. (filtered)	0.00	0.00	0.00	0.00
Over 300 cu.ft. (filtered), each 100 cu.ft. contents	1.0600	1.1554	1.2594	1.3728

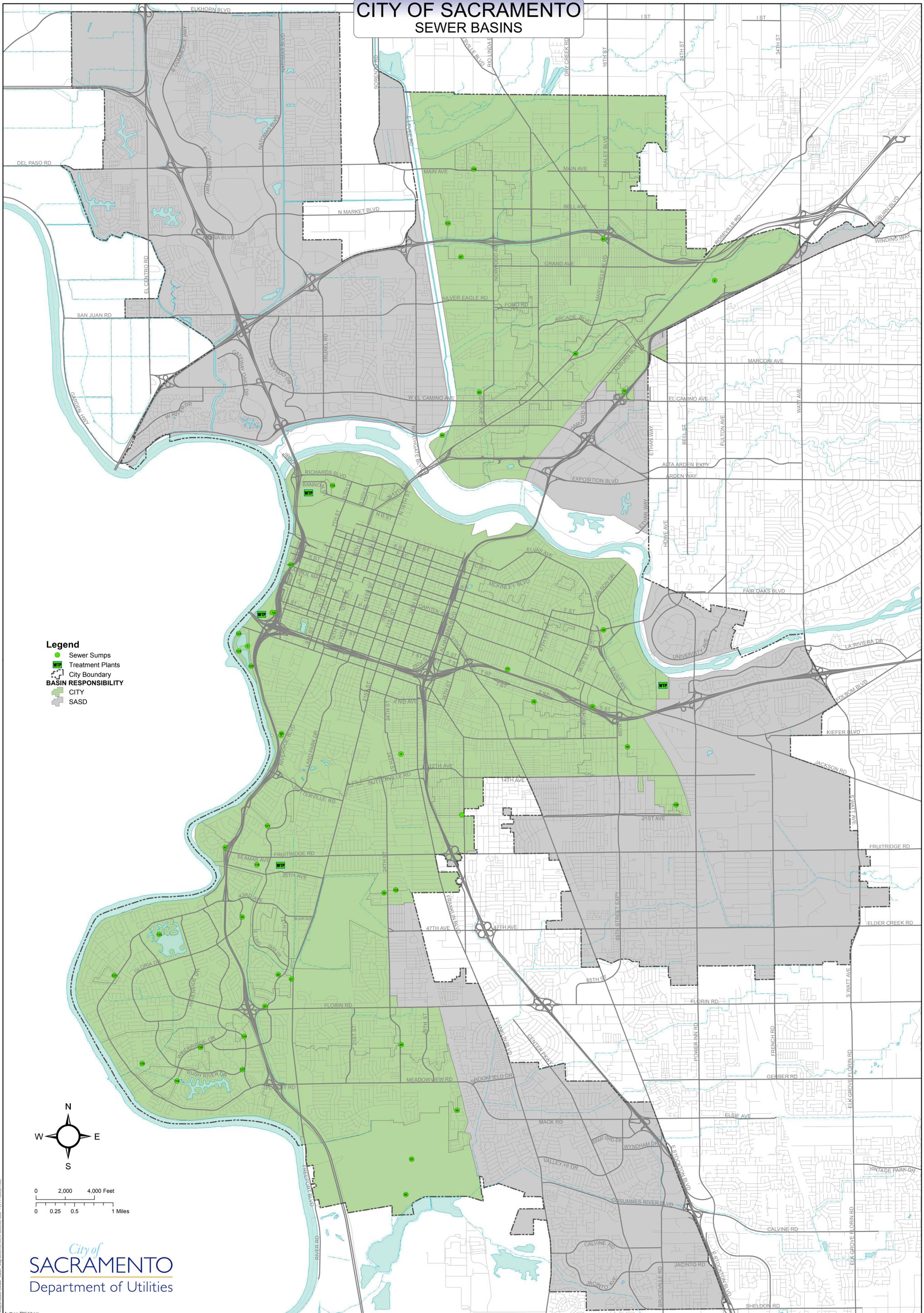
IV. MONTHLY METERED WASTEWATER USE, UNIT RATE

(Per 100 Cu.Ft. of Monthly Metered Water Use)	1.0002	1.0902	1.1883	1.2953
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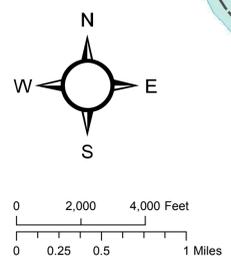
The minimum monthly charge, based on water meter size and monthly metered water use, is set forth below. The minimum charge is the Unit Rate times the maximum monthly metered water use set forth below for each water meter size. Each additional 100 cubic feet of monthly metered water use, or portion thereof, will be billed at the Unit Rate.

<u>Water Meter Size</u>	<u>Monthly Metered Water Use</u>				
5/8"	0- 1,200 cu.ft.	12.00	13.08	14.26	15.54
3/4"	0- 1,700 cu.ft.	17.00	18.53	20.20	22.02
1"	0- 2,100 cu.ft.	21.00	22.89	24.96	27.20
1 1/2"	0- 3,700 cu.ft.	37.01	40.34	43.97	47.92
2"	0- 6,200 cu.ft.	62.01	67.59	73.67	80.30
3"	0- 12,500 cu.ft.	125.02	136.28	148.54	161.91
4"	0- 21,800 cu.ft.	218.03	237.66	259.04	282.36
6"	0- 50,000 cu.ft.	500.08	545.09	594.15	647.62
8"	0- 106,200 cu.ft.	1,062.18	1,157.78	1,261.98	1,375.56
10"	0- 168,700 cu.ft.	1,687.29	1,839.14	2,004.67	2,185.09
12"	0- 262,500 cu. ft.	2,625.44	2,861.73	3,119.28	3,400.02

CITY OF SACRAMENTO SEWER BASINS

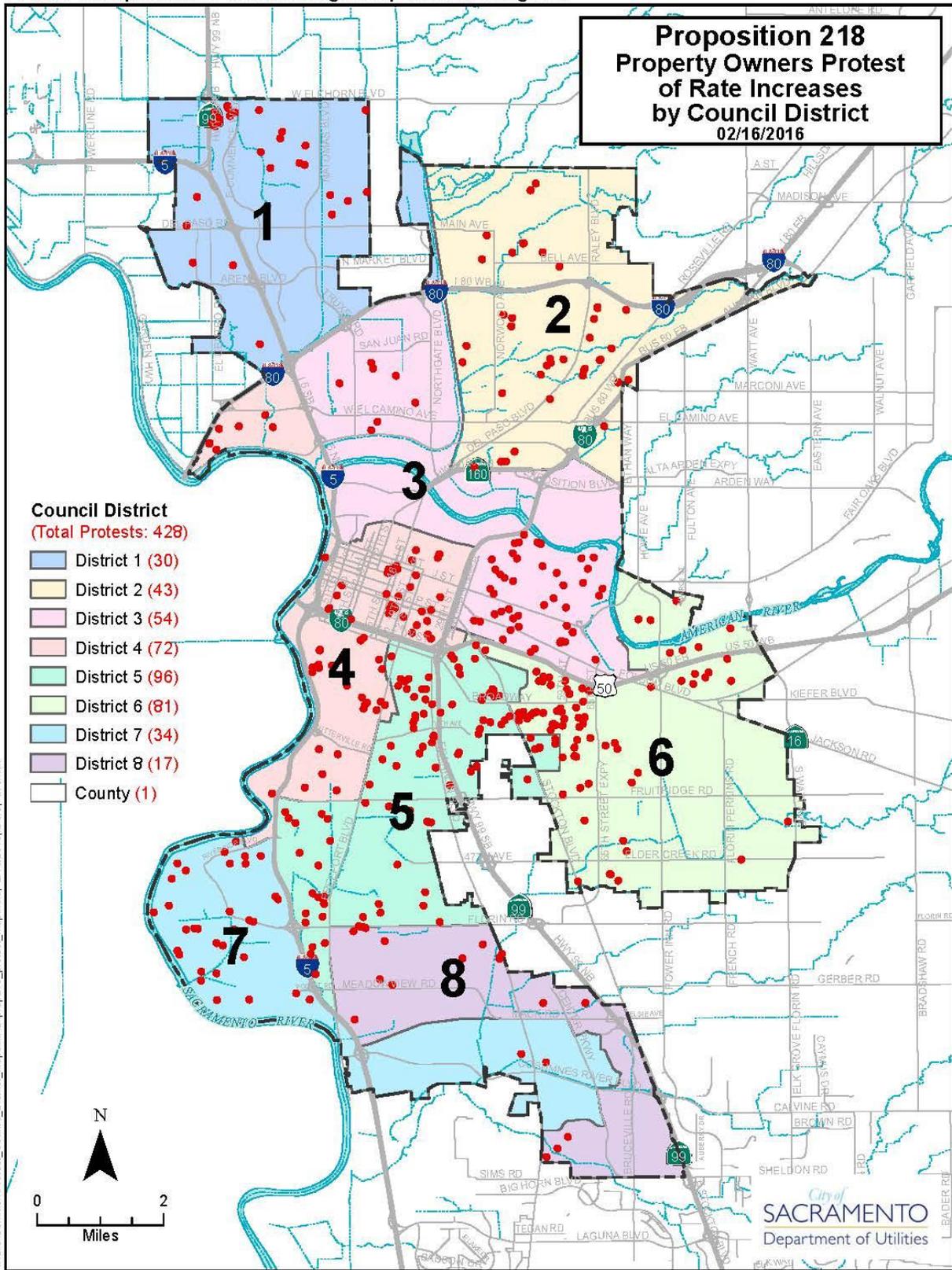


- Legend**
- Sewer Sumps
 - WTP Treatment Plants
 - City Boundary
 - BASIN RESPONSIBILITY**
 - CITY
 - SASD



Proposition 218 Protest Results FY 2015/16

Proposed Utility Service Rate Adjustments for Water and Wastewater Summary as of 2/10/16		
Total Notices Mailed	181,849	
- No Specific Comment	201	<1%
- Increase is Excessive or Unjustified	86	<1%
- Causes a Financial Hardship	108	<1%
- Quality/Level of service does not warrant increase	33	<1%
Total Written Protests Received	428	<1%



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Water and Wastewater Infrastructure Investment Program FY2016/17 through FY2019/20 Funding & Project Summary

General

Base CIP Contingency

The Department of Utilities has a capital improvement program for its water and wastewater systems. Reserve funds are renewed annually for unanticipated capital improvement program needs due to unforeseen conditions including, but not limited to, structural and equipment failures and pipe leaks and failures. The contingency is also used to compensate for unforeseen costs due to the construction bidding environment.

Facility Repair

DOU administrative buildings range in age from 18 years to 65 years. Funding is proposed for required building improvements and maintenance. Building improvements include possible ADA updates. Maintenance work covers repair and/or replacement of items that are failing or have reached the end of useful life, including roofing repair/replacement, eave replacement, window replacement, heating and air conditioning system replacement, interior/exterior painting, carpet and linoleum replacement and replacing failing bathroom fixtures with more water efficient equipment.

Regulatory

In compliance with the Americans with Disabilities Act of 1990 (ADA), funding is proposed for corrective improvements to facilities that are not compliant with ADA requirements. =

DOU operates and maintains over 80 stationary and portable emergency generators used during electrical power outages at our sewer and drainage pumping facilities. The Sacramento Metropolitan Air Quality Management District has increased compliance restrictions on these facilities. To remain in compliance, DOU is proposing funding to install aftermarket emission controls on older generators and to retire and replace four generators.

O&M Support

Funding is proposed for the Unplanned Corrective Maintenance Program, This program addresses unforeseen emergency repairs and replacements that are not part of existing capital improvement projects but are critical to the system and require immediate correction.

Information Technology

DOU developed an Information Technology Master Plan to address Information Technology (IT) improvements to support DOU operations and business objectives. The Master Plan replaces and upgrades IT systems and applications that support DOU business processes, including billing and customer information, operations and maintenance work order systems, geographic information systems (GIS), project management, rate analysis and asset management. Proposed projects

include a new customer information system (CIS), improvements to work order systems, improvements to the GIS geodatabase and new applications for project management, rate analysis and asset management. The software used to manage many of these systems, including our customer billing, is obsolete and in danger of failing if it is not upgraded.

The City's Information Technology Department develops IT projects that have a citywide benefit. Funding is proposed so that DOU can provide its cost-share for Citywide IT projects that provide a benefit to the Department.

Security

DOU developed a Security Master Plan to address security practices and emergency preparedness to better protect the City's critical utility infrastructure. The Master plan has recommended physical, electronic and access security measures to reduce City risk. Proposed projects include video surveillance, electronic access controls and repairs and/or improvements to facility lighting, signage, fencing and locks.

Water System

Rehabilitation / Replacement

The City provides drinking water to customers through two water treatment plants, approximately 1,727 miles of transmission and distribution main pipelines, 11 reservoirs and 29 active wells. Proposed projects reduce water loss, improve pressures and fire flows and improve system reliability include distribution main replacement, Florin Reservoir improvements and repair/rehabilitation at both water treatment plants.

Regulatory

DOU has a Drinking Water Quality Program to comply with multiple federal and state drinking water regulations. The program includes a certified in-house laboratory which houses many instruments crucial for drinking water analysis. The instruments have defined lifecycles after which the manufacturers no longer support the instruments with parts or repair. Funding is proposed to replace any instruments due to be decommissioned because the parts are no longer available.

O&M Support

Funding is proposed for the Fire Hydrant and Gate Valve Program which addresses the replacement of failed or obsolete fire hydrants and gate valves throughout the water distribution system.

Water Meter Program

In compliance with AB 2572, the City must install water meters on all existing residential and commercial water service connection accounts by January 1, 2025. On February 24, 2015, in response to the drought, the City Council approved accelerating the Water Meter Program, moving completion up to January 1, 2021. Funding is proposed for the installation of approximately 42,000 water meters and replacing 76 miles of water mains due to poor pipe condition.

Wastewater System

Rehabilitation/Replacement

The City provides wastewater collection to customers by using both a combined sewer system in the older areas of the city and a separated sewer system in the newer areas. Pipelines within these two systems are old and in poor condition in various locations. Proposed projects include replacing and/or upsizing approximately 5,919 lineal feet of combined system pipelines and 8,895 lineal feet of separated system pipelines as well as rehabilitating both wastewater treatment plants and various sump stations.

Planning

In support of DOU's Sanitary Sewer Management Plan, the City has recently undertaken a program to accurately measure wastewater flow at sump stations. Funding is proposed for the installation of magnetic flow meters on 12 of the remaining unmeasured wastewater sump stations.

Regulatory

The City's combined sewer system lacks the capacity to convey flows generated during large storm events. The Combined Sewer System Improvement Plan includes a strategy to reduce flooding by temporarily storing excess flows in underground storage facilities. Funding is proposed to construct a 7.5-million-gallon underground storage facility in the McKinley Park area to relieve flooding and CSS outflows. It also includes funding for feasibility studies for two additional underground storage projects.