

Item No. 4

Supplemental Material

For

City of Sacramento

Utilities Rate Advisory Commission

Agenda Packet

Submitted:

For the Meeting of:

Additional Material

Revised Material

TITLE: Budget Status and Review

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Please include this supplemental material in your agenda packet. This material will also be published to the City's Internet. For additional information, contact the City Clerk Department at Historic City Hall, 915 I Street, First Floor, Sacramento, CA 95814-2604, (916) 808-7200.

Utility Budget Update



CITY OF SACRAMENTO
**DEPARTMENT
OF UTILITIES**

March 9, 2011

Presentation Overview

- Rate Adjustments for FY09/10 & FY10/11
- Typical Single-Family Residence Utility Costs
- FY09/10 Budget Assumptions/Actuals
- FY10/11 Budget Assumptions/EOY Projections
- FY11/12 DOU Budget Development Strategy
- DOU Financial Work Plan

Key Factors → Rate Adjustments

- Maintain existing levels of service
- Economic recession (revenue shortfalls; bad debt expense)
- Escalating costs of operational and infrastructure improvements
- Expanding regulatory and environmental forces
- No rate increase in FY08/09 for Water and Sewer
- Use of reserves

Rate Proposal

FUND	URAC Recommendation		Council Approved	
	FY2009/10	FY2010/11	FY2009/10	FY2010/11
Water	19%	19%	15%	15%
Wastewater	10%	12%	5%	5%
Solid Waste	12%	11%	9%	9%
Drainage	0%	0%	0%	0%

FY2009/10 and FY2010/11 Rate Increase

Typical Single-Family Customer Monthly Bill

UTILITY SERVICES	FY 08/09 Rate (residential)	07/01/09 Increase	FY09/10 Rate Effective 7/1/09	Total Monthly Increase Year 1	07/01/10 Increase	FY10/11 Rate Effective 7/1/10	Total Monthly Increase Year 2
Water (unmetered)	\$25.97	15%	\$29.87	\$3.90	15%	\$34.35	\$4.48
Wastewater	\$13.37	5%	\$14.04	\$0.67	5%	\$14.74	\$0.70
Storm Drainage	\$11.31	0%	\$11.31	\$0.00	0%	\$11.31	\$0.00
Solid Waste	\$35.09	9%	\$38.25	\$3.16	9%	\$41.69	\$3.44
TOTAL	\$85.74		\$93.47	\$7.73		\$102.09	\$8.62
<i>Overall Average Increase</i>		9.0%			9.2%		

*Sewer charges are City of Sacramento services only and do not include SRCSD charges

FY10 Budget Assumptions

- Labor savings
 - Unrepresented furloughs/COLA deferrals
 - Layoffs
- Reductions in Solid Waste & Preventative Maintenance programs
- Efficiencies (unrepresented furloughs, reduction in fuel consumption, SW 4/10 routing)
- Reduce Water Meter Program from 5% to 3%
- Reduce baseline Water CIP program
- Use of reserves

Utilities FY2009/10 Fund Status

(in 000s)

		Water (6005)	Wastewater (6006)	Solid Waste (6007)	Drainage (6011)	Dept. Total
Revenue	Budget	73,838	21,324	62,165	36,211	193,538
	Actuals	72,358	21,328	63,805	39,885	197,375
	Variance	(1,480)	4	1,640	3,674	3,837
Expenses	Budget	75,008	21,232	59,611	38,688	194,539
	Actuals	68,316	19,020	58,288	33,697	179,320
	Variance	6,692	2,212	1,323	4,991	15,219
Budgeted Current Year Activity		(1,170)	92	2,554	(2,477)	(1,001)
Actual Current Year Activity		4,042	2,308	5,517	6,188	18,055
Variance		5,212	2,216	2,963	8,665	19,056

Impacts

- Increased backlog of aging infrastructure
- Delay in Meter Program (offset by ARRA stimulus \$\$)
- Preventative Maintenance programs reduced
- Increased response time for repairs from 5 to 10 days
- Solid Waste services suspended or reduced
 - Neighborhood Cleanup, Illegal Dumping, Street Sweeping
- Extended hold times in Utilities' and 311 Call Centers
- Administrative support reduced (metrics/procedures)

FY10/11 Budget Assumptions

- Maintain FY10 Levels of Service
- Continued Furloughs for Staff
- Augmentations:
 - Water Meter Program
 - PERS & SCERS Contributions
 - Meter Replacement Funding
 - Water Conservation – Outreach & Education
 - Operational Contingency
- Grow reserves in Water and Solid Waste; Use reserves in Wastewater and Drainage
- Address Proposition 218 Issues

Projected FY11 Performance

■ Revenue shortfalls (water and wastewater):

- ➔ Water production down FY09 & FY10 (10% each year)

■ Savings:

- ➔ Employee Services (vacancies, mild Winter)
- ➔ Services & supplies (plumbing supplies, vehicle O&M, etc.)
- ➔ Electricity, chemicals
- ➔ Bad Debt \$2M under budget
- ➔ Operational contingency reserves

■ Reserves:

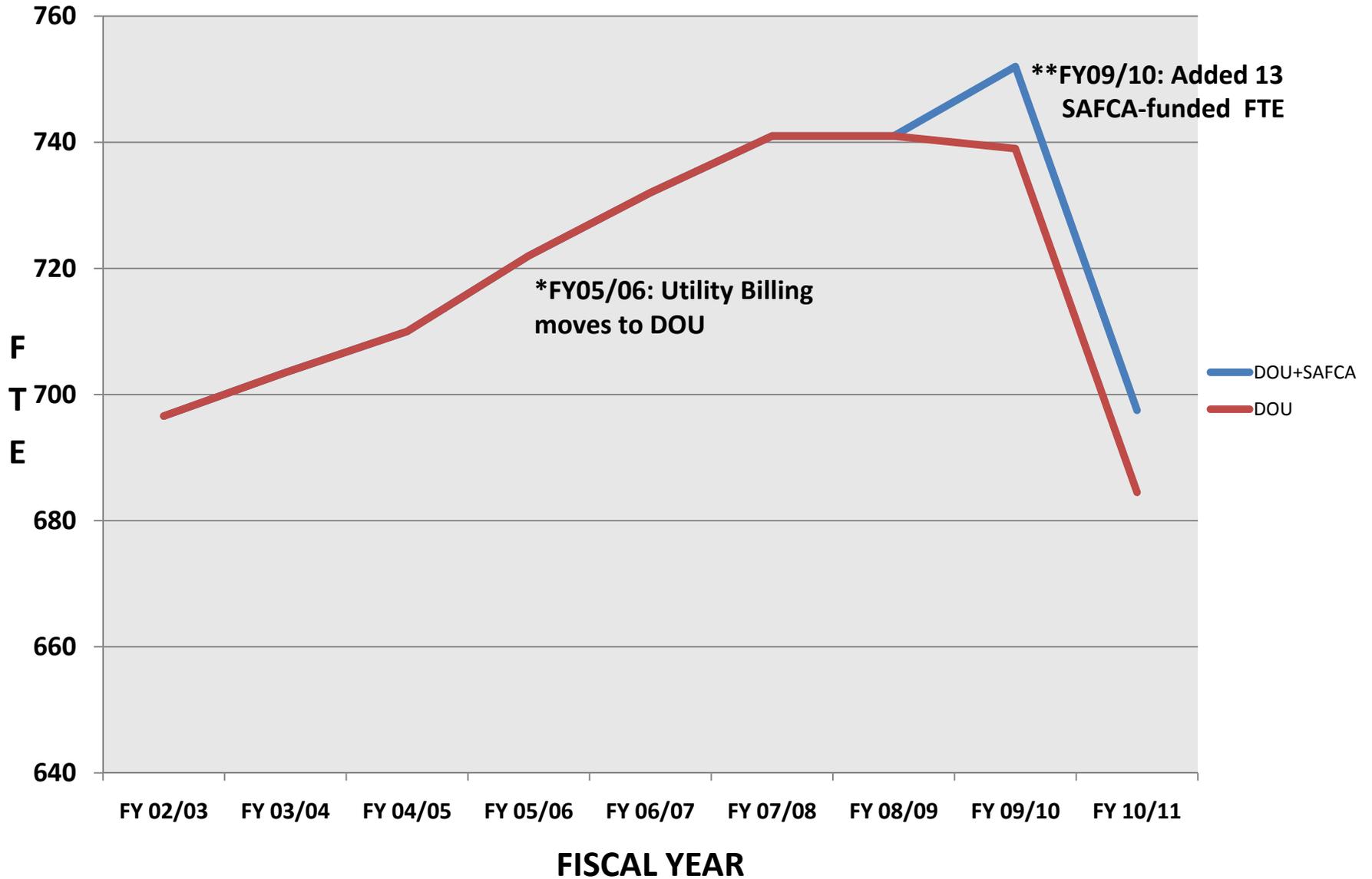
- ➔ Water & Solid Waste increased; minimize use in Wastewater and Drainage

Utilities Preliminary FY2010/11 Projected Fund Status

(in 000s)

		Water (6005)	Wastewater (6006)	Solid Waste (6007)	Drainage (6011)	Dept. Total
Revenue	Budget	82,590	22,492	63,119	36,941	205,142
	EOY Projection	79,971	21,745	64,036	36,553	202,305
	Projected Variance	(2,619)	(747)	917	(388)	(2,837)
Expenses	Budget	81,903	24,790	61,396	39,362	207,450
	EOY Projection	77,150	22,246	59,443	38,352	197,191
	Projected Variance	4,753	2,544	1,953	1,010	10,259
Budgeted Current Year Activity		688	(2,298)	1,723	(2,421)	(2,308)
Projected Current Year Activity		2,821	(501)	4,592	(1,798)	5,114

UTILITIES FTE FY02/03 Through FY10/11



FY12 Budget Development

- Assumes existing levels of service & no rate increase
 - Exception: Parks volumetric water and garbage
 - Continued Staff furloughs
- Incorporates Efficiency Audit recommendations
- Status quo budget for Solid Waste
 - Funding for container replacement and landfill liabilities
- FY11 EOY for Water & Wastewater plus critical augmentations
- No additional Meter Program funding
- Drainage fund – use of reserves
 - Fund CSS CIP \$2M; Additional \$1M base CIP

DOU Financial Work Plan

- Loose-in-the-Street Rate/Measure A
- Efficiency Audit Recommendations
- BLT Tiered Pricing – Direct Commercial Waste
- Water 101/Fluoride Workshops with Council
- Drainage Rate Structure & Revenue Requirement Study
- 4-Year Rate Plan Development
- Development Review Fees (Full Cost Recovery)

THANK YOU



CITY OF SACRAMENTO
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