

# SACRAMENTO

business  
coalition

December 9, 2011

Dave Brent, Director  
City of Sacramento Department of Utilities  
1395 35th Avenue  
Sacramento, CA 95822

RE: City of Sacramento Department of Utilities: Proposed Utilities Rate  
Adjustments

Dear Mr. Brent,

On behalf of the Sacramento Business Coalition (the "Coalition"), we would like to thank you and the other City of Sacramento staff who attended the Coalition meeting on Monday, November 21, 2011, to continue our discussions surrounding the City's proposed utilities rate adjustments and related financing plans. We appreciate the ongoing dialogue, which bodes well for improved communication between members of the business community and the City of Sacramento Department of Utilities.

After reviewing the information presented by you and the other City staff, our Coalition members continue to have questions about some components of the financing plan and the amount and duration of the utility rate adjustment proposals. Therefore, we respectfully ask that you address the following questions and information requests:

1. A clear justification and timeline for each project to be funded by the rate increase.

The current infrastructure upgrades being proposed by City staff are a very large public works project - even bigger than the "Big Build" - which is why the Coalition seeks to fully understand the complete scope of this project and what will trigger work to be done.

The Coalition requests that the Utilities Department eliminates as much uncertainty as possible by presenting a detailed breakout of the projects that they seek to take on, with a full overview of the cost, timeline and work plan for each project, as demonstrated in SACOG's Metropolitan Transportation Plan (MTP 2035). The MTP 2035 is an example of a long-range, comprehensive planning document, which prioritizes key regional projects and outlines the funding mechanisms through which those projects will be funded.

BOMA - Sacramento

Del Paso Boulevard Partnership

Downtown Sacramento Partnership

Natomas Chamber

North State Building Industry Association

Power Inn Alliance

Rental Housing Association, Sacramento Valley

Sacramento Asian-Pacific Chamber

Sacramento Black Chamber

Sacramento Convention & Visitors Bureau

Sacramento County Taxpayers League

Sacramento Hispanic Chamber

Sacramento Hotel Association

Sacramento Metro Chamber

Stockton Boulevard Partnership/  
Oak Park Business Association

The River District

2. An independent analysis of the water and sewer system deficiencies with a master plan verifying the necessity and prioritization of the proposed capital improvements.

At the meeting last week and in our prior discussions, we have heard that some evaluation of the water and sewer system reliability has occurred. It appears, however, that there has not been an independent review of the entire system proposed for rehabilitation. Before the City embarks on a project of this scale, the Utilities Department should demonstrate to the City Council and ratepayers the entire scope of system deficiencies based upon objective, verifiable data. This analysis should include the information requested in the preceding paragraph; *i.e.*, what exactly needs to be accomplished, why the projects need to be completed and when the projects really need to be finished.

We are aware that other jurisdictions retained independent consultants to evaluate system deficiencies before embarking on substantial rehabilitation efforts such as the one the City is now proposing. If you have already completed such a study, please provide it to us. Otherwise, we suggest you examine other regional jurisdictions for best practices. We are aware that in approximately 2000-2001, the City of Folsom conducted an analysis of the aging sewer system to prepare a master plan for sewer upgrades. The consultant who performed that work, Mr. Ken Payne, is now employed at the City of Folsom in the City Manager's office, and may be a resource for you in this regard.

3. The Coalition requests that you provide a detailed and comprehensive financing plan, including a complete and thorough cost breakdown, showing how and where the money will be spent that also demonstrates the most limited use of debt financing. In this plan, we would like to have the City show its capacity to service any debt without borrowing additional money to pay the debt service.

The rate increases appear to presume a significant amount of debt financing, including financing for facilities that might more appropriately be funded on a "pay as you go" basis. The Coalition will object to a financing plan that does not guarantee a MINIMUM amount of debt taken out by the Utilities Department. We will evaluate closely amounts needed to fund future reserves as well as requirements for future rate increases to service debt. The detailed financing plan should provide information concerning the impact on debt service in the event that rates do not increase beyond the proposed three-year period.

In this unstable economy, we believe that borrowing money for anything other than a project vital in nature is both risky and fiscally irresponsible, and will ultimately result in more money coming from the pockets of ratepayers.

At the Coalition meeting on Monday, November 21, 2011, the City Finance Director, Russ Fehr, stated that the City is currently carrying approximately \$1 billion dollars in debt and is quickly approaching its debt limit. City staff added in our meeting that the City (through the Utilities Enterprise Funds) will add an additional \$350 million dollars to the debt by the end of the third year of the current plan. So that the ratepayers can have a clear understanding of what is proposed, the City needs to breakout both the major and minor cost categories that will be paid for, as well as demonstrating when the cost will be accrued.

We would also like to understand the overall scope of debt at the City and whether the increased Utilities debt will adversely impact the City's credit rating. Reducing the total debt would certainly be of positive benefit to the City's overall credit rating.

4. Detailed information including the full amount of the proposed City rate increases and the rate increases that are needed to fund improvements at the Sacramento Regional County Sanitation District (SRCSD) Wastewater Treatment Plant. Specifically, the Coalition requests that the Utilities Department provide an evaluation of the fully implemented rate increases at the conclusion of the program, no matter what year the program is completed.

As you know, rate increases cannot be considered in isolation. The SRCSD has adopted rate increases to fund the new wastewater treatment processes that are required due to adoption of SRCSD's new Discharge Permit by the Central Valley Regional Water Quality Control Board. We need to advise our constituent members of the full cost of rate increases so that the financial magnitude is clear when considering this proposed increase.

5. While the current proposal is for three years, we are concerned by comments that the real scope of the plan and the continuing year over year rate increases is based upon a fifteen year rate increase plan. This piece of information was stated and confirmed during several stakeholder meetings. Please confirm in writing that you are not assuming a fifteen year rate increase. Otherwise, please provide the projected rate increase schedule for the full fifteen years.
6. Provide the data surrounding failure of pipes listed on the map that was provided at the November 21<sup>st</sup>, 2011 meeting, titled "Water Main Leaks and Existing 70+ Year Old Distribution Mains".

The Coalition understands the importance of infrastructure upgrades and agrees that we must avoid a catastrophic failure; however, we also understand that age of pipes does not in itself equate to failure. It is our understanding that the Utilities Department has a forensic analysis of the failures that may demonstrate that the sole reason for immediate system repairs is not just based on age. A better understanding of the reason behind the threat of system failure will help with the creation of a phased in plan to address the infrastructure needs of the City.

7. A regional comparison of sewer and water rate increases on business enterprises.

Your Power Point presentation included regional rate comparison information for residences. While this may be useful to another audience, it does not provide the comparison data that is necessary for our purposes. We would appreciate updated information on this point. We are in the process of obtaining permission from representative businesses for a rate calculation as this may provide a useful starting point for this comparison data.

8. While we understand the General tax on city operated utility enterprises (Sacramento City Code 3.20.010) can only be waived through City Council action, the SBC is requesting that all rate hikes associated with infrastructure upgrades and the current Capital Improvement Program be exempted from this tax. If the City of Sacramento is truly committed to rehabilitating our aging infrastructure with as little impact on commercial and residential ratepayers, this 11% general tax must be exempted for these projects at this time.

The proposed rate hikes are significant and should ONLY be used as a tool to comply with regulatory mandates and infrastructure upgrades. By exempting this general tax, you maximize rehab efforts while minimizing impacts on ratepayers.

The questions raised above are significant and are posed to ensure full evaluation of a multi-million dollar capital improvement plan that will fall on businesses and residential customers during very tough economic times. We understand that time is of the essence in moving your project forward, but the Coalition strongly believes that sufficient time must be taken to answer the questions raised above. When considering costs of this magnitude, the City of Sacramento's Utilities Department owes this basic information to the community before making a final proposal to the City Council.

**We respectfully request that the Utilities Department and the Utility Rate Advisory Commission slow down this process to ensure the financing and infrastructure improvement plan is refined, comprehensive and fiscally responsible.**

With the upcoming holidays, it appears unlikely that the information requested above can be disseminated, reviewed and discussed in a manner that is fair to all participants. When balancing a project of this size against the financial risks that come with the threats of an enduring recession, the City Council and greater community must have all pertinent information on hand to make a sound decision on a proposal that will impact the entire City.

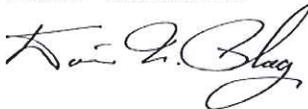
We look forward to continued collaboration and communication between the Sacramento Business Coalition and the Sacramento City Council and staff on this critical issue. Thank you for your consideration of our questions and concerns.

Sincerely,

The Sacramento Business Coalition



BOMA - Sacramento



Del Paso Boulevard Partnership



Downtown Sacramento Partnership



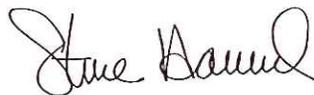
Natomas Chamber of Commerce



North State BIA



Sacramento Black Chamber of Commerce



Sacramento Convention & Visitors Bureau



Sacramento County Tax Payers League

Sacramento Hispanic Chamber of Commerce



Sacramento Hotel Association

**SACRAMENTO** business coalition

*Jenny Vorpahl*

Power Inn Alliance

*Cory Kohler*

Rental Housing Association of Sacramento  
Valley

*Pat Feny Kusnicka*

Sacramento Asian-Pacific Chamber of  
Commerce

North Sacramento Chamber of Commerce

East Sacramento Chamber of Commerce

Greater Sacramento Vietnamese Chamber

Midtown Business Association

Sacramento Builders Exchange

*Martha Clark Hoff*

Sacramento Metro Chamber

*Terrence Johnson*

Stockton Boulevard Partnership/  
Oak Park Business Association

*Patty Sinkovick*

The River District

California Restaurant Association

Greater Broadway Partnership

Slavic-American Chamber of Commerce

Sacramento Association of Realtors

Sacramento Rainbow Chamber of Commerce

CC: Steve Archibald, Chair, Utility Rate Advisory Commission  
Lucy Eidam Crocker, Crocker and Crocker  
John F. Shirey, City Manager

3



# City of Sacramento

## LEGISLATIVE BODIES

### REQUEST TO SPEAK

COMPLETE THIS FORM AND RETURN TO THE CITY CLERK

MEETING DATE: 12/14/2011

COMMENTS MAY BE LIMITED TO A SPECIFIED TIME ALLOTMENT

Matters LISTED on the Agenda

Agenda Item No: \_\_\_\_\_

Subject: \_\_\_\_\_

*(in the middle)*

In Favor

Oppose

Matters NOT Listed on the Agenda

Subject: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### Personal Information:

Except for your name, the information requested below is voluntary and used by staff to contact you if necessary. When you request to speak before the legislative body, your name is included in the City's official minutes.

Name: KEVIN GREENE Address: 980 9th St. Ste 400

Organization/Business Name: Domtan Sacramento Partnership

Council District No.: 4

Not a City Resident

Phone: (916) 442-8575

Email: KGREENE@DomtanSAC.org

**NOTICE TO LOBBYISTS:** In compliance with City Code Section 2.15.150 you **MUST** identify yourself as a lobbyist and also verbally identify the client(s), business or organization you are representing.

I am a  Registered Lobbyist

Unregistered Lobbyist and I represent:

\_\_\_\_\_