



**REPORT TO
Utilities Rate Advisory Commission
City of Sacramento**

**1395 35th Ave. Sacramento, CA 95822
www.cityofsacramento.org/utilities**

**Discussion Calendar
November 28, 2012**

**Honorable Chair and Members of
Utilities Rate Advisory Commission**

Title: Accountability Plan Update

Location/Council District: (Citywide)

Recommendation: Receive and File

Contact: Dave Brent, Director, 808-1420

Presenters: Susan Goodison, Supervising Financial Analyst, Bill Busath, Engineering Services Manager, Jessica Hess, Media and Communication Specialist

Department: Utilities

Division: Administration

Organization No: 14001011

Description/Analysis

Issue: This quarterly update is being provided in accordance with the Accountability Plan included with the Utilities Rate Advisory Commission's recommendation of water and sewer rate increases approved by City Council on March 27, 2012. This update provides a status report regarding the financing approach for bond sales, the capital improvement program, community outreach and the Utility Rate Assistance Program.

Rational for Recommendation: Not applicable.

Financial Considerations: None.



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Respectfully Submitted by:

A handwritten signature in black ink, appearing to read "Dave Brent", written over a horizontal line.

Dave Brent
Director

Attachment #1**Background**

As part of the Utilities Rate Advisory Commission's (Commission's) recommendation of the water and wastewater rate increases in March of 2012, the Commission included a condition that the Department of Utilities provide quarterly updates as part of an overall accountability plan. This quarterly update to the Commission includes updates on the bond financing, capital improvements and the Capital Improvement Programming Guide, community outreach and the Utility Rate Assistance Program.

Bond Sales/Financing

The Department continues to work actively with the City Treasurer's Office to secure financing for the Capital Improvement Program ("CIP") consistent with the financing plan that was presented to the Commission on January 25, 2012 and subsequently approved on February 2, 2012. Since the last meeting of the Commission on September 26th, the Department has, with the Feasibility Consultant (Carollo Engineers, Inc.), developed first drafts of the feasibility reports for both the Water and Wastewater programs. Based on feedback received from financing team members with respect to the first draft of the feasibility report for the Water program, additional iterations of the draft feasibility report may be necessary to finalize. The Department continues to work closely with the City Treasurer's Office and the financing team on the terms of the bond financing, as well as preparation of the bond-related marketing (including the feasibility report) and legal documents. The City still intends to issue bonds for the Water program in early calendar year 2013. Bonds for the Wastewater program are expected to be issued subsequent to the issuance of the bonds for the Water program, but still early in calendar year 2013. In the meantime, the Department is funding all of its CIP with funds that were budgeted for this purpose for FY13.

Capital Improvements/ Capital Improvement Programming Guide

The approved 3-year water and wastewater capital improvement projects are on schedule and are as follows:

Water System**Water Treatment Plants Rehabilitation****Project Schedule**

- Final Plans and Specifications on November 26, 2012
- Invitation to bid December 3, 2012
- Bid award February 26, 2013
- Project completed Summer 2016

Project Cost

- Estimated Construction Cost is \$158 million
- Estimated Total Project Cost is \$193 million

Meter Program

- Proposed meter projects include five pipeline replacement projects and three meter retrofit projects. 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. Construction will be completed by end of 2015
- Cost: Estimated cost is \$56 million

Groundwater Wells Rehabilitation

- Conduct condition assessments of 27 groundwater wells and rehabilitate if practical
- Currently rehabilitating 4 wells and conducting condition assessment on 10 wells
- Schedule: Complete condition assessment in 2013 and all rehabilitation work by end of 2015
- Cost: Estimate program cost is \$7 million

Wastewater System

Combined Sewer Improvement Projects (bond funded)

- Oak Park Regional Storage – This 12 million dollar 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 approximately 25% designed and is scheduled to be bid in late January
- Estimated project completion November 2013

Combined Sewer Repair/Replacement Projects (bond funded)

- 10 projects totaling \$2.4 million
- 2 projects in design
- 8 projects in pre-design

Separated Sewer Repair/Replacement Projects (bond funded)

- 30 projects totaling \$8.3 million
- 4 projects in design
- 26 projects in pre-design

As presented at the Rate Advisory Commission meeting held on September 26, 2012, the Capital Improvement Programming Guide (CIP Programming Guide) has been completed. In-house training is scheduled over the coming months. 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. The DOU expects to update the programming guide annually with ongoing quarterly reviews.

Community Outreach

DOU completed review of Statement of Qualifications for assistance with communication and community engagement. It is working to finalize scopes of work for a continuation of the community engagement program and a marketing program for the new Utility Rate Assistance Program.

The proposed community engagement program will include tours of facilities, demonstrations of new technologies, videos and a website update.

The proposed marketing program for the Utility Rate Assistance Program will include a mailer to potentially qualified customers, a bill stuffer, web page upgrades to include new information regarding the program in multiple languages, and community outreach to organizations that work closely with residents who don't speak English as first language or who are low-income.

Utility Rate Assistance Program

The Department of Utilities (DOU) developed a utility rate assistance program that was presented to City Council on November 20, 2012. The goals of the program are to offset the water and wastewater rate increases for low-income families, serve as many low-income customers as possible, keep administrative costs low, and stay within the allocated budget. Commencement of the program is scheduled for January 1, 2013.

Program Criteria

After researching several low-income rate assistance programs and in accordance with the program goals for the City's low-income rate assistance program, DOU recommends the following program criteria:

- 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;
- Customer resides at the property where the discount is received;
- A tenant has 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; and
- Eligible services include domestic water and wastewater service only (fire service, irrigation water service, storm drainage and solid waste services are not eligible)

The program would require ongoing funding each fiscal year in order to continue the discounted billing to low-income customers. Defunding the program would result in customers no longer receiving a reduced utility bill effective the fiscal year funding is not allocated.

Estimated Budget

The Budget Resolution adopted by the City Council on June 12, 2012, established a multi-year operating project (I14130100) to fund the program. An expenditure budget of \$1,130,700 was established for the current fiscal year. Based upon the proposed program criteria, a discount of \$3.50 for water and \$2.50 for wastewater can be provided to all eligible households, assuming a 68 percent participation rate of eligible customers. The participation rate is based on the Sacramento Municipal Utility District's (SMUD's) level of participation in their low-income rate assistance program.

The chart below shows the proposed monthly discounts relative to the rate increases for the average single-family customer and the anticipated start-up and administrative costs relative to the program budget.

SERVICE	FY13 SINGLE-FAMILY MONTHLY RATE INCREASE	MONTHLY DISCOUNT	PROGRAM BUDGET GENERAL FUND*	ESTIMATED ADMINISTRATIVE/ START UP COSTS
Water	\$3.44	\$3.50	\$782,870	\$131,467
Wastewater	\$2.36	\$2.50	\$347,820	\$72,086

* Funding based upon 11% of the general tax increase related to FY 2012/2013 water and wastewater rate increases.

The administrative costs include configuration of the billing system to apply the discounts on the utility bills, program outreach, creation and review of applications, account set-up, and ongoing program management costs. If the program continues in future years, the administrative costs are estimated at approximately 15% of the budget based upon the DOU’s calculations, as well as its research of other agencies’ experience with similar programs. Ongoing administrative costs are incurred as participants enter and exit the program and as existing participants continue to be recertified.

Based upon the funding and estimated participation, it is expected that the program funding will support all of the eligible customers as shown below.

SERVICE	ESTIMATED CUSTOMERS AT POVERTYLEVEL*	ESTIMATED PARTICIPATION **	FUNDING CAPACITY (NUMBER OF PARTICIPANTS)
Water	20,906	14,216	15,510
Wastewater	11,463	7,795	9,191

* Based on single-family DOU utility customer accounts and a 17.8% poverty level per the 2010 U.S. Census.

** Based upon SMUD's penetration rate of 68%, for customers at 200% of federal poverty level, and DOU's customer accounts.

Outreach

In order to facilitate a successful launch of the program, the DOU is proposing the following approach to public outreach beginning in November 2012.

OUTREACH ACTIVITY	DATE
Partner Communication	November 2012- March 2013
Direct Customer Communication	December 2012 – March 2013
Media Relations	January 2013
Website Updates	January 2013

The DOU will work with partner agencies, such as community organizations and health organizations, to educate them regarding the program and also utilize them to target customers who will meet the criteria of the program prior to implementation in January 2013. The DOU will also conduct outreach activities to ensure direct communication with potential program participants.