Cost of Service Rate Study
Findings

Audit Committee Meeting
April 4, 2011

Robert Grantham
Nicholas Almeida
- Over 1,200 utility rate studies performed.
- 1,800 total studies.
- Actively involved in national, industry committees.
### Southwest Projects

**Northern California**
- Brisbane
- Campbell
- Fresno
- King City
- Lodi
- Los Gatos
- Madera County
- Mammoth CSD
- Millbrae
- Modesto
- Novato Sanitation District
- Palo Alto
- Sacramento
- Sacramento Area Sewer District
- Sacramento County DWR
- Sacramento County Water Agency
- Sacramento Regional County Sanitation District
- San Francisco Public Utilities Commission
- San Jose
- Sonoma
- Stockton
- Sunnyvale
- Tulare
- Vallejo

**Southern California**
- Barstow
- Carlsbad
- Chula Vista Stormwater Authority
- Del Mar
- Garden Grove
- Indian Wells
- Jurupa CSD
- Lake Arrowhead CSD
- Long Beach
- Los Alamos CSD
- Los Osos CSD
- Manhattan Beach
- Oceanside
- Orange County Sanitation District
- Paso Robles
- Perris
- Poway
- Riverside
- Santa Ana Water Project Authority
- Santa Margarita Water District
- Santa Paula
- Sweetwater Authority
- Western Municipal Water District
- Western Riverside County Regional Wastewater Authority

**Nevada**
- Clark County Water Reclamation District
- Douglas County
- Fernley
- Lyon County
- Reno and Sparks
- Washoe County

Additional Experience throughout the West in:
- Alaska
- British Columbia
- Colorado
- Idaho
- Montana
- Oregon
- Utah
- Washington

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*FCS GROUP*

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Project Timeline

Project Initiation (Aug 2010)

Submittal of Draft Analysis (October 2010)

Project Update (March 2011)
Three Study Components

City of Sacramento Utility Rate Study

...Basis for achieving equity, transparency, and sufficiency
Basis of Review

- City Specific Policies and Needs
- Financial Sustainability and Equity
- Legal
  - Proposition 218, AB 3030, etc.
- Best Practices
  - Industry standards and practices (AWWA, WEF, APWA, GFOA)
  - Comparable Agencies
Fiscal Policies

- **Operating**
  - Unrestricted cash needs for fluctuations in revenues and expenditures, as well as to satisfy bond market requirements.
  - 120 days of operating expenditures on hand

- **Rate Stabilization**
  - Protects against unexpected multi-year revenues and expenditures fluctuations
  - Future phase-in based on rate affordability and bond obligations

- **Capital Funding Strategy**
  - Balanced approach of cash and debt financing
  - Use of debt to mitigate rate spikes and expansion related costs
  - Cash fund replacement costs and level annual expenditures

- **Policy Debt Coverage**
  - 1.50x

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*All City policy recommendations are based on City specific benchmarks and needs*
Major Rate Drivers

- All funds are cash deficient absent rate adjustments

- Water
  - $570 million of critical capital needs over 10-yr planning period, including the treatment replacement scheduled to begin FY 2015/16

- Sewer
  - $300 million of critical capital needs over 10-yr planning period

- Solid Waste
  - Inflationary-type increases to meet operating needs, vehicle replacements, and ongoing landfill closure requirements

- Storm Drainage
  - Insufficient funds to meet critical capital replacement needs
  - Limited ability to raise rates under Proposition 218
## Proposed Rate Adjustments

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<th>Current Rate</th>
<th>Fiscal Year 2011/12</th>
<th>Fiscal Year 2012/13</th>
<th>Fiscal Year 2013/14</th>
<th>Fiscal Year 2014/15</th>
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*New Rate* assume a single family rate (garbage service is assumed to be 96 gallons, garden refuse is assumed to be containerized).

**Storm Drainage rate is for illustrative purposes only.
Questions?