

Your  
Utilities.  
*Your Community.*



## **Water and Wastewater Utility Service Rate Adjustments**

**Sacramento City Council**

**March 29, 2016**

# Where We Are

- Council approved Accelerated Metering Program - February 2015
  - Promotes water conservation
  - Ensures fair, equitable billing for all customers
  - Demonstrates accountability
  - Cost-savings
  - Pressure from state, outside organizations

# Where We Are: Significant Progress Made

## Water Pipelines



**OUR GOAL:** 100 YEAR  
REPLACEMENT CYCLE



**2012:** 400 YEAR REPLACEMENT CYCLE



**2015:** 280 YEAR  
REPLACEMENT CYCLE

# Where We Are: Significant Progress Made

## Wastewater Pipelines



**OUR GOAL:** 100 YEAR  
REPLACEMENT CYCLE



**2012:** 650 YEAR REPLACEMENT CYCLE



**2015:** 406 YEAR  
REPLACEMENT CYCLE

# Recommendations

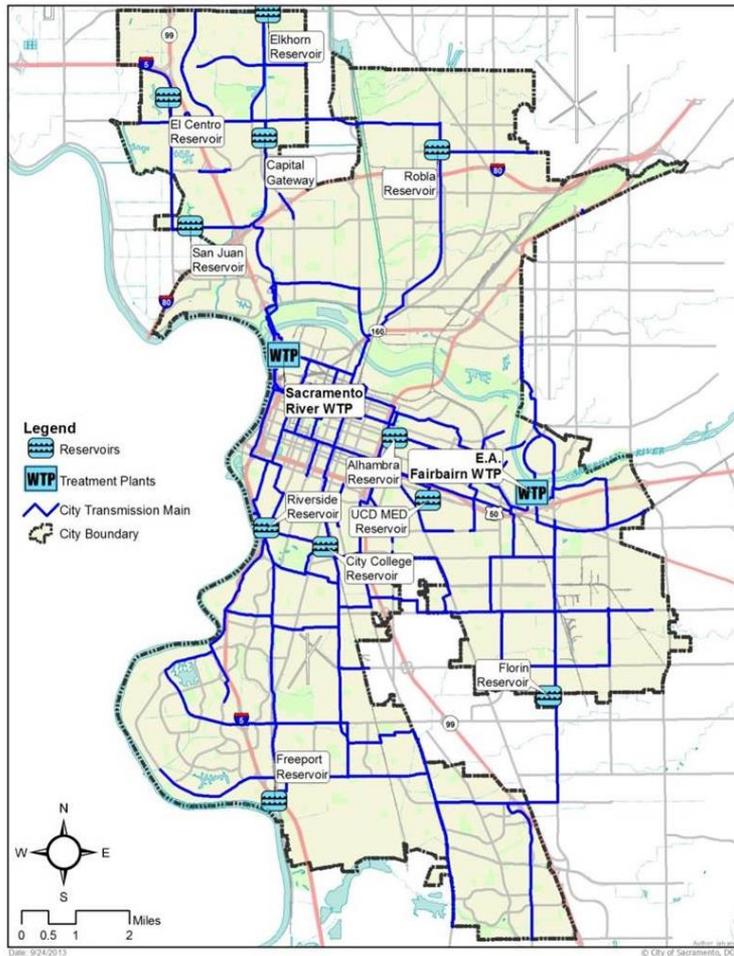
- Utilities Rate Advisory Commission recommended approval of rate adjustments - February 2016
- 10% Water rate increase for FY2017-20
- 9% Wastewater rate increase for FY2017-20
- Expand rate assistance program to include non-profits that provide housing

# Maintaining Your Utilities for Future Generations



# WATER SYSTEM OVERVIEW

# Water System

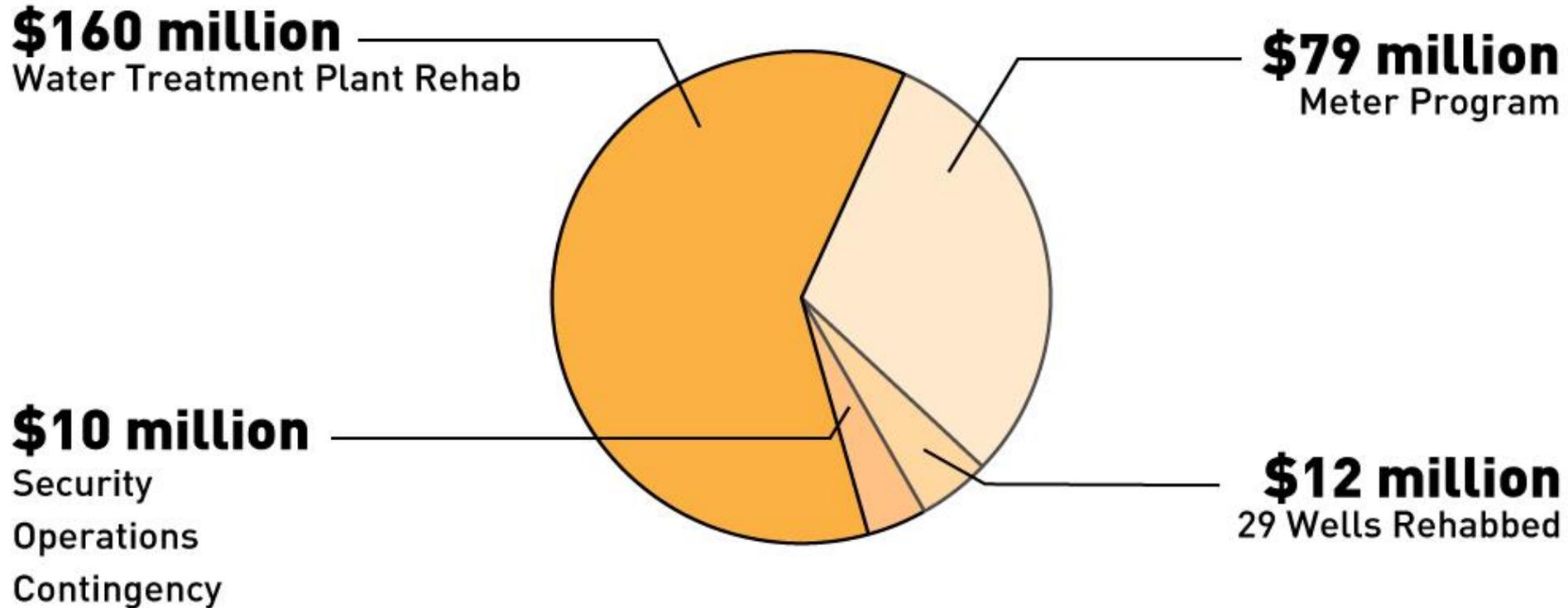


- 136,000 City water service accounts
- 2 Water Treatment Plants
- 29 Groundwater Wells
- 11 Reservoirs
- 1,727 Miles of pipeline

# Aging Water System



# Our Water Promise: Delivered



**Secured \$8.4 million in grant funds**

# Moving to a Fully Metered City



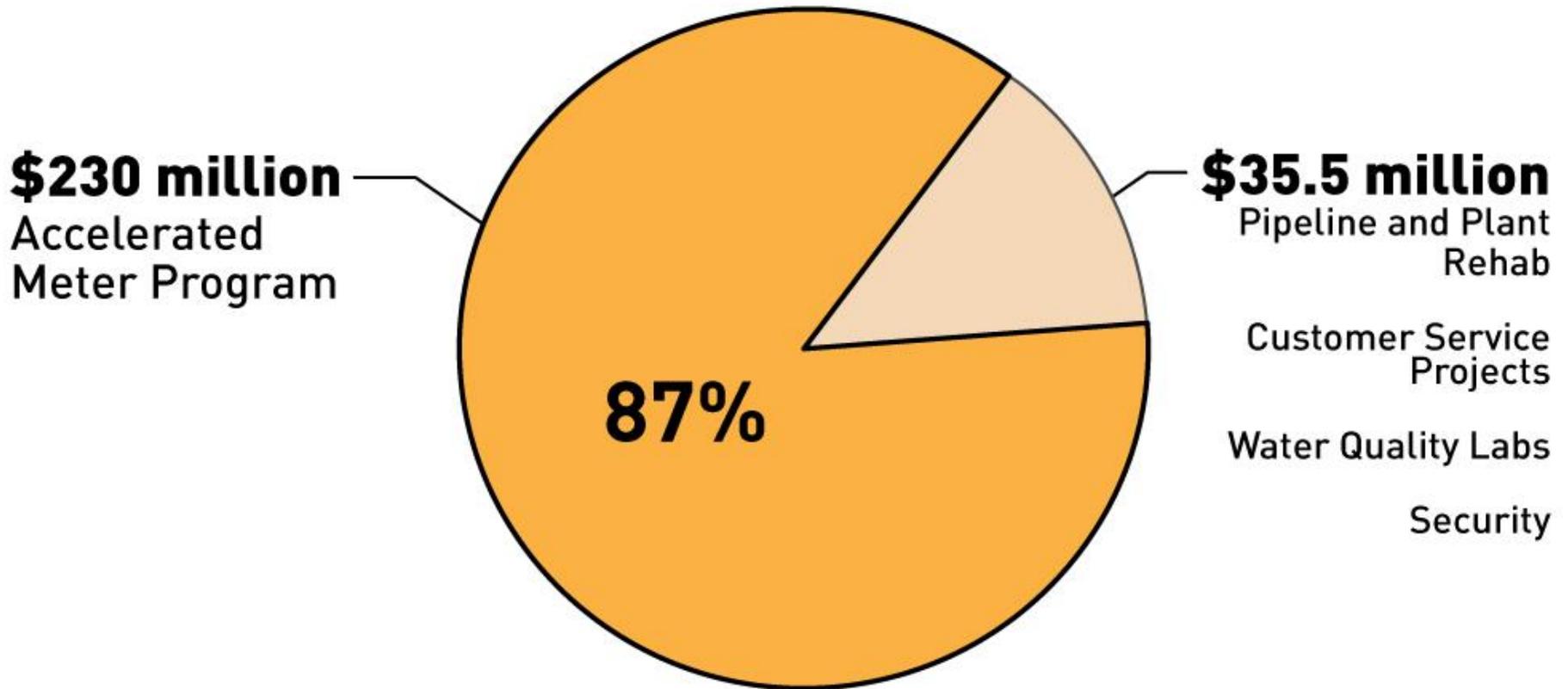
**Total Meters = 135,713**

# Advantages of Accelerated Meter Program

- Ensure compliance with the law
- Pay for what you use
- Tiered rates
  - Those who use the most, pay the most
  - Those who use less, pay less
- Most effective conservation tool



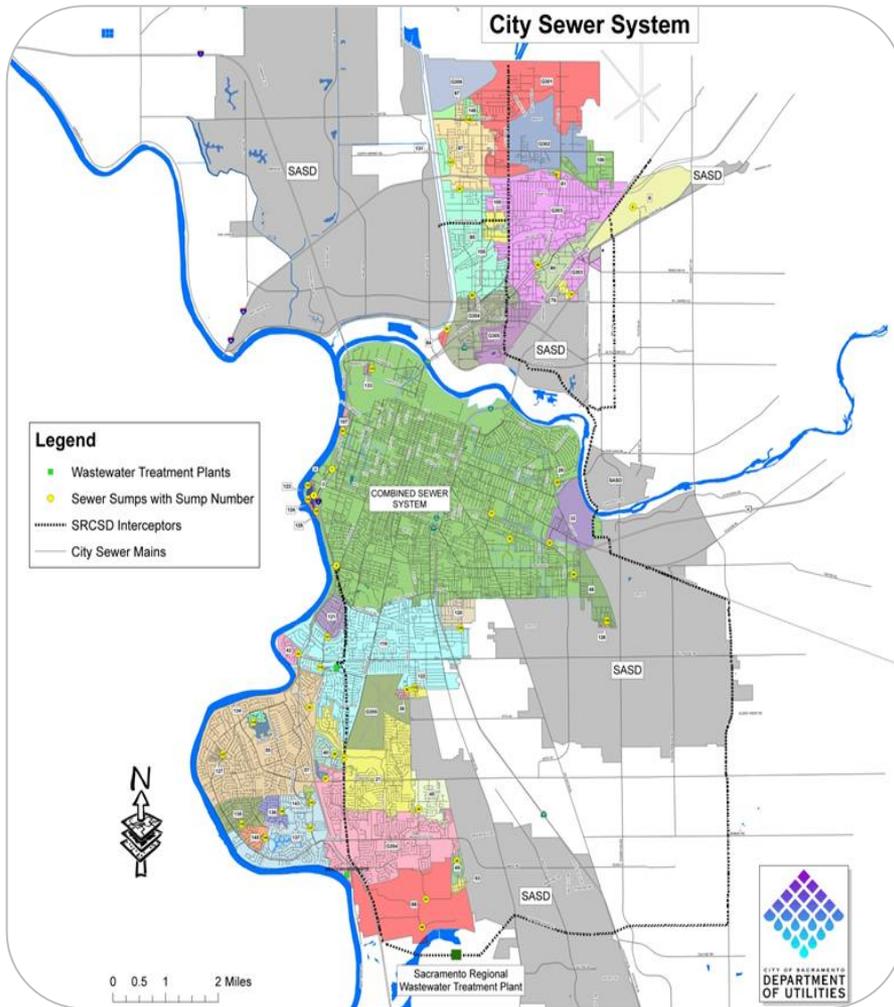
# Water System Improvement Costs: Next 4 Years



**Total: \$265.5 million**

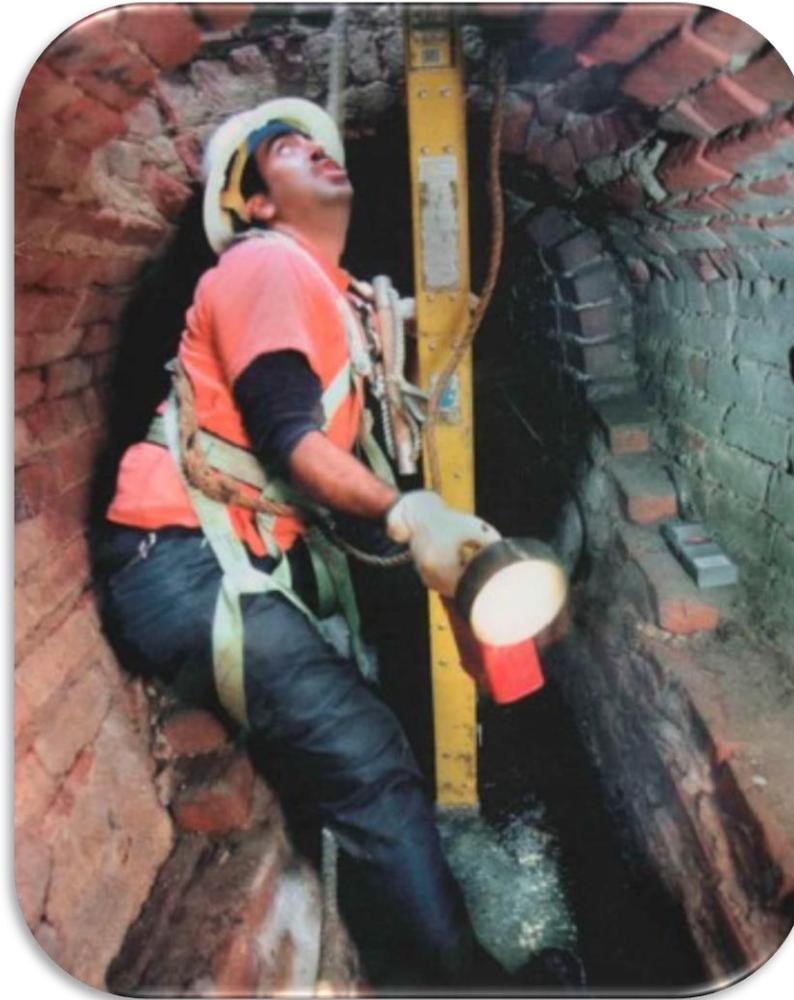
# WASTEWATER SYSTEM OVERVIEW

# Wastewater System

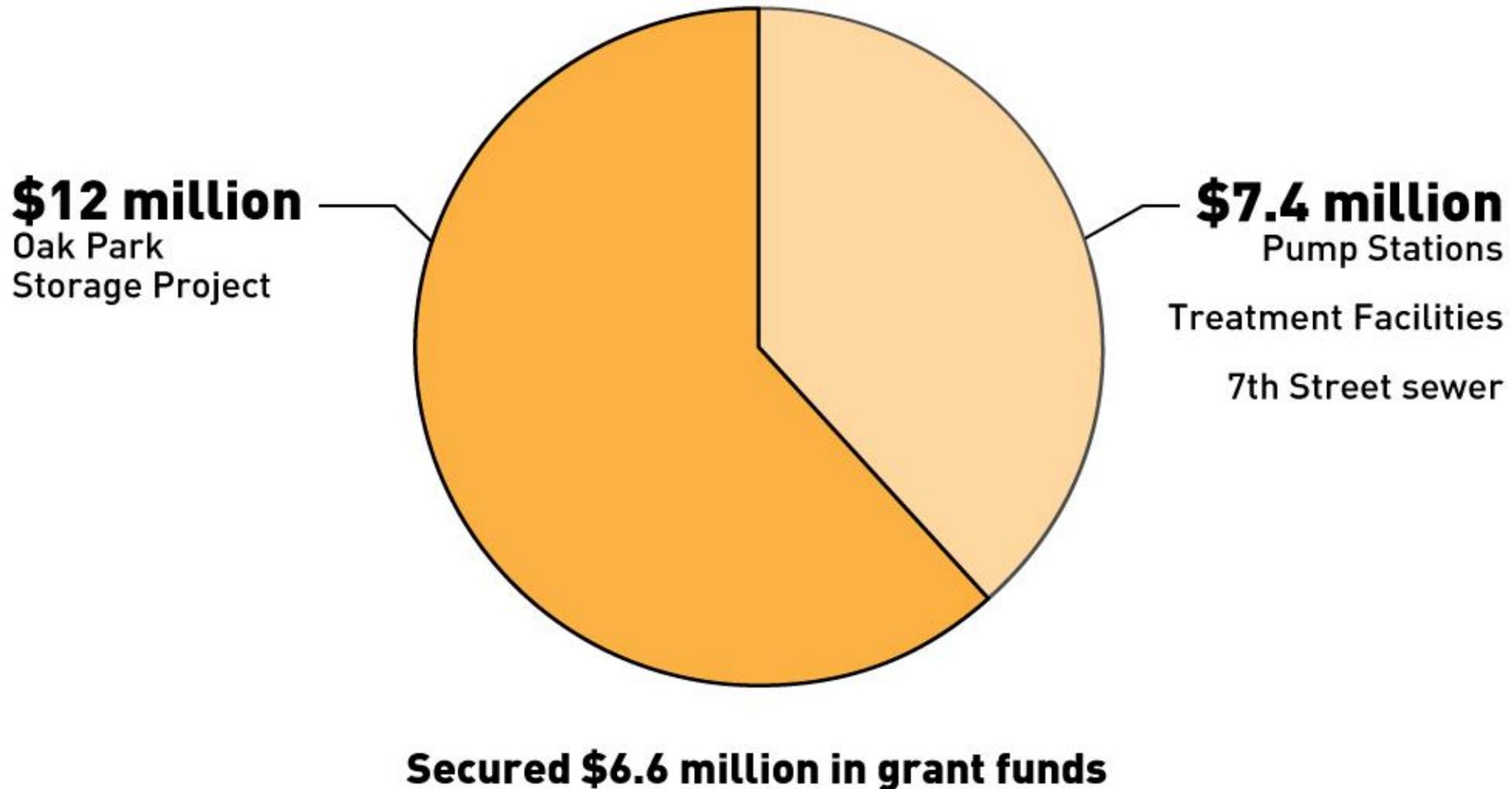


- 76,657 City sewer customers
- 2 Primary Treatment Plants
- 3 Underground Storage Facilities
- Combined System
- 43 Pump stations
- 827 Miles of pipeline

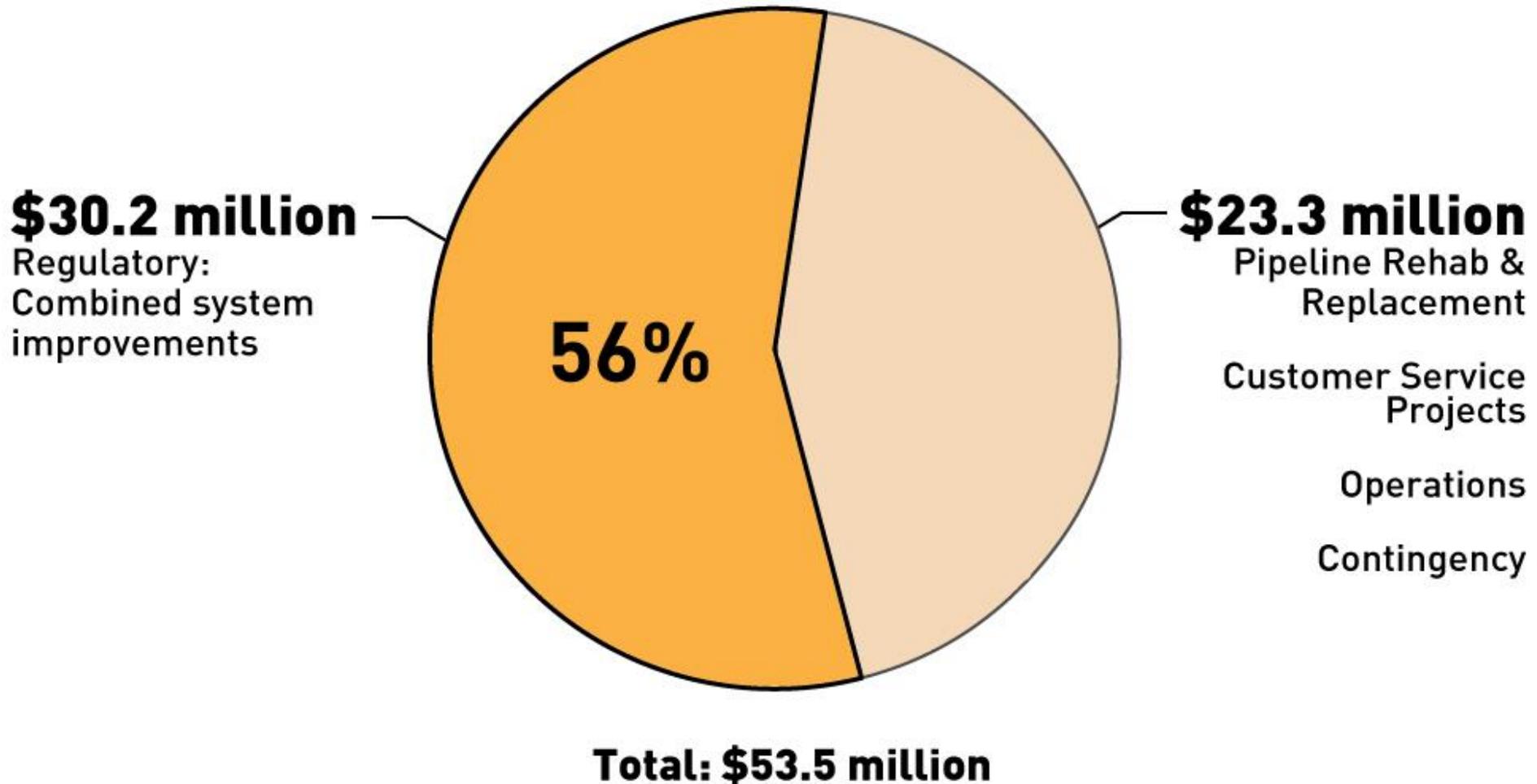
# Aging Wastewater System



# Our Wastewater Promise: Delivered



# Wastewater System Improvement Costs: Next 4 Years



# Program Benefits



- High quality/reliable services
- Compliance with regulations
- Responsible stewardship of natural resources
- Job creation

# Utility Rate Assistance Program

- Holds rates at 2012 or 2016 levels
- 200% of poverty level
- Current participation insufficient
- Commitment to dramatically increase participation
  - SMUD database
  - Enrollment assistance



# FINANCE PLAN

# Finance Strategy

- Minimize rate spikes
- Minimize debt
- Move towards cash funding of 100-year replacement cycle

# Proposed Water Rate Adjustment

Effective Date of Proposed Increase	Current Rate	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
Monthly Increase		\$4.57	\$5.03	\$5.53	\$6.09
Percent Increase		10%	10%	10%	10%
Total Water Charge	\$45.73	\$50.30	\$55.33	\$60.86	\$66.95

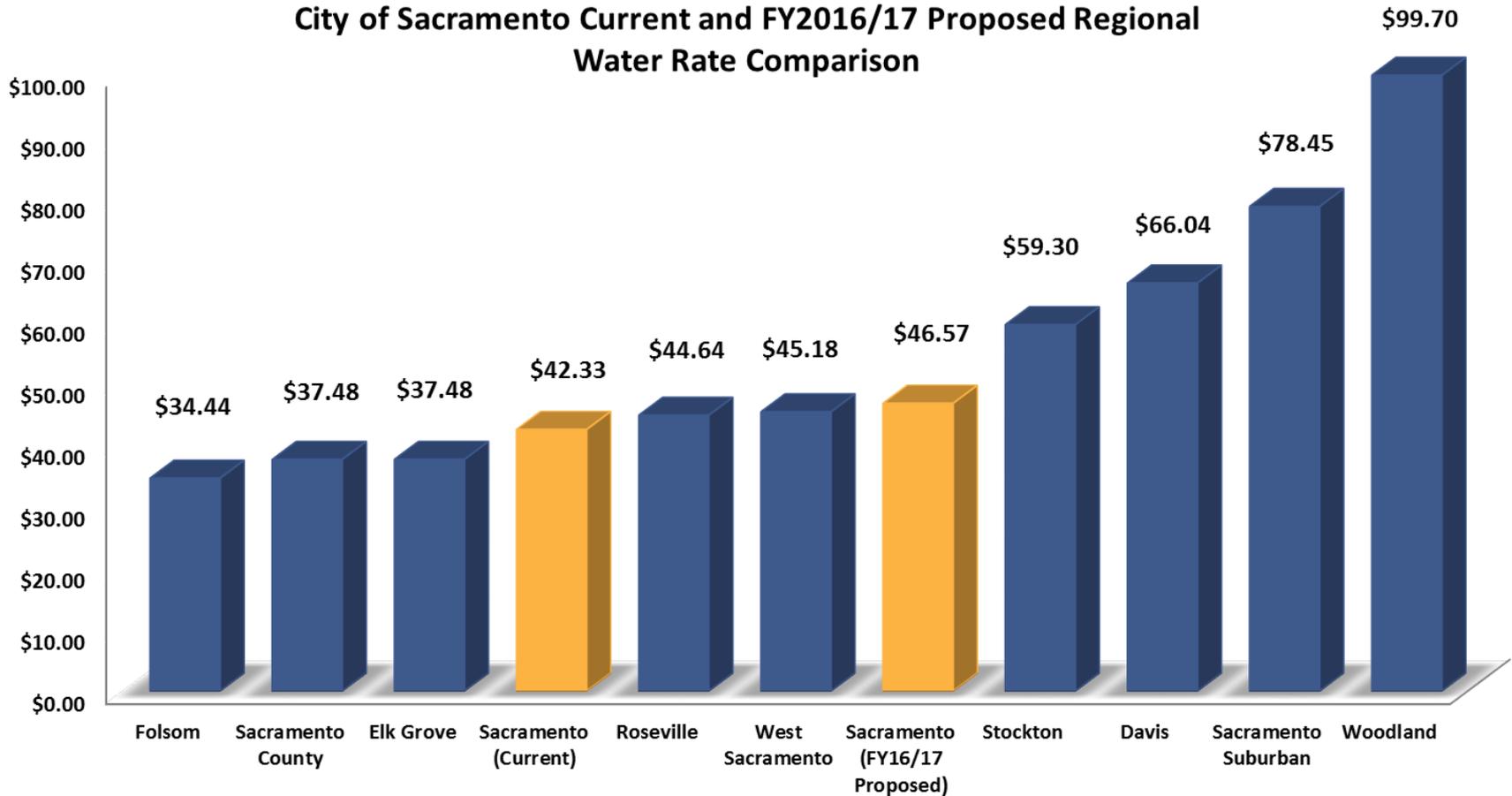
# Proposed Wastewater Rate Adjustment

Effective Date of Proposed Increase	<i>Current Rate</i>	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
Monthly Increase		\$2.02	\$2.20	\$2.40	\$2.61
Percent Increase		9%	9%	9%	9%
Total Wastewater Charge	\$22.42	\$24.44	\$26.64	\$29.04	\$31.65

# RATE COMPARISONS

# How Sacramento Compares: Regionally

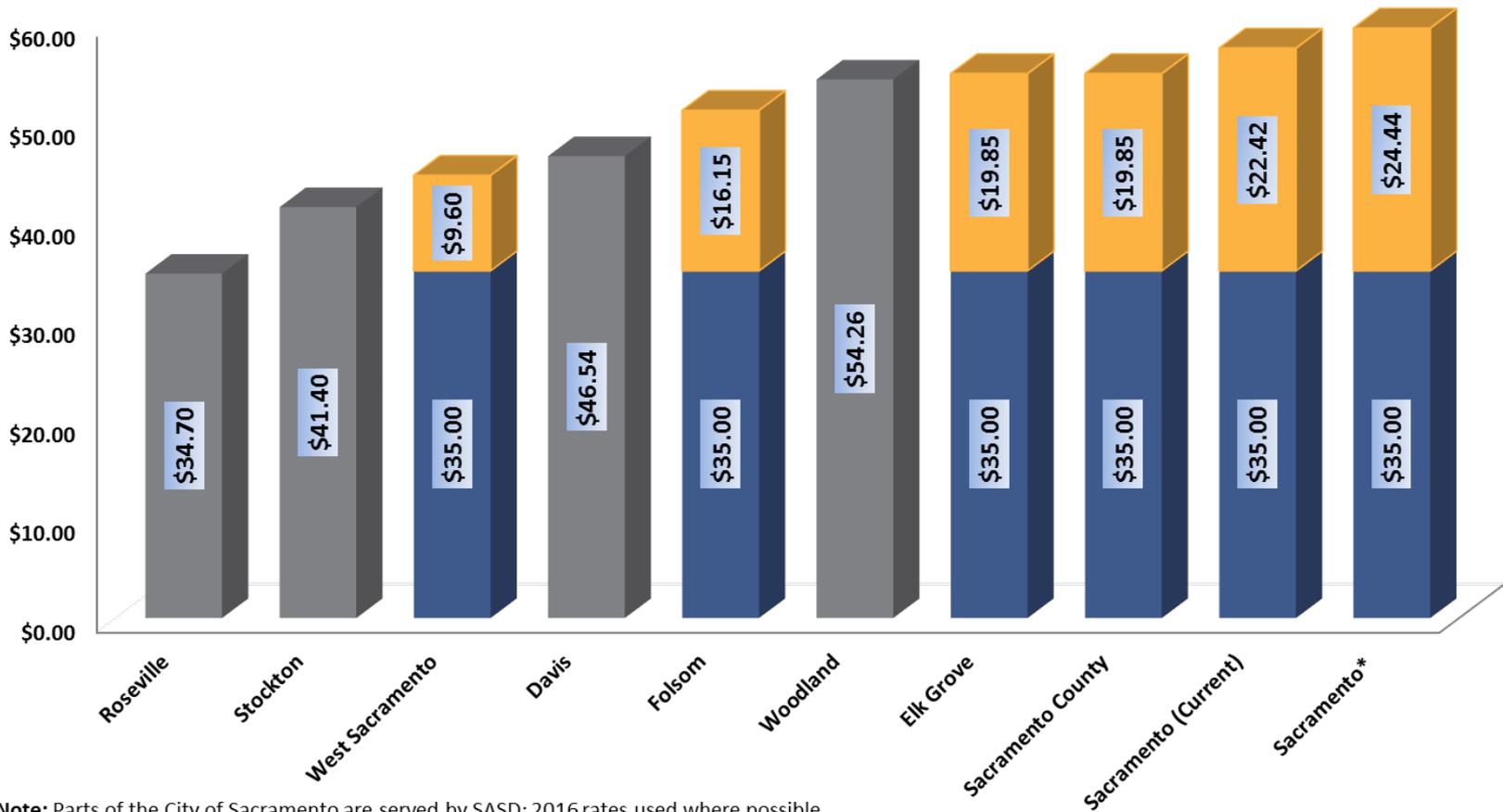
City of Sacramento Current and FY2016/17 Proposed Regional Water Rate Comparison



**Note:** Assumed usage is based off 18 ccfs of consumption per month and 1" meter size; 2016 rates used where possible

# How Sacramento Compares: Regionally

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

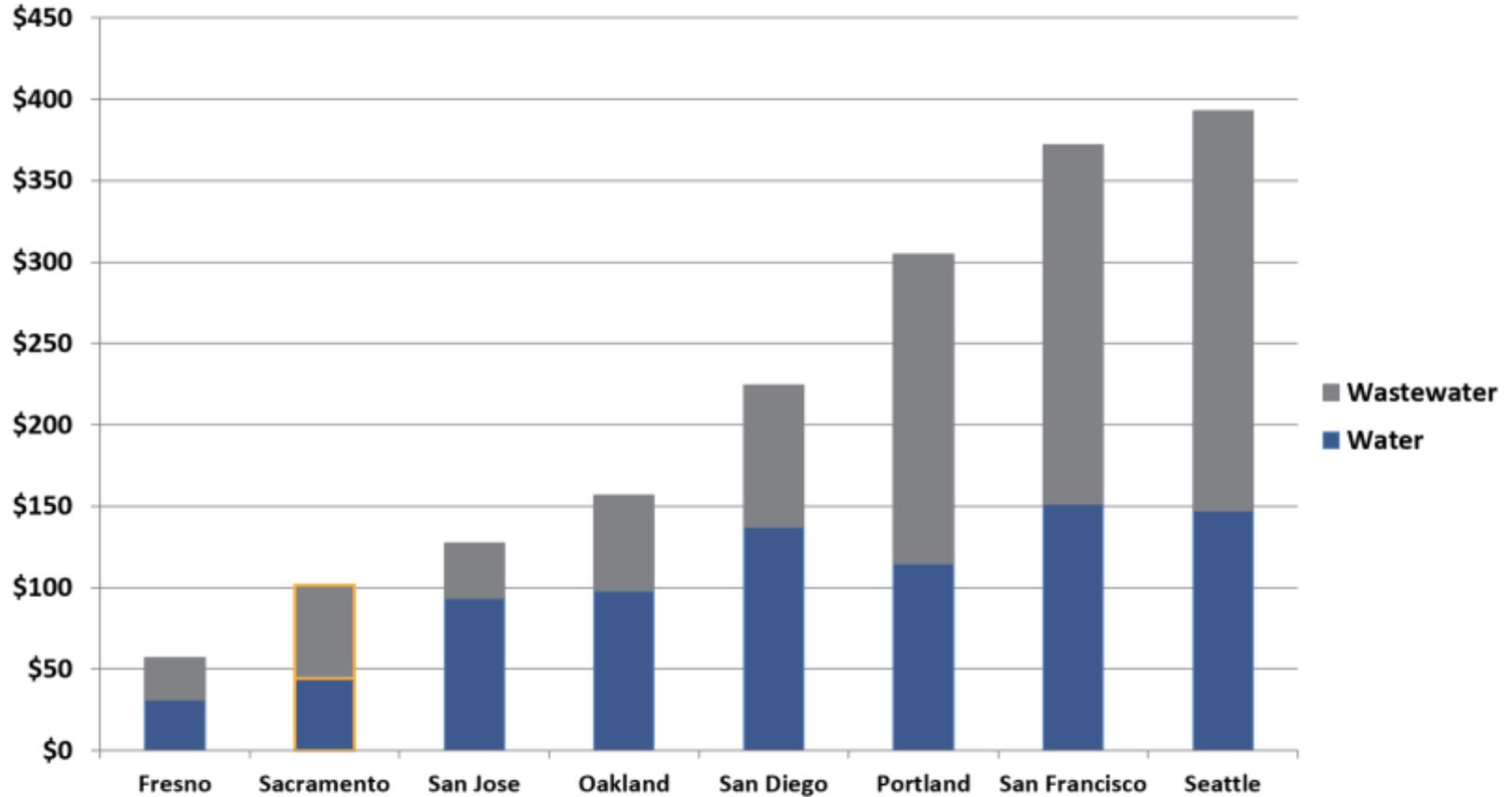


Note: Parts of the City of Sacramento are served by SASD; 2016 rates used where possible

\*Recommended rate for FY16/17, including SRCSD treatment rate increase for FY16/17

Collection SRCS Treatment Treatment and Collection

# How Sacramento Compares: West Coast Cities



Assumes 20 CCF monthly usage and a 3/4" (or nearest equivalent) meter size.  
Rates effective 3/25/16.

# COMMUNITY ENGAGEMENT PROGRAM

# Your Utilities. Your Community.

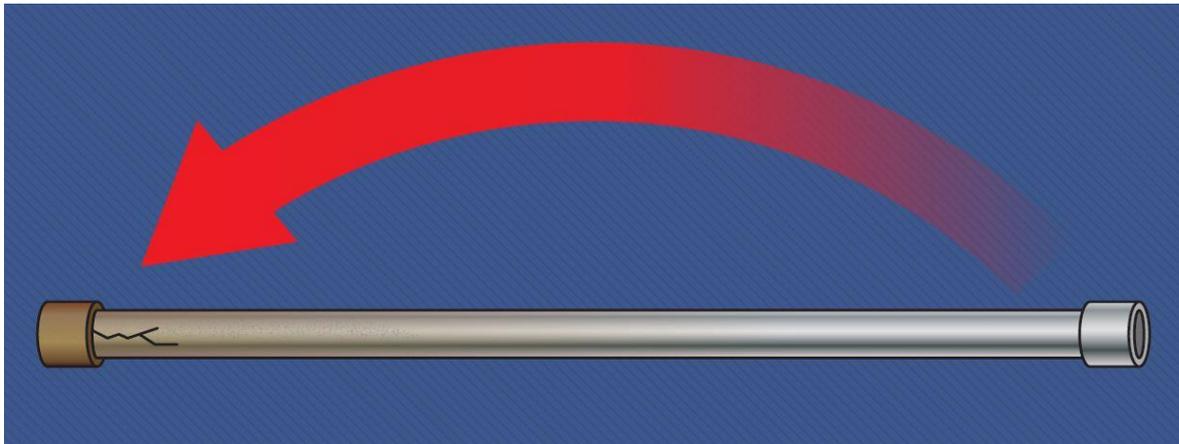
- Presentations to more than 30 neighborhood associations and business groups
- [YourUtilitiesYourCommunity.com](http://YourUtilitiesYourCommunity.com) serves as central information hub
- Multicultural outreach to Spanish, Russian and Hmong communities
- Mailed 180,000+ Rate Change Notifications
  - <1% customers protested



WHAT HAPPENS IF WE DON'T ACT NOW?

# What Happens if We Don't Act?

- Undo progress made in the past 4 years
  - Reverse pipeline replacement cycle
  - Continue perception that we are water wasters
  - Continue to kick the can down the road



# What Happens if We Don't Act?

- Unable to complete Council-approved Accelerated Meter Program
- Non-compliance with regulations and laws
  - Fines, other enforcement actions
  - Lawsuits and risk claims
- Risk of billing system breakdown

# What Happens if We Don't Act?

- Increased repairs, costs for the City and residents
  - Higher cost of meter installation
  - More broken pipelines, mains throughout the City
  - Disruption to residents and businesses
- Other financial implications
  - Delay in achieving pay-go project financing
  - More significant rate increases necessary
  - Negative impact on economic development objectives
  - Downward pressure on credit rating



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Questions?

Learn more:  
[YourUtilitiesYourCommunity.com](http://YourUtilitiesYourCommunity.com)

City of  
**SACRAMENTO**  
Department of Utilities

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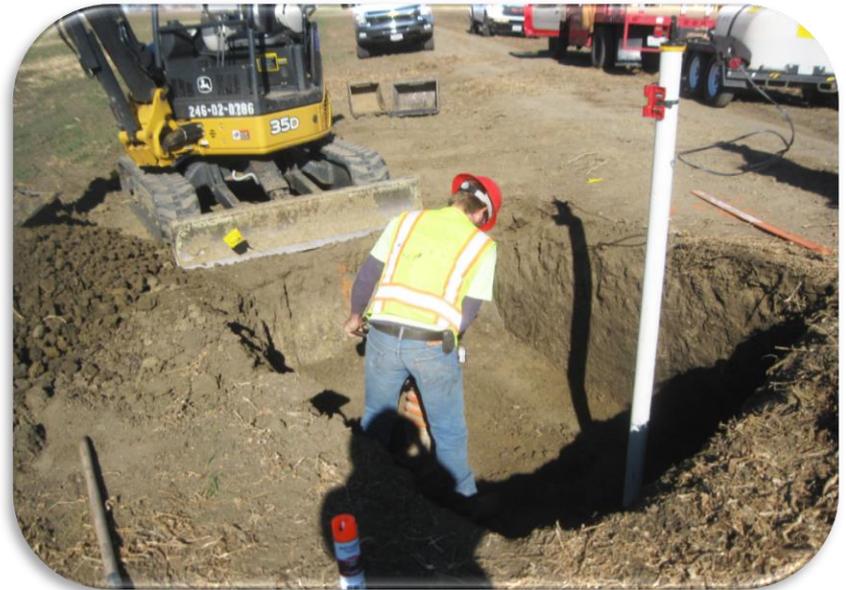
# Water Quality Exceeds State Standards



- Weekly lead testing
- Every 3-years inside houses
- Levels very low
- Updating sampling locations

# Our Commitment to Safety

- 99.9% success rate
- Goal is 100%
- PG&E Golden Shovel Requirement



# Cost Drivers

Cost Driver	FY17	FY18	FY19	FY20	Note
Consumer Price Index	2.5%	2.5%	2.5%	2.5%	Based on historical trends
Construction Cost Index	3.5%	3.5%	3.5%	3.5%	Based on historical trends
Labor	4%	4%	4%	4%	3%/yr + 1%/yr additional PERS costs
Fuel	5%	5%	5%	5%	Based on historical trends
Utilities	4%	4%	4%	4%	Based on historical trends
Chemicals	3%	3%	3%	3%	Based on historical trends