



CITY OF SACRAMENTO

4a

DEPARTMENT OF PUBLIC WORKS

915 I STREET SACRAMENTO, CALIFORNIA 95814
CITY HALL ROOM 207 TELEPHONE (916) 449-5281

M. H. JOHNSON
Director

May 30, 1985

Budget and Finance
Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Alternative Sewer Service Rate Adjustments for 1985-86

SUMMARY

This report provides information regarding alternatives to the twenty-eight percent rate adjustment proposed for Sewer Service fees in fiscal year 1985-86. The program and service level reductions which would be required to implement increases of twenty and fifteen percent are discussed.

BACKGROUND

On May 28, 1985 the Budget and Finance Committee considered the proposed budget for the Sewer Fund and the rates required to support the budget as presented. At that time the Committee requested information about specific alternative fee increases. In addition to the amount proposed the Committee wanted information regarding the impact of rate adjustments of twenty-five, twenty and fifteen percent.

The Public Works staff has developed alternatives for twenty and fifteen percent adjustments but have excluded the twenty-five percent rate increases since the amount of money involved does not match any logical program reduction. Since there already exists a backlog of 1900 work-repair orders in the Sewer Maintenance section it is not possible to make non specific cutbacks. Rather an entire program or service must be eliminated and that best suites the remaining two alternatives.

As with the development of Solid Waste alternatives guidelines were used to identify programs or services for reduction. Many fewer options exist in the Sewer Fund since the user fees support only basic Maintenance and operations and there are no special or optional services or programs. The basic guidelines used included:

Cost deferrals were avoided since they represent only a postponement of a requirement;

Public health and safety were given priority;

Major mechanical maintenance was not considered due to the magnitude of the financial and operational risk the City would be taking; and

Programs with offsetting revenue were not considered, i.e. the regional budget.

Unlike Solid Waste it was necessary to consider the fund balance as a possible offset since so few program options exist.

Alternative I

20% rate adjustment; \$214,704 budget reduction

<u>Program</u>	<u>Net \$ Reduction</u>	<u>FTE Reduction</u>	<u>Consequences</u>
Sewer Lateral Service	<174,971>	<4>	City maintains main lines, property owners responsible for service lateral
Fund Balance Reduction	<39,733>	---	Fund balance at \$210,00 plus CPI salary savings
	<u><214,704></u>	<u><4></u>	

Alternative II

15% rate adjustment; \$348,894 budget reduction

<u>Program</u>	<u>Net \$ Reduction</u>	<u>FTE Reduction</u>	<u>Consequences</u>
Sewer Lateral Service	<174,971>	<4>	Property owners responsible
Sewer Utility Planning	< 85,218>	---*	An offsetting reduction necessary in Engineering or funded by the General Fund

Fund Balance Reduction < 88,705>

Fund Balances
at \$161,000
plus any salary
savings

<348,894>

<4>

*May require reductions in the Engineering Division

These alternative rates and the current and proposed are presented for a typical residential account below:

<u>Rate Category</u>	<u>Current</u>	<u>Proposed</u>	<u>Alt #1</u>	<u>Alt #2</u>
6-7 room house	\$2.01/mo.	\$2.57/mo.	\$2.41/mo.	\$2.31/mo.

The impact to the individual property owner of saving anywhere from sixteen to twenty-six cents per month, is the potential for a sizeable private plumbing bill for repair and/or service of the service lateral. It is impossible to predict the likelihood of the occurrence of such a lateral service requirement but the difference in the alternative rates and the proposed rates can be viewed as very low cost insurance against a potential major expenditure. The City of Fresno does not maintain laterals which is a major reason why their service fees are lower than Sacramento's.

The Sewer Utility planning function has historically been funded by the General Fund as an element of the Engineering Budget. In the 1985-86 proposed budget, billings from Engineering to the Sewer Fund were intended as a reflection of an effort to assign costs to the proper fund and thus provide relief to the General Fund.

Financial:

The financial impact of the alternative presented are summarized as follows.

	<u>Budget Reduction</u>	<u>FTE Reduction</u>
Alternative I - 20%	<\$214,704>	<4>
Alternative II -15%	<\$348,894>	<4>

Recommendation

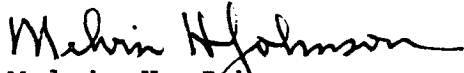
It is recommended that the Budget and Finance Committee consider this report along with the report dated May 17, 1985 entitled PROPOSED SEWER SERVICE RATE AND SEWER SYSTEM DEVELOPMENT FEE ADJUSTMENTS FOR 1985-86. It is further recommended that the original fee adjustments proposed in conjunction with the budget be adopted based on the consequence of any lesser increase.

Budget and Finance
Committee

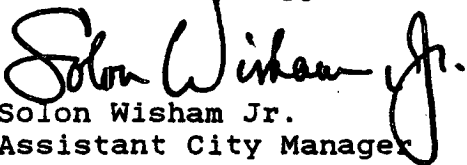
-4-

May 30, 1981

Respectfully submitted,


Melvin H. Johnson
Director of Public Works

Recommendation Approved:


Solon Wisham Jr.
Assistant City Manager

MHJ/SBP/cac