



**DEPARTMENT OF
PUBLIC WORKS**

OFFICE OF THE DIRECTOR

**CITY OF SACRAMENTO
CALIFORNIA**

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March 15, 1990

Law and Legislation Committee
Sacramento, California

Honorable Members in Session:

**SUBJECT: RECOMMENDATION TO OPPOSE AB 3222 (PEACE) RELATING TO MANDATORY
WATER METERS**

SUMMARY

Assembly Bill 3222 by Assemblyman Steve Peace (D-Chula Vista) would mandate that Sacramento County require the installation of water meters in new construction, effective January 1, 1991. The bill would also require the County to develop a program to retrofit all existing residential and commercial water connections with meters by the year 2000. This legislation singles out Sacramento County despite the fact that other counties have unmetered services. In addition, the retrofit program would cost the City of Sacramento an average of \$9.9 million annually for capital outlay, maintenance, and replacement. Staff recommends that the Law and Legislation Committee declare the City's opposition to AB 3222.

BACKGROUND

The question of whether to require water meters for all water services in California resurfaces every abnormally dry year. Metering is presented as a panacea for the problems of water waste and excessive water use. Last year, the City of Sacramento was part of a coalition which was able to defeat two water meter measures, SB 312 (Boatwright) and AB 1300 (Kelley). This year's measure is AB 3222 by Steve Peace.

The bill has two key provisions: First, AB 3222 would mandate any county with a population greater than 800,000 to require the installation of water meters on new construction, beginning January 1, 1991. This provision applies only to Sacramento County. Other counties with unmetered services, including Fresno, Yolo, Kern, Sonoma, Sutter, and Placer, would not be required to comply.

Secondly, the bill would require Sacramento County to conduct public hearings and develop a meter retrofit program for all residential and commercial water connections. All services would have to be metered by January 1, 2000.

Staff has several concerns with the legislation. If metering of new construction is truly an important issue of statewide consequence, AB 3222 should apply to all counties which do not meter new construction -- not Sacramento alone. Additionally, the bill requires the County to conduct public hearings, yet the legislation specifies the outcome of those hearings -- the development of a meter retrofit program. Why conduct the hearings at all if the legislature has already concluded that a meter retrofit program is the solution?

Lastly, the bill requires Sacramento County to implement its requirements. This places the City Council in the position of answering to the County for its actions regarding both the new construction and retrofit programs.

Even if these issues are addressed, the most troublesome problem with the bill would remain -- the cost of implementation. For metering new construction alone, the City would be forced to implement a rate increase of over 1%, just to cover the operating and replacement costs; the cost of the meters themselves would be borne by the homeowner.

The cost of implementing a meter retrofit program, phased over the nine-year period allowed by the bill, would place a tremendous burden on City ratepayers. Capital outlay, maintenance and meter reading, replacement and debt financing costs translate to an average annual expenditure during the implementation period of \$9.9 million. This would require a water rate increase of 59%.

This legislation would require the City of Sacramento to incur the disruption of installing meters in older neighborhoods and shoulder a significant rate burden regardless of the fact that metering, in and of itself, does not save a significant amount of water. Installation of residential water meters can be expected to reduce water use by about 20% -- yet the City's voluntary conservation program yielded a 13% savings over the summer of 1988 at a very low cost. As we have stated repeatedly, mandatory metering simply does not make sense from a cost-benefit perspective.

FINANCIAL IMPACT

As indicated above, the City of Sacramento will face a tremendous rate burden if AB 3222 becomes law. The Water Division estimates the annualized cost for the nine-year retrofit program required by the bill as follows:

Debt Service	\$7,140,321
Operations and Maintenance	1,094,337
Meter Replacement Fund	<u>1,682,250</u>
TOTAL	\$9,916,908

The Water Division's 1989-90 Operating Budget is \$16,897,507. The added annual expense of the meter retrofit program would require a 59% rate increase. The average monthly residential water bill would increase from \$9.21 to \$14.62. (Additional detail is provided in Attachment I).

MBE/WBE

No impact.

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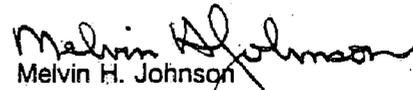
POLICY CONSIDERATIONS

The City's current policy, as expressed in the City Charter, is to meter nonresidential water service only. AB 3222 would mandate a departure from that policy by requiring meters for new residential construction and retrofitting of existing services.

RECOMMENDATION

It is recommended that the Law and Legislation Committee declare the City's opposition to AB 3222 (Peace) relating to mandatory water metering.

Respectfully submitted,


Melvin H. Johnson
Director of Public Works

RECOMMENDATION APPROVED:


Solon Wisham, Jr.
Assistant City Manager

March 15, 1990
All Districts

Contact Person
Roberta Larson, Administrative Services Officer
449-5877

CITY OF SACRAMENTO

Estimated Costs for Retrofit Metering Over 9 Years 3-6-90

Installation:					
Year	Total		Unmetered		Metered
	Services	New Construction	Services	Services	MS
0	110,663		106,348	4,315	
1	113,319	2,656	94,532	18,787	\$7,236,178
2	116,039	2,720	82,715	33,323	\$7,268,049
3	118,823	2,785	70,899	47,925	\$7,300,685
4	121,675	2,852	59,082	62,593	\$7,334,104
5	124,595	2,920	47,266	77,330	\$7,368,325
6	127,586	2,990	35,449	92,136	\$7,403,368
7	130,648	3,062	23,633	107,015	\$7,439,251
8	133,783	3,136	11,816	121,967	\$7,475,996
9	136,994	3,211	0	136,994	\$7,513,623

Total Cost= \$66,339,579

O & M Costs:

Year	Meters	Maintenance		Meter Reading	
		Labor	Equipment	Labor	Annual \$
1	18,787	\$183,804	\$103,682	56,152	343,638
2	33,323	\$326,016	\$103,682	99,597	529,296
3	47,925	\$468,867	\$103,682	143,238	715,787
4	62,593	\$612,371	\$103,682	187,079	903,132
5	77,330	\$756,545	\$103,682	231,124	1,091,351
6	92,136	\$901,405	\$103,682	275,378	1,280,466
7	107,015	\$1,046,967	\$103,682	319,847	1,470,497
8	121,967	\$1,193,248	\$103,682	364,536	1,661,466
9	136,994	\$1,340,266	\$103,682	409,449	1,853,397

Debt Financing:

Bond Costs (+15%)	7,018,437
Installation costs	\$66,339,579
Facility Costs	\$350,000
DP/Utility Billing	\$100,000
Capacity Savings	(\$20,000,000)
	\$53,808,016

\$53,808,016 for 12 years @8% = \$7,140,321

Metering Costs

Annualized Costs:	
Debt Service	\$7,140,321
Operations/Maintenance	\$1,094,337
Meter Repl Fund	\$1,682,250
total	\$9,916,908

Rate Increase:	
Present O&M Budget	\$16,897,507
Added Metering Expense	\$9,916,908
Rate Increase	59%

average residential customer:

present =	\$9.21
with meters	\$14.62

Assumptions:

\$500 installation cost per meter

2.4 percent growth rate

Read 200 meters per day

City of Sacramento
State Legislature

BILL REFERRAL

DATE: March 15, 1990 COMMITTEE ACTION: _____

TO: Mel Johnson, Public Works DATE: March 15, 1990

FROM: **KENNETH EMANUELS, LEGISLATIVE ADVOCATE**

REPLY NO LATER THAN: March 13, 1990

A.B. 3222, As Amended _____ * Author Peace

S.B. _____, As Amended _____ * Author _____

* Date of introduction or latest amendment

Please review the attached measure to determine its effect upon the City of Sacramento and complete the following questions as appropriate. During your analysis of this measure, if questions arise, please feel free to contact Ken Emanuels at 444-6789, FAX 444-0303, (1400 K Street, Suite 306, Sacramento, CA 95814.) This questionnaire should be returned to the City Attorney's Office for presentation to the Council Committee on Law and Legislation. **PLEASE LEAVE THE BILL ATTACHED TO THIS FORM**

NO RECOMMENDATION. If you think no Committee action on this bill should be taken, either because the bill is not of sufficient importance to the City or for any other reason, please mark here, do not fill out the rest of the form, and return this form to the City Attorney's Office. _____

PLEASE TYPE YOUR RESPONSE

1. Briefly describe the provisions of the bill (attach additional sheets if necessary).

AB 3222 (Peace) would (1) Require Sacramento County to install water meters on all new construction beginning January 1, 1991, and (2) Require the County to develop a program to retrofit all existing water services with meters by January 1, 2000.

2. Should this measure be: (Please circle desired position)

Supported

Opposed

Supported if Amended

Placed on Watch List

Other (explain)

3. Please explain your reasons for the above determination, including how this measure affects your Department and the fiscal impact of this measure to the City. (Your analysis will be used in communicating with the Governor and the Legislature, so please make your comments in a format that can be used in a letter to those officials.) (Attach additional sheets if necessary.)

AB 3222 would require the installation of water meters on all water services in Sacramento County by the year 2000. This is in direct conflict with the City Charter. The legislation would require metering despite the fact that City's voluntary water conservation programs have yielded water savings of 13 percent at a much lower cost. If AB 3222 becomes law, the City would have to implement a nine year retrofit program at an annualized cost of \$9.9 million. This would translate into a 59% rate increase. The metering issue is a decision to be made locally, by the voters and City Council of Sacramento. Retrofitting residential services does not make sense from a cost-benefit standpoint.

4. Specify the City's legislative policy guideline(s) applicable to this measure (if any).
- 7.9 (a) Oppose legislation which will mandate local governments to incur costs and which do not include an appropriation to reimburse local agencies for such costs.
- 7.9 (b) Oppose legislation which will reduce the options, methods, alternatives and flexibility available to the City in dealing with problems, issues and policies of local government.

5. If this measure could be amended to either improve its favorable aspects or to minimize its adverse aspects, which amendments would you propose?

The legislation could be amended to include an appropriation to cover the cost of implementation.

6. List known support or opposition to this measure by groups with which you are familiar and include addresses and phone numbers, if known. League of California Cities position: None.

7. Does this bill involve a State-mandated local program? If so, does the bill contain a State-mandated waiver, or an appropriation for allocation and disbursement to local agencies pursuant to Revenue and Taxation Code Section 2231?

Yes, the bill does not include an appropriation because the local agency may pass the costs on to its customers.

8. Using a rating scale of 1 to 10 (with 10 as the most important), how important do you think this bill is to the City of Sacramento. 10

FORM COMPLETED BY: Roberta Larson, Public Works DATE: 3/06/90

Introduced by Assembly Member Peace

February 26, 1990

An act to add Section 111 to the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST

AB 3222, as introduced, Peace. Water meters.

(1) Under existing law, water meters are not required to be installed on all water facilities and systems which deliver water.

This bill would require any county with a population greater than 800,000 as of January 1, 1990, to require the installation of water meters in new construction commenced after January 1, 1991, thereby imposing a state-mandated local program.

The bill would require the board of supervisors to conduct public hearings and develop a retrofit water meter program, to be completed by January 1, 2000, for existing residential and commercial buildings constructed prior to January 1, 1991, thereby imposing a state-mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates which do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that no reimbursement shall be made from the State Mandates Claims Fund for costs mandated by the state pursuant to this act, but would

recognize that local agencies and school districts may pursue any available remedies to seek reimbursement for these costs.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 111 is added to the Water Code,
2 to read:

3 111. (a) Any county with a population of more than
4 800,000 as of January 1, 1990, shall require the installation
5 of water meters on any water service facilities included
6 in new construction commenced after January 1, 1991.

7 (b) In regard to existing residential and commercial
8 buildings constructed prior to January 1, 1991, the board
9 of supervisors of any county subject to subdivision (a)
10 shall conduct public hearings and develop a retrofit water
11 meter program. The county shall complete the retrofit
12 water meter program for all residential and commercial
13 units by January 1, 2000.

14 (c) As used in this section, "water meter" means any
15 suitable water measuring device which determines the
16 volumetric flow of water.

17 SEC. 2. No reimbursement shall be made from the
18 State Mandates Claims Fund pursuant to Part 7
19 (commencing with Section 17500) of Division 4 of Title
20 2 of the Government Code for costs mandated by the
21 state pursuant to this act. It is recognized, however, that
22 a local agency or school district may pursue any remedies
23 to obtain reimbursement available to it under Part 7
24 (commencing with Section 17500) and any other
25 provisions of law. Notwithstanding Section 17580 of the
26 Government Code, unless otherwise specified in this act,
27 the provisions of this act shall become operative on the
28 same date that the act takes effect pursuant to the
29 California Constitution.