



APPROVED
BY THE CITY COUNCIL
MAY 27 1997
OFFICE OF THE
CITY CLERK

A.6B

DEPARTMENT OF
UTILITIES
OFFICE OF THE DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

May 19, 1997

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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: FY 1997-98 PROPOSED WATER FUND BUDGET

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution and approve amendments to the 1996-2001 Water Fund Capital Improvement Program.

CONTACT PERSONS: Michael Stamper, Business Services Manager, 433-6608
Michelle Basurto, Administrative Analyst, 433-6386
Ed Otte, Administrative Analyst, 433-6600

FOR COUNCIL MEETING OF: May 27, 1997

SUMMARY

This report presents information on the FY 1997-98 Water Fund Budget and recommends that the City Council approve amendments to the 1996-2001 Water Fund Capital Improvement Program. Final recommendations for the FY 1997-98 City budget will be presented with the City Manager's Addendum during June 1997.

COMMITTEE/COMMISSION ACTION: None.

BACKGROUND INFORMATION

The Water Fund is an enterprise fund that supports water production and infrastructure maintenance, the water distribution system, related engineering services, water quality monitoring, the City-County Office of Metropolitan Water

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Planning (CCOMWP), the City Operator Program, water conservation, customer services and a significant capital improvement program. Revenues in this fund are derived primarily from user fees.

Goals for the Water Utility:

- Protect community health.
- Provide a safe, reliable, and environmentally sensitive water supply.
- Ensure uninterrupted service through attention to daily operations and maintenance.
- Plan for an ongoing comprehensive infrastructure maintenance and improvement program.
- Comply with regulatory authority.
- Keep utility rate increases to a minimum while meeting the City's long and short-term infrastructure needs.

Major issues include:

- Replacing older water treatment facilities to improve public safety.
- Maintaining regulatory compliance.
- Expanding the City's water treatment capacity to provide facility redundancy and prepare for future growth.
- Supporting long-term regional water planning. Major components of water planning include surface water entitlements, groundwater use, water conservation, and conjunctive use.
- Developing wholesaling and wheeling agreements in support of effective regional water management.
- Maintaining a prudent contingency reserve.

FINANCIAL CONSIDERATIONS

Utilities staff have worked within the department and with many other City departments to identify more efficient and cost effective ways of providing service to our customers. No rate increase is proposed for water user fees for FY 1997-98. The Water Fund is forecast to end FY 1997-98 with a modest fund balance which reflects a 1% growth in user fees.

Water System Development Fees (also called connection fees or impact fees) are currently under review to ensure that the fees adequately recover the cost of replacing capacity. During the first quarter of FY 1997-98 final results of the study will be presented to the development community followed by staff recommendations to the City Council for fee adjustments.

Capital Improvement Program:

In June 1996 the City Council approved the 1996-2001 Water Fund Capital Improvement Program. In that program the Council approved total project funding in FY 1997-98 of \$13.7 million. The Department of Utilities has reviewed the approved budget and has prepared recommendations for changes to the budget.

The Department of Utilities established the following goals for implementation of the Water Fund Capital Improvement Program:

- Provide a reliable supply of high quality drinking water to City residents and businesses.
- Ensure that water production and treatment complies with all State and Federal regulations.
- Ensure that expansion of the water treatment plant capacity, storage, and distribution systems meets present and future needs and conforms to the City's general plan.
- Upgrade or replace existing water treatment, storage, and distribution systems in conformance with the water system master plans.
- Increase reliability and reduce maintenance costs by upgrading or replacing inadequate or deteriorated systems.

In order to ensure that the 1996-2001 Water Fund Capital Improvement Program is meeting the needs of the system and its residential and commercial customers, the Department has evaluated all of the projects in the current program and recommends that the City Council amend the FY 1996-97 Water Fund Capital Improvement Program to:

- ◆ Defund \$805,401 from seven current and continuing projects
- ◆ Defund \$2.8 million from nine projects that have been completed or canceled
- ◆ Add \$350,849 to five current projects

The Department recommends that the City Council amend the FY 1997-98 Water Fund Capital Improvement Program to:

- ◆ Appropriate \$3.4 million to 18 existing projects
- ◆ Appropriate \$5.3 million to 14 new projects
- ◆ Increase the Treatment Capacity Expansion Reserve by \$3.6 million

The total appropriations recommended for the FY 1997-98 Water Fund Capital Improvement Program are \$11.9 million. This amount is \$1.8 million less than the amount previously approved in the 1996-2001 Capital Improvement Program. This reduction is equal to a 6% increase in current water user fees. When the Department

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proposed the FY 1997-98 capital improvement spending plan of \$13.7 million that was approved by the City Council in June 1996, the amount was predicated on a 6% user fee increase.

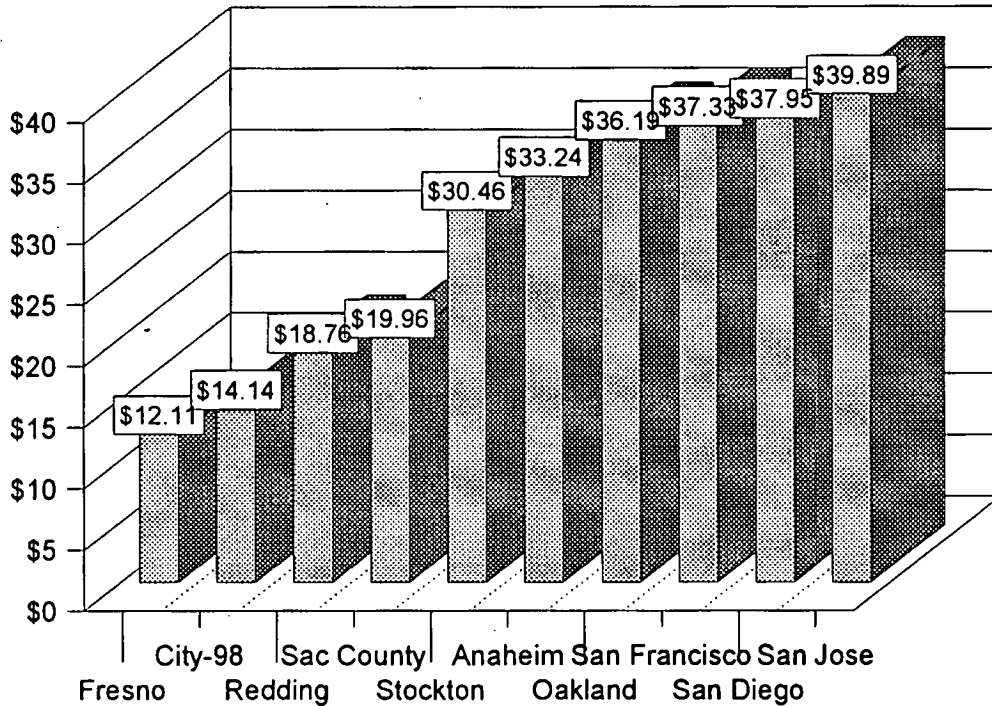
The Department has achieved significant cost savings in its Water Fund capital projects construction costs over the past 18 months and recommends applying the net savings to the reserves for treatment capacity expansion. Expansion of the City's treatment facilities is urgently needed to: insure water supply reliability, begin replacement of aging treatment capacity, meet current and expected State and federal drinking water regulations, provide treatment plant capacity to the County of Sacramento, and meet anticipated community growth. In addition, the Department projects that capital construction outlays for treatment capacity expansion will occur in FY 1999-2000 and FY 2000-01 rather than in FY 1997-98 and FY 1998-99. This postpones the necessity to borrow funds and service debt for at least two more years. Exhibit A is a complete list of the projects in the Water Capital Improvement Program.

1997-98 Water Rates:

No increase in water rates is proposed for FY 1997-98. The following table reflects the components of the water rate for the typical monthly residential water customer. The subsequent bar chart places the City's water user fee in perspective with those of other California jurisdictions.

COMPONENTS OF WATER CHARGES	
Program	Proposed
Water Production Operations and Maintenance	\$ 3.12
Water Distribution	2.24
Debt Service	.58
Customer Service, Administration, Retiree Payments	.97
Central Support Costs	2.26
Approved Capital Improvement Projects	4.97
TOTAL	\$ 14.14

RESIDENTIAL WATER RATES



Water usage based on the average usage in Sacramento of 2,526 cubic feet per month
 (630 gallons per day)

Five Year Water Fund Projection:

The following table provides the revenue and expenditure projections for the Water Fund for the next five years. The five-year projection forecasts the need for rate increases ranging from three to six percent beginning in FY 1998-99. Rate increases will become necessary to support departmental goals that deal with the major issues facing the City's water system, that fund increases in debt service, that account for inflation and contractual commitments, and maintain a reasonable and prudent reserve.

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WATER FUND FIVE YEAR PROJECTION*

FIVE YEAR PROJECTION:	FY 97/98	FY 98/99	FY 99/00	FY 00/01	FY 01/02
Rate Increase Projected	0%	3%	5%	5%	6%
BEGINNING FUND BALANCE	4,470	4,133	9,103	11,338	6,632
REVENUES/OTHER SOURCES					
Revenue & Development Fees	33,550	33,880	35,139	37,088	39,156
Revenue from Rate Increase**	0	911	1,580	1,676	2,133
Debt Proceeds	0	0	67,500	67,500	0
Subtotal Rev/Other Sources:	33,550	34,791	104,219	106,264	41,289
EXPENDITURES					
Operating Budget	20,587	21,327	22,158	23,026	23,967
Debt Service	1,384	1,379	6,768	12,168	11,090
CIP Budget	11,916	7,115	73,058	75,776	7,000
Subtotal Expenditures:	33,887	29,821	101,984	110,970	42,057
ENDING FUND BALANCE	4,133	9,103	11,338	6,632	5,864

* Dollars expressed in thousands. ** Gross revenue

ENVIRONMENTAL DETERMINATION

There are no new environmental impacts associated with the Water Fund budget. The appropriate level of environmental review, under CEQA, will be performed in conjunction with the project planning and design stage of future capital improvement projects.

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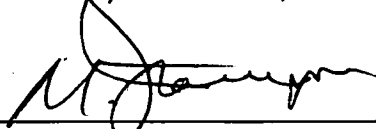
POLICY CONSIDERATIONS

Sacramento City Code, Section 47.300 allows the City Council to establish water rates by resolution. In order to maintain a consistent level of service and a prudent reserve, rate increases will likely be required in future years. Approximately 91% of the operating expenditures for FY 1997-98 are tied directly to the amount of water supplied. As such, these expenditures are "fixed" and cannot be reduced without negatively impacting public health and safety. Staff will continue to reevaluate water related programs with a focus on identifying efficiencies, providing better service and reducing the need for future rate increases.

MBE/WBE

Not applicable. There are no goods or services being purchased as a direct result of this action.

Respectfully submitted,



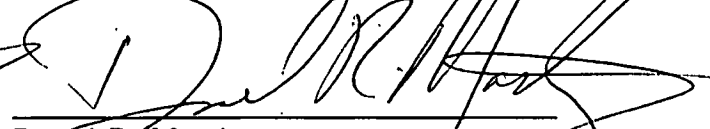
For Jim Sequeira
Director of Utilities

RECOMMENDATION APPROVED:



William H. Edgar
City Manager

APPROVED:



David R. Martinez
Deputy City Manager

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CIP List by Program

EXHIBIT A

Project Number	Project Name	1996-97 Budget	1997-98 Budget	1998-99 Budget	1999-00 Budget	2000-01 Budget
Water						
ZA01	SRWTP - SLUDGE HANDLING	0	0	0	0	0
ZA98	ETHAN WAY WATER TRAN MAIN	-538,600	0	0	0	0
ZA99	HOWE MAIN-ALTA ARDEN-SILCA	50,000	0	0	0	0
ZB26	AMER RIV WTR TREAT PLNT	-197,746	0	0	0	0
ZB31	WATER SYSTEM MISC IMPROVMT	-163,474	200,000	365,000	3,428,000	5,946,000
ZB46	WATER METER RETROFIT	250,000	300,000	250,000	250,000	250,000
ZB47	COMMERCIAL LARGE METER TESTING	167,093	150,000	0	0	0
ZB61	STEEL WATER MAIN REPLACE	-9,896	0	0	0	0
ZB62	HOLLYWOOD PK-FREEPORT/FRUITRIDGE	104,747	0	0	0	0
ZB63	FRPRT/FRTRDGL STL WTR MAIN	101,000	0	0	0	0
ZB64	FRPRT/FRTRDGL STL MN, PH 4	475,253	0	0	0	0
ZB71	WATER PRODUCTION MISC IMPRVMT	325,000	350,000	490,000	350,000	350,000
ZC32	N NATOMAS WTR T-MAIN, PH2	1,908,000	0	0	0	0
ZD06	RIVETED STEEL MAIN REPLACE	201,658	0	0	0	0
ZD11	MAINT SHOPS DESIGN SRWTP	-201,869	0	0	0	0
ZD12	APP, MAINT SHOP DESIGN	-47,085	0	0	0	0
ZD26	WELL SYSTEM MISC IMPROVMT	163,000	166,000	100,000	100,000	100,000
ZD31	TELEMETRY EQUIPMENT REPLACEMENT	0	217,869	0	0	0
ZD36	WATER SUPPLY MASTER PLAN	650,000	0	650,000	650,000	650,000
ZD51	FIRE HYDRANT REPLACEMENT	122,000	190,000	90,000	90,000	90,000
ZD56	WATER METER SHOP EXPANSION	112,031	0	0	0	0
ZD61	EQUIPMENT STORAGE SHED/ROBLA	-1,260,871	0	0	0	0
ZD71	RESERVOIR INTRC PIPE-SRWTP	50,000	0	0	0	0
ZD81	FABRICATION SHOP-SRWTP	-4,639	0	0	0	0
ZD91	SEISMIC RETRO ELEVATED TANK	0	700,000	0	0	0
ZD96	LEAK DETECTION	40,000	40,000	40,000	40,000	40,000
ZE01	NORTHERN RR BRIDGE SEISMIC	-313,467	0	0	0	0
ZE21	TREATMENT CAPACITY EXPANSION	500,000	0	0	0	0
ZE22	CAPACITY EXPAN CONST RESERVE	4,119,856	3,603,614	0	0	0
ZE31	SAC RVR WATERSHED SANITARY	-50,000	0	50,000	50,000	250,000
ZE36	RISK MANAGEMENT PREVENTION PROGRAM	65,000	0	0	0	0
ZE41	NO. SAC WATER MAIN REPLACE	-47,589	0	0	0	0
ZE42	NO. SAC WATER NM REPLAC PH 2	732,000	0	0	0	0
ZE43	NO. SAC WATER MAIN REPL PH 3	0	825,000	0	0	0
ZE46	BASE CIP RESERVE	698,431	-343,483	400,000	400,000	400,000
ZE51	BRUCEVILLE RD WTR TRAN MN	-358,536	0	0	0	0
ZE61	EAFWTP SWTR MODIFICATIONS	75	68,000	1,980,000	0	0
ZE62	EAFWTP SWTR SLUDGE HANDLING	-52,027	0	0	0	0
ZE63	EAFWTP WASTE WASH REC SYS	0	0	0	0	0
ZE71	SRWTP SWTR MODIFICATIONS	100,000	30,000	0	0	0
ZE81	SMUD COGEN CAMPBELL WTR MN	0	0	0	0	0
ZE86	UPGRADE WTR IRRIGATION SYS	-175,000	95,000	0	0	0
ZE91	REPAINTING AT EAF WTP	66,241	0	0	0	0
ZE96	BACKUP GENERATORS WATER PLANTS	0	100,000	0	0	0
ZF01	CROSS-TIE WTR TRANS MAIN	1,513	0	0	0	0
ZF06	SRWTP WASHWATER RES. REPL	0	0	0	0	0
ZF11	INFORMATION COLLECTION RULE	210,000	210,000	0	0	0



1996-2001 CAPITAL IMPROVEMENT PROGRAM



CIP List by Program

EXHIBIT A

Project Number	Project Name	1996-97 Budget	1997-98 Budget	1998-99 Budget	1999-00 Budget	2000-01 Budget
ZF16	WATER SERVICE REPLACEMENTS	100,000	100,000	100,000	100,000	100,000
ZF21	UTILITIES TECHNOLOGY IMPRV	500,000	0	0	0	0
ZF26	BACKFLOW PREVENTION DEVICES	390,736	140,000	0	0	0
ZF31	FRANKLIN BLVD WTR T-MAIN	2,403,529	0	0	0	0
ZF36	SCADA SYSTEM UPGRADE	0	500,000	0	0	0
ZF41	E A FAIRBAIRN WTP EXPNSION	500,000	0	1,000,000	20,000,000	20,000,000
ZF46	EAFWTP INTAKE EXPANSION	500,000	0	500,000	7,500,000	7,500,000
ZF51	SACTO RVR WTP EXPANSION	500,000	0	750,000	30,000,000	30,000,000
ZF56	SRWTP INTAKE REPLACEMENT	500,000	0	250,000	10,000,000	10,000,000
ZF61	AMER RVR SANITARY SURV	0	125,000	0	0	0
ZF66	TANKS 1 2 3 INTERIOR COATING	0	690,000	0	0	0
ZF71	RESERVOIR PIPE REHAB SRWTP	0	100,000	0	0	0
ZF76	PIPE LINING AT TANKS 1,2,3	0	400,000	0	0	0
ZF81	ROBLA RESERVOIR REPAINTING	0	200,000	0	0	0
ZF86	MIOX AT CAMP SACRAMENTO	0	20,000	0	0	0
ZF91	FREEPORT/FRUITRIDGE STL MN PH 5	0	770,000	0	0	0
ZF96	AMER RVR T-MAIN XING AT I5	0	400,000	0	0	0
ZG01	WATER BOOK GIS DIGITIZING	0	525,000	0	0	0
ZG06	MAINTENANCE MGMNT SYSTEM	0	438,000	0	0	0
ZG11	LOCAL AREA NETWORK	0	640,000	0	0	0
ZG16	WATER CONSERVATION	0	50,000	0	0	0
PROGRAM TOTAL		13,186,364	12,000,000	7,015,000	72,958,000	75,676,000
GRAND TOTAL		13,186,364	12,000,000	7,015,000	72,958,000	75,676,000



1996-2001 CAPITAL IMPROVEMENT PROGRAM

RESOLUTION NO. 97-275

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL
MAY 27 1997
OFFICE OF THE
CITY CLERK

**RESOLUTION AMENDING THE FY1996-97 WATER FUND
CAPITAL IMPROVEMENT PROGRAM.**

BE IT RESOLVED BY THE CITY COUNCIL OF SACRAMENTO THAT:

The FY1996-97 Water Fund Capital Improvement Program is amended as shown in Attachment 1.

Mayor

Attest:

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

**DEPARTMENT OF UTILITIES
1996-2001 CAPITAL IMPROVEMENT PROGRAM**

Attachment 1

WATER FUND

Proj No.	Project Title	Council District	FY Approved	Status	FY1996-97 Net Change
ZA96	Water Transmission Main-Howe Ave	3	1985	Completed	-\$120,286
ZA98	Ethan Way Water Tran Main	3	1994	Completed	-538,600
ZA99	Howe Ave/Alta Arden/Silica	3	1997	Canceled	-150,000
ZB26	Amer Riv Wtr Treat Plnt	CW	1985	Completed	-97,746
ZB47	Commercial Large Meter Testing	CW	1995	In progress	17,093
ZB61	Steel Water Main Replace	CW	1986	Completed	-9,896
ZB63	Frprt/Frtrdg Stl Wtr Main	4	1996	Design	101,000
ZB64	Frprt/Frtrdg Stl Mn Ph 4	4	1997	Pre-design	120,000
ZD11	Maint Shops Design SRWTP	CW	1990	Closed	-201,869
ZD51	Fire Hydrant Replacement	CW	1991	Construction	32,000
ZD56	Water Meter Shop Expansion	8	1991	Completed	91,031
ZE01	Northern RR Bridge Seismic	2	1993	Canceled	-1,163,467
ZE22	Capacity Expan Const Reserve	CW	1995	Reserve	3,325,002
ZE31	Sac Rvr Watershed Sanitary	1,4	1995	Revised scope	-100,000
ZE36	Risk Management Prevention Program	CW	1995	Revised scope	-135,000
ZE41	No. Sac Water Main Replace Ph1	2	1995	Completed	-47,589
ZE62	EAFWTP SWTR Sludge Handling	CW	1996	Completed	-52,027
ZE63	EAFWTP Waste Wash Rec Sys	CW	1997	Canceled	-400,000
ZE91	Repainting at EAF WTP	CW	1996	Completed	-68,759
ZF01	Cross-Tie Wtr Trans Main	2	1997	Canceled	-160,887
ZF06	SRWTP Filter Wash Res. Repl	CW	1997	Canceled	-440,000

NET CHANGE IN FY1996-97 APPROPRIATIONS

0

RESOLUTION NO. 97-280

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL
MAY 27 1997
OFFICE OF THE
CITY CLERK

**RESOLUTION APPROVING APPROPRIATIONS FOR THE FY1997-98
FOR THE FY1997-98 WATER FUND CAPITAL IMPROVEMENT
PROGRAM.**

BE IT RESOLVED BY THE CITY COUNCIL OF SACRAMENTO THAT:

The appropriations for the FY1997-98 Water Fund Capital Improvement Program are approved as shown in Attachment 2, effective July 1, 1997.

Mayor

Attest:

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

**DEPARTMENT OF UTILITIES
1996-2001 CAPITAL IMPROVEMENT PROGRAM**

Attachment 2

WATER FUND

Proj No.	Project Title	Council District	FY Appr	Status	FY1997-98 Appropriations
CC01	ADA Modifications	CW	1993	Study	\$100,000
WF86*	Utilities Admin/Eng Bldg	4	1996	Design	200,000
ZB31	Water System Misc Improvmt	CW	1985	O&M projects	200,000
ZB46	Commercial Wtr Meter Retrofit	CW	1985	Construction	300,000
ZB47	Commercial Large Meter Testing	CW	1995	In progress	150,000
ZB71	Water Production Misc Imprvmt	CW	1986	Construction	350,000
ZD26	Well System Misc Improvmt	CW	1990	Construction	166,000
ZD31	Telemetry Equipment Replacement	CW	1990	Installation 5/95	217,869
ZD51	Fire Hydrant Replacement	CW	1991	Construction	190,000
ZD91	Seismic Retro Elevatd Tank	7	1993	Construction	700,000
ZD96	Leak Detection	CW	1993	Active CSA	40,000
ZE22	Capacity Expan Const Reserve	CW	1995	Reserve	3,603,614
ZE43	No. Sac Water Mn Repl Ph 3	2	N-98	Pre-design	825,000
ZE46	Base CIP Reserve	CW	1995	Reserve	-343,483
ZE61	EAFWTP SWTR Modifications	CW	1993	Construction	68,000
ZE71	SRWTP SWTR Modifications	CW	1993	Construction	30,000
ZE86	Upgrade Wtr Irrigation Sys	CW	1996	Construction	95,000
ZE96	Backup Generators Water Plants	CW	1996	Construction	100,000
ZF11	Information Collection Rule	CW	1997	Construction	210,000
ZF16	Water Service Replacements	CW	1997	Construction	100,000
ZF26	Backflow Prevention Devices	CW	1994	Construction	140,000
ZF36	SCADA System Upgrade	CW	N-98	Pre-design	500,000
ZF61	Amer Rvr Sanitary Surv	1,2,3,6	N-98	Study	125,000
ZF66	Tanks 1 2 3 Interior Coat	3,5	N-98	Pre-design	690,000
ZF71	Resvr Pipe Rehabilitation	3	N-98	Pre-design	100,000
ZF76	Pipe Lining Tanks 1,2,3	3,5	N-98	Pre-design	400,000
ZF81	Robla Reservoir Repainting	2	N-98	Pre-design	200,000
ZF86	MIOX at Camp Sacramento	CW	N-98	Pre-design	20,000
ZF91	Frprt/Frtrdg Stl Mn Ph 5	4	N-98	Pre-design	770,000
ZF96	Amer Rvr T-Main Xing @ 15	1	N-98	Pre-design	400,000
ZG01	Water Book GIS Digitizing	CW	N-98	Pre-design	525,000
ZG06	Maintenance Mgmnt Sys	CW	N-98	Pre-design	438,000
ZG11	Local Area Network	CW	N-98	Pre-design	256,000
ZG16	Water Conservation	CW	N-98	Pre-design	50,000

TOTAL FY1997-98 APPROPRIATIONS

\$11,916,000