



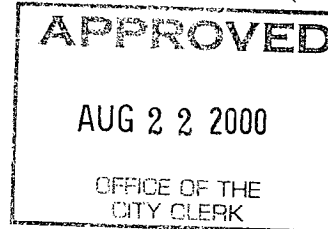
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Department of Utilities
Business Services Division

CITY OF SACRAMENTO
CALIFORNIA

1395 35th Avenue
Sacramento, CA 95822-2911
phone (916) 264-1400
fax (916) 264-1497/1498

August 10, 2000



City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: FY2000-01 PROPOSED SEWER SERVICE RATE ADJUSTMENT

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution to amend the Fee and Charge Report to reflect a 4% increase in sewer service rates.

CONTACT PERSONS: Michael Stamper, Business Services Manager, 264-1468

FOR COUNCIL MEETING OF: August 22, 2000

SUMMARY

This report recommends that the City Council approve amendments to the Fee and Charge Report which reflect a 4% increase in sewer collection rates. Notification of the proposed rate changes was sent to property owners in accordance with the provisions of Proposition 218.

COMMITTEE/COMMISSION ACTION: None.

BACKGROUND INFORMATION

The Sewer Fund is an self-supporting enterprise fund that supports sanitary sewer operations and maintenance, the sewer collection system, wastewater pumping to the



CITY OF SACRAMENTO
DEPARTMENT
OF UTILITIES

Making a Difference in Your Neighborhood

City Council

August 22, 2000

FY2000-01 PROPOSED SEWER SERVICE RATE ADJUSTMENT

Regional Sanitation District treatment plant, engineering services, the City Operator Program, customer service and a significant capital improvement program. Revenues in this fund are derived primarily from sewer service charges.

The financial condition of the Sewer Fund is heavily affected by the fact that the system is contained within fixed boundaries (see map). Therefore, there is little room for growth in the revenue base. Coupled with the containment problem is the age and condition of the system. Much of the system was built before the end of World War II; some of it is over a century old. The result is that existing customers must bear increasing maintenance costs.

Goals for the Sewer Utility:

- Protect community health.
- Provide a safe, reliable and environmentally sensitive sanitary sewer system.
- Ensure uninterrupted service through attention to daily operations and maintenance.
- Plan and implement a balanced approach to capital maintenance and improvement between system-wide projects and area specific projects.
- 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:

- Rehabilitating the central city's combined sewer and storm drainage system (CSS) at the least possible cost to ratepayers.
- Resolving the lack of growth in new services on the system and the increasing cost for repair and reconstruction of this system that causes continual upward pressure on rates.
- Maintaining the financial strength of the Fund in preparation for raising capital to finance on-going rehabilitation of the CSS. The Department of Utilities is negotiating with other agencies for financial assistance and has applied for a number of low interest loans from the State Revolving Fund through the State Water Resources Control Board as well as seeking federal grants. To date, the State has authorized three loans totaling over \$40 million.
- Maintaining a prudent contingency reserve.

Public Notification

Articles XIII C and D of the California Constitution (Proposition 218) establish various procedures for the approval of local taxes, assessments and property-related service fees.

City Council

August 22, 2000

FY2000-01 PROPOSED SEWER SERVICE RATE ADJUSTMENT

For the imposition or increase of water, sewer and refuse collection service fees that are "property-related fees" within the meaning of Proposition 218, Proposition 218 requires that a notice (Attachment A) describing the proposed fee or fee increase and establishing a public hearing on the proposed fee or fee increase, be mailed to the record owner of each parcel subject to the proposed fee or fee increase. At the public hearing (held not less than 45 days after the notice is mailed), Proposition 218 requires the agency to consider all protests filed against the proposed fee or fee increase, and prohibits the agency from approving the proposed fee or fee increase if written protests against the proposed fee or fee increase are presented by a majority of the owners of the affected parcels. Further procedures for implementing these requirements are set forth in Chapter 3.44 of the Sacramento City Code.

Pursuant to Proposition 218 and City Code Chapter 3.44, on June 30, 2000, the City mailed notice of the proposed increases to all owners of property subject to the fees. The following summarizes the notification process:

Total Notices Mailed	113,585
Notices Returned as Undeliverable; unable to re-mail	1,311 (1.2%)
Total Notices Re-mailed	23

As of the date of this report, approximately 150 protests had been received by the City Clerk. Any additional information received prior to the public hearing, including the total number of written protests that have been received by the City Clerk at that time, will be presented to the City Council in a verbal report on August 22, 2000. All protests received are on file and available for review in the Office of the City Clerk.

FINANCIAL CONSIDERATIONS

FY 2001 Operations and Capital Budgets

To meet the current fiscal year's needs the Department of Utilities Sewer Fund has an authorized work force of 81.5, an operating budget of \$9 million and a Capital Improvement Program budget of \$4.7 million.

The Department of Utilities has applied for a number of low interest loans from the State Revolving Fund through the State Water Resources Control Board. To date, the State has authorized three loans totaling over \$40 million. Debt service is projected to grow from \$42,000 to over \$1 million over the next three years.

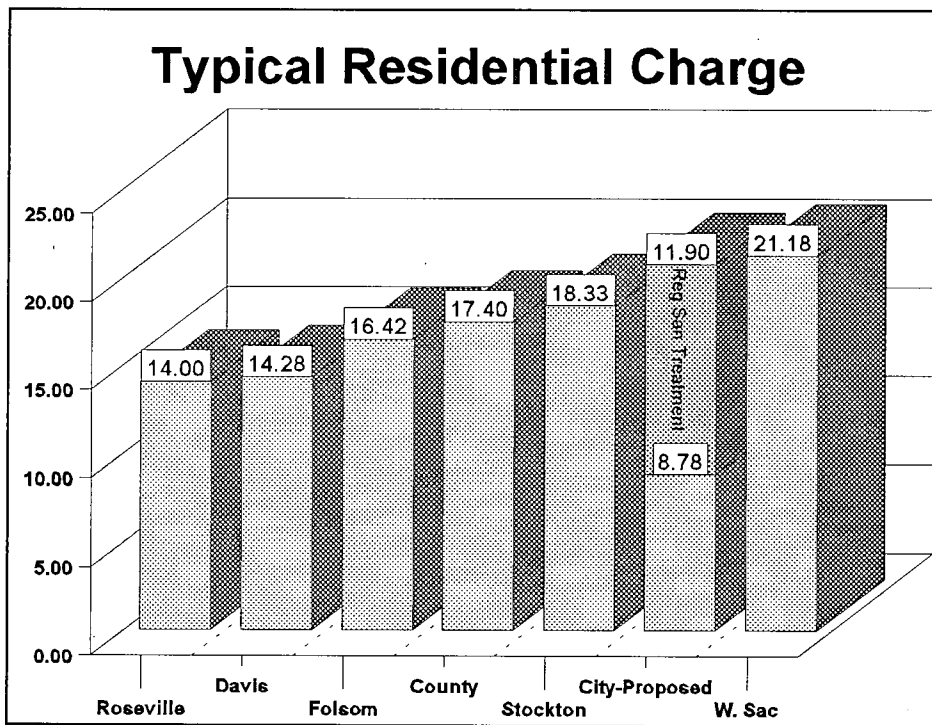
City Council
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FY2000-01 PROPOSED SEWER SERVICE RATE ADJUSTMENT

FY 2001 Rate Proposal

The Department of Utilities proposes that sewer service rates be increased by 4% in FY 2001 to provide funding to:

- Provide major rehabilitation to the aging sewer system facilities;
- Implement the Combined System Improvement Plan as required by the State of California; and
- Pay the increased cost of operations, maintenance, and debt service.

The City's current monthly charge for a typical single-family household (6-7 room residence) is \$8.44. The proposed monthly rate is \$8.78, an increase of 34 cents per month, or \$4.08 a year. The proposed increase in sewer rates is expected to generate \$375,000 in additional revenue to the Sewer Fund. The following bar chart places the City's proposed sewer service fee in perspective with those of other neighboring service providers:



FY 2001-05 Forecast

The following table provides the revenue and expenditure projections for the Sewer Fund for the next five years.

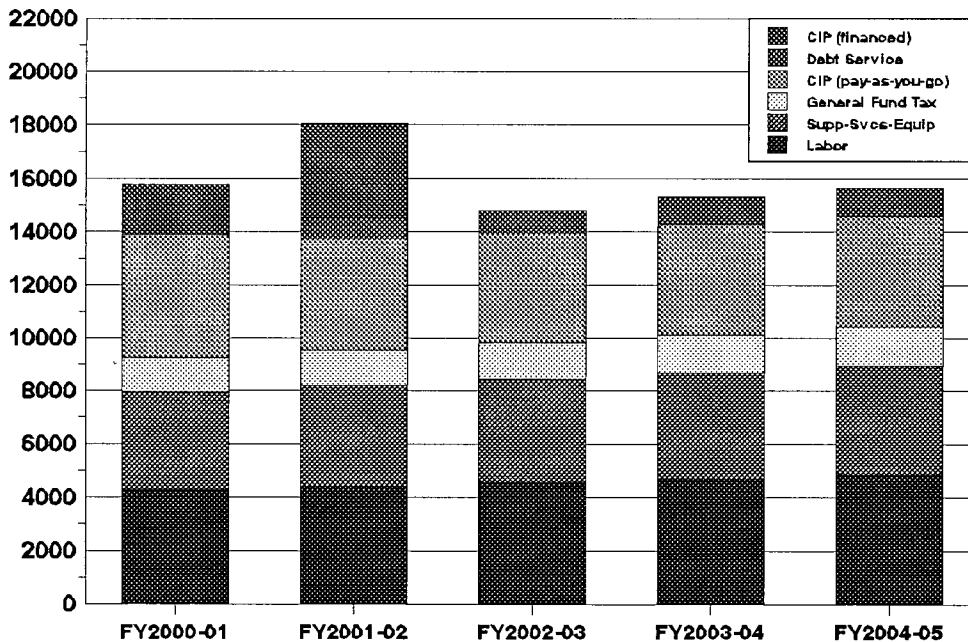
City Council
 August 22, 2000
 FY2000-01 PROPOSED SEWER SERVICE RATE ADJUSTMENT

SEWER FUND: REVENUE AND EXPENDITURE FORECAST
 (\$ in 000)

SEWER FUND FORECAST	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Projected Rate Increases	4%	4%	4%	4%	4%
BEGINNING FUND BALANCE	6,598	5,645	4,687	3,959	3,192
REVENUES					
Revenue & Development Fees	12,613	13,131	13,594	14,073	14,573
Revenue from Rate Increase	372	462	480	500	520
Debt Proceeds	0	0	0	0	0
Subtotal Revenues	12,985	13,593	14,074	14,573	15,093
EXPENDITURES					
Operating Budget	9,237	9,533	9,829	10,134	10,449
Debt Service	42	810	838	1,073	1,073
CIP Budget	4,659	4,209	4,134	4,134	4,134
Subtotal Expenditures	13,938	14,552	14,801	15,341	15,656
ENDING FUND BALANCE	5,645	4,687	3,959	3,192	2,629

The following reflects, in graphic format, the current and anticipated Sewer Fund allocations over the next five years:

5 YEAR EXPENDITURE FORECAST



City Council
August 22, 2000
FY2000-01 PROPOSED SEWER SERVICE RATE ADJUSTMENT

ENVIRONMENTAL CONSIDERATIONS

The proposed sewer service fee adjustments are exempt from the California Environmental Quality Act (CEQA) pursuant to Section 21080(b)(8) of the Public Resources Code. Future capital improvement projects will receive the appropriate level of environmental review under CEQA in conjunction with project planning and design.

POLICY CONSIDERATIONS

Sacramento City Code, Section 13.08 allows the City Council to establish sewer rates by resolution. In order to maintain a consistent level of service and prudent reserve, rate increases will likely be required in future years.

ESBD CONSIDERATIONS

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

Respectfully submitted,



Jim Sequeira
Director of Utilities

RECOMMENDATION APPROVED:

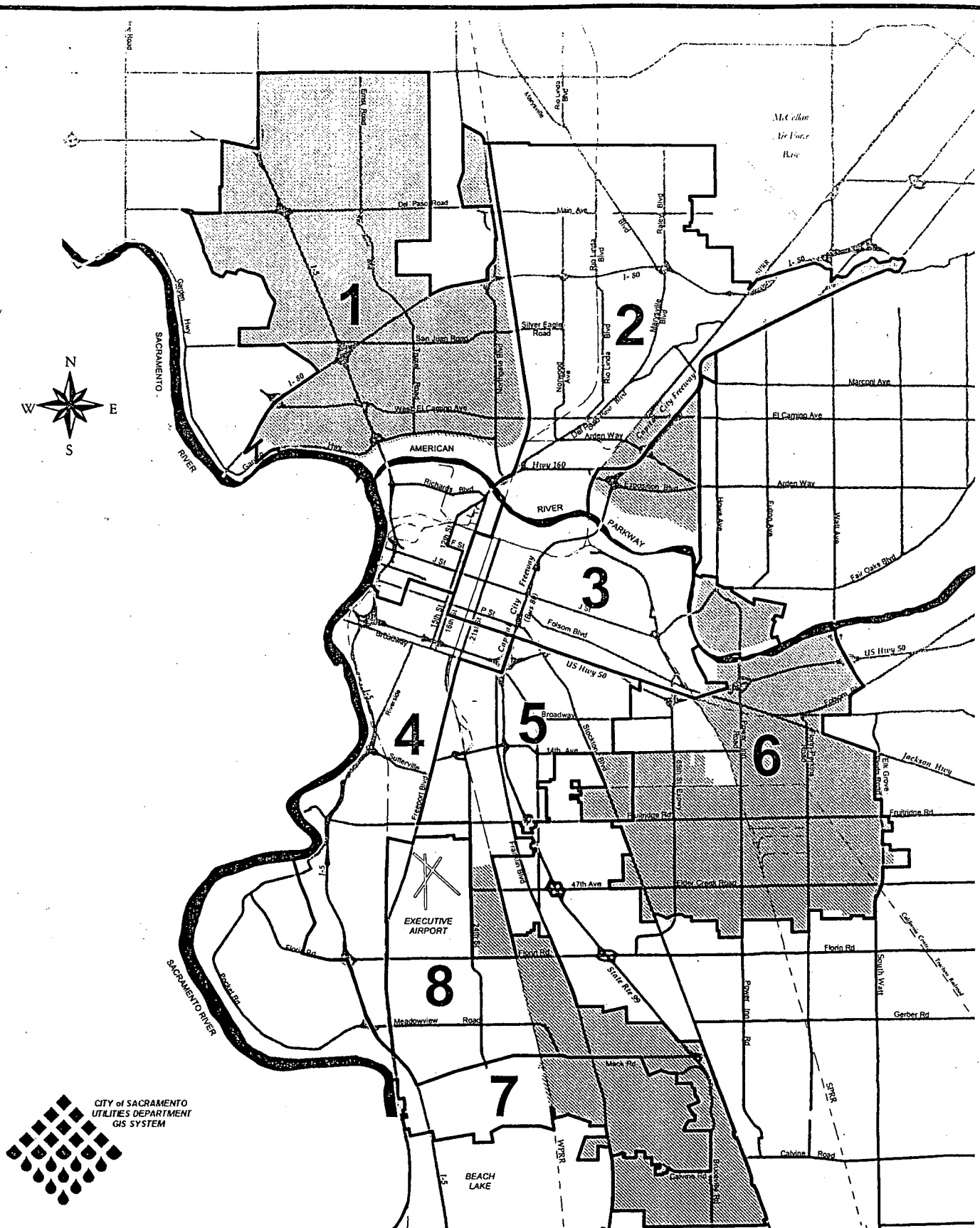


Robert P. Thomas
City Manager

APPROVED:



Tom Lee
Deputy City Manager



SEWER SERVICE AREAS

-  CITY SEWER SERVICE AREAS
-  COUNTY SERVICE AREAS INSIDE CITY LIMITS



**CITY OF SACRAMENTO
CALIFORNIA**

**NOTICE OF PROPOSED RATE CHANGES FOR
WATER, SEWER, GARBAGE AND LAWN & GARDEN REFUSE/STREET SWEEPING SERVICES
AND NOTICE OF CITY COUNCIL PUBLIC HEARING**

Dear Customer:

Each year the City examines utility customers' service needs, mandated programs, capital improvement programs and operation and maintenance services. If additional revenues are needed to provide funding for these services and programs, recommendations for rate adjustments are made to the Sacramento City Council. This notice has been sent to all property owners in the City who receive water, sewer, garbage and/or lawn & garden refuse/street sweeping service to explain the proposed changes in the rates that the City charges for these services that will be recommended for adoption by the Sacramento City Council at a public hearing on August 22, 2000. If approved, these new fees would take effect on September 1, 2000, and would be used to provide funding for the purposes described above. This notice also describes how to file a protest against the proposed rate changes.

NOTICE

Public Hearing

The Sacramento City Council will consider proposed changes in its water, sewer, garbage and lawn & garden refuse/street sweeping service rates, as described below, at a public hearing commencing at 2:00 p.m. on Tuesday, August 22, 2000, in the Council Chambers of City Hall, 2nd Floor, located at 915 I Street, Sacramento, CA.

Basis and Amount of Proposed Rate Increases

The proposed rate changes include the following: a 6 % increase in the water rates (unmetered service), a 4% increase in the sewer rates, and a 5% increase in the garbage rates and lawn & garden refuse/street sweeping rates currently being charged to City customers. The following table shows the proposed rate increases followed by an example of how the increases would change the amount currently charged a 6 room single-family residence with a 90 gallon garbage can.

SERVICE	PROPOSED INCREASE	EXAMPLE: monthly charge on a 6 room household with 90 gallon garbage can		
		Current Rate	Proposed Increase	Proposed Rate
Water (unmetered)	6%	\$14.99	\$.90	\$15.89
Sewer	4%	\$8.44	\$.34	\$ 8.78
Garbage	5%	\$14.67	\$.73	\$15.40
Lawn & Garden Refuse/Street Sweeping	5%	\$6.04	\$.30	\$ 6.34

The proposed rates for all customer categories may be reviewed and are on file with the City Clerk. The exact amount proposed to be imposed for service to your parcel may be obtained by calling Utility Billing at (916) 264-5454. Please provide your parcel number (shown on the accompanying envelope) to the representative.

Basis and Amount of Proposed Changes to Metered Water Service Rates

The following changes to the metered water service rate structure are proposed:

- Eliminate the current minimum quantity charge; and
- Adopt a basic service charge, based on meter size, that applies to all metered water service accounts regardless of water usage, as follows:

Meter Size	Monthly Service Charge
5/8" - 1"	\$6.00
1 1/2"	\$8.00
2"	\$10.00
3"	\$15.00
4"	\$20.00
6"	\$40.00
8"	\$65.00
10"	\$100.00
12"	\$150.00

The metered water service rate based on volume of water being delivered is not being changed. The proposed metered water service rate structure may be reviewed and is on file with the City Clerk. If your parcel receives metered water service, the proposed rate for metered water service to your parcel may be obtained by calling Utility Billing at (916) 264-5454. Please provide your parcel number (shown on the accompanying envelope) to the representative.

Why Change Rates?

Water Service - The City of Sacramento provides water service 24 hours a day, supplying over 37 billion gallons of quality drinking water each year to its customers. A 6 percent rate increase (unmetered service) is proposed to provide funding to:

- Ensure a continued safe and reliable water supply for the community.
- Rehabilitate and begin replacement of our aging Sacramento River Water Treatment Plant (built in 1924) to ensure compliance with all State and Federal water treatment regulations.
- Expand and rehabilitate the E. A. Fairbairn Water Treatment Plant (built in 1964) to meet State and Federal water treatment standards.
- Upgrade the City’s existing river diversion facilities to meet current State and Federal fish screening regulations.
- Pay the increased cost of operations, maintenance, and debt service associated with providing water service to our customers.

The changes to the metered water service rate structure are proposed so that the metered water service rates will more accurately reflect the costs of providing this service.

Sewer Collection Service - The City-operated sewer collection system serves approximately half of the City, primarily the central and older areas of the City. A 4 percent rate increase is proposed to provide funding to continue to:

- Provide major rehabilitation to our aging sewer system facilities.
- Implement the Combined System Improvement Plan as required by the State of California.
- Pay the increased cost of operations, maintenance and debt service.

Garbage Collection Service - Garbage fees are collected to fund the activities of waste reduction, recycling, collecting and disposing of garbage; and abating litter throughout the City. A 5 percent rate increase is proposed to provide funding to:

- Pay the increased cost of operations, maintenance and debt service.
- Adjust rates to accurately reflect the cost to provide the service.
- Implement an automated commingled recycling program approved by the City Council.

Lawn & Garden Refuse/Street Sweeping Service – Lawn & Garden fees are charged for collecting and processing lawn and garden refuse material. Street sweeping fees cover the cost of sweeping all parcels with curbs & gutters. A 5 percent rate increase is proposed to provide funding to:

- Pay the increased costs of operations, maintenance and debt service.
- Adjust rates to accurately reflect the cost to provide the service, as noted above.

How to Protest Proposed Rate Changes

Proposition 218 added Articles XIII C and D to the State Constitution to establish various approval procedures for local taxes, assessments and property-related service fees. Under Proposition 218, if you are the owner of record of a parcel or parcels subject to the proposed rate changes you may submit a protest against the proposed rate changes by filing a **written protest** with the City Clerk at or before the time set for the public hearing. If written protests are filed by a majority of the affected parcel owners, the proposed rate changes will not be imposed. A written protest must contain a description of the parcel or parcels in which the party signing the protest has an interest, sufficient to identify the parcel(s). If the party signing the protest is not shown on the last equalized assessment roll of Sacramento County as the owner of the parcel(s), the protest must contain, or be accompanied by, written evidence that such party is the owner of the parcel(s). Protests also should indicate which proposed utility service rate change is being protested (water, sewer, garbage, and/or lawn & garden refuse/street sweeping fee). Protests regarding the proposed rate change(s) may be mailed to: **City of Sacramento, City Clerk, 915 I Street, Room 304, Sacramento, CA 95814**. Protests also may be personally delivered to the City Clerk. If you have any questions regarding this notice, please call our Customer Service office at (916) 264-5371 during regular business hours.

RESOLUTION NO. 2000-498

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____



**RESOLUTION ADOPTING FINDINGS AND AMENDING
THE CITY OF SACRAMENTO FEE AND CHARGE
REPORT TO ESTABLISH SEWER SERVICE FEES**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

WHEREAS, Articles XIIC and D of the California Constitution (Proposition 218) establish various procedures for the approval of local taxes, assessments and property-related service fees; and

WHEREAS, for the imposition or increase of water, sewer and refuse collection service fees that are "property-related fees" within the meaning of Proposition 218, Proposition 218 requires that a notice describing the proposed fee or fee increase and establishing a date, time and location of a public hearing on the proposed fee or fee increase, be mailed to the record owner of each parcel subject to the proposed fee or fee increase; and

WHEREAS, at such hearing (held not less than 45 days after the notice is mailed), Proposition 218 requires the agency proposing such fee or fee increase to consider all protests filed against the proposed fee or fee increase, and prohibits the agency from approving the proposed fee or fee increase if written protests against the proposed fee or fee increase are presented by a majority of the owners of the affected parcels; and

WHEREAS, on June 30, 2000, the City mailed a notice to all owners of property subject to the City's water, sewer and refuse collection service fees, which notice: (i) described proposed increases in these fees for all parcels, as well as the proposed metered water service rate structure; (ii) provided the date, time and location of the public hearing when these proposed fee increases and proposed new fee would be considered for adoption by the City Council; and (iii) notified such owners of their right to file a written protest against the proposed fee increases and proposed new fee with the City Clerk at or before the time set for public hearing; and

WHEREAS, the City Council has held such public hearing, and has considered all protests against the proposed fee increases and proposed new fee as well as all testimony and other information presented by City staff and members of the public.

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. Based on the testimony and other information presented to it, the City Council hereby finds that as of the date and time of the public hearing on this matter, the number of written protests received by the City Clerk against the proposed four percent (4 %) increase in the City's sewer service fees is less than a majority of the record owners of the parcels that will be subject to the proposed increased sewer service fees.
2. That, pursuant to Sections 13.08.150, 13.08.160, 13.08.240, and 13.08.270 of the Sacramento City Code, the City of Sacramento Fee and Charge Report is hereby amended to include the sewer service fees and charges attached hereto as Exhibit A.
3. That based on the information presented to it and upon all information in the public record, and in compliance with Public Resources Code Section 21080(b)(8), the City Council finds that the increased sewer service fees are for the purpose of:
 - a. Providing funds to meet operating expenses.
 - b. Permitting the generation of necessary cash flow to finance maintenance of the sewer system and meeting financial reserves requirements.
 - c. Permitting the purchase of necessary equipment for the system.
 - d. Being a source of funds for capital projects necessary to maintain the system.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

EXHIBIT A

The City of Sacramento Fee and Charge Report is hereby amended to include the following sewer service, connection, development, and miscellaneous fees and charges to be effective on September 1, 2000.

	<u>RATE CODE</u>	<u>RATE</u>
I. SEWER SERVICE RATES - RESIDENTIAL		
Single-family residence:		
1-3 rooms	200	5.75
4-5 rooms	200	7.30
6-7 rooms	200	8.78
8-9 rooms	200	10.15
10-15 rooms	200	11.65
over 15, each additional room	200	0.80
Multiple-family residence:		
Each dwelling unit charged the same as a single-family residence		
II. SEWER SERVICE RATES - MONTHLY COMMERCIAL		
Bakery, each 1,000 sq.ft. of gross floor area or fraction thereof	230	12.71
Barber Shop or Beauty Parlor, each 1,000 sq.ft. of gross floor area or fraction thereof	231	6.81
Bowling Alley, each 1,000 sq.ft. of gross floor area or fraction thereof	232	5.95
Dining Facilities (including restaurant, cafeteria, cafe, bar) each 1,000 sq.ft. of gross floor area or fraction thereof	233	13.64
Drug Store, each 1,000 sq.ft. of gross floor area or fraction thereof	234	4.47
Furniture Store, each 1,000 sq.ft. of gross floor area or fraction thereof	235	1.47
Garage, each 1,000 sq.ft. of gross floor area or fraction thereof	236	1.20
Halls (including lodge or auditorium), each 1,000 sq.ft. of gross floor area or fraction thereof	237	3.95

		RATE CODE	RATE
II. SEWER SERVICE RATES - MONTHLY COMMERCIAL (cont.)			
Hotel, per sleeping room		238	1.35
Laundry (where laundry is performed on premises), each 1,000 sq.ft. of gross floor area or fraction thereof		239	26.44
Market, each 1,000 sq.ft. of gross floor area or fraction thereof		240	5.71
Mortuary, each 1,000 sq.ft. of gross floor area or fraction thereof		241	3.75
Motel, per sleeping room or fraction thereof		238	1.35
Office Building, each 1,000 sq.ft. of gross floor area or fraction thereof		242	4.62
Religious Worship (premises), each 1,000 sq.ft. of gross floor area or fraction thereof		243	2.04
Rest or Convalescent Home, per sleeping room or fraction thereof		244	2.17
School, each 100 pupils or fraction thereof		245	12.07
Service Station and Used Car Lot (no wash racks):			
Water tap size to City main:	3/4"	246	7.18
	1"	247	9.35
	1 1/2"	248	15.36
	2"	249	26.44
Store, each 1,000 sq.ft. of gross floor area or fraction thereof		250	4.74
Theater, each 1,000 sq.ft. of gross floor area or fraction thereof		251	5.62
Warehouse, each 1,000 sq.ft. of gross floor area or fraction thereof		252	1.10
Minimum rate, not less than:			7.13
III. SPECIAL SEWER RATES - MONTHLY			
Air Conditioning Systems			
For systems on flat-rate service, each month during air conditioning season, per ton of system capacity:		272	11.38
With water conservation device:		271	1.10

	<u>RATE</u>	<u>RATE</u>
	<u>CODE</u>	<u>RATE</u>
Evaporative coolers (commercial establishments), for each month during air conditioning season, unit capacity - per 1,000 cfm, without recirculation	274	1.52
With water conservation device, with recirculation:	273	0.44
Refrigeration systems, for systems on flat-rate service, per compressor horsepower:	276	11.38
With water conservation device:	275	1.10
Dining Facility, each 1,000 sq.ft. or fraction thereof	279	8.83
Gymnasium, each shower head	280	4.07
Hydraulically operated elevator	282	35.03
With water conservation device	281	6.12
Swimming Pool, non-commercial, per pool capacity		
Under 300 cu.ft. (fill & draw)		0.00
Over 300 cu.ft. (fill & draw), each 100 cu.ft. contents	278	1.47
Under 300 cu.ft. (filtered)		0.00
Over 300 cu.ft. (filtered), each 100 cu.ft. contents	277	0.38
IV. MONTHLY METERED SEWER USE, PER 100 CU.FT.		0.3598

Water Meter Size	Quantity of Sewage Allowed Without Additional Payment		
5/8" x 3/4"	1200 cu.ft., 9000 gal.	260	4.32
3/4"	1700 cu.ft., 13000 gal.	261	6.12
1"	2100 cu.ft., 16000 gal.	262	7.56
1 1/2"	3700 cu.ft., 28000 gal.	263	13.31
2"	6200 cu.ft., 46000 gal.	264	22.31
3"	12500 cu.ft., 94000 gal.	265	44.98
4"	21800 cu.ft., 163000 gal.	266	78.45
6"	50000 cu.ft., 374000 gal.	267	179.92
8"	106200 cu.ft., 794000 gal.	268	382.15
10"	168700 cu.ft., 1262000 gal.	269	607.05
12"	262500 cu. ft., 1964000 gal.	270	944.58

V. SERVICE CONNECTION TO CITY SEWER SYSTEM

Sewer service installation (total charge to be based on unit cost times one-half the width of the street)

<u>Nom. Dia.</u>	<u>Streets & Alleys</u>	<u>Easements</u>
4"	96.05 /ft.	401.74
Larger	5.19 /2" dia. increase	32.46 /2" dia. increase

Easements

City connects first pipe: Rate schedule determined by City Manager based on average cost during a reasonable past period of time. (Code Sec. 13.08.240, Ordinance 3454/4178)

Connection into manhole or trunk: Rate schedule determined by City Manager based on average cost during a reasonable past period of time. (Code Sec. 13.08.240, Ordinance 3454/4178)

City labor and materials: Average cost recovery

Reconnect following disconnection: Full cost recovery. (Code Sec. 13.08.300, Ordinance 3353)

Trunk connections in district parcels--North Bannan Street District only (Code Sec. 13.08.370, Ordinance 3711):

<u>Parcel Number</u>	<u>Forced Main Fee</u>	<u>Outfall Fee</u>	<u>Area Fee</u>	<u>Total Fee</u>
1	1,167.95	327.24	1,923.65	3,418.84
2	203.19	56.96	608.22	868.37
3	203.19	56.96	608.22	868.37
4	203.19	56.96	608.22	868.37
5	203.19	56.96	608.22	868.37
6	203.19	56.96	608.22	868.37
7	203.19	56.96	608.22	868.37
8	203.19	56.96	608.22	868.37

VI. SEWER SYSTEM DEVELOPMENT FEES

Size of connection:	4"	124.00
	6"	278.00
	8"	494.00
	10"	772.00
	12"	1,112.00

If the existing service is replaced by one of a larger size at the owner's request, the fee shall be equal to the difference between the fee for the original service size and that for the replacement service size in the schedule above.