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DEPARTMENT OF
PUBLIC WORKS

DIVISION OF
FLOOD CONTROL AND SEWERS

CITY OF SACRAMENTO
CALIFORNIA

1391-55TH AVENUE
SACRAMENTO, CA
95822-2911

916-449-5271

June 20, 1990

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: REPORT BACK - SEWER FUND PRIORITIES LISTING AND REVISED RATE INCREASE

SUMMARY

As requested by the Budget and Finance Committee during the Public Works Department budget hearings, this report lists the order of priorities for augmentation of the operations budgets and new capital improvement projects for the Sewer Fund for fiscal year 1990-91. This report identifies the percent of user service charges needed to implement the augmentation or project and the cumulative impact of sequential augmentations or projects. In addition, based on an anticipated revenue shortfall in the sewer fund, the requested rate increase has been revised to 68%.

BACKGROUND

The Sewer Fund supports the maintenance and repair of the existing in-ground sewer lines and the sewer pumping stations, the upgrade and replacement of sewer lines of insufficient capacity or that have deteriorated over time, and improvement in size, capacity, or efficiency of sewer pumping stations. The current system is as much as 100 years old and requires increasingly intensive and diligent programs of inspection and maintenance. The system requires programs to address the replacement of those sections of the system most in danger of blockage or collapse. The replacement or separation of the combined system will solve many of the problems and alleviate some of the need for additional programs. However, at present, there is a backlog of preventive maintenance that must be delayed or not done at all due to maintenance manpower or materials constraints.

The Flood Control and Sewer Division's mission statement is to manage "a safe, reliable, and cost-effective ... wastewater collection and disposal system." To that end, the division has prioritized all the items that impact the base budget as shown in the Financial Data Section which follows.

Budget & Finance Committee
 Sewer Fund Priorities Listing
 June 19, 1990

FINANCIAL

I. PRIORITIES

The 68% rate increase requested by the Public Works Department in the Sewer Fund will be allocated in the following manner:

	<u>Amount</u>	<u>Rate Impact</u>	<u>Average \$ Per Account</u>
1. Mandatory increases in services such as existing salaries, bad debt expenses, in-lieu franchise fees, insurance, interdepartmental allocation, property tax, vehicle maintenance;	\$187,297	3.58%	(\$0.13)
2. To cover revenue shortfall (*see below*)	\$418,850	8.00%	(\$0.29)
3. To increase the contingency reserve to a level of 4% of projected revenues;	\$704,000	13.46%	(\$0.49)
4. Increased cost in support for on-going programs;	\$129,000	2.46%	(\$0.09)
5. Increases in supplies and services such as data and signal lines, utilities, landscape maintenance, mechanical and electrical supplies, overtime and on-call personnel;	\$38,923	0.75%	(\$0.03)
6. Additional personnel:			
A. Additional Sewer Maintenance field crew planning and direction 2 FTE	\$151,194	2.89%	(\$0.11)
B. Additional supervision in wastewater pumping 1 FTE	\$63,940	1.22%	(\$0.04)
C. Flow monitoring crew 2 FTE	\$112,758	2.16%	(\$0.08)
D. Service repair/plugged line crew 2 FTE	\$141,355	2.70%	(\$0.10)
E. Pest control crew 2 FTE	\$107,355	2.06%	(\$0.08)

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7.	Replacement or new equipment, including a step van, workstations, submersible pumps, 1/2 tone dump truck, ditch witch, communications equipment, wire feed welder, portable computer;	\$241,351	4.61%	(\$0.17)
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For new and increased capital improvement projects as follows:

8.	XB16 Miscellaneous Sewer Improvements	\$110,000	2.11%	(\$0.08)
9.	Miscellaneous Wastewater Pumping	\$63,000	1.20%	(\$0.04)
10.	XC4I Miscellaneous Sewer Replacements Downtown	\$160,000	3.06%	(\$0.11)
11.	114X Combined Sewer System Replacement (new)	\$150,000	2.87%	(\$0.11)
12.	XB21 Pump Station Radio Telemetry	\$36,000	.678%	(\$0.02)
13.	XC26 4th St. Brick Main Replacement	\$430,000	8.22%	(\$0.30)
14.	101X 20th St., C - N Sts Sewer Main Repl (new)	\$60,000	1.15%	(\$0.04)
15.	103X Sump Ventilation and Access (new)	\$65,000	1.24%	(\$0.05)
16.	104X Brockway/College Main Replacement (new)	\$90,000	1.72%	(\$0.06)
17.	105X T/U Alley btwn 24th & 25th Sts (new)	\$125,000	2.39%	(\$0.09)
18.	106X S/T Alley btwn Alhambra & 30th Sts (new)	\$75,000	1.43%	(\$0.05)
19.	107X E/F Alley btwn 12th & 13th Sts Main (new)	\$70,000	1.35%	(\$0.05)
20.	108X I/J Alley btwn 6th & 7th Sts Main (new)	\$50,000	.96%	(\$0.04)
21.	110X No. B St btwn 14th & No. 12th Main (new)	\$80,000	1.52%	(\$0.06)

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22.	112X Paving & Repair sump Area Grounds (new)	\$50,000	.96%	(\$0.04)
23.	113X J/K Alley btwn 18th & 19th Sts Main (new)	\$130,000	2.48%	(\$0.08)
24.	115X 13th St Sewer Main, L - R Sts (new)	\$90,000	1.72%	(\$0.06)
25.	X--- Reserve for Development CIP	\$80,000	1.53%	(\$0.06)

The portion of the proposed sewer rate increase attributable to the expansion of the capital improvement program (\$0.88 on average, or approximately 24% of the total proposed 60% increase) generates an additional \$1.2 million in project funding. The sewer CIP budget for 1989-90 was \$653,000; the proposed sewer CIP budget is \$1,834,000. Even though this increase is substantial, it does not begin to fund the requirements of upgrading the system. The FY91-92 capital improvement program will increase the CIP funding to a level that will allow programmed upgrading of the system. The Public Works staff have reviewed all current year Capital Improvement Projects and determined that all significant obligated amounts are needed for mandates or ongoing/in progress projects. A listing of these projects will be available to the Committee at this hearing.

II. Revenue Shortfall

The proposed rate increase for the Sewer Fund has increased by 8 percent, from 60 to 68 percent in total. The cause for the increase is an anticipated revenue shortfall in 1989/90 which carries over to 1990/91 year. At midyear it was discovered that some customer accounts were not being billed or were being billed incorrectly. In the midyear revenue projections it was assumed that these errors would be corrected and the revenue loss recovered. However, the accounts identified to date as underbilled do not cover the full revenue shortfall. Continual efforts will be made to identify all accounts with billing problems during the next fiscal year. An additional possible cause for the shortfall is the retrofitting of commercial accounts from a flat charge to a meter. In many cases, this has resulted in lower revenue to the City

III. Rate Impact

The proposed rate increase will impact the average residential ratepayer (6-7 room house) as follows:

<u>Category</u>	<u>Current</u>	<u>Proposed</u>	<u>\$ Change</u>	<u>% Increase</u>
Single Family	\$3.66	\$6.15	\$2.49	68%

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 Sewer Fund Priorities Listing
 June 19, 1990

The fee for the typical 6-7 room house would be distributed as follows:

<u>Service Component</u>	<u>Actual FY 89-90</u>	<u>Proposed FY 90-91</u>	<u>Change</u>	<u>Rate Impact</u>
Sewer line and pump station cleaning, repair and maintenance	\$2.92	\$3.69	\$.77	21%
Capital improvement projects	.60	1.48	.88	24%
Contingency reserves and emergencies	.14	.69	.55	15%
To cover revenue shortfall	<u>.00</u>	<u>.29</u>	<u>.29</u>	<u>8%</u>
	<u>\$3.66</u>	<u>\$6.15</u>	<u>\$2.49</u>	<u>68%</u>

Based on this proposed rate adjustment, FY 1990-91 revenue from utility service changes is estimated at \$8,150,000, an increase of \$3,344,000 from the 1989-90 fiscal year. Revenue from connection fees will continue to decrease due to declining in-fill construction. The limited growth in this revenue combined with the increasing cost of maintaining the again system will make annual rate increases necessary to maintain an adequate fund balance.

POLICY CONSIDERATIONS

It is the policy of the City that the City Council review the priorities of the operating departments and set rates accordingly. The Regional Water Quality Control Board will be conducting hearings on issuance of a "cease and desist" order to the City of Sacramento's combined sanitary/stormwater system, which would include a moratorium effective May 31, 1990, on all new building permits within the area served by the combined system. This budget is the minimum needed to demonstrate the City's good faith effort to initiate a meaningful preventive maintenance and capital improvement programs and studies necessary to address the needs in the combined system service area. The hearings are scheduled for June 22, 1990.

The City council establishes sewer and storm drainage rates by resolution pursuant to Sacramento City Code 36.502, Division 1, Article V, of Chapter 36.

Budget & Finance Committee
Sewer Fund Priorities Listing
June 19, 1990

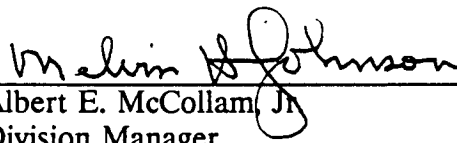
MBE/WBE EFFORTS

There is no direct impact on MBE/WBE efforts.

RECOMMENDATION

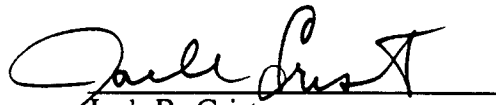
This report is for informational purposes.

Respectfully submitted,

for 

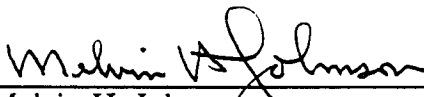
Albert E. McCollam, Jr.
Division Manager

Recommendation approved:



Jack R. Crist
Deputy City Manager

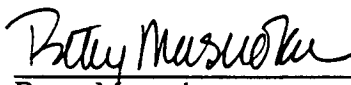
Approved:



Melvin H. Johnson
Director of Public Works

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