



Notice of Proposed Rate Increase & Public Hearing Date

Serving the residents of Sacramento County; and the Cities of Citrus Heights, Elk Grove, Folsom, Rancho Cordova, Sacramento and West Sacramento

Dear Valued Customer,

Every year, the Sacramento Regional County Sanitation District (SRCSD) evaluates its service needs, operational costs, required programs, and legal obligations before determining if a rate adjustment is necessary. As your regional utility for wastewater conveyance and treatment, we are obligated and committed to efficiently and effectively managing our agency in compliance with industry and financial regulations. This allows us to provide quality service that protects public health and the environment, while meeting mandated legal requirements.

Like many in the Sacramento region, we have been adversely affected by the economic downturn. The normal revenue collection trends that we experienced for many years have been greatly reduced. Fortunately, SRCSD has always taken a conservative approach to financial management, allowing us to weather the current economic storm with nominal impact to the overall service our customers and the environment require. This is attributed to our Board of Directors' leadership and the day-to-day commitment of our hard-working staff. Through them, we have been able to reduce many costs and hold other costs steady.

Still, our legal obligations to repay bond debt, combined with our reduced revenue stream, have required us to make the difficult decision to recommend a 50¢ per month rate increase per single family household or equivalent. Please read this notice which explains the reasons for the proposed SRCSD rate increase for fiscal year 2010/11.

We know that even an increase of 50¢ per month affects our customers. We believe that the proactive financial actions we've taken over the past year enable us to limit this increase to an amount we hope will have a nominal impact to our customers.

We want to assure you that our goal is to provide quality wastewater management services as cost effectively as possible. We are proud that our services help in maintaining a healthy, economically and environmentally strong Sacramento region.

Mary Snyder, District Engineer

Who We Are

The Sacramento Regional County Sanitation District (SRCSD) provides regional wastewater conveyance and treatment services to residential, industrial, and commercial customers throughout Sacramento County and West Sacramento. The wastewater travels through 120 miles of interceptor pipes to the Sacramento Regional Wastewater Treatment Plant near Elk Grove, where approximately 150 million gallons of wastewater are treated each day and safely discharged to the Sacramento River.

Reasons for the Rate Increase

Background

Most of SRCSD's funding is generated from two sources: monthly customer rates and sewer impact fees paid by growth (new users to the system). For many years, the average ratio between these two funding sources has been 63% from monthly rates and 22% from sewer impact fees. The remaining 15% of funding is derived from interest and other sources.

What changed?

During the last two years, growth in the region took a substantial downward turn. While revenue from monthly customer service rates has remained fairly constant, revenue from new sewer impact fees has dropped dramatically. Sewer impact fees collected from 2003 to 2007 varied between \$40 million and \$58 million. In 2008, those revenues dropped to \$19.5 million, and in 2009 dropped to about \$13 million.

Why is this important?

SRCSD uses bond financing (debt) to fund major infrastructure improvement projects that benefit existing customers for many decades. To remain in compliance with our existing bond requirements (known as "bond covenants"), SRCSD is required to meet a minimum level of revenue (income) in relation to its debt (expenses). As previously explained, SRCSD collected a significantly reduced amount of revenue from sewer impact fees from new users. This means SRCSD's revenue is lower than projected.

To reduce expenses, SRCSD is making a number of significant adjustments to its overall financial plan to meet legally required bond conditions. These adjustments include significantly reducing expenses by eliminating or delaying projects and programs; paying off some existing bonds early to eliminate \$5 million in annual debt payments over the next five years; and using cash reserves prudently. However, a rate increase is still necessary.

What does this mean?

The SRCSD Board of Directors considered a number of alternatives to minimize the required monthly rate increase, aiming to reduce the impact on our customers. Ultimately, a 50¢ per month increase per single family household – to begin on July 1, 2010 – is being proposed. This will allow SRCSD to comply with its legally-mandated bond requirements.

What is a "Bond Covenant"?

Think of a home mortgage – a lender requires the borrower to meet a minimum monthly "income" or revenue stream in order to approve their loan. Bonds are similar. Bond issuers require that the agencies they lend to guarantee their revenues will meet minimum levels. If an agency does not meet the minimum levels, they violate their bond "covenants" or legal conditions. This can have serious negative impacts, including downgraded bond ratings or increased financing costs. SRCSD could also be forced by lenders to raise rates.



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City of Folsom
City of Rancho Cordova
City of Sacramento
City of West Sacramento

How was the Proposed Rate Increase Calculated?

The basis of this proposed rate increase is the need to generate \$3.5 million in additional monthly revenue. A cost of service analysis has been done to allocate the required additional revenue among the residential, commercial and industrial customer classes.

The proposed rate increase totals 50 cents per month and is scheduled to become effective July 1, 2010.

Current Monthly SRCSD Rate	Proposed SRCSD Rate Increase (July 2010)	Proposed 2010 Monthly SRCSD Rate Total
\$19.75	50¢	\$20.25

Proposition 218 Notification & Hearing Process

The SRCSD Board of Directors will consider the proposed rate increase at a public hearing on Wednesday, March 24, 2010 at 9:30 a.m. at the Sacramento County Administration Center Board Chambers, 700 H Street, Sacramento, CA 95814.

Under Proposition 218, if you are the owner of record of a parcel or parcels subject to the proposed rate increase, you may file a written protest before the public hearing. If written protests are filed by a majority of the affected parcel owners, the rate increase will not be imposed. **Written protests must be received prior to the March 24, 2010 public hearing. E-mail protests are not acceptable.** Protests must contain a description of the legal property, such as address or parcel number. The protest should also indicate the rate being protested (regional sewer service). If you were not the owner of the property as of the last tax roll, include written confirmation that you presently own the property. Written protests can be sent to:

Sacramento Regional County Sanitation District
P.O. Box 269128
Sacramento, CA 95827-9128

Rate Assistance is Available!

Low or fixed-income customers may be eligible for up to \$100 per year in rebates through SRCSD's Sewer Lifeline Rate Assistance Program.

For more information and to find out if you qualify, call (916) 875-5500 or visit www.sewerlifeline.com.



For More Information

For more information about your SRCSD service, visit www.srcsd.com. You may also direct billing questions to Consolidated Utilities Billing and Service at (916) 875-6668. If you would like to host a presentation about this proposed increase for your neighborhood group or organization, please contact SRCSD's Communications & Media Office at (916) 876-6120.