



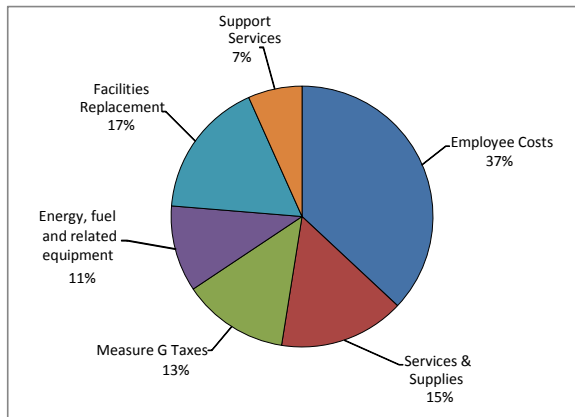
WHAT DO MY SEWER RATES PAY FOR?

Frequently asked questions about your Sewer Rates

What do my sewer rates pay for?

The City is responsible for the collection, treatment, and disposal of your wastewater (sewer). Revenues received from ratepayers pay directly for operations and maintenance expenses, construction for improvements, and upgrades to the system (please see Table 1 below). As required by law, the City derives no profit from these revenues. In addition to operational expenses, there are ongoing capital improvement project costs which include repairs, replacement facilities and equipment to improve the safety, efficiency, and reliability of the sewer systems. These include projects required to meet State regulatory treatment mandates such as the Tertiary Project (please see next page for more info) currently under construction.

Table 1 – Breakdown of Sewer Operating and Maintenance Expenses (\$21.6 million in 2011/12)



Finally, in 2005 Vacaville residents approved Measure G, which converted the internal franchise fees charged to the City's water and sewer operation to a general tax, in order to comply with State regulations. The tax is equivalent to the franchise fee the City would receive from a privately-owned utility for the ability to operate a facility within the City. The tax makes up approximately 13% of the total operating and maintenance expenses and is applied to the City's general fund.

Are any special rates or discounts available?

The City's sewer service is strictly regulated by the State of California, which requires that all customers pay for their impact to the system, based on their classification. Therefore, we are unable to offer any specialty rates or discounts, such as senior or low-income rates, for sewer services.

Do all customers in the City pay a fair share of sewer costs?

Yes, all customers pay a fair and equitable share for sewer services, without any subsidies, based on their impact to the system. Certain commercial and industrial customers discharge a high-strength wastewater flow and are charged a proportionately higher rate, while multiple dwelling units, on the other hand, have a lower impact to the system than single family residences, and therefore pay a proportionately lower rate.

How much does the average household pay for services?

The average single-family residential sewer customer currently pays \$103.12 every two months, or \$51.56 monthly (please see Table 2 for the current sewer rate schedule). Based on the size of your household you may pay slightly more or less than the average.

Table 2

Approved Bi-Monthly Wastewater Rates through 2014						
User group	March 1, 2012		March 1, 2013		March 1, 2014	
	Fixed Rate	Variable Rate per hcf	Fixed Rate	Variable Rate per hcf	Fixed Rate	Variable Rate per hcf
Single-family	\$ 91.65	\$ 0.67	\$105.40	\$ 0.78	\$ 113.22	\$ 0.84
Condominiums	\$ 82.48	\$ 0.67	\$ 89.59	\$ 0.78	\$ 90.58	\$ 0.84
Apartments	\$ 82.48	\$ 0.67	\$ 89.59	\$ 0.78	\$ 90.58	\$ 0.84
Multiple dwellings	\$ 82.48	\$ 0.67	\$ 89.59	\$ 0.78	\$ 90.58	\$ 0.84
Mobile houses	\$ 82.48	\$ 0.67	\$ 89.59	\$ 0.78	\$ 90.58	\$ 0.84
Rooming houses	\$ 82.48	\$ 0.67	\$ 89.59	\$ 0.78	\$ 90.58	\$ 0.84
Single-family outside City	\$103.12		\$118.60		\$ 127.50	
Elmira Single-family	\$103.12		\$118.60		\$ 127.50	

hcf = one hundred cubic feet (748 gallons) of water

How is my bill for sewer services calculated?

Customers receive a utilities bill every two months, which includes charges for both sewer and water. For residential customers, rather than charging a flat fee, your sewer bill consists of two components: 1) a fixed service charge based on the costs to provide sewer service to your home; and 2) a variable charge that is based on the lowest average winter water use (in which consumption is typically lower due to reduced outdoor watering) for your residence. Because this rate structure reflects a household's sewer system use, the lower the winter use, the lower the bill. A family of two will likely pay less than a family

of four. This established sewer charge then remains in effect for one year, with the base winter period re-calculated annually to reflect actual use for each year.

In addition to the sewer and water charges, your utilities bill includes your Measure I excise tax payment, passed by voters in 1998 to pay for municipal improvements including the City's Cultural and Community Center. To see a sample bill of your bi-monthly utilities charges with an explanation of how each charge is calculated, please visit our website at www.cityofvacaville.com and click on the Utilities Department Tab.

Why are sewer rates increasing through 2014?

The City owns and operates the Easterly Wastewater Treatment Plant, which operates under a permit issued by the State of California to provide two levels of wastewater treatment. In April 2008, a new permit was issued that requires a third level of treatment including nitrate reduction by 2013 and filtration (tertiary treatment) by 2015. These advanced treatment mandates require major improvements to the plant's processing equipment. After extensive study and review of several options to meet these State requirements, in May 2010 City Council selected a plant improvement plan, called the "Tertiary Project" with an estimated cost of \$150 million, and directed staff to proceed with the project.

To finance the Tertiary project, the City has obtained low-interest financial assistance from the State Revolving Fund of approximately \$117 million. A sewer rate increase was needed to qualify for the financing and to provide the upfront costs of designing the plant improvements. By 2016, the increased annual operations and maintenance expenses are projected to be approximately \$13.2 million per year, which includes debt repayment, the voter-approved tax applied to the City's general fund (Measure G), additional plant operations, and increased staffing to meet the State mandates as shown below:

Debt Repayment	\$9.4 million
Measure G (voter approved tax)	\$1.7 million
Staffing	\$1.3 million
Plant Operations	\$0.6 million
Study requirements	\$0.2 million

The Tertiary Project financing plan includes provisions for new development to pay for a fair share of the project. As development occurs in the future, funds received will be applied to the Tertiary project, which may result in a decrease to rate payers once a reserve fund is established.

The sewer rate increases and rate schedule were developed based upon engineer's project cost estimates and projected Operations & Maintenance (O&M) costs. A copy of the *Engineer's Report on Wastewater Rates* and a project schedule may be viewed on the City of Vacaville website at www.cityofvacaville.com.

How long will I have to pay sewer rate increases?

The last of the adopted sewer rate increases is scheduled to take place on March 1, 2014. Any new rate increases would have to go before voters and be approved by the City Council.

Was anything done to modify the State requirements or to consider less costly treatment options?

Yes. Since receiving a 2001 operating permit from the State, the City appealed to the State Board, lobbied at State and Federal levels, and filed suit against the State for unnecessary and excessive conditions and requirements; however, the City was nevertheless ordered to comply with permit requirements and construct the plant improvements to avoid heavy penalties. Numerous alternatives were reviewed to avoid the improvements; however, these alternatives proved to be too costly.

What happens if the City does not meet the State-mandated treatment requirements?

Failure to meet the new treatment standards opens the City to penalties that include mandatory fines up to the avoided project cost (\$150 million) and civil penalties and attorney fees from third-party litigants.

Did the regulators consider whether or not residents could afford this?

Regulators used the Environmental Protection Agency's Wastewater affordability calculation, which states that 1 to 2 percent of the annual median income may be charged for wastewater, to determine whether or not this mandate would constitute an undue financial hardship to the City's residents. Based on the City's 2010 median income, this amount is \$56 to \$112 monthly. The State used local television cable rates as a measure of comparison for affordability, and found that the average charge for cable in 2010 was \$68 monthly. In both instances regulators determined the increased sewer rates to be within the target affordability range.

Even with these increases, Vacaville's combined average water and sewer rates are presently below the average combined rates of neighboring communities and are projected to remain close to the average combined rates of these communities by 2014.

We know that any increase is unpleasant news, especially in tough economic times. Rest assured we are doing our best to be efficient in our project administration and service delivery in order to keep rates as low as possible.

For more information about your sewer rates, please visit www.cityofvacaville.com. If you would like more information about your bill, you may call the Finance Department at (707) 449-5128.