

**City of Sacramento**  
**Annual Continuing Disclosure Report**  
**Fiscal Year 2012/13**

<b>Issue</b>	City of Sacramento Water Revenue Bonds, Series 2013
<b>Par</b>	\$215,195,000
<b>Issued</b>	March 28, 2013
<b>CUSIP Numbers</b>	786089FW7 786089GU0 786089FX5 786089GV8 786089FY3 786089GW6 786089FZ0 786089GX4 786089GA4 786089GY2 786089GB2 786089GC0 786089GD8 786089GE6 786089GF3 786089GZ9 786089GG1 786089GH9 786089GJ5 786089HA3 786089GK2 786089GL0 786089GM8 786089GN6 786089GP1 786089GQ9 786089GR7 78089GS5 786089GT3

**Content of Annual Report.**

**The City's Annual Report shall contain or incorporate by reference the following:**

**(a) The City's comprehensive audited financial report for the prior fiscal year.**

The City's Comprehensive Annual Financial Report (CAFR) for the prior fiscal year has been uploaded as a separate document. The CAFR is also available on the city's website at:

<http://www.cityofsacramento.org/finance/accounting/reporting.cfm>

**(b) An annual report updating the following tables contained in the Official Statement for the Series 2013 Bonds, dated March 20, 2013, to reflect actual results of the most recently completed fiscal year (projections need not be updated):**

- (1) Table 2 – Average Water Production (for Fiscal Years 2009-10 to 2012-13 to be updated to show value for most recently completed fiscal year; the average over multiple years need not be calculated)
- (2) Table 4 – Number of Connections by User Type
- (3) Table 5 – Largest Users by Service Charge Revenues
- (4) Table 7 – Selected Monthly Rates
- (5) Table 8 – Uncollected Water System Charges
- (6) Table 11 – Summary of Projected Operating Results (to be updated to show actual results of most recently completed fiscal year; projections of future fiscal years do not have to be updated or included in Annual Report.)

See Exhibit A – Table 2

See Exhibit B – Table 4

See Exhibit C – Table 5

See Exhibit D – Table 7

See Exhibit E – Table 8

See Exhibit F – Table 11

**Table 2**  
**Average Water Production for Fiscal Years 2009-10 to 2012-13**

<b>Water Source</b>	<b>Average Annual Production</b>	<b>Average % Contribution</b>	<b>Average Daily Production Rate Over Calendar Year (MGD)</b>	<b>Max Month Average Daily Production Rate (MGD)</b>
Sacramento River Water Treatment Plant	18,166	47%	50	83
Fairbairn Water Treatment Plant	15,179	39%	42	71
Groundwater Wells	5,477	14%	15	17
<b>TOTAL</b>	<b>38,822</b>	<b>100%</b>	<b>107</b>	<b>171</b>
Notes: MG = million gallons; MGD = million gallons per day. Source: The City				

**Table 4**  
**City of Sacramento**  
**Water System**  
**Number of Connections by User Type**  
**as of June 30**

User Type	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	125,925	126,164	126,199	126,282	126,381
Commercial/Industrial	<u>8,673</u>	<u>8,616</u>	<u>8,766</u>	<u>8,927</u>	<u>10,927</u>
Total All Users <sup>(1)</sup>	134,598	134,780	134,965	135,209	137,308
<sup>(1)</sup> Total does not include the four outside wholesale accounts and one wheeling account.					
Source: The City					

**Table 5  
City of Sacramento  
Water System  
Largest Users by Service Charge Revenues  
Calendar Year 2012**

**WILL BE POSTED TO EMMA UNDER SEPARATE COVER**

<b>User</b>	<b>Service Charge Revenue</b>	<b>Percentage of System Revenue</b>
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<sup>(1)</sup> Total revenue of approximately \$XX.X million on the 2012 calendar year.  
Source: The City

**Table 7  
City of Sacramento  
Water System  
Selected Monthly Rates**

	<b><u>Rates Effective</u></b> <sup>(1)</sup>		
	(Current)		
	July 1, 2013	July 1, 2014	July 1, 2015
<b>Flat Water Use Rates (\$/month)</b>			
<b>Single Family Residential:</b>			
1-3 rooms	\$29.38	\$32.32	To Be Determined
4-5 rooms	38.23	42.05	To Be Determined
6-9 rooms	41.57	45.73	To Be Determined
10-15 rooms	48.04	52.84	To Be Determined
Over 15, each additional room	3.37	3.71	To Be Determined
<b>Metered Water Use Rates :</b>			
<b>Water Usage Rates (\$/CCF)</b>	\$0.9057	\$0.9963	To Be Determined
<b>Service Charge (\$/month)</b>			
<b>Metered Size:</b>			
5/8" x 3/4"	\$22.18	\$24.40	To Be Determined
3/4"	22.18	24.40	To Be Determined
1"	22.18	24.40	To Be Determined
1 1/2"	41.77	45.95	To Be Determined
2"	65.29	71.82	To Be Determined

<sup>(1)</sup> These monthly rates reflect utility rate increases of 10% approved for Fiscal Years 2012-13, 2013-14 and 2014-15. For financial forecasting purposes, the City has assumed rate increases of 12% in Fiscal Year 2015-16, 11% in FY 16-17 and 10% in 17-18, which are not approved and will require City Council Approval. The structure of the monthly rates associated with these proposed rate increases is not yet determined, and recommended changes to these rates will be informed by the results of a rate structure study."

CCF = One hundred cubic feet  
Source: The City

**Table 8**  
**Uncollected Water System Charges**  
**(Fiscal Year ending June 30)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Amount	\$ 1,476,237	\$ 1,122,845	\$ 1,121,384	\$ 1,023,697	\$ 601,682
Source: The City					

**Table 11  
Summary of Projected Operating Results**

<b>Projected Operating Results</b>	<b>Notes</b>	<b>Actual 2012/13</b>	<b>Projected Actual 2013/14</b>	<b>Projected 2014/15</b>	<b>Projected 2015/16</b>	<b>Projected 2016/17</b>	<b>Projected 2017/18</b>
<b>Operating Revenues</b>							
Utility Rate Fees	1)	\$ 85,270,034	\$ 90,745,969	\$ 94,381,362	\$ 112,184,438	\$ 122,649,798	\$ 134,093,328
Wholesale Water Sales		996,562	196,828	110,638	996,562	996,562	996,562
Water Impact Fees	2)	0	0	0	0	0	0
Interest Earnings	3)	613,150	400,000	400,000	400,000	400,000	400,000
Miscellaneous Revenues		1,026,145	1,387,210	500,272	515,280	530,739	546,661
<b>Total Operating Revenues:</b>		<b>\$ 87,905,891</b>	<b>\$ 92,730,007</b>	<b>\$ 95,392,272</b>	<b>\$ 114,096,280</b>	<b>\$ 124,577,099</b>	<b>\$ 136,036,550</b>
<b>General Fund Tax Transfer Out</b>							
General Fund Tax	4)	\$ (9,379,704)	\$ (10,095,912)	\$ (10,394,100)	\$ (11,652,409)	\$ (12,849,764)	\$ (14,041,876)
<b>System Revenues:</b>		<b>\$ 78,526,188</b>	<b>\$ 82,634,095</b>	<b>\$ 84,998,172</b>	<b>\$ 102,443,871</b>	<b>\$ 111,727,335</b>	<b>\$ 121,994,675</b>
<b>Maintenance and Operation Costs</b>							
Employee Services	5)	\$ (22,192,539)	\$ (22,737,140)	\$ (24,697,508)	\$ (26,006,476)	\$ (27,384,819)	\$ (28,836,215)
Services and Supplies	6)	\$ (24,411,204)	\$ (21,985,247)	\$ (23,549,525)	\$ (24,382,884)	\$ (25,307,859)	\$ (26,192,167)
<b>Total Maintenance and Operation Costs</b>		<b>\$ (46,603,743)</b>	<b>\$ (44,722,386)</b>	<b>\$ (48,247,033)</b>	<b>\$ (50,389,360)</b>	<b>\$ (52,692,678)</b>	<b>\$ (55,028,381)</b>
(Deposit to) / Withdrawal From Rate Stabilization Fund:	7)	-	(2,512,578)	(1,070,954)	(468)	(3,255,066)	(800,731)
<b>System Net Revenues</b>		<b>\$ 31,922,445</b>	<b>\$ 35,399,131</b>	<b>\$ 35,680,185</b>	<b>\$ 52,054,044</b>	<b>\$ 55,779,590</b>	<b>\$ 66,165,563</b>
<b>Debt Service</b>							
<b>Parity Obligations and Bonds</b>							
California Department of Public Health Loan (ARRA Loan)	8)	\$ (469,141)	\$ (702,382)	\$ (702,382)	\$ (702,382)	\$ (702,382)	\$ (702,382)
Water Revenue Bonds Series 2013		-	(9,730,769)	(14,011,250)	(14,016,625)	(14,016,000)	(14,017,500)
Water Revenue Bonds Series 2016	9)	-	-	-	-	(13,029,500)	(16,238,917)
<b>Subtotal Parity Obligations and Bonds Debt Service</b>		<b>\$ (469,141)</b>	<b>\$ (10,433,151)</b>	<b>\$ (14,713,632)</b>	<b>\$ (14,719,007)</b>	<b>\$ (27,747,882)</b>	<b>\$ (30,958,799)</b>
<b>Subordinate Obligations</b>							
Subordinate Debt Service - (N/A at this time)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal Subordinate Obligations Debt Service</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Unsecured Obligations</b>							
2005 Refunding Revenue Bonds - Plant Expansion	10)	\$ (7,510,897)	\$ (7,597,366)	\$ (7,590,601)	\$ (7,585,681)	\$ (7,577,071)	\$ (7,569,076)
2006 Capital Improvement Bond, Series E - Plant Expansion		(4,844,584)	(4,844,584)	(4,844,584)	(4,844,584)	(4,844,584)	(4,844,584)
<b>Subtotal Unsecured Obligations Debt Service</b>		<b>\$ (12,355,481)</b>	<b>\$ (12,441,950)</b>	<b>\$ (12,435,185)</b>	<b>\$ (12,430,265)</b>	<b>\$ (12,421,655)</b>	<b>\$ (12,413,660)</b>
<b>Total Water Fund Debt Service (Parity/Bonds + Subordinate + Unsecured)</b>		<b>\$ (12,824,622)</b>	<b>\$ (22,875,101)</b>	<b>\$ (27,148,817)</b>	<b>\$ (27,149,272)</b>	<b>\$ (40,169,537)</b>	<b>\$ (43,372,459)</b>
<b>Coverage Requirement Compliance</b>							
Parity Obligations and Bonds (Requirement is 1.20 times)		<b>68.044 x</b>	<b>3.393 x</b>	<b>2.425 x</b>	<b>3.537 x</b>	<b>2.01 x</b>	<b>2.137 x</b>
Parity / Bonds + Subordinate Obligations + Unsecured Obligations (Requirement is 1.00 times)		<b>2.489 x</b>	<b>1.547 x</b>	<b>1.314 x</b>	<b>1.917 x</b>	<b>1.389 x</b>	<b>1.526 x</b>
<b>Cash Funding of Facilities</b>							
Capital Outlay (PayGo & Use of Water Fund Capital Reserve)		(7,000,000)	(4,381,000)	(10,100,758)	(19,500,000)	(9,000,000)	(15,975,000)
<b>Net Change to Unrestricted Fund Balance</b>		<b>12,097,823</b>	<b>8,143,030</b>	<b>(1,569,390)</b>	<b>5,404,771</b>	<b>6,610,053</b>	<b>6,818,104</b>
Beginning Unrestricted Water Fund Balance:	11)	11,267,270	26,580,823	37,236,430	36,737,994	42,143,233	52,008,352
Ending Unrestricted Water Fund Balance:		26,580,823	37,236,430	36,737,994	42,143,233	52,008,352	59,627,187

**NOTES**

- Utility Rate increases of 10% are approved for Fiscal Years 2012-13, 2013-14 and 2014-15. Rate increases of 12% in Fiscal Year 2015-16, 11% in Fiscal Year 2016-17 and 10% in Fiscal Year 2017-18 are not approved and will require City Council Approval. The revenue projections for Fiscal Year 2013-14 and for Fiscal Year 2014-15, however, have been adjusted (decreased) for the impact of water conservation measures implemented in response to the drought, and which may be in effect throughout FY2014/15. These revenue projections assume a 20% reduction in water usage for the remainder of Fiscal Year 2013-14, and for all of Fiscal Year 2014-15.
- Water development impact fee revenue is estimated at \$0 before Fiscal Year 2014-15 to account for the zero growth assumption. Beginning in Fiscal Year 2015-16, account growth is estimated at 2% but impact fees continue to be projected at \$0 to be conservative.
- Interest earnings on the Water Fund are estimated at \$400,000 in each future year.
- The voter-approved general fund tax is equal to 11% of the collected utility rate revenue. See " – General Fund Tax on Water system Revenues."
- Employee Services cost increases are subject to approval by the City Council. There is an assumption of 1% increase per year attributable to rising pension costs. After Fiscal Year 2014-15, Employee Services is estimated to increase by 5.3% per year, of which 1% is attributable to pension costs.
- Services and Supplies costs include annual increases of 5% for utilities, 11% for fuel and 6% for chemicals, beginning in FY2015/16. All other Services and Supplies are expected to increase 2.0% in Fiscal Year 2012-13, 2.5% in Fiscal Year 2013-14 and 3.0% every year thereafter.
- Adjustments to the Rate Stabilization Fund are estimated to result in the Rate Stabilization Fund being funded in an amount equal to 25% of all debt service (parity, subordinate and unsecured).
- Pursuant to the terms of the Funding Agreement between the California Department of Public Health and the City, deposits to the reserve fund must be made over the first ten years of the loan repayment term. The amounts shown here include \$31,926 per semiannual payment for this purpose.
- The Fiscal Year 2015-16 par amount of bonds is assumed to be approximately \$227 million.
- Existing payments by the Water Fund to the City's General Fund to cover existing general fund debt for water-related facilities associated with the City's Master Lease revenue Bond Program. The Water Fund revenue is utilized, but not directly pledged, to make debt service payments.
- The Beginning Unrestricted Fund Balance is based on the City's budgetary basis of accounting which treats purchase order encumbrances and multi-year project appropriations as expended in the year appropriated. As a result, the Beginning Unrestricted Fund Balance is significantly lower than the unrestricted cash and investments reported in the City's Comprehensive Annual Financial Report. The ending fund balance for Fiscal Year 2012-13 includes approximately \$3.215 million of funds that were deposited to the Rate Stabilization Reserve.