

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

Issue	City of Sacramento Wastewater Revenue Bonds, Series 2013
Par	\$30,855,000
Issued	June 27, 2013
CUSIP Numbers	786087AA4 786087AB2 786087AC0 786087AD8 786087AE6 786087AF3 786087AG1 786087AH9 786087AJ5 786087AK2 786087AL0 786087AM8 786087AN6 786087AP1 786087AQ9 786087AR7 786087AS5 786087AT3 786087AU0 786087AV8 786087AW6

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 June 27, 2013, to reflect actual results of the most recently completed fiscal year (projections need not be updated):

- (1) Table 1 – Number of Connections by User Type
- (2) Table 2 – Largest Users by Service Charge Revenues
- (3) Table 4 – Selected Monthly Rates
- (4) Table 5 – Uncollected Wastewater System Charges
- (5) Table 8 – 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 1

See Exhibit B – Table 2

See Exhibit C – Table 4

See Exhibit D – Table 5

See Exhibit E – Table 8

Table 1
City of Sacramento
Wastewater 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	71,731	71,753	71,734	71,797	71,821
Commercial/Industrial	<u>4,608</u>	<u>4,632</u>	<u>4,660</u>	<u>4,680</u>	<u>4,660</u>
Total All Users	76,339	76,385	76,394	76,477	76,481
Source: The City					

Table 2
City of Sacramento
Wastewater System
Largest Users by Service Charge Revenues
Calendar Year 2012

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

**Table 4
City of Sacramento
Wastewater System
Selected Monthly Rates**

		<u>Rates Effective</u> ⁽¹⁾		
		(Current)		
		July 1, 2013	July 1, 2014	July 1, 2015
Flat Wastewater Rates (\$/month)				
Single Family Residential:				
1-3 rooms		\$12.89	\$14.69	To Be Determined
4-5 rooms		16.33	18.62	To Be Determined
6-7 rooms		19.66	22.42	To Be Determined
8-9 rooms		22.72	25.90	To Be Determined
10-15 rooms		26.07	29.72	To Be Determined
Over 15, each additional room		1.78	2.03	To Be Determined
 Metered Water Use, Unit Rate ⁽²⁾				
Wastewater Rate (\$/100 Cu. Ft. of Monthly Metered Water Use) :		\$0.8049	\$0.9176	To Be Determined
Service Charge (\$/month)				
 Water Meter Size:				
	Monthly Metered Water Use			
5/8"	0 - 1,200 cu. ft.	\$9.66	\$11.01	To Be Determined
3/4"	0 - 1,700 cu. ft.	13.68	15.60	To Be Determined
1"	0 - 2,100 cu. ft.	16.90	19.27	To Be Determined
1 1/2"	0 - 3,700 cu. ft.	29.78	33.95	To Be Determined
2"	0 - 6,200 cu. ft.	49.90	56.89	To Be Determined
3"	0 - 12,500 cu. ft.	100.61	114.70	To Be Determined
4"	0 - 21,800 cu. ft.	175.46	200.03	To Be Determined
6"	0 - 50,000 cu. ft.	402.44	458.79	To Be Determined
8"	0 - 106,200 cu. ft.	854.79	974.48	To Be Determined
10"	0 - 168,700 cu. ft.	1,357.84	1,547.97	To Be Determined
12"	0 - 262,500 cu. ft.	2,112.82	2,408.66	To Be Determined

⁽¹⁾ These monthly rates reflect approved utility rate increases of 16% for Fiscal Year 2012-13, 15% for Fiscal Year 2013-14 and 14% for Fiscal Year 2014-15. For financial forecasting purposes, the City has assumed rate increases of 14% in Fiscal Year 2015-16, 12% in Fiscal Year 2016-17 and 12% in Fiscal Year 2017-18 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 these rates will be informed by the results of a rate structure study."

⁽²⁾ Almost all commercial customers are billed using the metered rate. Minimum monthly charge, based on water meter size and monthly metered water use. The minimum charge is the Unit Rate times the maximum monthly metered water use set forth below for each water-meter size. Each additional 100 cubic feet of monthly metered water use, or portion thereof, will be billed at the Unit Rate.

Table 5
Uncollected Wastewater System Charges
(Fiscal Year Ending June 30)

	<u>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>
City Wastewater Charges	\$ 355,533	\$	258,230	\$	299,249	\$	232,437	\$	141,138
SRCS D Charges	<u>\$ 534,074</u>	<u>\$</u>	<u>399,148</u>	<u>\$</u>	<u>473,372</u>	<u>\$</u>	<u>353,116</u>	<u>\$</u>	<u>241,903</u>
Total	\$ 889,607	\$	657,378	\$	772,621	\$	585,553	\$	383,041

Source: The City

**Table 8
Summary of Projected Operating Results**

Projected Operating Results	Notes	Actual 2012/13	Projected Actual 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18
Operating Revenues							
Utility Rate Fees	1)	\$ 24,186,915	\$ 26,504,885	\$ 30,123,123	\$ 33,595,400	\$ 37,280,136	\$ 41,346,112
Wastewater Impact Fees	2)	-	-	-	-	-	-
Interest Earnings	3)	251,818	392,000	392,000	392,000	392,000	392,000
Miscellaneous Revenues		1,317,097	911,247	738,160	760,305	783,114	806,607
Total Operating Revenues:		\$ 25,755,830	\$ 27,808,132	\$ 31,253,283	\$ 34,747,705	\$ 38,455,250	\$ 42,544,720
General Fund Tax Transfer Out							
General Fund Tax	4)	\$ (2,622,599)	\$ (3,015,592)	\$ (3,311,000)	\$ (3,777,440)	\$ (4,229,880)	\$ (4,737,465)
System Revenues:		\$ 23,133,231	\$ 24,792,540	\$ 27,942,283	\$ 30,970,265	\$ 34,225,370	\$ 37,807,254
Maintenance and Operation Costs							
Employee Services	5)	\$ (7,717,530)	\$ (7,822,447)	\$ (8,094,835)	\$ (8,523,861)	\$ (8,975,626)	\$ (9,451,334)
Services and Supplies	6)	\$ (10,434,378)	\$ (12,422,572)	\$ (15,733,389)	\$ (18,058,606)	\$ (18,999,832)	\$ (19,757,271)
Total Maintenance and Operation Costs		\$ (18,151,908)	\$ (20,245,019)	\$ (23,828,224)	\$ (26,582,467)	\$ (27,975,458)	\$ (29,208,605)
(Deposit to) / Withdrawal From Rate Stabilization Fund:	7)	-	-	-	-	-	-
System Net Revenues		\$ 4,981,323	\$ 4,547,521	\$ 4,114,059	\$ 4,387,798	\$ 6,249,912	\$ 8,598,649
Debt Service							
Parity Obligations and Bonds							
State Revolving Fund XM35 - Land Park Sewer		\$ (165,022)	\$ (165,022)	\$ (165,022)	\$ (165,022)	\$ (165,022)	\$ (165,023)
State Revolving Fund XM23 - Sump 1/1A Pioneer Reservoir		(165,653)	(165,653)	(165,653)	(165,653)	(165,653)	(165,387)
State Revolving Fund XM24 - Sump 2 Rehabilitation		(2,367,089)	(2,367,089)	(2,367,089)	(2,367,089)	(2,367,089)	(2,367,089)
State Revolving Fund XM46 - Tahoe Pk/Broadway Parallel Sewer		(397,126)	(397,126)	(397,126)	(397,126)	(397,126)	(397,124)
State Revolving Fund XM44 - UCD Medical Center Storage		(342,049)	(342,049)	(342,049)	(342,049)	(342,049)	(342,049)
State Revolving Fund Debt Service Funded via Stormwater Fund	8)	2,577,703	2,577,703	2,577,703	2,577,703	2,577,703	2,577,503
Wastewater Revenue Bonds Series 2013		-	-	(1,403,831)	(1,955,431)	(1,955,431)	(1,956,731)
Wastewater Revenue Bonds Series 2016	9)	-	-	-	-	-	(2,387,592)
Subtotal Parity Obligations and Bonds Debt Service		\$ (859,234)	\$ (859,234)	\$ (2,263,066)	\$ (2,814,666)	\$ (2,814,666)	\$ (5,203,491)
Subordinate Obligations and Bonds							
Subordinate Debt Service - (N/A at this time)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Subordinate Obligations Debt Service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unsecured Obligations							
Unsecured Obligations- (N/A at this time)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Unsecured Obligations Debt Service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Wastewater Fund Debt Service (Parity/Bonds + Subordinate + Unsecured)		\$ (859,234)	\$ (859,234)	\$ (2,263,066)	\$ (2,814,666)	\$ (2,814,666)	\$ (5,203,491)
Coverage Requirement Compliance							
Parity Obligations and Bonds (Requirement is 1.20 times)		5.8 x	5.29 x	1.82 x	1.56 x	2.22 x	1.65 x
Cash Funding of Facilities							
Capital Outlay (PayGo from Current Year Rate Revenue)	10)	(1,500,000)	(629,000)	(1,231,998)	(3,247,000)	(5,000,000)	(7,750,000)
Capital Outlay (PayGo from Wastewater Fund Balance)		-	-	-	-	-	-
Net Change to Fund Balance		2,622,089	3,059,286	618,995	(1,673,868)	(1,564,754)	(4,354,842)
Beginning Wastewater Fund Balance:	11)	8,587,000	11,878,409	14,937,695	15,556,691	13,882,823	12,318,069
Ending Wastewater Fund Balance:		11,878,409	14,937,695	15,556,691	13,882,823	12,318,069	7,963,227

Notes

- Utility Rate increases of 16% for Fiscal Year 2012-13, 15% for Fiscal Year 2013-14 and 14% for Fiscal Year 2014-15 are approved. Rate increases of 14% in Fiscal Year 2015-16, 12% in Fiscal Year 2016-17 and 12% in Fiscal Year 2017-18 are not approved and will require City Council Approval.
- Wastewater 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 estimated at \$0 to be conservative.
- Interest earnings on the Wastewater Fund are estimated \$392,000 per 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. Overall, forecasted Services and Supplies costs beginning in Fiscal Year 2014-15 are higher than previously forecasted as a result of increased costs of regulatory compliance.
- The current balance of the Rate Stabilization Fund is \$2.5 million.
- The five state revolving fund loans are each 100% obligations of the wastewater and storm drainage enterprise funds. The current and anticipated practice has been for the City to fund 75% of all state revolving fund loans with the storm drainage fund, and 25% from the wastewater fund. This line represents the storm drainage fund's 75% contribution and is not revenue of the wastewater fund.
- The 2015/16 bond is assumed to be approximately \$57.5million. Subject to change.
- 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 \$2.5 million of funds that were deposited to the Rate Stabilization Reserve.