

**CITY OF SACRAMENTO
MEASURE B**

B "Shall the ordinance repealing increases in monthly water, sewer, and garbage collection/solid waste disposal service rates approved by the Sacramento City Council in June 2009, setting these monthly utility service rates at the amounts in effect on February 10, 2010, and allowing the City Council to increase these rates without voter approval beginning July 2012 only if the rates are not increased above the annual increase in a specified consumer price index, be adopted?"

IMPARTIAL ANALYSIS OF MEASURE B
Prepared by Sacramento City Attorney

Measure B would enact an ordinance amending sections 13.04.720, 13.08.400, and 13.10.130 of the Sacramento City Code. These sections authorize the Sacramento City Council to set monthly rates for water, sewer, and garbage collection service (the "subject utility rates"). Measure B would amend these City Code sections to repeal increases in the subject utility rates that the City Council approved in June 2009, and that took effect on July 1, 2010. If Measure B is enacted, the repeal of these rate increases would take effect July 1, 2011, so that on and after July 1, 2011, the subject utility rates would be set at the rates in effect on February 10, 2010. In addition, Measure B allows the City Council to increase the subject utility rates beginning on and after July 1, 2012, but limits any such increases to the annual increase in a specified consumer price index, unless approved by the voters.

Current law requires the subject utility rates to be calculated based on the City of Sacramento's costs of providing the utility services. These costs include operation and maintenance costs (such as fuel, utilities, chemicals, and labor); costs to repair, replace, or improve utility infrastructure; and costs to comply with applicable regulatory and other governmental requirements. By reducing the subject utility rates to the rates in effect on February 10, 2010, the operation of Measure B would reduce the rate revenues available to fund these costs.

In addition to the cost-of-service limitation described above, current law requires the City to follow specified notice, protest, and public hearing procedures prior to the City Council's approval of increases in the subject utility rates, but does not require voter approval of those increases. Measure B would impose a new limitation on the City's ability to increase the subject utility rates, by requiring voter approval for rate increases that exceed the annual increase in the consumer price index specified in Measure B.

A "yes" vote is in favor of enacting the ordinance rolling back the subject utility rates and preventing the City Council from adopting future rate increases that exceed the annual increase in a specified consumer price index unless approved by the voters. A "no" vote is against enacting the ordinance, and would leave unchanged the subject utility rates and the City's current rate setting authority. A majority of "yes" votes is required for the ordinance to be enacted.

Eileen M. Teichert
City Attorney

**FULL TEXT OF MEASURE B
UTILITIES RATE HIKE ROLL BACK ACT OF 2010
BE IT ENACTED BY THE PEOPLE OF THE CITY OF
SACRAMENTO:**

SECTION I: Findings and Purpose.

The people of the City of Sacramento hereby make the following findings and declare that their purpose in enacting this Utilities Rate Hike Rollback Act of 2010 (or "Act") is as follows:

(a) Findings. The residents, including seniors, renters, homeowners and low and middle income families, and businesses of Sacramento cannot afford to pay the escalating monthly service rates for city utilities approved by the Sacramento City Council. Further, these escalating rates present a clear and present threat to the business climate of Sacramento and the economic health and well being of its citizens.

(b) Purpose. The purpose of the Act is to: (1) reduce monthly utilities rates in the City of Sacramento by repealing and cancelling increases in monthly service rates approved by the Sacramento City Council on June 23, 2009 and placed into effect as of July 1, 2010; (2) return monthly service rates to those in effect on February 10, 2010; and (3) make provision for the City of Sacramento to increase monthly service rates without a vote of the people subject to specified conditions.

SECTION II: Repeal of July 1, 2010 Monthly Service Rate Increases.

Sections 13.04.720 (concerning water rates, charges and fees), 13.08.400 (concerning sewer rates, charges and fees) and 13.10.130 (concerning garbage collection/solid waste disposal rates, charges and fees) of the Sacramento City Code are hereby amended to add the following provision at the end of each of said sections:

"Notwithstanding the foregoing, the increases in monthly service rates for residential, commercial, industrial and other ratepayers (collectively, "monthly service rates") set forth in Resolution No. 2009-445, passed and adopted by the Sacramento City Council on June 23, 2009 (hereinafter, the "Resolution"), that are scheduled under the Resolution to become effective on July 1, 2010 are hereby repealed and cancelled as of July 1, 2011. On and after July 1, 2011, monthly service rates shall be the same as the monthly service rates which were in effect on February 10, 2010. The repeal and cancellation of the scheduled July 1, 2010 increases in monthly service rates hereunder shall have no retroactive effect and shall not give rise to any claim for refunds."

SECTION III: Provision Under Elections Code Section 9217 for Future Rate Increases Without Voter Approval.

Sections 13.04.720, 13.08.400 and 13.10.130 of the Sacramento City Code are hereby further amended to add the following new paragraph "B" at the end of each of said sections, with the existing language of each of such section (as amended by Section II above) hereinafter designated paragraph "A" thereof:

"B. Notwithstanding the limitations imposed on the City of Sacramento by Article II, Section 10 of the California Constitution and Elections Code Section 9217 as a consequence of the voters' passage of this Act, the City Council shall have the authority to establish, from time to time, on and after July 1, 2012, without a vote of the people, higher or lower monthly service rates than those mandated under Section II above provided that the City Council, in the exercise of such authority, does not increase any of the monthly service rates by a percentage amount which exceeds total increases in the cost of living in the one-year period preceding the effective date of such increase. This Subsection B shall be deemed a "provision" within the meaning of the final sentence of Elections Code Section 9217 and adjustments by the City Council in monthly service rates permitted under this Subsection B shall be construed as permitted "amendments" of the Act within the meaning of Article II, Section 10(c) of the California Constitution.

For the purposes of this section, the following terms shall have the following meanings: (1) an "increase" of a "monthly service rate" shall be construed to include all increases (including the proposed increase) in a monthly service rate occurring in the same fiscal year; (2) the phrase "one-year period preceding the effective date of such increase" shall mean a period of time beginning on the first day of the fourteenth (14th) calendar month prior to the effective date of any increase and ending twelve (12) calendar months thereafter; and (3) the phrase "increases in the cost of living" shall

mean increases in the All Items Consumer Price Index for All Urban Consumers for the U.S. City Average, with an index base period of 1982-1984=100, published by the Bureau of Labor Statistics, United States Department of Labor (hereinafter, the "CPI-U"). If the CPI-U, as now constituted, compiled and published shall cease to be compiled and published, or is calculated on a significantly different basis following the effective date of this measure, the most comprehensive official index published that most closely approximates the rate of inflation shall be used in its place and stead for purposes of this section."

SECTION IV: Severability.

If any provision of this measure or the application thereof to any person, entity or circumstance is held invalid, that invalidity shall not affect other provisions or applications, and to this end the provisions of this measure are severable.

ARGUMENT IN FAVOR OF MEASURE B

Sacramentans have been hit hard by the recession. Our City Council, however, has ignored the plight of residents by raising utility rates by 20% in real terms over the past year. Since 2007, rate hikes have exceeded inflation by 1300%. These regressive hikes hurt low and moderate income Sacramentans the most, especially seniors on fixed incomes. We now have the highest utility rates of any city in our region, hurting our ability to attract employers, create jobs, save struggling businesses and recover from the recession.

Measure B will rollback the 9.2% rate hike that hit residents this July and place a check on the Council's unlimited power to raise rates. The Council will be allowed to increase rates to match increases in the consumer price index, preserving the purchasing power of the utilities department's budget. But if the council wishes to raise rates above inflation, it will have to make the case to voters that a major hike is warranted, putting Sacramentans back in charge of city utilities.

The city is notorious in the many ways it wastes ratepayer money. It now trucks all city garbage every night over the Sierras to a landfill near Reno, an enormous expense and environmental impact, instead of negotiating a contract with county government to place garbage at the nearby county landfill.

The grand jury recently found that managers had illegally diverted \$21 million of utilities funds and then tried to cover it up. Incredibly, the Council took no action to remove or discipline those involved and failed to order an independent investigation of the matter.

The department lacks external budget discipline and fiscal oversight. Measure B will impose budget discipline by placing city utilities on a "fiscal diet" so that the department once again serves the public, and not the other way around.

s/Greg Hatfield,
Co-President, South Pocket Homeowners Association

s/Craig Powell,
Vice-President, Sacramento County Taxpayers League

s/Charlene Booth,
Retired

s/Lisa Garcia,
State Employee

s/Tram Do,
Retired

REBUTTAL TO ARGUMENT IN FAVOR OF MEASURE B

The argument in favor of Measure B is part half truth, part urban myth, plus a generous side order of fuzzy math. Sacramento has the lowest water rates, the second lowest sewer rates, and the oldest infrastructure in the Sacramento region, yet still manages to provide the highest water quality of any large city in California. Drainage rates haven't been raised since 1996. The City hauls its garbage to Nevada because it costs far less than disposal in

California – about \$1 million per year less for a total of \$10 million in savings over the last decade. Rates have gone up because state law now requires water meters for every customer. Yet, from 1996 until last year, the City's utility rate increases have averaged only 3.7% per year. The allegations that the City covered up and took no action in response to the Grand Jury report are false.

The hard reality is that the City of Sacramento cannot afford Measure B, and neither can its residents. Drastically rolling back rates won't make the mandate to provide water meters go away. It won't alleviate all the state and federal requirements the City must follow. All it will do is further deplete the City's General Fund and put all other services, including police and fire protection, in grave jeopardy. Measure B carries too high a price tag. Join us in voting no on Measure B.

s/Rick Braziel,
Chief of Police

s/Griselda Barajas,
Small Business Owner

s/Karen D. McBride,
Commissioner, Utilities Rate Advisory Commission

s/Ray S. Jones,
Fire Chief

s/Frank F. Cirill,
Senior Citizen/Neighborhood Leader

ARGUMENT AGAINST MEASURE B

The City of Sacramento is in danger. In danger from declining revenues in this deep recession. In danger of funding cuts from the State of California. In danger because of Measure B, an ill-conceived plan, hatched in secret with no public input.

Sacramento now enjoys the purest drinking water of all large California cities. Measure B will put our water quality at risk — along with sewer services, garbage pickup, stormwater drainage, and recycling. Infrastructure maintenance and replacement of the City's hundred year old pipes will become impossible. Customer service will suffer significantly.

And that's not all. By immediately slashing \$22 million from the City's Utilities Budget, Measure B will endanger other vital City services, including public safety. That's because, after the \$22 million is taken away, the City still must comply with state and federal standards and mandates and meet its contractual obligations. If there isn't enough money in the Utilities Budget to meet those requirements, there will be no place to turn but the City's already depleted General Fund — where utilities will have to compete with fire, police, and parks.

Public safety has already experienced drastic cuts. We've had brownouts of fire stations; the public counters at police stations have been closed; and the men and women who are responsible for protecting the people of Sacramento have lost many of the resources they once were able to depend upon. Any more cuts and public safety will be seriously jeopardized.

Everyone would like a little financial assistance during these troubled times, but the cost of Measure B carries too high a price for all Sacramentans, our communities, our neighborhoods, and our homes. Vote no on Measure B.

s/Ray S. Jones,
Fire Chief

s/Karen D. McBride,
Commissioner Utilities Rates Advisory Commission

s/Bill Blake,
President, Midtown Business Association

s/Rick Braziel,
Chief of Police

s/Frank F. Cirill,
Senior Citizen/Neighborhood Leader

REBUTTAL TO ARGUMENT AGAINST MEASURE B

Our public safety chiefs, whom we admire, are acting at the behest of the real Measure B opponents: their bosses on the City Council who oppose any limit on their unchecked power to hike utilities rates, a power they have been abusing.

The Council hopes to distract voters by falsely claiming that Measure B will imperil public safety funding. It is not true. Measure B has nothing to do with funding for police and fire. Instead, it places our notoriously mismanaged city utilities department on a critically needed "fiscal diet" and gives Sacramento voters a say in future major rate hikes. It will also save the typical Sacramento homeowner \$120 in its first year and a projected \$4,300 over 10 years, while improving our business climate and attracting new jobs.

Measure B stops the Council's current practice of treating residents like a giant ATM machine with unlimited overdraft privileges. It does so by requiring that major rate hikes (above the inflation rate) be approved by voters. City voters have a long, responsible track record of approving appropriate tax hikes (i.e. utilities taxes) and rejecting unwarranted ones (i.e. arena taxes). Sacramento voters are not about to let city utilities fall into an abyss, as the Council would have you believe. Voters will, however, require city government to make the case for major rate hikes, providing crucial, independent oversight. Vote for responsible oversight, vote for jobs, vote "Yes" on Measure B.

s/Greg Hatfield,
Co-President, South Pocket Homeowners Association

s/Craig Powell,
Vice-President, Sacramento County Taxpayers League

s/Howard Posner,
SMUD Director

s/Lisa Garcia,
State Employee

s/Tram Do,
Retired