

# FACT SHEET

## University of the Pacific Business Forecasting Center Study Shows Impact of Wastewater Rates & Fees on Sacramento Income & Employment

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### Overview

The University of the Pacific Business Forecasting Center (UOP) has conducted an analysis assessing the *“Impact of the Tentative Discharge Permit for the Sacramento Regional Wastewater Treatment Plant on Sacramento Area Income and Employment.”* This report was issued on November 10, 2010, and considers the improvement costs required to implement the tentative permit under review by the Central Valley Regional Water Quality Control Board, as well as the economic impacts to the Sacramento Region.

This is the second report conducted by UOP on this issue. The first report released in August 2010 examined just one additional treatment process to remove nutrients only. This updated analysis evaluates the full treatment processes that would be needed by the tentative discharge permit.

### Summary of Key Findings – UOP Study

The UOP study finds that, over the next 30 years, meeting the requirements of the draft permit would reduce Sacramento area incomes by an annual average of \$246 million and reduce employment by 976 jobs in an average year.

These significant impacts were based on the following range of potential rate and fee increases:

- The typical Sacramento household wastewater treatment bill would increase an additional \$28 to \$42 per month over their current level of \$20 per month.
- Government, commercial and industrial users would also face proportional wastewater treatment cost increases between 150% and 200%.
- New development wastewater treatment impact fees would increase from \$7,450 to between \$15,000 and \$35,000 per ESD (equivalent single family dwelling). In-fill development impact fees would increase from \$2,800 to between \$6,000 and \$13,000 per ESD.

### FAQs about the UOP Study

**Q:** The UOP Study predicts that monthly rates would increase by between \$28 and \$42 per month, yet SRCSD’s projection is closer to the additional \$42 per month figure. What explains this?

**A:** UOP’s economic analysis relied on construction and O&M costs that are expressed in 2009 dollars, whereas the District’s rate projections include inflation adjustment to the time of actual

construction and operation. The UOP study only considered project costs in calculating projected monthly rates (an appropriate method for that type of study); however, SRCSD must consider project costs and reserves required to secure the significant bond financing that will be needed to fund the required new processes. UOP acknowledges, **“SRCSD must plan for substantial financial reserves and be financially prepared for more negative scenarios.”**

Additionally, SRCSD predicts slower growth for the region which reduces the amount of revenue that can be generated from monthly service charges and leads to higher rates.

**Q:** UOP’s Study assumed that the increased costs would have a relatively small affect on new development in the region. However, SRCSD predicts significant increases to impact fees on new development and believes this would greatly impact new home and business development at a time when the region is struggling to rebound from an economic recession. How are these differences explained?

**A:** UOP concluded that impacts to development over the long term (30 years) would be less significant; however, the Study acknowledges significant impacts to development in the nearer term. The Study states, **“Further increases to [impact] fees due to the increased wastewater costs make new projects even more infeasible, and would undoubtedly delay or even halt many of the small number of projects currently going forward” ....“Thus, we believe these fee increases are likely to push back the timing of the recovery in development by 1 to 3 years, and have a significant negative impact on the economic recovery.”** Predicting the effects on decisions to build new homes or locate business was not a main focus of the UOP Study.

**Q:** When projecting impact fee increases needed to fund the required improvements, the UOP Study predicts over the long term an average of 6,000 to 8,000 new ESDs per year over the 30 year analysis period. (ESDs equate to new home and commercial connections.) What are SRCSD’s projections?

**A:** SRCSD used a more conservative number of 2000 to 2,500 new ESDs per year based on recent trends and conservative forecasting, which is appropriate when setting rates and fees over the long term. In fact, last year SRCSD added only around 2,500 new connections and this year it is expected to be even lower. SRCSD’s calculations result in more costs being spread across fewer ESDs, thereby resulting in higher impact fees than UOP Study predicts. Again, this is a more conservative planning method used by SRCSD and the UOP researchers acknowledge that their projections are “very rough and possibly optimistic.”

**Q:** Won’t building and operating an expanded treatment plant create jobs in Sacramento?

**A:** Yes, the UOP Study calculates these gains in addition to the losses created by the higher rates. The average decrease of \$246 million in income and 976 jobs is a net change that includes both the gains and the losses.