



# Staff Report and Recommendations for Water Division Capital and Rate Plans

November 20, 2014

# Presentation Overview

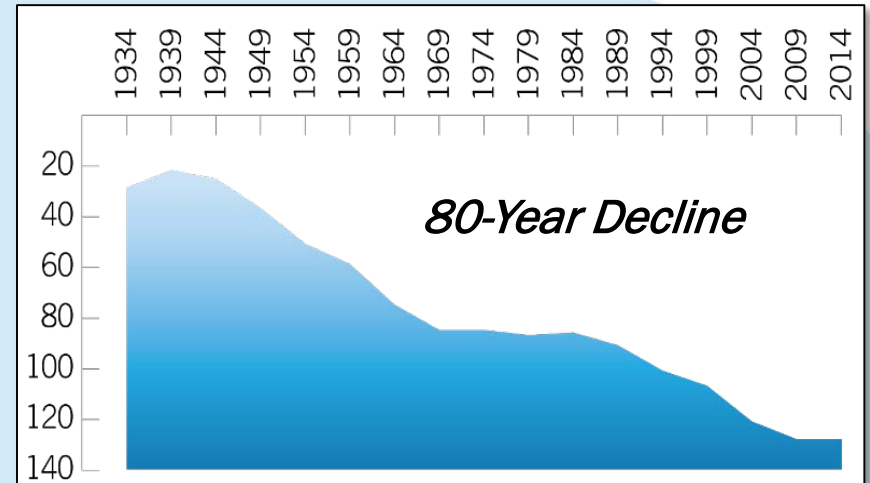
- City Council direction
- Water supply challenges and opportunities update
- Public participatory process
- Objectives, considerations and recommendations for Capital and Rate Plans
- Closing comments
- Questions

## Conduct Public Participation Process

- Identify ways to reduce rates
  - *Reevaluate sizing of surface water treatment facilities*
  - *Reevaluate sizing and timing of other capital projects*
- Review alternative financing options
- Review alternative rate design options
- Develop 5-year rate plan versus previous 4-year rate plan

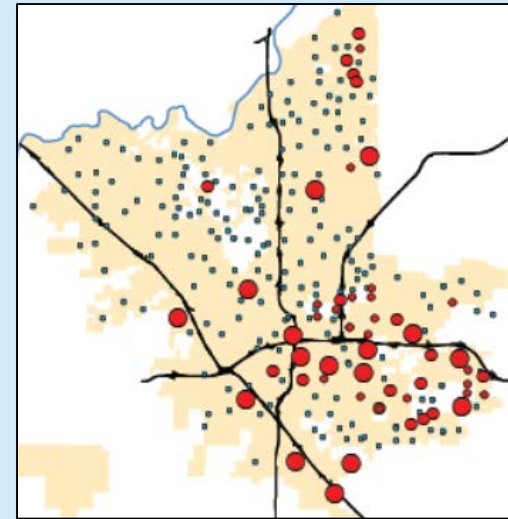
# Water Supply and Infrastructure Challenges

- Groundwater overdrafting
- Groundwater contamination
- Aging infrastructure
- Current and future drought resiliency



## This Time It's Different

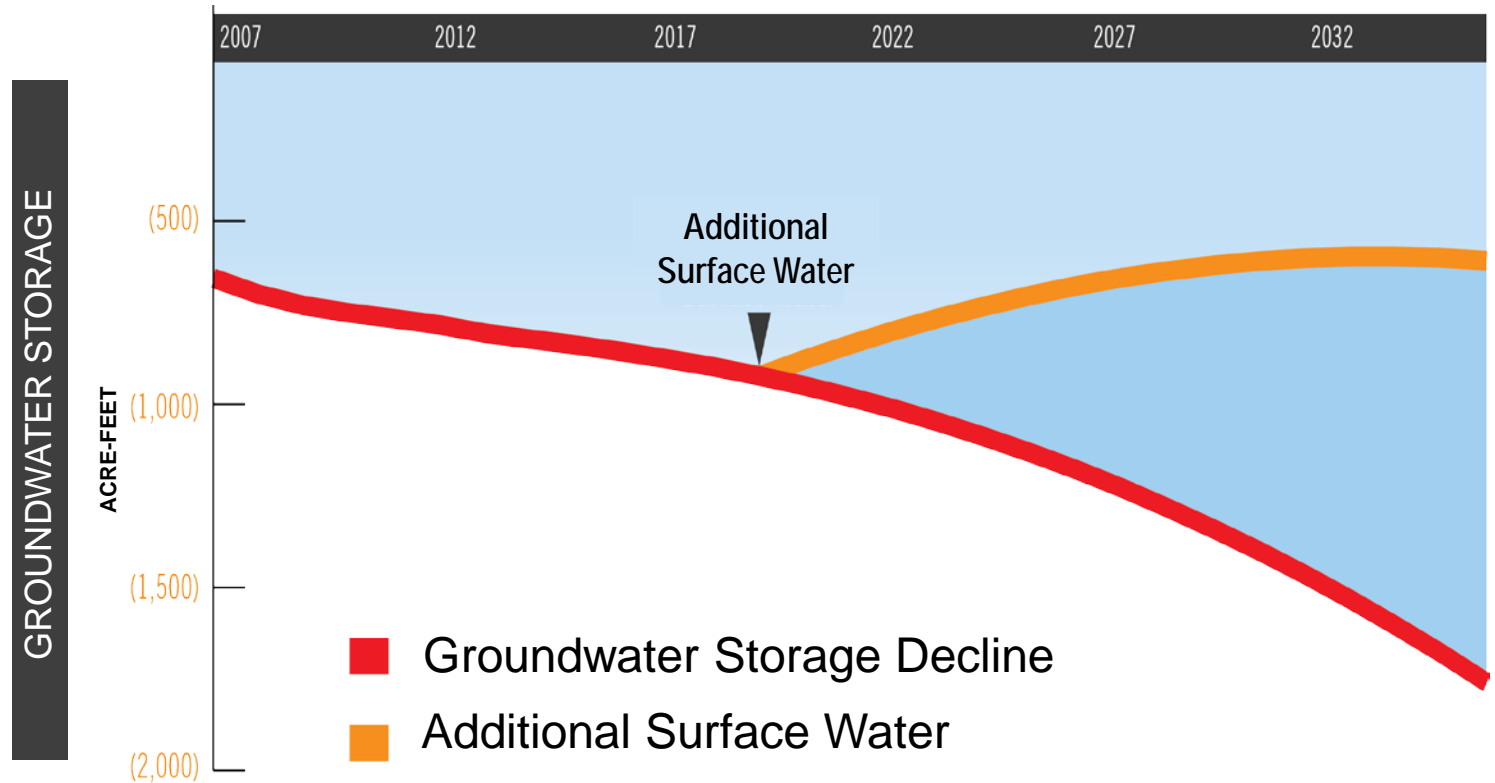
- 2014 Sustainable Groundwater Management Act
- Pending TCP contamination regulations
  - TCP detected in 80 wells (138 mgd)
  - \$170M-\$300M to treat wells



# Water Supply Opportunities

Surface Water Allocation	180,000 acre feet
Surface Water Use	-20,000 acre feet
<u>Intentional Recharge</u>	<u>-50,000 acre feet</u>
Unused in Normal Years	110,000 acre feet

Fresno is in a  
Unique Position



# Public Participatory Process

- Four Water Reliability Community Forums
  - Publicized broadly – advertising, email blasts, posted fliers, media interviews
  - Televised live and video online
- Water Rate and Financing Summit
- RechargeFresno.com
- Recharge Fresno Hotline
- Comments –forums, comment forms, online forms, hotline calls, emails and presentations



**“The City found a way to make the people’s voice ... the center of attention.”**

*Fresno Bee, 9/29/14*





# Objectives, Considerations and Recommendations for Capital and Rate Plans

# Recommendation Objectives

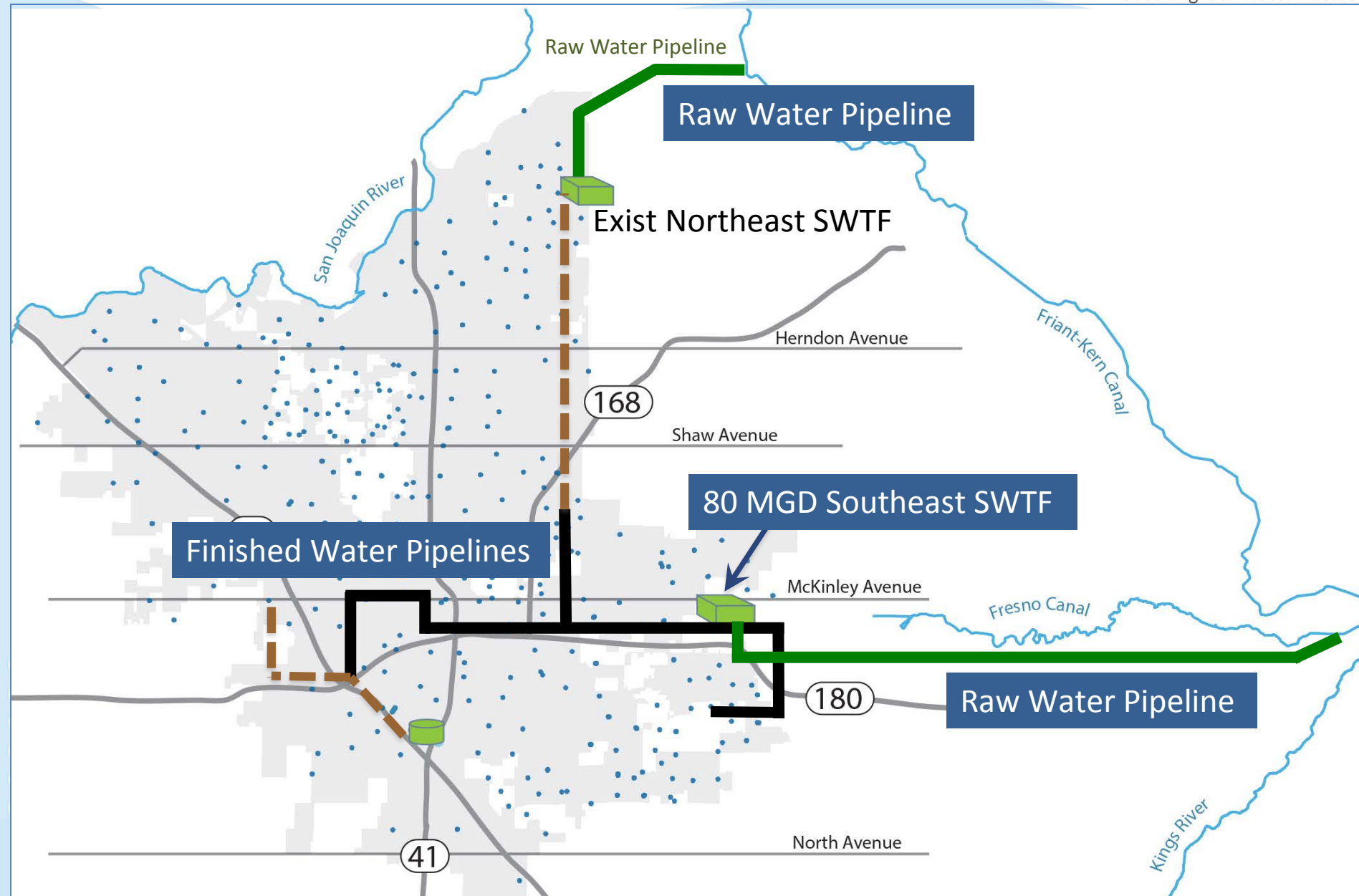
- **Comply with laws and regulations** – water quantity, water quality, and design of rates, fees, and charges
- **Implement surface water treatment** – as has been recommended for the last 25 years to reduce groundwater pumping
- **Enhance water conservation** – continue to work with community to reduce overall water demands
- **Continue rehabilitation and replacement of existing infrastructure** – avoids expensive failures and maintains system reliability
- **Continue groundwater recharge** – expedite the recovery of groundwater levels in combination with reduced pumping



# Alternative Solutions Considered

Alternative	Cost
54 mgd, re-rated to 80 mgd SESWTF	<b>\$186M</b>
60 mgd SESWTF + 20 mgd Future Expansion	<b>\$207M</b> \$170M for 60 mgd + \$37M for 20 mgd expansion
30 mgd NESWTF Expansion + Future 40-50 mgd SESWTF	<b>\$213M</b> \$82M for 30 mgd @ NE + approx \$131M for 40-50 mgd @ SE
Recharge and 80 mgd Wellhead Treatment	<b>&gt;\$670M</b> >\$500M for recharge + \$170-300M for TCP treatment

# Recommended Major Projects



# Cost of Capital Projects

Projects	Original Plan (\$ million)
Intentional Groundwater Recharge	\$ 7.1
Raw Water Supply	\$ 30.0
Surface Water Treatment	\$ 196.6
Finished Water Distribution	\$ 49.6
Rehab/Replacement & Upgrades	\$ 126.2
<b>Subtotal</b>	<b>\$ 409.5</b>
Cost Escalation ( <i>15-month delay</i> )	\$ 8.6
Additional year of Rehab/Replacement	\$ 24.1
<b>Total</b>	<b>\$ 442.2</b>

## Cost Escalation Example NE SWTF, 30 mgd



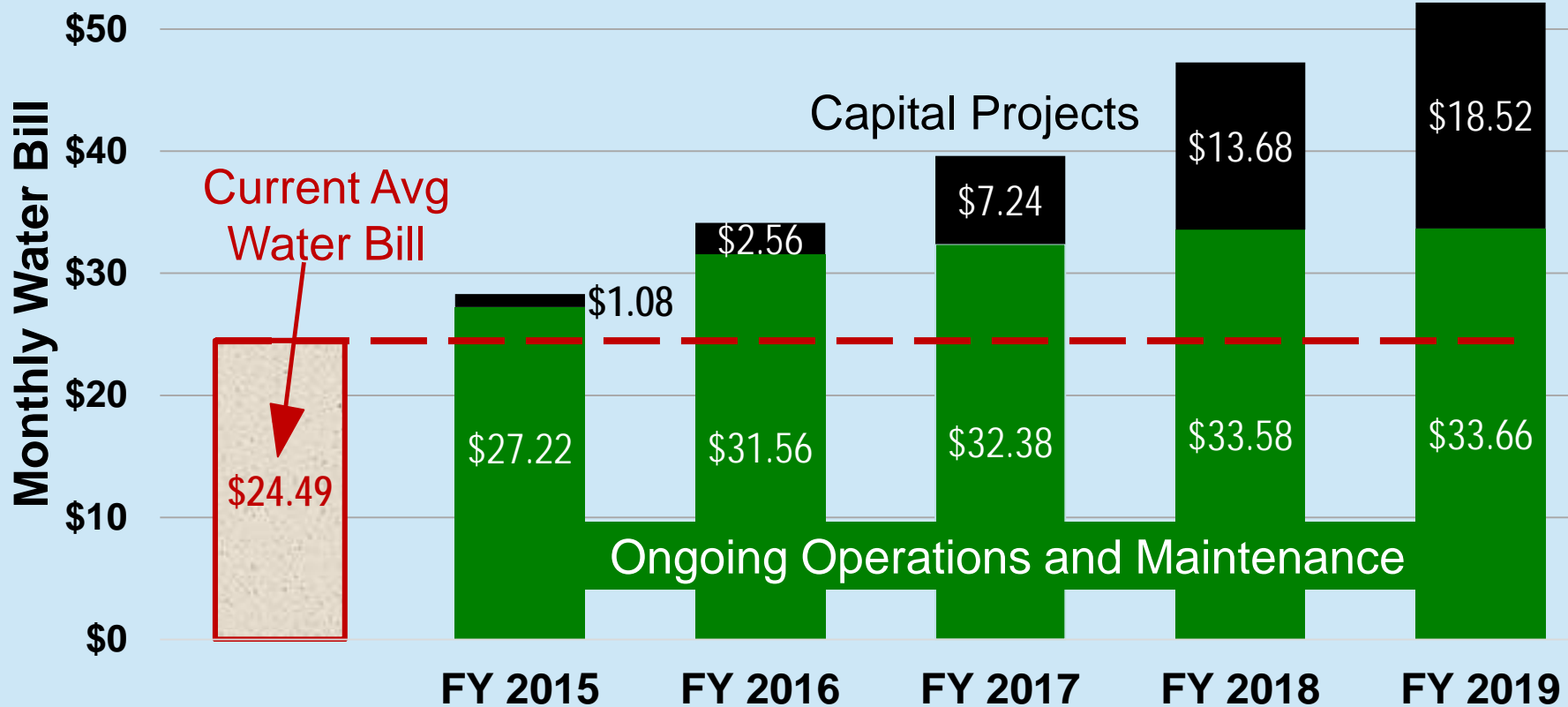
1990: ~\$1.0/gallon  
2004: ~\$1.5/gallon  
2014: ~\$2.6/gallon

# Cost of Capital Projects

Projects	Original Plan (\$ million)	\$429.1M Capital Plan (\$ million)
Intentional Groundwater Recharge	\$ 7.1	\$ 6.4
Raw Water Supply	\$ 30.0	\$ 98.4
Surface Water Treatment	\$ 196.6	\$ 186.4
Finished Water Distribution	\$ 49.6	\$ 55.4
Rehab/Replacement & Upgrades	\$ 126.2	\$ 82.5
<b>Subtotal</b>	<b>\$ 409.5</b>	<b>\$ 429.1</b>
Cost Escalation ( <i>15-month delay</i> )	\$ 8.6	N/A
Additional year of Rehab/Replacement	\$ 24.1	N/A
<b>Total</b>	<b>\$ 442.2</b>	<b>\$ 429.1</b>

# How Your Rates Will Be Invested

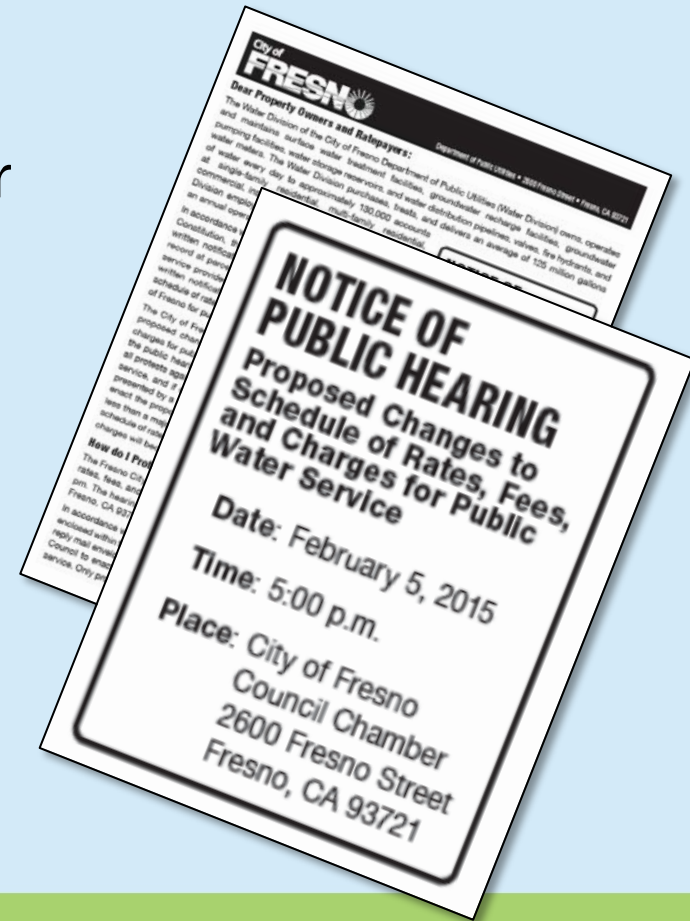
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
O&M and Existing Debt	\$ 27.22	\$ 31.56	\$ 32.38	\$ 33.58	\$ 33.66
Rehab / Replacement	\$ 0.88	\$ 1.82	\$ 3.89	\$ 5.62	\$ 8.45
Groundwater Recharge	\$ 0.02	\$ 0.18	\$ 0.56	\$ 0.66	\$ 0.18
Surface Water Treatment Water Supply and Distrib	\$ 0.18	\$ 0.56	\$ 2.79	\$ 7.40	\$ 9.89
New Plan Total	\$ 28.30	\$ 34.12	\$ 39.62	\$ 47.26	\$ 52.18
Original Plan	\$ 33.28	\$ 41.42	\$ 44.70	\$ 48.34	\$ 52.26



\*18 HCF water usage per month and 1 inch service

# Recommendations

- Direct staff to initiate **Proposition 218 Process** for revised capital plan and rate plan
  - Adopt uniform rate for all customer classes
  - Defer consideration of tiered-rates for at least five years (need more usage data)
  - Revenue plan based on user charges and new development fees, and city will continue to pursue all grant opportunities
  - Financial plan based on cash, state low-interest loans, with balance funded by revenue bonds



# Proposed Schedule

- **Nov. 20, 2014** – Council action to authorize Proposition 218
- **Dec. 22, 2014** – Mail Proposition 218 notifications to property owners and ratepayers
- **Feb. 5, 2015** – Proposition 218 public hearing and Council action
- **March 12, 2015** – New rates take affect assuming Council approval



# What We Heard

- Importance of landscaping to the beauty of the community and property values
- Water affordability is important
- New development and existing water users should each pay their fair share
- Why has the City waited so long to address our groundwater quality and quantity issues?
- This water program will change the City





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**FRESNO**   
Securing Our Water Future



[www.RechargeFresno.com](http://www.RechargeFresno.com)