

Public Utilities Rate Plans Workshop



January 31, 2019

Presentation Summary

- DPU: Providing Life's Essential Services
- Water, Wastewater and Solid Waste Proposed Rate Plans
- Utility Affordability Credit Program
- Proposition 218 Process
- Rate History and Packaging
- Timing and Schedule



Water



Wastewater



Solid Waste

Department of Public Utilities (DPU): Providing Life's Essential Services

- Deliver high-quality utility services professionally, efficiently, in an environmentally-responsible manner, to ensure the health and safety of our community
- Preserve precious natural resources through recycling, responsible treatment of wastewater, timely collection of solid waste and water conservation
- Three services/divisions
- 544 permanent employees
- \$212.6 million in operating revenues
- \$341,766 = cost of doing business for one day

DPU: Providing Life's Essential Services



Water

Delivering an average of
108 million gallons
of water a day

Meeting the water demands of
more than 135,000 residential,
commercial and industrial
customers

Maintaining approximately
1,800 miles of water mains



Solid Waste

Collecting waste and recyclables
for over 112,000 customers

Overseeing litter collection
from our streets

Servicing customers across
103 square miles



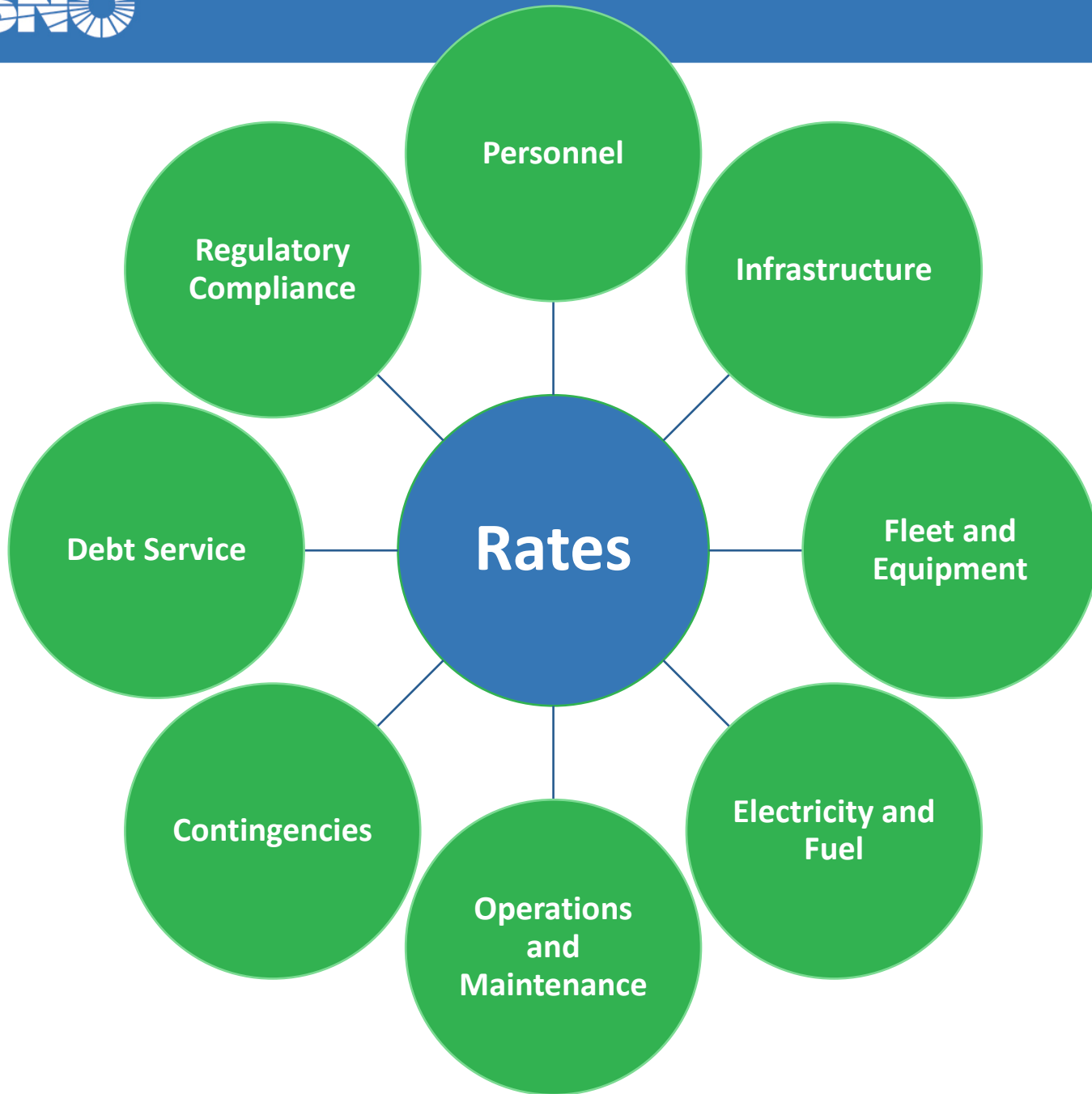
Wastewater

Conveying sewage from homes and
businesses to the Fresno-Clovis
Regional Wastewater Reclamation
Facility

Cleaning sewage to regulatory
standards and for water recycling

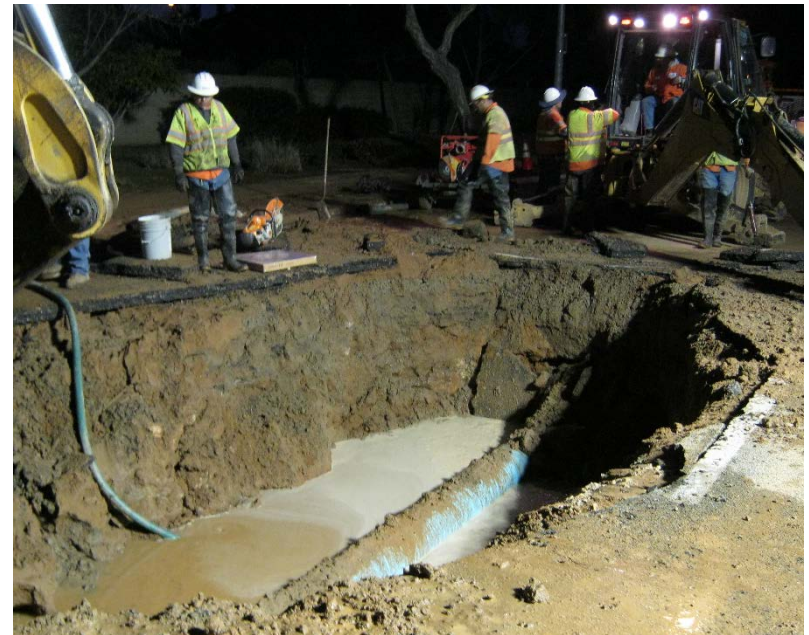
Maintaining over 1,600 miles of sanitary
sewer lines, 24,000 utility covers and 15
lift stations





Current Situation: Aging Water Infrastructure

- Operating at a 100-year replacement schedule for wells
- Operating at a 300-year replacement schedule for pipelines
- 114 main breaks in 2018
- More than 40% of pipes (700+ miles) are 50+ years old



Current Situation: Aging Wastewater Infrastructure

- Operating at a 50-year replacement schedule for lift stations
- Operating at a 50 to 100-year replacement schedule for pipelines
- 31 collection system main or access structure repairs in 2018
- More than 60% of the collection system is 40 years or older



Current Situation: Aging Solid Waste Infrastructure

- 50% of trash truck fleet is more than 10 years old
- Each trash truck ranges from \$311,000 to \$361,300



Current Situation: Facilities

Water Division

- Operated from University Avenue facility since 1950s
- At capacity for staff, equipment and fleet parking



Solid Waste Management Division

- Operated at Municipal Service Center since 1970s
- At capacity for staff, fleet parking and circulation



Proposed Rate Plans

The image features a blue-tinted aerial photograph of a city skyline. The buildings are rendered in shades of blue and white. At the bottom of the image, there is a solid green silhouette of a city skyline, which appears to be a stylized representation of the buildings shown in the background. The overall composition is clean and modern, with a clear focus on the text.

Rate Plan Objectives (Fiscal Year 2020-2024)

- Provide safe and reliable water, wastewater and solid waste services to ensure community health and safety
- Establish five-year rate schedules for water, wastewater and solid waste including: capital costs, operations/maintenance costs, debt service, and adequate fund reserves
- Establish rates that recover costs associated with the level, quality and quantity of service delivered to customers



Rate Plan Components

- Adequately fund operations and maintenance activities to meet current customer needs and comply with state and federal requirements
- Fund debt service costs and meet obligations
- Ensure adequate fund reserves
- Replace & rehabilitate aging water infrastructure and facilities
- Address increased wastewater operational costs and solid waste operational costs
- Rebalance wastewater rates to ensure equity between residential, commercial and industrial customers



Proposed DPU Facility Changes

Challenge

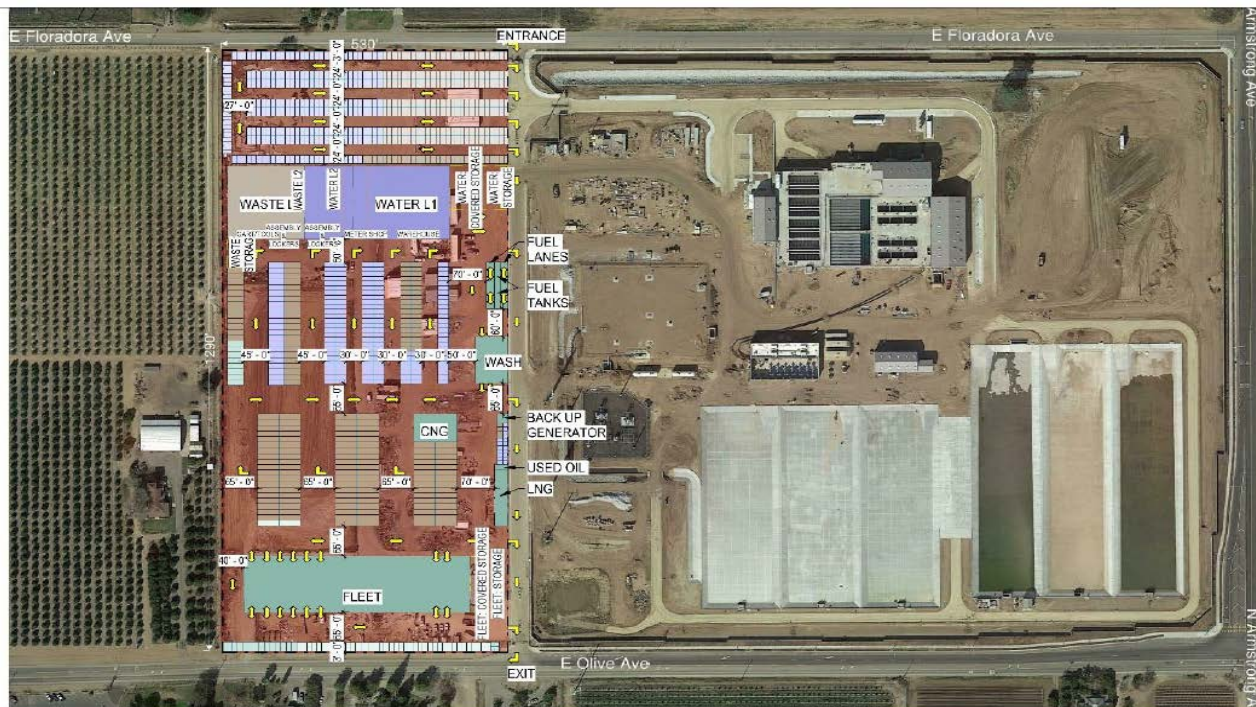
- Water Division and Solid Waste Management Division facilities have outlived their useful lives, impacting ability to provide service

Proposed Solution

- March 2018: Council authorized analysis of relocating divisions and fleets
- FY 2019 budget included funds for this analysis
- Opportunity to reutilize space for other City departments

Proposed DPU Facility

- Use City-owned Southeast Surface Water Treatment Facility site
 - Administrative, operations, warehouse, storage and staff facilities, and fleet vehicle and equipment parking areas
- New fleet maintenance facility to support Water, Solid Waste Management and Wastewater Management Divisions



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Utility Affordability Credit Program

Offsetting the Impact to Customers

Qualifying customers are offered assistance to offset the cost of the utility services they receive

- There is currently a different program for each utility:
 - Water Utility Affordability Credit (ACP)
 - Wastewater Senior Citizen Rate
 - Solid Waste Low-Income Senior Citizen Rate
- Each program has different qualifications and requires a separate application, making it burdensome and complex for customers
- Wastewater and Solid Waste senior citizen rates need to be updated and funded with non-ratepayer revenues

Proposed Utility Affordability Credit Program (ACP)

- Expands the Water ACP to include wastewater & solid waste by providing financial assistance for eligible account holders
- Funded to \$1 million/year using non-rate revenues to provide a \$10.60/month credit (\$127.20/year) for qualified customers
- Streamlined to ensure each customer class is charged according to actual cost of service
- Provides low-income seniors with a credit to replace outgoing senior discounts
- Requires approval of a resolution to establish the Utility ACP effective July 1, 2019



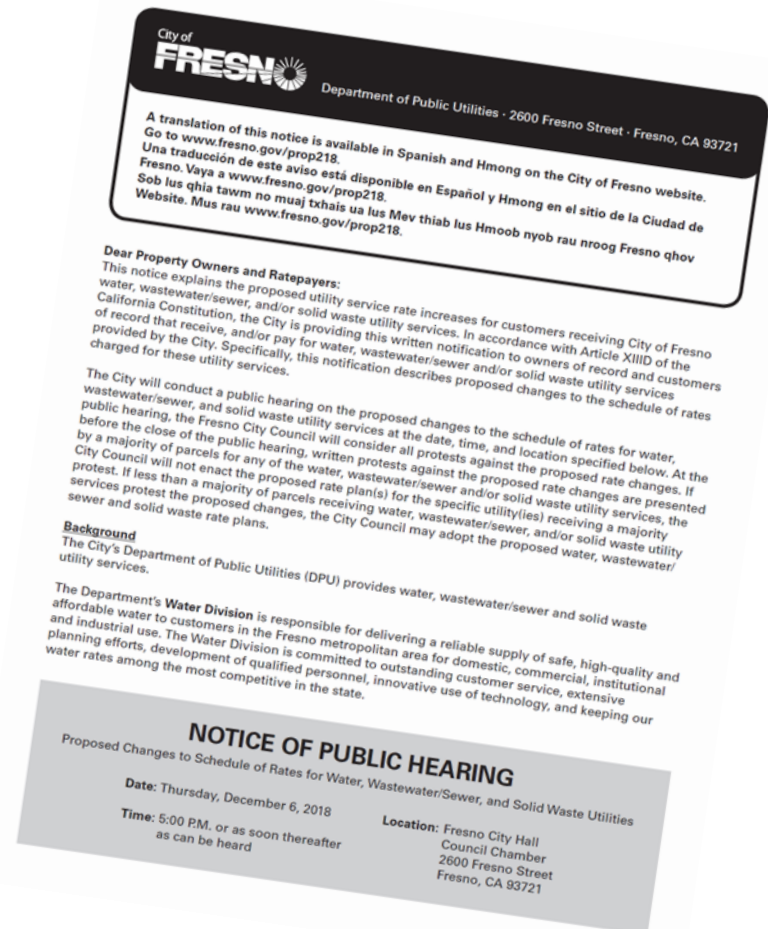
Proposition 218

The image features a blue-tinted aerial photograph of a city skyline. The text 'Proposition 218' is centered in white. At the bottom, there is a green silhouette of a city skyline.

Proposition 218 Requirements

Legal Requirements:

- Complete Rate Studies
- Initiate Prop 218 Process
- Provide Notice and Protest Cards to Owners and Tenants
- Hold Public Hearings (more than 45 days after mailing notice)
- Tabulate Protests
- Council to consider Revised Rates
- Implement Revised Rates



Proposition 218 Public Outreach Strategy

Educate and inform customers and property owners:

- To understand why rates are vital
- To understand how rates are used
- To give adequate timing for customers to adjust household budgets

Comprehensive outreach plan and approach

- Public meetings during the 45-day waiting period
- Presentations to community groups
- Informational materials available in multiple formats and languages
- Media outreach

The image features a blue-tinted aerial photograph of a city skyline. The buildings are rendered in shades of blue and white. At the bottom of the image, there is a solid green silhouette of the city's skyline. The text 'Rate History and Packaging' is centered in the upper half of the image in a white, bold, sans-serif font.

Rate History and Packaging

Rate History

Water

- Previous rate package approved in 2015 with last increase in July 2018
- Previous rates covered Recharge Fresno Program
 - New infrastructure maximizes surface water use to balance water portfolio
 - Fulfilled promises to ratepayers
 - Projects completed on time and on budget

Wastewater

- Last rate increase implemented in September 2010

Solid Waste

- Last rate increase implemented in September 2009

Rate Packaging

Why all three rates at once?

- **Cost Savings**

- Printing and mailing costs
- Tabulation costs
- Rate study costs
- Staff and consultant resources

- **Reduced Customer Burden**

- Avoid confusion due to multiple rate updates and mailings
- Create consistent schedule for all three services
- Allows customer to appropriately budget for all rates at once, rather than having to re-evaluate budgets multiple times

Timing and Schedule

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Why Now?

- We must continue to invest in infrastructure and services to:
 - Ensure sustainable growth, enhanced livability and a reliable, resilient future
 - Meet Federal and State regulations
- Much of Fresno's water and wastewater infrastructure is at a critical juncture
- Delaying important investments will be more expensive later on
- Operation costs continue to increase over time, while revenues remain stagnant
- A community without efficient and sustainable utilities is at risk

Timing for Proposition 218 Process

Taking action now allows for:

- Adequate time and flexibility to implement proposed rates on July 1, 2019
- Billing system reprogramming for new water, wastewater, and solid waste rates
- Implementation of Utility Affordability Credit Program
- Capital Improvement Projects budgeting
- **Outreach to customers so they are fully informed and prepared for rates**



Proposed Schedule

- **Feb. 14, 2019** – Council action to authorize Proposition 218 process
- **March 11, 2019** – Mail Proposition 218 notices to property owners and ratepayers
- **Late March-Early April** – Public outreach meeting(s)
- **April 25, 2019** – Proposition 218 public hearing and Council action
- **July 1, 2019** – New rates become effective



City of

FRESNO

