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Agenda Item: ID#15-123 (5:30 P.M.)

Date: 2/26/15

CITY CLERK, FRESNO, CA

FRESNO CITY COUNCIL



Supplemental Information Packet

Agenda Related Items – ID#15-123 (5:30 P.M.)

Contents of Supplement: Document submitted to the Clerk's Office by a constituent

Item(s)

Document submitted by a constituent relating to the actions pertaining to adopting a five year plan for water rates, pursuant to proposition

Supplemental Information:

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

Americans with Disabilities Act (ADA):

The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Requests for additional accommodations for the disabled, sign language interpreters, assistive listening devices, or translators should be made one week prior to the meeting. Please call City Clerk's Office at 621-7650. Please keep the doorways, aisles and wheelchair seating areas open and accessible. If you need assistance with seating because of a disability, please see Security.

(Submitted by Don Winton) file # 15-123

Fresno Sole Source Aquifer Designated Area

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CITY CLERK, FRESNO, CA

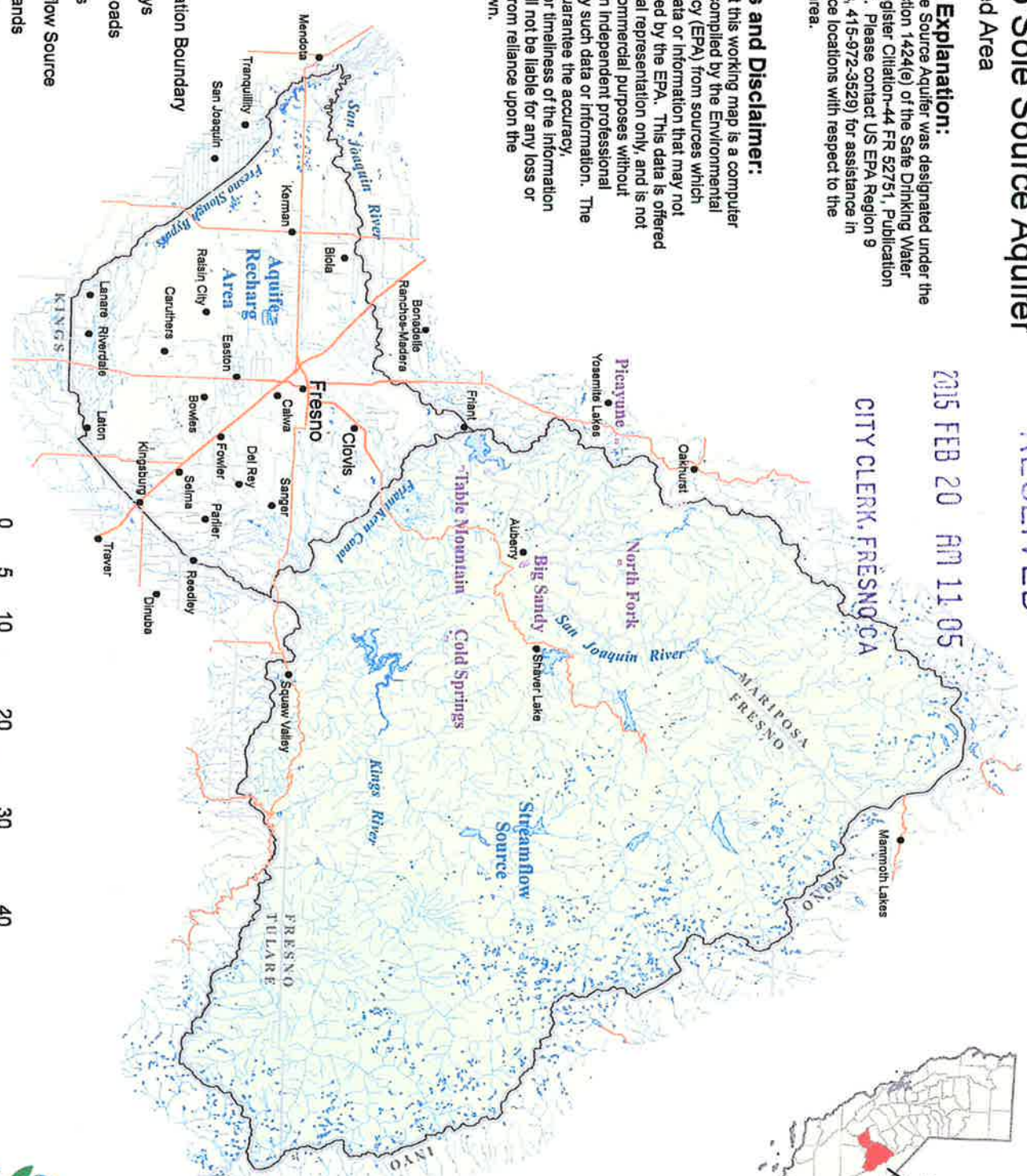
2/26/15 CALIFORNIA

Notes and Explanation:
The Fresno Sole Source Aquifer was designated under the authority of Section 1424(e) of the Safe Drinking Water Act, Federal Register Citation-44 FR 52751, Publication Date - 09/10/79. Please contact US EPA Region 9 (Jameilya Curtis, 415-972-3529) for assistance in determining place locations with respect to the project review area.

Map Status and Disclaimer:

Please note that this working map is a computer representation compiled by the Environmental Protection Agency (EPA) from sources which have supplied data or information that may not have been verified by the EPA. This data is offered here as a general representation only, and is not to be used for commercial purposes without verification by an independent professional qualified to verify such data or information. The EPA does not guarantee the accuracy, completeness, or timeliness of the information shown, and shall not be liable for any loss or injury resulting from reliance upon the information shown.

- Legend**
-  Designation Boundary
 -  Highways
 -  Major Roads
 -  Streams
 -  Streamflow Source
 -  Tribal Lands
 -  Cities, Towns



2. Introduction and Background

Section 2.1: Introduction and Background

Fresno is the fifth largest city in California and the thirty-fifth largest in the nation; with a projected growth rate of 1.9% annually. The population of Fresno is expected to be approximately 790,000 by 2025. Accommodating current demand and future growth is a significant challenge for the City and DPU.

DPU is responsible for the provision of water, wastewater, sewer, community sanitation, and solid waste services within the city limits and unincorporated county land within the Fresno Metropolitan Area. The DPU is comprised of the following operating divisions: Community Sanitation, Water, Solid Waste Management, and Wastewater/Sewer Management, in addition to an Administration Division.

Information describing the UAC Mission and Guiding Principles, UAC Decision Rule, and Overall Policy Recommendations can be found in Appendix B.

Section 2.2: Utility Rate Recommendations

DPU staff worked closely with professional utility rate consultants to develop detailed rate studies and rate models that included multi-year financial projections of relevant costs and the resulting revenue requirements. The utility rate consultants and DPU staff have used a rate setting approach based on industry best management practices.

Utility Bill for all Services	Current Rates 2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	5-Year Average
Typical Monthly Single Family Residential Utility Bill*	\$ 84.78	\$ 89.04	\$ 93.55	\$ 95.09	\$ 96.73	\$ 98.50	
Average Change per Month		\$ 4.26	\$ 4.51	\$ 1.54	\$ 1.64	\$ 1.77	\$ 2.74
% Change		5.0%	5.1%	1.6%	1.7%	1.8%	
							5-Year Avg. = 3.1%

*Assumes flat un-metered 8,000 square foot lot and is comparable to the average metered home

Division	Rate Recommendation
Water	+9% Annual average revenue increase over 5 years
Wastewater Management Division	+2.65% Annual average over 5 years commercial rate +2.5% Annual average over 5 years residential rate
Solid Waste Division	Residential Service: -3% (-15% decrease over 5 years) Commercial Service: - 4% FY12, +2% each year after *Multi-family service:+10.9% FY12, +2% each year after
Community Sanitation	**0% adjustment

**Represents a Prop 218 required equity adjustment of Commercial/Multi-Family Rates.*

*** An adjustment to community sanitation rates is not a part of the 218 process. The UAC is therefore not making a recommendation on community sanitation rates.*

After lengthy analysis and deliberation the UAC approved the following 5-year rate plan recommendation, subject to annual review.

Section 2.3: Conclusion

UAC members were diligent in their study and deliberations and made every effort to ground their discussions in fact, rational analysis and good business practices and a heightened sensitivity to the current economic conditions.

Public outreach was done to include participation from members of the public during this extensive process. Each UAC meeting was publicly noticed at City Hall as required by the CA Brown Act and all meeting notices and agendas were also posted on the City's Web site and on the National Public Radio community calendar. Additionally, all meeting announcements were submitted to the Fresno Bee for inclusion in their Community Brief Section which provided for public input.

The recommendations contained in this report are the result of many hours of careful analysis, consideration of alternative compromises and ultimately meet the required guiding principles as outlined in the Council Resolution which reestablished the current UAC. The following table provides an overview of the impact on a typical total utility bill.

Department of Public Utilities
Proposed Monthly Single Family Residential Rates
UAC Recommended Option 1 - Partial Metro Compliant Compromise

		Current Rates		Proposed 5-Year Rate Plan				5-Year
		FY11	FY12	FY13	FY14	FY15	FY16	Annual Avg
UAC Option 1 *								
Water	\$ Rate	\$27.43	\$31.81	\$36.40	\$37.98	\$39.62	\$41.35	
(Flat Un-Metered)	\$ Increase		\$4.38	\$4.59	\$1.58	\$1.64	\$1.73	\$2.78
Using 8,000 sq ft lot size	% Increase		16.0%	14.4%	4.3%	4.3%	4.4%	
Wastewater/Sewer	\$ Rate	\$25.75	\$26.39	\$27.05	\$27.73	\$28.42	\$29.13	
	\$ Increase		\$0.64	\$0.66	\$0.68	\$0.69	\$0.71	\$0.69
	% Increase		2.5%	2.5%	2.5%	2.5%	2.5%	
Solid Waste	\$ Rate	\$25.37	\$24.61	\$23.87	\$23.15	\$22.46	\$21.79	
	\$ Decrease		-\$0.76	-\$0.74	-\$0.72	-\$0.69	-\$0.67	-\$0.72
	% Decrease		-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	
Community Sanitation	\$ Rate	\$6.23	\$6.23	\$6.23	\$6.23	\$6.23	\$6.23	
	\$ Decrease		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	% Decrease		0.0%	0.0%	0.0%	0.0%	0.0%	
Typical Monthly Residential Utility E		\$84.78	\$89.04	\$93.55	\$95.09	\$96.73	\$98.50	
	\$ Change per month		\$4.28	\$4.51	\$1.54	\$1.64	\$1.77	\$2.74
	% Change		5.0%	5.1%	1.6%	1.7%	1.8%	
						5-Year Annual Avg		3.1%

3. Division Recommendations

Section 3.1: Water

After review and in-depth discussion of several options, the UAC voted to recommend a rate plan ("Option 1") which moves the Division toward substantial compliance with the Metro Plan and the Urban Water Management Plan. This will mean an average overall revenue increase for the Water Division of 9% per year, providing for additional surface water treatment and distribution infrastructure to reduce the reliance on groundwater, as well as providing for a proactive city-wide pipeline replacement program to deal with the aging distribution system.

Water	Current Budget 2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Overall Revenue Increase %		9%	9%	9%	9%	9%
Residential Rate Increase %		16.0%	14.4%	4.3%	4.3%	4.4%
Monthly Single Family Charge*	\$27.43	\$31.81	\$36.40	\$37.98	\$39.62	\$41.35
Monthly Increase \$		\$4.38	\$4.59	\$1.58	\$1.64	\$1.73

*Assumes flat un-metered 8,000 square foot lot and is comparable to the average metered home

In addition, this rate recommendation provides for the following:

- Reduces the continued negative impact on the groundwater table;
- Provides incentive for conservation through cultural landscaping and irrigation technology improvements;
- Reduces power and energy costs for the pumping of ground water;
- Begins a process of repairing and replacing our water distribution infrastructure, especially in areas with aging pipelines;
- Mitigates the threat of loss of ground water production in Southeast Fresno through implementation of Maximum Contaminant Levels (MCL) for TCP and loss of up to 31 wells by providing an alternative water source with surface water;
- Reduces overdrafting and allows the City to get on track to comply with Metro Plan goals by 2025; This plan will move DPU toward qualification for more favorable interest rates and government grant programs.

The responsibility for infrastructure maintenance is a huge cost of the Water Division's operations and largely goes unaddressed. Pipelines that are hidden and out of sight make a hard sell when it comes to allocating funds; however, with over 30% of our 1,700 miles of water delivery infrastructure exceeding 50 years in age, it would be irresponsible not to allocate funds and begin a process of replacing the oldest structures which have reached or exceeded their lifetime expectancy.

One other option the UAC considered ("Option 2") did not address the need for proactive infrastructure replacement, leaving the Division open to increasing risk of potential catastrophic failure, nor does it address the continued overdrafting of groundwater and the potential loss of 31 wells due to TCP contaminants. The committee agreed that this would be a shortsighted and irresponsible approach.

Another option ("Option 3") best addresses most of the needs, would allow us to come into full compliance with the Metro Plan, and would bring our rates up to a level that would make Fresno eligible for state grants and zero interest loan programs, but was deemed to be cost prohibitive. Although it would only result in an average annual utility bill increase of 7.8% a year for the typical Fresno household, it also meant an average annual increase of 19.6% for the water portion of the bill. In these difficult economic times, it was agreed that this approach although prudent may not provide for the best timing.

WATER FUND RATE INCREASE SCENARIOS						
OVERALL REVENUE INCREASES FY12 – FY16						
Represents the typical single family home						
	FY12	FY13	FY14	FY15	FY16	Average
Option 1 – Metro Plan w/\$8M Annual Pipeline Replacement	15%	15%	5%	5%	5%	9%
Option 2 – Current Budget, No Metro Plan	2%	2%	2%	2%	2%	2%
Option 3 – Metro Plan w/\$19M Avg Annual Pipeline Replacement	23%	23%	23%	10%	3%	16%

The UAC, therefore, voted for Option 1 as a responsible and equitable compromise. Additional insight about how the City of Fresno water rates compare to other California cities was also considered by the UAC. A comparison of monthly water charges is illustrated in the graph below.