

Agenda Item: ID#18-1157 (3-D)

Date: 10/11/18

FRESNO CITY COUNCIL



REC'D OCT 10 '18 PM 12:54
FRESNO CITY CLERK

Supplemental Information Packet

Agenda Related Item(s) – ID#18-1157 (3-D)

Contents of Supplement: PowerPoint Presentation

Item(s)

Actions related to initiating the Proposition 218 process for proposed changes to the schedule of rates for water, wastewater and solid waste services:

1. Direct City staff to initiate the Proposition 218 process for proposed changes to rates for water, wastewater and solid waste services, and
2. Set public hearings regarding proposed changes to rates for water, wastewater, and solid waste services to December 6, 2018, at 5:00 p.m.

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.

Recommendations for Public Utilities Rate Plans

City of



October 11, 2018

Presentation Summary

- Rate Plan Objectives
- Overview of Water, Wastewater, and Solid Waste Rates
- Single Family Rates, Utility Affordability Credit Program and DPU Facility
- Rate Breakdown and Comparison
- Timing and Schedule
- Recommendations



Water



Wastewater



Solid Waste

Rate Plan Objectives (Fiscal Year 2020-2024)

- Safe and reliable water, wastewater, and solid waste services to ensure community health and safety
- Five-year schedules of rates for water, wastewater, and solid waste services to cover forecasted capital costs, operations and maintenance costs and debt service, and maintain adequate fund reserves
- Comply with California Constitution Article XIII-D by establishing rates that recover the actual costs associated with the level, quality, and quantity of service delivered to system users



Water Rate Plan



Proposed Water Rates

2020 Rate Plan based on:

- Adequately funding O&M activities to meet current customer needs and comply with state and federal requirements
- Replacing and rehabilitating aging infrastructure and facilities
- Continuing to fund debt service costs and meet debt service obligations
- Ensuring adequate fund reserves for emergencies, drought and economic downturns

No increase in rates until **July 1, 2020**



New State Regulations

1,2,3-Trichloropropane (TCP)

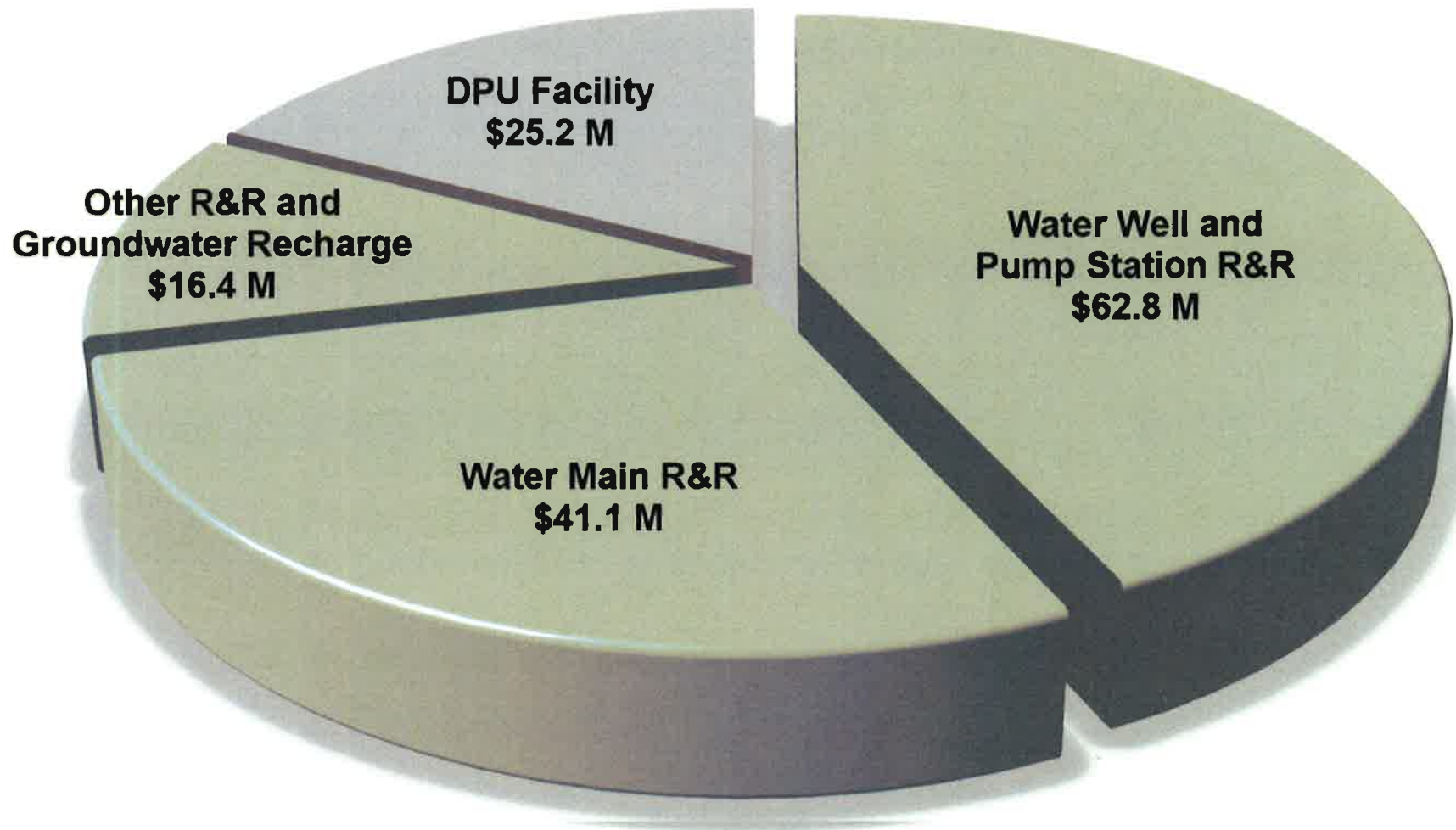
- Maximum contaminant level (MCL) of 5 parts per trillion set by State for TCP effective January 1, 2018
- 13 wells already removed from service and TCP identified in another 47 of the City's active and standby wells

SB 606 and AB 1668

- Approved May 31, 2018 which support making "Water Conservation a California Way of Life"
- Water use projections for FY 2020-2024 based on projected impacts of new conservation regulations



FY 2020-24 Water Capital Plan \$145.5 M



Wastewater Rate Plan



Proposed Wastewater Rates

In FY2020:

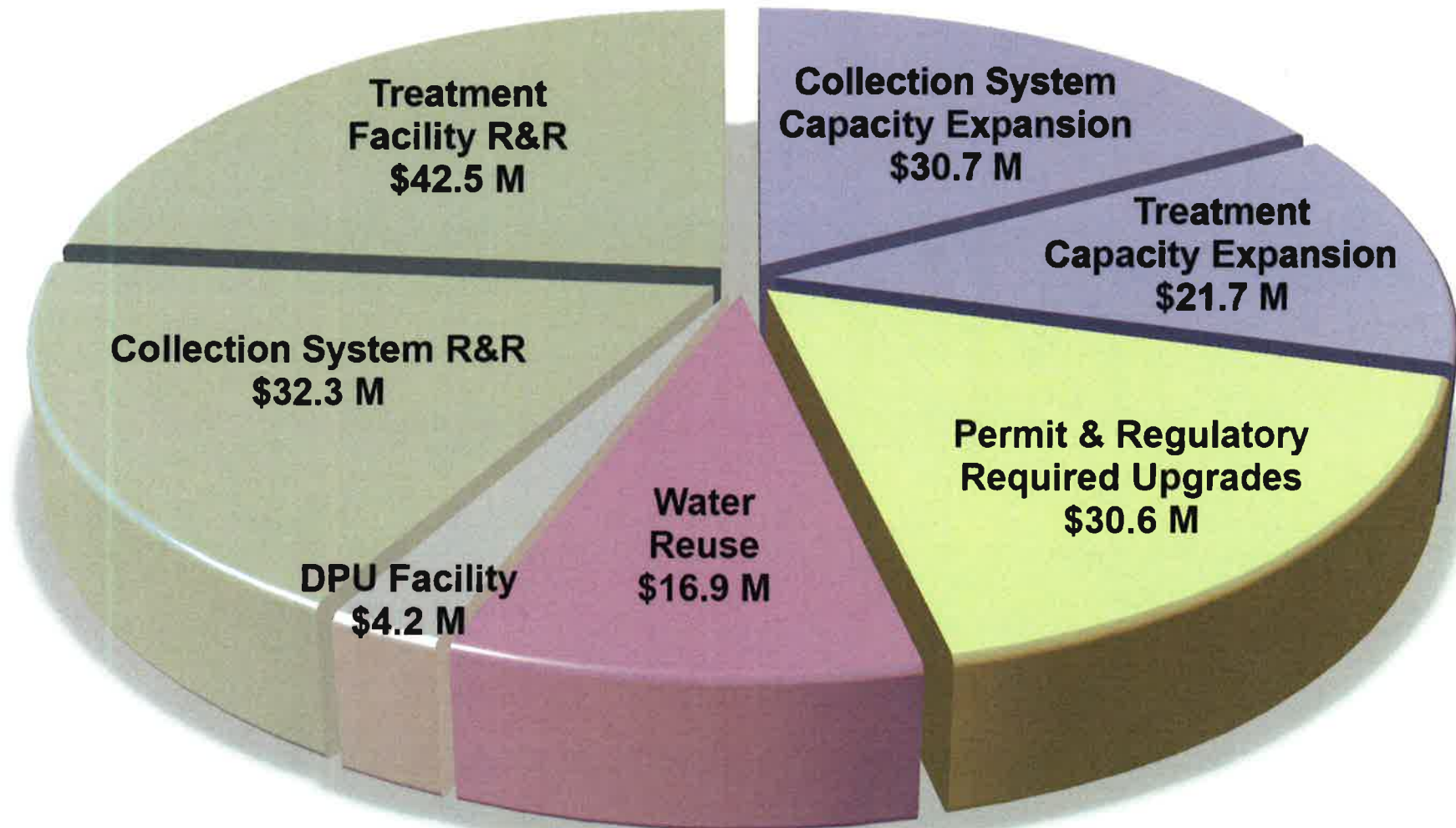
- Cost allocation adjusted among customer classes based on current wastewater system use
- No increase in total revenue generated

FY2021 through FY2024 rate plan based on:

- Increased operational costs since the last rate increase in September 2010, including rising electricity costs, rising biosolids hauling costs, and increased labor costs
- Funding required for utility repair, replacement, and upgrade costs
- Funding required to comply with state and federal regulatory requirements



FY 2020-24 Wastewater Capital Plan \$178.9 M



Solid Waste Rate Plan



Proposed Solid Waste Rates (Residential Only)

Proposed changes reflect cost of providing service to each customer based on 96-gallon and/or 64-gallon container service

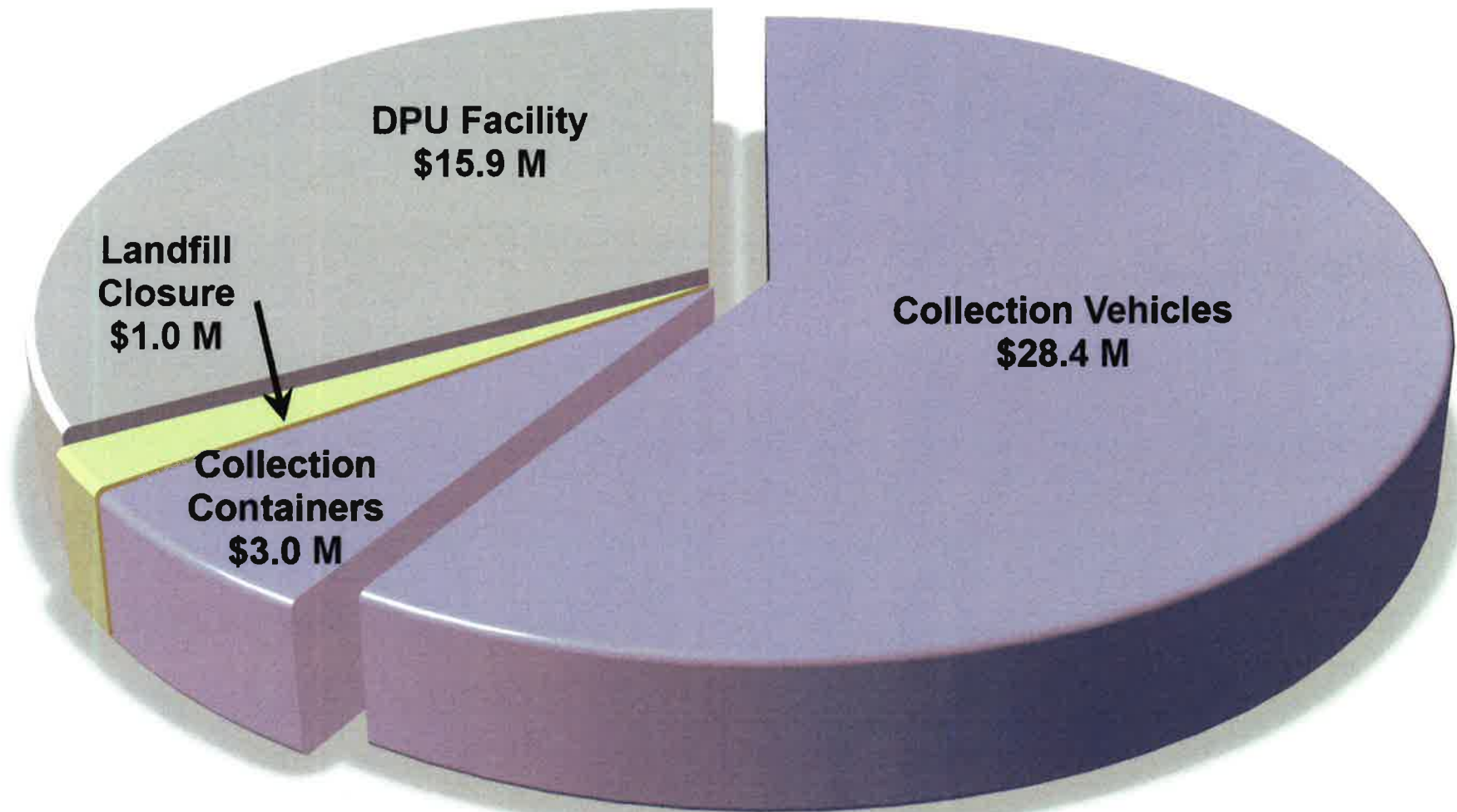
FY2020 through FY2024 rate plan based on:

- Increased operational costs since the last rate increase in September 2009, including:
 - Rising costs in maintaining and replacing collection vehicles
 - Fuel
 - Tipping fees
 - Labor
 - Collection containers
 - Landfill operating and capital post closure costs



FY 2020-24 Solid Waste Capital Plan

\$48.3 M



Single Family Rates

**Utility Affordability
Credit Program**

Proposed DPU Facility

Proposed Single Family Rates

Single Family	Water 			Wastewater 			Solid Waste 			Total - \$4/Day		
	Monthly Bill	\$ Change Per Month	% Change Per Month	Monthly Bill	\$ Change Per Month	% Change Per Month	Monthly Bill	\$ Change Per Month	% Change Per Month	Monthly Bill	\$ Change Per Month	% Change Per Month
(Current)	\$ 45.74			\$ 25.75			\$ 25.37			\$ 96.86		
FY20	\$ 45.74	\$ -	0.0%	\$ 24.55	\$ (1.20)	-4.7%	\$ 26.44	\$ 1.07	4.2%	\$ 96.73	\$ (0.13)	-0.1%
FY21	\$ 48.54	\$ 2.80	6.1%	\$ 24.80	\$ 0.25	1.0%	\$ 29.08	\$ 2.64	10.0%	\$ 102.42	\$ 5.69	5.9%
FY22	\$ 51.78	\$ 3.24	6.7%	\$ 25.05	\$ 0.25	1.0%	\$ 31.84	\$ 2.76	9.5%	\$ 108.67	\$ 6.25	6.1%
FY23	\$ 55.18	\$ 3.40	6.6%	\$ 25.30	\$ 0.25	1.0%	\$ 33.91	\$ 2.07	6.5%	\$ 114.39	\$ 5.72	5.3%
FY24	\$ 58.94	\$ 3.76	6.8%	\$ 25.50	\$ 0.20	1.0%	\$ 33.91	\$ -	0.0%	\$ 118.35	\$ 3.96	3.5%

Costs are based upon an average single family residential ratepayer having:

- Annual average water consumption of 16 hundred cubic feet (HCF) per month (11,968 gallons per month)
- Monthly wastewater service
- 96 gallon waste, recycling, and green waste containers

Proposed Utility Affordability Credit Program (ACP)

- Expands the Water ACP to include wastewater and 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 that will replace outgoing Senior Discounts
- Requires approval of a resolution to establish the Utility ACP effective July 1, 2019

Current schedule allows for outreach to eligible customers



Proposed DPU Facility

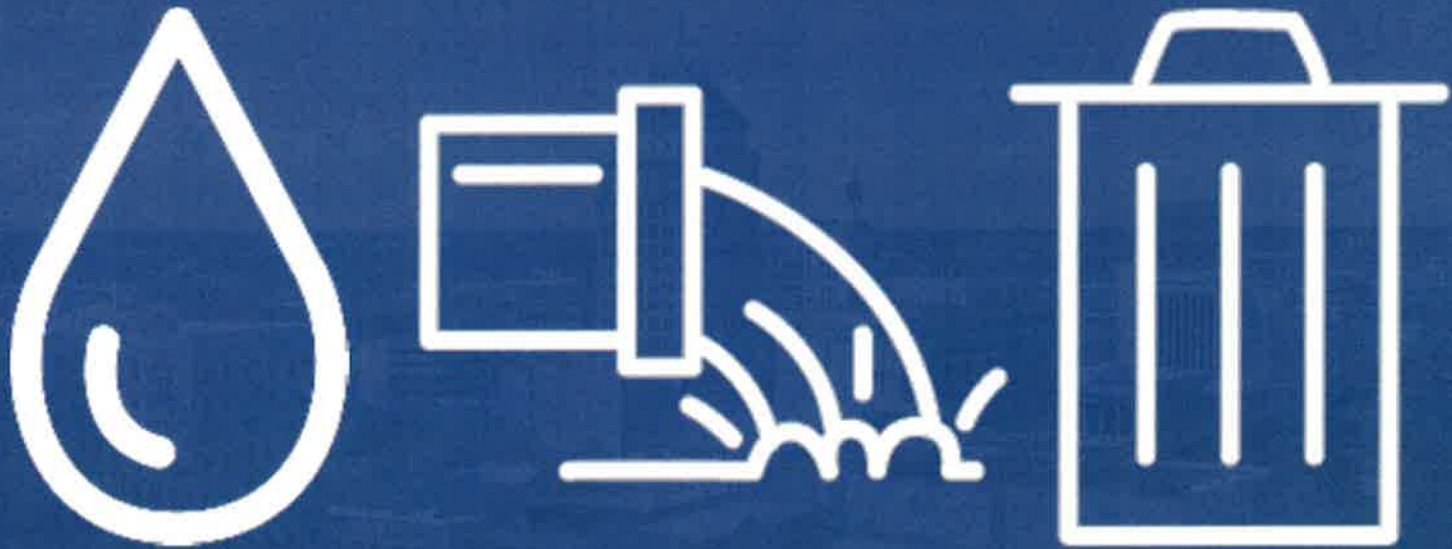
- Water Division has operated from University Avenue facility since 1950s
- Solid Waste has operated at MSC since 1970s
- Both facilities have outlived useful lives, impacting ability to service customers
- March 2018, Council authorized analysis of relocating divisions and fleets
- Analysis includes reutilization of space for remaining MSC tenants

Recommendation

- City-owned SESWTF site would contain administrative, operations, warehouse, storage and staff facilities, and fleet vehicle and equipment parking areas
- Fleet maintenance facility would be constructed to support Water, Solid Waste Management, and Wastewater Management Divisions

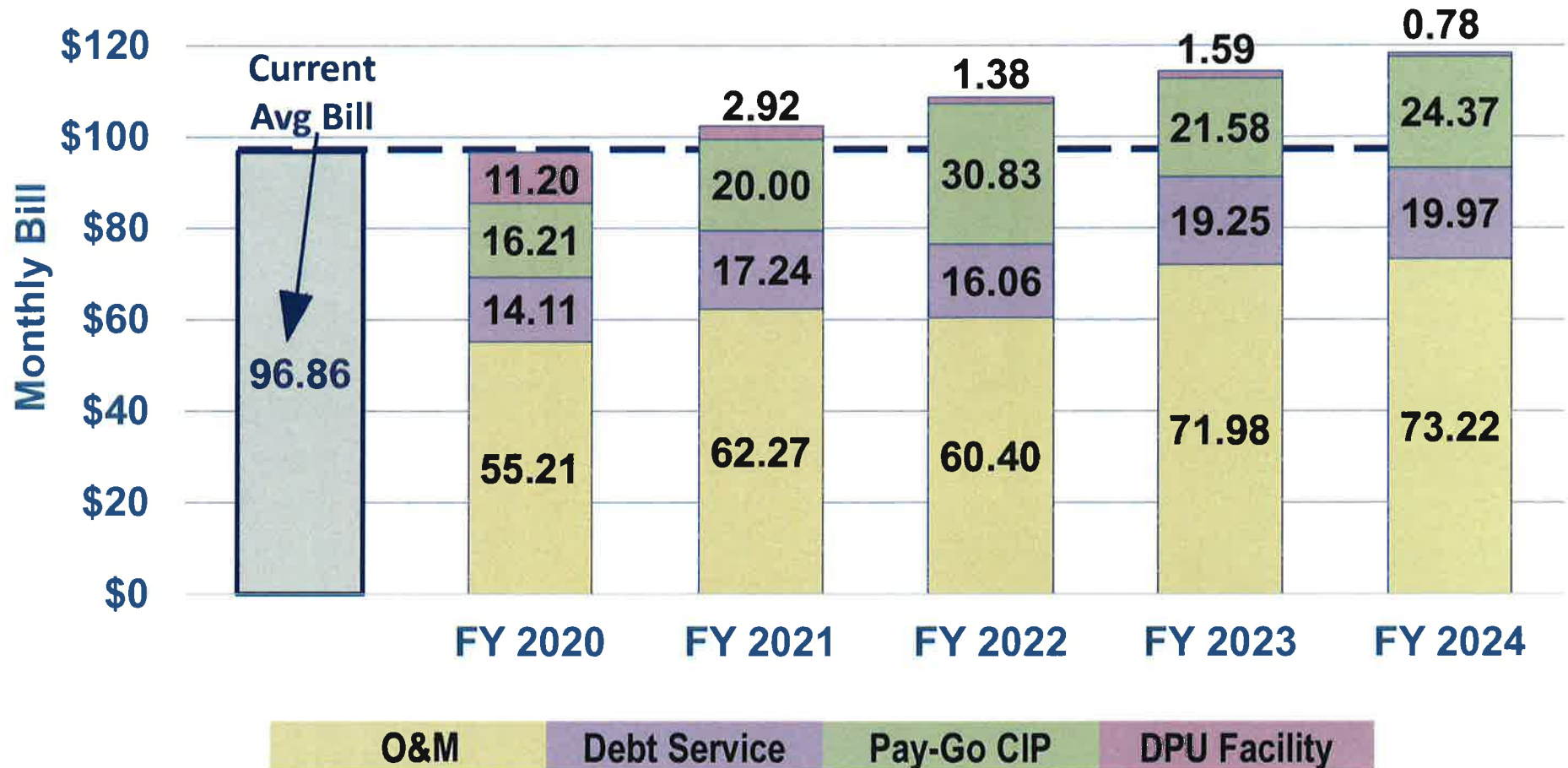


Rate Breakdown and Comparisons



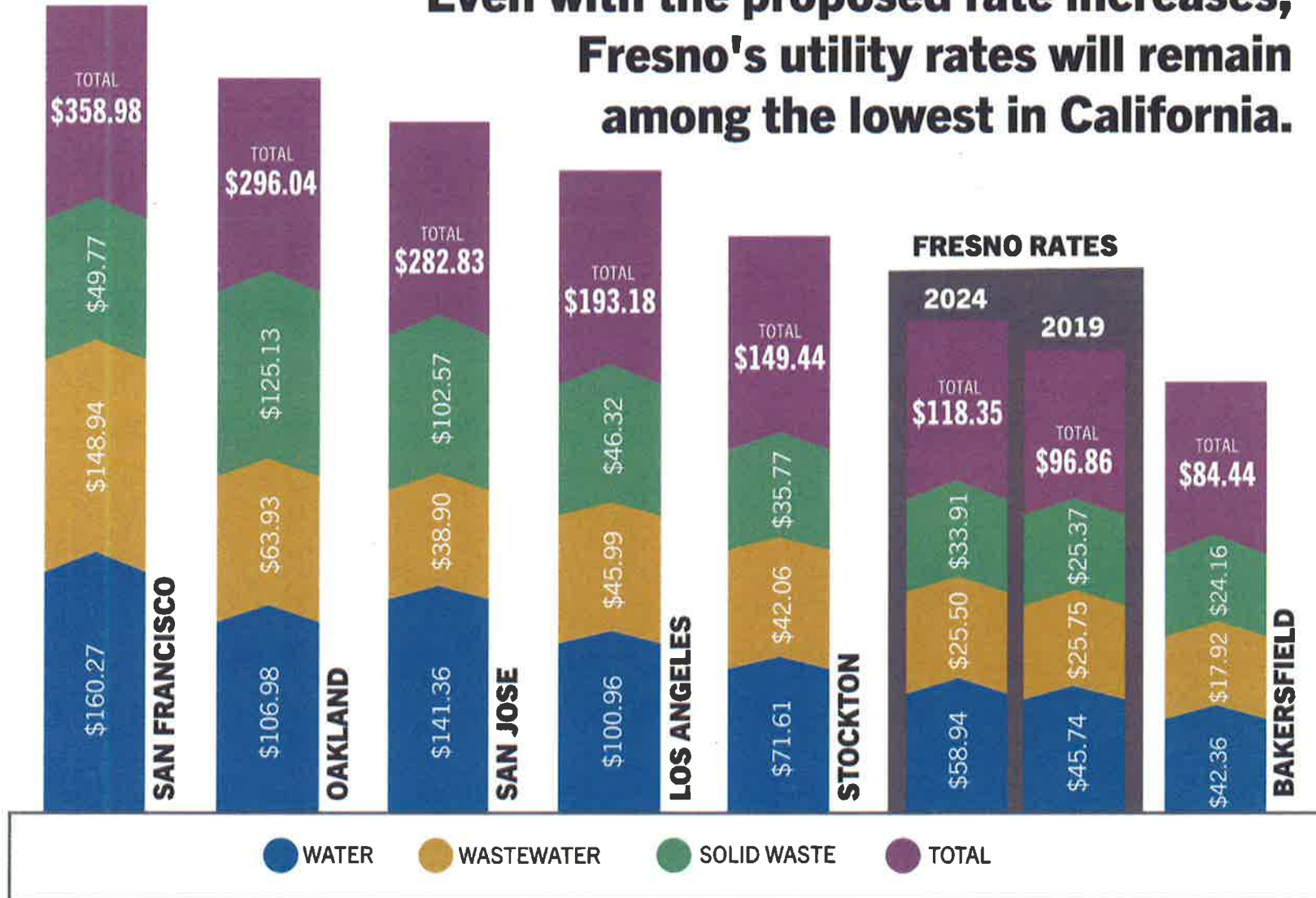
How Rates are Invested

	Current	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total	\$ 96.86	\$ 96.73	\$ 102.42	\$ 108.67	\$ 114.39	\$ 118.35

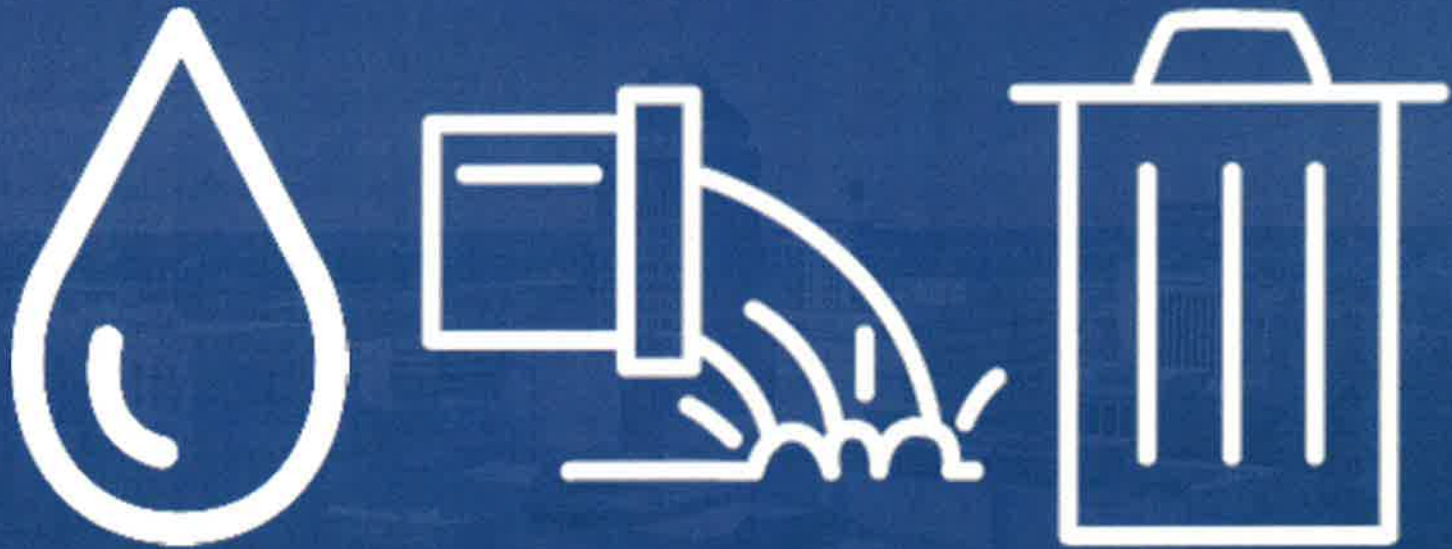


Utility Rates Comparison

Even with the proposed rate increases, Fresno's utility rates will remain among the lowest in California.



Timing and Schedule



Timing of Proposition 218

Taking action now allows for:

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



Proposed Schedule

- **October 11, 2018** – Council action to authorize Proposition 218 process
- **October 22, 2018** – Mail Proposition 218 notices to property owners and ratepayers
- **December 6, 2018** – Proposition 218 public hearing and Council action
- **July 1, 2019** – New rates become effective



Recommendations

- Direct staff to initiate **Proposition 218 Process** for 5-year rate plans for Water, Wastewater and Solid Waste services effective July 1, 2019
- Set public hearings regarding proposed rate changes for Dec. 6, 2018
- Adopt resolution expanding Affordability Credit Program on Dec. 6, 2018



City of

FRESNO 

