

City of



Department of Public Utilities · 2600 Fresno Street · Fresno, CA 93721

A translation of this notice is available in Spanish and Hmong on the City of Fresno website. Go to www.fresno.gov/prop218.

Una traducción de este aviso está disponible en Español y Hmong en el sitio de la Ciudad de Fresno. Vaya a www.fresno.gov/prop218.

Sob lus qhia tawm no muaj txhais ua lus Mev thiab lus Hmoob nyob rau nroog Fresno qhov Website. Mus rau www.fresno.gov/prop218.

Dear Property Owners and Ratepayers:

This notice explains the proposed utility service rate increases for customers receiving City of Fresno water, wastewater/sewer, and/or solid waste utility services. In accordance with Article XIID of the California Constitution, the City is providing this written notification to owners of record and customers of record that receive, and/or pay for water, wastewater/sewer and/or solid waste utility services provided by the City. Specifically, this notification describes proposed changes to the schedule of rates charged for these utility services.

The City will conduct a public hearing on the proposed changes to the schedule of rates for water, wastewater/sewer, and solid waste utility services at the date, time, and location specified below. At the public hearing, the Fresno City Council will consider all protests against the proposed rate changes. If before the close of the public hearing, written protests against the proposed rate changes are presented by a majority of parcels for any of the water, wastewater/sewer and/or solid waste utility services, the City Council will not enact the proposed rate plan(s) for the specific utility(ies) receiving a majority protest. If less than a majority of parcels receiving water, wastewater/sewer, and/or solid waste utility services protest the proposed changes, the City Council may adopt the proposed water, wastewater/sewer and solid waste rate plans.

Background

The City's Department of Public Utilities (DPU) provides water, wastewater/sewer and solid waste utility services.

The Department's **Water Division** is responsible for delivering a reliable supply of safe, high-quality and affordable water to customers in the Fresno metropolitan area for domestic, commercial, institutional and industrial use. The Water Division is committed to outstanding customer service, extensive planning efforts, development of qualified personnel, innovative use of technology, and keeping our water rates among the most competitive in the state.

NOTICE OF PUBLIC HEARING

Proposed Changes to Schedule of Rates for Water, Wastewater/Sewer, and Solid Waste Utilities

Date: Thursday, December 6, 2018

Time: 5:00 P.M. or as soon thereafter
as can be heard

Location: Fresno City Hall
Council Chamber
2600 Fresno Street
Fresno, CA 93721

More than 39.5 billion gallons of water that meet state and federal drinking water standards were delivered in 2017 through approximately 1,800 miles of water mains. This consisted of 34.4 billion gallons of groundwater pumped from nearly 250 wells and 5.1 billion gallons of treated surface water from the Northeast Surface Water Treatment Facility (at Behymer and Chestnut avenues) and the T3 Storage Tank and Water Treatment Plant (at Dakota and Armstrong avenues). Overall, this was an average delivery of 107.9 million gallons each day (MGD).

Our future water supply is assured through the purchase and utilization of surface water allocations from the U.S. Bureau of Reclamation at Friant Dam and the Fresno Irrigation District from the Kings River, and from the City's active, successful conservation program. In addition, major citywide capital improvement program efforts are underway to complete the goals of Recharge Fresno by 2019, which includes the construction of an 80 MGD Southeast Surface Water Treatment Facility (Olive and Fowler), installation of regional and local water transmission grid mains and raw water supply pipelines from the Friant Kern Canal and Kings River.

The Department's **Wastewater Management Division** treats on average 57 MGD of wastewater. The Wastewater Management Division maintains over 1,600 miles of sanitary sewer lines, 24,000 manholes and 15 lift stations. The Wastewater Management Division inspects, cleans and performs repairs daily on the sewer lines, keeping them free of obstructions and debris to avoid sanitary sewer overflows and meet collection system permit requirements. The sewer system conveys the wastewater generated by single-family residential, multi-family residential, commercial, institutional and industrial customers to the treatment facility located in southwest Fresno. Regular tests to monitor the wastewater that enters and leaves the treatment facility are conducted to ensure that federal and state regulations and the treatment facility's permit requirements are met. Through the efficient and innovative operation and maintenance of the wastewater treatment, reclamation and recycled water facilities and the collection system infrastructure, the Wastewater Management Division provides safe and reliable service to customers, protecting public health while also meeting ecological needs.

The Department's **Solid Waste Management Division** is responsible for the collection of municipal solid waste, recyclables, greenwaste and operation clean-up for over 112,000 residential customers, including the Landfill post closure monitoring and maintenance, oversight of litter collection, and addressing customer service needs throughout a service area of 103 square miles. The Solid Waste Management Division has a fleet of over 100 trash and support service vehicles, with 96 Sanitation Operators traveling nearly 1.1 million miles and making over 17 million stops to collect over 239,000 tons of refuse and recyclables every year. Through an active zero waste plan, as much as 74% of materials are successfully diverted away from landfill. Recycling operations include E-Waste events, Shred Events, National Night Out parties, and larger events such as the Fresno Home and Garden Show and Fresno Fair. The solid waste operation also includes support for the police department's homeless task force from 6:00 a.m. to midnight, seven days per week. Through all of these efforts and future planned projects, the Solid Waste Management Division provides cost effective, efficient, city sanitation services.

Reasons for the Proposed Changes

To continue providing reliable water, wastewater/sewer, and solid waste utility services to our customers, rate adjustments and increases are needed.

According to independent utility rate surveys, the City's current utility rates are among the lowest in the state. Even after the proposed rate increases, Fresno's rates will still be among the lowest utility rates in the state.

The **Water Division's** proposed water rate changes cover the five-year period from FY20 through FY24 and are based on addressing the following updated revenue requirements:

1. Adequately fund increased operations and maintenance costs to meet current customer needs and to comply with state and federal regulatory requirements. Projected operation and maintenance

cost increases include power to operate facilities, chemicals for water treatment, parts and services, and personnel costs.

2. Continue to meet debt service obligations.
3. Ensure adequate fund reserves for emergencies, natural disasters, drought conditions and economic downturns.
4. Replace and upgrade aging infrastructure. A significant portion of water pipelines and pump stations are near the end of their useful operating lives and require upgrades to continue to meet the needs of customers. The proposed capital improvement plan totals \$145.5 million in pay-go funding over a five-year period spanning FY20 to FY24 and includes the following categories of projects:
 - a. Water main renewals = \$62.8 million (43%)
 - b. Water wells and pumps = \$41.1 million (28%)
 - c. DPU Admin & Maintenance Facility = \$25.2 million (18%)
 - d. Supervisory Control and Data Acquisition (SCADA), recharge basins, all other facility improvements = \$16.4 million (11%)

The proposed changes to the water rates are necessary to fund these increased costs of service. No changes are proposed to the water rate structure. It will remain a uniform quantity charge with a fixed monthly meter service charge.

The **Wastewater Management Division's** proposed wastewater/sewer rate changes cover the five-year period from FY20 through FY24 and are necessary to meet projected expenditures for operating and maintenance costs of the collection system and the treatment and reclamation facilities, meet projected capital costs, support debt service obligations and provide for adequate fund reserves. The proposed changes for FY20 do not increase the total revenue generated, but instead adjusts cost allocation amongst customer classes based on their current use of the wastewater system. This will ensure that each customer class pays an equitable, proportionate share.

The proposed changes for FY21 through FY24 are based on increasing costs of service. These increasing costs include:

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

The proposed capital investment plan totals \$178.9 million over a five-year period spanning FY20 to FY24 and includes the following categories of projects:

1. Treatment facility rehabilitation and operations = \$42.5 million (24%)
2. Collection system/lift station rehabilitation and maintenance = \$32.3 million (18%)
3. Collection system capacity expansion/extension = \$30.7 million (17%)
4. Discharge permit/regulatory requirements = \$30.6 million (17%)
5. Treatment capacity expansion = \$21.7 million (12%)
6. Recycled water treatment and distribution = \$16.9 million (10%)
7. DPU Administration and Maintenance Facility = \$4.2 million (2%)

The proposed rate changes are necessary to fund these increased costs of service and the capital investment plan.

The **Solid Waste Management Division's** proposed solid waste rate changes for residential collection service cover the five-year period from FY20 through FY24 and are intended to maintain service levels while meeting projected expenditures on operating and capital expenses, supporting debt service obligations and maintaining necessary operating reserve requirements. The proposed rate changes reflect the cost of providing service to each customer based on 96-gallon container service and/or 64-gallon container service.

The rate increases are needed to cover increasing operational costs since the last increase in FY10 for solid waste services. The contributing factors include rising costs in collection vehicles, fuel and ongoing maintenance, tipping fees, labor, collection containers and landfill operating and capital post closure costs.

The proposed capital plan for FY20 through FY24 totals \$48.3 million and includes the following projects:

1. Collection Vehicles = \$28.4 million (59%)
2. DPU Administration and Maintenance Facility = \$15.9 million (33%)
3. Collection Containers = \$3.0 million (6%)
4. Landfill Closure = \$1.0 million (2%)

Basis for Calculating Proposed Changes

Independent rate consultants designed a five-year schedule of rates to recover the Department of Public Utilities' five-year forecast of capital, operations, and maintenance expenditures for water, wastewater/sewer and solid waste utility services. In developing the five-year schedule and proposed rate plans for the water, wastewater/sewer, and solid waste utility services, the City is complying with the California Constitution by establishing rates that recover the actual costs associated with the level, quality, and quantity of services delivered to individual users of the system.

The methodology used to develop both the recommended **water and wastewater/sewer rates** is based on guidance found in the American Water Works Association's Manual of Water Supply Practices M1, Principles of Water Rates, Fees, and Charges which states that "... a utility's full revenue requirements should be equitably recovered from classes of customers in proportion to the cost of serving those customers." This is very similar to the methodology used to develop recommended **solid waste rates** which is based on the principal that a utility's full revenue requirements should be equitably recovered from the customers in each service level in proportion to the cost of serving those customers. The rate studies involved three levels of analysis – the development of revenue required from rates, allocation of revenue requirements among functional (operational) cost categories (cost-of-service analysis) and design of a rate structure.

For water and wastewater/sewer rates, the allocation of revenue requirements was structured so that the revenue required from charges was distributed proportionally for each category of service in a manner that allows the development of unit costs. The rate structure uses the unit costs as a basis for aggregating costs into rates that are applicable to the various customer classes.

For solid waste rates, the revenue requirement was allocated so that revenue from rates for each service level (by material type) was sufficient to cover the costs of providing the services in total and by container size. The rate structure uses the costs by container size for each material type to provide rates that are proportionate for the customers in each customer class.

The findings and recommendations of the independent rate consultants are available for review by the public at www.fresno.gov/prop218.

How Do I Protest the Proposed Rate Increases?

In accordance with Article XIID, Section 6 of the California Constitution, the City of Fresno has enclosed a protest card with this notification that can be returned to the City in the provided prepaid reply envelope. Protest cards may also be hand-delivered to the City Clerk's Office until 5:00 P.M. on December 6, 2018, or submitted before the close of the public hearing. Only return the protest card if you **DO NOT** want Fresno City Council to enact the proposed changes to the schedule of rates for water, wastewater/sewer, and/or solid waste utility services. Only protest cards received before the close of the public hearing on **December 6, 2018**, will be counted. No emailed or faxed protest cards will be accepted.

Proposed Schedule of Rates for Water Service

Item	Recommended Five-Year Rate Plan				
	FY20	FY21	FY22	FY23	FY24
Water Quantity Charges, \$/HCF					
Potable Water Meters	\$1.74	\$1.94	\$2.08	\$2.23	\$2.39
Private Wells	\$0.218	\$0.26	\$0.27	\$0.28	\$0.29
Meter Charges, \$/month					
Domestic					
¾-inch	\$13.50	\$13.00	\$13.70	\$14.50	\$15.30
1.0-inch	\$17.90	\$17.50	\$18.50	\$19.50	\$20.70
1.5-inch	\$20.80	\$20.60	\$21.70	\$22.90	\$24.20
2.0-inch	\$35.30	\$35.70	\$37.70	\$39.70	\$42.10
3.0-inch	\$52.80	\$54.00	\$57.00	\$60.00	\$64.00
4.0-inch	\$79.00	\$82.00	\$86.00	\$91.00	\$96.00
6.0-inch	\$152.00	\$157.00	\$166.00	\$175.00	\$185.00
8.0-inch	\$705.00	\$732.00	\$773.00	\$815.00	\$863.00
10.0-inch	\$1,113.00	\$1,156.00	\$1,220.00	\$1,287.00	\$1,362.00
12.0-inch	\$1,462.00	\$1,520.00	\$1,603.00	\$1,691.00	\$1,790.00
Irrigation					
¾-inch	\$10.70	\$10.60	\$11.10	\$11.80	\$12.40
1.0-inch	\$13.40	\$13.70	\$14.40	\$15.20	\$16.10
1.5-inch	\$15.20	\$15.70	\$16.60	\$17.50	\$18.50
2.0-inch	\$24.10	\$26.00	\$27.40	\$28.90	\$30.60
3.0-inch	\$34.90	\$38.30	\$40.40	\$42.60	\$45.10
4.0-inch	\$51.00	\$57.00	\$60.00	\$64.00	\$67.00
6.0-inch	\$96.00	\$109.00	\$115.00	\$121.00	\$128.00
8.0-inch	\$436.00	\$499.00	\$527.00	\$556.00	\$588.00
10.0-inch	\$687.00	\$787.00	\$830.00	\$876.00	\$927.00
12.0-inch	\$901.00	\$1,034.00	\$1,091.00	\$1,150.00	\$1,218.00
Private Fire Protection Charges, \$/month					
Fire Service Connections					
1.0-inch	\$15.70	\$14.90	\$15.70	\$16.50	\$17.50
1.5-inch	\$15.70	\$14.90	\$15.70	\$16.50	\$17.50
2.0-inch	\$15.70	\$14.90	\$15.70	\$16.50	\$17.50
3.0-inch	\$15.70	\$14.90	\$15.70	\$16.50	\$17.50
4.0-inch	\$15.70	\$14.90	\$15.70	\$16.50	\$17.50
6.0-inch	\$45.60	\$43.30	\$45.60	\$48.00	\$50.70
8.0-inch	\$98.00	\$93.00	\$97.00	\$103.00	\$108.00
10.0-inch	\$175.00	\$166.00	\$175.00	\$184.00	\$195.00
12.0-inch	\$283.00	\$268.00	\$282.00	\$297.00	\$314.00
FY=Fiscal Year HCF=Hundred Cubic Feet					

Proposed Schedule of Rates for Wastewater/Sewer Service

Customer Class	Recommended Five-Year Rate Plan				
	FY20	FY21	FY22	FY23	FY24
Residential, \$ per month					
Single Family account	\$24.55	\$24.80	\$25.05	\$25.30	\$25.50
Multiple Family 1st Unit	\$16.70	\$17.10	\$17.55	\$17.95	\$18.40
Multiple Family Add'l Units	\$16.70	\$17.10	\$17.55	\$17.95	\$18.40
Commercial					
Volumetric Rates, \$/HCF					
High: BOD or TSS >= 501 mg/L	\$3.40	\$3.49	\$3.58	\$3.68	\$3.77
Medium: BOD or TSS 201-500 mg/L	\$2.30	\$2.36	\$2.42	\$2.49	\$2.55
Low: BOD or TSS 0-200 mg/L	\$1.79	\$1.84	\$1.89	\$1.94	\$2.00
All Users, \$/month (per account/unit)	\$4.98	\$5.07	\$5.16	\$5.26	\$5.35
Industrial					
High Potable Water/Effluent, \$/HCF					
Volume, \$/HCF	\$1.415	\$1.453	\$1.493	\$1.533	\$1.575
BOD, \$/pound	\$0.187	\$0.192	\$0.197	\$0.202	\$0.207
TSS, \$/pound	\$0.215	\$0.221	\$0.227	\$0.233	\$0.239
Low Potable Water/Effluent, \$/HCF	\$1.79	\$1.84	\$1.89	\$1.94	\$2.00
All Users, \$/month (per account/unit)	\$4.98	\$5.07	\$5.16	\$5.26	\$5.35
Schools (ADA), \$/ADA-Staff/year					
K-garten/Elementary	\$9.60	\$9.85	\$10.15	\$10.40	\$10.70
Middle	\$9.60	\$9.85	\$10.15	\$10.40	\$10.70
Senior	\$16.80	\$17.25	\$17.70	\$18.20	\$18.65
Parochial	\$9.60	\$9.85	\$10.15	\$10.40	\$10.70
College	\$16.80	\$17.25	\$17.70	\$18.20	\$18.65
All Users, \$/month (per account/unit)	\$4.98	\$5.07	\$5.16	\$5.26	\$5.35
FY = Fiscal Year	TSS = Total Suspended Solids				
HCF = Hundred Cubic Feet	mg/L = Milligrams Per Liter				
BOD = Biochemical Oxygen Demand	ADA = Average Daily Attendance				

Proposed Schedule of Rates for Solid Waste Service

Customer Class	Recommended Five-Year Rate Plan				
	FY20	FY21	FY22	FY23	FY24
Residential Accounts					
64 Gallon Solid Waste Service	\$22.24	\$24.46	\$26.78	\$28.52	\$28.52
96 Gallon Solid Waste Service	\$26.44	\$29.08	\$31.84	\$33.91	\$33.91
Additional 64 Gal Solid Waste Cart	\$8.42	\$9.28	\$10.16	\$10.82	\$10.82
Additional 96 Gal Solid Waste Cart	\$12.62	\$13.88	\$15.20	\$16.19	\$16.19
Additional 96 Gal Recycling Cart	\$3.36	\$3.70	\$4.05	\$4.31	\$4.31
Additional 96 Gal Green Waste Cart	\$4.37	\$4.81	\$5.27	\$5.61	\$5.61
FY = Fiscal Year					

If you need more information about the proposed rate plans for water, wastewater/sewer and/or solid waste services, which are included with this notice, please visit www.fresno.gov/prop218 or call (559) 621-8218