

# 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



## **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



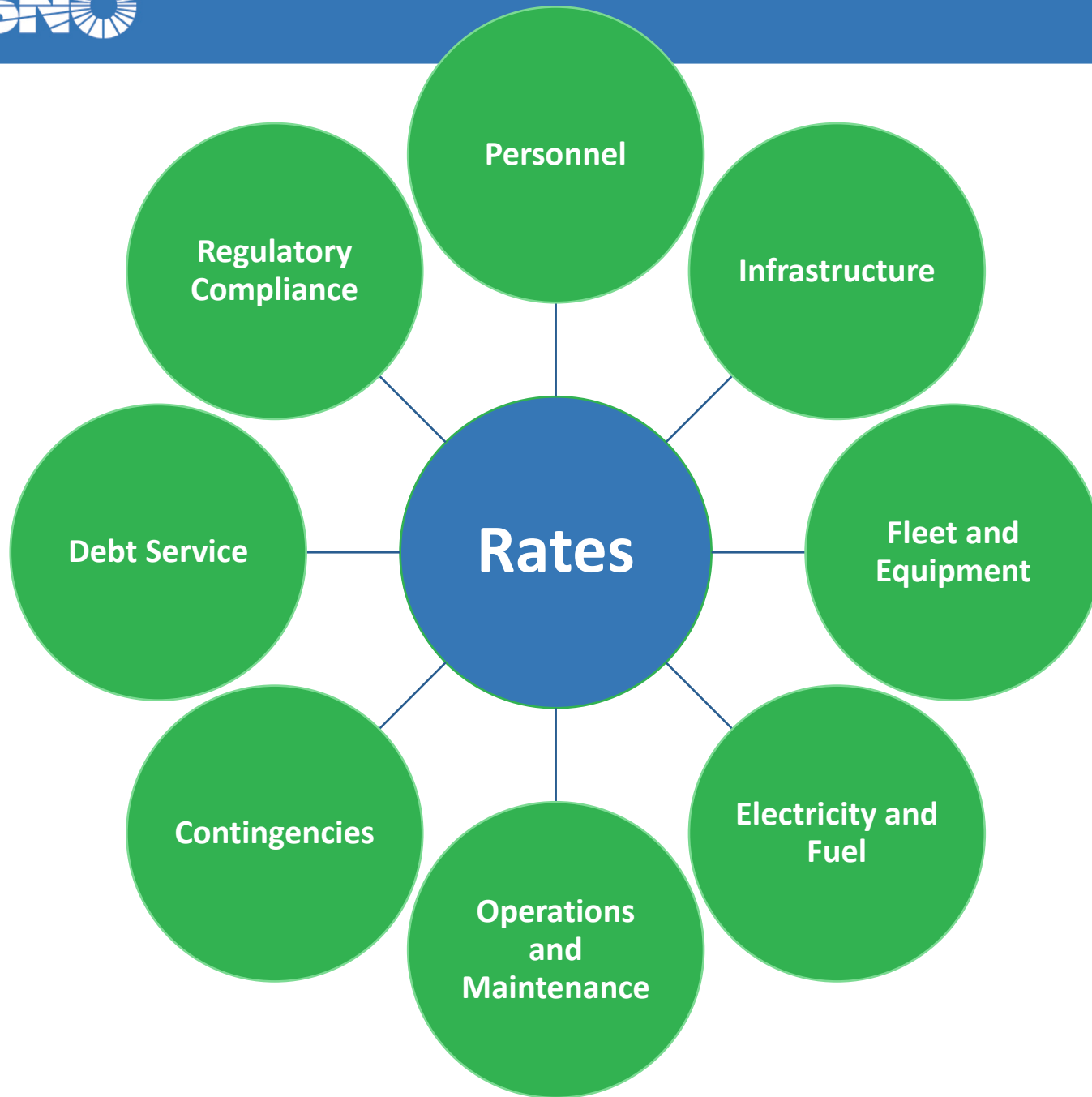
### Wastewater

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

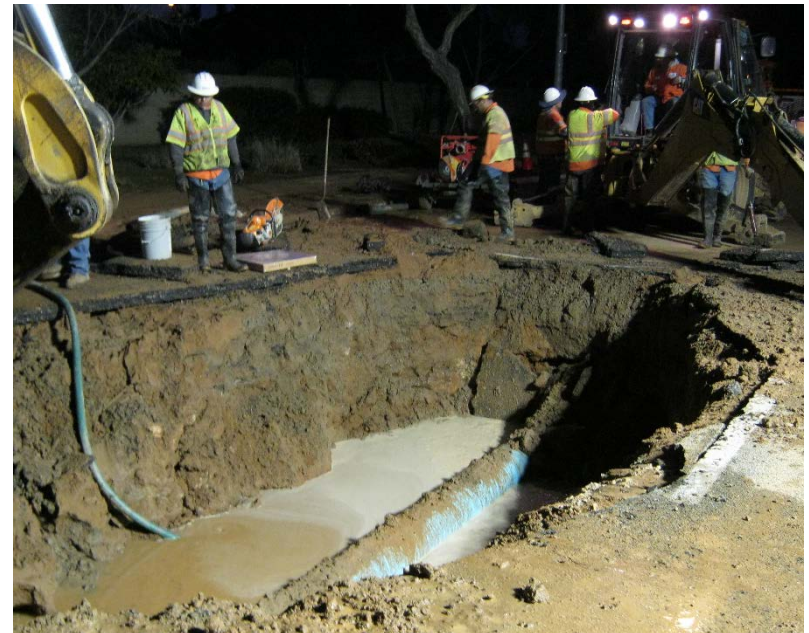






## Current Situation: Aging Water Infrastructure

- 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



## 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

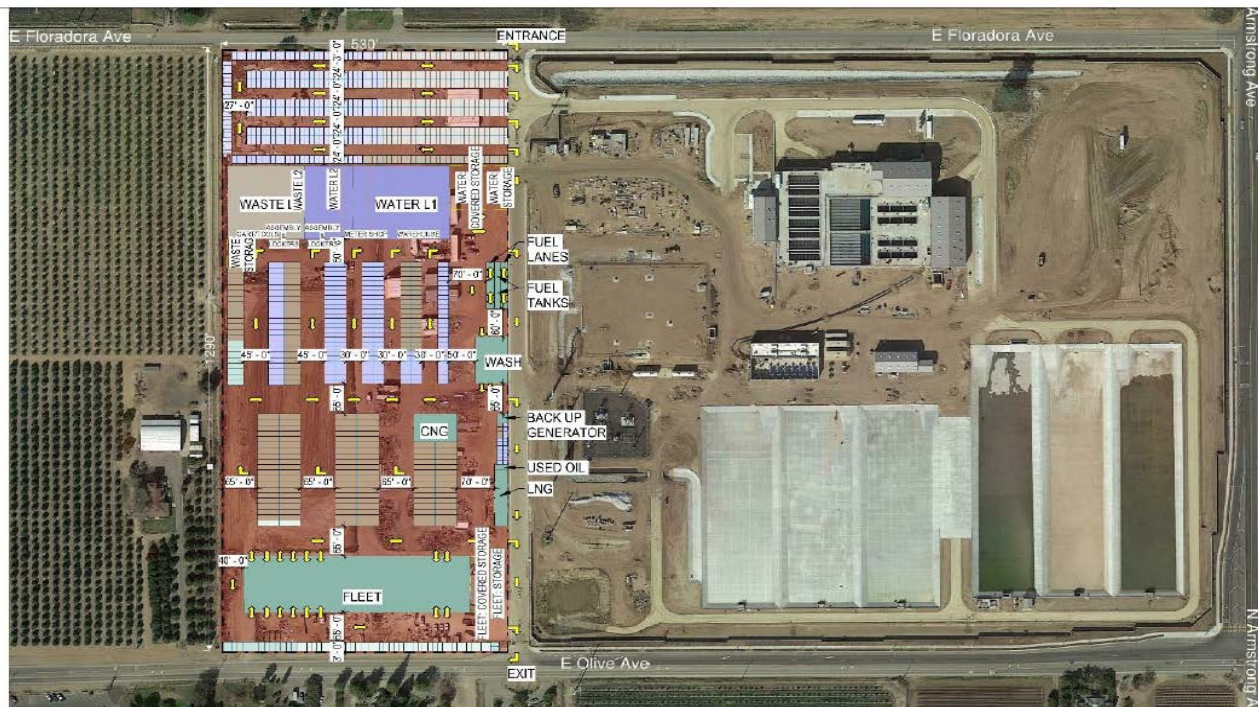
## Proposed Solution

- 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





# 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

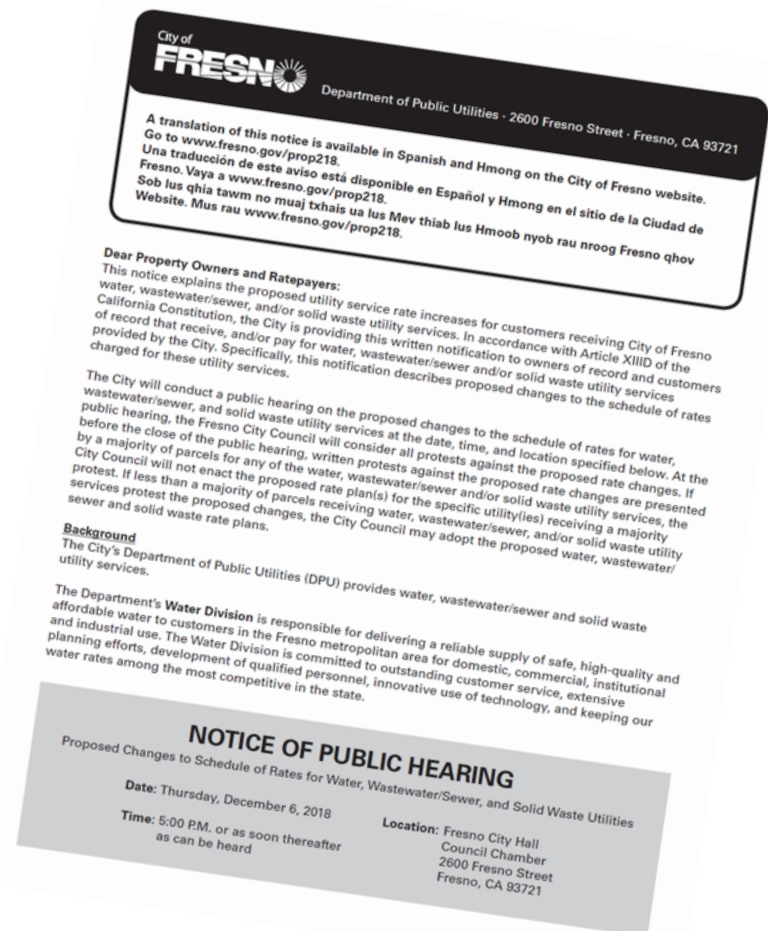




# Proposition 218 Requirements

## 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

# 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



## 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**

