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Title: Actions pertaining to adopting amended water rates in accordance with Proposition 218
 1. Hold public hearing regarding proposed water rates
 2. ***RESOLUTION - ratifying the Proposition 218 process according to California Constitution Article XIID

Sponsors: Department of Public Utilities

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Attachments: 1. Attachment 1 - Feb 5 Staff Report for Prop 218.pdf, 2. Attachment 1A - Feb 5 Staff Report for Prop 218.pdf, 3. Attachment 1D - Feb 5 Staff Report for Prop 218.PDF, 4. Attachment 1B - Feb 5 Staff Report for Prop 218.PDF, 5. Attachment 1C - Feb 5 Staff Report for Prop 218.PDF, 6. Attachment 2- Reso of Ratifying Prop v02F.pdf, 7. 500 pm PowerPoint.pdf

Date	Ver.	Action By	Action	Result
2/5/2015	1	City Council	adopted	Pass

REPORT TO THE CITY COUNCIL

February 5, 2015

FROM: THOMAS C. ESQUEDA, Director
Department of Public Utilities

SUBJECT

Actions pertaining to adopting amended water rates in accordance with Proposition 218

1. Hold public hearing regarding proposed water rates
2. ***RESOLUTION - ratifying the Proposition 218 process according to California Constitution Article XIID

RECOMMENDATION

The Administration recommends that the Fresno City Council hold the public hearing regarding proposed water rate increases and approve Resolution _____ ratifying the Proposition 218 process for the proposed water rates.

EXECUTIVE SUMMARY

On July 31, 2014, the City Council rescinded the Water Division's four-year capital plan and schedule of rates, fees, and charges ("rate plan") needed to finance the recommended capital plan. The capital and rate plans had been approved by City Council in August 2013 and became effective in September 2013.

Upon rescinding the Water Division's four-year capital and rate plans, the City Council directed the Administration to initiate a participatory roundtable process to foster and undertake serious discussions related to all aspects of the proposed capital plan, including regional water issues, the scope of proposed projects, alternatives for financing capital costs, alternatives to the City's current policy on water, and an evaluation of subsidy options for low-income ratepayers. City staff was also directed to prepare findings and a summary of the discussions and to incorporate the feedback received from this process to develop a revised capital and supporting rate plan.

On November 20, 2014, the Administration presented its findings and summary of discussions from the roundtable participatory process. Based on comments received from the public during the participatory roundtable process, the Administration developed a new, five-year capital plan totaling approximately \$429 million and a new five-year rate plan to finance the recommended capital plan. The original capital plan has been modified in the following ways:

- The term of the rate plan was extended from a four-year plan to a five-year plan in order to reduce water rates;
- The Southeast Surface Water Treatment Facility ("SESWTF") was downsized from an 80 million gallons per day ("MGD") plant with expansion capacity up to 110 MGD to a 54 MGD plant with expansion capacity up to 80 MGD in order to reduce rates. The cost associated with future expansion of the plant will be funded by a capacity fee that will be assessed to new development.
- Modified phasing plan for finished water pipelines, groundwater recharge facilities, and rehabilitation, replacement, and renewal of aging groundwater pumping facilities and water distribution facilities.

Upon receiving and considering the Administration's recommended capital plan and rate plan on November 20, 2014, the Fresno City Council authorized the Administration to initiate the Proposition 218 process for the recommended capital plan and changes to the schedule of rates, fees, and charges for public water service provided by the City of Fresno. With the approval of City Council, the Administration proceeded with a Proposition 218 process in accordance with the California Constitution and Government Code. The Notice of Public Hearing was mailed to property owners of record and ratepayers of record on December 22, 2014, and the public hearing set for 5:00 pm on February 5, 2015. The Public Notice and the proposed five-year rate plan that was mailed to property-owners of record and ratepayers of record are included as **Attachment 1**.

The Proposition 218 process will be complete when the public hearing beginning at 5:00 pm on February 5, 2015, is concluded. The Administration recommends the Fresno City Council, (a) conduct the required public hearing, and (b) adopt a resolution ratifying the Proposition 218 process for the proposed water rates.

It should be noted that the current five-year rate plan is based on receiving a \$50 million low-interest loan from the State's Drinking Water State Revolving Fund (2% interest rate, 20 year term) using an

application that was submitted by the Administration in June, 2014. The Administration has since been in communication with the State Water Resources Control Board (“SWRCB”), Division of Financial Assistance (DFA), to determine the level of funding that might be possible for the City’s recommended capital plan. The Administration expects to receive the findings of a preliminary financial evaluation from DFA staff within the next 30 days, which will be incorporated into the financial model that could result in a reduction in the revenue requirements corresponding rates.

Therefore, it is the Administration’s recommendation to conduct the required public hearing, and (b) adopt a resolution ratifying the Proposition 218 process for the proposed water rates and to defer the consideration of a new rate plan until February 26, 2015.

BACKGROUND

On July 31, 2014, the City Council rescinded the Water Division’s four-year capital plan and schedule of rates, fees, and charges (rate plan), which had been previously approved by City Council in August, 2013 and in effect since September, 2013. Upon rescinding the Water Division’s four-year capital and rate plan, the Administration initiated a participatory roundtable process to foster and undertake serious discussions related to all aspects of the proposed capital plan, including regional water issues, the scope of proposed projects, alternatives for financing capital costs, alternatives to the City’s current policy on water, and an evaluation of subsidy options for low-income ratepayers.

On November 20, 2014, the Administration presented its findings and summary of discussions from the roundtable participatory process. Based on comments received from the public during the participatory roundtable process, the Administration developed a new, five-year capital plan totaling approximately \$429 million and a new five-year rate plan. Upon receiving and considering the Administration’s recommended capital and supporting rate plan on November 20, 2014, the Fresno City Council authorized the Administration to initiate the Proposition 218 Public Notice process for the recommended capital and associated rate plan for public water service provided by the City of Fresno.

The Proposition 218 process will be complete when the public hearing beginning at 5:00 pm on February 5, 2015, and the City Clerk completes the tabulation of the protest ballots.

SUMMARY OF PARTICIPATORY ROUNDTABLE PROCESS

During the participatory roundtable process, the City publicized, sponsored, televised, and hosted a dedicated website (www.rechargefresno.org) as well as hosted a series of four (4) community forum meetings and a Water Utility Financing Summit. The community forum meetings allowed City leaders, water system ratepayers, taxpayers, taxpayer organizations, initiative proponents, water resource experts, media (radio, television, and print), and other interested parties to review and discuss the City’s water supply system strengths, weaknesses, threats, and opportunities. A brief description of the five (5) community events is presented in the following sections.

Community Forum No. 1

Overview of Fresno’s Water Supply Issues and Needs - Monday, September 29, 2014, 6:00 p.m. to 8:30 p.m. at Hoover High School. The purpose of the first community forum was to discuss regional water issues and provide information on the City’s overall water system. 145 members of the public attended.

Community Forum No. 2

Alternative Water Supply Solutions: Fresno's Water Future - Monday, October 13, 2014, 6:00 p.m. to 8:30 p.m. at Orazo Elementary School. The purpose of the second community forum was to discuss possible solutions to the City's water challenges. Suggestions made by participants included increasing conservation, adding recharge basins, desalination, limiting growth, adopting an annual water budget agreed to by surrounding jurisdictions, recycling water, and securing state grant funds. 139 members of the public attended.

Water Utility Financing Summit

Monday, October 20, 2014, 10:30 a.m. to 4:00 p.m. at the Center for Irrigation Technology on the campus of the California State University at Fresno. The purpose of the Water Utility Financing Summit was to provide a small group of stakeholders, experts, and Measure W proponents with an opportunity to discuss in detail the various funding mechanisms available for the City's water program. 18 members of the community participated.

Community Forum No. 3

Alternative Financing Options for Fresno's Water Needs - Monday, October 27, 2014, 6:00 p.m. to 8:30 p.m. at Rutherford B. Gaston Middle School. The purpose of the third community forum was to discuss options for paying for the City's water infrastructure, including cash (pay-as-you-go, or PAYGO), developer fees, grants, loans and bonds. 127 members of the public attended.

Community Forum No. 4

Summary of Participatory Roundtable Process and Recommended Path Forward - Monday, November 10, 2014, 6:00 p.m. to 8:30 p.m. at Fresno City Hall. The purpose of the fourth community forum was to summarize the information covered at the first three sessions and present preliminary recommendations from City staff to the Administration. 142 members of the public attended.

RATIONAL FOR PROPOSED CHANGES IN WATER RATES, FEES, AND CHARGES

In response to community input provided through the participatory roundtable process the Administration developed a revised capital investment plan to provide a safe, reliable, and sustainable supply of water for the community. The revised plan will enhance water conservation; continue intentional groundwater recharge; repair and replace aging pipelines and wells; comply with the requirements of the recently enacted Sustainable Groundwater Management Act as well as the soon-to-be-adopted groundwater quality regulations for 1,2,3-trichloropropane ("1,2,3-TCP" or "TCP"). The revised capital investment plan totals \$429 million over a five-year period. The revised capital investment plan includes the following categories of projects:

1. Intentional Groundwater Recharge Facilities = \$6.4 million

The City plans to coordinate our recharge endeavors with the Fresno Irrigation District and the Fresno Metropolitan Flood Control District to increase the number and effectiveness of recharge facilities in the community. These efforts will require the acquisition of property to construct recharge basins that will reduce the continuing decline of the groundwater aquifer,

which is mandated by the recently enacted Sustainable Groundwater Management Act.

2. Raw Water Supply Facilities = \$98.4 million

This project calls for the installation of 18 miles of pipeline that will be used to supply surface water allocations from the Kings River and Friant/Kern Canal to the existing 30 MGD Northeast Surface Water Treatment Facility (“NESWTF”) and the proposed new 80 MGD SESWTF. The original rate plan called for constructing improvements to an existing open canal to the SESWTF, but concerns from the State Drinking Water Programs related to potential contamination and environmental impacts resulted in this recommended change.

3. Surface Water Treatment Facilities = \$186.4 million

The construction of an 80 MGD surface water treatment facility will allow the City to effectively use water allocations already purchased by the ratepayers. More importantly, this facility will allow the City to mitigate the impacts associated with decades of overdrafting of groundwater as well as compliance with the recently enacted Sustainable Groundwater Management Act. The initial facility will be constructed with a permitted capacity of 54 MGD, and the City will petition the State to allow the facility to be re-rated to 80 MGD through a performance demonstration testing procedure.

Future expansion of the either of the surface water treatment facilities will be funded through a capacity impact fee that will be assessed on new development. The capacity impact fee will be similar to the one already collected for wastewater and will be included in the update impact fee schedule that will be presented to Council later this year.

4. Finished Water Distribution Facilities = \$55.4 million

These facilities will connect the treated water produced at the Surface Water Treatment Facility to the existing water distribution system.

5. Pipeline and Well Rehabilitation and Replacement = \$82.5 million

Historically, the City has not fully funded a capital replacement program. The funding is needed to begin the process of replacing miles existing pipelines, wells, etc., some of which are more than 80 years old. The current pipeline replacement schedule is over 400 years, and the proposed funding will reduce that to approximately 200 years. The industry standard is 90 years.

Much of the discussion during the participatory roundtable process was focused on whether to move forward with the SESWTF. It is understandable that the SESWTF has been the primary focus of attention because the facility is the single largest cost item in the capital plan; and is, therefore, assumed to be the cause of the entire rate increase. However, it is important to note that when reviewing the overall rate, **more than 2/3 of the rate is required to recover the costs for day to day operations, maintenance, and existing debt service payments.** In other words, even without the capital program, the City’s water rates would need to be increased to recover normal and routine annual cost increases for electricity, chemicals, personnel, fuel, operating reserves, and similar.

Surface Water Supply Reliability

In response to concerns about surface water supply reliability, the Administration reviewed historic water allocation records for Millerton Lake and Pine Flat Reservoir for the last 50 years. Data was provided by the Fresno Irrigation District and the Friant Water Authority. To assess long-term surface water supply reliability, the Administration has modeled a scenario assuming the City had 110,000 acre-feet of surface water treatment capacity available during each of the last 50 years, which is what would be expected if the City operated an 80 MGD SESWTF and a 30 MGD NESWTF based on the City's specific seasonal demand patterns.

Based on the last 50 years of water supply allocation records, if the City had 110 MGD of surface water treatment capacity in place, there were three years (two different severe droughts periods) when the City's surface water supplies did not meet the City's surface water treatment capacity of 110 MGD. Those years are 1976, 1977 and 2014, although 2015 might be another year. Therefore, during 46 out of the last 50 years, the City would have had more surface water supply than surface water treatment capacity. This is the approach that is commonly used by water utilities across the nation to assess the reliability of their water supply sources. Based on this preliminary analysis of surface water reliability, the City clearly has a reliable surface water supply that is sufficient to support an 80 MGD SESWTF and a 30 MGD NESWTF.

Sustainable Groundwater Management Act

On September 14, 2014, the Governor of California signed into law three bills that are collectively referred to as the Sustainable Groundwater Management Act ("the Act"). The Act recognizes that excessive groundwater extraction can cause overdraft, failed wells, deteriorated water quality, environmental damage, and irreversible land subsidence - all of which require corrective action. The Act also recognizes that sustainable groundwater management depends upon creating more opportunities for robust conjunctive management of surface water and groundwater resources. The Act defines "sustainable groundwater management" as the management and use of groundwater in a manner that can be maintained during the planning and implementation horizon without causing undesirable results, and "sustainable yield" as the maximum quantity of water that can be withdrawn annually from a groundwater supply without causing an undesirable result. For the purposes of the Act, "undesirable result" means (a) chronic lowering of groundwater levels, (b) significant and unreasonable reduction of groundwater storage, and (c) significant and unreasonable degraded water quality, including the migration of contaminant plumes that impair water supplies.

In accordance with the Act, the City of Fresno will be required to comply with the following schedule of events:

- By June 1, 2016, the State shall adopt regulations for evaluating groundwater sustainability plans and the implementation of groundwater sustainability plans;
- By June 1, 2016, the State shall adopt regulations for evaluating alternatives plan submitted pursuant to the Act;
- By January 1, 2017, the City - if it so desires - shall submit an alternative plan pursuant to the Act;

- By June 30, 2017, a groundwater sustainability agency must be designated for the City of Fresno service area; and
- By January 31, 2020, all basins designated as high- or medium-priority basins by the State shall be managed under a groundwater sustainability plan.

The City of Fresno is located within Kings Subbasin of the Tulare Lake Hydrologic Region. This aquifer has been identified by the State as a high-priority basin for correcting significant groundwater overdraft conditions. The construction of new raw water supply facilities, surface water treatment facilities, and finished water transmission facilities are needed to address the regulatory requirements that will be mandated by the Sustainable Groundwater Management Act to correct the existing groundwater overdraft conditions.

1,2,3-TCP

In 1999, TCP was added to the list of chemicals known to the State of California to cause cancer. The State is currently developing a maximum contaminant level (“MCL”) for TCP, which is expected to be released for public comment in 2015.

Based on water quality sampling, the presence of TCP has been identified in 73 of the City’s active groundwater wells at and above the public health goal of 0.0007 parts per billion (“PPB”). The total production of these 73 wells is approximately 123.8 MGD, nearly one-third of the City’s water. If the MCL is set at 0.005 PPB, the notification level, the City could lose use of 44 wells with a production capacity of approximately 73.4 MGD. Wellhead treatment for TCP will require the installation of granulated activated carbon (“GAC”) vessels at each well site to reduce the concentration of TCP in the drinking water. The current estimated cost to install new GAC vessels at well sites contaminated with TCP could be as much as \$300 million.

To address a portion of the financial burden associated with installing wellhead treatment for TCP, the City will pursue legal action as it has done in the past with other contamination issues (i.e. DBCP). However, until the necessary legal action can be brought to closure, the City will have to implement an interim water supply source to account for the loss of 44 wells impacted by the new MCL. The construction of new raw water supply facilities, surface water treatment facilities, and finished water transmission facilities are needed to address regulatory requirements that will be mandated by the soon-to-be-adopted water quality standard for 1,2,3-TCP.

WATER RATE FINANCIAL PLAN

The Administration retained a rate consultant to design a five-year schedule of rates, fees, and charges to recover the Water Division’s five-year forecast of capital, operations and maintenance expenditures.

Basis for Calculating Rates, Fees, and Charges

In developing a five-year rate plan, the City must comply with the California Constitution by establishing rates, fees, and charges that recover the actual costs associated with the level, quality, and quantity of service delivered to individual users of the system. Accordingly, the City’s proposed five-year rate structure is based on common and well-established cost-of-service principles that

promote equity among system users, whereby individual users of the system pay rates, fees and charges directly proportional to the level, quality, and quantity of service received by individual users.

The table below presents the distribution of costs for a monthly water bill for each of the five years of the proposed rate plan for a ratepayer having an annual average consumption rate of 18 hundred cubic feet (“HCF”) per month (13,464 gallons per month). Based on the City’s water billing data for calendar year 2014, the average and median water consumption rate for the single-family residential (“SFR”) class is 21.7 and 18 HCF per month, respectively. The 18 HCF is used as the basis of comparison as it represents the approximate midpoint of consumption for the City’s 112,000 SFR accounts (i.e. 50 percent of the City’s SFR accounts use more than 18 HCF on an annual average monthly basis, and 50 percent of the City’s 112,000 SFR accounts use less than 18 HCF on an annual average monthly basis).

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Rehabilitation/Replacement	\$ 0.88	\$ 1.82	\$ 3.89	\$ 5.62	\$ 8.45
Groundwater Recharge	\$ 0.02	\$ 0.18	\$ 0.56	\$ 0.66	\$ 0.18
Surface Water Treatment Water Supply and Distribution	\$ 0.18	\$ 0.56	\$ 2.79	\$ 7.40	\$ 9.89
O&M and Existing Debt	\$ 27.22	\$ 31.56	\$ 32.38	\$ 33.58	\$ 33.66
Total	\$ 28.30	\$ 34.12	\$ 39.62	\$ 47.26	\$ 52.18

Water Affordability

During the City Council discussions on November 20, 2014, to initiate the Proposition 218 Public Notice Process, City Council members expressed concern regarding the impact of the proposed water rate increases on water affordability in the community. Accordingly, the City Council requested that the Administration review and evaluate opportunities to create mechanisms to provide financial assistance to qualified utility customers.

Prior to conducting the review and evaluation of financial assistance options, the Administration reviewed SWRCB’s criteria for evaluating water affordability in a community. Within the Drinking Water State Revolving Fund Policy Handbook and associated appendices and Intended Use Plan, DFA establishes a target consumer rate (“TCR”) for residential water rates in a water system’s permitted service area. The current TCR is 1.5% of the median household income (“MHI”) of a water system’s permitted service area. For the period of record from 2009 to 2013, the U.S. Census Bureau reported the median household income in the City of Fresno as \$42,015. **Accordingly, using the State’s affordability criteria, an affordable water bill in the City of Fresno would be \$52.52 per month for a home using 21.7 HCF on an annual average monthly basis.**

The proposed rate plan anticipates that water consumption by the SFR customer class will decline below the current average consumption rate of 21.7 HCF per month during the five-year period as a result of increased water conservation by single-family residences. If the proposed rate plan is adopted, the average annual monthly water bill for SFR will be \$52.18 per month in fiscal year 2019 based on annual monthly average consumption rate of 18 HCF per month (i.e. ~17 percent reduction versus current demand). Accordingly, the Administration has designed a rate plan that meets the State’s water affordability criteria for the entire five-year rate plan period. This analysis is based on

median household income data for the period 2009 to 2013; the affordability value is expected to change by 2019, when additional median household income data is available.

Water Affordability Credit Program

While the proposed rate plan meets the State’s water affordability criteria for the entire five-year period, the Administration has developed financial assistance program for qualified low-income water utility accountholders that does not violate Proposition 218. The financial assistance program will be referred to as the Water Affordable Credit Program, or “Water ACP.”

The objective of the recommended Water ACP is to provide financial assistance to accountholders based on demonstrated financial need. The proposed discount for water service is intended to mitigate the first-year impact on accountholders that use an annual monthly average of 18 HCF of water per month. If the proposed rate plan is adopted, the first-year rate increase would result in an average monthly water bill impact of \$4.79 per month (based on annual average monthly usage of 18 HCF). Accordingly, the proposed value of the Water Affordability Credit is \$5 per month, which translates to \$60 for a 12-month period.

Proposed ACP Impact on Monthly Water Service Bills (18 HCF/month)	
Monthly Water Bill Cost (18 HCF per month, <i>current rates</i>)	\$26.26
Monthly Water Bill Cost (18 HCF per month, <i>1st year rate increase</i>)	\$31.05
Monthly Water Bill Impact (18 HCF per month, <i>1st year rate increase</i>)	\$4.79
Water Affordability Credit	(\$5.00)
Net Monthly Water Bill Impact (18 HCF per month, <i>1st year rate increase</i>)	(\$0.21)

The proposed Water ACP will be funded with an annual appropriation of \$1 million, which will provide financial assistance to approximately 16,700 income-qualified accountholders per year. The source of funding for the Water ACP shall be revenue collected by the City Utility Billing and Collections Division as late payments and delinquency charges (Revenue Code 35103 - Penalties). This source of funding has been deemed legal by the City Attorney’s Offices.

To qualify for the Water ACP, accountholders can submit documentation that they qualify for PG&E’s California Alternate Rates for Energy (“CARE”) Program or one of Fresno County’s human services program such as the Supplemental Nutrition Assistance Program (“SNAP”), the Women, Infants, and Children (“WIC”) Program, the National School Lunch Program (“NSLP”), or the Medi-Cal Program. If an individual qualifies for one of the programs listed above that are administered by PG&E or Fresno County, using the same name and address as on the individual’s utility account with the City, then the individual could submit an application to receive the City’s Water ACP.

On a periodic basis, the Administration will review the water consumption records of Water ACP participants. If a Water ACP participant is identified as having an annual average monthly water

consumption rate that is greater than 18 HCF per month, then Water Division staff will contact the participant and offer to conduct a voluntary water efficiency assessment to determine if there are opportunities for the Water ACP participant to reduce their water use through water efficiency improvements and thereby further reduce their monthly water costs. If opportunities for water efficiency improvements are identified, then the Water Division will make water efficiency rebates available to the Water ACP participant at a higher rate of reimbursement to improve the water efficiency of the residence. The decision to implement water efficiency improvements shall be at the discretion of the Water ACP participant based on their ability to finance the recommended improvements.

SUMMARY OF PROPOSITION 218 PUBLIC NOTICE PROCESS

The Administration has conducted a Proposition 218 process different from any other Proposition 218 process ever conducted in the city or the State of California. The Administration's objective was to maximize the opportunity for property owners of record and ratepayers of record to participate in the protest ballot process.

Proposition 218 Public Notice Materials

The number of Public Notices and protest ballots mailed to property owners and ratepayers of record was 213,581. In those instances where the property owner and the ratepayer were one and the same, the individuals may have received two ballots. Each participant received the following:

1. A transmittal envelope with all required information printed on the outside including the recipient's name, the Assessor's Parcel Number (APN) and location ID for the affected property, the recipient's street address, and the recipient's city, state and zip code.
2. Inside the transmittal envelope were three (3) items:
 - a. A business reply envelope with pre-paid postage, the City Clerk's office address as the reply address and the owner's or ratepayer's return address, APN and location ID.
 - b. A protest ballot with the owner's or ratepayer's name, the service address, the APN and the location ID for the service address. The front side of the protest ballot was printed in English and the reverse side was printed in both Spanish and Hmong. The protest ballot also contained instructions on how to fill it out.
 - c. A four-page Proposition 218 Public Notice that provided information required by the California Constitution regarding the date, time, and location for the public hearing; the reason for proposed water rate changes; how to protest the rate changes; the basis for calculating the proposed rate changes; and a website and phone for individuals to use to obtain additional information.

Based on a recommendation of Fresno County, the Administration contracted with the Presort Center to mail the ballots and then sort ballots as they were returned. An automated method, using bar coding on the ballots, was used to improve the efficiency, effectiveness and accuracy for the Proposition 218 Public Notice process.

Proposition 218 Public Notice Mailing List

To create the Proposition 218 mailing list for affected parcels and accounts, the Administration used two databases - the Utility Billing database (accountholder names and address) and the County's parcel database (property owner names and address). If the names and addresses were identical in the two databases, then only one ballot was mailed. However, if there was any difference in the names (Pat versus Patricia or Patrick) or addresses (Ave versus Avenue) between the two databases, then two ballots were mailed, one to the utility account holder and one to the property owner. This criterion provides a minimum of redundancy thereby reducing mailing costs compared to mailing multiple ballots to the same person at the same address since only one protest may be counted per parcel.

The final mailing list count was 213,581. Approximately 133,300 were for owners of affected parcels. Approximately 80,300 additional ballots were mailed to accountholders where the mailing list creation process identified a difference (name and/or address) of some sort between the billing database and the property database. The distribution of mailings by property type is presented in the Table 1 by existing land use type ("ELU").

ELU Group	Parcel Count	Percentage
Commercial	3,898	2.92
Industrial	2,223	1.67
Miscellaneous	2,756	2.07
Multi-Family Residential	11,337	8.50
Single Family Residential	112,778	84.57
Unknown	355	0.27
Total	133,347	100.00

Notes:

- Miscellaneous contains land uses such as public facility, open space, road, water, vacant, etc.
- Unknown contains parcels where the existing land use could not be determined from parcel database.

Public Education and Outreach

The Administration started mailing the official public notice for the proposed water rate increases on Friday, December 19, 2014, and the mailing of the ballots was completed on Monday, December 22, 2014, which is 45 days in advance of the February 5, 2015, Public Hearing. To maximize awareness and participation in the Proposition 218 process, the Administration also initiated a number of public education and outreach efforts to announce the availability of protest ballots and awareness of the protest ballot process. The education and outreach effort was conducted in English, Spanish, and Hmong. The education and outreach effort included, but was not limited to, the following:

- TV media (42 spots on KFTV, Spanish language promotions)
- Radio media (60 spots for Hmong language promotions; 201 spots for Spanish language promotions; 441 spots for English language promotions)

- Print media (two, half-page adds in the Fresno Bee, English language promotion)
- Media interviews, segments and articles (Print: Fresno Bee, Fresno Business Journal, Vida en el Valle; Television: ABC30, KSEE24, CBS47, FOX26, Univision; Radio: KMJ, PowerTalk 96.7, KVPR; Cable: MeTV, Central Valley Talk)
- External Internet (two adds on Fresno Bee website, English language promotion)
- City of Fresno website (712 total views for the special Prop 218 webpage; 165 views on Spanish translation and 46 views on Hmong translation)
- Recharge Fresno website (2,323 total page views)
- Utility Bill inserts (133,347 inserts mailed during the December/January billing period with reminders about the proposed increase in their water rates in English, Spanish, and Hmong)
- Phone Call Center (212 calls total, 17 Spanish-speaking)
- Community Presentations (Fresno County Board of Supervisors, Fresno Chamber of Commerce, Fresno Downtown Rotary, Sunnyside Neighborhood Association, Sons In Retirement, Center for Advanced Research and Technology, representatives of various environmental advocacy groups)

Overall, the Administration executed an unprecedented public education and outreach process to maximize awareness and participation in the Proposition 218 Public Notice process. Based on the number of ballots received through January 22, 2015, the Administration's efforts have proven successful and serve as model for future Proposition 218 Public Notice processes conducted by the City and other local government agencies in California.

Ballot Sorting and Counting

Sealed ballot envelopes were received by the USPS on a daily basis and delivered to the Fresno City Clerk. Once received by the City Clerk, the City Clerk date and time stamped the sealed ballot envelopes and then sent them to the Presort Center. The Presort Center opened, sorted, and counted the ballot envelopes, using a digital scanner to read the barcode information. After processing the ballots, the Presort Center returned the ballots and the envelopes to the City Clerk's Office. The City Clerk validates and qualifies the ballots by reviewing each ballot for signatures and the proper marking that was required.

As of January 28, 2015, a total of 46,325 ballots had been received and 7,453 ballots were determined to be duplicates for the same parcel (i.e. the property owner of record and the ratepayer of record both submitted protest ballots). Therefore, as of January 28, 2015, the City Clerk has received a total of 38,872 non-duplicate ballots, and the City Clerk is verifying the number of valid ballots received. Additional ballots will be received by the City Clerk after January 28, 2015, and added to the counts list above, and the City Clerk will conduct the ballot verification process accordingly.

To defeat the proposed rate increase, a total of 66,674 (50% of parcels, plus 1) protest ballots must

be received by the City Clerk by the end of the public hearing which begins at 5:00 pm on February 5, 2015. It is expected that property owners and ratepayers will deliver additional ballots to the City Clerk at the public hearing, and those additional ballots will be verified and added to the City Clerk's ballot tabulation. The City Clerk will tabulate the ballots and report the final results to the City Council after the conclusion of the public hearing.

SCHEDULE

The proposed implementation schedule for the Administration's recommended rate plan for public water services is as follows:

- Fresno City Council conducts public hearing regarding recommended rate plan for public water service: **February 5, 2015 at 5:00 pm;**
- The City Clerk tabulates and reports the number of valid protest ballots received: **February 5, 2015, after the conclusion of the public hearing;**
- Fresno City Council adopts a resolution ratifying the Proposition 218 process for recommended rate plan according to California Constitution Article XIID: **February 5, 2015;**
- Administration continues to work with the SWRCB, DFA, to determine the level of State funding to be awarded to the Administration's recommended capital plan: **February 2015 (ongoing);**
- Administration updates financial model as necessary to reflect the additional State funding, if any, awarded to the Administration's recommended capital plan: **February 2015 (ongoing);**
- Administration presents recommended five-year rate plan to Fresno City Council for consideration and adoption incorporating any changes derived from State funding assumptions related to the financing of the recommended capital plan: **February 26, 2015;**
- Fresno City Council adopts Administration's recommended five-year rate plan: **February 26, 2015;** and
- Utilities Billing and Collection bills new rates: **March 30, 2015.**

ENVIRONMENTAL FINDINGS

This is not a "project" for the purposes of CEQA pursuant to CEQA Guidelines § 15378(b)(5), as it is an administrative action that will not result in direct or indirect physical changes to the environment.

LOCAL PREFERENCE

Local preference was not considered because the public hearing and Resolution do not include a bid or award of a construction or services contract.

FISCAL IMPACT

As this is an enterprise operation, there is no impact to the General Fund. Other fiscal impacts are addressed within the rate tables above.

Attachments: Proposition 218 Public Notice and Proposed 5-Year Rate Plan
Resolution to Ratify the Proposition 218 Process