



Board Agenda Item 9

DATE: June 10, 2025

TO: Board of Supervisors

SUBMITTED BY: Steven E. White, Director
Department of Public Works and Planning

SUBJECT: Public Protest Hearing on Water and Sewer Service Fee Increases for Fresno County Service Area No. 47 (Quail Lake)

RECOMMENDED ACTION(S):

Conduct public protest hearing and receive written protests from owners of property, including their tenants, currently (as of such public protest hearing) receiving water and sewer services, in Fresno County Service Area No. 47 (Quail Lake), prior to the close of such public protest hearing, as required under California Constitution Article XII D, Section 6 (Proposition 218), on a proposal to increase the water and sewer service fees for such District, and upon completion of such public protest hearing, approve item A or B, as applicable, as determined by your Board of Supervisors ("Board"):

- A. If the Board finds that there is not a majority protest against such proposal to increase the water and sewer service fees, Board may adopt a Resolution authorizing the proposed increase in the water and sewer service fees for Fresno County Service Area No. 47 (Quail Lake), effective July 1, 2025.**
- B. If the Board finds that there is a majority protest against such proposal to increase the water and sewer service fees, make the determination that there is such a majority protest and abandon proceedings regarding such proposal to increase the water and sewer service fees, and direct the Department of Public Works and Planning to hold a public meeting with the Fresno County Service Area No. 47 (Quail Lake) community announcing immediate cost saving steps.**

Fresno County Service Area No. 47 (Quail Lake) ("CSA 47") currently provides water and sewer services to 708 residential lots, a community clubhouse, an elementary school, and a vacant commercial parcel. Based on a five-year horizon, proposed increased water and sewer service fees are recommended.

Due to deficit spending, CSA 47 has depleted its available cash reserves. The County has incurred but not charged CSA 47 for the foregoing \$1,006,800 and will essentially continue to advance the foregoing total of \$1,006,800, plus interest, to CSA 47 until 2027/28, assuming the proposed increased rates are adopted. In addition, the CSA 47 water and sewer systems need capital improvements including soft start for booster pumps, and a chlorine analyzer for the water system, and barrel screens and trickling filters for the sewer system (i.e., the upgrade, above).

The proposed increased water service fees are composed of two components:

- A base fee for all water users for the Operation and Maintenance (O&M) of the CSA 47 water

system, including repayment to the County of the foregoing \$1,006,800 for a deficit through June 30, 2025, in CSA 47 operations; and

- A usage fee to be charged to each 1,000 gallons of water usage. The proposed rate structure will recover costs more fairly from customers than the current structure by redefining water usage rates.

Under the proposed rates, the average water bill is expected to increase about \$15, or 30% (from \$48.79 to \$63.66).

The proposed increased sewer service fee is composed of a fixed monthly charge and for the school a fixed annual fee. Under the proposed rates, the residential sewer bill is expected to increase about \$21 (from \$85.03 to \$106.27).

The total average monthly residential bill is expected to increase about \$36, or 27% (from \$133.82 to \$169.93).

If at least 356 valid protests are received from owners of property or their tenants, who currently receive water and sewer services, by the close of the public protest hearing, then there will be a majority protest and the increased fees cannot be approved by your Board (i.e., a majority protest is based on 711 parcels currently (as of the Board's protest hearing) receiving water service / 2 = 355.5, rounded up to 356.)

If there is a majority protest, there will be insufficient funds to meet the O&M of the CSA 47 water and sewer systems, and CSA 47 may be unable to pay for necessary repairs. This item pertains to a location in District 5.

ALTERNATIVE ACTION(S):

Staff have not identified any viable alternative. If your Board declines to conduct the public protest hearing as recommended, or if the public protest hearing is held but there is a majority protest by the owners of property, including their tenants currently (as of the Board's protest hearing) receiving water and sewer services in CSA 47, so that the necessary fees cannot be charged, then there would be insufficient funds to meet the O&M of the CSA 47 water and sewer systems, and CSA 47 will be unable to pay for any necessary repairs or repay the County for past costs incurred through June 30, 2025 but not yet charged to CSA 47.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended actions. All costs associated with CSA 47, including those associated with the public protest hearing, are paid for by the 711 parcels in CSA 47 which receive water and sewer services. All costs for the O&M of the water and sewer services shall be paid from the fees charged to these benefitting properties in CSA 47. Current revenues are not sufficient to cover O&M costs of CSA 47 and to repay the County for past costs incurred (\$1,006,800) but not yet charged to CSA 47.

If there were a majority protest by owners of property, including their tenants currently (as of the Board's protest hearing) receiving water and sewer services in CSA 47, so that the increased fees could not be charged, there would be insufficient funds to meet the O&M of the CSA 47 water and sewer systems as well as to repay the County. Also, Department of Public Works and Planning (Department) staff would hold a public meeting with the CSA 47 community to discuss immediate cost saving steps and possible ramifications, which could include the inability to pay for repairs resulting in the shutdown of their water and sewer services, or the potential for dissolution of CSA 47.

DISCUSSION:

1. History and location.

CSA 47 was formed in 1995 to provide community water and sewer services to the Quail Lake Estates Subdivision (Quail Lakes) located between Ashlan and Shaw Avenues, east of McCall Avenue in Fresno County (County). CSA 47 includes 708 residential lots, a community clubhouse, an elementary school, and a vacant commercial parcel located at the intersection of Shaw Avenue and Quail Lake Drive.

2. CSA 47's current rate structure.

CSA 47's current rate structure was adopted pursuant to Proposition 218 requirements on September 13, 2016, with fees having become effective on November 1, 2016. November 2020 was the last fee increase, due to inflation, associated with the Proposition 218 proceedings in 2016.

The current water rate structure consists of a monthly base fee of \$19.53 per parcel, which includes the first 5,000 gallons of monthly water use. Use above the first 5,000 gallons is billed at \$2.66 per thousand gallons.

The current sewer rate consists of a fixed monthly charge of \$85.03 per parcel for residential and commercial, and for the school a fixed annual fee of \$39.11 multiplied by the number of students, faculty, and staff at the school, as estimated by Sanger Unified School District (SUSD).

3. CSA 47's proposed rate structure.

Water

The proposal to increase CSA 47's water service fees is being made because CSA 47's current fee structure no longer generated sufficient revenue to meet CSA 47's expenses.

If there is no majority protest, and if adopted by your Board, the proposed rate structure will recover costs more fairly from customers than the current structure by redefining water usage rates.

Under the proposed rates, the average residential water bill is expected to increase about \$15, or about 30% (from \$48.79 to \$63.66 per month). Assuming those average amounts, the base rate will be \$29.10 per month, and the usage will be \$34.56 per month for residential parcels. It is proposed that the school be charged 22 times the base fee which is what was determined to be the school's base level of indoor water demand.

The proposed increased water service fees will restructure the monthly water fee to include two components (i.e. a base fee and a usage fee), that are designed to better align with the current consumption patterns and actual costs to serve higher levels of water use, starting on July 1, 2025, assuming no majority protest, and your Board's approval of the higher rate proposed in this item:

- The first component is a base fee for all water users that will cover the O&M and administration of the water system. It is proposed that the base fixed charge will no longer include a base amount of water consumption. The base fee was developed by analyzing the average O&M and administration costs over the past three years, excluding the usage of water.
- The second component is a usage fee for the cost of providing the water, to be charged based on actual monthly water usage.

Water rate recommendations are designed to fund CSA 47's short and long-term costs of providing service and fairly allocate costs to all customers. The proposed water rates are based on the reasonable cost of providing water service and do not exceed the proportional costs of the service attributable to the parcel.

Sewer

The proposal to increase CSA 47's sewer service fees is being made because CSA 47's current fee amount no longer generated sufficient revenue to meet CSA 47's expenses.

If there is no majority protest, and if adopted by your Board, the proposed residential sewer rate will increase 25% (from \$85.03 to \$106.27). The proposed annual sewer fee for the school will increase from \$39.11 to \$48.88 per student, faculty and staff at the school, as estimated by SUSD.

The sewer fee was developed by analyzing the average O&M and administration costs over the past three years. Sewer rate recommendations are designed to fund CSA 47's short and long-term costs of providing service and fairly allocate costs to all customers. The proposed sewer rates are based on the reasonable cost of providing service and do not exceed the proportional costs of the service attributable to the parcel.

The proposed water and sewer rates are attached to this agenda item as Attachment A. The proposed rate increases will allow CSA 47 to:

- Fully fund CSA 47 operating costs;
- Upgrade the CSA 47 water and sewer systems;
- Build a cash reserve of at least \$664,800 by the end of Fiscal Year 2029/30 (as required by your Board's policy for special districts);
- Improve the financial condition of CSA 47; and
- Repay the County for past costs incurred but not yet charged to CSA 47, plus the County's estimated annual internal interest rate on such unpaid costs. For financial planning purposes, the County's internal interest rate is estimated as 2.8% annually.

If the proposed water and sewer rate increases go into effect, CSA 47 is projected to repay the County for past costs incurred but not yet charged to CSA 47 by the end of FY 2028/29, assuming the proposed increased rates are adopted.

On November 7, 2006, the Board of Supervisors adopted a policy requiring special districts to maintain a reserve equal to 50% of a three-year rolling average of annual operating costs. For CSA 47, the target is approximately \$665,000. The rate plan developed under the proposed increases in water and sewer service fees include the accumulation of the target reserves by the end of FY 2029/30. Until such reserves reach their target, CSA 47 remains non-compliant with this policy.

In recent years, CSA 47 has spent down its existing reserves and is not collecting sufficient revenue to fund annual expenses. The current water and sewer fees were determined based on services, supplies, and labor costs at the time but the costs of operating the CSA 47 water and sewer systems have exceeded revenues due to rising cost of O&M, repairs to an aging system, and inflation. Consequently, cash reserves are completely depleted. Going forward, revenues need to be increased to not only meet expenses, but also to rebuild cash reserves within five years and repay the County.

4. Notices to community; meetings with community.

On April 3, 2025, Department staff met with the CSA 47 property owners and customers (i.e. tenants) and discussed the possibility of initiating the Proposition 218 process to restructure and increase the monthly fees for water and sewer services due to the deficiency in funds to operate and maintain the water and sewer systems.

On April 11, 2025, as required by California Constitution Article XIII D, Section 6 (Proposition 218), notification for the Protest Hearing (60-Day Notice) was mailed to recorded owners and tenants listed on the CSA 47 bill registers subject to the proposed increased water and sewer service fees. The 60-Day Notice explained the procedure for property owners and their tenants, **currently** (as of the Board's public protest

hearing) **receiving CSA 47's water and sewer services**, timely submitting a written protest to the proposed increased fees, and explained how the adjustment in the water base fee, changes to the usage fee for water, and increase to the sewer fee will allow CSA 47 to build a cash reserve of at least \$665,000 by the end of FY 2028/29, as required by your Board, to repay the County for past costs incurred but not yet charged to CSA 47, plus the County's estimated annual internal interest rate on such unpaid costs, and to cover expenses caused by the operation of the water and sewer systems.

The 60-Day Notice also explains that if less than a majority of such property owners or tenants currently (as of the Board's public protest hearing) receiving water and sewer services submit a written protest to the proposed increased fees, your Board may increase the fee effective July 1, 2025. The 60-Day Notice is attached to this agenda item as Attachment B.

On May 8, 2025, Department staff met with the CSA 47 property owners and residents at the Quail Lake Community Clubhouse to explain the proposed adjustment to the water base fee, changes to the water usage fee, increase to the sewer fee and to answer questions about the proposed increases in water and sewer service fees. Additionally, staff explained the Proposition 218 process and the ramifications of a majority protest.

5. Ramifications of a majority protest.

If protests from a majority of owners of property and tenants in CSA 47, currently (as of the Board's public protest hearing) receiving water service, are not received before the close of the public protest hearing, your Board may approve the recommended fee increase. If so approved, the increased fees will become effective July 1, 2025, and will be collected following the issuance of bills for the July-August 2025 billing period.

However, if at least 356 valid protests are received from owners of property or their tenants, currently (as of the Board's public protest hearing) receiving water and sewer services, by the close of the public protest hearing, then there will be a majority protest (i.e., a majority of 711 parcels currently (as of the Board's public protest hearing) receiving water and sewer services / 2 = 355.5, rounded up to 356) then the increased fee cannot be approved by your Board. If a majority protest occurs, Department staff will communicate with the CSA 47 community on reducing water and sewer services or the potential dissolution of CSA 47.

6. Municipal consultant.

The water and sewer rate study, dated February 21, 2025, was prepared by Lechowicz and Tseng, Municipal Consultants, Alameda, California. The water and sewer rate study was made available to property owners and customers as part of the 60-Day notice, and it is on file with the Clerk of the Board of Supervisors.

REFERENCE MATERIAL:

BAI #11, September 13, 2016

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A - Site Map
Attachment A - Proposed Rates CSA 47
Attachment B - 60-Day Notice
On file with Clerk - Resolution
On file with Clerk - Water and Sewer Rate Study

CAO ANALYST:

Maria Valencia