County of Fresno

Hall of Records, Rm. 301
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Fresno, California
93721-2198

Legislation Details (With Text)

File #:	16-0982	**Name:**	CSA 30 Protest Hearing
		In control:	Public Works & Planning
On agenda:	8/9/2016	**Final action:**	8/9/2016
Enactment date:		**Enactment #:**	Resolution No. 16-327, Resolution No. 16-328

Title: Conduct hearing and receive written protests from County Service Area 30, El Porvenir, property owners on proposal to increase water service fee, as required under California Constitution Article XIII -D Section 6, and, upon completion of the public protest hearing, approve (A) if the Board finds that there is not a majority protest, adopt resolution establishing increased water service fee for operation and maintenance costs of potable water for County Service Area 30, El Porvenir, and adopt budget resolution increasing FY 2016-17 appropriations and estimated revenues, in amount of $18,412 for County Service Area 30, El Porvenir, Org 9170, to account for additional revenue from increased fees and Grant funding from State Water Resources Control Board (4/5 vote); or (B) if the Board finds that there is majority protest, abandon proceedings to increase water service fee, and direct staff to hold public meeting announcing immediate cost savings steps which could include suspension of water quality testing, reporting, issuance of a notice of potential non-potable water, recommendation to boil water before consumption, possible implementation of water rationing, or a possible dissolution of County Service Area 30

Sponsors:

Indexes:

Code sections:

Attachments: 1. Agenda Item, 2. Exhibit A, 3. Exhibit B, 4. Exhibit C, 5. Resolution No. 16-327, 6. Resolution No. 16-328

Date	Ver.	Action By	Action	Result
8/9/2016	1	Board of Supervisors	conducted Public Hearing	Pass
8/9/2016	1	Board of Supervisors	approved as amended	Pass

DATE: August 9, 2016

TO: Board of Supervisors

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

SUBJECT: Protest Hearing on Imposing Increased Water Service Fee for County Service Area 30 - El Porvenir

RECOMMENDED ACTION(S):

Conduct hearing and receive written protests from County Service Area 30, El Porvenir, property owners on a proposal to increase the water service fee, as required under California Constitution Article XIII-D Section 6, and, upon completion of the public protest hearing, approve item A or B.

A. If the Board finds that there is not a majority protest, adopt a resolution establishing the increased water service fee for operation and maintenance costs of potable water for County Service Area 30, El Porvenir, and adopt a budget resolution increasing the FY 2016-17

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appropriations and estimated revenues, in the amount of $18,412 for County Service Area 30, El Porvenir, Organization 9170, to account for additional revenue from the increased fees and grant funding from the State Water Resources Control Board. (4/5 Vote);

B. If the Board finds that there is a majority protest, abandon proceedings to increase the water service fee, and direct staff to hold a public meeting announcing immediate cost savings steps which could include suspension of water quality testing, reporting, issuance of a notice of potential non-potable water, recommendation to boil water before consumption, possible implementation of water rationing, or a possible dissolution of County Service Area 30.

The proposed increased water service fee is recommended to fund Operations and Maintenance (O&M) of the community water system in County Service Area 30 (CSA 30). The proposed increased water service fee will be comprised of a base fee for all water users and a commodity fee that will be charged based on water usage.

In May 2016, the County applied for Drought Emergency Grant Funding (Grant) from the State Water Resources Control Board (State). The total amount of the twenty two month Grant would be $28,014. The Grant is intended to help pay for the increased cost of the raw water needed to produce up to 50 gallons per person per day of treated water from June 2016 through April 30, 2018 as well as some increased costs of O&M. If the Board finds that there is not a majority protest and approves recommended action A, then the FY 2016-17 budgeted appropriations and estimated revenues for County Service Area 30, El Porvenir Org 9170 will increase in the amount of $18,412 to account for the increased water fees and Grant funding that will be received in FY 2016-17.

ALTERNATIVE ACTION(S):

Staff has not identified any viable alternative.

FISCAL IMPACT:

There are no Net County Costs associated with the recommended actions. All costs associated with CSA 30, including those associated with the protest hearing, are paid for by the benefitting properties. All costs for the O&M of the water services shall be paid from the fee charged to the benefitted properties within CSA 30. The current revenues are not sufficient to cover the existing O&M costs. CSA 30 purchases the raw water from Westlands Water District (Westlands) and treats it in their surface water treatment plant pursuant to California Department of Public Health regulations.

If there is not a majority protest and the Board adopts the budget resolution, it will increase the FY 2016-17 appropriations and estimated revenues for County Service Area 30, El Porvenir Org 9170 in the amount of $18,412 to account for the increased water fees ($3,131) and Grant funding ($15,281) from the State that will be received in FY 2016-17. Grant funding for FY 2017-18 will be included in next year's requested budget. If there is a majority protest, there will be insufficient funds to meet the O&M of the water system and any unforeseen costs that may occur.

DISCUSSION:

CSA 30 was formed in 1980 for the 58-lot El Porvenir subdivision (see attached Exhibit A, site map), located on the west side of Derrick Avenue near Clarkson Avenue, approximately 30 miles southwest of the City of Fresno. The accompanying map shows CSA 30 and its location within Fresno County. CSA 30 consists of 54 recorded residential lots, a County park, and 3 County owned out lots. The benefit of the water service is also supplied to two out-of-district users.

The current water fees in CSA 30 no longer generate sufficient revenue to cover all the costs of operating, maintaining, and administering the water system serving that community. The costs include purchasing

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untreated water from Westlands, the cost to treat that water, and the cost to deliver that water to CSA 30 water users. Therefore County staff proposes to increase the water fees by restructuring the monthly water rate to include two parts. The first part is a base fee for all water users that would only cover the cost to operate and maintain the CSA 30 water system. The second part is a commodity fee for the water itself, to be charged based on actual monthly water usage starting on September 1, 2016.

One of the considerations while developing the proposed water fee structure is that the water system cannot continue to operate with the current water fees that are being collected. Another consideration is the integration of the State subsidy that will be received if the proposal is approved. In November of 2015 the district received an $82,468 donation from Proteus, Inc. to pay past arrearages and to pay $110 a month for each resident's water bill going forward, but only through October of 2016.

On June 15, 2016, Department of Public Works and Planning staff and State representatives met with CSA 30 property owners and discussed the reasoning behind the proposal to restructure the water fees. County staff explained that the increased water service fee proposal is comprised of a base monthly fee for administration, operations and maintenance and the addition of a consumption-based commodity fee for all water used monthly. County staff explained that this proposal would cause higher water users to pay higher water bills. The State has initiated the process to issue a Grant to subsidize the cost of the raw water. The proposed Grant would be equal to the amount needed to deliver up to 50 gallons of treated water per person per day. The State made the Grant conditional, however, on the residents' approval of a new water fee structure that requires each connection to pay according to actual water usage. The subsidy would be provided through April 30, 2018. Well over 50% of the community of El Porvenir attended the meeting.

On June 24, 2016, as required by Proposition 218, in accordance with California Constitution Article XIII D Section 6 requirements, a bilingual notification (Exhibit B) for the Protest Hearing was mailed to record owners of real property within CSA 30 and to tenants listed on the CSA 30 bill registers subject to the proposed increased water service fee. The notification letter explained the procedure for submitting a protest to the proposed water service fee increase, and clarified how the increased water service fee will allow CSA 30 to continue purchasing raw water to treat in the CSA 30 water system. The notice also explained that if less than a majority of property owners submit a written protest to the proposed increased water service fee, the Board may increase the fee effective September 1, 2016.

On July 27, 2016, Department staff met with CSA 30 property owners and residents at Cantua Elementary School to explain the proposed increased water service fee comprised of a base fee and addition of the commodity fee for water usage and to answer questions about the proposal. Additionally, staff explained the Proposition 218 process and the ramifications of a majority protest against increasing the water service fees which would include the State not subsidizing raw water and O&M costs, and could result in the inability of the CSA 30 to pay their monthly untreated water purchases from Westlands.

As stated above, the proposed increased water service fee is comprised of a base water fee and a commodity fee. The proposed base water fee was calculated by averaging the CSA 30 annual costs to operate, maintain, and administer water delivery infrastructure and services for over the past three years, not including the cost of purchasing untreated water. The proposed base fee increases by 3.5% in year two from $100.69 to $104.21. The increase is to account for the increasing costs to maintain, operate, and administer the water system. The monthly base fee for the two year period beginning on September 1, 2016, would be as it is shown on Table 1 of Exhibit C.

The proposed commodity fee has two tiers. The Tier I commodity fee would be subsidized by theGrant to fund the increased raw water cost, as described above. This part of the fee was calculated by using the cost to purchase the raw water prior to the last fee increase in March 2010 ($410/acre foot of water), plus a calculated backwash water amount to produce each gallon of treated water. The Tier I allotment is based on an average of four (4) persons per household multiplied by 50 gallons per day multiplied by an average of 30.42 days per month for a total allotment of 6,084 gallons per month. Because the proposed Grant would only provide a

subsidy through April 30, 2018, staff would return in late 2017 or early 2018 with a new proposed fee to provide for continuing operations without the Grant.

The Tier II rate was calculated by using the actual current cost for 1,000 gallons of treated water. That includes cost of untreated water purchased from Westlands, which is currently $489 per acre foot. Due to the nature of the treatment process, 1,218 gallons of untreated water must be purchased from Westlands in order to produce 1,000 gallons of treated water. Tier II is considered any water usage above the Tier I allotment. Table 2 on Exhibit C shows the allotment and fees per 1,000 gallons of water for each tier.

Each residential connection would be charged the base fee, plus the commodity fee for actual water usage. The specific amount of each bill would depend on the amount of water actually used each month. It would fluctuate up or down dependent on the water usage each month. Table 3 on Exhibit C gives examples of possible total monthly water bills.

The proposed water rate structure will not affect the donation that has already been received from Proteus, Inc. Each resident that currently receives the credit will continue to receive it through October of 2016. If the proposed rate structure is approved then residents will have to pay the difference between that credit and total of the base fee and the cost per gallon of water used.

The proposed new fees, if not opposed by a majority of the property owners, and if approved by the Board at the public protest hearing on August 9, 2016, will be implemented on September 1, 2016. Property owners would first see this increase on the September bill, which they can expect to receive in October 2016. Based on the provisions of the Grant, the proposed rates herein would be through April 30, 2018 if they are approved. Prior to April 30, 2018 County staff will initiate the fee increase process to establish new rates.

If the proposed new fees are approved, the commodity fee may be automatically adjusted, as provided in Government Code section 53756, subdivisions (c) and (d), during the next five years to pass through any price increases or decreases for untreated water that are implemented by Westlands Water District, upon 30 days' advance notice to property owners and ratepayers.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A
Exhibit B
Exhibit C
On file with Clerk - Resolution
On file with Clerk - Budget Resolution

CAO ANALYST:

John Hays