



# Board Agenda Item 8

DATE: June 24, 2025

TO: Board of Supervisors

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

SUBJECT: Public Protest Hearing on Increased Water and Sewer Service Rates and Fees for  
Fresno County Waterworks District 40 - Shaver Springs

RECOMMENDED ACTION(S):

**Conduct public protest hearing and receive written protests from property owners or their tenants, currently receiving water and/or sewer service from Fresno County Waterworks District 40 - Shaver Springs, prior to the close of such public protest hearing, as required under California Constitution Article XIII D, Section 6 (Proposition 218), on a proposal to increase the water and sewer service rates and fees for such District, and upon completion of such public protest hearing, approve item A or B, as applicable, as determined by the Board of Supervisors ("Board"):**

- A. If the Board finds that there is not a majority protest against such proposal to increase the water service rates and fees, your Board may adopt a Resolution authorizing the proposed increases in the water and sewer service rates and fees for Fresno County Waterworks District 40 - Shaver Springs, 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 rates and fees, make the determination that there is such a majority protest and abandon proceedings regarding such proposal to increase the water and sewer service rates and fees, and direct the Department of Public Works and Planning staff to hold a public meeting with the Fresno County Waterworks District 40 - Shaver Springs community announcing immediate cost saving steps.**

Fresno County Waterworks District 40 - Shaver Springs ("WWD 40") currently provides community water and sewer services to 69 residential customers in the Shaver Springs subdivision and provides water service to one out-of-district residential customer. WWD 40's current fee structure no longer generates sufficient revenue to meet expenses and due to deficit spending WWD 40 has depleted its cash reserves. The proposed increased water and sewer service rates and fees are recommended to:

- Fully fund WWD 40 operating costs;
- Build a cash reserve as required by your Board's policy for special districts;
- Improve the financial condition of WWD 40; and
- Repay the County for past costs incurred but not yet charged to WWD 40, and for a projected budget shortfall for FY 2024-25 (such shortfall to occur regardless of whether these service rates and fees are increased under this Proposition 218 proceeding) plus the County's estimated annual internal interest rate on such unpaid costs and budget shortfall.

Under the proposed rates, the average combined water and sewer bill is expected to increase approximately \$216.15 or about 288% (from \$75.06 to \$291.21). If at least 36 valid protests are received from property

owners or their tenants, who currently (as of your Board's public protest hearing) receive water and/or sewer service from WWD 40, 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. If there is a majority protest, there will be insufficient funds to support the O&M of the WWD 40 water and sewer systems. 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 property owners or their tenants currently receiving water and sewer service from WWD 40 so that the necessary increased fees cannot be charged, there would be insufficient funds to meet the O&M of the WWD 40 water and sewer systems, and WWD 40 will be unable to pay for any necessary repairs or repay the County for past costs incurred as of July 1, 2024 (\$141,243) but not yet charged to WWD 40, and for a projected budget shortfall of approximately \$110,700 for FY 2024-25, plus interest.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended actions. All costs associated with WWD 40, including those associated with the public protest hearing, are paid for by the 69 parcels and single out-of-district user in WWD 40 which receive water and sewer service. All costs for the O&M of the water and sewer services shall be paid from the fees charged to these benefitting properties in WWD 40.

If there were a majority protest by property owners or their tenants currently receiving water and sewer service from WWD 40 so that the increased fees could not be charged, there would be insufficient funds to meet the O&M of the WWD 40 water and sewer systems as well as to repay the County. Also, the Department of Public Works and Planning (Department) staff would hold a public meeting with the WWD 40 community to discuss immediate cost saving steps and possible ramifications, which could include the inability to pay for repairs resulting in the shutdown of water service or the potential for dissolution of WWD 40.

DISCUSSION:

1. History and location.

WWD 40 was established in 1971 to provide community water and sewer for the Shaver Springs subdivision located east of Tollhouse Road, near the intersection of Tollhouse Road and Shaver Springs Road. There are 96 parcels, of which 69 are developed, 23 are undeveloped, and 4 parcels are tax exempt outlots. WWD 40 provides water to one out-of-district user.

2. WWD 40's current rate structure.

WWD 40's current rate structure was adopted pursuant to Proposition 218 requirements on January 9, 2007, with fees having become effective on March 1, 2007. The current water rate structure consists of a base fee of \$49.53 per connection, which includes the first 8,000 gallons of monthly water use. Use above the first 8,000 gallons is billed based on a two-tiered water rate structure charged to each 1,000 gallons of water use. The current monthly sewer service charge is a flat fee of \$25.53 per connection.

3. WWD 40's proposed rate structure.

The proposal to increase WWD 40's water and sewer service rates and fees is being made because WWD 40's current fee structure no longer generates sufficient revenue to meet WWD 40's expenses.

The proposed rates are attached to this agenda item as Attachment A. Under the proposed rates, the

average combined water and sewer bill will increase by \$216.15 or about 288% (from \$75.06 to \$291.21 per month). The proposed base rate for water will be \$85.54 per month. With an average water usage of 4,000 gallons per connection per month, an additional usage fee of \$94.68 will apply. The flat monthly sewer service fee will be \$110.99.

The proposed rate increases will allow WWD 40 to:

- Fully fund WWD 40 operating costs;
- Build a cash reserve of at least \$113,700 by the end of Fiscal Year 2029-30 (as required by your Board's policy for special districts);
- Improve the financial condition of WWD 40; and
- Repay the County by FY 2028-29 for past costs incurred as of July 1, 2024 (\$141,243) but not yet charged to WWD 40, and for a projected budget shortfall of approximately \$110,700 for FY 2024-25 (such shortfall to occur regardless of whether these service rates and fees are increased under this Proposition 218 proceeding) (i.e., a total of \$251,943), plus the County's estimated annual internal interest rate on such unpaid costs and budget shortfall. For financial planning purposes, the County's internal interest rate is estimated as 2.8% annually.

If the proposed rate increase goes into effect, then WWD 40 is projected to repay the combined amount of \$251,943 (i.e., \$141,243 plus \$110,700) plus interest by FY 2028-29. This means that the County will essentially continue to advance the foregoing \$251,943, plus interest, to WWD 40 until 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 WWD 40, the target is approximately \$113,700. The rate plan developed under the proposed increases in service rates and fees includes the accumulation of about \$113,700 in reserves by the end of FY 2029-30 which meets the Board's requirement. Until such reserves reach their target in FY 2029-30, WWD 40 remains non-compliant with this policy.

In recent years, WWD 40 has spent down its existing reserves and is not collecting sufficient revenue to fund annual expenses. In FY 2024-25, WWD 40 expects to incur about \$145,800 in expenses to operate and maintain the community water system and another \$93,400 in expenses to operate and maintain the community sewer system for a combined total of \$239,200; with current combined revenues of only \$128,500, operating expenses are greater than revenues resulting in a projected deficit of about \$110,700 just for FY 2024-25.

The current water and sewer service rates and fees were determined based on services, supplies, and labor costs at the time, but the costs of operating the WWD 40 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 to also rebuild cash reserves within five years and repay the County.

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

- The first component is a base fee for all water users that will cover the costs of 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. The usage fee is to be charged to each 1,000 gallons of water usage calculated and based upon estimated WWD 40 costs and historical water usage patterns (average monthly use per single family residential customer is 4,000 gallons).

Rate recommendations are designed to fund WWD 40's short- and long-term costs of providing service and fairly allocate costs to all customers. The proposed rates are based on the reasonable cost of providing service and do not exceed the proportional cost of the service attributable to the parcel.

4. Municipal consultant.

The water rate study, dated April 14, 2025, was prepared by Lechowicz + Tseng, Municipal Consultants, Alameda, California. The water rate study was made available to property owners and customers as part of the Protest Hearing Notice, and it is on file with the Clerk of the Board of Supervisors.

5. Notices and community meetings.

On November 20, 2024, Department staff met with the WWD 40 property owners and tenants and discussed initiating the Proposition 218 process to increase the monthly water and sewer service rates and fees, as the current rates do not adequately fund the O&M of the systems.

On April 8, 2025, Department staff again met with the WWD 40 property owners and tenants at the Pineridge Elementary School to explain the proposed adjustments to the water and sewer service rates and fees and to answer questions about the proposed increases.

On April 22, 2025, as required by California Constitution Article XIII D, Section 6 (Proposition 218), a Protest Hearing Notice (Notice) was mailed to the recorded property owners and customers listed on the WWD 40 billing registers who would be subject to the proposed increased water and sewer service rates and fees. The Notice explained the procedure for those **currently receiving WWD 40's water and/or sewer service** to submit a timely written protest to the proposed increased fees. It also explained how the adjustments to the fees will allow WWD 40 to build the Board-required cash reserve, to repay the County for past costs incurred but not yet charged to WWD 40 (\$141,243 as of July 1, 2024), address a projected budget shortfall of approximately \$110,700 for FY 2024-25, cover the County's estimated annual internal interest rate on such unpaid costs and shortfall, and support the O&M of the water and sewer systems. The Notice further explained that if less than a majority of property owners or tenants currently receiving service submit written protests, your Board may increase the water and sewer service rates and fees effective July 1, 2025. The Notice is attached to this agenda item as Attachment B.

On May 13, 2025, Department staff again met with the WWD 40 property owners and tenants at the Pine Ridge Elementary School to explain the proposed adjustments to the water and sewer service rates and fees, to answer questions about the proposed increases, and to explain the Proposition 218 process and the ramifications of a majority protest.

6. Ramifications of majority protest.

If protests from a majority of property owners and tenants currently receiving water and/or sewer service from WWD 40 are not received before the close of the public protest hearing, your Board may approve the recommended fee increases. If approved, the increased fees will become effective on July 1, 2025, and will be collected following the issuance of bills for the July-August 2025 billing period.

However, if at least 36 valid protests are submitted by property owners or their tenants who receive water or sewer service as of your Board's public protest hearing, a majority protest will be reached, preventing your Board from approving the fee increase. The majority protest threshold is based on 69 parcels and one out-of-district user currently receiving water service, divided by two (35) plus one, totaling 36. If a majority protest occurs, Department staff will communicate with the WWD 40 community on reducing services or the potential dissolution of WWD 40.

REFERENCE MATERIAL:

BAI #15, January 9, 2007

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A - Site Map

Attachment A - Proposed Rates

Attachment B - Protest Hearing Notice

On file with Clerk - Resolution

On file with Clerk - Water and Sewer Rate Study

Additional Information

CAO ANALYST:

Maria Valencia