



NOTICE OF PUBLIC HEARING

In Connection with Proposed Increases to
RATES FOR WATER, WASTEWATER AND REFUSE SERVICE FEES

NOTICE IS HEREBY GIVEN that the City of Shafter ("City") will hold a **Public Hearing** on **Tuesday, June 20, 2017, at 7:00 p.m.** in the City Council Chamber, 336 Pacific Ave., Shafter, CA 93263, to consider the adoption of increases to the rates for its water, wastewater and refuse service fees to the parcel for which you are shown as the record owner or customer of record. The City rates proposed to be imposed on your parcel are provided in this notice.

The purpose of the hearing is to consider all written protests against the rate increases to the City's water, wastewater and refuse fees proposed to be imposed on parcels within the City service area. As the record owner or customer of record of a parcel identified to be subject to the imposition of the proposed rate increases, you may submit a written protest against the proposed rate increases. Provided, however, if the identified parcel has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must (1) be in writing; (2) state the specific rate increase (water, wastewater, refuse, or any combination thereof) for which the protest is being submitted in opposition; (3) provide the location of the identified parcel (by street address or assessor's parcel number); and (4) include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail or in person to the **City Clerk, City of Shafter, 336 Pacific Ave., Shafter, CA 93263**, or in person at the public hearing, so long as they are received prior to the conclusion of the public comment portion of the public hearing. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the City Clerk, that the enclosed letter is for the Public Hearing scheduled for June 20, 2017.

At the conclusion of the public hearing, the City Council will consider adopting the proposed rate increases to the water, wastewater and refuse service fees. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate increases as outlined above are not presented by a majority of the record owners or customers of record of the identified parcels upon which they are proposed to be imposed, the City Council will be authorized to impose the respective rate increases. If adopted, the rate increases for the water, wastewater and refuse service fees are proposed to be effective for services provided on or after July 1, 2017, on each July 1, thereafter, and through and including July 1, 2021.

PUBLIC WORKSHOP

A public workshop will be held prior to the protest hearing described above to allow the public to have their questions answered and voices heard regarding the proposed rate increases and changes. Shafter utility customers are invited and encouraged to attend the **workshop** on **Thursday, May 18, 2017, 4 p.m. to 6:30 p.m.**, at the **Shafter Veterans Hall, 309 California Ave., Shafter, CA 93263**. Presentation begins at 5:15 p.m.

CURRENT AND PROPOSED RESIDENTIAL REFUSE & RECYCLING RATES

The City has exclusive franchise agreements with Varner Brothers, Inc. and American Refuse, Inc. for the collection and handling of refuse, greenwaste, and mixed recycling within the City. Pursuant to the agreements, the maximum rates may annually be adjusted, up or down, using the methodology practiced by the County of Kern for its unincorporated areas or as specifically set forth below:

BASIC FORMULA FOR CALCULATING PROPOSED REFUSE COLLECTION FEE ADJUSTMENTS:

$$\text{Adjustment Factor} = (\text{Fuel \%} \times \text{Fuel Factor}) + (\text{Base Rate \%} \times \text{CPI}')$$

DESCRIPTION, DERIVATION AND APPLICATION OF TERMS:

Fuel Factor and Fuel %

Fuel Index (FI) = US Energy Information Administration (EIA)
California No. 2 Diesel (On-Highway) Retail Sales by All Sellers
Average Annual Fuel Cost (\$/gal)

$$\text{Fuel Factor}^{(1)} (\text{FF}) = \frac{\text{FI}_2 - \text{FI}_1}{\text{FI}_1} \quad \begin{array}{l} \text{FI}_2 - \text{FI} \text{ in the year of proposed rate adjustment} \\ \text{FI}_1 - \text{FI} \text{ in the year of last rate adjustment} \end{array}$$

Fuel % ⁽²⁾ = Portion of the Refuse Rate attributed solely to fuel.

Base Rate % and CPI'

Base Rate Index = Average Annual Consumer Price Index (CPI) (All Urban Consumers)
CUURA421SA0, CUUSA421SA0 from Bureau of Labor Statistics
Los Angeles-Riverside-Orange County, CA

$$\text{CPI Factor} = \frac{\text{CPI}_2 - \text{CPI}_1}{\text{CPI}_1} \quad \begin{array}{l} \text{CPI}_2 - \text{CPI} \text{ in the year of proposed rate adjustment} \\ \text{CPI}_1 - \text{CPI} \text{ in the year of last rate adjustment} \end{array}$$

$$\text{CPI}' \text{ Factor} = \text{CPI Factor} - (0.055^{**} \times \text{Fuel Factor})$$

(**5.5% is the 2010 fuel component of the CPI and is subject to change)

Base Rate % ⁽³⁾ = Portion of the Refuse Rate not attributed to fuel (100 – Fuel%).

Refuse Collection Fee Adjustment Factor

$$\text{Adjustment Factor} = (\text{Fuel \%} \times \text{Fuel Factor}) + (\text{Base Rate \%} \times \text{CPI}')$$

Application of Refuse Collection Fee Adjustment Factor

$$\text{Existing Rate} \times (1 + \text{Adjustment Factor}) = \text{Proposed Rate}$$

- ⁽¹⁾ The Fuel Index (FI₍₁₎) used to set the 2012 rates for accounts not billed on the tax roll shall initially be \$4.95. This Fuel Index is the basis for the 2008 fuel surcharge, the starting point for the initial 2012 rate adjustment using the proposed methodology. Subsequently, Fuel Index (FI₍₁₎) shall be the FI in the year of last rate adjustment.
- ⁽²⁾ The Fuel % is the portion of the Refuse Rate attributed solely to fuel. Initially, the 2008 Fuel % is established as 16% as representative of the most recent fuel adjustment. The Fuel % will vary from year to year relative to the differential between the Fuel Index and the CPI'. Subsequently, the Fuel % will use the Fuel % resulting from the previous adjustment.
- ⁽³⁾ The Base Rate % is the portion of the Refuse Rate not attributed to fuel. Initially, the 2008 Base Rate % is established as 84%. The Based Rate % will vary from year to year relative to the differential between the Fuel Index and the CPI'. Subsequently, the Base Rate % will use the Base Rate % resulting from the previous rate adjustment.

The City bills customers the applicable rates for all services provided by the haulers by placing them on property tax rolls for collection annually as an assessment. Not later than June 30th of each year, the amount of the levy for annual assessments shall be established by resolution or ordinance of the City Council.

The first consideration for an annual increase will take place for the fiscal year commencing July 1, 2017. The haulers shall make each request within 30 calendar days following the County of Kern's ("County") approval of any updates and shall submit detailed information with each request to substantiate its claimed cost increases. The City may grant the adjustment if it finds that haulers' costs have increased by the amount indicated, and that the haulers are in compliance with every term of their agreements. A grant of a rate adjustment shall be by resolution or ordinance following a public hearing concerning the proposed increase. No adjustment granted by the City shall exceed five percent (5%). In the event of that the County of Kern modifies or ceases to use its rate methodology for the unincorporated areas of the County, the City may consider and review rate adjustments subject to the same County methodology.

Through their agreements, the haulers pay the City a franchise fee of fifteen percent (15%) of their gross revenues from all operations in their service areas, exclusive of payments received by the haulers for the sale of recyclable material, organic waste or greenwaste and revenue received from the disposal of refuse. Gross revenues shall be defined to include all revenues received by the haulers minus pass-through costs incurred at disposal or processing facilities used or directed to be used. The City may adjust the franchise fee from time to time, provided that if the City increases the fee, the haulers may increase its rates by the amount necessary to pass through the increase for the fee.

The rate structure for residential customers is comprised of four classes: (1) Single Family; (2) Duplex; (3) Triplex; and (4) Fourplex, all of which have rates for the collections of refuse, greenwaste, and mixed recycling using a 96-gallon container picked up a set frequency. The proposed rates for refuse, greenwaste, and mixed recycling services have been determined to be the amount necessary for franchised haulers to provide services in accordance with franchise agreements, beginning July 1, 2017. Residents are assessed a separate land use fee through their property taxes to fund the operation of County disposal and recycling programs.

RESIDENTIAL REFUSE & RECYCLING COLLECTION RATES								
Unit	Size	Refuse Container	Greenwaste Container	Mixed Recycling Container	Monthly Rate	Additional Refuse	Additional Greenwaste	Additional Mixed
Single Family	96 Gallon	1 weekly	1 weekly	1 bi-weekly	\$23.96	\$12.18	\$8.53	\$4.68
Duplex	96 Gallon	2	1	2 bi-weekly	\$43.91	\$12.18	\$8.53	\$4.68
Triplex	96 Gallon	3	1	3 bi-weekly	\$65.86	\$12.18	\$8.53	\$4.68
Fourplex	96 Gallon	4	1	4 bi-weekly	\$87.81	\$12.18	\$8.53	\$4.68

WHOLESALE REFUSE PASS THROUGH INCREASES

As noted above, the agreements with franchise haulers provide that the maximum rates they charge may be annually adjusted, up or down, using the methodology practiced by the County of Kern for its unincorporated areas. To ensure that there are sufficient revenues to provide refuse and recycling services to our customers who are served by the franchise haulers, the City is also proposing to annually pass through to these customers any increases in the rates that the franchise haulers impose on the City (each a "Pass Through Adjustment"). Any Pass Through Adjustment will impact the rates set forth in the table above. If approved by the City Council, the City may annually implement a Pass Through Adjustment for a five-year period commencing July 1, 2018, through and including July 1, 2022. Provided, however, that (1) any increase in the rates as a result of any Pass Through Adjustment shall be based on the formula described above; (2) shall not exceed 5% per year; and (3) in no event shall such rates be increased as a result of any Pass Through Adjustment by more than the cost of providing refuse and recycling services.

PROPOSED RATE INCREASES

The current rate plan for water, wastewater, and refuse services was approved in January 2010. Since then, there have been annual rate adjustments for water and refuse service, with the last increase taking place in January 2014. Wastewater rates have not been adjusted since 2000. New rate increases for all three City services are now necessary in order to: (1) recover current and projected increases in the costs of operating and maintaining the water, wastewater, and refuse utilities; (2) construct capital infrastructure improvements needed to repair, replace and update the City's water and wastewater systems; (3) repair and replace refuse trucks and equipment; (4) maintain the operational and financial stability of the utilities; (5) avoid operational deficits and depletion of reserves; and (6) comply with regulatory requirements. The proposed increases to water, wastewater and refuse services have been developed to be equitable to all customers and proportionate to the cost of providing the services.

CURRENT AND PROPOSED WASTEWATER RATES

Wastewater rates have not been adjusted in over 15 years. The proposed rate increases are needed in order to fund the operation and maintenance of the system, which includes wastewater collection, treatment, and disposal. The rate structure for wastewater service fees consists of three customer classes: residential, commercial and professional, and schools. Within the residential customer class, there are two subclasses: single-family residential, and apartments and mobile homes. The rates for residential customer classes are flat monthly fees. Within the commercial and professional customer class, there are twenty subclasses of customers. The subclasses are classified based on the type of commercial activity occurring on the property. The rates for some commercial customer subclasses are also flat monthly fees, and the rates for other commercial customer subclasses are based on specific characteristics particular to their customer sub-classification. The following rate adjustments are proposed:

Customer Class	Note	Current Rates	Proposed Rates & Effective Dates				
			7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021
Residential							
All Houses – Single Family		\$22.40	\$24.64	\$26.86	\$28.20	\$29.05	\$29.92
Apartments & Mobile Homes		\$21.60	\$23.76	\$25.90	\$27.19	\$28.01	\$28.85
Commercial & Professional							
Fast Food		\$39.60	\$43.56	\$47.48	\$49.85	\$51.35	\$52.89
Restaurants (\$/Seat)		\$1.54	\$1.69	\$1.85	\$1.94	\$2.00	\$2.06
Bars (\$/ Seat)		\$1.04	\$1.14	\$1.25	\$1.31	\$1.35	\$1.39
Barber/Salon		\$36.40	\$40.04	\$43.64	\$45.83	\$47.20	\$48.62
Church - Flat		\$31.90	\$35.09	\$38.25	\$40.16	\$41.37	\$42.61
Car Wash (\$/Stall)		\$35.90	\$39.49	\$43.04	\$45.20	\$46.55	\$47.95
Mortuary		\$42.00	\$46.20	\$50.36	\$52.88	\$54.46	\$56.10
Hotel/Campground (\$/Room or Space)		\$7.60	\$8.36	\$9.11	\$9.57	\$9.86	\$10.15
Laundromat (\$/Washer)		\$7.20	\$7.92	\$8.63	\$9.06	\$9.34	\$9.62
Correctional Facility (\$/Inmate)	*	-	\$7.27	\$7.92	\$8.32	\$8.57	\$8.83
Dormitories (\$/Student or Occupant)	*	-	\$6.18	\$6.74	\$7.07	\$7.29	\$7.50
Medical/Dental Office (\$/Room or Chair)	*	-	\$10.91	\$11.89	\$12.49	\$12.86	\$13.25
Police/Fire Station (\$/Employee)	*	-	\$5.45	\$5.94	\$6.24	\$6.42	\$6.62
Animal Control Facility (\$/Animal)	*	-	\$1.82	\$1.98	\$2.08	\$2.15	\$2.21
Church (\$/Seat)	*	-	\$0.36	\$0.39	\$0.41	\$0.42	\$0.44
Theater (\$/Seat)	*	-	\$0.44	\$0.48	\$0.50	\$0.52	\$0.53
Gas Station/Mini Market	*	-	\$48.00	\$52.32	\$54.94	\$56.58	\$58.28
General Commercial/Business							
1-8 Employees		\$11.80	\$12.98	\$14.15	\$14.86	\$15.30	\$15.76
9-16 Employees		\$23.90	\$26.29	\$28.66	\$30.09	\$30.99	\$31.92
17-24 Employees		\$34.70	\$38.17	\$41.61	\$43.69	\$45.00	\$46.35
25-32 Employees		\$46.00	\$50.60	\$55.15	\$57.91	\$59.65	\$61.44
33-40 Employees		\$57.70	\$63.47	\$69.18	\$72.64	\$74.82	\$77.07
41-45 Employees		\$65.25	\$71.78	\$78.23	\$82.15	\$84.61	\$87.15
Over 45 Employees (\$/Emp)	*	-	\$1.60	\$1.74	\$1.83	\$1.89	\$1.94
Hospital/Assisted Living (\$/Bed)		\$5.40	\$5.94	\$6.47	\$6.80	\$7.00	\$7.21
School/Day Care (\$/Student & Employee)	*	-	\$0.73	\$0.80	\$0.90	\$1.00	\$1.10
Minter Field Airport Metered							
Monthly Service Fee	*	-	\$5,614.00	\$6,119.26	\$6,425.22	\$6,617.98	\$6,816.52
Volumetric Charge (\$/1,000 gallons)	*	-	\$0.89	\$0.97	\$1.02	\$1.05	\$1.08

(*) - New rate category: Year 1 will be the initial use of the category and rate adjustments take effect starting at Year 2. Some new rates replace lump sum charges with unit charges for existing categories.

MORE INFORMATION

The documents supporting the rate adjustments and increases, including the rate study prepared to calculate the rates described in this notice are available for review at the City Clerk's office between 8:00 a.m. and 5:00 p.m., Monday through Friday. If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact the City Clerk by phone at 661-746-5000 or at 336 Pacific Ave., Shafter, CA 93263.