



Sewer Service Charges For Fiscal Years 2017 – 2021

Union Sanitary District (USD) is an award winning public agency providing wastewater service to the Tri-Cities (Fremont, Newark, and Union City). Pursuant to the Proposition 218 notice sent to all property owners in December 2015, USD will hold a public hearing on January 25, 2016 to consider a new cost of service analysis that covers proposed rate increases for FY 2017 through FY 2021. For single-family homeowners (the majority of USD’s customers) the 1% increase in FY 2017 equates to \$3.05 per year or \$0.25 per month.

The District recognizes that no one enjoys a rate increase, and continuously looks for ways to reduce costs while maintaining a high level of service. Only three agencies of 26 surveyed in the Bay Area currently have rates lower than USD.

State law requires the District to establish rates sufficient to cover operating expenses, including interest on debts, and expenses necessary for the replacement and construction of facilities. The proposed rates are based on the results of the most recent, comprehensive study of the cost of providing sewer service. This study calculated rates by determining the fair allocation of costs for sewer service between residential, commercial, and industrial users based on each class’ use of services and impact on the system.

As an example, single-family residential rates are proposed to increase by approximately 1% in FY 2017 and 3.5% each year thereafter through FY 2021:

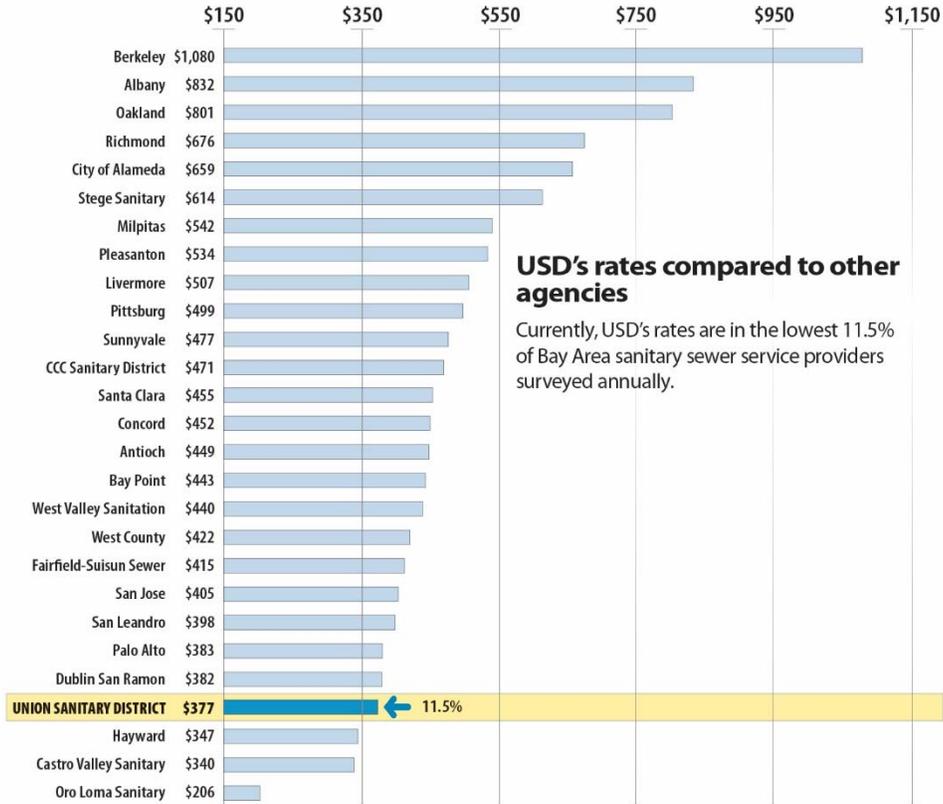
**PROPOSED RESIDENTIAL RATES
FY 2017 - 2021**

Current Rate	\$377	
	Proposed Rates	Difference from previous year
FY 2017	\$380.05	\$3.05
FY 2018	\$393.35	\$13.30
FY 2019	\$407.12	\$13.77
FY 2020	\$421.37	\$14.25
FY 2021	\$436.12	\$14.75

USD rates in perspective

USD conducts an annual rate comparison survey of 26 Bay Area wastewater agencies and today, only **three** agencies have lower rates.

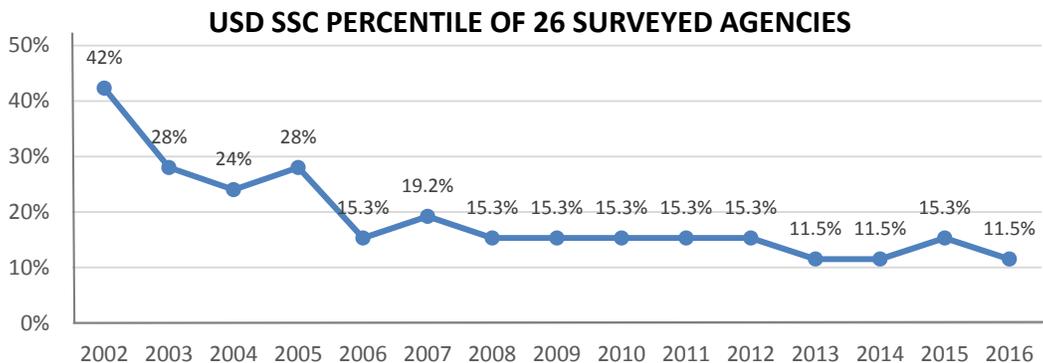
BAY AREA ANNUAL SEWER SERVICE CHARGES 2015–2016



USD's rates compared to other agencies
 Currently, USD's rates are in the lowest 11.5% of Bay Area sanitary sewer service providers surveyed annually.

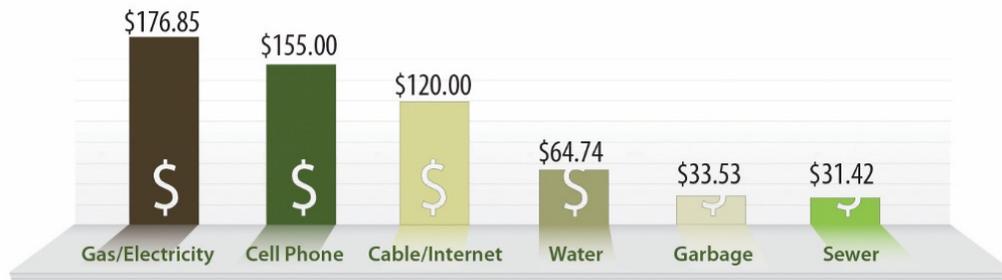
As of 9/14/2015 – Hayward rate effective 10/1/2015

The graph below shows USD's rate percentiles since the District began surveying 26 Bay Area wastewater agencies annually in 2002. Despite modest rate increases, USD's percentile rank has steadily decreased and is now in the 11th percentile.



Compared to other utilities and services, USD's rates are the lowest

A typical household in USD's service area pays considerably more for services like those below:



Sewer Rate shown is USD's FY 2016 single-family residential rate (July 1, 2015 - June 30, 2016)

Other monthly utility rates are based on a typical residential household and were obtained from service providers in August 2015 where possible. Gas and Electricity rate is based on an annual average for a 1,500 sq. ft. home in USD's service area. Cell phone monthly bill is based on a typical calling plan for a family of four.

USD strives to keep rates low and stable

Prior to 2004, USD had not increased rates since 1997. During that time, the District used reserves to finance the majority of its capital improvements, significantly depleting this critical account. Beginning in 2004, USD implemented a rate increase program to fund these improvements and keep pace with increasing operation costs facing the agency. This was to implement the Board of Directors' philosophy of keeping rates relatively stable over time, and protect ratepayers from large rate increases that often occur in a service delivery business.

The District plans 10 years in advance for capital projects and needs; however, these capital expenditures are evaluated on an annual basis. Capital expenditures for FY 2016 are anticipated to total \$15.08 million and average approximately \$20 million annually after that through FY 2021.

USD's Capital Improvement Program is a large driver for increased rates

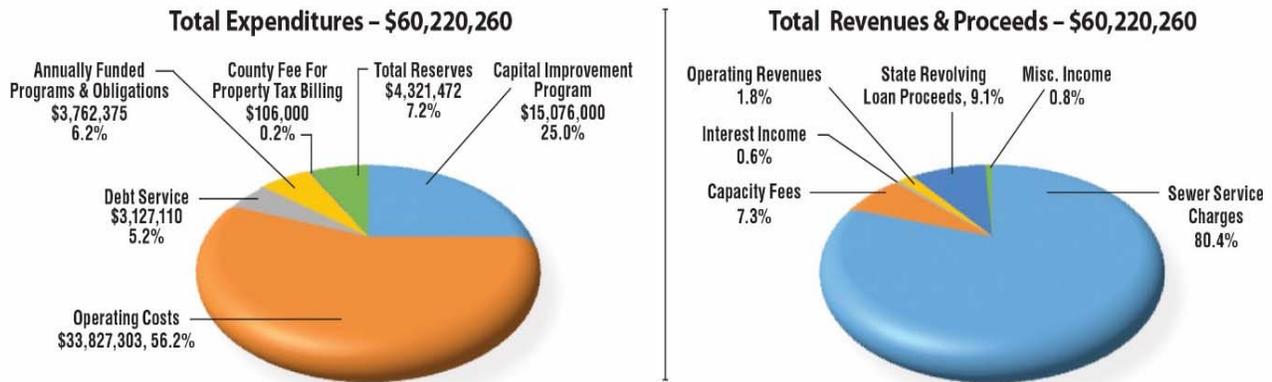
USD maintains a large number of facilities and equipment, including more than 811 miles of sewer lines, seven pump stations, the treatment plant and other infrastructure – much of it built in the late 1970's. In total, the District is responsible for operating, maintaining, and replacing over \$650.9 million in assets. Responsible, timely upkeep of these facilities has allowed the District to avoid catastrophic failures, interruptions to service, and major spills that often plague other utilities and agencies.

Since 2004, the primary focus of the District's Capital Improvement Program has been on rehabilitation, replacement, and repair of its pump stations and treatment plant equipment. For Fiscal Years 2004 - 2014, USD spent more than \$151 million on capital projects. The plant operates 24/7/365 to process an average of 23 million gallons of untreated sewage every day,

and operates and maintains more than 50 major treatment process units and buildings. A large portion of District facilities are now over 35 years old.

The District’s current operating budget is approximately \$60.2 million, and raises revenue from two primary sources: (1) Sewer service charges paid by residential customers, businesses, and other users of the system; and (2) Capacity fees paid by developers and others who connect to USD’s system.

FY 2016 BUDGET (July 1, 2015 through June 30, 2016)



■ Annually Funded Programs and Obligations include special studies and equipment replacement ■ Operating Costs include employee, utilities, chemicals, maintenance and administrative costs
 ■ Capital Improvement Program includes project construction and related costs

Additional Costs

In addition to funding USD’s capital improvement program, rate increases have historically been implemented in part to address other rising costs. From 1996 to 2015 the CPI (typically referred to as inflation) for the San Francisco Bay Area has averaged approximately 3% annually. Approximately 42% of the District’s total budget is dedicated to personnel expenses, which is within range of other service providers in this industry. Our salaries are competitive with those of other agencies in the region.

Like all other businesses, USD faces steeply rising employee costs. All USD employees now pay a portion of their health care and pension benefits. By March of 2016, employees of USD will be paying approximately 30% of overall pension costs. In addition, USD is subject to pension reforms enacted by the State.

Chemicals, electricity, and fuel also account for a significant portion of the District’s budget - those costs have similarly increased substantially over the last 10 years. Chemical costs alone were over \$1.8 million in FY 2014. USD’s electricity bill in FY 2014 was over \$2.1 million. While USD uses renewable energy wherever possible and works toward energy-independence, the District must still purchase power from outside sources, generally at rising costs every year.

Moreover, the costs of complying with state and local regulations, including annual permit fees, also continue to rise.

Efficiency/Technology

One of the many factors keeping USD's rates low is efficient service and use of technology. By implementing technology to streamline permitting, plant operations, maintenance management, and engineering services, the District has been able to maintain more conservative staffing levels, thus helping to control costs. USD also partners with neighboring agencies to purchase chemicals and equipment at discounted prices. Careful financial planning allows USD to finance capital improvements at very low, below-market rates.

Award Winning Service/Agency

USD is proud of its award winning service. Since 2004, nearly every team or workgroup at USD has received awards. A partial list of those awards includes:

- Peak Performance Platinum Award from the National Association of Clean Water Agencies (NACWA) for six years of 100% compliance at the District's Treatment Plant, and recognition for 21 consecutive years of outstanding performance.
- CASA Public Outreach Program of the Year Award - 2015
- CSDA Innovative Program of the Year – 2015
- NACWA Excellence in Management Program Gold Certificate - 2015
- Green Business of the Year – Union City Chamber of Commerce 2015
- Engineering Achievement Award for 2014 from the California Water Environment Association (CWEA)
- CWEA Collection System Worker of the Year – 2013
- CWEA Al Ditman Professional Development Award - 2013
- CWEA Safety Program of the Year – Statewide Award 2010
- CWEA Treatment Plant of the Year for the State of California - 2009
- CWEA Collection System Maintenance Program of the Year - 2005, 2009, 2010, 2012
- US EPA Pretreatment Program of the Year (National Award) - 2008
- Training Magazine International Top 125 Training Programs – 2011 (Private and public sector, with USD being one of only 3 public sector agencies amongst 125 companies)

For more information, visit our sewer service charges web page:

www.unionsanitary.ca.gov/sewerService.htm