

HEBER PUBLIC UTILITY DISTRICT

REPORT TO BOARD OF DIRECTORS

MEETING DATE: August 17, 2017

FROM: Laura Fischer, General Manager

SUBJECT: Discussion and Related Action Regarding Private Fire Hydrant Rates and Implementation Plan

ISSUE: Shall the Board of Directors Modify the Implementation of Adopted Private Fire Hydrant Rate to Mitigate Financial Impact of Residents of Affordable Housing Developments?

GENERAL MANAGER'S RECOMMENDATION:

Modify the Implementation of Adopted Private Fire Hydrant Rate to mitigate financial impacts to affordable housing developments.

FISCAL IMPACT:

The monthly Private Fire Hydrant Rate as Adopted via Ordinance 2017-3 for a 6" hydrant is \$208.21 per month or \$2,498.48 per year. There are 14 private fire hydrants located on private property in affordable housing development including multi-family and mobile home parks, which totals \$34,979 revenue per year.

• Heber Village Apt. I	24 units	1 Hydrant
• Heber Village Apt II	24 units	2 Hydrants
• Borjon Trailer Park	14 units	2 Hydrants
• Salvador Trailer Park	40 units	2 Hydrants
• Desert Sunrise Apt.	24 units	1 Hydrant
• Sunset Garden Apt.	40 units	1 Hydrant
○ Individual meters		
• Villa Paloma Apts.	71 units	1 Hydrant
• Heber Family Apts.	<u>81 units</u>	<u>4 Hydrants</u>
TOTAL	318 units	14 Hydrants

There are 7 private fire hydrants located on private property in commercial property. Which totals \$17,489 in revenue per year. Staff does not recommend any changes to the implementation of the Private Fire Hydrant rate to commercial development.

BACKGROUND:

In April 2016 the Board adopted Ordinance 2017-3 to adopt water rates. The rates included a private fire line and hydrant rate per month. The hydrant charge is applied to hydrants connected to the HPUD water distribution system but installed on private property. This fee is a new water fee and has not been implemented. It is the American Water Works Association suggested practice for water departments to charge hydrant fees. It has been a standard worldwide practice since fees and charges were initiated to fund water departments' operational costs.

Hydrant fees as well as all water rates and fees are set to try to pay for the service that they provide. The hydrant fee, which customers with hydrants on their private property (multi-family apartments, businesses, mobile home parks, and commercial developments, etc.) are charged, is a dollar value adopted by the HPUD Board. It is consider a fair and reasonable allocation of the fire protection capabilities of the District's water supply system.

The majority of the costs of providing fire protection is not related to the maintenance of actual hydrants but is associated with providing and maintaining a distribution and storage system with the capacity to deliver sufficient quantities of water to fight fires. If a water department only needed to provide water for domestic use, storage tanks and pipe sizes in the system could be cut by more than 50%. The basic grounds for applying hydrant charges to private property owners is the fact that a hydrant on private land provides an improved level of fire protection for that property. Similarly, buildings with fire sprinkler connections are charged based on the size of the pipe feeding the sprinkler system. Without fire protection or private hydrants close to key areas, insurance rates could be significantly higher.

Hydrants on private property are typically placed in specific locations at the request of the Fire Department during Planning Board plan review and permitting. The Fire Department selects locations that will provide special or increased fire protection to large buildings, buildings far from the street or communal parking areas. Only the HPUD and Fire Department are authorized to operate any hydrant. The HPUD also has the responsibility of maintaining all hydrants and the water system. This maintenance includes periodic testing of hydrants during water main flushing.

DISCUSSION:

If the HPUD implements the fire hydrant rate as currently approved, it would impact multi-family apartments, mobile home parks. The apartments and mobile home parks are managed as a business, and the fees should be considered part of the overhead cost to operate the apartment complex or mobile home park. However, there is no guarantee that the management and/or owners of these facilities will not pass the cost to their renters. The financial impact to the apartment and/or mobile home management would be between \$2,498.48 and \$9,993.92 per year depending on the number of private fire hydrants on private property.

If the facility management decided to pass this charge to the renter, the amount per apartment and/or mobile home (based on the number of units per hydrant) could range from \$35.19 per unit per year to \$356.93 per unit per year. We have no recourse to keep the facility management from passing this fee through to their renters.

As you know, many of the residents in the Heber area are considered low income and earn less than the median household income in the State of California. Many of these residents live in the affected apartment and mobile home parks, which are considered affordable housing.

The potential lost revenue from taking action to suspend the implementation of the Private Fire Hydrant Rate for affordable housing developments is \$34,979 per years. Staff has prepared an analysis of the impact of the new water rate for the month of July 2017. Revenues were stabile after the rate adjustment with a slight increase in water

revenue of approximately \$4,000 for the month on July. The sewer rate was slightly lower due to the new volumetric charge for commercial accounts. The sewer revenue was down about \$2,000 in the month of July. This is only the first month of revenues after the rate adjustment was implemented.

CONCLUSION:

Implementing the Private Fire Hydrant rate as adopted could have an adverse impact on low income families in Heber. Although there are recognized and identified costs associated with providing water service to fire hydrants on private property, these apartment complexes and mobile home parks were established without the charges for these services. There is no guarantee that the management of these affordable housing developments would not pass these reasonable service fees through to their renter. Should that occur, the annual cost could be prohibitive to low income residents in our community.

Thus, staff recommends that the Board approve the modification to the implementation of the Private Fire Hydrant rate to suspend the rate for FY 2017-18 to all affordable housing development, and move forward with implementing the Private Fire Hydrant rate to commercial developments.

ALTERNATIVES:

- 1) Direct staff to modify the implementation of the Private Fire Hydrant rate to:
 - a. Suspend implementation for FY 2017-18 for affordable housing developments including apartment complexes and mobile home parks.
 - b. Begin implementation on September 1, 2017 utility billing for the commercial accounts.
- 2) Direct staff to modify the implementation of the Private Fire Hydrant rate to:
 - a. Suspend implementation for FY 2017-18 for all customer classes.
- 3) Direct staff to implement the Private Fire Hydrant rate as adopted via Ordinance 2017-3 to all customer classes.

Respectfully Submitted,

Laura Fischer, General Manager