



NOTICE OF PUBLIC HEARING – POTENTIAL CHANGES AND INCREASES TO SEWER SERVICE CHARGES AND RATES

Union Sanitary District (USD) will hold a public hearing regarding proposed changes and increases to rates for all USD customers. This notice is provided pursuant to Article XIII(D), Section 6 of the California Constitution and California Government Code Section 53755, which provides for notice of proposed increases in charges to ratepayers. The public hearing will be held on Monday, January 25, 2016 at 7:00 p.m. or as soon thereafter as the matter can be heard, in Union Sanitary District's Boardroom, 5072 Benson Road, Union City, California. During the public hearing, the Board shall hear and consider all objections and protests, if any, to the proposed rate changes. This notice is being sent to all property owners in Union Sanitary District's service area. A table of proposed rates is included in this notice.

The proposed rates are based on the results of the most recent, comprehensive study of the cost of providing sewer service from July 2016 through June 2021. 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.

State law requires the District to establish rates sufficient to cover operating expenses, including interest on debts, and expenses necessary for the replacement or construction of facilities. Some of the major factors that contribute to an increase in service rates include, but are not limited to, new and increasingly stringent state and federal environmental regulations, capital expenditures,

higher utility costs, and an increase in labor-related costs (e.g. health care costs). Beginning in July 2016, rates will adjust each year on July 1.

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 |
| 2018 | \$393.35 | \$13.30 |
| 2019 | \$407.12 | \$13.77 |
| 2020 | \$421.37 | \$14.25 |
| 2021 | \$436.12 | \$14.75 |

For a complete list of rates for all customer classes please see page 2.

HOW DO I PROTEST?

Property owners may submit a written protest. Protests must be received via mail, email or fax at the District by 5:00 p.m. on January 25, 2016; OR in-person before the close of the public comment portion of the 7:00 p.m. January 25, 2016 public hearing.

Each protest **must** contain the property owner's name, the street address or assessor's parcel number, or other parcel

description, and **must** be signed, unless sent via email, by the property owner. Only one protest will be counted per parcel. Owners of multiple properties within the District may file one protest for each parcel owned. If the owners of a majority of the parcels that currently receive sewer service submit written protests against the proposed rates, the changes will not be imposed.

Protests may be submitted to:

Mail: Union Sanitary District –
Rate Protest FY 17–21

5072 Benson Road
Union City, CA 94587

Email: rates@unionsanitary.ca.gov

Fax: (510) 477-7501

Questions? Call (510) 477-7500

BUDGET IN BRIEF

Serving the cities of Fremont, Newark, and Union City, Union Sanitary District manages a large collection of facilities that includes over 800 miles of sewer lines, seven pump stations, and the buildings and equipment at our Union City Wastewater Treatment Plant. In total, the District is responsible for operating, maintaining and replacing over \$650.9 million of assets.

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.

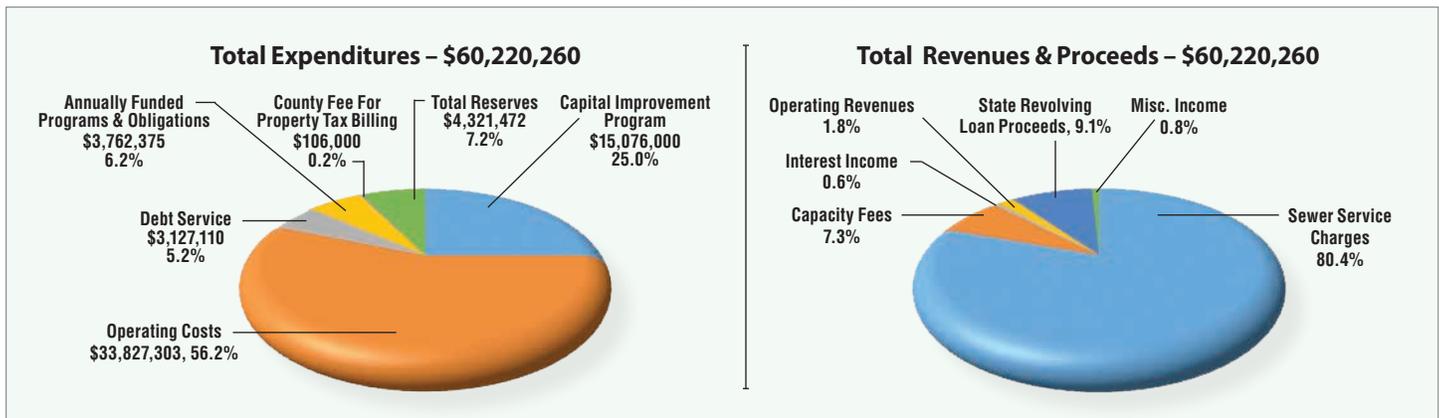
Historical Information:

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.

Current Situation:

In response to environmental conditions, USD adjusted its FY 2016 operating budget. Planned capital, maintenance and special projects were re-prioritized and postponed where impacts to the District would be minimal. The District also continues to seek savings in personnel costs, by, among other measures, eliminating one temporary position, and leaving other positions unfilled. These considerations resulted in the proposed rates for FY 2017 – FY 2021, based on the most recent December 2015 cost of service study.

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

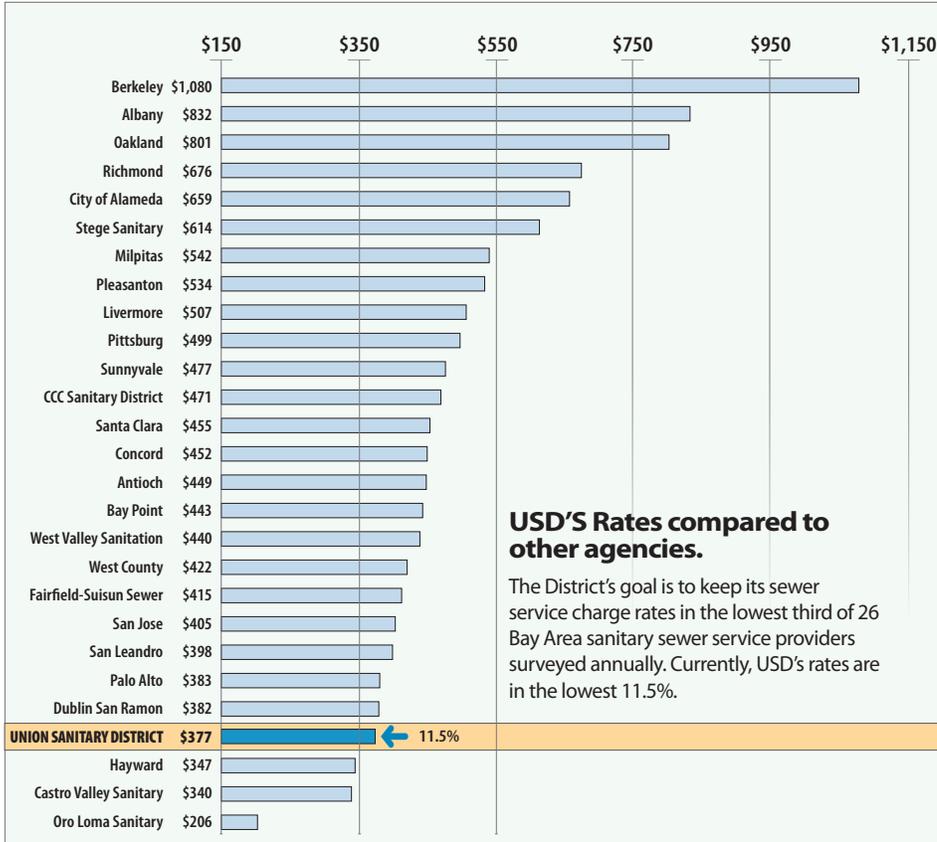
PROPOSED ANNUAL SEWER SERVICE RATES JULY 2016 – JUNE 2021

| | Current Rates FY2016 | Proposed Rate FY17 | Difference from previous year (\$) | Proposed Rate FY18 | Difference from previous year (\$) | Proposed Rate FY19 | Difference from previous year (\$) | Proposed Rate FY20 | Difference from previous year (\$) | Proposed Rate FY21 | Difference from previous year (\$) |
|---|----------------------|--------------------|------------------------------------|--------------------|------------------------------------|--------------------|------------------------------------|--------------------|------------------------------------|--------------------|------------------------------------|
| Residential (\$/Dwelling Unit) | | | | | | | | | | | |
| Single Family Residences | \$377.00 | \$380.05 | \$3.05 | \$393.35 | \$13.30 | \$407.12 | \$13.77 | \$421.37 | \$14.25 | \$436.12 | \$14.75 |
| Multiple Family Residences* | \$326.00 | \$329.50 | \$3.50 | \$341.03 | \$11.53 | \$352.97 | \$11.94 | \$365.32 | \$12.35 | \$378.11 | \$12.79 |
| Commercial (\$/1,000 gals) | | | | | | | | | | | |
| Strong | \$7.90 | \$9.59 | \$1.69 | \$9.93 | \$0.34 | \$10.28 | \$0.35 | \$10.64 | \$0.36 | \$11.01 | \$0.37 |
| Moderate | \$4.26 | \$4.74 | \$0.48 | \$4.90 | \$0.16 | \$5.07 | \$0.17 | \$5.25 | \$0.18 | \$5.43 | \$0.18 |
| Weak | \$3.73 | \$3.95 | \$0.22 | \$4.08 | \$0.13 | \$4.23 | \$0.15 | \$4.37 | \$0.14 | \$4.53 | \$0.16 |
| Fast-Food Restaurant | \$7.55 | \$8.97 | \$1.42 | \$9.29 | \$0.32 | \$9.61 | \$0.32 | \$9.95 | \$0.34 | \$10.30 | \$0.35 |
| Full-Service Restaurant | \$9.65 | \$11.89 | \$2.24 | \$12.30 | \$0.41 | \$12.73 | \$0.43 | \$13.18 | \$0.45 | \$13.64 | \$0.46 |
| Industrial | | | | | | | | | | | |
| Volume (\$/1,000 gals) | \$2.37 | \$2.23 | \$-0.14 | \$2.31 | \$0.08 | \$2.39 | \$0.08 | \$2.48 | \$0.09 | \$2.56 | \$0.08 |
| COD (\$/1,000 lbs) | \$240.51 | \$296.05 | \$55.54 | \$306.41 | \$10.36 | \$317.14 | \$10.73 | \$328.24 | \$11.10 | \$339.72 | \$11.48 |
| Suspended Solids (\$/1,000 lbs) | \$440.95 | \$688.62 | \$247.67 | \$712.72 | \$24.10 | \$737.66 | \$24.94 | \$763.48 | \$25.82 | \$790.20 | \$26.72 |
| Minimum Charge for non-residential customers | \$326.00 | \$329.50 | \$3.50 | \$341.03 | \$11.53 | \$352.97 | \$11.94 | \$365.32 | \$12.35 | \$378.11 | \$12.79 |

* Examples of multiple family residential dwelling units include condominiums, townhomes and apartments

All rates are rounded to the nearest cent.

BAY AREA ANNUAL SEWER SERVICE CHARGES 2015–2016



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

COST-SAVING MEASURES

Approximately 42% of the District's total budget is dedicated to personnel expenses. Like all other businesses, USD faces steeply rising employee costs. All USD employees now pay a portion of their health care and pension benefits, and by March 2016, employees will be paying approximately 30% of the overall pension costs. In addition, USD is subject to pension reforms enacted by the State.

USD also strives to provide the most efficient service through use of technology. Technology has enabled USD to streamline permitting, plant operations, maintenance management and engineering services, allowing us to maintain more conservative staffing levels. Additionally, USD partners with neighboring agencies to purchase chemicals and equipment at discounted pricing.

Our comparatively low rates reflect all these efforts; **only three of 26 Bay Area agencies surveyed have lower rates.**

WHY ARE USD'S RATES INCREASING, AND WHERE DO ITS REVENUES GO?

USD maintains a large number of facilities and equipment – much of it built in the late 1970s. Responsible, timely upkeep of these facilities has allowed the District to avoid 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.

While the District plans 10 years in advance for capital projects and needs, these capital expenditures are re-evaluated on an annual basis. The District continually assesses the condition of its infrastructure to ensure that aging facilities are

rehabilitated, repaired or replaced at optimal stages in their useful life. This helps avoid failures that could disrupt essential services and require costly emergency repairs.

Sewer Service charges are a significant component of the revenues used to fund capital projects. Capital expenditures for FY 2016 are anticipated to total \$15.08 million and average approximately \$20 million annually after that through FY 2021.

FOR MORE DETAILS REGARDING ANY OF THE INFORMATION IN THIS NOTICE, VISIT OUR SEWER SERVICE CHARGES WEB PAGE: www.unionsanitary.ca.gov/sewerService.htm

5072 Benson Road ♦ Union City, CA 94587-2508

NOTICE OF PUBLIC HEARING

➤ Public Hearing to consider proposed changes and increases to USD rates

Monday, January 25, 2016

7:00 p.m.

Union Sanitary District Boardroom
5072 Benson Road
Union City CA 94587

www.unionsanitary.ca.gov
(510) 477-7500

Owners of multiple properties within the District may file one protest for each parcel owned.

HOW DO I LEARN MORE?

Attend Union Sanitary District's (USD) Informational Meeting on Tuesday, January 12, 2016

USD will hold an informational meeting from 6:00 – 8:00 p.m. on Tuesday, January 12, 2016 at the Fremont Main Library, 2400 Stevenson Blvd. in Fremont. Staff will present information about the proposed rates and services that USD provides to the Tri-Cities. The meeting offers an opportunity for customers to learn more about proposed rates and ask questions of District staff. All members of the community are invited to attend.

Attend the Public Hearing

Attend the public hearing **at 7 p.m. on January 25, 2016** (at which time you may also make a comment or deliver a written protest). The meeting will be held in **Union Sanitary District's Boardroom, 5072 Benson Rd., Union City, California.**

Visit USD's Website

For more details regarding any of the information in this notice, visit the Sewer Service Charges page of Union Sanitary District's website: <http://www.unionsanitary.ca.gov/sewerService.htm>



INFORMATIONAL MEETING

Tuesday, January 12, 2016

6:00 p.m. – 8:00 p.m.

**Fremont Main Library
2400 Stevenson Blvd.
Fremont, CA 94538**

We invite you to attend. Staff will present information about the proposed rates and services the District provides to the Tri-Cities. Please take this opportunity to meet USD's staff and ask questions.