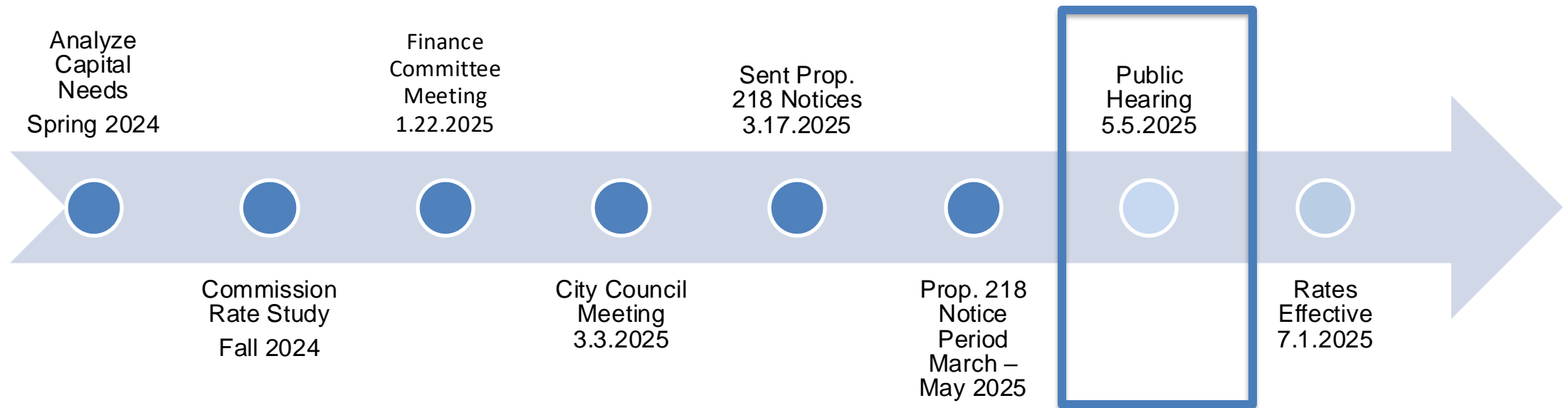




# Proposed Wastewater Services Rates for FYs 26-30 Public Hearing May 5, 2025



# Rate Setting Timeline



# Rate Study Objectives

## **Financial Sufficiency**

- Fund all costs while maintaining prudent reserves

## **Legal Compliance (Prop. 218)**

- Rates don't exceed the cost of service
- Rates are proportional

*Prop. 218 states that a customer's rates "must not generate revenues in excess of the cost of service for which the fee is charged."*

*Cal. Const., art. XIII D, § 6, subd. (b).*



# Financial Drivers for Increase

- Aging infrastructure & capital improvement needs
  - Sewer system upgrades, repairs & replacements needed to maintain safe & reliable operations
  - Approximately \$55 million over the next 5 years
- Nutrient Optimization Project for new regulatory compliance \$10M
- Debt service
- Operating cost inflation
- Maintain Prudent Reserves



# Proposed Rates

| Proposed Rates  | Current     | Proposed   |            |            |            |            |
|---|-------------|------------|------------|------------|------------|------------|
|   | FY 2024/25  | FY 2025/26 | FY 2026/27 | FY 2027/28 | FY 2028/29 | FY 2029/30 |
| <b>Classification A (Residential) - Fixed Monthly Rate per Unit</b>   |             |            |            |            |            |            |
| Single Family   | \$53.20     | \$57.12    | \$62.26    | \$67.86    | \$73.97    | \$80.63    |
| Multi Family  | 37.40       | 42.19      | 45.99      | 50.13      | 54.64      | 59.56      |
| Accessory Dwelling  | 37.40       | 42.19      | 45.99      | 50.13      | 54.64      | 59.56      |
| <b>Classification B (Commercial &amp; Institutional) - Volumetric Rates per Hundred Cubic Feet (hcf) of Water Use</b> |             |            |            |            |            |            |
| Low Strength  | \$4.91      | \$5.42     | \$5.91     | \$6.44     | \$7.02     | \$7.65     |
| Medium Strength   | 5.51        | 6.17       | 6.73       | 7.34       | 8.00       | 8.72       |
| High Strength   | 10.03-12.47 | 11.41      | 12.44      | 13.56      | 14.78      | 16.11      |
| <b>Classification C (Industrial &amp; Other Large Users) - Volumetric Rates</b>                                       |             |            |            |            |            |            |
| Volume, per million gallons of water use  | \$4,766     | \$5,305    | \$5,782    | \$6,302    | \$6,869    | \$7,487    |
| BOD (Biochemical Oxygen Demand), per thousand pounds  | 659         | 736        | 802        | 874        | 953        | 1,039      |
| SS (Suspended Solids), per thousand pounds  | 1,142       | 1,263      | 1,377      | 1,501      | 1,636      | 1,783      |
| <b>Classification B &amp; C - Monthly Fixed Rate per Connection</b>   |             |            |            |            |            |            |
| Class B & C Connections   | \$9.65      | \$10.71    | \$11.67    | \$12.72    | \$13.86    | \$15.11    |



# Summary

- The City has historically provided good financial stewardship, leaving the sewer enterprise fund in good shape.
- Rate increases are needed to support rising operating costs, debt service and capital needs.
- Updated commercial rate structure to reflect industry norms.
- Proposed rates updated to reflect the cost of service to each customer class.





