



2025 Sewer Financial Plan Study

Final Recommendation

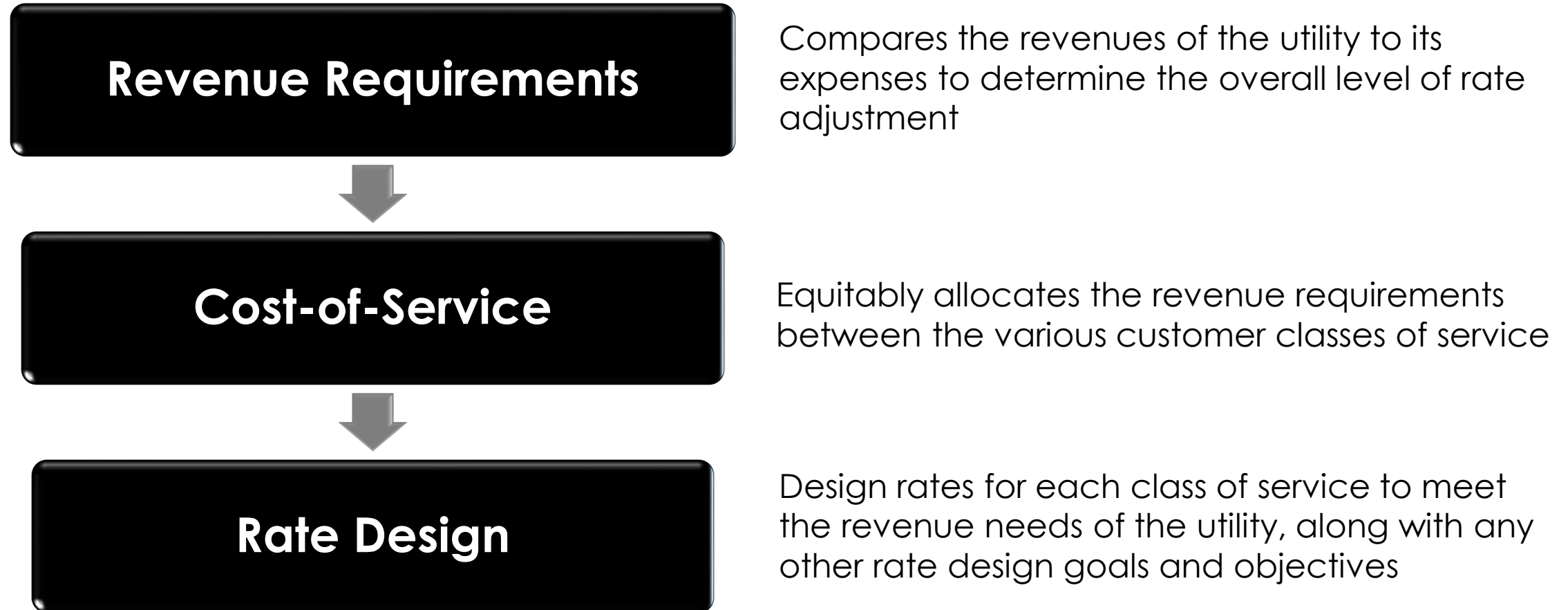
July 16, 2025



Agenda

1. General Utility Rate Setting
2. Sewer Enterprise Financial Plan
3. Proposed Rate Adjustments
4. Project Schedule

The Rate Setting Process



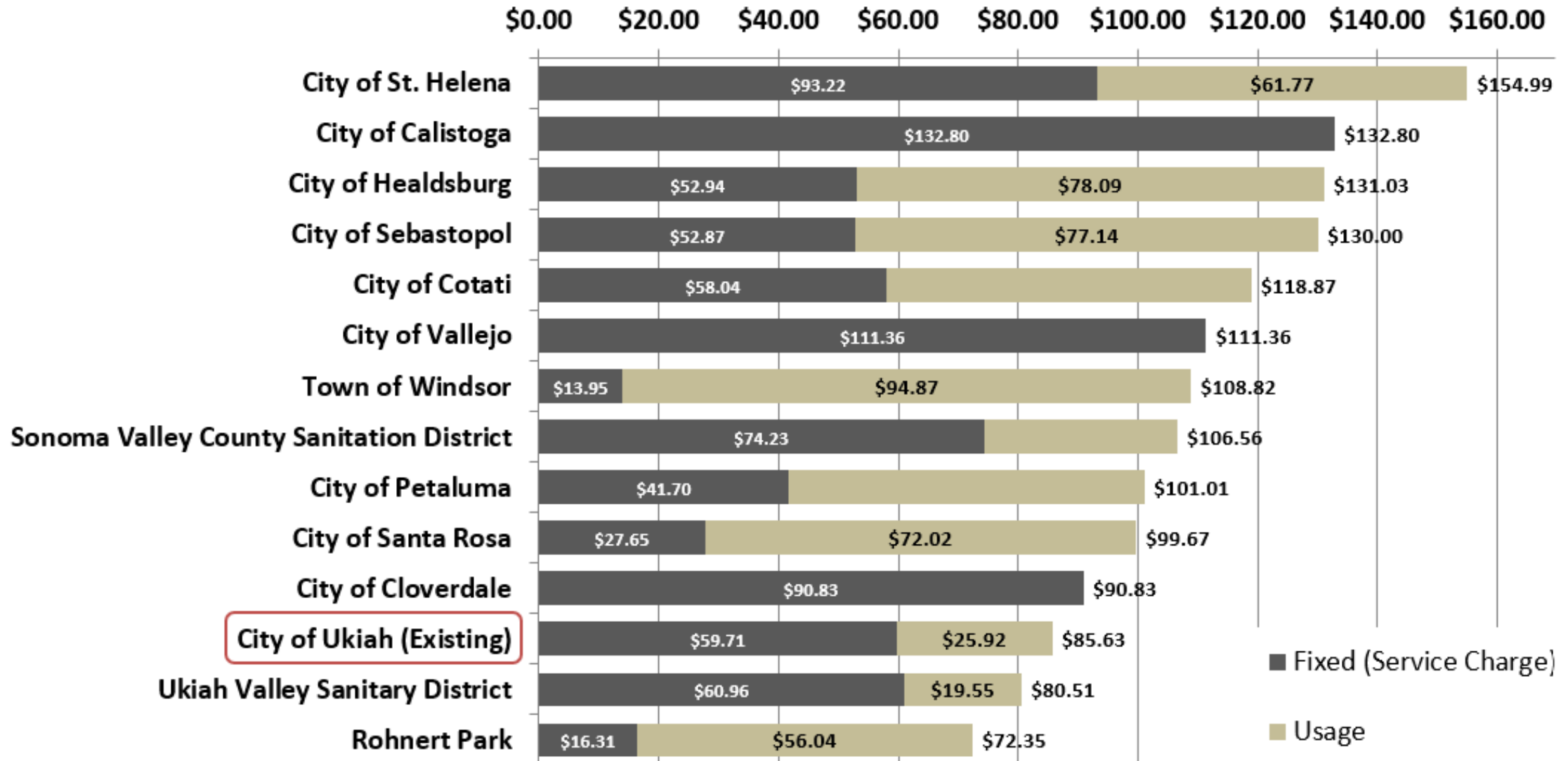
Legal Requirements for Setting Water Rates In California

Proposition 218 (Article XIID, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

Regional Survey

Monthly Bill for Single Family Homes with 6.0 HCF of monthly water usage



Reserve Policies

In addition to protecting the City against unforeseen circumstances, Reserve policies also contribute towards the City's credit rating.

The City's Operating Reserve policy requires the sewer utility to maintain cash reserves of at least 25 percent of operating expenses (currently equal to about **\$1.8 million**).

The Study recommends that the City work towards developing a Capital Reserve policy of **\$1.3 million** (based on average annual capital spending). This reserve will help the City absorb any spikes in capital spending or unforeseen infrastructure failure.

Revenue

FY2024/25 Budget

Attachment 1

Rate Revenue	\$5,746,000
--------------	-------------

Non-Rate Revenue

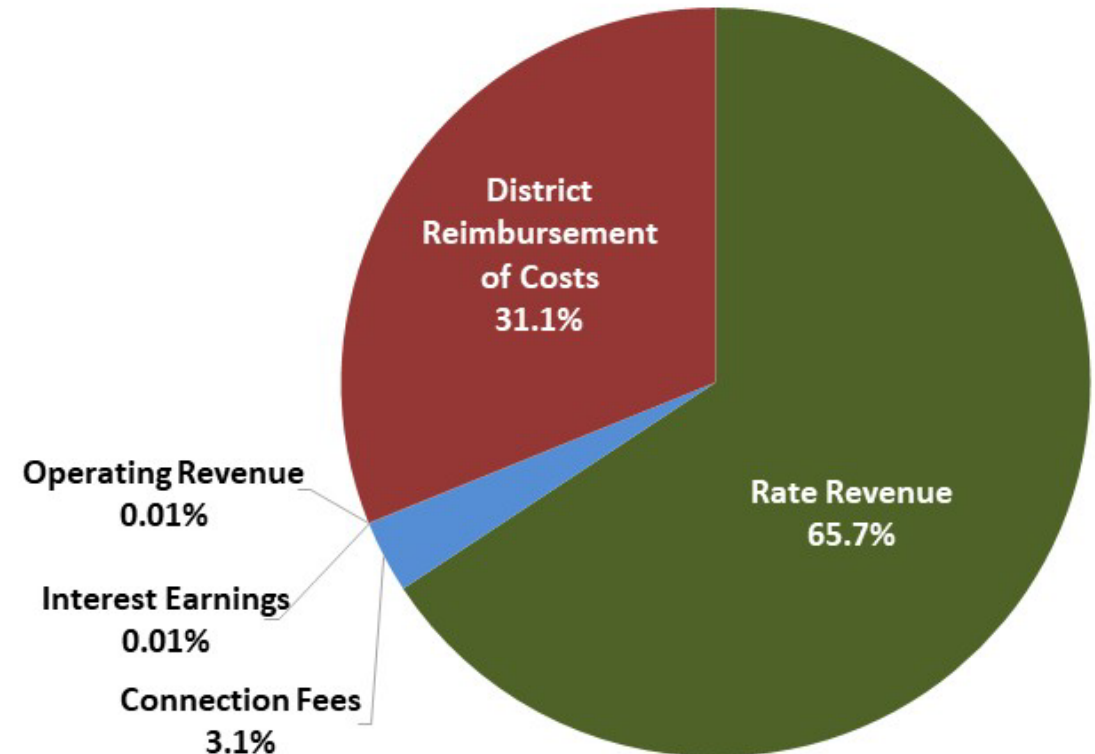
Connection Fees	\$274,000
-----------------	-----------

Interest Earnings	\$1,000
-------------------	---------

Operating Revenue	\$1,000
-------------------	---------

District Reimbursement of Costs	\$2,722,000
---------------------------------	-------------

Total:	\$8,744,000
---------------	--------------------

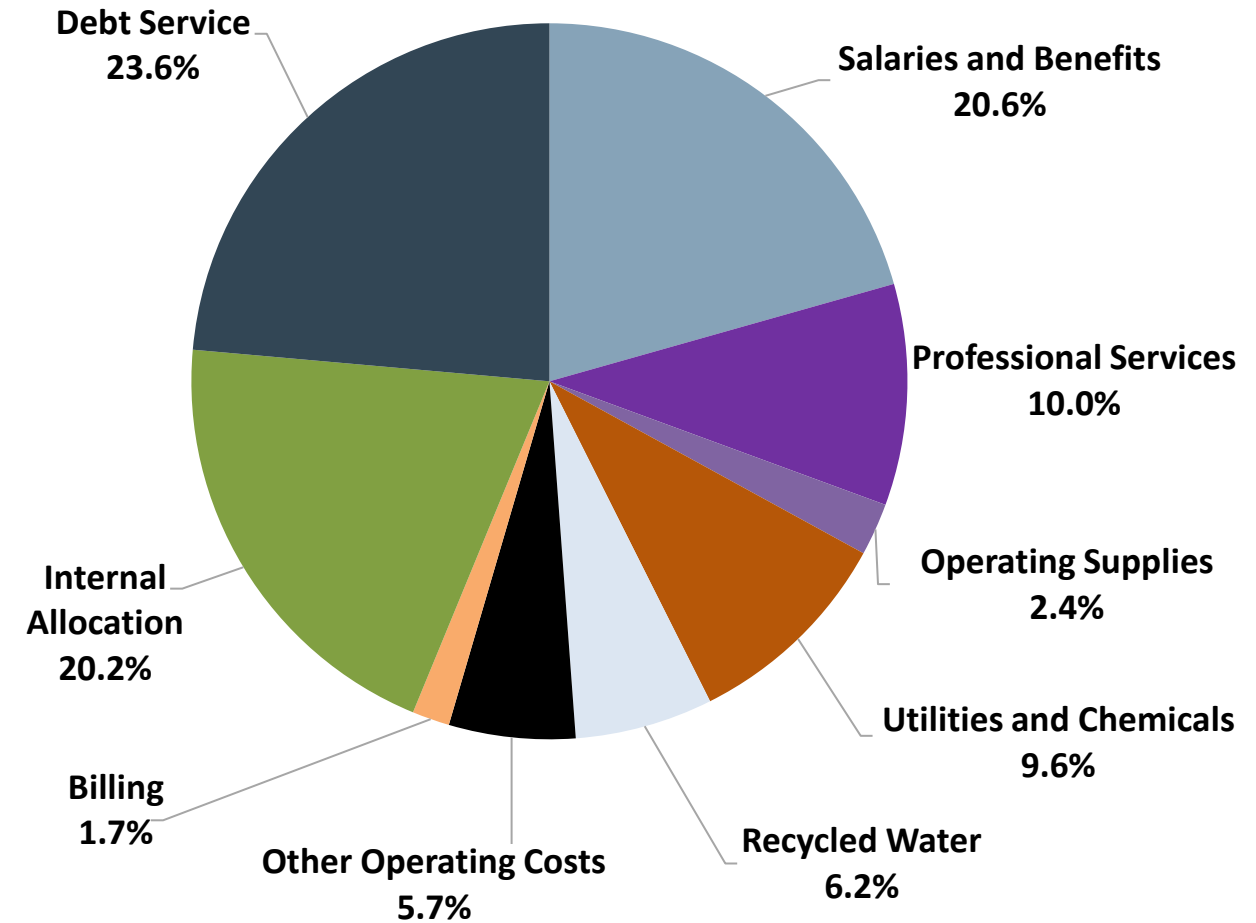


Operating and Debt Expenses

FY2025/26 Budget

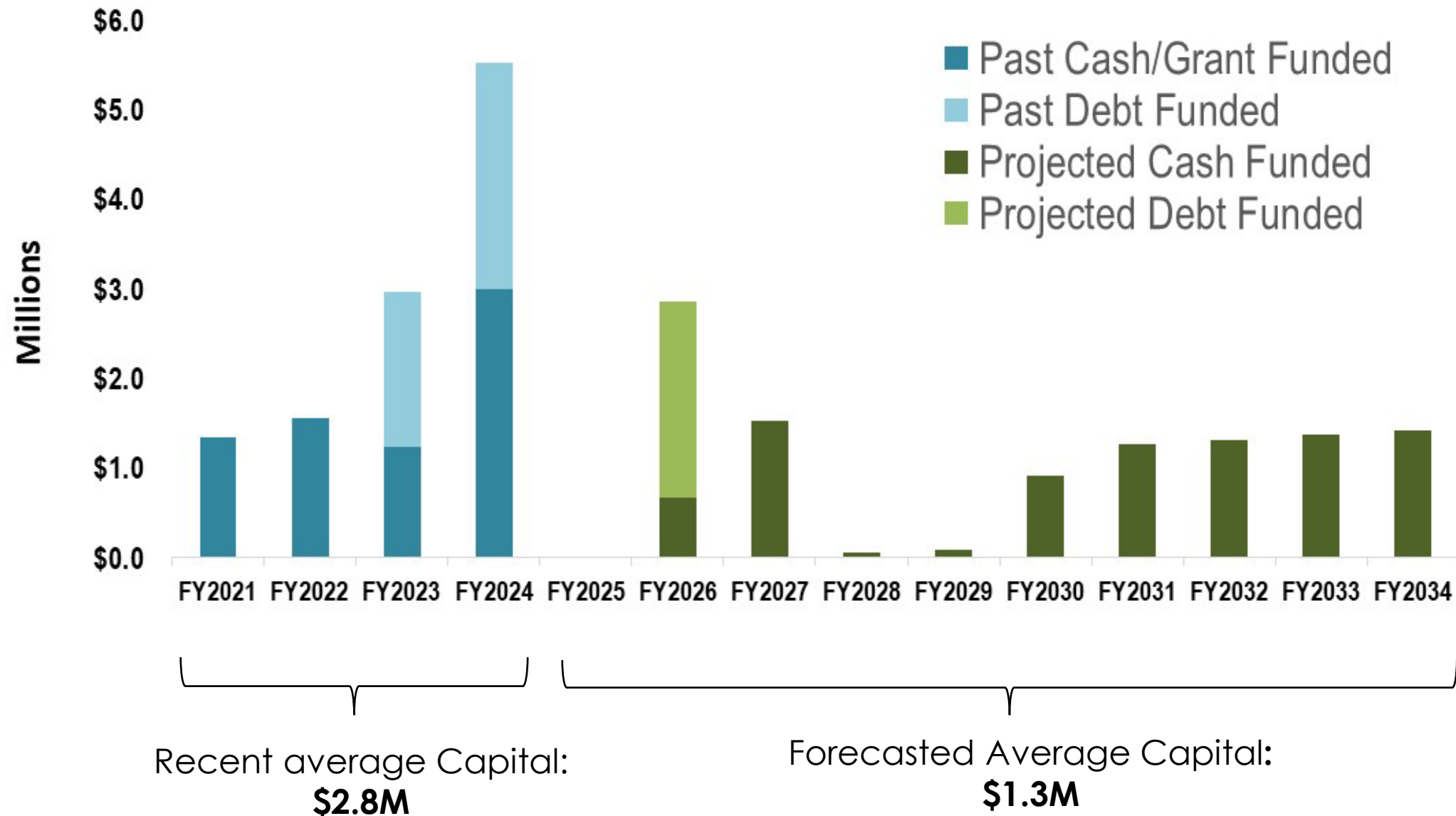
Salaries and Benefits	\$2,160,000
Professional Services	\$1,047,000
Operating Supplies	\$248,000
Utilities and Chemicals	\$1,008,000
Recycled Water	\$653,000
Other Operating Costs	\$598,000
Billing	\$177,000
Internal Allocation	\$2,115,000
Debt Service	\$2,472,000

Total Budget: \$10,478,000*



* Does not include capital spending

Historical and Projected Capital Spending



Capital Spending Plan

Project Name	Cost Sharing ¹		FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	City	District					
1 AWTCCB Cover	49.7%	50.3%					\$150,000
2 IPS Liner Replacement	49.7%	50.3%		\$60,000			
3 Replace Water/Sewer Operations Call Truck	49.7%	50.3%		\$45,000			
4 Replace Water/Sewer Operations Lead Worker Truck	49.7%	50.3%		\$45,000			
5 Digester Rehabilitation and Methane Scrubber	49.7%	50.3%			\$1,500,000		
6 Replace Ford Ranger	49.7%	50.3%		\$90,000			
7 Vichy Springs Lift Station Upgrade	0.0%	100.0%			\$400,000		
8 New Sodium Hypochlorite Tanks	49.7%	50.3%		\$100,000			
9 Bisulfite Tank	49.7%	50.3%			\$100,000		
10 Solids Conveyor	49.7%	50.3%		\$950,000			
11 Replace Water/Sewer Operations Call Truck	49.7%	50.3%			\$45,000		
12 WWTP Service Truck	49.7%	50.3%				\$90,000	
13 Septage Receiving Station	49.7%	50.3%			\$1,200,000		
14	Total²:		\$0	\$1,290,000	\$3,245,000	\$90,000	\$150,000
15	After Inflation:		\$0	\$1,342,000	\$3,510,000	\$101,000	\$175,000
16	Total Paid By City:		\$0	\$667,000	\$1,530,000	\$50,000	\$87,000
17	Total Paid By District:		\$0	\$675,000	\$1,980,000	\$51,000	\$88,000

¹ Percentages based on current cost sharing ratios. These values may change with future updates.

² Expressed in 2025 dollars

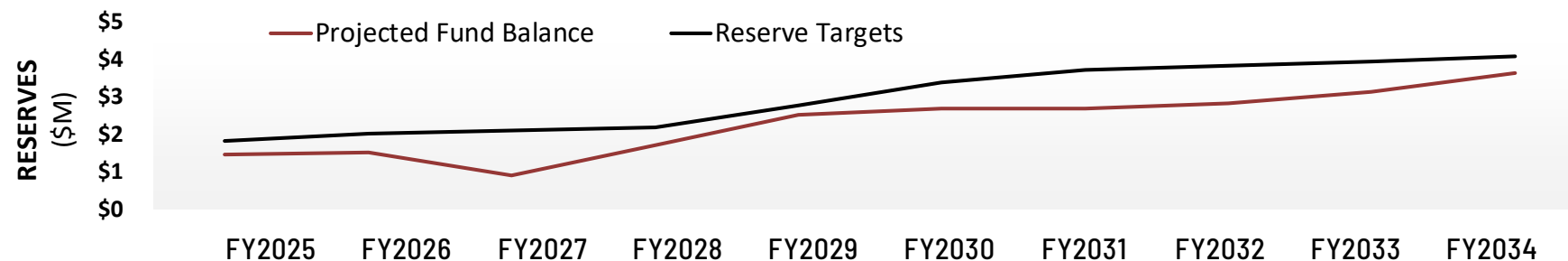
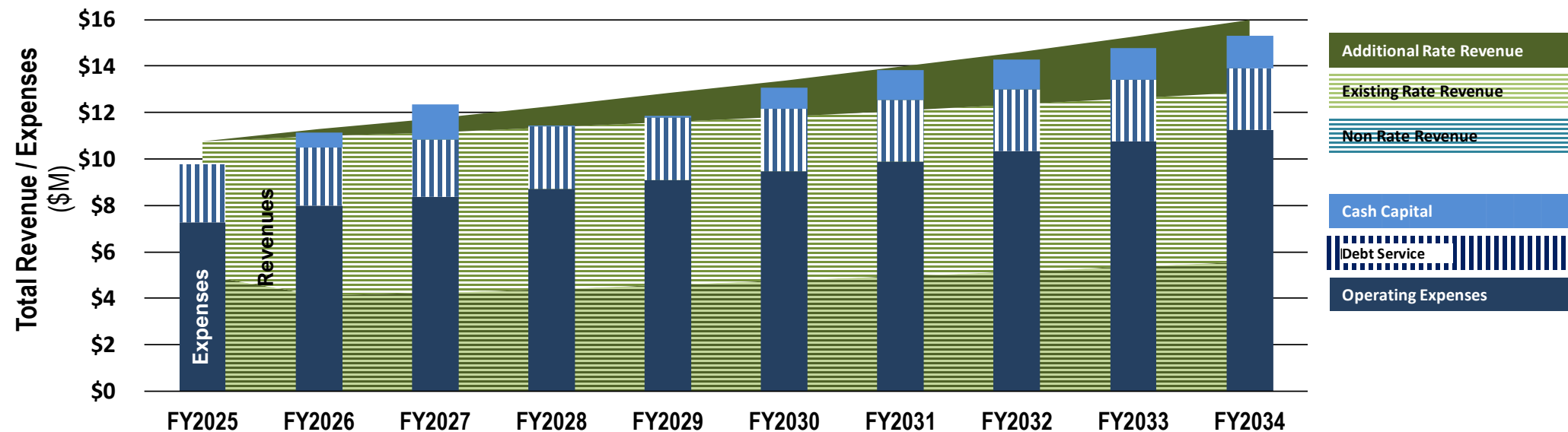
Rate Increase Drivers

1. Need to build reserves after an unplanned spike in recent capital spending
2. Substantial increase in insurance costs
3. New allocation of Recycled Water costs (operations and debt service)
4. Lower connection fee revenue than previously expected

Financial Forecast & Proposed Rate Revenue Increases

Internal loan* for \$2.0 million required to build reserves

Attachment 1



	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Proposed Rate Revenue Increases:		Proposed					Projected			
		6.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Debt Coverage Ratio:	0.82	1.33	1.29	1.25	1.32	1.50	1.57	1.65	1.73	1.83
Internal Loan Proceeds:	\$2.0M									

* Assumes 5% interest and a 13-year repayment schedule, with interest-only for first three years

Proposed Rates

	Current Rates	October 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Monthly Service Charge*:	\$59.71	\$63.29	\$65.82	\$68.45	\$71.19	\$74.04
Consumptions Rate (per HCF)						
Residential:	\$4.32	\$4.58	\$4.76	\$4.95	\$5.15	\$5.36
Commerical 1:	\$4.32	\$4.58	\$4.76	\$4.95	\$5.15	\$5.36
Commercial 2:	\$4.71	\$4.99	\$5.19	\$5.40	\$5.62	\$5.84
Commercial 3:	\$9.39	\$9.95	\$10.35	\$10.76	\$11.19	\$11.64
Commercial 4:	\$12.49	\$13.24	\$13.77	\$14.32	\$14.89	\$15.49

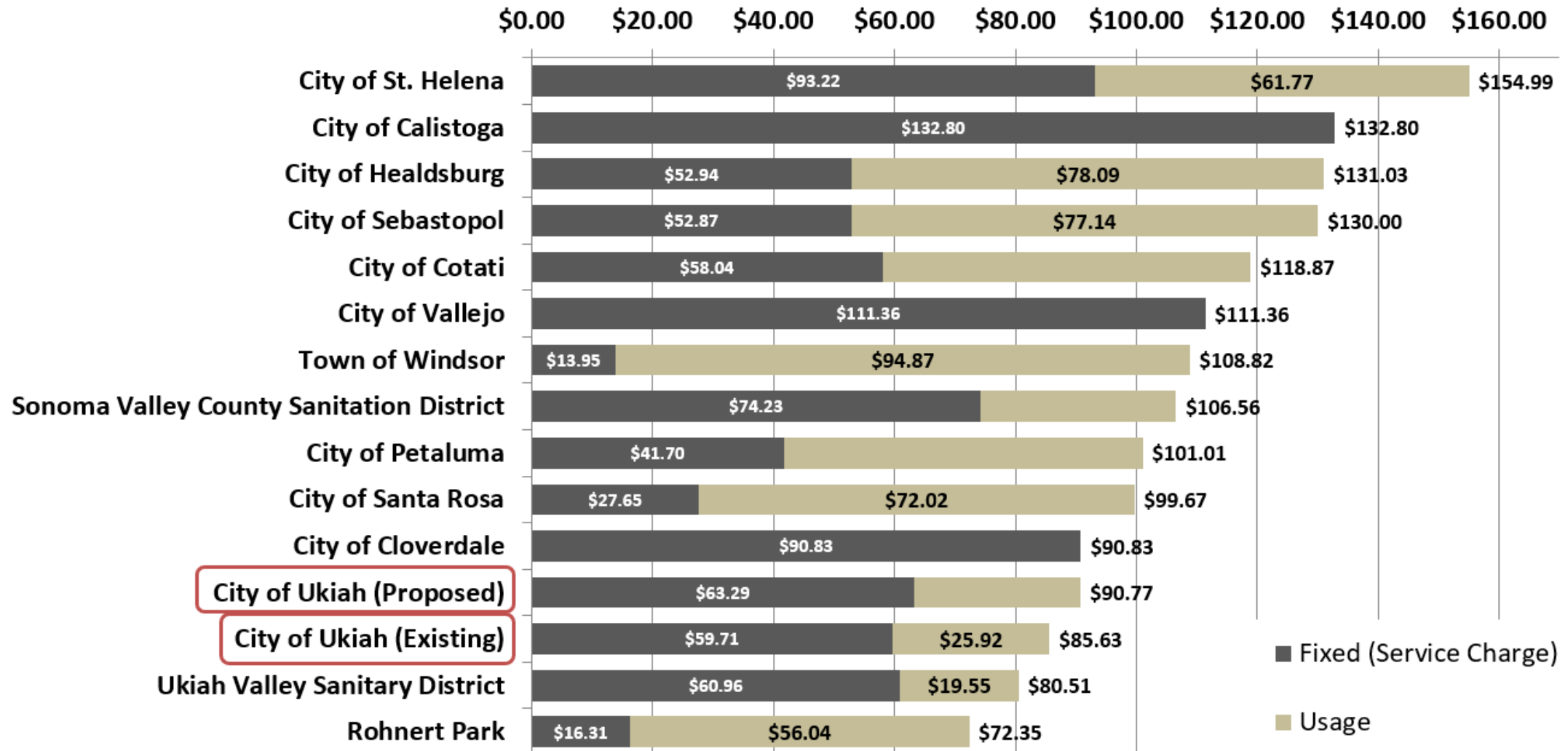
* Service Charge is per dwelling unit for residential and per ESSFU for commercial accounts (with a minimum charge of 1 ESSFU)

Year 1 Monthly Bill Impacts for Single Family Homes

	HCF	Current	Proposed	Increase
Low Water User	3	\$72.67	\$77.03	\$4.36
Average Water User	6	\$85.63	\$90.77	\$5.14
High Water User	12	\$111.55	\$118.25	\$6.70

Regional Survey

Monthly Bill for Single Family Homes with 6 HCF of monthly water usage



Next Steps

- 
- Final recommendation to Council on July 16th
 - Mail Prop 218 Notifications
 - Conduct Public Hearing on September 17th
 - Implement first rate increase on October 1st, 2025