



CITY OF EI MONTE

Sewer Rate Study

DRAFT REPORT / February 28, 2024



February 21, 2024

Mr. Don Nguyen
Utilities Manager
City of El Monte
3990 Arden Dr. El Monte, CA

Subject: Sewer Rate Study Report

Dear Mr. Nguyen,

Raftelis Financial Consultants, Inc. (Raftelis) is pleased to provide this report for the City of El Monte's (City) Sewer Rate Study. The overall goal of the study was to develop updated sewer rates for the City that are fair and equitable and align with Proposition 218 requirements.

The major objectives of the Rate Study include:

- » Developing a five-year financial plan through fiscal year (FY) 2029 that sufficiently funds sewer operating expenses, capital replacement and improvement costs, and prudent reserve balances
- » Calculate and propose sewer rates for FY 2025 to FY 2029 that fully recover the cost to serve customers
- » Preparing a Study Report, also referred to as an administrative record, that clearly and comprehensively explains each step of the rate study process

This report details the financial plan and proposed rates for the City's sewer utility. The financial plan identifies the projected revenue needs and revenue adjustments over the next five years, which inform five years of proposed rates. It has been a pleasure working with you and we would like to thank you and City staff for the support provided to Raftelis during this study.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rocky Craley'.

Rocky Craley
Project Manager

A handwritten signature in black ink, appearing to read 'Lindsay Roth'.

Lindsay Roth
Consultant

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1. Executive Summary

1.1. Study Overview

In 2023, the City of El Monte (City) contracted with Raftelis to conduct a Sewer Rate Study, which includes the development of a five-year financial plan and rate calculations. The study culminates in five years of rate recommendations based on the results of the financial planning exercise. This Executive Summary outlines the rate proposal and contains a description of the rate study process, methodology, and recommendations for the City's sewer rates.

The major objectives of the study include the following:

- » Develop a five-year financial plan through fiscal year (FY) 2029 that sufficiently funds sewer operating expenses, capital replacement and improvement costs, and prudent reserve balances
- » Review the City's current sewer rate structure
- » Calculate and propose sewer rates for FY 2025 to FY 2029 that fully recover the cost to serve customers
- » Prepare a Study Report, also referred to as an administrative record, that clearly and comprehensively explains each step of the rate study process

1.2. Current Rates

The City's current sewer rates were implemented on July 1, 2008 and include an annual service charge for all customer classes per unit of usage. **Table 1-1** shows the current annual charges by customer class. Column C shows the unit of usage for each customer class. For the residential classes, the units of usage are by parcel, unit, space, rooms, or beds. For the commercial classes, the units of usage are 1000 square feet.

Table 1-1: Current Annual Sewer Charges

Line	A Customer Class	B Current Rates	C Units of Usage
1	Animal Kennels	\$38.72	1000 sq. ft.
2	Auditorium, Amusement	\$135.53	1000 sq. ft.
3	Auto Sales	\$38.72	1000 sq. ft.
4	Bank, Credit Union	\$38.72	1000 sq. ft.
5	Bowling/Skating	\$71.33	1000 sq. ft.
6	Car Wash Tunnel No Recycling	\$1,436.85	1000 sq. ft.
7	Car Wash Tunnel Recycling	\$1,050.63	1000 sq. ft.
8	Car Wash Wand	\$272.08	1000 sq. ft.
9	Church	\$19.36	1000 sq. ft.
10	Club & Lodge Halls	\$47.89	1000 sq. ft.
11	Condominiums	\$76.43	Unit
12	Convalescent Home	\$48.91	Bed
13	Dairy	\$539.07	1000 sq. ft.
14	Gas Station	\$38.72	1000 sq. ft.
15	Hospital	\$48.91	1000 sq. ft.
16	Hotel/Motel/Rooming House	\$48.91	Room
17	Laundromats	\$1,484.74	1000 sq. ft.
18	Light Manufacturing	\$11.21	1000 sq. ft.
19	Manufacturing	\$90.69	1000 sq. ft.
20	Medical, Dental, Veterinary	\$116.17	1000 sq. ft.
21	Mobile Home Parks	\$61.14	Space
22	Multi-Unit Residential	\$61.14	Unit
23	Nursery/Greenhouse	\$10.19	1000 sq. ft.
24	Office Building	\$77.45	1000 sq. ft.
25	Open Storage	\$11.21	1000 sq. ft.
26	Private School	\$77.45	1000 sq. ft.
27	Restaurant	\$539.07	1000 sq. ft.
28	Senior Day Care Center	\$116.17	1000 sq. ft.
29	Service Shop, Vehicle Maint	\$38.72	1000 sq. ft.
30	Shopping Center	\$146.74	1000 sq. ft.
31	Single Family Residential	\$101.90	Parcel
32	Store	\$38.72	1000 sq. ft.
33	Supermarket	\$80.50	1000 sq. ft.
34	Utility, Commercial & Mutual:Pumping	\$77.45	1000 sq. ft.
35	Warehousing	\$11.21	1000 sq. ft.
36	Wholesale Outlet	\$38.72	1000 sq. ft.

1.3. Process and Approach

Raftelis held several meetings with City staff to discuss and understand objectives, characteristics, and challenges of the City’s sewer utility to provide the recommendations and results in this report. Raftelis confirmed various assumptions and inputs and used an iterative process to view several scenarios to determine the recommended financial plan and rates for service. City staff discussed recent and projected inflationary pressures and capital project requirements over a five-year horizon, which are the primary drivers

of the future revenue needs of the utilities. Raftelis then designed and presented financial planning scenarios for the utility to analyze various rate adjustment options to fully fund the utility's revenue requirements through fair, equitable, and defensible cost-based rates.

The proposed financial plan detailed in this report follows industry standards for long-term financial planning. The financial plan relies on reasonable assumptions based on industry indices, such as general inflation based on the Consumer Price Index (CPI), and input from City staff. Raftelis worked closely with City staff to determine the most accurate methodology to project future revenues and expenses to reinforce sound fiscal management practices.

The financial plans include the current fiscal year (FY) 2024 and the five-year period between FY 2025 to FY 2029. Each fiscal year begins on July 1 and ends on June 30. For example, FY 2024 is defined as the year beginning on July 1, 2023 and ending June 30, 2024. The proposed rates were developed for implementation on July 1, 2024 in FY 2025 and for the next four years thereafter.

1.4. Legal Framework¹

1.4.1. California Constitution – Article XIII D, Section 6 (Proposition 218)

Proposition 218 was enacted by voters in 1996 to ensure, in part, that fees and charges imposed for ongoing delivery of a service to a property (property-related fees and charges) are proportional to, and do not exceed, the cost of providing service. Sewer service fees and charges are property-related fees and charges subject to the provisions of California Constitution Article XIII D, Section 6 (Proposition 218). The principal requirements, as they relate to public utility service fees and charges are as follows:

1. Revenues derived from the fee or charge shall not exceed the costs required to provide the property-related service.
2. Revenues derived by the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
3. The amount of the fee or charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No fee or charge may be imposed for a service unless that service is actually used or immediately available to the owner of property.
5. A written notice of the proposed fee or charge shall be mailed to the record owner of each parcel not less than 45 days prior to a public hearing, when the agency considers all written protests against the charge.

Sewer rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers. Proposition 218 requires a clear nexus between the costs and the rates charged meaning that the rate-setting methodology must be sound and based on cost of service principles. Raftelis follows industry standard rate setting methodologies set forth by the Water Environment Federation (WEF) Manual of

¹ Raftelis does not practice law, nor does it provide legal advice. The above discussion provides a general overview of Raftelis' understanding as rate practitioners and is labeled "legal framework" for literary convenience only. The City should consult with its legal counsel for clarification and/or specific guidance.

Practice (MOP) 27 for sewer rates. This ensures that the results of this study align with the requirements of Proposition 218 and that proposed rates do not exceed the proportionate cost of providing sewer service.

1.5. Financial Plan Results and Recommendations

1.5.1. Factors Affecting Revenue Requirements

The following items affect the sewer utility’s revenue requirement (i.e., costs) and thus its sewer rates. The utility’s expenses include O&M expenses, capital project costs, and reserve funding.

- **Capital Funding:** The sewer utility has approximately \$16.9 million in planned capital expenditures from FY 2025 through FY 2029. Much of the planned CIP expenditures is for the utility’s annual sewer replacement and renewal program. Planned capital project costs are anticipated to be funded entirely through rate revenue and cash reserves.
- **Reserve Funding:** Reserve targets are adopted to ensure enough cash on hand to meet routine cash flow needs, provide adequate funding for planned repairs and replacements (R&R) CIP, navigate emergencies in the event of asset failure or natural disaster, and to protect ratepayers from rate spikes. The recommended reserve policy is discussed in the following section.

1.5.2. Recommended Reserve Policy

Raftelis worked with City staff to understand the needs of the sewer utility and to develop a recommendation for the reserve policy. Our recommended reserve target for the utility is one year of operating expenses, as the City collects all of its revenue two times per year and would need to be able to fund operations throughout the rate cycle. The recommended reserve policy calls for a target balance of approximately \$2.8 million in FY 2025.

1.5.3. Financial Plan Results

Table 1-2 shows the proposed revenue adjustments that allows the City to maintain financial sufficiency, fund operating and capital expenses, and achieve recommended cash reserves for the sewer utility. The proposed adjustments apply to sewer rate revenues, which are projected for future years assuming no growth in customer accounts during the study period. This approach conservatively projects future rate revenues. The proposed revenue adjustments are applied across all existing charges for each year of the rate study.

Table 1-2: Proposed Sewer Revenue Adjustments

Line	A Revenue Adjustments	B FY 2025	C FY 2026	D FY 2027	E FY 2028	F FY 2029
1	Effective Month	July	July	July	July	July
2	Percent Adjustment	45.0%	8.0%	8.0%	8.0%	8.0%

Figure 1-1 shows the five-year financial plan for FY 2025 through FY 2029. The stacked bars represent the costs of the sewer utility: O&M expenses (gray bars) and rate-funded CIP costs (yellow bars). Net cash flow (red bars) falls below zero in the last four years of the rate study, meaning that the City will draw from sewer reserves to fund a portion of expenses in those years. Current revenues (dotted line) equal the projected

revenues at the City’s existing sewer rates and proposed revenues (solid line) equal the projected revenues with the proposed revenue adjustments in **Table 1-2** applied.

Figure 1-1: Sewer Financial Plan

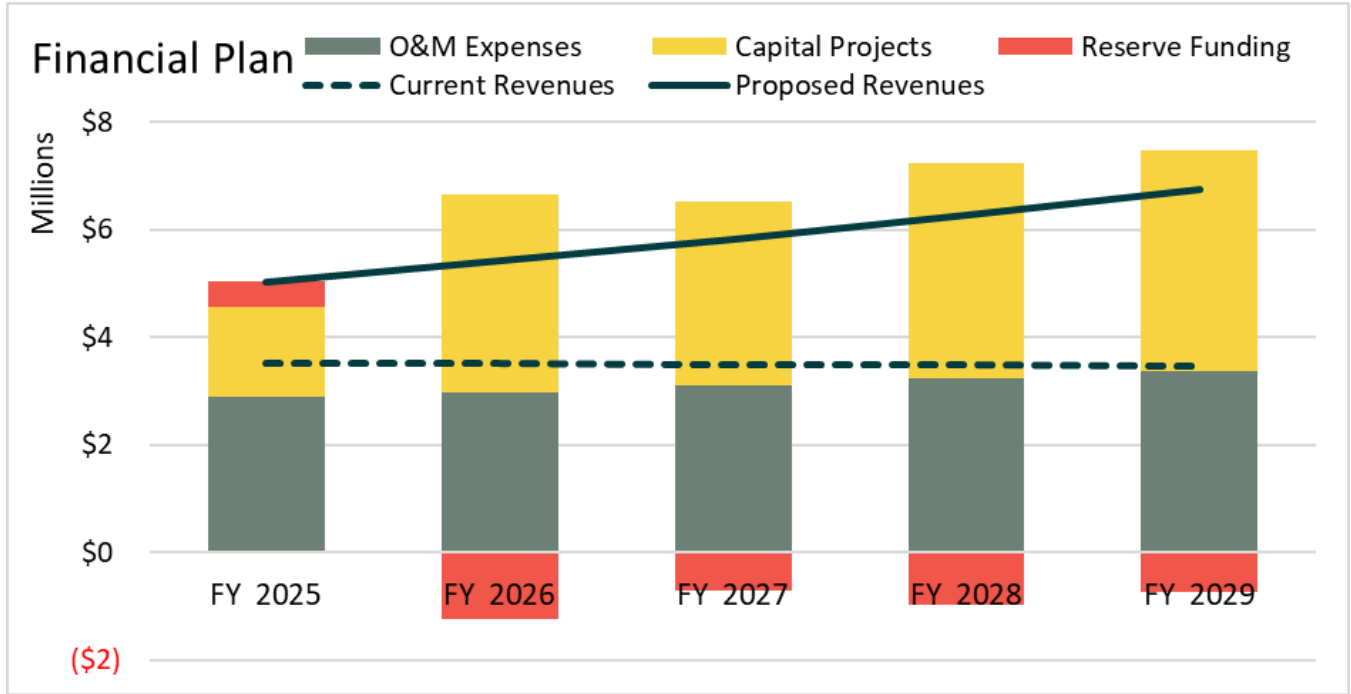


Figure 1-2 shows the ending fund balance (blue bars) for the City’s sewer operating fund from FY 2025 through FY 2029. The City plans to draw down its reserves over the planning horizon to minimize customer impacts. The reserve target (dark blue line) is determined based on the recommended reserve policy target of one year of operating expense. Fund balances fall above the reserve target in each year from FY 2025 through FY 2029 but are drawn down closer to the target by the end of the financial planning period.

Figure 1-2: Sewer Fund Balances

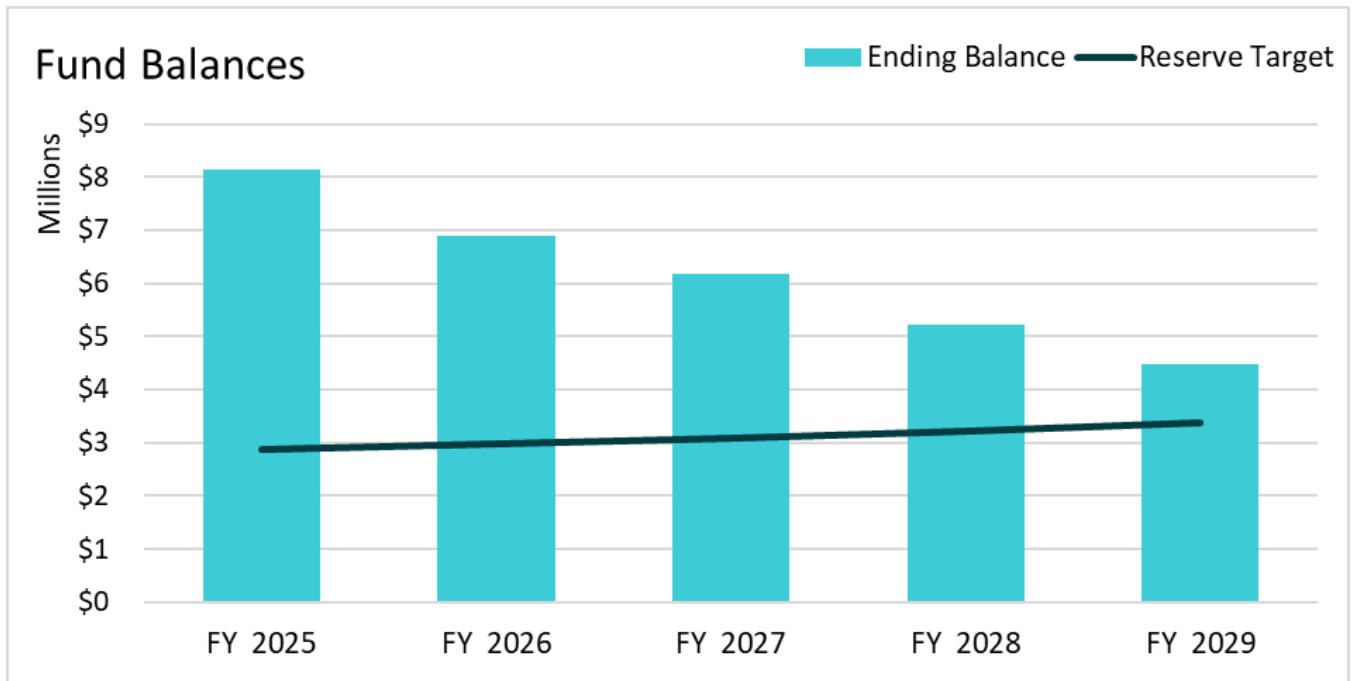
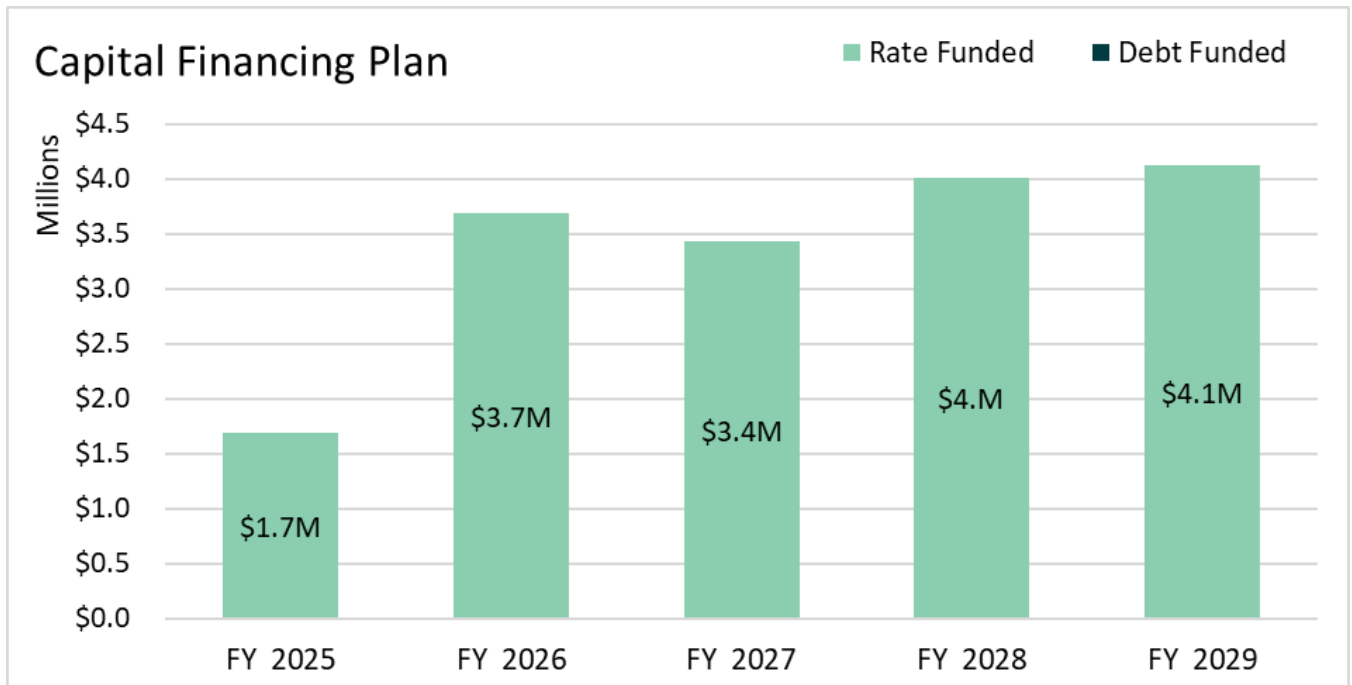


Figure 1-3 shows the five-year CIP expenditures from FY 2025 through FY 2029. CIP expenditures will be funded by cash from rate revenues and existing reserves.

Figure 1-3: Sewer Capital Financing Plan



1.5.4. Proposed Sewer Rates

Table 1-3 shows the proposed annual charges for all customer classes for FY 2025 through FY 2029 based on the above recommendations. Rates for all years are determined by increasing current rates by the corresponding revenue adjustments in Table 1-2. Since the current sewer rates are being increased by the revenue adjustments, all bill impacts will mirror the proposed revenue adjustments.

Table 1-3: Proposed Annual Sewer Charges

Line	A Customer Class	B Current Rates	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	Animal Kennels	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
2	Auditorium, Amusement	\$135.53	\$196.52	\$212.25	\$229.23	\$247.57	\$267.38
3	Auto Sales	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
4	Bank, Credit Union	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
5	Bowling/Skating	\$71.33	\$103.43	\$111.71	\$120.65	\$130.31	\$140.74
6	Car Wash Tunnel No Recycling	\$1,436.85	\$2,083.44	\$2,250.12	\$2,430.13	\$2,624.55	\$2,834.52
7	Car Wash Tunnel Recycling	\$1,050.63	\$1,523.42	\$1,645.30	\$1,776.93	\$1,919.09	\$2,072.62
8	Car Wash Wand	\$272.08	\$394.52	\$426.09	\$460.18	\$497.00	\$536.76
9	Church	\$19.36	\$28.08	\$30.33	\$32.76	\$35.39	\$38.23
10	Club & Lodge Halls	\$47.89	\$69.45	\$75.01	\$81.02	\$87.51	\$94.52
11	Condominiums	\$76.43	\$110.83	\$119.70	\$129.28	\$139.63	\$150.81
12	Convalescent Home	\$48.91	\$70.92	\$76.60	\$82.73	\$89.35	\$96.50
13	Dairy	\$539.07	\$781.66	\$844.20	\$911.74	\$984.68	\$1,063.46
14	Gas Station	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
15	Hospital	\$48.91	\$70.92	\$76.60	\$82.73	\$89.35	\$96.50
16	Hotel/Motel/Rooming House	\$48.91	\$70.92	\$76.60	\$82.73	\$89.35	\$96.50
17	Laundromats	\$1,484.74	\$2,152.88	\$2,325.12	\$2,511.13	\$2,712.03	\$2,929.00
18	Light Manufacturing	\$11.21	\$16.26	\$17.57	\$18.98	\$20.50	\$22.14
19	Manufacturing	\$90.69	\$131.51	\$142.04	\$153.41	\$165.69	\$178.95
20	Medical, Dental, Veterinary	\$116.17	\$168.45	\$181.93	\$196.49	\$212.21	\$229.19
21	Mobile Home Parks	\$61.14	\$88.66	\$95.76	\$103.43	\$111.71	\$120.65
22	Multi-Unit Residential	\$61.14	\$88.66	\$95.76	\$103.43	\$111.71	\$120.65
23	Nursery/Greenhouse	\$10.19	\$14.78	\$15.97	\$17.25	\$18.63	\$20.13
24	Office Building	\$77.45	\$112.31	\$121.30	\$131.01	\$141.50	\$152.82
25	Open Storage	\$11.21	\$16.26	\$17.57	\$18.98	\$20.50	\$22.14
26	Private School	\$77.45	\$112.31	\$121.30	\$131.01	\$141.50	\$152.82
27	Restaurant	\$539.07	\$781.66	\$844.20	\$911.74	\$984.68	\$1,063.46
28	Senior Day Care Center	\$116.17	\$168.45	\$181.93	\$196.49	\$212.21	\$229.19
29	Service Shop, Vehicle Maint	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
30	Shopping Center	\$146.74	\$212.78	\$229.81	\$248.20	\$268.06	\$289.51
31	Single Family Residential	\$101.90	\$147.76	\$159.59	\$172.36	\$186.15	\$201.05
32	Store	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
33	Supermarket	\$80.50	\$116.73	\$126.07	\$136.16	\$147.06	\$158.83
34	Utility, Commercial & Mutual:Pumping	\$77.45	\$112.31	\$121.30	\$131.01	\$141.50	\$152.82
35	Warehousing	\$11.21	\$16.26	\$17.57	\$18.98	\$20.50	\$22.14
36	Wholesale Outlet	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43

2. Sewer Financial Plan & Rates

This section of the report describes the sewer fund and proposed financial plan, rate calculation, and proposed rates. To develop the financial plan, Raftelis projects annual revenues and expenses, models reserve balances and projects capital expenditures to estimate the amount of additional rate revenue needed each year. Numbers shown in the tables of this section are rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown.

2.1. Inflationary Assumptions

Inflationary factors are used to escalate the revenue and cost categories across the study period, which for this study is from FY 2024 to FY 2029. The City’s most recently adopted revenue and expense budgets are for FY 2024. Raftelis worked with City staff to escalate individual budget line items according to the most appropriate escalation factor. The escalation factors used to project revenues and expenses for the study period are shown in **Table 2-1**. These factors are based on industry indices, such as CPI, and input from City staff.

Table 2-1: Sewer Escalation Factors

Line	A Escalation Factors	B FY 2024	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	General	5.0%	5.0%	3.0%	5.0%	5.0%	5.0%
2	Salary	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
3	Benefits	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
4	Utilities	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
5	Capital	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
6	Reserve Interest Rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

2.2. Current Sewer Rates

The City’s current sewer rates were implemented on July 1, 2008 and include an annual service charge for all customer classes per unit of usage. **Table 2-2** shows the current annual charges by customer class. Column C shows the unit of usage for each customer class. For the residential classes, the units of usage are by parcel, unit, space, rooms, or beds. For the commercial classes, the units of usage are 1000 square feet.

Table 2-2: Current Annual Sewer Charges

Line	A Customer Class	B Current Rates	C Units of Usage
1	Animal Kennels	\$38.72	1000 sq. ft.
2	Auditorium, Amusement	\$135.53	1000 sq. ft.
3	Auto Sales	\$38.72	1000 sq. ft.
4	Bank, Credit Union	\$38.72	1000 sq. ft.
5	Bowling/Skating	\$71.33	1000 sq. ft.
6	Car Wash Tunnel No Recycling	\$1,436.85	1000 sq. ft.
7	Car Wash Tunnel Recycling	\$1,050.63	1000 sq. ft.
8	Car Wash Wand	\$272.08	1000 sq. ft.
9	Church	\$19.36	1000 sq. ft.
10	Club & Lodge Halls	\$47.89	1000 sq. ft.
11	Condominiums	\$76.43	Unit
12	Convalescent Home	\$48.91	Bed
13	Dairy	\$539.07	1000 sq. ft.
14	Gas Station	\$38.72	1000 sq. ft.
15	Hospital	\$48.91	1000 sq. ft.
16	Hotel/Motel/Rooming House	\$48.91	Room
17	Laundromats	\$1,484.74	1000 sq. ft.
18	Light Manufacturing	\$11.21	1000 sq. ft.
19	Manufacturing	\$90.69	1000 sq. ft.
20	Medical, Dental, Veterinary	\$116.17	1000 sq. ft.
21	Mobile Home Parks	\$61.14	Space
22	Multi-Unit Residential	\$61.14	Unit
23	Nursery/Greenhouse	\$10.19	1000 sq. ft.
24	Office Building	\$77.45	1000 sq. ft.
25	Open Storage	\$11.21	1000 sq. ft.
26	Private School	\$77.45	1000 sq. ft.
27	Restaurant	\$539.07	1000 sq. ft.
28	Senior Day Care Center	\$116.17	1000 sq. ft.
29	Service Shop, Vehicle Maint	\$38.72	1000 sq. ft.
30	Shopping Center	\$146.74	1000 sq. ft.
31	Single Family Residential	\$101.90	Parcel
32	Store	\$38.72	1000 sq. ft.
33	Supermarket	\$80.50	1000 sq. ft.
34	Utility, Commercial & Mutual:Pumping	\$77.45	1000 sq. ft.
35	Warehousing	\$11.21	1000 sq. ft.
36	Wholesale Outlet	\$38.72	1000 sq. ft.

2.3. Customer Accounts and Units of Usage

City staff provided detailed customer billing data for FY 2023, which included information such as customer class, billed units, and annual charges. **Table 2-3** shows the customer accounts by customer class for FY 2023, which was provided by City staff. **Table 2-4** shows the billed units by customer class for FY 2023. We assume no growth in either customer accounts or units of usage throughout the study period to conservatively project future rate revenues.

Table 2-3: Sewer Customer Accounts by Class

Line	A Customer Accounts	B	C	D	E	F	G	H
		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Animal Kennels	2	2	2	2	2	2	2
2	Auditorium, Amusement	4	4	4	4	4	4	4
3	Auto Sales	28	28	28	28	28	28	28
4	Bank, Credit Union	9	9	9	9	9	9	9
5	Bowling/Skating	1	1	1	1	1	1	1
6	Car Wash Tunnel No Recycling	1	1	1	1	1	1	1
7	Car Wash Tunnel Recycling	4	4	4	4	4	4	4
8	Car Wash Wand	5	5	5	5	5	5	5
9	Church	62	62	62	62	62	62	62
10	Club & Lodge Halls	10	10	10	10	10	10	10
11	Condominiums	1,671	1,671	1,671	1,671	1,671	1,671	1,671
12	Convalescent Home	24	24	24	24	24	24	24
13	Dairy	2	2	2	2	2	2	2
14	Gas Station	16	16	16	16	16	16	16
15	Hospital	5	5	5	5	5	5	5
16	Hotel/Motel/Rooming House	12	12	12	12	12	12	12
17	Laundromats	9	9	9	9	9	9	9
18	Light Manufacturing	245	245	245	245	245	245	245
19	Manufacturing	18	18	18	18	18	18	18
20	Medical, Dental, Veterinary	48	48	48	48	48	48	48
21	Mobile Home Parks	38	38	38	38	38	38	38
22	Multi-Unit Residential	2,854	2,854	2,854	2,854	2,854	2,854	2,854
23	Nursery/Greenhouse	4	4	4	4	4	4	4
24	Office Building	118	118	118	118	118	118	118
25	Open Storage	5	5	5	5	5	5	5
26	Private School	9	9	9	9	9	9	9
27	Restaurant	71	71	71	71	71	71	71
28	Senior Day Care Center	2	2	2	2	2	2	2
29	Service Shop, Vehicle Maint	112	112	112	112	112	112	112
30	Shopping Center	38	38	38	38	38	38	38
31	Single Family Residential	11,339	11,339	11,339	11,339	11,339	11,339	11,339
32	Store	355	355	355	355	355	355	355
33	Supermarket	8	8	8	8	8	8	8
34	Utility, Commercial & Mutual:Pumping	9	9	9	9	9	9	9
35	Warehousing	180	180	180	180	180	180	180
36	Wholesale Outlet	2	2	2	2	2	2	2

Table 2-4: Sewer Customer Billing Units by Class

Line	A Customer Billing Units	B Billing Units	C FY 2023	D FY 2024	E FY 2025	F FY 2026	G FY 2027	H FY 2028	I FY 2029
1	Animal Kennels	1000 sq. ft.	4	4	4	4	4	4	4
2	Auditorium, Amusement	1000 sq. ft.	69	69	69	69	69	69	69
3	Auto Sales	1000 sq. ft.	824	824	824	824	824	824	824
4	Bank, Credit Union	1000 sq. ft.	482	482	482	482	482	482	482
5	Bowling/Skating	1000 sq. ft.	32	32	32	32	32	32	32
6	Car Wash Tunnel No Recycling	1000 sq. ft.	1	1	1	1	1	1	1
7	Car Wash Tunnel Recycling	1000 sq. ft.	11	11	11	11	11	11	11
8	Car Wash Wand	1000 sq. ft.	8	8	8	8	8	8	8
9	Church	1000 sq. ft.	722	722	722	722	722	722	722
10	Club & Lodge Halls	1000 sq. ft.	97	97	97	97	97	97	97
11	Condominiums	Unit	1,671	1,671	1,671	1,671	1,671	1,671	1,671
12	Convalescent Home	Bed	899	899	899	899	899	899	899
13	Dairy	1000 sq. ft.	23	23	23	23	23	23	23
14	Gas Station	1000 sq. ft.	148	148	148	148	148	148	148
15	Hospital	1000 sq. ft.	98	98	98	98	98	98	98
16	Hotel/Motel/Rooming House	Room	577	577	577	577	577	577	577
17	Laundromats	1000 sq. ft.	25	25	25	25	25	25	25
18	Light Manufacturing	1000 sq. ft.	5,187	5,187	5,187	5,187	5,187	5,187	5,187
19	Manufacturing	1000 sq. ft.	1,056	1,056	1,056	1,056	1,056	1,056	1,056
20	Medical, Dental, Veterinary	1000 sq. ft.	267	267	267	267	267	267	267
21	Mobile Home Parks	Space	1,447	1,447	1,447	1,447	1,447	1,447	1,447
22	Multi-Unit Residential	Unit	13,526	13,526	13,526	13,526	13,526	13,526	13,526
23	Nursery/Greenhouse	1000 sq. ft.	5	5	5	5	5	5	5
24	Office Building	1000 sq. ft.	2,662	2,662	2,662	2,662	2,662	2,662	2,662
25	Open Storage	1000 sq. ft.	130	130	130	130	130	130	130
26	Private School	1000 sq. ft.	79	79	79	79	79	79	79
27	Restaurant	1000 sq. ft.	262	262	262	262	262	262	262
28	Senior Day Care Center	1000 sq. ft.	43	43	43	43	43	43	43
29	Service Shop, Vehicle Maint	1000 sq. ft.	575	575	575	575	575	575	575
30	Shopping Center	1000 sq. ft.	1,454	1,454	1,454	1,454	1,454	1,454	1,454
31	Single Family Residential	Parcel	11,339	11,339	11,339	11,339	11,339	11,339	11,339
32	Store	1000 sq. ft.	2,292	2,292	2,292	2,292	2,292	2,292	2,292
33	Supermarket	1000 sq. ft.	255	255	255	255	255	255	255
34	Utility, Commercial & Mutual:Pumping	1000 sq. ft.	12	12	12	12	12	12	12
35	Warehousing	1000 sq. ft.	4,355	4,355	4,355	4,355	4,355	4,355	4,355
36	Wholesale Outlet	1000 sq. ft.	138	138	138	138	138	138	138

2.4. Projected Sewer Rate Revenues at Current Rates

Table 2-5 shows the calculated rate revenues for FY 2024 through FY 2029 based on the City’s current sewer rates. The projected annual rate revenues (Line 37) are determined using the current annual service charges multiplied by the number of billing units for each customer class. Note that the projected rate revenues remain constant from FY 2024 through FY 2029, which is a result of maintaining the same number of customer billing units throughout the study period.

Table 2-5: Projected Sewer Rate Revenues at Current Rates

Line	Rate Revenue	A	B	C	D	E	F	G
			FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Animal Kennels		\$155	\$155	\$155	\$155	\$155	\$155
2	Auditorium, Amusement		\$9,352	\$9,352	\$9,352	\$9,352	\$9,352	\$9,352
3	Auto Sales		\$31,905	\$31,905	\$31,905	\$31,905	\$31,905	\$31,905
4	Bank, Credit Union		\$18,663	\$18,663	\$18,663	\$18,663	\$18,663	\$18,663
5	Bowling/Skating		\$2,283	\$2,283	\$2,283	\$2,283	\$2,283	\$2,283
6	Car Wash Tunnel No Recycling		\$1,437	\$1,437	\$1,437	\$1,437	\$1,437	\$1,437
7	Car Wash Tunnel Recycling		\$11,557	\$11,557	\$11,557	\$11,557	\$11,557	\$11,557
8	Car Wash Wand		\$2,177	\$2,177	\$2,177	\$2,177	\$2,177	\$2,177
9	Church		\$13,978	\$13,978	\$13,978	\$13,978	\$13,978	\$13,978
10	Club & Lodge Halls		\$4,645	\$4,645	\$4,645	\$4,645	\$4,645	\$4,645
11	Condominiums		\$127,715	\$127,715	\$127,715	\$127,715	\$127,715	\$127,715
12	Convalescent Home		\$43,970	\$43,970	\$43,970	\$43,970	\$43,970	\$43,970
13	Dairy		\$12,399	\$12,399	\$12,399	\$12,399	\$12,399	\$12,399
14	Gas Station		\$5,731	\$5,731	\$5,731	\$5,731	\$5,731	\$5,731
15	Hospital		\$4,793	\$4,793	\$4,793	\$4,793	\$4,793	\$4,793
16	Hotel/Motel/Rooming House		\$28,221	\$28,221	\$28,221	\$28,221	\$28,221	\$28,221
17	Laundromats		\$37,119	\$37,119	\$37,119	\$37,119	\$37,119	\$37,119
18	Light Manufacturing		\$58,146	\$58,146	\$58,146	\$58,146	\$58,146	\$58,146
19	Manufacturing		\$95,769	\$95,769	\$95,769	\$95,769	\$95,769	\$95,769
20	Medical, Dental, Veterinary		\$31,017	\$31,017	\$31,017	\$31,017	\$31,017	\$31,017
21	Mobile Home Parks		\$88,470	\$88,470	\$88,470	\$88,470	\$88,470	\$88,470
22	Multi-Unit Residential		\$826,980	\$826,980	\$826,980	\$826,980	\$826,980	\$826,980
23	Nursery/Greenhouse		\$51	\$51	\$51	\$51	\$51	\$51
24	Office Building		\$206,172	\$206,172	\$206,172	\$206,172	\$206,172	\$206,172
25	Open Storage		\$1,457	\$1,457	\$1,457	\$1,457	\$1,457	\$1,457
26	Private School		\$6,119	\$6,119	\$6,119	\$6,119	\$6,119	\$6,119
27	Restaurant		\$141,236	\$141,236	\$141,236	\$141,236	\$141,236	\$141,236
28	Senior Day Care Center		\$4,995	\$4,995	\$4,995	\$4,995	\$4,995	\$4,995
29	Service Shop, Vehicle Maint		\$22,264	\$22,264	\$22,264	\$22,264	\$22,264	\$22,264
30	Shopping Center		\$213,360	\$213,360	\$213,360	\$213,360	\$213,360	\$213,360
31	Single Family Residential		\$1,155,444	\$1,155,444	\$1,155,444	\$1,155,444	\$1,155,444	\$1,155,444
32	Store		\$88,746	\$88,746	\$88,746	\$88,746	\$88,746	\$88,746
33	Supermarket		\$20,528	\$20,528	\$20,528	\$20,528	\$20,528	\$20,528
34	Utility, Commercial & Mutual:Pumping		\$929	\$929	\$929	\$929	\$929	\$929
35	Warehousing		\$48,820	\$48,820	\$48,820	\$48,820	\$48,820	\$48,820
36	Wholesale Outlet		\$5,343	\$5,343	\$5,343	\$5,343	\$5,343	\$5,343
37	Total		\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944

2.5. Projected Sewer Revenues

Table 2-6 shows the sewer utility's projected revenues for the study period. City staff provided the budgeted revenues for FY 2024 (Column B). Sewer rate revenues (Line 2) are equal to the calculated rate revenues at current rates (Table 2-5, Line 37) for FY 2024 through FY 2029.

Interest income (Line 1) is calculated based on the reserve interest rate (Table 2-1, Line 6) and projected fund balances.

Table 2-6: Projected Sewer Revenues

Line	A Revenue	B FY 2024	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	Interest Income	\$108,931	\$117,029	\$110,845	\$97,385	\$85,960	\$73,041
2	Sewer Assessment	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944
3	Other Permits - F.O.G.	\$15,300	\$15,606	\$15,918	\$16,236	\$16,561	\$16,892
4	F.O.G. Mitigation Fee	\$5,100	\$5,202	\$5,306	\$5,412	\$5,520	\$5,631
5	Total	\$3,501,275	\$3,509,781	\$3,504,012	\$3,490,977	\$3,479,985	\$3,467,508

2.6. Projected Sewer O&M Expenses

Table 2-7 summarizes the projected O&M expenses for the study period. City staff provided the adopted budget for FY 2023, which is inflated in future years using the expense escalation factors (Table 2-1).

Table 2-7: Projected Sewer O&M Expenses

Line	A Operating Expenses	B FY 2024	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	2010 Series A Lease Revenue Bonds	\$323,464	\$339,637	\$349,826	\$367,318	\$385,684	\$404,968
2	Engineering	\$157,500	\$165,375	\$170,336	\$178,853	\$187,796	\$197,186
3	Sewer Maintenance	\$1,622,711	\$1,687,725	\$1,743,352	\$1,814,053	\$1,888,127	\$1,965,747
4	General and Administrative	\$661,888	\$687,484	\$709,680	\$737,483	\$766,588	\$797,061
5	Total	\$2,765,564	\$2,880,221	\$2,973,195	\$3,097,707	\$3,228,193	\$3,364,961

2.7. Existing Sewer Debt Service

The City’s sewer utility does not currently have any outstanding debt obligations, nor does it plan on issuing any debt during the study period.

2.8. Sewer Capital Project Funding

Table 2-8 details the City’s capital improvement plan for the sewer utility. At the time the rate study was conducted, the City did not have a formal capital improvement plan available. Raftelis worked with City staff to develop a formal five-year CIP aligned with utility best practices, incorporating findings and recommendations from past master plans, and asset risk priorities from interview with staff. The developed CIP serves as a foundation for:

- Incremental investments into the existing infrastructure (asset management) where to-date work have been mostly reactive repairs
- Increasing maturity of the asset management program over time aligned with highest risk assets
- Monitoring of the system to confirm wet weather flows, current capacities, and growth needs

From FY 2024 onward, project costs are inflated using the expense escalation factor for capital (Table 2-1, Line 9). The City expects to fund its sewer capital program using cash from rate revenues and reserves.

Table 2-8: Inflated Sewer Capital Improvement Plan

Line	Project Description	A	B	C	D	E	F
			FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	New Capital Assets						
2	Replacement vehicle		\$0	\$157,304	\$0	\$0	\$0
3	Update CCTV truck electronics		\$79,500	\$0	\$0	\$0	\$0
4	Combination truck		\$0	\$730,340	\$0	\$0	\$0
5							
6	Asset Management						
7	Annual sewer replacement/renewal program		\$727,584	\$1,542,478	\$2,452,540	\$2,599,693	\$2,755,674
8	Manhole replacement/renewal		\$302,100	\$640,452	\$678,879	\$719,612	\$762,789
9	PS asset management needs assessment		\$159,000	\$0	\$0	\$0	\$0
10	Annual pump stations asset renewal/replacement project		\$0	\$280,900	\$297,754	\$315,619	\$334,556
11	Wastewater asset management program development		\$106,000	\$112,360	\$0	\$0	\$0
12	Sewer system flow monitoring		\$265,000	\$0	\$0	\$315,619	\$0
13	Sewer system hydraulic model & capacity analysis update		\$0	\$224,720	\$0	\$0	\$267,645
14	Asset Management Software Assessment & Optimization Planning		\$53,000	\$0	\$0	\$63,124	\$0
15							
16	Total Capital Expenditures		\$1,692,184	\$3,688,554	\$3,429,173	\$4,013,667	\$4,120,664

Raftelis worked with City staff to understand the needs of the sewer utility and to develop a recommendation for the reserve policy, which is listed in **Section 1**. Our recommended reserve target for the utility is one year of operating expenses, as the City collects all of its revenue two times per year and would need to be able to fund operations throughout the rate cycle. The recommended reserve policy calls for a target balance of approximately \$2.8 million in FY 2025.

2.9. Sewer Status Quo Financial Plan

Table 2-9 shows the projected sewer financial plan based on revenues at existing rates with no adjustments, or the “status quo” scenario. Revenues (Lines 2-6) are derived from **Table 2-6**. Note that revenues from interest income in the status quo scenario is lower, due to a decrease in fund balances. O&M expenses (Lines 9-13) are derived from **Table 2-7**. Cash funded CIP (Line 23) is derived from **Table 2-8**.

Net revenue (Line 15) is equal to total revenues (Line 6) less O&M expenses (Line 13). Net cash flow (Line 26) is equal to net revenue less cash funded CIP (Line 23). City staff provided beginning fund balances for FY 2024 (Column B, Line 28). Ending balances (Line 29) are calculated by adding beginning balances to net cash flow (Line 26). The reserve target is provided in Line 30. Under the status quo scenario, the sewer fund will not meet reserve targets in FY 2027 and will fall below zero in FY 2028 and FY 2029.

Table 2-9: Projected Sewer Financial Plan (Status Quo)

Line	A Cash Flow	B FY 2024	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	Revenues						
2	Rate Revenue	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944
3	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
4	Other Revenue	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523
5	Interest Income	\$108,931	\$106,419	\$74,653	\$27,759	\$0	\$0
6	Total - Revenues	\$3,501,275	\$3,499,170	\$3,467,821	\$3,421,351	\$3,394,025	\$3,394,467
7							
8	O&M Expenses						
9	Transfers	\$0	\$0	\$0	\$0	\$0	\$0
10	Operations and Maintenance	\$1,292,843	\$1,357,485	\$1,398,210	\$1,468,120	\$1,541,526	\$1,618,602
11	Personnel	\$1,472,721	\$1,522,736	\$1,574,985	\$1,629,587	\$1,686,667	\$1,746,358
12	Capital Outlay	\$0	\$0	\$0	\$0	\$0	\$0
13	Total - O&M Expenses	\$2,765,564	\$2,880,221	\$2,973,195	\$3,097,707	\$3,228,193	\$3,364,961
14							
15	Net Revenue (Excluding Debt)	\$735,711	\$618,949	\$494,626	\$323,644	\$165,832	\$29,506
16							
17	Debt Service						
18	Existing Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
19	Proposed Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
20	Total - Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
21							
22	Capital Projects						
23	Rate Funded CIP	\$0	\$1,692,184	\$3,688,554	\$3,429,173	\$4,013,667	\$4,120,664
24	Total - Capital Projects	\$0	\$1,692,184	\$3,688,554	\$3,429,173	\$4,013,667	\$4,120,664
25							
26	Net Cash Flow	\$735,711	(\$1,073,235)	(\$3,193,928)	(\$3,105,529)	(\$3,847,835)	(\$4,091,158)
27							
28	Beginning Balance	\$6,948,693	\$7,684,404	\$6,611,169	\$3,417,241	\$311,712	(\$3,536,123)
29	Ending Balance	\$7,684,404	\$6,611,169	\$3,417,241	\$311,712	(\$3,536,123)	(\$7,627,281)
30	<i>Reserve Target</i>	<i>\$2,765,564</i>	<i>\$2,880,221</i>	<i>\$2,973,195</i>	<i>\$3,097,707</i>	<i>\$3,228,193</i>	<i>\$3,364,961</i>

Figure 2-1 shows the projected status quo financial plan in graphical format. The bars represent the sewer utility’s cash needs: O&M expenses (gray), capital projects (yellow), and reserve funding (red). The solid line represents the current revenues, which is below the stacked bars for all years of the period, signifying that the City’s sewer revenues are not sufficient to fund its costs.

Figure 2-1: Projected Sewer Financial Plan (Status Quo)

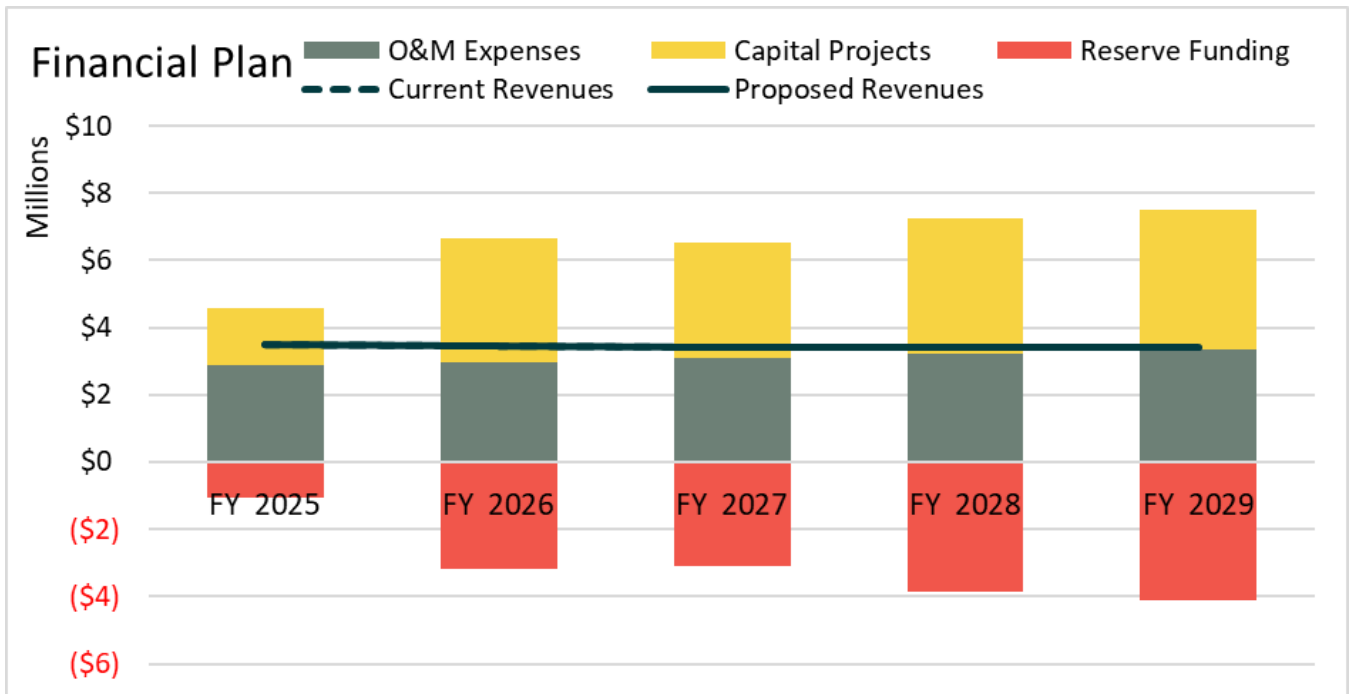
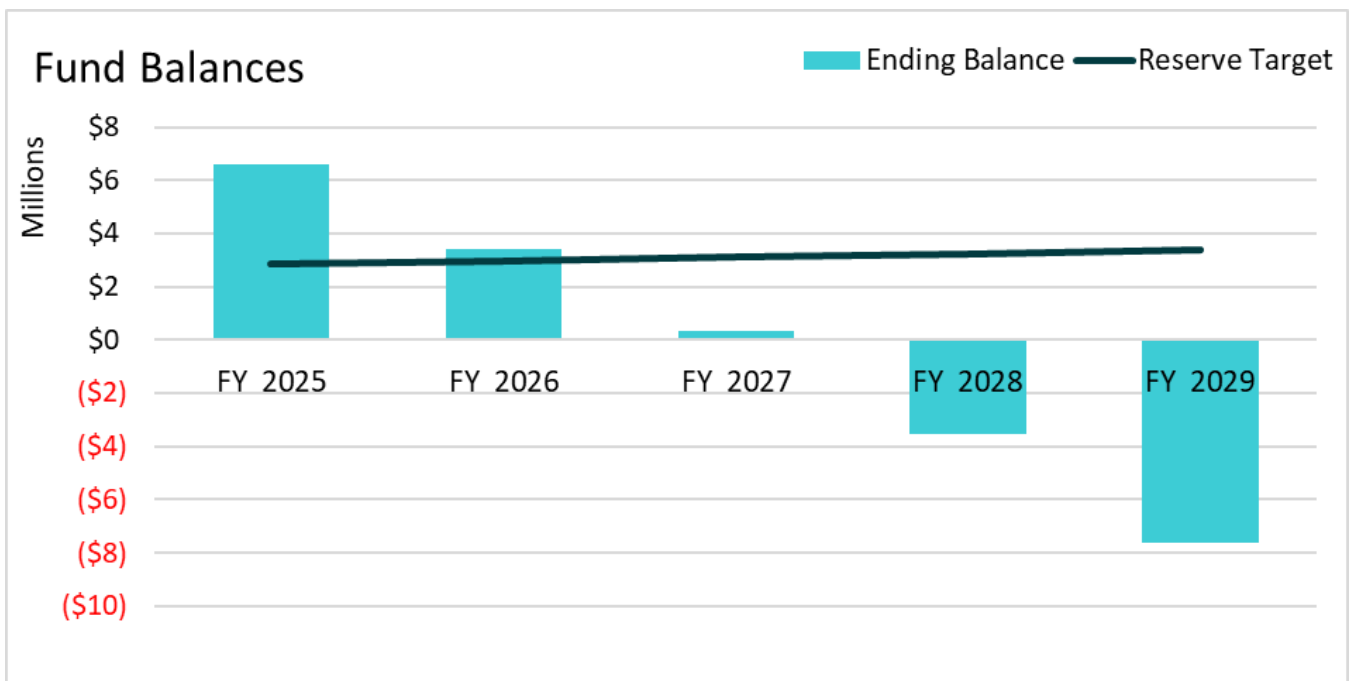


Figure 2-2 shows the projected fund balances under the status quo scenario for a five-year period. The blue bars represent the ending balances of the sewer fund, and the solid line represents the reserve target amounts. The sewer fund will be depleted following FY 2027 and become negative in FY 2028.

Figure 2-2: Projected Sewer Fund Balances (Status Quo)



2.10. Proposed Sewer Financial Plan

Table 2-10 shows the proposed revenue adjustments that allow the City to maintain financial sufficiency, fund operating and capital expenses, and build up its revenue base over a five-year period to achieve the recommended target. The planning period for the study includes five years of projections, which is reflected in the tables of the report that show information for FY 2025 to FY 2029.

The proposed revenue adjustments represent the increase to total rate revenues required to recover the sewer utility’s costs. Revenue adjustments in all years are applied across all charges and classes proportional to existing rates. The proposed revenue adjustments are effective on July 1 of every year.

Table 2-10: Proposed Sewer Revenue Adjustments

Line	A Revenue Adjustments	B FY 2025	C FY 2026	D FY 2027	E FY 2028	F FY 2029
1	Effective Month	July	July	July	July	July
2	Percent Adjustment	45.0%	8.0%	8.0%	8.0%	8.0%

Table 2-11 shows the projected sewer financial plan with the proposed revenue adjustments in **Table 2-10** applied to the sewer rate revenues. Revenues from interest income (Line 5) are greater than those shown in the status quo scenario (**Table 2-9**, Line 5) due to additional cash from the proposed adjustments. O&M expenses (Line 13) and cash funded CIP (Line 23) are the same as the status quo scenario.

Net cash flow (Line 26) is negative in FY 2026 through FY 2029, which means that the City will be drawing down its sewer fund to partially fund capital costs. The ending balances (Line 29) will meet the recommended reserve target (Line 30) from FY 2025 to FY 2029. The utility will draw down its reserves over a longer period, as shown in

Figure 2-4, to reduce the financial impact to customers while allowing time to build up the rate revenue base to ensure long-term financial sufficiency.

Table 2-11: Projected Sewer Financial Plan (Proposed Adjustments)

Line	A Cash Flow	B FY 2024	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	Revenues						
2	Rate Revenue	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944
3	Revenue Adjustments	\$0	\$1,517,375	\$1,908,520	\$2,330,957	\$2,787,189	\$3,279,920
4	Other Revenue	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523
5	Interest Income	\$108,931	\$117,799	\$111,898	\$97,359	\$84,847	\$72,081
6	Total - Revenues	\$3,501,275	\$5,027,925	\$5,413,586	\$5,821,908	\$6,266,061	\$6,746,467
7							
8	O&M Expenses						
9	Transfers	\$0	\$0	\$0	\$0	\$0	\$0
10	Operations and Maintenance	\$1,292,843	\$1,357,485	\$1,398,210	\$1,468,120	\$1,541,526	\$1,618,602
11	Personnel	\$1,472,721	\$1,522,736	\$1,574,985	\$1,629,587	\$1,686,667	\$1,746,358
12	Capital Outlay	\$0	\$0	\$0	\$0	\$0	\$0
13	Total - O&M Expenses	\$2,765,564	\$2,880,221	\$2,973,195	\$3,097,707	\$3,228,193	\$3,364,961
14							
15	Net Revenue (Excluding Debt)	\$735,711	\$2,147,704	\$2,440,391	\$2,724,201	\$3,037,868	\$3,381,506
16							
17	Debt Service						
18	Existing Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
19	Proposed Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
20	Total - Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
21							
22	Capital Projects						
23	Rate Funded CIP	\$0	\$1,692,184	\$3,688,554	\$3,429,173	\$4,013,667	\$4,120,664
24	Total - Capital Projects	\$0	\$1,692,184	\$3,688,554	\$3,429,173	\$4,013,667	\$4,120,664
25							
26	Net Cash Flow	\$735,711	\$455,520	(\$1,248,163)	(\$704,972)	(\$975,799)	(\$739,158)
27							
28	Beginning Balance	\$6,948,693	\$7,684,404	\$8,139,924	\$6,891,761	\$6,186,789	\$5,210,990
29	Ending Balance	\$7,684,404	\$8,139,924	\$6,891,761	\$6,186,789	\$5,210,990	\$4,471,832
30	<i>Reserve Target</i>	<i>\$2,765,564</i>	<i>\$2,880,221</i>	<i>\$2,973,195</i>	<i>\$3,097,707</i>	<i>\$3,228,193</i>	<i>\$3,364,961</i>

Figure 2-3: Projected Sewer Financial Plan (Proposed Adjustments)

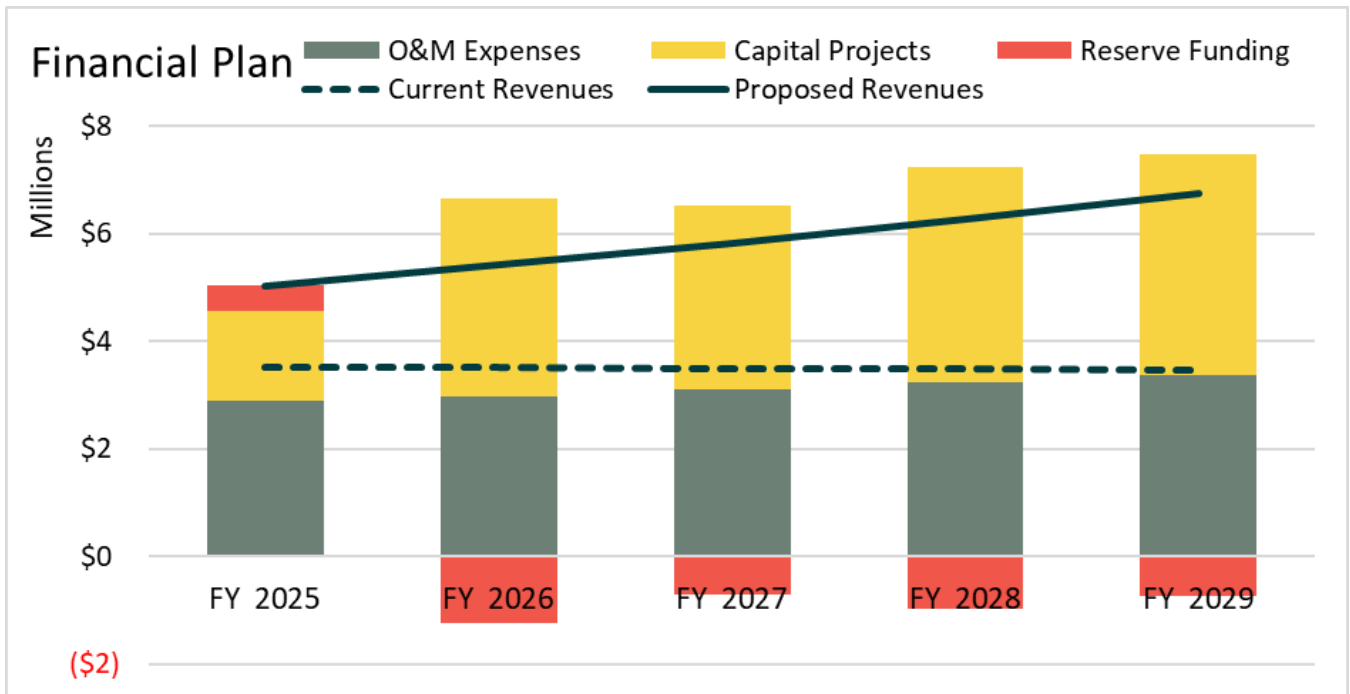
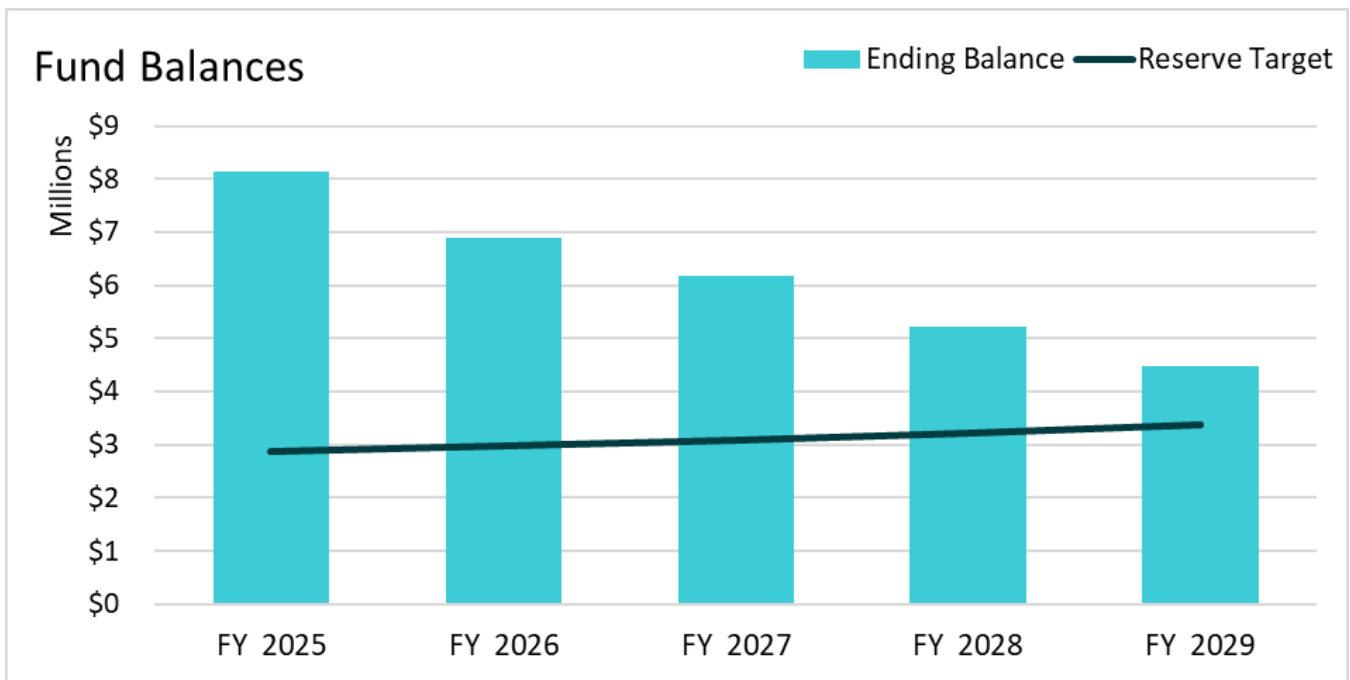


Figure 2-4: Projected Sewer Fund Balances (Proposed Adjustments)



2.11. Rate Calculation

The first step in calculating the rates is to determine the revenue requirement for the test year. **Table 2-12** shows the FY 2025 revenue requirement calculation. The total revenue requirement represents all O&M and capital revenue requirements and is equal to the cost of service to be recovered through rates. The revenue requirements in Lines 2-5 consist of FY 20246 operating expenses and rate funded capital expenditures.

Revenue offsets in Lines 8-10 consist of miscellaneous, non-rate revenues, which are utilized to reduce the amount required to be recovered from customer rates. The annual cash balance adjustment is equal to the net cash change for FY 2025 in **Table 2-11**, which represents the amount by which the reserves are increasing during the test year. The adjustment to annualize the rate increase serves to account for any lost revenue from implementing rates for only a portion of the fiscal year. Since the FY 2025 rate adjustment is effective on July 1, 2024, this adjustment is zero because the new rates will be effective for the entire fiscal year. The total revenue required from rates is the total revenue requirement (Line 5) less revenue offsets (Line 10) and less adjustments (Line 15).

Table 2-12: FY 2025 Revenue Requirement

Line	Description	A	B FY 2025
1	Revenue Requirements		
2	Operating Expenditures		\$2,880,221
3	Debt Service		\$0
4	PAYGO Capital		\$1,692,184
5	Total		\$4,572,405
6			
7	Revenue Offsets		
8	Other Revenue		\$20,808
9	Interest Income		\$117,799
10	Total		\$138,607
11			
12	Adjustments		
13	Adjustments to Annual Cash Balance		(\$455,520)
14	Adjustments to Annualize Rate Increase		\$0
15	Total		(\$455,520)
16			
17	Revenue Required from Rates		\$4,889,318

The next step in the rate calculation is determining the units of service. The City uses equivalent dwelling units (EDUs) to determine their billing units. EDUs are ratios used to calculate how each customer class billing unit compares to a Single Family customer. For example, the EDU ratio for a Mutli-Unit Residential customer is 0.60. This means that a Multi-Unit Residential customer produces about 60% of the wastewater of a Single Family Residential customer. Table 2-13 shows the billing units (Column B), EDU ratio (Column C), and EDUs (Column D) for each customer class. EDUs are calculated by multiplying the billing units in Column B with the corresponding EDU ratio in Column C.

Table 2-13: Units of Service (FY 2025 EDUs)

Line	A Customer Class	B Billing Units	C EDU Ratio	D EDUs
1	Animal Kennels	4	0.38	2
2	Auditorium, Amusement	69	1.33	92
3	Auto Sales	824	0.38	313
4	Bank, Credit Union	482	0.38	183
5	Bowling/Skating	32	0.70	22
6	Car Wash Tunnel No Recycling	1	14.10	14
7	Car Wash Tunnel Recycling	11	10.31	113
8	Car Wash Wand	8	2.67	21
9	Church	722	0.19	137
10	Club & Lodge Halls	97	0.47	46
11	Condominiums	1,671	0.75	1,253
12	Convalescent Home	899	0.48	432
13	Dairy	23	5.29	122
14	Gas Station	148	0.38	56
15	Hospital	98	0.48	47
16	Hotel/Motel/Rooming House	577	0.48	277
17	Laundromats	25	14.57	364
18	Light Manufacturing	5,187	0.11	571
19	Manufacturing	1,056	0.89	940
20	Medical, Dental, Veterinary	267	1.14	304
21	Mobile Home Parks	1,447	0.60	868
22	Multi-Unit Residential	13,526	0.60	8,116
23	Nursery/Greenhouse	5	0.10	1
24	Office Building	2,662	0.76	2,023
25	Open Storage	130	0.11	14
26	Private School	79	0.76	60
27	Restaurant	262	5.29	1,386
28	Senior Day Care Center	43	1.14	49
29	Service Shop, Vehicle Maint	575	0.38	218
30	Shopping Center	1,454	1.44	2,094
31	Single Family Residential	11,339	1.00	11,339
32	Store	2,292	0.38	871
33	Supermarket	255	0.79	201
34	Utility, Commercial & Mutual:Pumping	12	0.76	9
35	Warehousing	4,355	0.11	479
36	Wholesale Outlet	138	0.38	52
37	Total	50,775		33,091

Next, the revenue requirement is divided by the total number of EDUs to determine the annual charge per EDU. **Table 2-14** shows the calculation by dividing the revenue requirement (Column B, Line 1) with the total EDUs (Column B, Line 2) to derive the rate per EDU (Column B, Line 3).

Table 2-14: Rate per EDU Calculation

	A	B
Line	Rate Calculation	Units
1	Revenue Requirement	\$4,889,318
2	Units of Service	33,091
3	Rate/EDU	\$147.76

Finally, the rate per EDU is multiplied by the EDU ratio for each customer class to calculate the rate per billing unit. **Table 2-15** shows the proposed rates for each customer class. The rate per EDU from **Table 2-14** is multiplied by the EDU ratio for each class from **Table 2-13**. Because the rate structure and the EDU ratios are consistent with the existing structure, the rate increase for all classes (Column E) is equal to the total proposed revenue adjustment in **Table 2-10**.

Table 2-15: Proposed Annual Rate per Billing Unit for All Customer Classes

Line	A Proposed Rates	B Current Rates	C Proposed Rates	D Difference (\$)	E Difference (%)
1	Animal Kennels	\$38.72	\$56.14	\$17.42	45%
2	Auditorium, Amusement	\$135.53	\$196.52	\$60.99	45%
3	Auto Sales	\$38.72	\$56.14	\$17.42	45%
4	Bank, Credit Union	\$38.72	\$56.14	\$17.42	45%
5	Bowling/Skating	\$71.33	\$103.43	\$32.10	45%
6	Car Wash Tunnel No Recycling	\$1,436.85	\$2,083.43	\$646.58	45%
7	Car Wash Tunnel Recycling	\$1,050.63	\$1,523.41	\$472.78	45%
8	Car Wash Wand	\$272.08	\$394.52	\$122.44	45%
9	Church	\$19.36	\$28.07	\$8.71	45%
10	Club & Lodge Halls	\$47.89	\$69.44	\$21.55	45%
11	Condominiums	\$76.43	\$110.82	\$34.39	45%
12	Convalescent Home	\$48.91	\$70.92	\$22.01	45%
13	Dairy	\$539.07	\$781.65	\$242.58	45%
14	Gas Station	\$38.72	\$56.14	\$17.42	45%
15	Hospital	\$48.91	\$70.92	\$22.01	45%
16	Hotel/Motel/Rooming House	\$48.91	\$70.92	\$22.01	45%
17	Laundromats	\$1,484.74	\$2,152.87	\$668.13	45%
18	Light Manufacturing	\$11.21	\$16.25	\$5.04	45%
19	Manufacturing	\$90.69	\$131.50	\$40.81	45%
20	Medical, Dental, Veterinary	\$116.17	\$168.45	\$52.28	45%
21	Mobile Home Parks	\$61.14	\$88.65	\$27.51	45%
22	Multi-Unit Residential	\$61.14	\$88.65	\$27.51	45%
23	Nursery/Greenhouse	\$10.19	\$14.78	\$4.59	45%
24	Office Building	\$77.45	\$112.30	\$34.85	45%
25	Open Storage	\$11.21	\$16.25	\$5.04	45%
26	Private School	\$77.45	\$112.30	\$34.85	45%
27	Restaurant	\$539.07	\$781.65	\$242.58	45%
28	Senior Day Care Center	\$116.17	\$168.45	\$52.28	45%
29	Service Shop, Vehicle Maint	\$38.72	\$56.14	\$17.42	45%
30	Shopping Center	\$146.74	\$212.77	\$66.03	45%
31	Single Family Residential	\$101.90	\$147.76	\$45.86	45%
32	Store	\$38.72	\$56.14	\$17.42	45%
33	Supermarket	\$80.50	\$116.73	\$36.23	45%
34	Utility, Commercial & Mutual:Pumping	\$77.45	\$112.30	\$34.85	45%
35	Warehousing	\$11.21	\$16.25	\$5.04	45%
36	Wholesale Outlet	\$38.72	\$56.14	\$17.42	45%

2.12. Proposed Sewer Rate Schedule

Table 2-16 shows the proposed annual charges by customer class for FY 2025 through FY 2029 based on the recommendations. FY 2025 proposed rates are from Table 2-15. Rates for FY 2026 – FY 2029 are determined by increasing prior years’ rates by the corresponding revenue adjustments in Table 2-10.

Table 2-16: Proposed Annual Sewer Charges

Line	A Customer Class	B Current Rates	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	Animal Kennels	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
2	Auditorium, Amusement	\$135.53	\$196.52	\$212.25	\$229.23	\$247.57	\$267.38
3	Auto Sales	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
4	Bank, Credit Union	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
5	Bowling/Skating	\$71.33	\$103.43	\$111.71	\$120.65	\$130.31	\$140.74
6	Car Wash Tunnel No Recycling	\$1,436.85	\$2,083.44	\$2,250.12	\$2,430.13	\$2,624.55	\$2,834.52
7	Car Wash Tunnel Recycling	\$1,050.63	\$1,523.42	\$1,645.30	\$1,776.93	\$1,919.09	\$2,072.62
8	Car Wash Wand	\$272.08	\$394.52	\$426.09	\$460.18	\$497.00	\$536.76
9	Church	\$19.36	\$28.08	\$30.33	\$32.76	\$35.39	\$38.23
10	Club & Lodge Halls	\$47.89	\$69.45	\$75.01	\$81.02	\$87.51	\$94.52
11	Condominiums	\$76.43	\$110.83	\$119.70	\$129.28	\$139.63	\$150.81
12	Convalescent Home	\$48.91	\$70.92	\$76.60	\$82.73	\$89.35	\$96.50
13	Dairy	\$539.07	\$781.66	\$844.20	\$911.74	\$984.68	\$1,063.46
14	Gas Station	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
15	Hospital	\$48.91	\$70.92	\$76.60	\$82.73	\$89.35	\$96.50
16	Hotel/Motel/Rooming House	\$48.91	\$70.92	\$76.60	\$82.73	\$89.35	\$96.50
17	Laundromats	\$1,484.74	\$2,152.88	\$2,325.12	\$2,511.13	\$2,712.03	\$2,929.00
18	Light Manufacturing	\$11.21	\$16.26	\$17.57	\$18.98	\$20.50	\$22.14
19	Manufacturing	\$90.69	\$131.51	\$142.04	\$153.41	\$165.69	\$178.95
20	Medical, Dental, Veterinary	\$116.17	\$168.45	\$181.93	\$196.49	\$212.21	\$229.19
21	Mobile Home Parks	\$61.14	\$88.66	\$95.76	\$103.43	\$111.71	\$120.65
22	Multi-Unit Residential	\$61.14	\$88.66	\$95.76	\$103.43	\$111.71	\$120.65
23	Nursery/Greenhouse	\$10.19	\$14.78	\$15.97	\$17.25	\$18.63	\$20.13
24	Office Building	\$77.45	\$112.31	\$121.30	\$131.01	\$141.50	\$152.82
25	Open Storage	\$11.21	\$16.26	\$17.57	\$18.98	\$20.50	\$22.14
26	Private School	\$77.45	\$112.31	\$121.30	\$131.01	\$141.50	\$152.82
27	Restaurant	\$539.07	\$781.66	\$844.20	\$911.74	\$984.68	\$1,063.46
28	Senior Day Care Center	\$116.17	\$168.45	\$181.93	\$196.49	\$212.21	\$229.19
29	Service Shop, Vehicle Maint	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
30	Shopping Center	\$146.74	\$212.78	\$229.81	\$248.20	\$268.06	\$289.51
31	Single Family Residential	\$101.90	\$147.76	\$159.59	\$172.36	\$186.15	\$201.05
32	Store	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43
33	Supermarket	\$80.50	\$116.73	\$126.07	\$136.16	\$147.06	\$158.83
34	Utility, Commercial & Mutual:Pumping	\$77.45	\$112.31	\$121.30	\$131.01	\$141.50	\$152.82
35	Warehousing	\$11.21	\$16.26	\$17.57	\$18.98	\$20.50	\$22.14
36	Wholesale Outlet	\$38.72	\$56.15	\$60.65	\$65.51	\$70.76	\$76.43

3. Appendix A – Alternative Financial Plan Scenario

An alternative financial plan and rates scenario was prepared for the sewer utility. This scenario reduces the Asset Management CIP in **Table 2-8** from 100% of the proposed expenditures to 75% of proposed expenditures for the study period. **Table 3-1** shows the reduced capital improvement plan.

Table 3-1: Inflated Sewer Capital Improvement Plan

Line	Project Description	A FY 2025	B FY 2026	C FY 2027	D FY 2028	E FY 2029
1	New Capital Assets					
2	Replacement vehicle	\$0	\$157,304	\$0	\$0	\$0
3	Update CCTV truck electronics	\$79,500	\$0	\$0	\$0	\$0
4	Combination truck	\$0	\$730,340	\$0	\$0	\$0
5						
6	Asset Management					
7	Annual sewer replacement/renewal program	\$545,688	\$1,156,859	\$1,839,405	\$1,949,769	\$2,066,756
8	Manhole replacement/renewal	\$226,575	\$480,339	\$509,159	\$539,709	\$572,091
9	PS asset management needs assessment	\$119,250	\$0	\$0	\$0	\$0
10	Annual pump stations asset renewal/replacement project	\$0	\$210,675	\$223,316	\$236,714	\$250,917
11	Wastewater asset management program development	\$79,500	\$84,270	\$0	\$0	\$0
12	Sewer system flow monitoring	\$198,750	\$0	\$0	\$236,714	\$0
13	Sewer system hydraulic model & capacity analysis update	\$0	\$168,540	\$0	\$0	\$200,734
14	Asset Management Software Assessment & Optimization Planning	\$39,750	\$0	\$0	\$47,343	\$0
15						
16	Total Capital Expenditures	\$1,289,013	\$2,988,327	\$2,571,880	\$3,010,250	\$3,090,498

Reducing the projected CIP expenditures would allow the City to slowly ramp up their revenue base to support the fully funded capital repair and replacement program after the study period. This would lower the proposed rate revenue increase in FY 2025 from 45% to 30% and in FY 2026-2029 from 8% to 6%. **Table 3-2** shows the proposed sewer revenue adjustments under this alternative scenario.

Table 3-2: Proposed Sewer Revenue Adjustments

Line	Revenue Adjustments	A FY 2025	B FY 2026	C FY 2027	D FY 2028	E FY 2029
1	Effective Month	July	July	July	July	July
2	Percent Adjustment	30.0%	6.0%	6.0%	6.0%	6.0%

Table 3-3 shows the projected sewer financial plan with the alternative proposed revenue adjustments. Net cash flow is negative from FY 2026 through FY 2029, drawing down reserves to fund O&M expenses and Capital expenditures.

Table 3-3: Projected Sewer Financial Plan (Proposed Adjustments)

Line	A Cash Flow	B FY 2024	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	Revenues						
2	Rate Revenue	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944	\$3,371,944
3	Revenue Adjustments	\$0	\$1,011,583	\$1,274,595	\$1,553,387	\$1,848,907	\$2,162,158
4	Other Revenue	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523
5	Interest Income	\$108,931	\$117,029	\$110,845	\$97,385	\$85,960	\$73,041
6	Total - Revenues	\$3,501,275	\$4,521,364	\$4,778,607	\$5,044,364	\$5,328,892	\$5,629,666
7							
8	O&M Expenses						
9	Transfers	\$0	\$0	\$0	\$0	\$0	\$0
10	Operations and Maintenance	\$1,292,843	\$1,357,485	\$1,398,210	\$1,468,120	\$1,541,526	\$1,618,602
11	Personnel	\$1,472,721	\$1,522,736	\$1,574,985	\$1,629,587	\$1,686,667	\$1,746,358
12	Capital Outlay	\$0	\$0	\$0	\$0	\$0	\$0
13	Total - O&M Expenses	\$2,765,564	\$2,880,221	\$2,973,195	\$3,097,707	\$3,228,193	\$3,364,961
14							
15	Net Revenue (Excluding Debt)	\$735,711	\$1,641,143	\$1,805,412	\$1,946,657	\$2,100,698	\$2,264,705
16							
17	Debt Service						
18	Existing Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
19	Proposed Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
20	Total - Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
21							
22	Capital Projects						
23	Rate Funded CIP	\$0	\$1,289,013	\$2,988,327	\$2,571,880	\$3,010,250	\$3,090,498
24	Total - Capital Projects	\$0	\$1,289,013	\$2,988,327	\$2,571,880	\$3,010,250	\$3,090,498
25							
26	Net Cash Flow	\$735,711	\$352,130	(\$1,182,914)	(\$625,223)	(\$909,552)	(\$825,793)
27							
28	Beginning Balance	\$6,948,693	\$7,684,404	\$8,036,534	\$6,853,620	\$6,228,396	\$5,318,844
29	Ending Balance	\$7,684,404	\$8,036,534	\$6,853,620	\$6,228,396	\$5,318,844	\$4,493,051
30	<i>Reserve Target</i>	<i>\$2,765,564</i>	<i>\$2,880,221</i>	<i>\$2,973,195</i>	<i>\$3,097,707</i>	<i>\$3,228,193</i>	<i>\$3,364,961</i>

Figure 3-1 shows the financial plan under the alternative financial plan scenario. Proposed revenues are shown as the solid black line. The reserve funding is below zero from FY 2026 to FY 2029, showing the City using reserves to fund expenses in those years.

Figure 3-1: Projected Sewer Financial Plan (Proposed Adjustments)

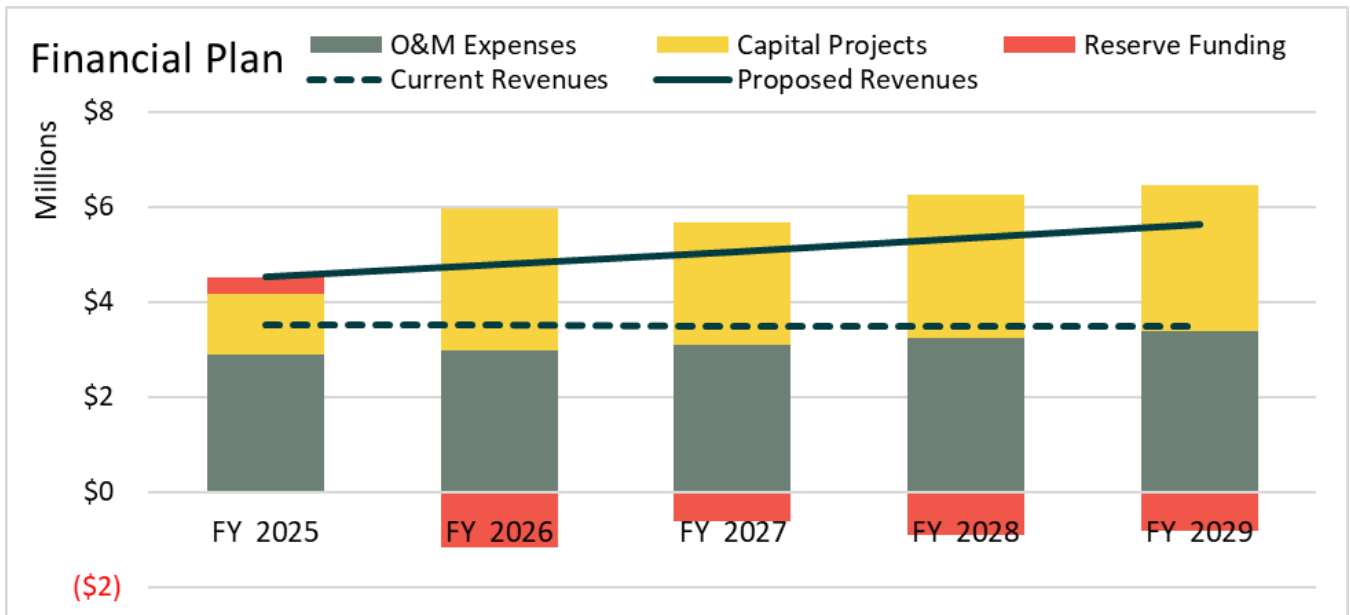


Figure 3-2 shows the projected ending balances under the alternative financial plan scenario. Ending balances are above target for all years of the study period.

Figure 3-2: Projected Sewer Fund Balances (Proposed Adjustments)

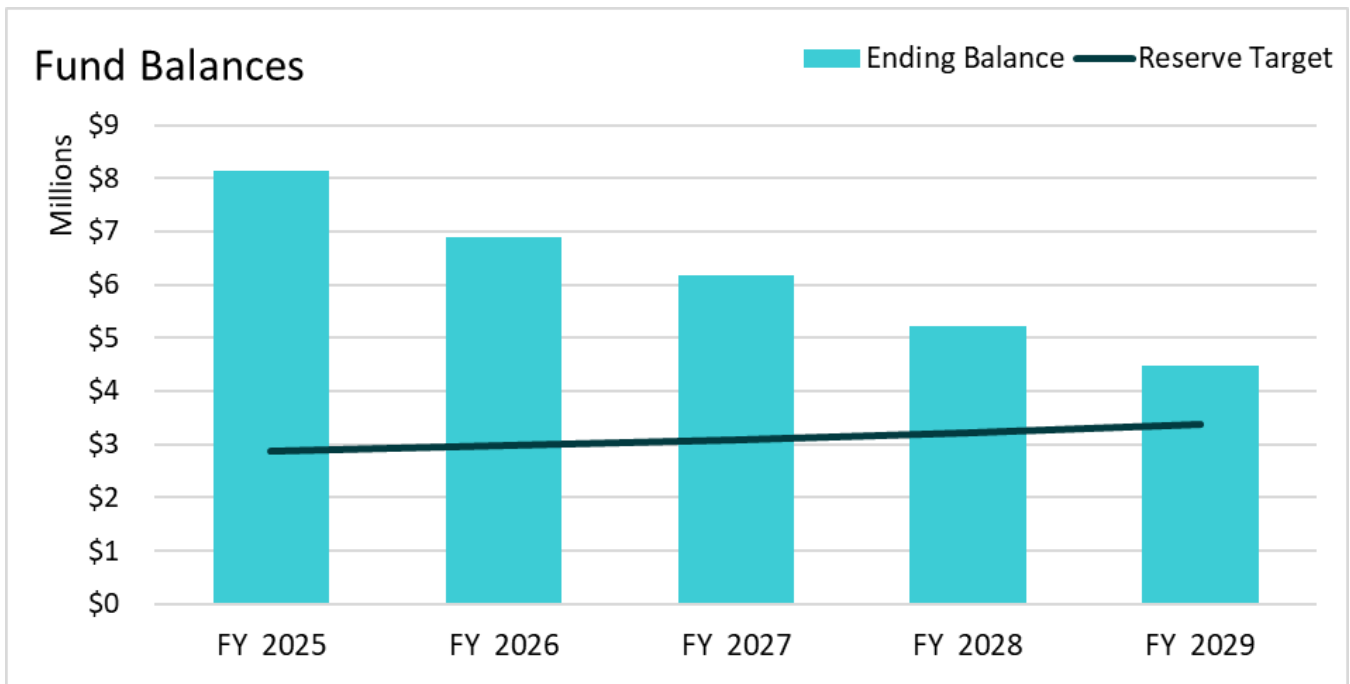


Table 3-4 shows the proposed rates for the study period under the alternative financial plan scenario.

Table 3-4: Proposed Annual Sewer Charges

Line	A Customer Class	B Current Rates	C FY 2025	D FY 2026	E FY 2027	F FY 2028	G FY 2029
1	Animal Kennels	\$38.72	\$50.34	\$53.37	\$56.58	\$59.98	\$63.58
2	Auditorium, Amusement	\$135.53	\$176.19	\$186.77	\$197.98	\$209.86	\$222.46
3	Auto Sales	\$38.72	\$50.34	\$53.37	\$56.58	\$59.98	\$63.58
4	Bank, Credit Union	\$38.72	\$50.34	\$53.37	\$56.58	\$59.98	\$63.58
5	Bowling/Skating	\$71.33	\$92.73	\$98.30	\$104.20	\$110.46	\$117.09
6	Car Wash Tunnel No Recycling	\$1,436.85	\$1,867.91	\$1,979.99	\$2,098.79	\$2,224.72	\$2,358.21
7	Car Wash Tunnel Recycling	\$1,050.63	\$1,365.82	\$1,447.77	\$1,534.64	\$1,626.72	\$1,724.33
8	Car Wash Wand	\$272.08	\$353.71	\$374.94	\$397.44	\$421.29	\$446.57
9	Church	\$19.36	\$25.17	\$26.69	\$28.30	\$30.00	\$31.80
10	Club & Lodge Halls	\$47.89	\$62.26	\$66.00	\$69.96	\$74.16	\$78.61
11	Condominiums	\$76.43	\$99.36	\$105.33	\$111.65	\$118.35	\$125.46
12	Convalescent Home	\$48.91	\$63.59	\$67.41	\$71.46	\$75.75	\$80.30
13	Dairy	\$539.07	\$700.80	\$742.85	\$787.43	\$834.68	\$884.77
14	Gas Station	\$38.72	\$50.34	\$53.37	\$56.58	\$59.98	\$63.58
15	Hospital	\$48.91	\$63.59	\$67.41	\$71.46	\$75.75	\$80.30
16	Hotel/Motel/Rooming House	\$48.91	\$63.59	\$67.41	\$71.46	\$75.75	\$80.30
17	Laundromats	\$1,484.74	\$1,930.17	\$2,045.99	\$2,168.75	\$2,298.88	\$2,436.82
18	Light Manufacturing	\$11.21	\$14.58	\$15.46	\$16.39	\$17.38	\$18.43
19	Manufacturing	\$90.69	\$117.90	\$124.98	\$132.48	\$140.43	\$148.86
20	Medical, Dental, Veterinary	\$116.17	\$151.03	\$160.10	\$169.71	\$179.90	\$190.70
21	Mobile Home Parks	\$61.14	\$79.49	\$84.26	\$89.32	\$94.68	\$100.37
22	Multi-Unit Residential	\$61.14	\$79.49	\$84.26	\$89.32	\$94.68	\$100.37
23	Nursery/Greenhouse	\$10.19	\$13.25	\$14.05	\$14.90	\$15.80	\$16.75
24	Office Building	\$77.45	\$100.69	\$106.74	\$113.15	\$119.94	\$127.14
25	Open Storage	\$11.21	\$14.58	\$15.46	\$16.39	\$17.38	\$18.43
26	Private School	\$77.45	\$100.69	\$106.74	\$113.15	\$119.94	\$127.14
27	Restaurant	\$539.07	\$700.80	\$742.85	\$787.43	\$834.68	\$884.77
28	Senior Day Care Center	\$116.17	\$151.03	\$160.10	\$169.71	\$179.90	\$190.70
29	Service Shop, Vehicle Maint	\$38.72	\$50.34	\$53.37	\$56.58	\$59.98	\$63.58
30	Shopping Center	\$146.74	\$190.77	\$202.22	\$214.36	\$227.23	\$240.87
31	Single Family Residential	\$101.90	\$132.47	\$140.42	\$148.85	\$157.79	\$167.26
32	Store	\$38.72	\$50.34	\$53.37	\$56.58	\$59.98	\$63.58
33	Supermarket	\$80.50	\$104.65	\$110.93	\$117.59	\$124.65	\$132.13
34	Utility, Commercial & Mutual:Pumping	\$77.45	\$100.69	\$106.74	\$113.15	\$119.94	\$127.14
35	Warehousing	\$11.21	\$14.58	\$15.46	\$16.39	\$17.38	\$18.43
36	Wholesale Outlet	\$38.72	\$50.34	\$53.37	\$56.58	\$59.98	\$63.58