



## SEWER SERVICE PROPOSED FIVE-YEAR RATE PLAN

### Public Works Department

Mobility & Infrastructure Committee  
June 12, 2025

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## WHAT WE DO



Serve **100K** customers & 3  
community service districts



Operate **24/7-365**



Ensure **compliance** with  
Federal & State regulations



Protect **public health & environment**



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## POLICY AND REGULATORY OVERSIGHT

### 2016 Sewer Fund Reserve Policy

- Fiscal stability & guidance to staff on financial management of Sewer Fund
- "Reserve Goal" is annual ending balance 10% above policy minimum target

### RWQCP 2013 NPDES "discharge" Permit

- New permit will inevitably include more stringent requirements

### Sewer Collection System Statewide General Requirements

- Regulations require prioritized corrective actions & capital improvement plan



State Water Resources  
Control Board – Water  
Quality Enforcement Policy



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## HISTORY OF SEWER RATES

**\$580M in CIP  
projects  
remaining from  
2019 Sewer  
Master Plan**

Sewer Service	Adopted Rate Increase	Implemented Rate Increase
7/1/2014	8.5%	8.5%
7/1/2015	8.5%	8.5%
7/1/2016	8.5%	8.5%
7/1/2017	8.5%	8.5%
7/1/2018	8.5%	0%
7/1/2019	-	0%
7/1/2020	-	0%
7/1/2021	-	0%
7/1/2022	-	0%
7/1/2023	-	0%
7/1/2024	-	0%

**Final increase of  
prior rate plan  
was paused due  
to favorable  
financial position  
at that time**

**No Rate  
Increases  
since 2017**

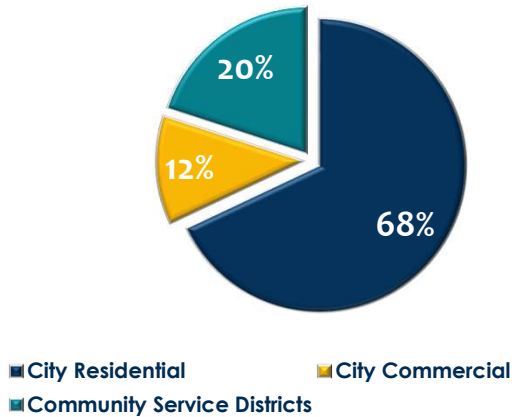


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## SEWER PLANT INFLUENT FLOW

RWQCP Influent Contributions



City residential customers  
pay 2017 rates

City commercial  
customers pay 2017 rates

Community Service  
Districts pay annually  
based on actual current-  
day costs



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## WHATS BEEN DONE TO ADAPT

### Reserves, Settlements, & Grants for Projects

- Utilized reserves and settlement funds for projects to reduce sewer rate pressures
- Since 2018 executed \$65M in projects 35% below estimated costs (\$65M vs. \$101M)

### Process Efficiencies, Innovation, & Chemicals

- Optimized disinfection process. Received State approval to reduce chemical use
- Re-bid bulk chemicals
- Estimated savings up to \$1.6M per year



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# COSTS OUTPACING EXISTING REVENUE

**Sewer Fund has absorbed 29.1% in O&M increases**



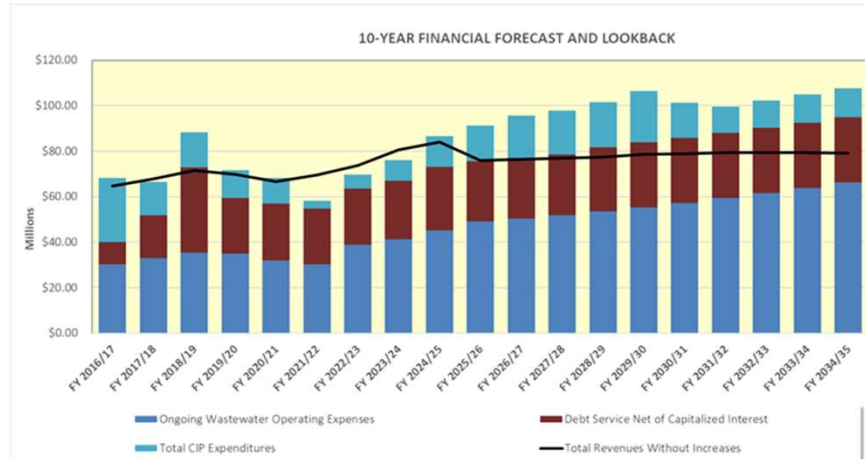
**Inflation**

**Higher costs**

- Chemicals (135%)
- Biosolids disposal (56%)
- Construction (57%)
- Labor



**Regulations**



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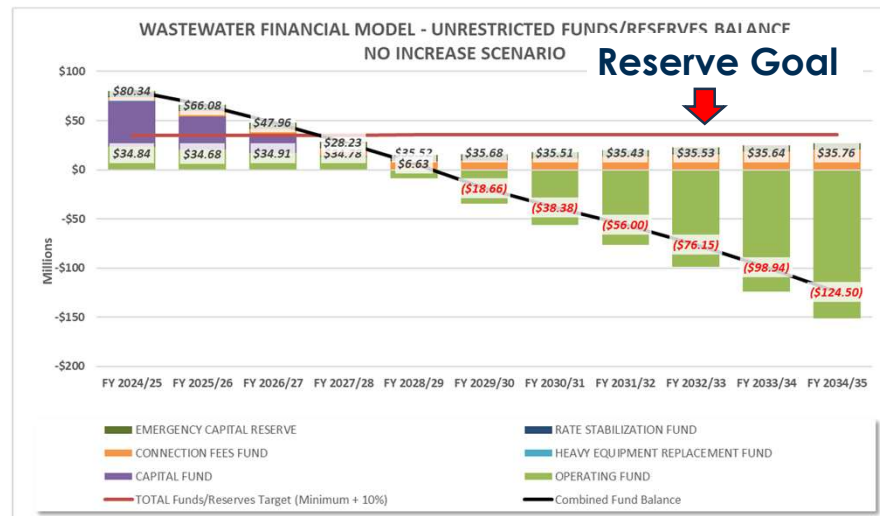
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# PROJECTED RESERVES

**If unchanged, by 2027 the fund will:**

**Be unable to fund any Capital Improvement Program**

**Fail to maintain the minimum reserve goal defined by City Council**



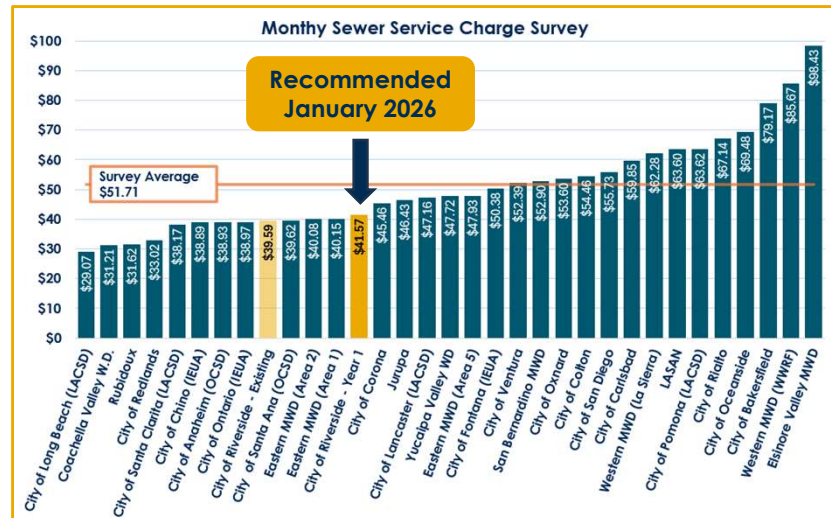
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# RECOMMENDED RATE PLAN & COMPARISON

Sewer Service Rate	
Recommended Effective Date	Recommended Increase
Jan 2026	5.0%
July 2027	5.0%
July 2028	5.0%
July 2029	5.0%
July 2030	5.0%



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# FUTURE REVENUES & EXPENDITURES

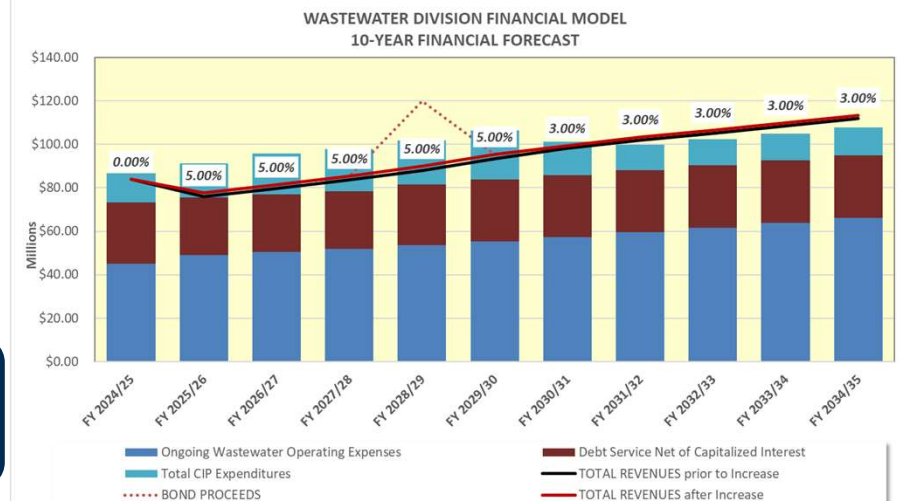
New rates will:



Maintain consistent and continuous service

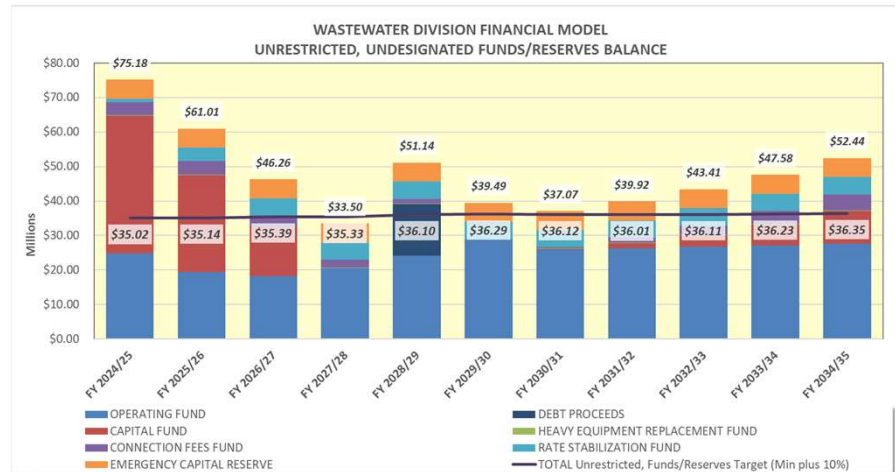


Supports additional bonds to fund CIP program



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## FUTURE RESERVES



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## FUTURE-PROOFING SEWER



Position for growth by expanding system capacity and eliminating bottlenecks



Reduce liability associated with aging & deteriorating infrastructure



Fund best-practice O&M activities such as digester cleaning and MBR filter replacement program



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## DELAYED IMPLEMENTATION



General Economic  
Uncertainty

Persistent Inflationary  
Pressures

### Sewer Service Rate

Effective Date	Rate Increase
Jan 2026	-
July 2027	≥ 5.5%
July 2028	≥ 5.5%
July 2029	≥ 5.5%
July 2030	≥ 5.5%
July 2031	≥ 5.5%

18 Month delay feasible, but would:

Further Defer Projects  
While Costs Increase

Continue Reliance on  
Reserve Funds for  
O&M



Necessitate Higher Rates  
in Future

Risk to Compliance  
Status

Risk Debt Coverage &  
Bond Rating

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## RECOMMENDATION

**That the Mobility and Infrastructure Committee:**

Receive a report on the Sewer Enterprise Fund and provide direction on sewer service rate plan alternatives.

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