



LIVE OAK CITY COUNCIL

SPECIAL MEETING AGENDA MAY 28, 2025 6:00 PM

MEETING LOCATION
LIVE OAK COUNCIL CHAMBERS
9955 LIVE OAK BOULEVARD
LIVE OAK, CALIFORNIA 95953

MEMBERS OF THE COUNCIL

JERAMY CHAPDELAINE, MAYOR
AARON PAMMA, VICE MAYOR
ASHLEY HERNANDEZ, COUNCILMEMBER
NANCY SANTANA, COUNCILMEMBER
BOB WOTEN, COUNCILMEMBER

KARY HAUCK,
INTERIM CITY MANAGER

NICOLE ROSSER,
CITY ATTORNEY

NOTICE OF SPECIAL MEETING

Pursuant to Government Code Section 54956, the Live Oak City Council
hereby calls a Special Meeting as follows:

Wednesday, May 28, 2025, at 6:00 pm
Live Oak Council Chambers
9955 Live Oak Boulevard, Live Oak, California

The Council may take up any agenda item at any time, regardless of the order listed. Action may be taken on any item on this agenda. Materials related to an item on this Agenda submitted to the Council after distribution of the agenda packet are available for public inspection at City Hall, 9955 Live Oak Boulevard, Live Oak, during normal business hours. Such documents are also available on the City of Live Oak's website at www.liveoakcity.org, subject to staff's availability to post the documents before the meeting.

In compliance with the Americans with Disabilities Act, the meeting room is wheelchair accessible and disabled parking is available. If you have a disability and need disability-related modifications or accommodations to participate in this meeting, please contact the City Clerk's office at (530) 695-2112 x107. Requests must be made at least 24 hours in advance.

• **Remote Viewing:**

- *Members of the public can view a livestream of the meeting online at https://liveoakca.granicus.com/ViewPublisher.php?view_id=1.*
- *Members of the public can access the Zoom webinar as follows:*
 - **Join by Electronic Device:**
<https://us02web.zoom.us/j/87344487089>
 - **Join by Ph one:**
1-669-900-6833 or 1-833-548-0282 (Toll Free)
Webinar ID: 873 4448 7089

- **Public Comment:** Members of the public can submit general public comments in the following ways:
 - **Public Attendance:** Members of the public who attend in person may make comments from the Council Chamber podium.
 - **Live Remote Public Comment:** Members of the public can submit a live remote public comment by:
 - Joining the virtual Council meeting via the link below. When public comment is opened, raise your virtual hand and be called upon to speak for up to 3 minutes.

<https://us02web.zoom.us/j/87344487089>
 - Joining the virtual Council meeting by calling the phone number below. When public comment is opened, dial *9 to raise your hand and be called upon to speak for up to 3 minutes.

 1-669-900-6833 or 1-833-548-0282 (Toll Free)
Webinar ID: 873 4448 7089
 - **Email Public Comment:** Comments from the public on agenda items will be accepted until 1:00 pm on the date of the meeting, via email to the City Clerk at cmenchaca@liveoakcity.org. Comments will be distributed to Council and will be read aloud during the meeting.
 - **eComment Feature:** Comments from the public on agenda items will be accepted until 1:00 pm on the date of the meeting, via the eComment feature at https://liveoakca.granicus.com/ViewPublisher.php?view_id=1. Comments will be distributed to Council and will be read aloud during the meeting.
-

CALL TO ORDER

ROLL CALL

PUBLIC HEARING ITEMS

1. **Water Rate Study**

Recommendation: Hold public hearing as required by Proposition 218. If written protests representing a majority of the parcels subject to the proposed water rates have not been received, then adopt resolution amending the water rates of the Water Fund.

(James Ramsey, Finance Director, and Jeff Nelson, Interim Public Works Director)

ADJOURNMENT



City of Live Oak Report to City Council

Meeting Date:	May 28, 2025
Title:	Water Rate Study
Contact Information:	James Ramsey, Finance Director, and Jeff Nelson, Interim Public Works Director
Location:	Citywide
Background:	See staff report attached.
Fiscal Impacts:	None in current fiscal year.
Recommendation:	Hold public hearing as required by Proposition 218. If written protests representing a majority of the parcels subject to the proposed water rates have not been received, then adopt resolution amending the water rates of the Water Fund.

Attachments:

[Staff Report](#)
[Resolution](#)
[Exhibit A - Water Rate Study Report](#)
[PowerPoint Presentation](#)



DATE: May 28, 2025

TO: Mayor and Members of the City Council

FROM: James W Ramsey, CPA Finance Director (Contract)
Jeff Nelson, Interim Public Works Director (Contract)

COUNCIL AGENDA STAFF REPORT

SUBJECT: Water Rate Study

RECOMMENDATION: Hold public hearing as required by Proposition 218. If written protests representing a majority of the parcels subject to the proposed water rates have not been received, then adopt Resolution amending the water rates of the Water Fund

FISCAL IMPACTS: None in current fiscal year

Background

In October 2024, the Yuba Sutter Economic Development Corporation (YSDEC), on behalf of the City of Live Oak, submitted an application to the State Water Resources Control Board (SWRCB) requesting technical assistance in performing a water rate study. The SWRCB accepted the application and agreed to provide resources to conduct the rate study through their Technical Assistance Program. The SWCRB assigned the water rate study to Provost and Pritchard Consulting Group, and their subconsultant, Lechowicz & Tseng Municipal Consultants (LTMC) to complete the rate study. LTMC specializes in providing legally sound rate studies and financial plans to water and sewer purveyors throughout the State of California.

In January 2025, staff provided LTMC with information to conduct the rate study, including water fund balance information, annual operating costs, water consumption data by month, billing amounts and revenues, and a preliminary capital improvement plan. This information was used as the basis of the water rate study.

The initial water rate study was provided to the City Council during the March 5, 2025, City Council meeting, whereby LTMC received feedback and adjusted the study accordingly. The water rate study was brought back to the City Council at the March 19, 2025, City Council meeting. During the meeting, the City Council approved the water rate study and authorized staff to mail the Proposition 218 Notices to rate payers and homeowners that utilize the services of the City of

Live Oak's water fund. The notices were mailed on April 11, 2025. The notices were provided in three (3) languages: English, Spanish, and Punjabi.

Proposition 218 requires a 45 day notice be provided to rate payers and homeowners. The notices reflected a Proposition 218 hearing on May 28, 2025, 47 days after the notice postmark date. Additionally, the City held a community outreach event on April 23, 2025, to answer questions of the public.

The City has not raised its water rates for at least 19 years. As a result, the City's Water Fund is in poor financial condition. The Water Fund is operating in a deficit, meaning that revenues do not cover expenses, and the City has spent down all available Water Fund reserves. Projections show that the Water Fund will have a negative balance of \$3.5 million, reflecting the amount it has borrowed from other City funds. The City does not have the financial resources to continue to subsidize the water rates. The primary goal of the proposed water rate increases is to reverse the deficit such that revenues are adequate to cover operating expenses. A secondary goal is to generate revenue to fund necessary capital improvements, pay down existing debt, and begin repayment of the Water Fund's outstanding balance.

Table 1 identifies the current water rates and proposed changes. If adopted, the rates will be implemented July 1 of each year from 2025 through 2029. The City's current water rate structure includes two components: (1) a Minimum Charge and (2) a Water (volume) Rate. All customers are billed a fixed monthly Minimum Charge based on the size of their water meter. The current Minimum Charge includes an allotment of water usage that increases as meter size increases. Water usage above each customer's allotment is billed the Water (volume) Rate of \$1.41 per HCF. One HCF = 748 gallons. The proposed water rate structure includes a fixed monthly rate based on meter size and a volume rate based on water consumption. However, the proposed rate structure eliminates the water allotment meaning that customers are proposed to be billed the volume rate for all water consumed. This change aligns with the Proposition 218 requirement that utility rates be proportional to how customers take service.

Table 1: Current and Proposed Monthly Water Rates

CURRENT			PROPOSED							
Meter Size	Use in Min Charge (HCF)	Minimum Charge	Use in Min Charge (HCF)							
			Meter Size	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029		
up to 3/4"	20	\$23.97	up to 3/4"	0	\$26.45	\$37.84	\$54.03	\$56.62	\$59.30	
1"	21	\$25.38	1"	0	\$44.08	\$63.07	\$90.05	\$94.37	\$98.83	
1 1/2"	22	\$30.78	1 1/2"	0	\$88.17	\$126.13	\$180.10	\$188.73	\$197.67	
2"	36	\$51.41	2"	0	\$141.07	\$201.81	\$288.16	\$301.97	\$316.27	
3"	90	\$127.35	3"	0	\$282.13	\$403.63	\$576.32	\$603.95	\$632.53	
4"	155	\$218.69	4"	0	\$440.83	\$630.67	\$900.50	\$943.67	\$988.33	
6"	330	\$465.07	6"	0	\$881.67	\$1,261.33	\$1,801.00	\$1,887.33	\$1,976.67	
Water Rate per HCF for Use over Minimum			\$1.41	Rate per HCF (all use)		\$1.35	\$1.49	\$1.57	\$1.65	\$1.75

HCF = hundred cubic feet; 1 HCF = 748 gallons

These are the maximum amounts that the City Council can raise the water rates and each increase must be adopted each year.

These proposed rate increases are governed by section 6 of Article XIII D of the California Constitution (Proposition 218), Government Code sections 53751 et seq. and 53759 et seq., and

related laws. Any property owner or other ratepayer may submit one written protest per parcel. Protests are due to the City Clerk before the close of the public hearing whereby they will be counted. If valid protests are submitted for a majority of the parcels subject to the proposed rate increases, the City will not adopt the rates.

Every written protest must include all of the following elements to be counted:

1. A statement that it is a protest against the proposed water rates;
2. Name of the property owner or other customer who is submitting the protest;
3. Identification of the assessor's parcel number or street address (service address) of the property for which the protest is made; and
4. An original signature of the record owner or other customer who is submitting the protest.

Pursuant to California Government Code 53759, a 120-day statute of limitations applies to any legal challenge to a new, increased, or extended fee. All written objections must be submitted before the end of the public hearing as stated above and a failure to timely object in writing bars any right to challenge that fee or assessment through a legal proceeding.

The City has 2,798 parcels that are eligible to protest. The majority protest threshold is exactly 1,400 (50% + 1).

The water rates are required to be adjusted as the financial feasibility of the Water Fund is in question. The water rates have not been approved in over 15 years, although costs to operate the system have increased over the same time frame primarily due to inflation. Additionally, the Water Fund has significant deferred maintenance over the system that will need to be addressed soon. The updated rates consider funding for capital projects at \$750,000 for FY 2025/26.

Recommendation

Management is recommending the City Council to approve the FY 2025/26 rates to be effective July 1, 2025.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LIVE OAK FINDING NO MAJORITY OF PROTEST FOR WATER RATES, ADOPTING WATER RATES COMMENCING JULY 1, 2025, AND RATIFYING THE PROPOSITION 218 PROCESS

BE IT RESOLVED, by the City Council of the City of Live Oak, California as follows:

WHEREAS, the City of Live Oak (“City”) operates a municipal water utility providing service to residential, commercial and industrial customers; and

WHEREAS, City Staff and the City Council have analyzed the revenue and expenditure requirements for the Water Enterprise Fund to determine the appropriate rate changes needed to meet these requirements; and

WHEREAS, water rates are proposed as listed in the Water Rate Study Final Report as Exhibit ‘A’ which was approved by the Council on March 19, 2025; and

WHEREAS, City Staff prepared and mailed a notice of public hearing to all property owners and ratepayers served by the City, as required by Proposition 218 (Cal. Const. Art. XIID, 6); and

WHEREAS, the notice of public hearing instructed ratepayers and property owners on how and where to protest the proposed increase in water service rates and the notice was developed in accordance with Proposition 218; and

WHEREAS, the notice of public hearing on the proposed increase of rates was published in the local newspaper and in a separate mailing to all City utility customers and property owners, with the separate mailing occurring at least 45 days prior to the public hearing; and

WHEREAS, the adoption of the proposed rate increases for water service is exempt from California Environmental Quality Act (CEQA) under the California Public Resources Code Section 21080(b)(8); and

WHEREAS, the Council held a public hearing on May 28, 2025 and considered a staff report, testimony, and protests regarding the increased water rates; and

WHEREAS, at the public hearing the City did not receive written protests from a majority of the identified customers that would be subject to the proposed rates; and

WHEREAS, the Council desires to proceed with the adoption of the new water rates; and

WHEREAS, water rates are proposed as listed in the Water Rate Study Final Report as Exhibit ‘A’ which was approved by the City Council on March 19, 2025.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LIVE OAK HEREBY RESOLVES AS FOLLOWS:

Section 1. The recitals above are true and correct and are incorporated into this resolution by this reference.

Section 2. The City Council of the City of Live Oak finds that insufficient written protests were presented to prevent the proposed increased rates to water from being adopted.

Section 3. The City Council of the City of Live Oak finds the adoption of the proposed water service charges is exempt from CEQA under the California Public Resources Code 21080(b)(8).

Section 4. The City Council of the City of Live Oak ratifies the Proposition 218 process followed by the City.

Section 5. The City Council of the City of Live Oak adopts rates for water service as listed in Exhibit 'A' attached hereto and incorporated by reference herein. The water rates shall become effective July 1, 2025. Rates for each subsequent year shall become effective on July 1st of each year thereafter for the next five years.

Section 6. If any section, subsection, sentence, clause, phrase, or portion of this Resolution is for any reason held invalid or unconstitutional by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the Resolution. The City Council declares that it would have adopted the Resolution and each section, subsection, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions is declared invalid or unconstitutional.

Section 7. This Resolution shall become effective upon adoption.

PASSED AND ADOPTED by the City Council of the City of Live Oak at a special meeting of the Council, held this 28th day of May, 2025, by the following vote:

AYES:

NOES:

ABSENT:

NOT VOTING:

APPROVED:

Jeremy Chapdelaine, Mayor

ATTEST:

Clarissa Menchaca, City Clerk



Water Rate Study for the City of Live Oak

**Final Report
March 11, 2025**



LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

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SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Background

The City of Live Oak (City) is a rural community located in northern Sutter County along the Highway 99 corridor between Yuba City and Chico. The City has a population of over 9,000 residents and encompasses an area of about 3.1 square miles. The City provides a full range of municipal services including water service to about 2,500 accounts consisting of the homes and businesses within its boundaries. The majority of the City's water service customers are single family residential homes. This rate study along with all work performed for the City by the Provost & Pritchard Consulting Group (P&P) was funded via an \$85,000 technical assistance grant through the State Water Board.

The City has not raised its water rates in at least 15 years and has some of the lowest rates in the region. As a result, the City's Water Fund is in poor financial condition. The fund is operating in a deficit meaning that revenues do not cover expenses. The City draws upon other funds to cover water utility costs. The total amount of these draws is estimated to be \$3.5 million by June 30, 2025. The primary goal of this water rate study is to reverse the deficit such that revenues are adequate to cover operating expenses. A secondary goal is to generate additional revenue to fund needed capital improvements, pay down existing debt, and begin repayment of the Water Fund's outstanding balance.

A third critical component of this rate study is to revise the rate structure to recover costs more fairly from customers. The current water rate structure's Minimum Charge includes an allotment of 20 hundred cubic feet (HCF) per month for customers with meter sizes up to 3/4" (most residential customers) and larger water usage allotments as meter size increases. Water usage above each customer's allotment is billed at a volume rate of \$1.41 per HCF. The proposed water rate structure eliminates the water allotment so that customers are billed a volume rate for all water consumed. This change aligns with Proposition 218 requirements that utility rates be proportional to how customers take service.

1.2 Requirements of Proposition 218

The implementation of public agency utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the "Right to Vote on Taxes Act" which is codified as Articles XIIC and XIID of the California Constitution. The City must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The City must mail a notice of the proposed rate increases to all affected property owners. The notice must specify the amount of the fees, the basis upon which they were calculated, the reason for the fees, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.

2. **Public Hearing** – The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners (counted one per parcel) submit timely written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to water rates and charges, including:

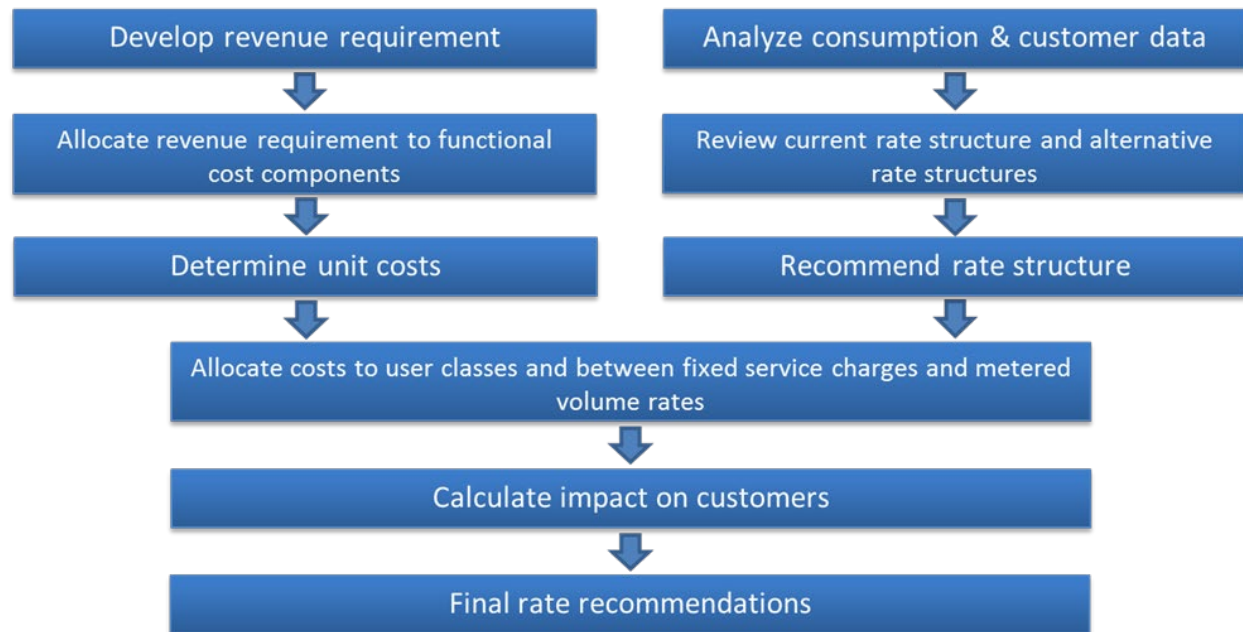
1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** – The amount of the fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of service attributable to that parcel. Caselaw allows this determination to be made customer class-by-customer class rather than parcel-by-parcel.
4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property. Standby charges are approved as assessments on real property.
5. **General Government Services** – No property-related fee or charge may be imposed for general governmental services available to the public at large, as police and some fire services are.

Charges for water service are exempt from additional voting requirements of Proposition 218 for other property-related fees, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

1.3 Rate Study Process

A summary of the rate study process is provided in Figure 1.

Figure 1: Rate Study Process



The following is a brief description of the rate study process:

- **Revenue Requirement** – Revenue requirements are analyzed via a cash flow projection based on the best information currently available, such as the City’s historical operating results, budgets, audits, and input from staff. The cash flow serves as a roadmap for funding future operating costs and capital expenditures while maintaining long-term fiscal stability, all of which is calculated in this study to produce rates that will be necessary to recover only the projected cost of service per parcel under these proposed rates.
- **Cost of Service Allocation** - The cost of service process builds on the revenue requirement analysis and assigns water costs to functional cost components associated with the City’s major service functions: *meters and services, customer service, base demand, and extra demand*.
- **Rate Design** - Rate design involves developing a rate structure that fairly recovers costs from customers but does not exceed the proportional cost of the service attributable to each parcel. Final rate recommendations are designed to fund the City’s short- and long-term costs of providing service and fairly allocate costs to all customers.

The rates recommended in this report are based on the best available information gathered from the City's budgets, audits, and input from staff and the ratemaking consultant's professional opinion. The cost allocations proposed herein are based on industry standard practice. The proposed rates are based on the reasonable cost of providing service and do not exceed the proportional cost of the service attributable to each parcel.

1.4 Proposed Rates

Table 1 provides the current and proposed rates and average monthly water bills for a 3/4" meter (most residential customers). The proposed rates are designed to fund the water system's cost of service including new staff members and capital improvements. The volume rate is intended to cover the operating costs to deliver water to customers. All other costs (fixed operating costs, debt service, capital projects, repayment of prior deficits) are recovered from the meter fees and are phased in over the five-year rate study period.

It is proposed that the rates go into effect on July 1 of each year from 2025 through 2029. It is proposed that the Minimum Charge no longer include an allotment of water consumption and that all water consumption be charged a single rate per hundred cubic foot of consumption. Based on the analysis in this report, the proposed water service rates do not exceed the proportional cost of the service attributable to each parcel.

Table 1: Current and Proposed Rates

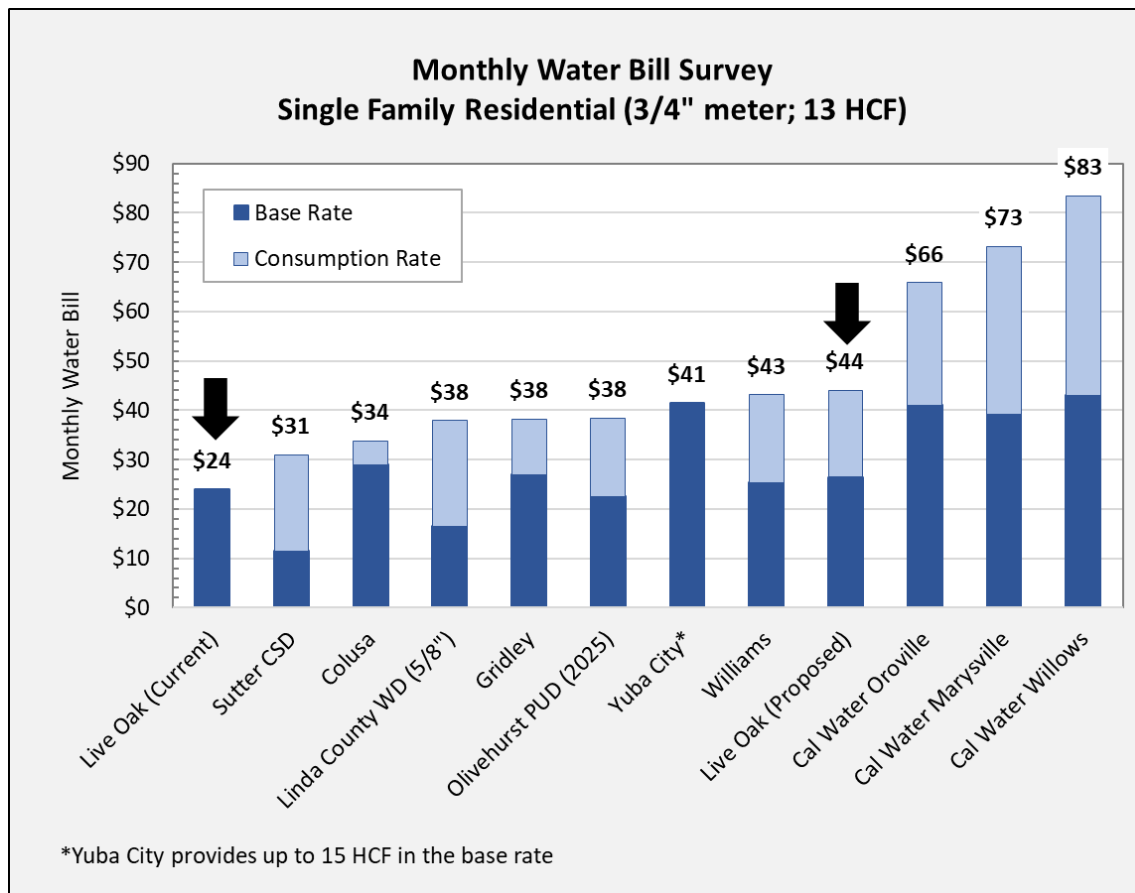
CURRENT			PROPOSED						
					2025/26	2026/27	2027/28	2028/29	2029/30
Meter Size	Use in Min Charge (HCF)	Minimum Charge	Meter Size	Use in Min Charge (HCF)	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029
up to 3/4"	20	\$23.97	up to 3/4"	0	\$26.45	\$37.84	\$54.03	\$56.62	\$59.30
1"	21	\$25.38	1"	0	\$44.08	\$63.07	\$90.05	\$94.37	\$98.83
1 1/2"	22	\$30.78	1 1/2"	0	\$88.17	\$126.13	\$180.10	\$188.73	\$197.67
2"	36	\$51.41	2"	0	\$141.07	\$201.81	\$288.16	\$301.97	\$316.27
3"	90	\$127.35	3"	0	\$282.13	\$403.63	\$576.32	\$603.95	\$632.53
4"	155	\$218.69	4"	0	\$440.83	\$630.67	\$900.50	\$943.67	\$988.33
6"	330	\$465.07	6"	0	\$881.67	\$1,261.33	\$1,801.00	\$1,887.33	\$1,976.67
Water Rate per HCF for Use over Minimum \$1.41			Rate per HCF (all use)		\$1.35	\$1.49	\$1.57	\$1.65	\$1.75

HCF – hundred cubic feet; 1 HCF = 748 gallons

The average single family customer within the City of Live Oak is served by a ¾" meter and consumes 13 HCF of water per month. Based on current rates, the average customer only pays the minimum charge of \$23.97 which includes up to 20 HCF of usage. Under the July 1, 2025 proposed rates, the average customer will pay a minimum charge of \$26.45 plus usage charges of \$17.55 which equals a total monthly bill of \$44.

Figure 2 provides a survey comparing the City's current and proposed average bill with the bills charged by other local agencies. Live Oak's current bill is the lowest of the surveyed agencies. With the proposed rate increase, Live Oak's bill will fall in the mid-range of surveyed agencies and will be significantly less than the bills charged by California Water Service, a for-profit company.

Figure 2: Monthly Water Bill Survey



SECTION 2: CUSTOMER BASE AND CURRENT RATE REVENUES

2.1 Current Rates

A schedule of current monthly water rates is provided in Table 2. The City's current water rate structure consists of two components: (1) a Minimum Charge and (2) a Water (volume) Rate. All customers are billed a fixed monthly Minimum Charge based on the size of their water meter. The Minimum Charge includes an allotment of water use that varies with meter size such that larger meters have more water use included. For example, a customer with a 3/4" meter currently pays \$23.97 for up to 20 hundred cubic feet (HCF) per month while a customer with a 2" meter currently pays \$51.41 for up to 36 HCF per month. Usage above the amount included in the Minimum Charge is billed at a uniform Water Rate of \$1.41 per HCF. One HCF is equivalent to 748 gallons.

Table 2: Current Monthly Rates

Meter Size	Use Included in Minimum Charge (HCF)	Minimum Charge
up to 3/4"	20	\$23.97
1"	21	\$25.38
1 1/2"	22	\$30.78
1 3/4"	22	\$30.78
2"	36	\$51.41
3"	90	\$127.35
4"	155	\$218.69
6"	330	\$465.07
Water Rate per HCF for Use over Minimum		\$1.41

HCF - hundred cubic feet; one HCF = 748 gallons

2.2 Rate Revenues

The City provides water service to about 2,500 accounts. Table 3 provides current customer counts by meter size, water usage above the minimum, and annual rate revenues. Current water rates generate about \$931,000 annually. The majority of customers, over 97%, have the smallest meter size of up to 3/4". Water consumption above the minimum totals about 130,000 HCF per year. Approximately 80.3% of water rate revenues are collected from the Minimum Charge and 19.7% are collected from the Water (volume) Rate.

Table 3: Current Customer Counts and Rate Revenues

Meter Size	Use Included in Minimum Charge (HCF)	Minimum Charge	Count of Meters	Fixed Charge Revenue	Use Above Minimum (HCF)	Water Usage Revenue (\$1.41/HCF)	Total Annual Revenue	% of Total Revenue
up to 3/4"	20	\$23.97	2,419	\$695,801	73,652	\$103,849	\$799,650	85.9%
1"	21	\$25.38	18	\$5,482	3,073	\$4,333	\$9,815	1.1%
1 1/2"	22	\$30.78	13	\$4,802	3,671	\$5,176	\$9,978	1.1%
2"	36	\$51.41	24	\$14,806	21,073	\$29,713	\$44,519	4.8%
3"	90	\$127.35	7	\$10,697	21,885	\$30,858	\$41,555	4.5%
4"	155	\$218.69	4	\$10,497	6,486	\$9,145	\$19,642	2.1%
6"	330	\$465.07	<u>1</u>	<u>\$5,581</u>	<u>0</u>	<u>\$0</u>	<u>\$5,581</u>	<u>0.6%</u>
Total			2,486	\$747,666	129,840	\$183,074	\$930,741	100.0%
				80.3%		19.7%	100.0%	

2.3 Water Consumption

Table 4 summarizes current annual water usage by meter size including water usage included in the Minimum Charge. Total water usage is about 466,000 HCF per year. About 72% of total water usage falls within the minimums and is not billed the Water Rate.

Table 4: Water Use (HCF)

Meter Size	Use Included in Minimum Charge		Use Above Minimum		Total Use	
up to 3/4"	312,974	81%	73,652	19%	386,626	100%
1"	2,516	45%	3,073	55%	5,589	100%
1 1/2"	2,160	37%	3,671	63%	5,831	100%
2"	6,984	25%	21,073	75%	28,057	100%
3"	5,808	21%	21,885	79%	27,693	100%
4"	3,598	36%	6,486	64%	10,084	100%
6"	<u>1,734</u>	100%	<u>0</u>	0%	<u>1,734</u>	100%
Total	335,774		129,840		465,614	
	72%		28%		100%	

2.4 Typical Bills

Table 5 provides example monthly water bills for an average residential customer year-round (average over 12 months) as well as in the winter and summer months. Average annual consumption is 13 HCF per month. In winter, the average use is 7 HCF per month. In summer, the average use is 21 HCF per month. The current rate structure includes the first 20 HCF of usage in the Minimum Charge for 3/4" meters. Given that average usage does not exceed the usage included in the Minimum Charge, the average monthly bill is equal to the Minimum Charge of \$23.97. The typical customer's bill only exceeds the Minimum Charge in the summer.

Table 5: Typical Bills Under Current Rates

Average Monthly Bill (13 HCF)				
Fee Categories	Rate		Count of Units	Total Charges
Minimum Charge (3/4")	\$23.97	x	1	\$23.97
Usage (HCF)				
0 - 20 (included)	\$0.00	x	13	\$0.00
21+	\$1.41	x	<u>0</u>	<u>\$0.00</u>
			13	\$0.00
Total Monthly Bill				\$23.97
Average Winter Bill (7 HCF)				
Fee Categories	Rate		Count of Units	Total Charges
Minimum Charge (3/4")	\$23.97	x	1	\$23.97
Usage (HCF)				
0 - 20 (included)	\$0.00	x	7	\$0.00
21+	\$1.41	x	<u>0</u>	<u>\$0.00</u>
			7	\$0.00
Total Monthly Bill				\$23.97
Average Summer Bill (21 HCF)				
Fee Categories	Rate		Count of Units	Total Charges
Minimum Charge (3/4")	\$23.97	x	1	\$23.97
Usage (HCF)				
0 - 20 (included)	\$0.00	x	20	\$0.00
21+	\$1.41	x	<u>1</u>	<u>\$1.41</u>
			21	\$1.41
Total Monthly Bill				\$25.38

SECTION 3: COST OF SERVICE

This section provides an analysis of water system revenues and expenses to determine the total cost of service to be recovered via water rates. The cost of service is expressed in a cash flow table that illustrates revenue increases needed to keep up with expenses and promote financial health. Over the five-year rate study period, rate increases are proposed so that the City can pay for operating costs, fund capital improvements, and reverse the Water Fund deficit, all of which are calculated in this study to produce rates that will be necessary to recover only the actual cost of the water service per parcel under these proposed water rates.

3.1 Summary of Net Revenues

The Water Fund has operated at a deficit in recent years meaning that expenses are greater than revenues. Due to deficit spending, the water utility has exhausted its reserves and accumulated a negative fund balance. Table 6 shows the beginning fund balance, projected net revenues, and projected ending fund balance for fiscal year (FY) 2024/25. The Water Fund generates about \$932,000 in annual revenue but is projected to spend about \$1.65 million on operating costs. In addition, the City will spend about \$75,000 on debt service costs. The deficit this year (FY2024/25) is expected to total about \$788,000. This cost overrun will add to the Water Fund's negative balance. By June 30, 2025, it is projected that the Water Fund will owe other City funds a total of \$3.5 million, see Table 6.

The financial plan recommended in this report includes two years in the first portion of the rate plan where the Water Fund's negative fund balance is expected to continue to grow due to the proposed phase-in of rate adjustments. From year three of the rate plan onward, the Water Fund is projected to have positive total net revenues and will begin to repay its negative fund balance.

Table 6: Budgeted FY2024/25 Revenues and Expenses

	Budget 2024/25
Beginning Fund Balance	(\$2,712,200)
REVENUES	
Water Rate Revenues	926,600
Penalty Charges	<u>5,600</u>
Subtotal Operating Revenues	932,200
Total Revenues (does not include grants)	\$932,200
EXPENSES	
<u>Operating Expenses</u>	
Salaries & Benefits	773,900
Supplies, Equipment & Permits	117,300
System Maintenance	273,000
Utilities	255,000
Insurance	44,600
Administration & Overhead [1]	<u>181,300</u>
Subtotal Operating	1,645,100
Net Operating Revenues	(712,900)
Non-Operating Expenses	
(2005) Debt Service	<u>74,900</u>
Total Debt	74,900
Total Expenses	1,720,000
Total Net Revenues	(787,800)
Ending Fund Balance [2]	(\$3,500,000)

1 - Includes interfund transfers

2 - Estimated based on the best available information at the writing of this report.

3.2 Revenues

The Water Fund's primary source of revenue is water rates. Current water rates generate about \$931,000 annually (see Table 3). In addition, the City collects about \$5,600 annually in penalty charges. It is assumed that penalty revenues will remain the same throughout the duration of the rate plan. Beginning July 1, 2025 and continuing each July 1 from 2026 through 2029, a series of rate increases are proposed to fund the costs described in the sections below.

3.3 Expenses

The Water Fund's expenses include operating costs, capital improvement projects, debt service, and repayment of past deficits. Together these expenses comprise the total cost of service to be recovered from water rates.

3.3.1 Operating Costs

Water operating costs for FY2024/25 are projected to total roughly \$1.65 million, see Table 7. Table 7 also includes a projection of operating expenses over the next five years through FY2029/30. Escalation factors were determined using City input. Insurance is projected to increase by 25% each year. Utilities are projected to increase by 8% each year. All other operating costs are projected to increase by 4% per year to account for inflation. Salaries & Benefits are the largest operating cost, representing about 47% of total FY2024/25 expenses.

The operating cost projection also includes estimated new staffing costs. One new operator is planned for FY2025/26 and a second is planned for FY2026/27. These positions are allocated 75% to the Water Fund and 25% to the Sewer Fund. There are about 200 private backflow prevention devices within the City's service area that were originally funded by a grant. To ensure regulatory compliance, the City inspects and maintains these devices. One of the duties of the proposed new staff members will be to assume responsibility for backflow device inspections which will reduce the City's cost for outside service providers conducting the inspections.

Table 7: Operating Cost Projection

Operating Expenses		2025/26	2026/27	2027/28	2028/29	2029/30
Salaries & Benefits		4%	4%	4%	4%	4%
New Staff		4%	4%	4%	4%	4%
Supplies, Equipment & Permits		4%	4%	4%	4%	4%
System Maintenance		4%	4%	4%	4%	4%
Utilities		8%	8%	8%	8%	8%
Insurance		25%	25%	25%	25%	25%
Administration & Overhead		4%	4%	4%	4%	4%
	2024/25					
Operating Expenses	Budget	2025/26	2026/27	2027/28	2028/29	2029/30
Salaries & Benefits	773,900	804,900	837,100	870,600	905,400	941,600
New Staff	0	93,750	191,300	199,000	207,000	215,300
Supplies, Equipment & Permits [1]	117,300	72,000	74,900	77,900	81,000	84,200
System Maintenance	273,000	283,900	295,300	307,100	319,400	332,200
Utilities	255,000	275,400	297,400	321,200	346,900	374,700
Insurance	44,600	55,800	69,800	87,300	109,100	136,400
Administration & Overhead	<u>181,300</u>	<u>188,600</u>	<u>196,100</u>	<u>203,900</u>	<u>212,100</u>	<u>220,600</u>
Total Operating Expenses	\$1,645,100	\$1,774,350	\$1,961,900	\$2,067,000	\$2,180,900	\$2,305,000
Average Increase		7.9%	10.6%	5.4%	5.5%	5.7%

1 - Reflects a reduction in outside services for backflow device inspections. The new proposed staff member will perform that task in-house.

3.3.2 Capital Improvements

In addition to funding operating costs, the City intends to fund \$1.97 million in capital projects over the next five years, see Table 8. These projects are critical for the City to continue to provide safe and reliable water service to customers. The City is treating for arsenic and is in compliance with primary and secondary standards, which include taste and odor. Planned capital projects include replacing valves, maintaining and repairing backflow preventors, upgrading the water meter reading system, and making improvements to the Booster Pump Station (BPS). The City is also planning to inspect the water treatment systems to see if they are performing as expected and upgrade the Well 3 and Well 4 facilities, which will continue to help improve water quality.

Table 8: Capital Improvement Projects

Fiscal Year	2025/26	2027/28	2027/28	2028/29	2029/2030	5-Year Total
Building Repairs Well 1, Fix roof	\$50,000	\$0	\$0	\$0	\$0	\$50,000
Inspection of water treatment systems	\$80,000	\$0	\$0	\$0	\$0	\$80,000
Valve replacement program	\$0	\$50,000	\$50,000	\$50,000		\$150,000
Inspect, maintain and repair backflow preventors	\$85,000	\$90,000	\$95,000	\$105,000	\$110,000	\$485,000
Well 3 and 4 upgrades - new backwash valves, backwash control system upgrades, new PLC's, etc.	\$0	\$50,000	\$50,000	\$0	\$0	\$100,000
Back-up Generator at Well 7	\$0	\$0	\$120,000	\$0	\$0	\$120,000
SCADA upgrade	\$0	\$250,000	\$0	\$0	\$0	\$250,000
Security system upgrade	\$60,000	\$0	\$0	\$0	\$0	\$60,000
Communication system upgrade	\$45,000	\$0	\$0	\$0	\$0	\$45,000
Upgrade Water Meter reading system	\$50,000	\$50,000	\$50,000	\$0	\$0	\$150,000
Empty and demolish BPS Sludge Storage Tank	\$280,000	\$0	\$0	\$0	\$0	\$280,000
Update Water Master Plan	\$100,000	\$0	\$0	\$0	\$0	\$100,000
Booster Pump Station (BPS) Generator Automatic Transfer Switch installation	\$0	\$100,000	\$0	\$0		\$100,000
Total	\$750,000	\$590,000	\$365,000	\$155,000	\$110,000	\$1,970,000

3.3.3 Debt Service Costs

The Water Fund has one outstanding debt obligation—the 2005 Certificates of Participation of January 1, 2006 in the amount of \$1.441 million. Annual debt service totals about \$70,000 per year and the obligation will be paid off by July 1, 2044. The certificates were used to finance a water meter installation and improvement project. The certificates are backed by a pledge of net revenues to the Water Fund.

Most forms of debt available to utilities have legal requirements that obligate the borrower to maintain a debt coverage ratio typically ranging from 1.1 to 1.25. Essentially, this means that the borrower has a 10% to 25% financial buffer in excess of the annual debt payment amount. The 10% to 25% financial buffer can be used to fund capital improvements or be added to reserves. The Water Fund's target debt service coverage ratio is assumed to be 1.20. Debt coverage is calculated as:

$$(Revenue - Operating Expenses) / (Debt Service)$$

Because the Water Fund has been operating at a deficit, it does not have sufficient operating revenues to meet its debt coverage requirement. Without a rate increase, the Water Fund will continue to fail to meet its coverage requirement of 1.20 in subsequent years due to insufficient operating revenues. Thus,

rates and fees must be set to meet this requirement. The rate plan proposed in this report is designed to generate operating revenues that allow the Water Fund to meet and exceed its debt coverage requirement by year three of the rate plan.

3.3.4 Reserves

The Water Fund is estimated to have a negative fund balance of \$3.5 million to begin FY2025/26. Given the Water Fund's significant negative position, it is not projected that the Water Fund will accumulate sufficient funds to generate an operating reserve during this rate study period. However, the accumulation of reasonable reserves will be a factor to consider when determining the cost of service in the future when the Water Fund reverses its deficit and becomes solvent.

Utilities should maintain reserves to fund issues such as unexpected costs and emergency repairs, to provide cash flow in case of customer billing or revenue collection issues, and to provide financial stability in case of lower water sales due to drought. The City does not have a reserve policy in place dictating an operating reserve target for the Water Fund. Industry standards recommend an operating reserve target of at least 25% of annual operating expenses to account for the time (at least 4 months) that it would take the City to approve new rate increases in compliance with Proposition 218. It is also common for utilities to maintain additional reserve funds such as a capital reserve or debt service reserve.

3.4 Cash Flow Projection

The cash flow projection which is designed to fund the Water Fund's cost of service described in the preceding sections is provided in Table 9 and Figure 2. The cash flow spans the five-year rate study period from FY2025/26 to FY2029/30. Over the next five years, a series of rate revenue increases are proposed to be phased in. Overall, it is recommended that rate revenues increase from \$927,000 (current) to \$2.76 million in FY2029/30, a cumulative revenue increase of 198%.

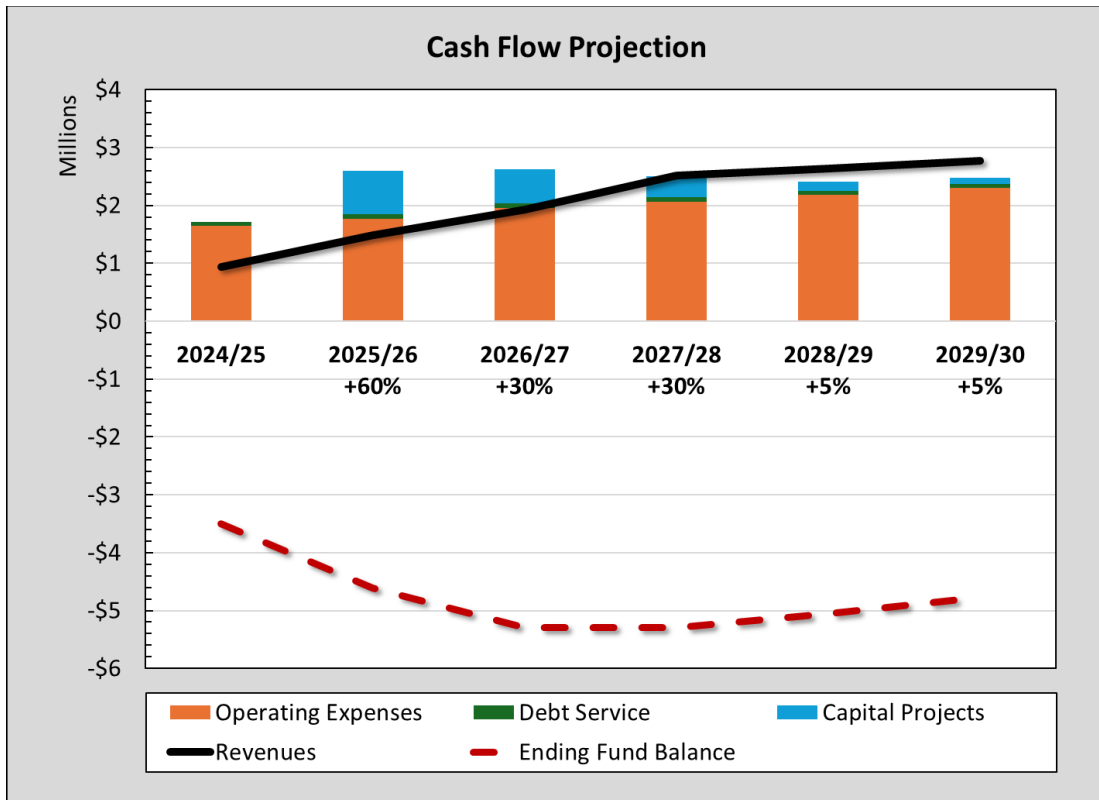
The proposed annual rate revenue increases are 60% on July 1, 2025, 30% on July 1, 2026 and July 1, 2027, and 5% on July 1, 2028 and July 1, 2029. A smaller initial rate increase is not recommended due to the financial difficulties facing the Water Fund. Not every customer will receive water bill increases exactly equal to the rate revenue increase percentages due to changes in rate structure and individual water usage characteristics. These percentages represent increases in the total rate revenues of the water utility across all customers.

With the recommended rate increases, the City's financial health is projected to improve by year 3 of the rate plan at which time the operating deficit will be reversed. Due to the proposed phasing in of rate revenue increases, the Water Fund is proposed to have negative net operations for the first two years before net revenues will be sufficient to begin repaying the prior accrued negative balance. Over the course of the five years, the Water Fund is projected to have an additional accrual of about \$1.8 million in negative fund balance. However, from year three of the rate plan onward, the Water Fund will begin to repay about \$530,000 of prior negative fund balance.

Table 9: Cash Flow Projection

	Projected: Years 1 - 5 (Prop 218 Period)				
	2025/26	2026/27	2027/28	2028/29	2029/30
Rate Increase	60.0%	30.0%	30.0%	5.0%	5.0%
Date of Rate Change	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029
Rate Revenues over 12 months	\$1,482,600	\$1,927,400	\$2,505,600	\$2,630,900	\$2,762,400
Beginning Fund Balance	(\$3,500,000)	(\$4,609,350)	(\$5,299,750)	(\$5,290,350)	(\$5,057,850)
REVENUES					
Water Rate Revenues	1,482,600	1,927,400	2,505,600	2,630,900	2,762,400
Penalty Charges	<u>5,600</u>	<u>5,600</u>	<u>5,600</u>	<u>5,600</u>	<u>5,600</u>
Total Revenues	1,488,200	1,933,000	2,511,200	2,636,500	2,768,000
EXPENSES					
<u>Operating Expenses</u>					
Salaries & Benefits	804,900	837,100	870,600	905,400	941,600
New Staff Member	93,750	191,300	199,000	207,000	215,300
Supplies, Equipment & Permits	72,000	74,900	77,900	81,000	84,200
System Maintenance	283,900	295,300	307,100	319,400	332,200
Utilities	275,400	297,400	321,200	346,900	374,700
Insurance	55,800	69,800	87,300	109,100	136,400
Administration & Overhead	<u>188,600</u>	<u>196,100</u>	<u>203,900</u>	<u>212,100</u>	<u>220,600</u>
Subtotal Operating	1,774,350	1,961,900	2,067,000	2,180,900	2,305,000
Net Operating Revenues	(286,150)	(28,900)	444,200	455,600	463,000
Non-Operating Expenses					
Capital Projects	750,000	590,000	365,000	155,000	110,000
(2005) Debt Service	73,200	71,500	69,800	68,100	66,400
Total Expenses	2,597,550	2,623,400	2,501,800	2,404,000	2,481,400
Total Net Revenues	(1,109,350)	(690,400)	9,400	232,500	286,600
Ending Fund Balance	(4,609,350)	(5,299,750)	(5,290,350)	(5,057,850)	(4,771,250)
Coverage Ratio (1.20x)	-3.91	-0.40	6.36	6.69	6.97
Target Met?	<i>no</i>	<i>no</i>	yes	yes	yes

Figure 3: Cash Flow Projection



SECTION 4: COST ALLOCATION

The prior section determined the total cost of providing water service to customers. In this section, the cost of service is allocated to rates to fairly recover costs based on how customers use the system, and in any event, not to exceed the proportional cost of the water service attributable to each parcel.

4.1 Methodology

The American Water Works Association (AWWA) recommends methods to classify costs among various customers. Using the Base-Extra Capacity Method as recommended by the AWWA, water operating expenses are allocated to the following categories: (a) Base, (b) Extra, (c) Meters and Services, and (d) Customer Service. The Base and Extra categories are intended to recover the costs to deliver water to customers, while the Customer Service and Meters and Services categories are intended to recover expenses related to maintaining infrastructure in the system to supply water at all times under the proposed water service rates in this study. A summary of the cost allocation categories is provided below:

- *Base:* Base costs include the expenses related to providing water under average (“base”) demand conditions.
- *Extra:* The extra category includes costs related to providing water above the system average demand (i.e., related to peak, “extra” usage).
- *Meters and Services:* These include costs related to maintaining infrastructure and operating capacity to provide service at any time under the proposed water service fee rates in this study.
- *Customer Service:* This category contains costs associated with serving customers, such as billing and answering customer inquiries.

4.2 Proposed Cost Allocation

This section determines the percentage of the annual revenue requirement to be collected from each rate or charge (consisting of the usage rate and the fixed minimum charge) based on the actual costs attributable to each rate or charge and establishes that each parcel’s total water bill will not exceed the proportional cost of service for that parcel.

It is proposed that the AWWA recommended cost categories of Base and Extra be combined as the proposed usage rate is a single tier applied to all levels of use. The usage rate is proposed to recover utilities and maintenance costs as well as 50% of supplies, equipment, and permits, see Table 10. The fixed minimum charge is proposed to be made up of the AWWA recommended cost categories Meters and Services and Customer Service. The fixed charge will recover expenses for salaries and benefits for

existing and new employees, insurance, administration, overhead, and 50% of supplies, equipment, and permit costs.

Table 10 below allocates the budgeted costs for FY2025/26, where the base fee for operations and maintenance is correlated with the actual costs regardless of the amount of customers' water use and the usage (volume) rate for water delivery is correlated with the actual costs of water service at those levels, respectively. The FY2025/26 cost of each category is multiplied by the allocation percentages shown to calculate the total amount of revenue to be recovered from the usage and fixed rates for operating expenses. In total, the usage rate is proposed to recover 33.6% of operating costs and the fixed minimum charge is proposed to recover 66.4% of operating costs. The usage/volume rate is intended to recover the costs of delivering water to customers. The proposed fixed meter fees are intended to recover the fixed operating costs shown below plus debt service costs, capital expenses, and repayment of prior deficits.

Table 10: Cost Allocation

	FY2025/26 Budget	Base & Extra Volume	Meters & Services Fixed
Operating Expenses			
Salaries & Benefits	804,900	0%	100%
New Employee	93,750	0%	100%
Supplies, Equipment & Permits	72,000	50%	50%
System Maintenance	283,900	100%	0%
Utilities	275,400	100%	0%
Insurance	55,800	0%	100%
Administration & Overhead	<u>188,600</u>	<u>0%</u>	<u>100%</u>
Total Operating Costs	1,774,350	595,300	1,179,050
 Cost Allocation		33.6%	66.4%

SECTION 5: RATE DESIGN

Following the allocation of costs, the next step is to derive the total cost responsibility for each customer class by developing unit costs of service for each cost function and then assigning those costs to the customer classes based on the respective service requirements of each.

5.1 Billing Units

AWWA guidelines recommend using meter equivalents to assign demand-related costs to larger meter sizes. The ratio at which the meter charge increases is typically a function of either meter investment (estimated cost) or the meter's safe operating capacity. Larger meters have the ability to place a greater demand on the water system and are therefore charged based on that potential demand. For example, based on the AWWA meter capacity ratios, a customer that has a 2" meter has 5.33 times the capacity equivalency of a customer with a 3/4" meter—a 2" meter has a safe operating capacity of 160 gallons per minute (gpm) compared to a 3/4" meter which has a safe operating capacity of 30 gpm.

Table 11 shows the proposed meter equivalents based on AWWA standards. The alignment of the fixed rates with the proposed meter equivalents will ensure that each meter size is charged based on their proportional impact on the system. The number of proposed meter equivalents is 2,795.

Table 11: Proposed Meter Equivalents

Meter Size	# of Meters	Operating Capacity (gpm) [1]	Meter Ratio	# of Meter Equivalents [2]
3/4"	2,419	30	1.00	2,419.00
1"	18	50	1.67	30.00
1.5"	13	100	3.33	43.33
2"	24	160	5.33	128.00
3"	7	320	10.67	74.67
4"	4	500	16.67	66.67
6"	<u>1</u>	1,000	33.33	<u>33.33</u>
Total	2,486			2,795.00

1 - gpm = gallons per minute

2 - Meter Ratio times number of meters

5.2 Rate Design Considerations

One goal of this rate study is to revise the rate structure to recover costs more fairly from customers. The proposed water rate structure described under each of the following three rate options eliminates the water allotment included in the Minimum Charge so that customers are billed a volume rate for all water consumed. Currently, for customers with a 3/4" meter, the Minimum Charge includes 20 HCF of water usage per month. However, the average customer uses only 13 HCF per month, meaning that the average customer is paying for water which they are not using. By eliminating the water usage included with the Minimum Charge, customers would only pay for each actual unit of water usage and would have greater control over their bills.

5.3 Rate Design

5.3.1 Rate Calculation

Table 12 provides the calculation of the fixed and usage (volume) rate. The cost allocation percentages (derived in Table 10) are applied to the operating costs for each year (Table 9) to determine the revenue requirement for the fixed and volume operating cost components. In addition, revenues for capital costs, debt service costs, and repayment of prior deficits are added to the meter fee.

The revenue requirement for the volume rate is divided by estimated annual water usage to calculate the rate per HCF. A 5% conservation factor was applied to prior year water use (Table 4) to project annual water consumption over the next five years. This factor accounts for some reduction in usage as customers respond to the increase in the rates. The revenue requirement for the fixed rate is divided by the total number of meter equivalents (Table 11) then divided by 12 months to calculate a monthly rate per meter equivalent. To be conservative, it is estimated that no new customers will connect to the system over the next five years and that both the number of meter equivalents and annual water usage will remain constant.

For FY2025/26, the volume rate revenue requirement of \$595,300 (Table 10) divided by estimated usage of 442,333 HCF results in a proposed rate of \$1.35 per HCF. The fixed rate revenue requirement of \$887,300 divided by 2,795 meter equivalents results in a proposed rate of \$26.45 per meter equivalent per month.

Table 12: Rate Design

	2025/26	2026/27	2027/28	2028/29	2029/30
Volume Rate Revenues	\$595,300	\$658,224	\$693,485	\$731,699	\$773,335
Fixed Rate Revenues	<u>\$887,300</u>	<u>\$1,269,176</u>	<u>\$1,812,115</u>	<u>\$1,899,201</u>	<u>\$1,989,065</u>
Total	\$1,482,600	\$1,927,400	\$2,505,600	\$2,630,900	\$2,762,400
Volume Rate Revenue	\$595,300	\$658,224	\$693,485	\$731,699	\$773,335
Usage (HCF)	442,333	442,333	442,333	442,333	442,333
Rate per HCF	\$1.35	\$1.49	\$1.57	\$1.65	\$1.75
Fixed Rate Revenues	\$887,300	\$1,269,176	\$1,812,115	\$1,899,201	\$1,989,065
Meter Equivalents	2,795.00	2,795.00	2,795.00	2,795.00	2,795.00
Rate per Equiv per month	\$26.45	\$37.84	\$54.03	\$56.62	\$59.30

5.3.2 Proposed Five-Year Rate Plan

Table 13 provides the five-year schedule of proposed rates. To calculate the proposed fixed monthly rates for meter sizes above 3/4", the rate per meter equivalent per month (from Table 12) is scaled by the meter ratio for each meter size (Table 11). The water use included in the Minimum Charge is proposed to be eliminated and all usage will be billed the rate per HCF. The rates are calculated in this study as described above to produce rates that will be necessary to recover only the actual cost of the water service per parcel. If the rates are adopted, then the rates for the water service fees in Table 13 will also apply to any additional connections built out in the City in the future.

The bottom portion of Table 13 provides a sample calculation of the proposed average bill for residential customers. The City's average residential customer has a 3/4" meter and uses 13 HCF of water per month. Under the proposed rates, this customer's bill would increase from \$23.97 to \$44.00 per month on July 1, 2025, an increase of \$20.03 or about 84%.

Table 13: Proposed Monthly Water Rates

CURRENT			PROPOSED						
Meter Size	Use in Min Charge (HCF)	Minimum Charge			2025/26	2026/27	2027/28	2028/29	2029/30
			Meter Size	Use in Min Charge (HCF)	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029
up to ¾"	20	\$23.97	up to ¾"	0	\$26.45	\$37.84	\$54.03	\$56.62	\$59.30
1"	21	\$25.38	1"	0	\$44.08	\$63.07	\$90.05	\$94.37	\$98.83
1 ½"	22	\$30.78	1 ½"	0	\$88.17	\$126.13	\$180.10	\$188.73	\$197.67
2"	36	\$51.41	2"	0	\$141.07	\$201.81	\$288.16	\$301.97	\$316.27
3"	90	\$127.35	3"	0	\$282.13	\$403.63	\$576.32	\$603.95	\$632.53
4"	155	\$218.69	4"	0	\$440.83	\$630.67	\$900.50	\$943.67	\$988.33
6"	330	\$465.07	6"	0	\$881.67	\$1,261.33	\$1,801.00	\$1,887.33	\$1,976.67
Water Rate per HCF for Use over Minimum			Rate per HCF (all use)		\$1.35	\$1.49	\$1.57	\$1.65	\$1.75
Average Bill					\$44.00	\$57.21	\$74.44	\$78.07	\$82.05
¾" Meter, 13 HCF					84%	30%	30%	5%	5%

5.3.3 Bill Impacts

For FY2025/26, the proposed 60% rate revenue adjustment from the cash flow does not directly correlate to a 60% increase in rates for each customer due to the cost of service reallocation and the updated rate structure (i.e. the updated meter equivalent ratios and the elimination of water usage included with the Minimum Charge). Because of the reallocation, the bill impacts to customers for the first year will vary based on meter size and actual consumption. Moreover, water consumption, particularly for single family residential customers, typically varies due to seasonal changes in weather conditions and/or other factors. Hence, a single customer could face a range of impacts throughout the year.

Table 14 provides sample bill impacts for a 3/4" meter at various levels of use under the proposed rates based on the typical average residential monthly usage, winter usage, and summer usage. As shown in the table, higher water usage will result in higher bill impacts and the typical summer bill is proposed to increase to a greater extent than the typical winter bill, reflecting a higher percentage of water rate revenues recovered through the usage rates.

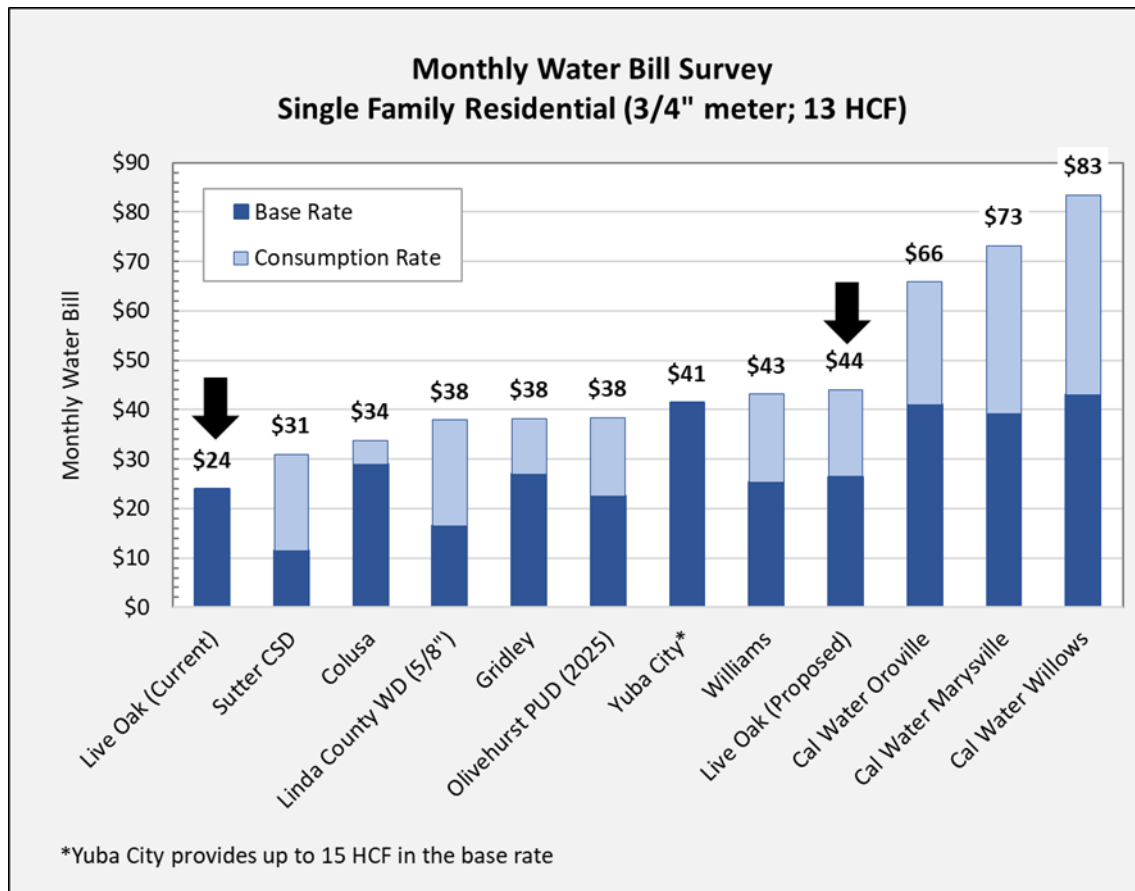
Table 14: Bill Impacts

CURRENT					PROPOSED				
Average Monthly Bill (13 HCF)									
Fee Categories	Rate		Count of Units	Total Charges	Fee Categories	Rate		Count of Units	Total Charges
Minimum Charge (3/4")	\$23.97	x	1	\$23.97	Meter Fee (3/4")	\$26.45	x	1	\$26.45
Usage (HCF)					Usage (HCF)				
0 - 20 (included)	\$0.00	x	13	\$0.00	All Use	\$1.35	x	13	\$17.55
21+	\$1.41	x	<u>0</u>	<u>\$0.00</u>					
			13	\$0.00					
Total Monthly Bill				\$23.97	Total Monthly Bill				\$44.00 84%
Average Winter Bill (7 HCF)									
Fee Categories	Rate		Count of Units	Total Charges	Fee Categories	Rate		Count of Units	Total Charges
Minimum Charge (3/4")	\$23.97	x	1	\$23.97	Meter Fee (3/4")	\$26.45	x	1	\$26.45
Usage (HCF)					Usage (HCF)				
0 - 20 (included)	\$0.00	x	7	\$0.00	All Use	\$1.35	x	7	\$9.45
21+	\$1.41	x	<u>0</u>	<u>\$0.00</u>					
			7	\$0.00					
Total Monthly Bill				\$23.97	Total Monthly Bill				\$35.90 50%
Average Summer Bill (21 HCF)									
Fee Categories	Rate		Count of Units	Total Charges	Fee Categories	Rate		Count of Units	Total Charges
Minimum Charge (3/4")	\$23.97	x	1	\$23.97	Meter Fee (3/4")	\$26.45	x	1	\$26.45
Usage (HCF)					Usage (HCF)				
0 - 20 (included)	\$0.00	x	20	\$0.00	All Use	\$1.35	x	21	\$28.35
21+	\$1.41	x	<u>1</u>	<u>\$1.41</u>					
			21	\$1.41					
Total Monthly Bill				\$25.38	Total Monthly Bill				\$54.80 116%

5.4 Monthly Water Bill Comparison

Figure 4 provides a bill survey comparing the City of Live Oak's typical single family customer bill with those of other local agencies. The survey includes the current bill for 13 HCF of monthly usage as well as the proposed monthly bill. Under current rates, the average residential customer pays about \$24 per month for water service which is the lowest of all bills surveyed.

Figure 4: Monthly Water Bill Survey



As a point of comparison, the City's monthly bill for sewer service was also compared to that of other local agencies, see Figure 5. The City's current residential sewer service rate is a fixed charge of \$68.80 per month which is on the higher end of the agencies surveyed. The City's sewer rates were not evaluated as part of this study, but the comparison is useful to assess impacts on customers' total utility bills which include both water and sewer service.

Figure 5: Monthly Sewer Bill Survey

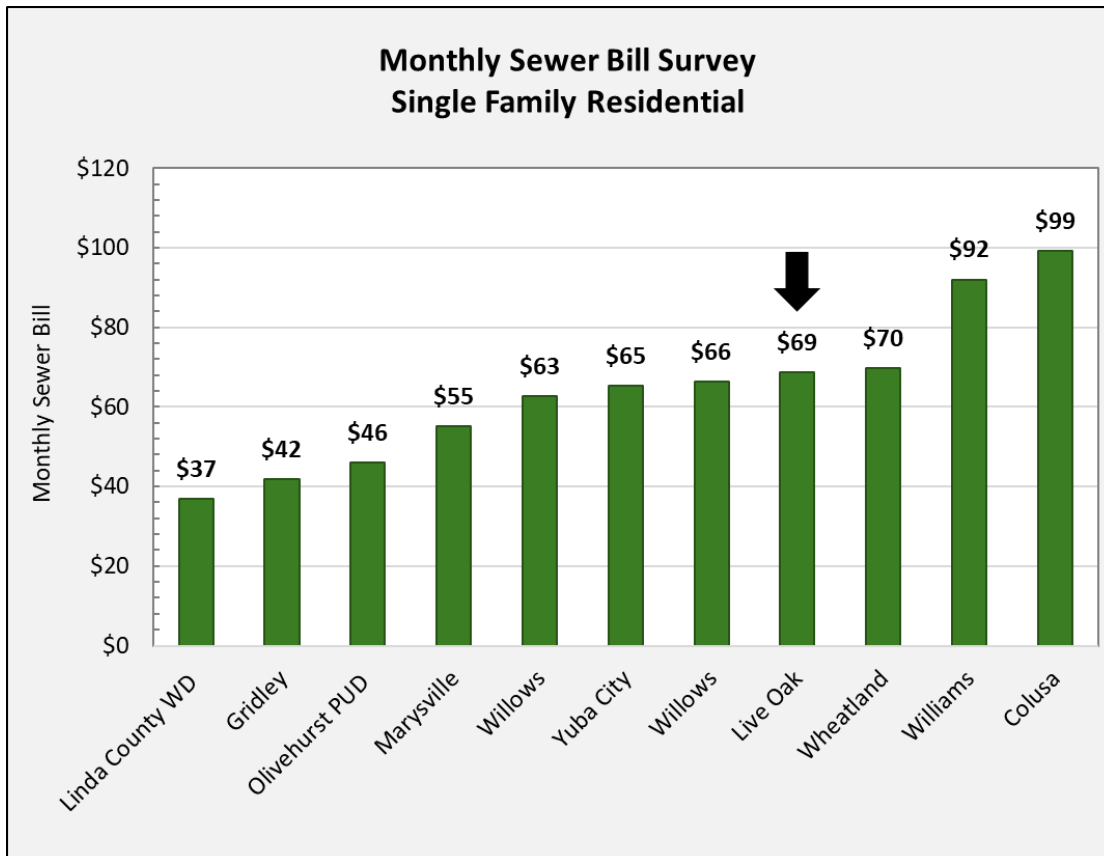
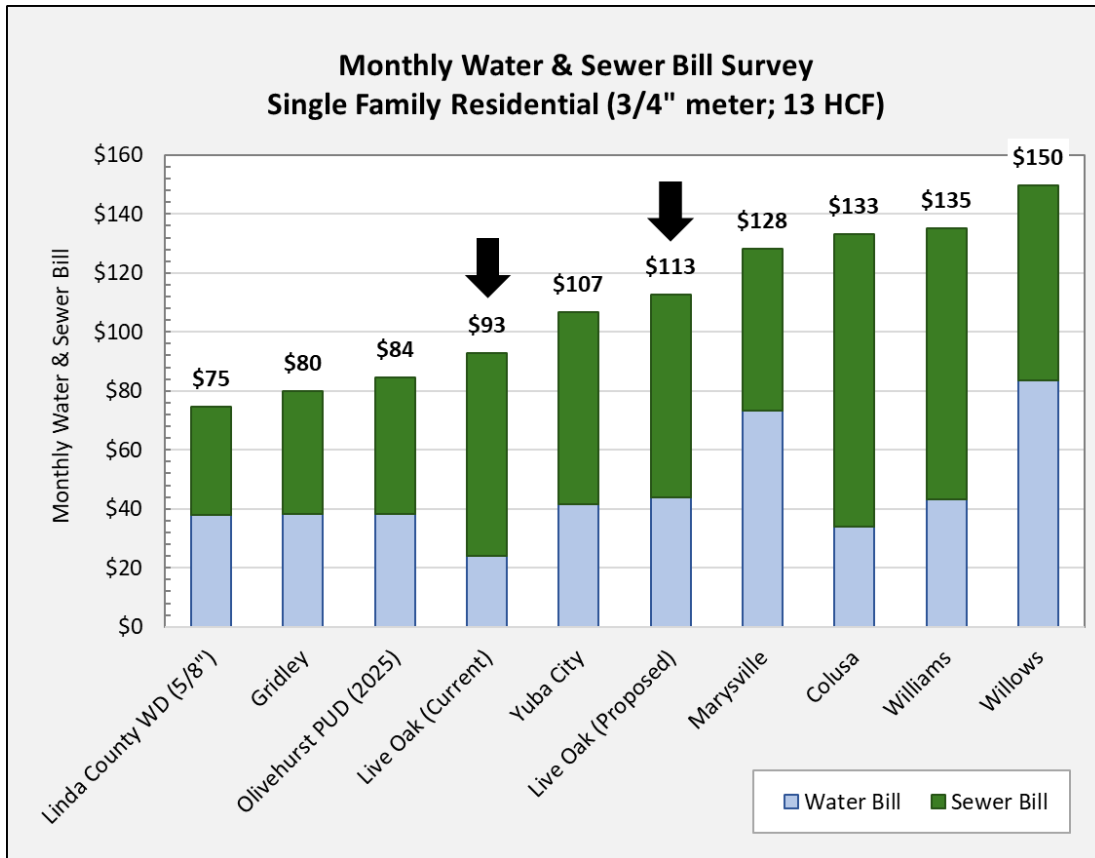


Figure 6 combines the data from Figure 4 and Figure 5 to show how the City's current and proposed combined water and sewer bill compares to other local agencies. The City's current and proposed combined bills are in the middle of the range of agencies surveyed.

Figure 6: Monthly Combined (Water & Sewer) Bill Survey



CITY OF LIVE OAK

Water Rate Study



Proposition 218 Hearing
May 28, 2025



LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

Alison Lechowicz
Project Manager



Background

- The City provides water service to about 2,500 accounts
- The Water Fund is an enterprise fund and should be self-supported by rates
- The City's water rates have fallen behind the cost of service
 - Live Oak's water rates are among the lowest in the local area
 - Rates have not been increased in about 15 years
 - Annual operating expenses exceed revenues (i.e. the Water Fund is in a deficit)
 - Projected negative fund balance of about **\$3.5 million** by June 30, 2025



Current Monthly Water Rates

Meter Size	Use Included in Minimum Charge (HCF)	Minimum Charge
up to 3/4"	20	\$23.97
1"	21	\$25.38
1 1/2"	22	\$30.78
1 3/4"	22	\$30.78
2"	36	\$51.41
3"	90	\$127.35
4"	155	\$218.69
6"	330	\$465.07
Water Rate per HCF for use over Minimum		\$1.41

**HCF = hundred cubic feet; 1 HCF = 748 gallons*



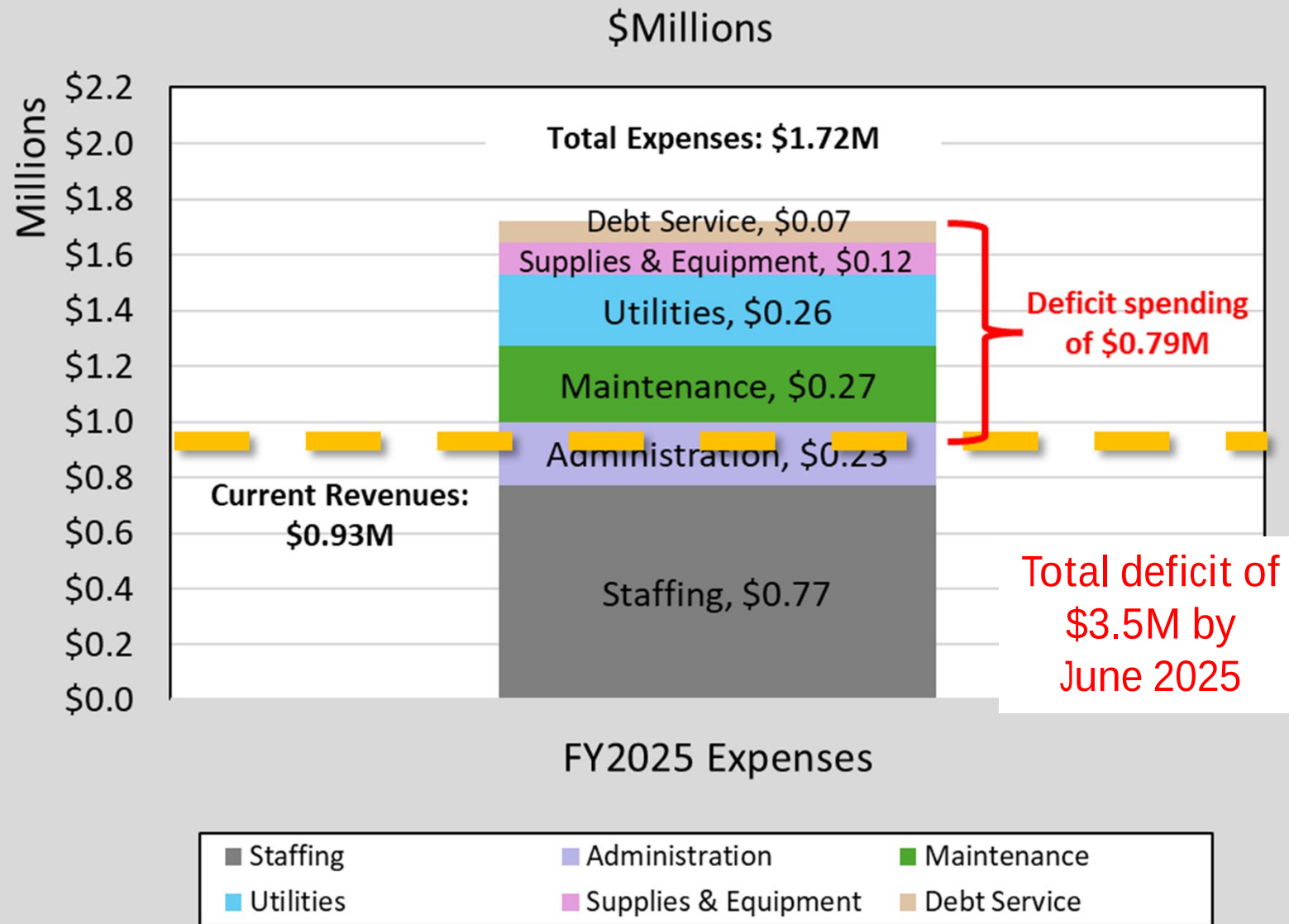
Typical Bill at Current Rates

- Most single family residential customers are served by a $\frac{3}{4}$ " meter
- Typical monthly water use is 13 HCF (hundred cubic feet)

Average Monthly Bill (13 HCF)				
Category	Rate		Count	Total
Minimum Charge (3/4")	\$23.97	x	1	\$23.97
Usage (HCF)				
0 - 20 (included)	\$0.00	x	13	\$0.00
21+	\$1.41	x	<u>0</u>	<u>\$0.00</u>
Subtotal Usage			13	\$0.00
Total Monthly Bill				\$23.97



Current Financial Standing





Proposed Rate Design Adjustments

- Eliminate water usage included in the Minimum Charge
 - All usage will be billed the usage rate
 - Fairer to lower water users
 - Needed change to be compliant with legal rulings
- Realign Minimum Charge with the max capacity of each meter size
 - Reflects each customer's proportional impact on the water system

Proposed to be eliminated

Meter Size	Use Included in Minimum Charge (HCF)
up to 3/4"	20
1"	21
1 1/2"	22
1 3/4"	22
2"	36
3"	90
4"	155
6"	330
<i>*HCF = hundred cubic feet; 1 HCF = 748 gallons</i>	



Proposed Monthly Rates

	CURRENT	2025/26	2026/27	2027/28	2028/29	2029/30
Effective Date		Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029
FIXED CHARGE	*					
<u>Meter Size</u>		varies				
up to 3/4"	\$23.97	\$26.45	\$37.84	\$54.03	\$56.62	\$59.30
1"	\$25.38	\$44.08	\$63.07	\$90.05	\$94.37	\$98.83
1 1/2"	\$30.78	\$88.17	\$126.13	\$180.10	\$188.73	\$197.67
2"	\$51.41	\$141.07	\$201.81	\$288.16	\$301.97	\$316.27
3"	\$127.35	\$282.13	\$403.63	\$576.32	\$603.95	\$632.53
4"	\$218.69	\$440.83	\$630.67	\$900.50	\$943.67	\$988.33
6"	\$465.07	\$881.67	\$1,261.33	\$1,801.00	\$1,887.33	\$1,976.67
USAGE RATE						
Rate per HCF**	Above Allotment \$1.41*	All Use \$1.35	All Use \$1.49	All Use \$1.57	All Use \$1.65	All Use \$1.75

* Fixed charge includes a usage allotment that varies by meter size; use above the allotment is billed \$1.41 per HCF

** HCF = hundred cubic feet; 1 HCF = 748 gallons



Year 1 Bill Impact (13 HCF)

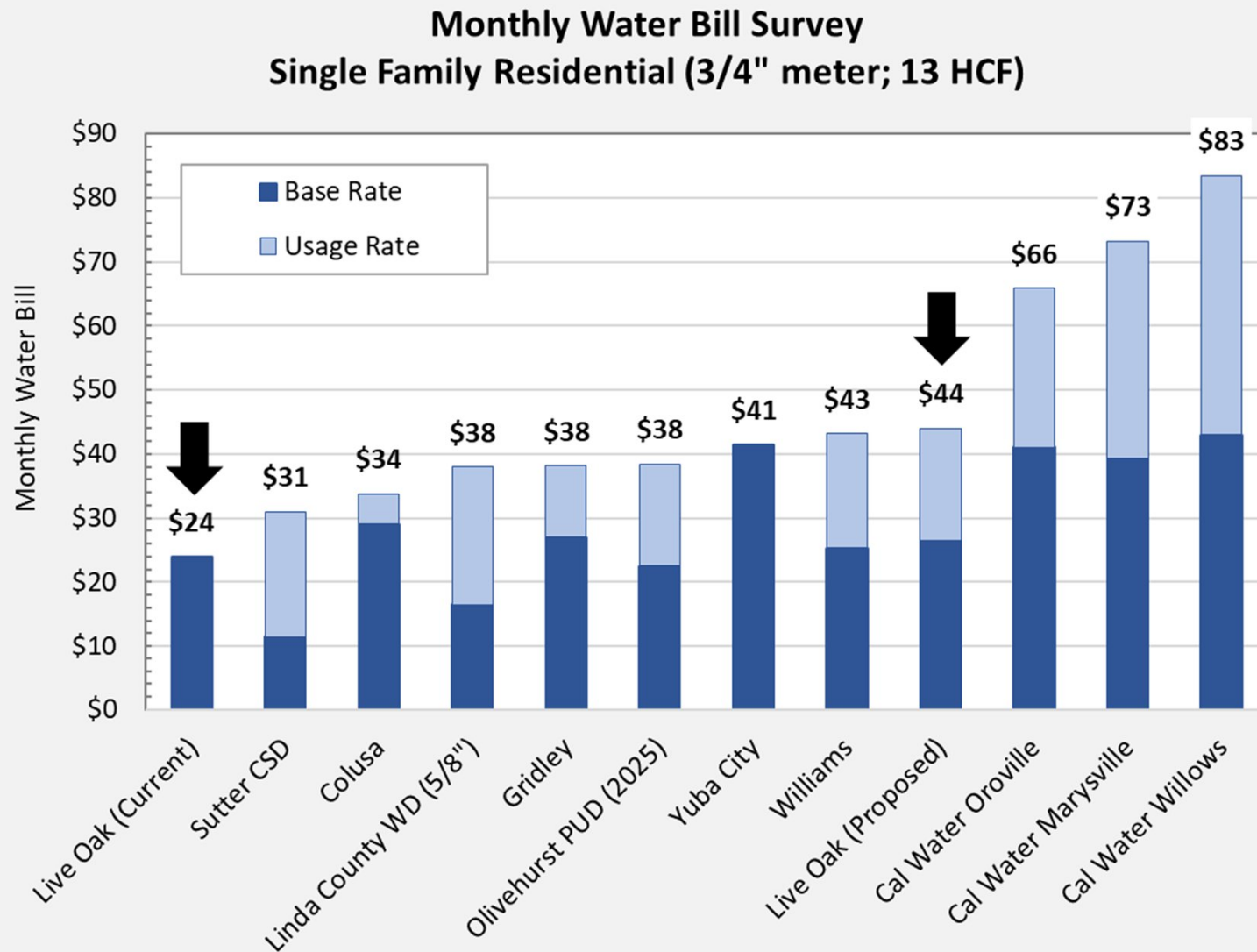
CURRENT MONTHLY BILL				
Category	Rate		# of Units	Total
<u>Minimum Charge</u>				
3/4"	\$23.97	x	1	\$23.97
<u>Usage (\$/HCF)</u>				
0 – 20	\$0.00	x	13	\$0.00
21+	\$1.41	x	<u>0</u>	<u>\$0.00</u>
			13	\$0.00
Total Monthly Bill				\$23.97

PROPOSED MONTHLY BILL				
Category	Rate		# of Units	Total
<u>Meter Fee</u>				
3/4"	\$26.45	x	1	\$26.45
<u>Usage (\$/HCF)</u>				
All Use	\$1.35	x	13	\$17.55
Total Monthly Bill				\$44.00

<i>Bill Increase</i>
\$20.03
84%

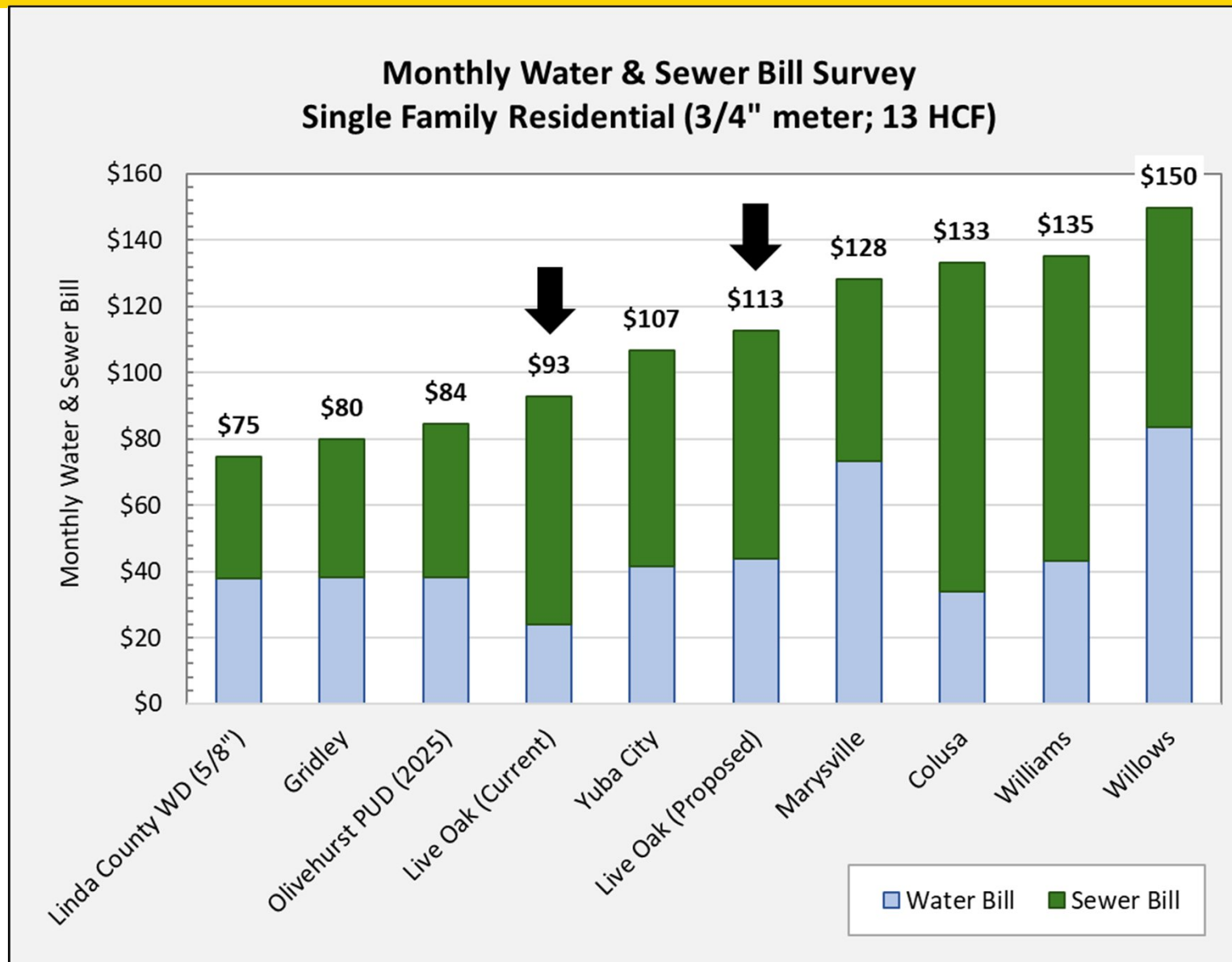


Water Rate Survey





Combined Bill Survey



Note: Sewer rates are not proposed to increase as part of this rate study. The current sewer rate is \$68.80.



Public Hearing

- Notice of public hearing to adjust rates was mailed April 11
- Outreach meeting was held on April 23
- Notice was published in the newspaper on May 12 and May 19
- Tonight is the public hearing (held 48 days after postmark)
- Rates cannot be adopted if more than 50% of parcels submit written protests; only one protest per parcel will be counted
 - 2,798 parcels are eligible to protest
 - Majority protest is 1,400 parcels
- Absent a protest, new rates can go into effect July 1, 2025
- Each year City Council can review the rates and increase rates up to the maximum in the Proposition 218 notice.

Wrap Up

