CITY OF NEEDLES

Water & Wastewater Rate Study

FINAL REPORT / AUGUST 2025

RAFTELIS

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RAFTELIS

August 22, 2025

Ms. Rainie Torrance
Utility Manager
City of Needles
817 Third Street
Needles CA 92363

Subject: Water and Wastewater Cost of Service and Rate Design Study

Dear Ms. Torrance,

Raftelis is pleased to provide this Water and Wastewater Cost of Service and Rate Design Study Report (Report) to the City of Needles (City). The study develops a five-year schedule of water and wastewater rates for the City for Fiscal Years (FY) 2026 through FY 2030 that are fair, equitable, fully recover the cost of providing service, and align with the legal requirements of Proposition 218.

The major tasks of the study were to:

- Develop a sustainable five-year financial plan to ensure financial sufficiency, meet operating costs, fund the long-term Capital Improvement Plan (CIP), and maintain prudent reserves.
- Conduct a cost-of-service analysis to develop a nexus between proposed water and wastewater rates and the cost to provide service to customer classes.
- Review the City's existing water and wastewater rate structures against alternatives.
- Design cost-justified water and wastewater rates that fairly recover costs while considering other City policy objectives
- Document the study work in a comprehensive Report, walking the reader through the rate derivation from start to finish

This report summarizes key results and recommendations and details the development of the proposed financial plan, cost-of-service analysis, and water rate calculations. It has been a pleasure working with you, and we thank you and other City staff for the support you provided to Raftelis during this study.

Sincerely,

Todd Cristiano
Vice President

Brian Bass
Project Manager

Lindsay Roth
Senior Consultant

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1. Executive Summary

1.1. Study Overview

Public water and wastewater agencies in California conduct cost-of-service studies roughly once every five years to establish a strong nexus between rates charged to customers and costs incurred to provide service, as required by Proposition 218. The City of Needles (City) last conducted a cost-of-service study in 2020, which established proposed water and wastewater rates over a five-year period from Fiscal Year (FY[1]) 2021 through FY 2025. The City engaged Raftelis in October 2024 to conduct a new Water and Wastewater Cost of Service and Rate Design Study to establish proposed water and wastewater rates over the next five-year period from FY 2026 to FY 2030. Note that the proposed rates presented in this study report may not be implemented until formally adopted by the City Council after a public hearing.

The major objectives of this study are to:

- Develop a sustainable five-year financial plan that sufficiently funds the City's operations and maintenance (O&M) expenses, debt service payments, and Capital Improvement Plan (CIP) while adequately funding reserves and meeting debt coverage requirements.
- Conduct a cost-of-service analysis to develop a nexus between proposed rates and the cost to provide service to customer classes.
- Review the City's existing rate structures against alternatives.
- Design cost-justified water and wastewater rates that fairly recover costs while considering other City policy objectives.
- Document the study work in a comprehensive Report, walking the reader through the rate derivation from start to finish.

1.2. Proposed Financial Plans

Raftelis conducted a status quo cash flow analysis to evaluate whether existing water and wastewater rates can adequately fund the City's projected expenses over the five-year financial forecast period. Annual projections of rate and non-rate revenues, O&M expenses, debt service payments, and capital expenditures through FY 2030 were developed with adopted budgets from City staff. Raftelis projects that with no rate increases over the five-year study period, the City will draw down reserves below the existing policy and below a zero balance by the end of FY 2028. This demonstrates a clear need for revenue adjustments[2] (i.e., rate revenue increases relative to the status quo). Raftelis worked with City staff to develop the following proposed revenue adjustments over the five-year study period (see **Table 1-1** and **Table 1-2**). The proposed revenue adjustments were selected to provide financial sufficiency (including a more robust financial reserves policy) for the City while minimizing impacts on City customers.

[1] Fiscal Year (FY) refers to the period beginning July 1 of a given year and ending June 30 of the following year, referred to using the last calendar year of the period (e.g. FY 2025 is the fiscal year beginning July 1, 2024 running through June 30, 2025)

[2] The term revenue adjustment is used to describe the overall change to rate revenues required. Individual rates, and rate changes, are a combination of the revenue adjustments and updated cost of service analysis.

Table 1-1: Proposed Water Revenue Adjustments

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Effective Date	October 1, 2025	October 1, 2026	October 1, 2027	October 1, 2028	October 1, 2029
Revenue Adjustment	3.0%	3.0%	3.0%	3.0%	3.0%

Table 1-2: Proposed Wastewater Revenue Adjustments

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Effective Date	October 1, 2025	October 1, 2026	October 1, 2027	October 1, 2028	October 1, 2029
Revenue Adjustment	6.0%	6.0%	6.0%	6.0%	6.0%

Key factors influencing the need for proposed revenue adjustments include:

- **Planned capital expenditures:** CIP projects scheduled over the next five years total about $6.9 million (M) for water and $1.4 M for wastewater. Key infrastructure projects include the construction of a 1.5 million-gallon water reservoir, pipeline, main, and fire hydrant replacements, upsizing pumps and sewer lines, rehabbing manholes, and other treatment, transmission, storage, and distribution improvements.
- **Inflationary pressure:** The City's operating environment is not immune to the effects of inflation. The price of materials, chemicals, construction, professional services, energy, and other costs have increased at a historic pace over the last several years. The financial plan assumes continued pressure on both operating and capital costs, albeit at historic rates of change.

Figure 1-1 and **Figure 1-2** show the proposed CIP financing plans for water and wastewater over the study period. Average CIP expenditures in FY 2026 through FY 2030 are $1.4 M per year for water and $280 thousand per year for wastewater. To maintain healthy wastewater reserve levels, annual CIP expenditures are scaled up over the five-year period. Years 1 and 2 represent 25% of the original CIP, year 2 is 50%, year 4 is 75%, and year 5 meets 100% of the original CIP schedule. The proposed financial plan assumes that most CIP over the study period will be cash-funded by rates or reserves, except for the water reservoir project, which is planned to be funded through grant proceeds.

Figure 1-1: Water Infrastructure Improvement Plan

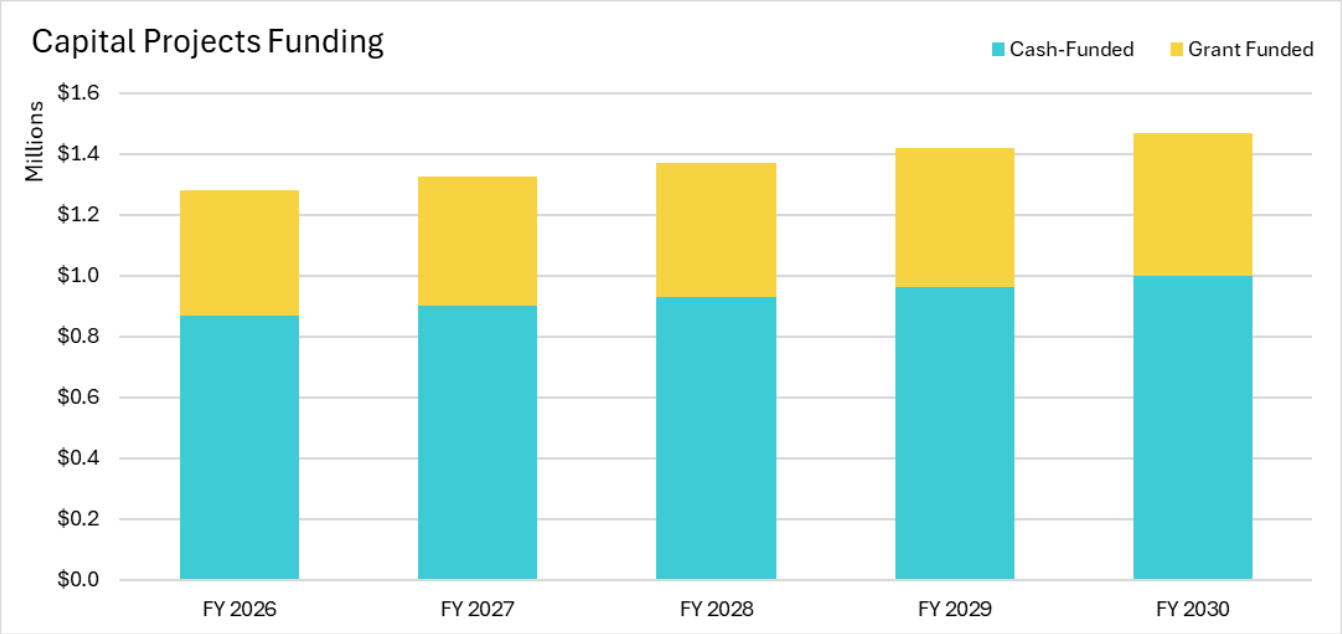


Figure 1-2: Wastewater Infrastructure Improvement Plan

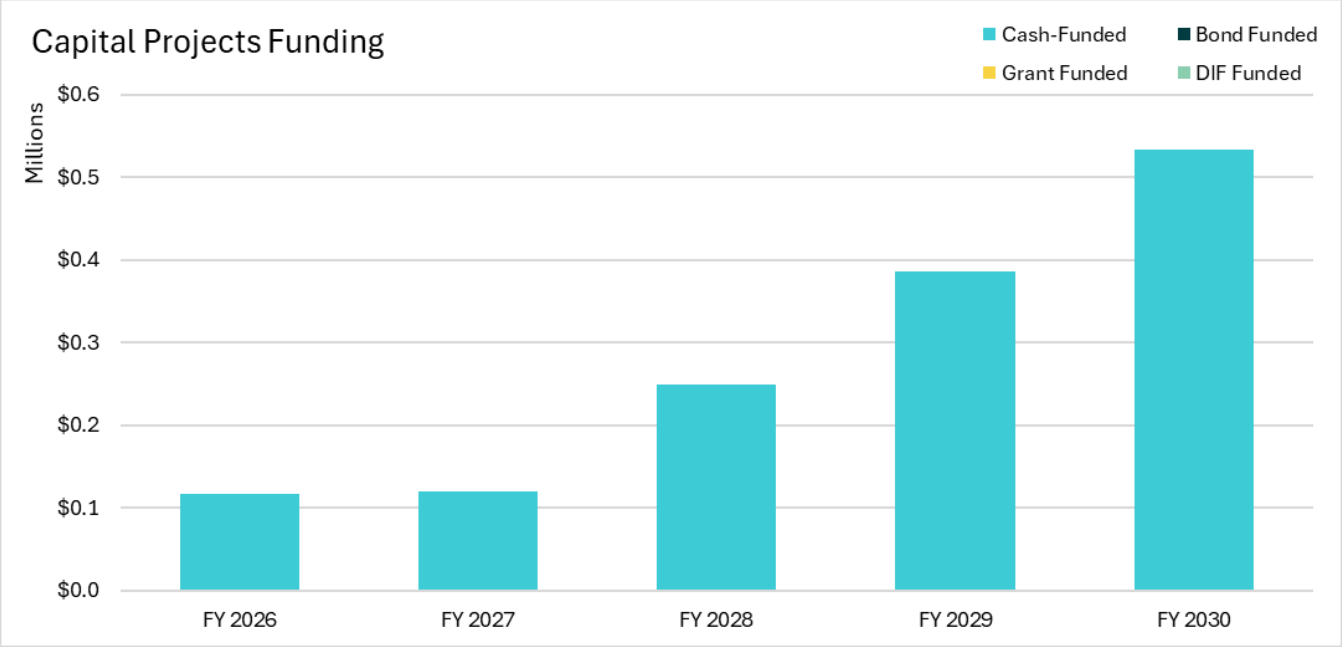


Figure 1-3 and **Figure 1-4** show the status quo and proposed five-year water and wastewater financial plans. Although current rates result in adequate recovery of O&M expenses and water debt service payments, revenue adjustments are required to generate sufficient revenue to cover cash-funded CIP over the study period and achieve the proposed future cash reserves. With the proposed financial plan, the City can fully recover costs, increase cash reserves to build resiliency and provide the ability to respond to unexpected events, maintain healthy debt coverage, and maintain a positive financial trajectory for the next rate cycle, which will include a new CIP for FY 2031-2035.

Figure 1-3: Water Status Quo vs. Proposed Financial Plan

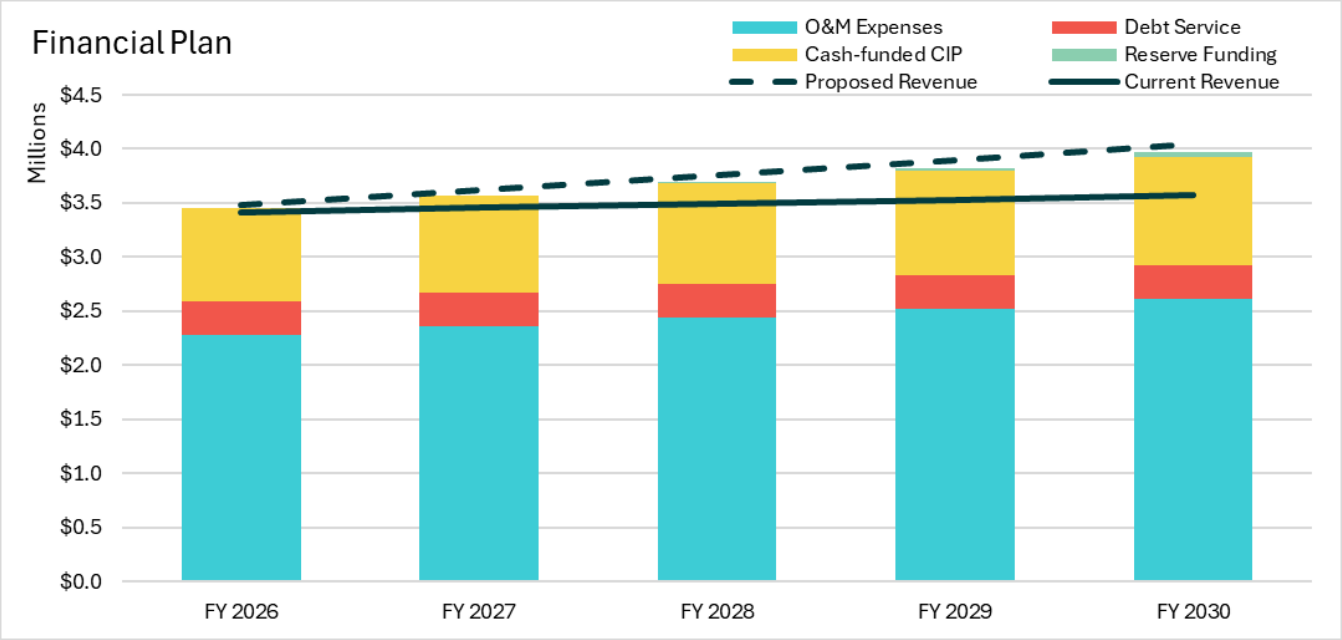


Figure 1-4: Wastewater Status Quo vs. Proposed Financial Plan

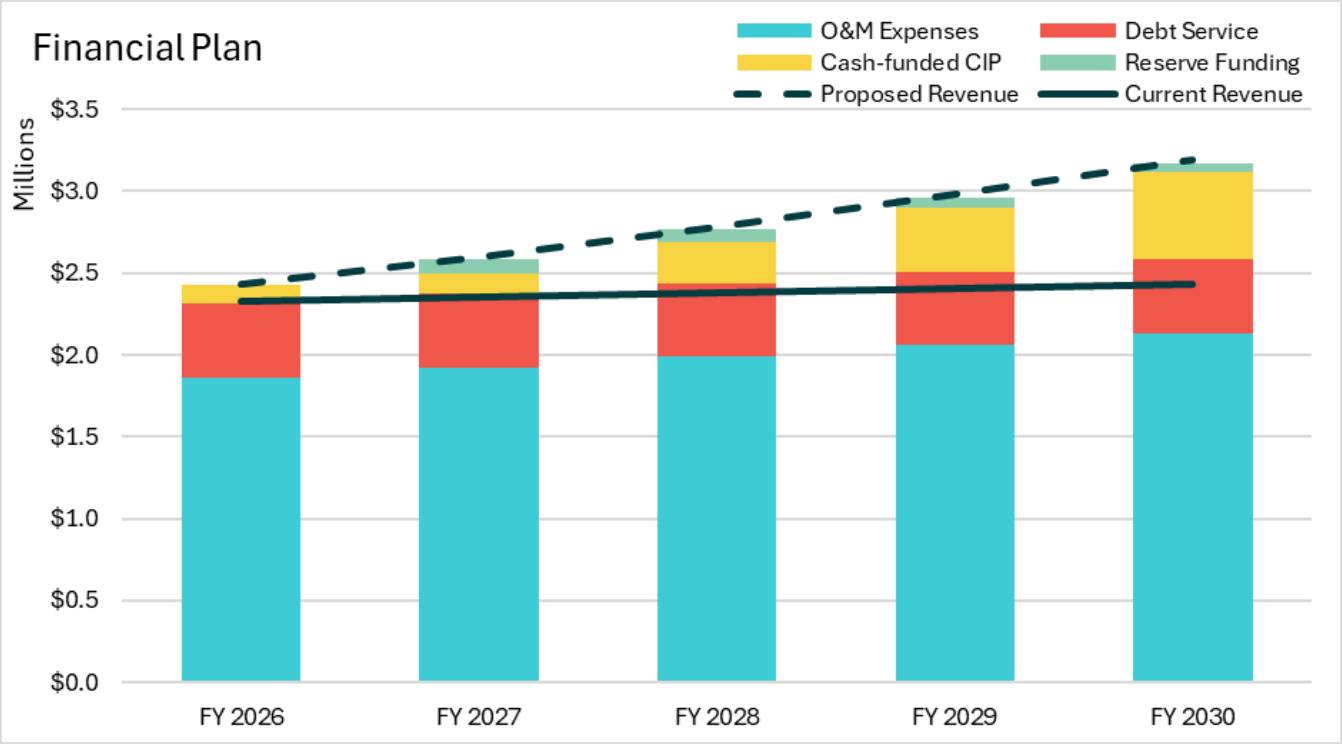


Figure 1-5 and **Figure 1-6** show projected ending balances over the study period relative to the City's operating and total reserve targets under the proposed financial plan. The blue bars represent the operating fund balances, the green bars represent the capital fund balances, and the yellow bars represent the combined operating and capital fund balances. The dark blue line represents the operating reserve target. Reserves for

both utilities increase in FY 2026 through FY 2030. Although not displayed on the chart, the City is projected to meet its debt coverage requirement under the proposed financial plan in all years.

Figure 1-5: Water Proposed Financial Plan – Projected Ending Balances

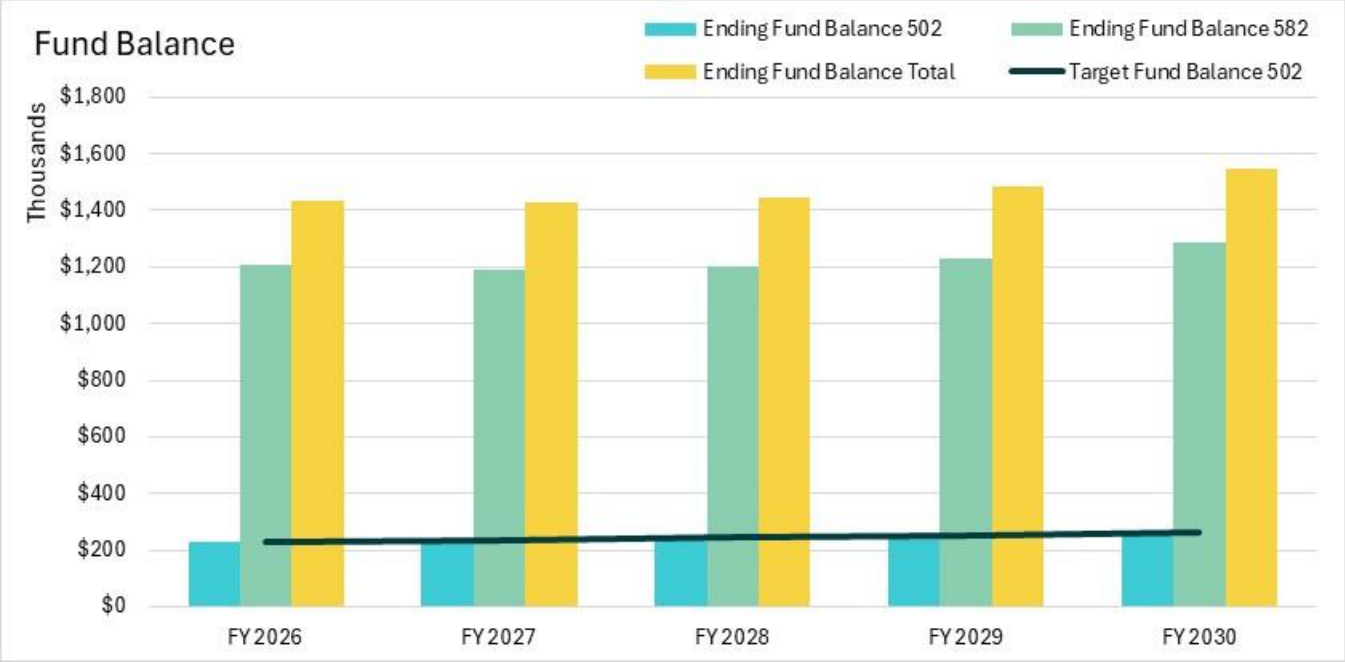
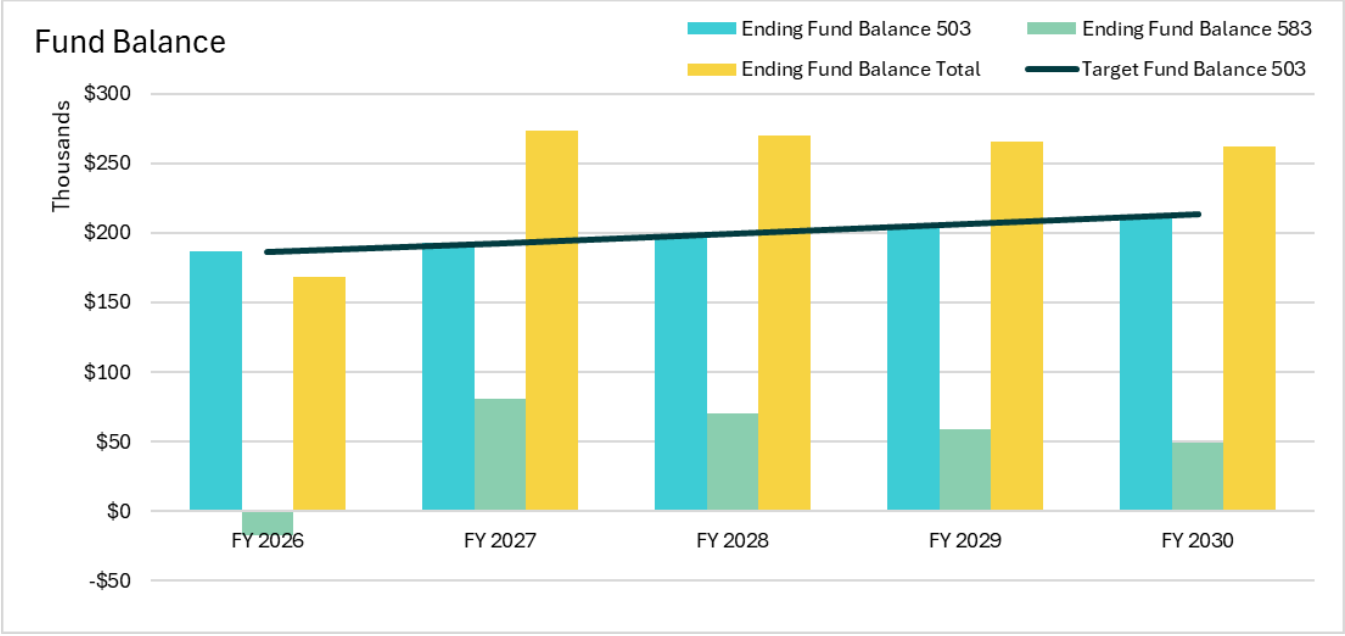


Figure 1-6: Wastewater Status Quo vs. Proposed Financial Plan



1.3. Cost-of-Service Analysis

The proposed financial plan determines the amount of revenue that must be recovered from water rates in each year over the study period. The purpose of the cost-of-service (COS) analysis is to objectively and fairly

allocate this total rate revenue requirement to the City's various user groups. Raftelis performed a COS analysis for FY 2026 based on industry-standard principles outlined in the *American Water Works Association Manual M1* for water and the Water Environment Federation (WEF) *Manual of Practice No. 27, Financing and Charges for Wastewater (2018)* for wastewater. Raftelis adheres to cost-of-service principles to yield cost-justified rates that align with California Proposition 218.

1.4. Proposed Water Rates

Table 1-3 and **Table 1-4** show the proposed five-year water and wastewater rate schedules through FY 2030. Proposed FY 2026 rates are calculated based on the results of the COS analysis. As a result of the financial plan, FY 2026 rates collect three percent more rate revenue for water and six percent more rate revenue for wastewater over current FY 2025 rates. FY 2026 rates, therefore, consider both the overall revenue adjustment and the COS results. Proposed rates for FY 2027 through FY 2030 are calculated by applying the proposed revenue adjustment in those years to the prior year rates. All rates are rounded up to the whole penny.

Table 1-3: Proposed Five-Year Water Rate Schedule

Description	FY 2025 (Current)	FY 2026 (10/1/2025)	FY 2027 (10/1/2026)	FY 2028 (10/1/2027)	FY 2029 (10/1/2028)	FY 2030 (10/1/2029)
Proposed Revenue Adjustment		**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
Fixed Service Charges (per Month)						
5/8 & 3/4-inch	$48.86	$48.78	$50.25	$51.76	$53.32	$54.92
1-inch	$79.10	$75.75	$78.03	$80.38	$82.80	$85.29
1.5-inch	$177.30	$143.17	$147.47	$151.90	$156.46	$161.16
2-inch	$225.36	$224.07	$230.80	$237.73	$244.87	$252.22
3-inch	$611.58	$439.82	$453.02	$466.62	$480.62	$495.04
4-inch	$801.89	$682.54	$703.02	$724.12	$745.85	$768.23
6-inch	$1,437.60	$1,356.76	$1,397.47	$1,439.40	$1,482.59	$1,527.07
8-inch	$2,259.31	$2,165.82	$2,230.80	$2,297.73	$2,366.67	$2,437.68
10-inch	$1,977.70	$5,671.75	$5,841.91	$6,017.17	$6,197.69	$6,383.63
Commodity Charges (per hcf)						
All Customers	$3.07	$3.37	$3.48	$3.59	$3.70	$3.82

Table 1-4: Proposed Five-Year Wastewater Rate Schedule

Description	FY 2025 (Current)	FY 2026 (10/1/2025)	FY 2027 (10/1/2026)	FY 2028 (10/1/2027)	FY 2029 (10/1/2028)	FY 2030 (10/1/2029)
Proposed Revenue Adjustment		**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**
Fixed Service Charges (per Month)						
All Customers ($/EDU)	$52.85	$56.03	$59.40	$62.97	$66.75	$70.76

The proposed rate increases result in monthly bill changes to City customers. Note that monthly changes to customer water bills vary in FY 2026 because of the cost-of-service analysis; beyond FY 2026, estimated monthly bill increases in each year simply equal the proposed annual revenue adjustment of 3.0 percent.

Because the structure of the wastewater rates did not change, the bill increases are equal to the rate adjustment in each year.

Table 1-5 shows a comparison of sample water monthly bills. All bills are calculated using the most common meter size and show three levels of monthly water usage. **Table 1-6** compares sample wastewater monthly bills for the four largest customer classes (based on number of accounts) using the average number of units for each class. Estimated monthly bills are based on both the City's current FY 2025 and proposed FY 2026 rates.

Table 1-5: Water Sample Bill Impacts

Bill Impacts, 5/8" & 3/4" Meter	Low	Average	High
Monthly Usage (hcf)	10	15	25
Current Bill	$79.56	$94.91	$125.61
Proposed Bill	**$82.48**	**$99.33**	**$133.03**
Difference ($)	$2.92	$4.42	$7.42
Difference (%)	3.7%	4.7%	5.9%

Table 1-6: Wastewater Sample Bill Impacts

Bill Impacts	Residential	Hotel	Gen. Com.	Food Est.
# of Units	1	45	1	58
EDU Ratio	1.00	0.70	1.65	0.18
Units	per account	per room	per account	per seat
Current Bill	$52.85	$1,664.78	$87.20	$551.75
Proposed Bill	**$56.03**	**$1,764.95**	**$92.45**	**$584.95**
Difference ($)	$3.18	$100.17	$5.25	$33.20
Difference (%)	6.0%	6.0%	6.0%	6.0%

2. Introduction

2.1. Agency Overview

The City of Needles (City) provides water and wastewater service to a population of approximately 5,000 people through about 1,900 metered water connections and sewer connections within 3,175 acres in San Bernardino County. The City delivers potable water entirely from two local groundwater wells through more than 60 miles of distribution pipeline and two booster pump stations. The City has four reservoir tanks with a total capacity of 4.6 million gallons (MG). The City's wastewater system is comprised of more than 25 miles of sewer pipe, five lift stations, over 500 manholes, and a mechanical wastewater treatment plant. The treatment plant has an average daily flow capacity of 1.2 million gallons per day (MGD) and a peak instantaneous flow capacity of 3.0 MGD.

2.2. Study Overview

Public water agencies in California perform a cost-of-service analysis approximately every five years to ensure that customers are appropriately charged for water service commensurate with the cost to provide service. The City last conducted a cost-of-service study in 2020, which established proposed rates over a five-year period from FY 2021 through FY 2025. The City engaged Raftelis in October 2024 to conduct this Water and Wastewater Cost of Service and Rate Design Study to establish proposed water and wastewater rates for the City for FY 2026 through FY 2030. Note that proposed rates cannot be implemented until formally adopted by the City Council after a public hearing. Proposition 218 requires that City customers be mailed a public hearing notice detailing any proposed rate changes no fewer than 45 days before the public hearing.

2.2.1. Objectives of the Study

The major objectives and primary tasks of this study are to:

- Develop a five-year financial plan for each utility that sufficiently funds the City's operations and maintenance (O&M) expenses, debt service payments, and CIP expenditures while adequately funding reserves and meeting debt coverage requirements.
- Conduct a cost-of-service analysis to establish a nexus between the cost to serve customers and the water and wastewater rates charged to customers, per Proposition 218 requirements.
- Develop a five-year schedule of water and wastewater rates that are fair, equitable, and align with the requirements of Proposition 218.

3. Legal Requirements and Rate Setting Methodology

3.1. Legal Requirements

Proposition 218, reflected in the California Constitution as Article XIII D, was enacted in 1996 to ensure that rates and fees are reasonable and proportional to the cost of providing service. The principal requirements, as they relate to public water and wastewater service, are as follows:

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

As stated in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices - M1 Seventh Edition* (Manual M1), "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Raftelis follows industry standard rate-setting methodologies set forth by the AWWA Manual M1 and Water Environment Federation (WEF) *Manual of Practice No. 27, Financing and Charges for Wastewater (2018),* to ensure this study meets Proposition 218 requirements and establishes rates that do not exceed the proportionate cost of providing water services on a parcel basis. The methodologies in the Manual M1 and the WEF Manual of Practice No. 27 are a nationally recognized industry ratemaking standard, which courts have recognized as consistent with Proposition 218.

3.2. Rate-Setting Methodology

This study was conducted using industry-standard principles outlined by the AWWA Manual M1 and WEF Manual of Practice No. 27. The process and approach Raftelis utilized in the study to determine water and wastewater rates is informed by the City's policy objectives, the current water and wastewater system and rates, and the legal requirements in California (namely, Proposition 218). The resulting financial plan, cost of service analysis, and rate design process follows five key steps, outlined below, to determine proposed rates that fulfill the City's objectives, meet industry standards, and comply with relevant regulations.

1. **Financial Plan:** The first study step is to develop a multi-year financial plan that projects the City's revenues, expenses, capital project financing, annual debt service, and reserve funding. The financial plan is used to determine any adjustments to rate revenues so that the City may adequately fund projected expenses, cash reserves, and debt obligations.

2. **Revenue Requirement Determination:** After completing the financial plan, the rate-making process begins with determining the revenue requirement for the test year, also known as the rate-setting year. For this study, the test year is FY 2026. The revenue requirement should sufficiently fund the City's operating costs, annual debt service (including coverage requirements), CIP, and reserve funding.

3. **Cost-of-Service Analysis:** The annual cost of providing water or wastewater service, or the revenue requirement, is then distributed to customer classes and tiers commensurate with their use of and burden on the water or wastewater system. A cost-of-service analysis involves the following steps:

    - Functionalize costs – the different components of the revenue requirement are categorized into functions such as supply, treatment, storage, customer service, etc.
    - Allocate to cost causation components – the functionalized costs are then allocated to cost causation components such as supply, base delivery, extra-capacity, etc.
    - Develop unit costs – unit costs for each cost causation component are determined using units of service, such as total water use, peak water use, equivalent meters, number of customers, etc., for each component.
    - Distribute cost components – the cost components are allocated to each customer class and tier using the unit costs in proportion to their demand and burden on the system.

    A water cost of service analysis considers both the average water demand and peak demand using the best available data. Peaking costs are incurred during periods of peak consumption, most often coinciding with summer water use. Additional capacity-related costs are associated with designing, constructing, operating, maintaining, and replacing facilities to meet peak demands on the water system. Patterns of use impose additional costs on a water utility and are used to fairly apportion the cost burden on extra capacity-related facilities.

4. **Rate Design**: After allocating the revenue requirement to each customer class and tier, the rate design and calculation process can begin. Rates do more than simply recover costs; within the legal framework and industry standards, properly designed rates should support and optimize the City's policy objectives. Rates also act as a public information tool in communicating these policy objectives to customers. This process also includes a rate impact analysis and sample customer bill impacts.

5. **Administrative Record Preparation and Rate Adoption:** The final step in a rate study is to develop the administrative record in conjunction with the rate adoption process. This report serves as the administrative record for this study. The administrative record documents the study results and presents the methodologies, rationale, justifications, and calculations used to determine the proposed rates. A thorough and methodological administrative record serves two important functions: maintaining defensibility in a stringent legal environment and communicating the rationale for revenue adjustments and proposed rates to customers and key stakeholders.

4. Key Inputs and Assumptions

Raftelis developed a water rate model in Microsoft Excel to project financial and rate calculations over a five-year study period through FY 2030. The City's fiscal year spans from July 1 through June 30. Projections in future years are generally made based on actual or estimated FY 2024 or FY 2025 data using key assumptions outlined below. All assumptions and estimates were discussed with and reviewed by City staff to ensure that the City's unique characteristics are accurately accounted for. Note that most table values shown throughout this report are rounded to the last digit shown and may therefore not add precisely to the totals shown.

4.1. Current Water and Wastewater Rates

Error! Reference source not found. and **Table 4-2** show the current adopted rates developed during the prior rate study. Customers are subject to two charge components for water: 1) Monthly Service Charges and 2) Commodity Charges per hundred cubic feet (hcf)[3] of water delivered. The Monthly Service Charges vary based on meter size. The Commodity Rate is a uniform rate for all customer classes. Wastewater customers are charged a Fixed Charge per equivalent dwelling unit (EDU) per month.

Table 4-1: Current Water Rates

Description	FY 2025 (Current)
Fixed Service Charges (per Month)	
5/8 & 3/4-inch	$48.86
1-inch	$79.10
1.5-inch	$177.30
2-inch	$225.36
3-inch	$611.58
4-inch	$801.89
6-inch	$1,437.60
8-inch	$2,259.31
10-inch	$1,977.70
Commodity Rate (per hcf)	
All Customers	$3.07

[3] One hcf equates to 748 gallons.

Table 4-2: Current Wastewater Rate

Description	EDU Ratio	Units	FY 2025 (Current)
Fixed Service Charges (per Month)			
All Customers ($/EDU)			$52.85
Residential	1.00	per account	$52.85
Hotel	0.70	per room	$37.00
Hospitals	0.75	per bed	$39.64
Multi-Family	1.00	per account	$52.85
Garden & Nurseries	1.00	per account	$52.85
Schools	0.23	per student	$12.16
General Commercial	1.65	per account	$87.20
Beauty Salon & Barber Shop	0.50	per sink	$26.43
Needles Marina	0.55	custom	$29.23
Religious Organizations	0.02	per seat	$1.20
Seventh Day Adventist	0.01	custom	$0.60
Food Establishments	0.18	per seat	$9.51
Government	1.65	per employee	$87.20
Gas Stations	2.90	per pump (side)	$153.27
Shell/Dairy Queen	0.74	custom	$38.93
Native Village	109	per account	$5,760.65

4.2. Financial Projection - Estimates and Assumptions

Inflationary escalation assumptions shown in **Table 4-3** are used to project annual non-rate revenues and operations and maintenance (O&M) expenses beyond FY 2025. All inflationary factors were determined with City staff based on historical and anticipated cost increases. Other miscellaneous revenues (excluding interest earnings on cash reserves) are increased by 2 percent annually.

For O&M expenses, a general inflation rate of 3 percent is consistent with long-term changes in the Consumer Price Index (CPI). Salary, Health Insurance, Retirement, and Other Benefits costs were inflated based on City staff input and recent cost-of-living adjustments. The inflationary factors shown below are used to project the O&M expenses over the study period.

Table 4-3: Inflationary Escalation

Inflationary Categories	Annual Escalation
Non-Rate Revenues	
Miscellaneous	2.0%
Expenses	
General	3.0%
Salary	2.5%
Health Insurance	10.0%
Retirement	1.5%
Other Benefits	7.0%
Fuel, Utilities, Chemicals	4.0%
Contract Services	3.0%
Capital	3.5%

Additional financial assumptions relating to interest earnings are shown in **Table 4-4**. Interest earnings on cash reserves are projected at a 1.5 percent annual rate.

Table 4-4: Additional Financial Assumptions

Description	Value
Interest Earnings	
Annual Interest Rate	1.5%

4.3. Projected Service Connections

Customer account growth projections are necessary to estimate water demand and rate revenues over the study period. City staff provided Raftelis with detailed customer billing data from which to derive the number of water meters by connection size and wastewater accounts and EDUs by customer class for FY 2024. To account for expected growth, the estimate is 1.2% growth for both utilities from FY 2025 through FY 2030. **Table 4-5** shows projected water connections over the study period.

Table 4-5: Projected Water Accounts

Water Accounts	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
All Customer Classes							
5/8" & 3/4"	1,633	1,652	1,671	1,691	1,711	1,731	1,751
1"	111	112	113	114	115	116	117
1 1/2"	40	40	40	40	40	40	40
2"	102	103	104	105	106	107	108
3"	0	0	0	0	0	0	0
4"	10	10	10	10	10	10	10
6"	4	4	4	4	4	4	4
8"	1	1	1	1	1	1	1
10"	0	0	0	0	0	0	0
Total	1,901	1,922	1,943	1,965	1,987	2,009	2,031

Table 4-6 shows the projected number of wastewater accounts and EDUs by customer class over the study period.

Table 4-6: Projected Wastewater Accounts and EDUs

Wastewater Customer Data	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Wastewater Accounts							
Residential	1,390	1,406	1,422	1,439	1,456	1,473	1,490
Hotel	14	14	14	14	14	14	14
Hospitals	1	1	1	1	1	1	1
Multi-Family	451	456	461	466	471	476	481
Garden & Nurseries	1	1	1	1	1	1	1
Schools	1	1	1	1	1	1	1
General Commercial	95	96	97	98	99	100	101
Beauty Salon & Barber Shop	1	1	1	1	1	1	1
Needles Marina	1	1	1	1	1	1	1
Religious Organizations	14	14	14	14	14	14	14
Seventh Day Adventist	1	1	1	1	1	1	1
Food Establishments	14	14	14	14	14	14	14
Government	22	22	22	22	22	22	22
Gas Stations	6	6	6	6	6	6	6
Shell/Dairy Queen	1	1	1	1	1	1	1
Native Village	1	1	1	1	1	1	1
Total	**2,012**	**2,034**	**2,056**	**2,079**	**2,102**	**2,125**	**2,148**
Wastewater EDUs							
Residential	1,390	1,406	1,422	1,439	1,456	1,473	1,490
Hotel	405	409	413	417	422	427	432
Hospitals	20	20	20	20	20	20	20
Multi-Family	595	602	609	616	623	630	637
Garden & Nurseries	1	1	1	1	1	1	1
Schools	209	211	213	215	217	219	221
General Commercial	167	169	171	173	175	177	179
Beauty Salon & Barber Shop	1	1	1	1	1	1	1
Needles Marina	110	111	112	113	114	115	116
Religious Organizations	28	28	28	28	28	28	28
Seventh Day Adventist	3	3	3	3	3	3	3
Food Establishments	133	134	135	136	137	138	139
Government	203	205	207	209	211	213	215
Gas Stations	102	103	104	105	106	107	108
Shell/Dairy Queen	38	38	38	38	38	38	38
Native Village	110	111	112	113	114	115	116
Total	**3,515**	**3,552**	**3,589**	**3,627**	**3,666**	**3,705**	**3,744**

4.4. Projected Water Use

City staff provided Raftelis with total annual water use data by customer class for FY 2023 and FY 2024. Water demand projections were kept stable at FY 2024 levels while accounting for population growth. **Table 4-7** shows projected water use over the study period.

Table 4-7: Projected Water Use

Description	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Water Demand Factor	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
WATER DEMAND (hcf)							
All Classes	442,354	447,662	453,034	458,470	463,972	469,540	475,174

5. Water Financial Plan

Section 5 details the development of a proposed five-year water financial plan for the City over the study period. The following subsections include estimates and projections of annual revenues, O&M expenses, debt service payments, capital expenditures, and reserve funding through FY 2030. The overall purpose of the financial plan is to determine the annual revenues required to achieve sufficient cash flow, maintain adequate reserves, and meet debt coverage requirements.

5.1. Revenues from Current Rates

The City's water revenues consist of rate revenues, interest earnings on cash reserves, and other miscellaneous revenues. The rate revenue projections shown assume that current FY 2025 rates are effective throughout the study period; and therefore, represent estimated revenues in the absence of any revenue adjustments (i.e., rate increases). This status quo scenario provides a baseline from which Raftelis evaluates the need for revenue adjustments.

5.1.1. Calculated Water Rate Revenues

Raftelis projected water rate revenues from Monthly Service Charges and Commodity Rates for FY 2025 through FY 2030 based on current FY 2025 water rates, the current and projected number of water meters/private fire lines, and projected annual water use.

Table 5-1 shows projected Monthly Service Charge revenues under current rates over the study period. Monthly Service Charge Revenues are calculated by connection size/type in each year as follows, based on current FY 2025 water rates (from Error! Reference source not found.), projected number of water meters (from **Table 4-6**), and the projected number of fire lines (from Error! Reference source not found.):

Annual Monthly Service Charge Revenue = [FY 2025 monthly rate] × [Number of connections] × [12 Bills per year]

Table 5-1: Projected Monthly Service Charge Revenues under Current Rates

Meter Size	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
5/8 & 3/4-inch	$968,601	$979,741	$991,467	$1,003,194	$1,014,920	$1,026,646
1-inch	$106,310	$107,260	$108,209	$109,158	$110,107	$111,056
1.5-inch	$85,104	$85,104	$85,104	$85,104	$85,104	$85,104
2-inch	$278,545	$281,249	$283,954	$286,658	$289,362	$292,067
3-inch	$0	$0	$0	$0	$0	$0
4-inch	$96,227	$96,227	$96,227	$96,227	$96,227	$96,227
6-inch	$69,005	$69,005	$69,005	$69,005	$69,005	$69,005
8-inch	$27,112	$27,112	$27,112	$27,112	$27,112	$27,112
10-inch	$0	$0	$0	$0	$0	$0
Total	**$1,630,903**	**$1,645,697**	**$1,661,077**	**$1,676,457**	**$1,691,837**	**$1,707,217**

Table 5-2 shows projected Commodity Charge revenues under current rates over the study period. Commodity Charge revenues are calculated by customer class in each year as follows, based on current FY 2025 water rates (from Error! Reference source not found.) and projected water use (from **Table 4-7**):

Annual Commodity Charge Revenue = [FY 2025 rate per hcf] × [Annual Water Use in hcf]

Table 5-2: Projected Commodity Charge Revenues under Current Rates

Customer Class	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
All Customers	$1,374,322	$1,390,814	$1,407,503	$1,424,394	$1,441,488	$1,458,784

5.1.2. Other Revenues

Table 5-3 shows all other revenues. All FY 2024 other revenues are based on the City's FY 2024 budget. Other revenues from FY 2025 through FY 2030 were projected by Raftelis, relying on the assumptions detailed in **Section 4**. Beginning in FY 2026, interest revenue is estimated based on projected cash balances and the assumed interest rate (from **Table 4-4**). All other revenues are estimated by the miscellaneous inflation rate (from **Table 4-3**).

Table 5-3: Projected Other Revenues

Description	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Fund 502 - Water							
Sales	$69,209	$69,209	$69,209	$69,209	$69,209	$69,209	$69,209
Connect Fee	$6,114	$6,114	$6,114	$6,114	$6,114	$6,114	$6,114
Establishment Fee	$4,017	$4,097	$4,179	$4,262	$4,348	$4,435	$4,523
Miscellaneous	$5,937	$6,056	$6,177	$6,300	$6,426	$6,555	$6,686
Interest Earnings Other	$2,220	$0	$7,311	$7,076	$6,820	$6,544	$6,245
Reimburse Water Labor/Mat	$1,829,976	$0	$0	$0	$0	$0	$0
Subtotal – Fund 502	**$1,917,473**	**$85,476**	**$92,990**	**$92,962**	**$92,918**	**$92,857**	**$92,777**
Fund 582 – NPUA Capital Water							
SWRCB State Water Res Contr	$5,973,969	$0	$0	$0	$0	$0	$0
Bureau of Reclamation	$24,876	$0	$0	$0	$0	$0	$0
Transfers From Gen'l Fund	$15,901	$15,901	$15,901	$15,901	$15,901	$15,901	$15,901
Water Asset Replacement	$259,308	$264,494	$269,784	$275,180	$280,683	$286,297	$292,023
Subtotal – Fund 582	**$6,274,054**	**$280,395**	**$285,685**	**$291,080**	**$296,584**	**$302,197**	**$307,923**
Total	**$8,191,527**	**$365,870**	**$378,675**	**$384,042**	**$389,501**	**$395,054**	**$400,701**

Table 5-4 summarizes projected revenues under current rates over the study period. It represents expected revenues in the absence of any rate increase over the study period.

Table 5-4: Summary of Projected Revenues under Current Rates

Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Monthly Service Charges	$1,399,519	$1,630,903	$1,645,697	$1,661,077	$1,676,457	$1,691,837	$1,707,217
Commodity Charges	$1,371,887	$1,374,322	$1,390,814	$1,407,503	$1,424,394	$1,441,488	$1,458,784
Interest Earnings	$2,220	$0	$7,311	$7,076	$6,820	$6,544	$6,245
Miscellaneous Revenue	$8,191,527	$365,870	$378,675	$384,042	$389,501	$395,054	$400,701
Total	**$10,962,933**	**$3,371,096**	**$3,415,186**	**$3,452,622**	**$3,490,352**	**$3,528,379**	**$3,566,701**

5.2. Operations and Maintenance Expenses

Error! Reference source not found. shows O&M expenses over the study period. All projections shown beyond FY 2024 were calculated based on inflationary assumptions (from **Table 4-3**) and any anticipated structural changes to the O&M budget due to either non-recurring expenses or future expenses not currently incurred.

Table 5-5: Projected Operating & Maintenance Expenses

Description	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Fund 502 - Water							
Salaries	$579,994	$594,493	$609,356	$624,590	$640,204	$656,209	$672,615
Overtime	$59,688	$61,180	$62,710	$64,278	$65,885	$67,532	$69,220
FICA Soc Sec/M-Care Ins	$43,608	$47,968	$52,765	$58,042	$63,846	$70,230	$77,253
Unemployment	$1,913	$2,046	$2,190	$2,343	$2,507	$2,682	$2,870
Group Insurance	$68,961	$75,858	$83,443	$91,788	$100,966	$111,063	$122,169
Workers' Compensation	$17,328	$18,541	$19,839	$21,228	$22,713	$24,303	$26,005
PERS/Retirement Contrib.	$48,547	$49,275	$50,014	$50,764	$51,526	$52,299	$53,083
PERS-Unfunded Liability	$52,832	$53,625	$54,429	$55,246	$56,074	$56,915	$57,769
Lwr Col Multi-SP Cons Pro	$4,856	$5,001	$5,151	$5,306	$5,465	$5,629	$5,798
Engineering Services	$693	$714	$735	$757	$780	$803	$828
Medical Exams	$200	$220	$242	$266	$293	$322	$354
Educational Training	$3,681	$3,791	$3,905	$4,022	$4,143	$4,267	$4,395
Audit Fees	$13,307	$13,706	$14,117	$14,541	$14,977	$15,426	$15,889
Legal Fees-Water	$76,618	$78,916	$81,284	$83,722	$86,234	$88,821	$91,486
Other Professional Svs.	$21,416	$22,058	$22,720	$23,401	$24,103	$24,827	$25,571
Electric Utilities	$83,489	$86,829	$90,302	$93,914	$97,670	$101,577	$105,640
Water Utilities	$100	$104	$108	$112	$117	$121	$126
Vehicle Maint/Repair	$3,246	$3,359	$3,477	$3,599	$3,725	$3,855	$3,990
Equipment Maint/Repair	$432	$447	$463	$479	$496	$513	$531
Meter Maint/Repair	$6,906	$7,148	$7,398	$7,657	$7,925	$8,202	$8,489
Wells Maint/Repair	$1,400	$1,449	$1,500	$1,552	$1,607	$1,663	$1,721
Tools & Equipm Maint/Repl	$8,514	$8,812	$9,120	$9,440	$9,770	$10,112	$10,466
Valves-Maint/Repair	$14,140	$14,635	$15,148	$15,678	$16,226	$16,794	$17,382
Streets-Asphalt Materials	$5,887	$6,093	$6,307	$6,527	$6,756	$6,992	$7,237
Liability Insurance	$12,817	$13,714	$14,674	$15,701	$16,800	$17,976	$19,235
Blanket Bond Insurance	$161	$172	$184	$197	$211	$226	$242
Property Insurance	$24,348	$26,052	$27,876	$29,827	$31,915	$34,149	$36,540
Telephone/Cell	$11,090	$11,423	$11,765	$12,118	$12,482	$12,856	$13,242
Postage	$182	$187	$193	$199	$205	$211	$217
Advertising	$503	$518	$534	$550	$566	$583	$601
Economic Dev. Consulting	$11,435	$11,778	$12,132	$12,496	$12,871	$13,257	$13,654
Public Education	$5,615	$5,784	$5,957	$6,136	$6,320	$6,510	$6,705
Travel Per Diem	$1,623	$1,672	$1,722	$1,774	$1,827	$1,882	$1,938
Dues and Membership	$3,027	$3,117	$3,211	$3,307	$3,406	$3,509	$3,614
Licensing	$467	$481	$496	$511	$526	$542	$558
Utility Business Office	$134,988	$139,038	$143,209	$147,505	$151,930	$156,488	$161,183
Central Purchasing Adm	$63,264	$65,162	$67,117	$69,130	$71,204	$73,340	$75,541
Mgmt Info Sys/O&M	$31,404	$32,346	$33,317	$34,316	$35,345	$36,406	$37,498

Description	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Fleet Maintenance	$43,692	$45,221	$46,804	$48,442	$50,138	$51,892	$53,709
Vehicle Replacement Fund	$42,000	$43,470	$44,991	$46,566	$48,196	$49,883	$51,629
Finance Dept. Services	$452	$466	$480	$494	$509	$525	$540
Lab Testing	$11,133	$11,467	$11,811	$12,165	$12,530	$12,906	$13,293
Encroachment Permits	$18,559	$19,116	$19,689	$20,280	$20,888	$21,515	$22,160
Lab Supplies	$693	$714	$735	$757	$780	$803	$828
Back Flow Prevention	$360	$371	$382	$393	$405	$417	$430
Boots	$1,799	$1,853	$1,908	$1,966	$2,025	$2,085	$2,148
Chlorine/Chemical Supplies	$43,336	$45,069	$46,872	$48,747	$50,697	$52,725	$54,834
Purchased Inventory	$57,383	$59,104	$60,878	$62,704	$64,585	$66,523	$68,518
Office Supplies	$641	$660	$680	$701	$722	$743	$766
Computer/Printer Supplies	$5	$5	$5	$5	$6	$6	$6
Uniforms	$4,171	$4,296	$4,425	$4,558	$4,695	$4,835	$4,980
Safety Equipment	$3,479	$3,583	$3,691	$3,802	$3,916	$4,033	$4,154
Vehicle Fuel	$23,277	$24,208	$25,176	$26,183	$27,231	$28,320	$29,453
Regulatory Fees	$15,632	$16,101	$16,584	$17,082	$17,594	$18,122	$18,666
Employee Meals	$25	$26	$27	$28	$28	$29	$30
Fair Share Allocations	$145,564	$149,931	$154,429	$159,062	$163,834	$168,749	$173,811
Vac/Sl/Comp Accrual	$9,529	$9,815	$10,110	$10,413	$10,725	$11,047	$11,378
Purchased Inventory	$13,910	$14,327	$14,757	$15,200	$15,656	$16,125	$16,609
Bad Debts Expense	$16,331	$16,331	$16,331	$16,331	$16,331	$16,331	$16,331
Transfer-O&M Reimb	$1,829,976	$0	$0	$0	$0	$0	$0
Trf-Asset Replacement	$259,308	$268,384	$277,777	$287,499	$297,562	$307,977	$318,756
Subtotal – Fund 502	**$3,959,936**	**$2,202,235**	**$2,277,652**	**$2,356,396**	**$2,438,669**	**$2,524,687**	**$2,614,684**
Fund 582 – NPUA Capital Water							
Booster Pump Lift Station	$440	$455	$471	$488	$505	$523	$541
Wells	$58,903	$60,964	$63,098	$65,307	$67,592	$69,958	$72,407
Reservoirs	$1,260	$1,304	$1,350	$1,397	$1,446	$1,496	$1,549
Transfer Expense	$6,445,583	$0	$0	$0	$0	$0	$0
Subtotal – Fund 582	**$3,959,936**	**$2,202,235**	**$2,277,652**	**$2,356,396**	**$2,438,669**	**$2,524,687**	**$2,614,684**
Total	**$10,466,122**	**$2,264,959**	**$2,342,571**	**$2,423,587**	**$2,508,212**	**$2,596,664**	**$2,689,180**

5.3. Debt Service

Table 5-6 shows the City's existing debt service obligations associated with its 2016 Revenue Refunding Bonds. The 2016 Bond is scheduled to be fully repaid in FY 2031.

Table 5-6: Schedule of Debt Service Payments

Debt Service	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
2016 Revenue Refunding Bonds						
Principal	$239,622	$248,961	$258,664	$268,745	$279,218	$290,100
Interest	$70,537	$61,198	$51,496	$41,415	$30,941	$20,059
Total Debt Service	**$310,159**	**$310,159**	**$310,159**	**$310,159**	**$310,160**	**$310,160**

5.4. Capital Improvement Plan

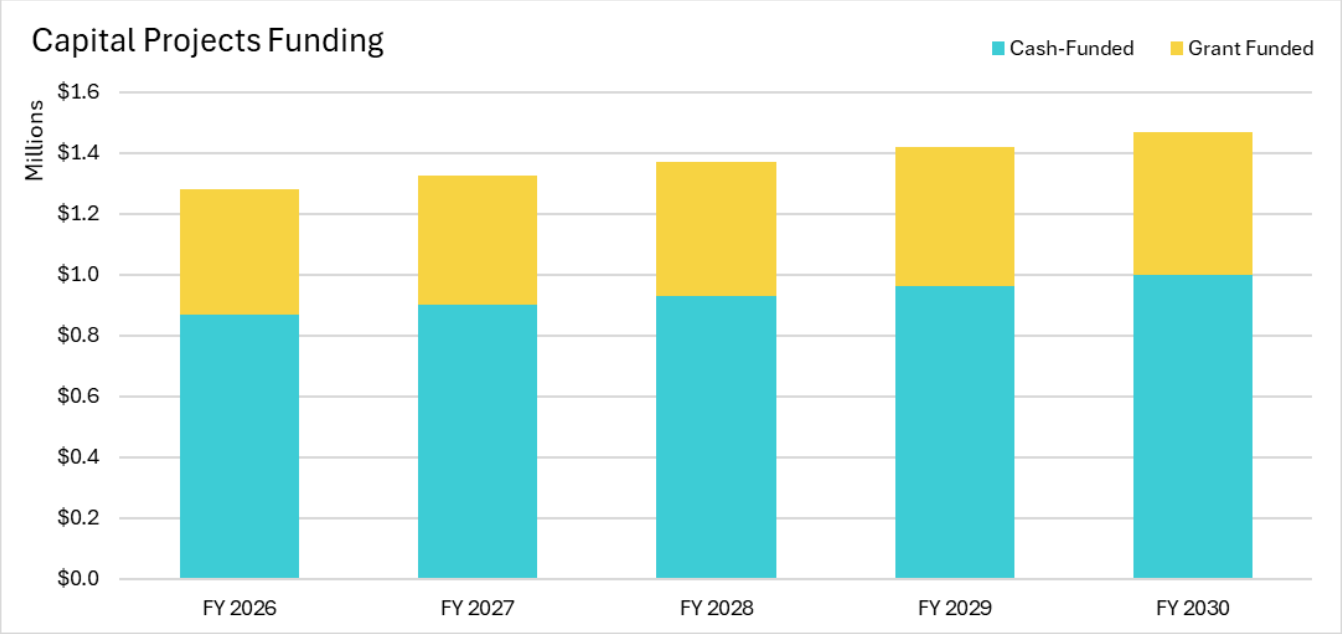
The City has approximately $8.1M in water Capital Improvement Plan (CIP) capital project costs from FY 2025 through FY 2030. These projects are shown in detail in **Table 5-7** and amount to approximately $1.37M in average annual costs over the next five years, driven primarily by aging infrastructure. All projects listed are going to be funded through rate revenue and reserves except for the 1.5 MG water reservoir, which will be funded through grant proceeds.

Table 5-7: Capital Improvement Plan

Project Description	Planned FY 2025	Planned FY 2026	Planned FY 2027	Planned FY 2028	Planned FY 2029	Planned FY 2030
Jet Vac / Trailer	$83,333	$86,250	$89,269	$92,393	$95,627	$98,974
Construct 1.5 Million Gallon Water Reservoir	$396,667	$410,550	$424,919	$439,791	$455,184	$471,116
Main replacement in the Vista Street area & new services	$216,667	$224,250	$232,099	$240,222	$248,630	$257,332
Replace Deteriorating Pipe in Chestnut Street	$32,528	$33,666	$34,844	$36,064	$37,326	$38,632
Replace Deteriorating Pipe in Chesney's Subdivision (Housing)	$69,440	$71,870	$74,385	$76,989	$79,683	$82,472
Replace Deteriorating Pipe in Coronado Street area	$230,278	$238,338	$246,680	$255,313	$264,249	$273,498
Replace Deteriorating Pipe in Casa Linda Street area	$88,432	$91,527	$94,730	$98,046	$101,477	$105,029
Main replacement at Verde Shores under the pond and Chesney development (Fire line into Verde Shores)	$66,667	$69,000	$71,415	$73,915	$76,502	$79,179
Fire hydrant Replacements	$2,500	$2,588	$2,678	$2,772	$2,869	$2,969
Well #15 Steel Building	$50,000	$51,750	$53,561	$55,436	$57,376	$59,384
Total CIP Expenses	**$1,236,510**	**$1,279,788**	**$1,324,580**	**$1,370,941**	**$1,418,923**	**$1,468,586**

Figure 5-1 shows the proposed CIP over the study period. Total CIP expenditures in each year (from **Table 5-7**) are represented by the blue and yellow stacked bars below. The blue bars represent cash-funded CIP, and the yellow bars represent grant-funded CIP.

Figure 5-1: Capital Improvement Plan



5.5. Financial Policies

Agency-specific financial policies must be considered during the financial planning process. Financial policies typically define key financial metrics that an agency strives to meet or exceed.

5.5.1. Required Debt Coverage

The City must meet the minimum coverage requirements on its outstanding debt to ensure that it meets the associated debt covenants. The required debt coverage ratio is 1.2, which means the City's net revenue from operations must amount to at least 1.2 times the annual debt service. Net revenues equal revenues less O&M expenses. Annual debt service includes annual principal and interest payments on all outside debt.

5.5.2. Reserve Targets

Prudent fiscal management requires that the City maintain reserve balances to provide sufficient working capital, maintain necessary cash on hand to efficiently award construction contracts, and provide funding during emergencies. The City's current reserve policy consists of an operating target balance:

- **Operating Reserve target:** The target balance for the Operating Reserve is 10% of annual operating costs.

5.6. Status Quo Water Financial Plan

To evaluate the need for revenue adjustments (i.e., rate increases), Raftelis first developed a status quo financial plan. The status quo financial plan assumes that current FY 2025 water rates remain unchanged over the study period. **Table 5-8** combines projected revenues (from **Table 5-4**), O&M expenses (from **Table**

5-5), debt service (from **Table 5-6**), CIP expenditures (from **Table 5-7**), and reserve targets to generate estimated cash flow, projected ending cash balance, and debt coverage projections under the status quo.

Under the status quo financial plan, net operating cash flow (revenue less O&M and debt service) is projected to be positive in all years throughout the study period. However, while current rates are sufficient to recover the City's operating costs over the study period, it is insufficient to recover CIP expenditures and maintain target reserve levels. After cash-funded CIP is accounted for, net cash change is negative in all years except FY 2027, and reserves fall far below target by FY 2030. The status quo financial plan is thus insufficient to meet the City's needs. This demonstrates a need for revenue adjustments over the study period to increase rate revenues to achieve full cost recovery of projected expenditures and achieve the City's financial policies.

Table 5-8: Status Quo Financial Plan – Pro Forma

Line	Description			FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	**REVENUE**								
2	**Rate Revenue Under Existing Rates**								
3	Monthly Service Charges			$1,630,903	$1,645,697	$1,661,077	$1,676,457	$1,691,837	$1,707,217
4	Commodity Charges			$1,374,322	$1,390,814	$1,407,503	$1,424,394	$1,441,488	$1,458,784
5	**Total Rate Revenue Under Existing Rates**			**$3,005,226**	**$3,036,511**	**$3,068,580**	**$3,100,851**	**$3,133,324**	**$3,166,001**
6									
7	**Additional Rate Revenue Required from Revenue Adjustments**[4]								
8	**Fiscal Year**	**Revenue Adjustment**	**Month Effective**						
9	FY 2026	0.00%	October		$0	$0	$0	$0	$0
10	FY 2027	0.00%	October			$0	$0	$0	$0
11	FY 2028	0.00%	October				$0	$0	$0
12	FY 2029	0.00%	October					$0	$0
13	FY 2030	0.00%	October						$0
14	**Total Revenue Adjustments**			**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
15									
16	**Revenue Summary (including Revenue Adjustments)**								
17	Revenue from Rates [Line 5 +Line 14]			$3,005,226	$3,036,511	$3,068,580	$3,100,851	$3,133,324	$3,166,001
18	Miscellaneous Revenue			$807,761	$681,145	$783,606	$857,434	$639,633	$370,291
19	Interest Earnings			$903,307	$921,374	$939,801	$958,597	$977,769	$997,324
20	Fund: 582 - NPUA Capital Water			$280,395	$285,685	$291,080	$296,584	$302,197	$307,923
21	**TOTAL REVENUE**			**$3,371,096**	**$3,415,698**	**$3,453,845**	**$3,492,324**	**$3,531,135**	**$3,570,283**
22									
23	**O&M EXPENSES**								
24	Fund 502			$2,202,235	$2,277,652	$2,356,396	$2,438,669	$2,524,687	$2,614,684
25	Fund 582			$62,724	$64,919	$67,191	$69,543	$71,977	$74,496
26	**TOTAL O&M EXPENSES**			**$2,264,959**	**$2,342,571**	**$2,423,587**	**$2,508,212**	**$2,596,664**	**$2,689,180**
27									
28	**NET REVENUE** [Line 21 – Line 26]			**$1,106,137**	**$1,072,615**	**$1,029,034**	**$982,140**	**$931,715**	**$877,521**
29									

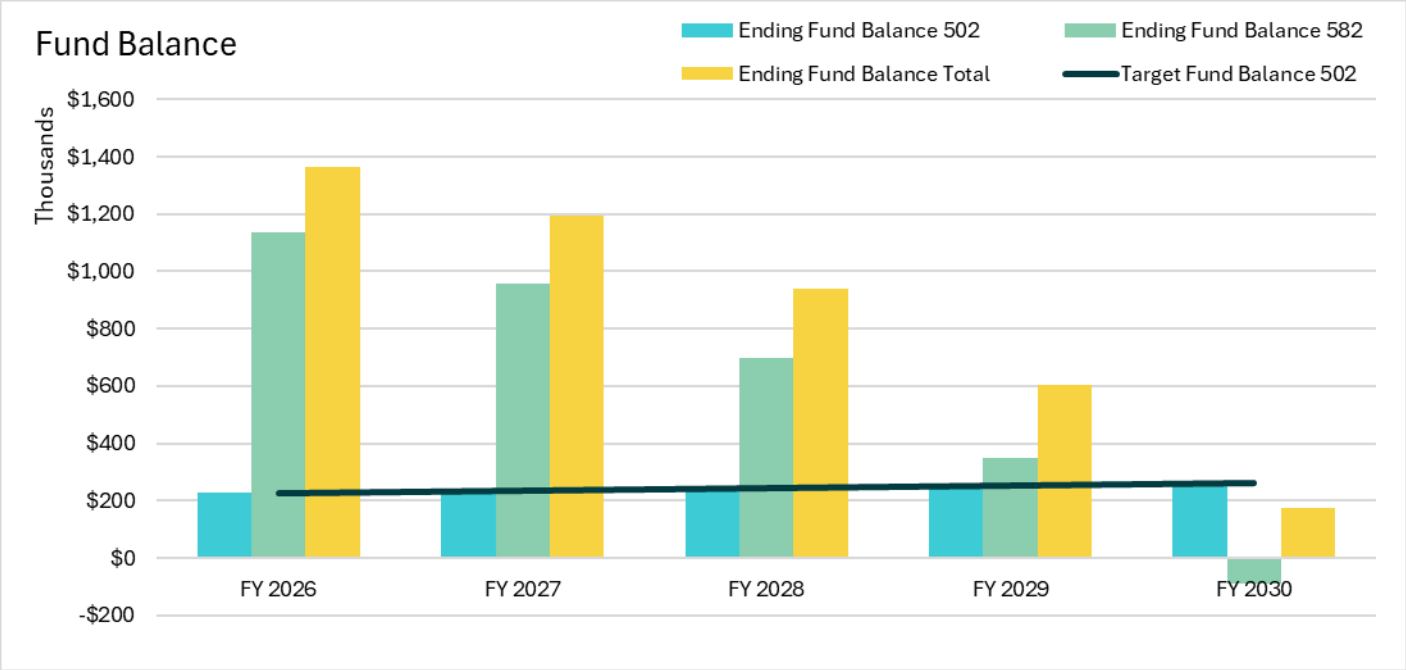
[4] The increase in rate revenues resulting from each year's revenue adjustment is calculated individually in Lines 9-13. This is necessary to account for revenue increases resulting from prior year revenue adjustments. However, revenue adjustments equal zero dollars under the status quo, which assumes no revenue adjustments (i.e. rate increases) over the study period.

Line	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
30	**DEBT SERVICE**						
31	Existing Debt Service	$310,159	$310,159	$310,159	$310,159	$310,160	$310,160
32	Proposed Debt Service	$0	$0	$0	$0	$0	$0
33	**TOTAL DEBT SERVICE**	**$310,159**	**$310,159**	**$310,159**	**$310,159**	**$310,160**	**$310,160**
34							
35	**NET OPERATING CASH FLOW** [Line 28 – Line 33]	**$795,978**	**$762,455**	**$718,875**	**$671,981**	**$621,555**	**$567,361**
36							
37	**CAPITAL EXPENDITURES**						
38	Cash-Funded	$839,843	$869,238	$899,661	$931,149	$963,739	$997,470
39	**TOTAL CAPITAL EXPENDITURES**	**$839,843**	**$869,238**	**$899,661**	**$931,149**	**$963,739**	**$997,470**
40							
41	**UNRESTRICTED CASH BALANCE**						
42	Combined 502 and 582 Beginning Balance[5]	$1,505,754	$1,461,889	$1,365,213	$1,193,251	$941,027	$603,269
43	Net Cash Change [Line 35 – Line 39]	-$43,865	-$106,782	-$180,786	-$259,168	-$342,184	-$430,109
44	**Combined 502 and 582 ENDING BALANCE**	**$1,461,889**	**$1,365,213**	**$1,193,251**	**$941,027**	**$603,269**	**$174,392**
45							
46	*Operating Reserve Target*	*$220,224*	*$227,765*	*$235,640*	*$243,867*	*$252,469*	*$261,468*
47							
48	**DEBT COVERAGE**						
49	Projected Debt Coverage [Line 49 ÷ Line 54]	3.77	3.67	3.53	3.39	3.24	3.07
50	Required Debt Coverage	1.20	1.20	1.20	1.20	1.20	1.20

[5] Beginning FY 2025 unrestricted cash balance of $891,681 for Fund 502 and $614,073 for Fund 582 was provided by District staff. All other beginning and ending balances shown are projections by Raftelis.

Figure 5-2 shows the City's projected ending balances under the status quo (from **Table 5-8**Table 5-8). The existing reserve target is represented by the dark blue line. The blue bars represent the Fund 502 ending balance, the green bars represent the Fund 582 ending balance, and the yellow bars represent the combined ending balance. The City is projected to fall below its existing target in FY 2030, with the projected combined ending cash balance at only $174k.

Figure 5-2: Status Quo Financial Plan – Projected Ending Balances



5.7. Proposed Financial Plan

The status quo financial plan demonstrates that the City must increase its revenues from water rates over the study period to adequately fund its operating and capital expenditures and generate sufficient reserve funding. Raftelis worked closely with City staff to select the proposed annual revenue adjustments shown in **Table 5-9**. Revenue adjustments represent annual percent increases in rate revenue relative to the prior year. All CIP over the study period is assumed to be cash-funded (i.e., funded by water rates and cash reserves) except for the 1.5 MG water reservoir (**Table 5-7**), which is planned to be funded through grant proceeds; otherwise, no new debt is planned.

Table 5-9: Proposed Revenue Adjustments

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Effective Date	October 1, 2025	October 1, 2026	October 1, 2027	October 1, 2028	October 1, 2029
Revenue Adjustment	3.0%	3.0%	3.0%	3.0%	3.0%

Table 5-10 shows the proposed financial plan pro forma. This combines projected revenues (from **Table 5-4**), O&M expenses (from Error! Reference source not found.), debt service (from **Table 5-6**), CIP expenditures (from **Table 5-7**), and reserve targets to generate estimated cash flow, projected ending cash balances, and debt coverage projections under the proposed financial plan. Revenue adjustments over the study period

generate increases in rate revenues. This results in positive net cash flow beginning in FY 2028 and sufficient debt coverage in all years.

Table 5-10: Proposed Financial Plan – Pro Forma

Line	Description			FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	**REVENUE**								
2	**Rate Revenue Under Existing Rates**								
3	Monthly Service Charges			$1,630,903	$1,645,697	$1,661,077	$1,676,457	$1,691,837	$1,707,217
4	Commodity Charges			$1,374,322	$1,390,814	$1,407,503	$1,424,394	$1,441,488	$1,458,784
5	**Total Rate Revenue Under Existing Rates**			**$3,005,226**	**$3,036,511**	**$3,068,580**	**$3,100,851**	**$3,133,324**	**$3,166,001**
6									
7	**Additional Rate Revenue Required from Revenue Adjustments**[6]								
8	**Fiscal Year**	**Revenue Adjustment**	**Month Effective**						
9	FY 2026	3.00%	October		$68,322	$92,057	$93,026	$94,000	$94,980
10	FY 2027	3.00%	October			$71,114	$95,816	$96,820	$97,829
11	FY 2028	3.00%	October				$74,018	$99,724	$100,764
12	FY 2029	3.00%	October					$77,037	$103,787
13	FY 2030	3.00%	October						$80,176
14	**Total Revenue Adjustments**			**$0**	**$68,322**	**$163,172**	**$262,860**	**$367,581**	**$477,537**
15									
16	**Revenue Summary (including Revenue Adjustments)**								
17	Revenue from Rates [Line 5 +Line 14]			$3,005,226	$3,104,833	$3,231,751	$3,363,711	$3,500,905	$3,643,537
18	Miscellaneous Revenue			$807,761	$681,145	$783,606	$857,434	$639,633	$370,291
19	Interest Earnings			$903,307	$921,374	$939,801	$958,597	$977,769	$997,324
20	Fund: 582 - NPUA CAPITAL WATER			$280,395	$285,685	$291,080	$296,584	$302,197	$307,923
21	**TOTAL REVENUE**			**$3,371,096**	**$3,484,020**	**$3,617,017**	**$3,755,184**	**$3,898,716**	**$4,047,819**
22									
23	**O&M EXPENSES**								
24	Fund 502			$2,202,235	$2,277,652	$2,356,396	$2,438,669	$2,524,687	$2,614,684
25	Fund 582			$62,724	$64,919	$67,191	$69,543	$71,977	$74,496
26	**TOTAL O&M EXPENSES**			**$2,264,959**	**$2,342,571**	**$2,423,587**	**$2,508,212**	**$2,596,664**	**$2,689,180**
27									
28	**NET REVENUE** [Line 21 – Line 26]			**$1,106,137**	**$1,141,449**	**$1,193,430**	**$1,246,972**	**$1,302,052**	**$1,358,639**
29									
30	**DEBT SERVICE**								

[6] The increase in rate revenues resulting from each year's revenue adjustment is calculated individually in Lines 9-13. This is necessary to account for revenue increases resulting from prior year revenue adjustments. However, revenue adjustments equal zero dollars under the status quo, which assumes no revenue adjustments (i.e. rate increases) over the study period.

Line	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
31	Existing Debt Service	$310,159	$310,159	$310,159	$310,159	$310,160	$310,160
32	Proposed Debt Service	$0	$0	$0	$0	$0	$0
33	**TOTAL DEBT SERVICE**	**$310,159**	**$310,159**	**$310,159**	**$310,159**	**$310,160**	**$310,160**
34							
35	**NET OPERATING CASH FLOW** [Line 28 – Line 33]	**$795,978**	**$831,289**	**$883,270**	**$936,812**	**$991,893**	**$1,048,479**
36							
37	**CAPITAL EXPENDITURES**						
38	Cash-Funded	$839,843	$869,238	$899,661	$931,149	$963,739	$997,470
39	**TOTAL CAPITAL EXPENDITURES**	**$839,843**	**$869,238**	**$899,661**	**$931,149**	**$963,739**	**$997,470**
40							
41	**UNRESTRICTED CASH BALANCE**						
42	Combined 502 and 582 Beginning Balance[7]	$1,505,754	$1,461,889	$1,434,563	$1,428,750	$1,445,109	$1,484,248
43	Net Cash Change [Line 35 – Line 39]	-$43,865	-$37,948	-$16,391	$5,663	$28,153	$51,009
44	**Combined 502 and 582 ENDING BALANCE**	**$1,461,889**	**$1,434,563**	**$1,428,750**	**$1,445,109**	**$1,484,248**	**$1,546,704**
45							
46	*Operating Reserve Target*	*$220,224*	*$227,765*	*$235,640*	*$243,867*	*$252,469*	*$261,468*
47							
48	**DEBT COVERAGE**						
49	Projected Debt Coverage [Line 49 ÷ Line 54]	3.77	3.68	3.85	4.02	4.20	4.38
50	Required Debt Coverage	1.20	1.20	1.20	1.20	1.20	1.20

[7] Beginning FY 2025 unrestricted cash balance of $891,681 for Fund 502 and $614,073 for Fund 582 was provided by District staff. All other beginning and ending balances shown are projections by Raftelis.

Figure 5-3 shows the debt coverage under the proposed financial plan. The required debt coverage ratio of 1.20 is denoted by the dark blue line, with projected debt coverage represented by the light blue line. The City is projected to exceed its required debt coverage requirement in all years of the study period.

Figure 5-3: Proposed Financial Plan –Debt Coverage

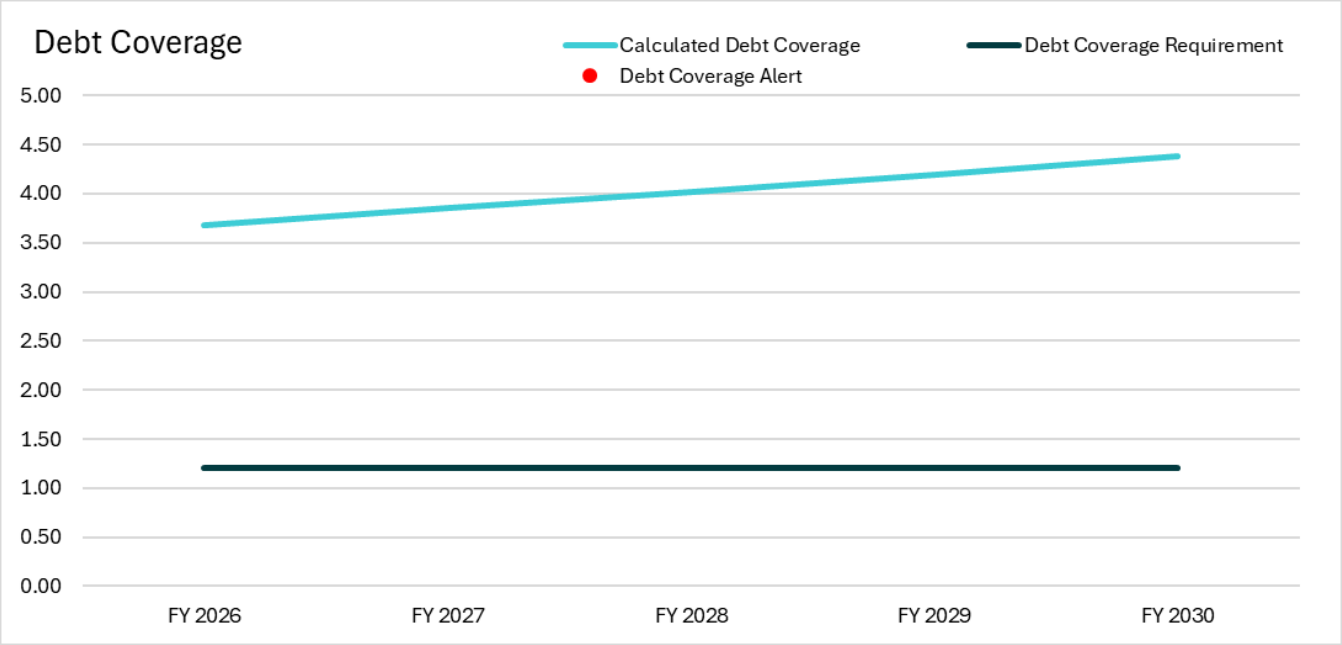


Figure 5-4 shows the proposed annual funding for the CIP. The grant-funded water reservoir project expenditures are shown in the yellow stacked bars. The rest of the CIP is planned to be funded through rate revenues and reserves, shown in the light blue stacked bars.

Figure 5-4: Proposed CIP Financing Plan

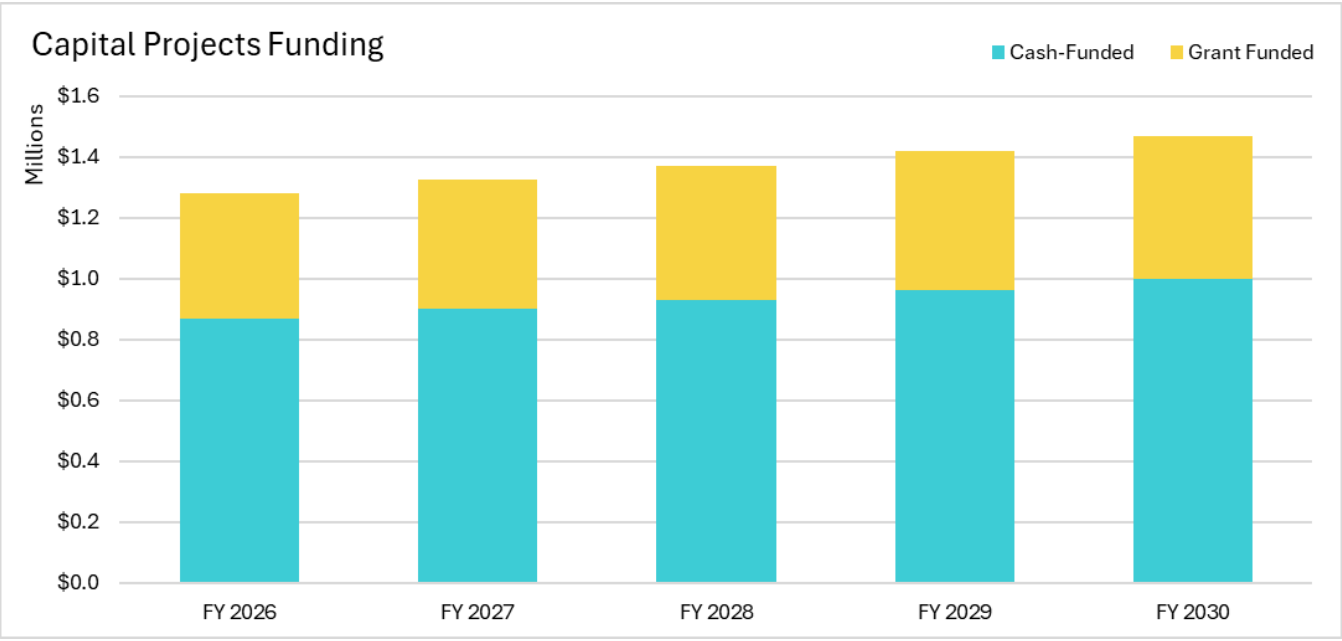


Figure 5-5 shows the City's projected ending balances under the proposed financial plan. The light blue bars represent the Fund 502 ending balance, the green bars represent the Fund 582 ending balance, and the yellow bars represent the combined ending balance. The City is projected to maintain steady reserves through FY 2030. The proposed plan is advantageous in several ways including: reducing risk relative to the present day; providing flexibility in future CIP financing or cash-funding; and providing a sufficient revenue base to support any potential increases to the CIP in the next rate cycle (FY 2031-2035) given continued inflation and the amount of aging equipment projected to exceed its expected service life.

Figure 5-5: Proposed Financial Plan – Projected Ending Balances

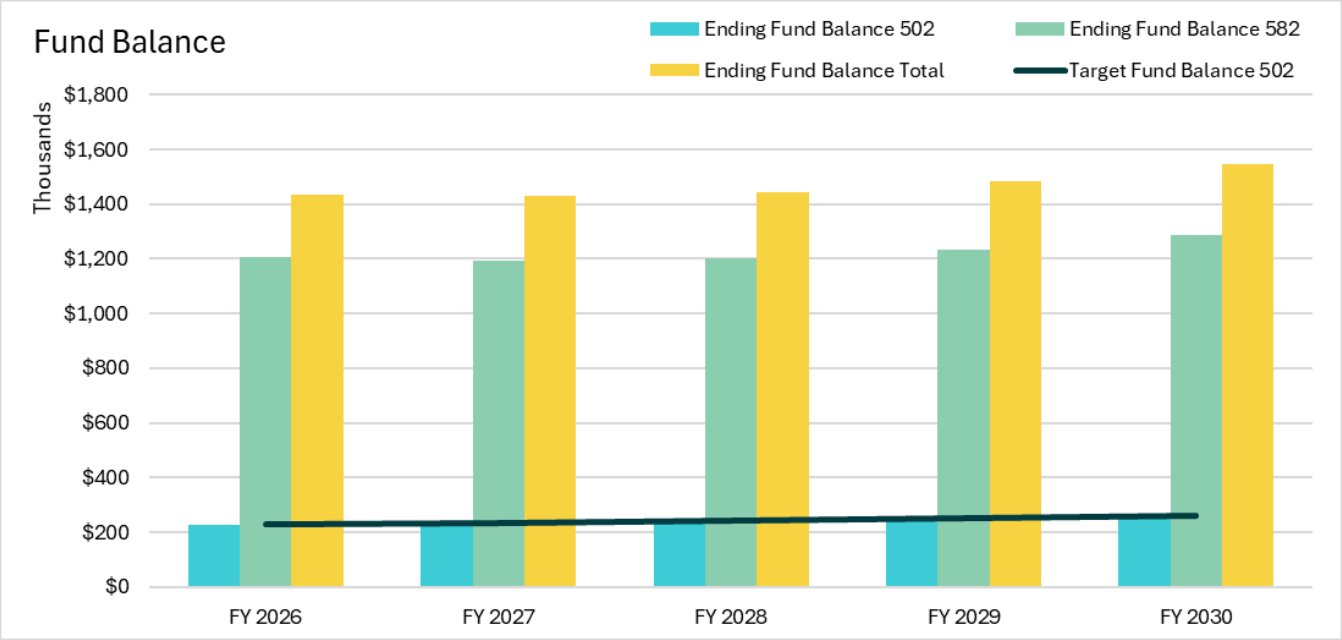
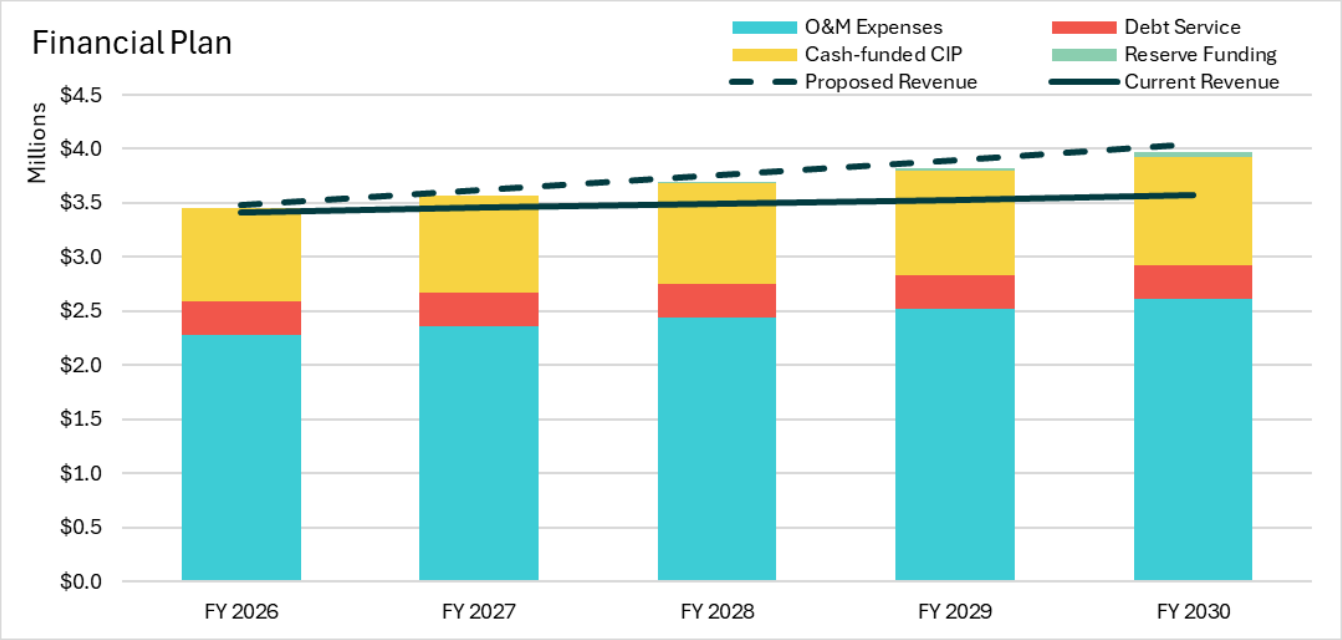


Figure 5-6 shows the proposed versus the status quo financial plan. Revenues under the proposed financial plan and the status quo financial plan are represented by the dashed and solid dark blue lines, respectively. Revenue requirements, including O&M expenses, debt service, cash-funded CIP, and reserve funding, are represented by the various stacked bars. Although current rates result in adequate recovery of O&M expenses and debt service payments, revenue adjustments are required to generate sufficient revenue to cover cash-funded CIP and maintain reserves.

Figure 5-6: Proposed vs. Status Quo Financial Plan



6. Water Cost of Service Analysis

Section 6 details the COS analysis performed for the City for FY 2026. The COS analysis fairly allocates the overall rate revenue requirement to customer classes based on their proportion of use and burden on the City's water systems. The COS provides the basis for the development of proposed FY 2026 water rates.

6.1. Methodology

The first step in the COS analysis is to determine the revenue required from rates. The total revenue requirement is determined by the financial plan and the proposed revenue adjustments in **Section 5**The framework and methodology utilized to develop the COS analysis and apportion the revenue requirement to each customer class and tier are informed by the processes outlined in the AWWA Manual M1.

COS analyses are tailored specifically to meet the unique needs of each water system. However, there are four distinct steps in every COS analysis to recover costs from customers in an accurate, equitable, and cost-justified manner:

1. **Cost functionalization:** O&M expenses and capital assets are categorized by their function in the system. Sample functions may include wells, treatment, distribution, meters, customer service, etc.
2. **Cost causation component allocation:** Functionalized costs are then allocated to cost causation components based on their burden on the system. The cost causation components include volume, meters, customers, etc. The revenue requirement is allocated to the cost causation components, resulting in the total revenue requirement for each cost causation component.
3. **Unit cost development:** The revenue requirement for each cost causation component is divided by the appropriate units of service to determine the unit cost for each cost causation component.
4. **Revenue requirement distribution:** The unit cost is utilized to distribute the revenue requirement for each cost causation component to customer classes based on each customer class's individual service units and cost responsibility.

This method of functionalizing costs is consistent with the AWWA Manual M1 and is used in the water industry to perform COS analyses and align with Proposition 218's requirements.

6.2. Revenue Requirement

Table 6-1 shows the rate revenue requirement for FY 2026 (also referred to as the test year or rate-setting year). The revenue requirement is divided into operating and capital categories (Columns C and D), which are later allocated based on O&M expenses and capital assets, respectively. The revenue requirements (Lines 2-4) are equal to FY 2026 expenses. The revenue offsets (Lines 8-10) include Fund 582 revenue, interest earnings, and miscellaneous revenues that are applied as offsets to the final rate revenue requirement. The cash adjustment (Line 14) is equal to the FY 2026 positive net cash change to reserves less the operating expenses for Fund 582. The adjustment to annualize the rate increase (Line 15) represents the revenue that would have been collected if the rates were implemented for all 12 months of the fiscal year. All values are from the proposed financial plan pro forma (**Table 5-10**). The final rate revenue requirement (Line 18) is calculated as follows:

Total revenue required from rates (Line 18) = Revenue requirements (Line 5) - Revenue offsets (Line 11) - Adjustments (Line 16)

Table 6-1: FY 2026 Revenue Required from Water Rates

[A]	[B]	[C]	[D]	[E]
Line	Description	Operating	Capital	Total
1	**Revenue Requirements**			
2	O&M Expenses	$2,277,652		$2,277,652
3	Debt Service	$310,159		$310,159
4	Cash Funded CIP		$869,238	$869,238
5	**Total Revenue Requirements**	**$2,587,811**	**$869,238**	**$3,457,049**
6				
7	**Less Revenue Offsets**			
8	Fund 582 Revenue		$285,685	$285,685
9	Miscellaneous Revenue	$85,679		$85,679
10	Interest Income	$7,824		$7,824
11	**Total Revenue Offsets**	**$93,502**	**$285,685**	**$379,187**
12				
13	**Less Adjustments**			
14	Cash from (to) Reserves	-$26,971		-$26,971
15	Adjustment to Annualize Rate Increase	-$23,705		-$23,705
16	**Total Adjustments**	**-$50,676**	**$0**	**-$50,676**
17				
18	**Total Revenue Required from Rates**	**$2,544,984**	**$583,553**	**$3,128,538**

6.3. System Peaking Factors

A significant portion of the costs of the water system is based on the peaking characteristics of its customers. Different facilities of a water system are designed to meet different extra-capacity (i.e., peaking) requirements. The Max Day demand is the maximum amount of water required in a single day over a full year. For example, storage and treatment components of the water system are designed for system Max Day requirements.

Table 6-2 shows the system-wide peaking factors provided by City staff for the most recent year, FY 2024, which are used to derive the cost component allocation bases for Base Delivery (i.e., Average Day Demand (ADD), Max Day, and Max Hour costs. Base Delivery use is considered ADD over one year, which is normalized to a factor of 1.00 (Column C, Line 1). The Max Day peaking factor (Column C, Line 2) indicates that the Max Day demand is 1.42 times greater than the average daily demand. The allocation bases (Columns D to E) are calculated using the equations outlined below. Columns are represented in these equations as letters, and rows are represented as numbers. For example, Column D, Line 2 is shown as D2.

The Max Day allocations are calculated as follows:

- Base Delivery: *C1 / C2 x 100% = D2*
- Max Day: *(C2 - C1) / C2 x 100% = E2*

Table 6-2: Water System Peaking Factor Allocations

[A]	[B]	[C]	[D]	[E]	[F]
Line	Description	Factor	Base	Max Day	Total
1	Base	1.00	100.0%	0.0%	**100.0%**
2	Max Day	1.42	70.4%	29.6%	**100.0%**

6.4. Functionalization and Allocation of Expenses

After determining the revenue requirement and systemwide peaking allocation basis, the next step of the COS analysis is to allocate O&M expenses and capital assets to the following functional categories:

- **Wells**: costs of well maintenance, operations, and groundwater production
- **Treatment**: costs associated with the City's water treatment system
- **Distribution**: costs related to the City's water distribution system
- **Meters**: costs of meter servicing, maintenance, and repair
- **Customer Service**: costs of meter reading, billing, and other customer service-related activities
- **General**: costs for general administration and operational expenses, or any other costs that do not clearly relate to a specific functional category

The functionalization of costs allows for the allocation of costs to cost causation components. Some cost causation components correspond directly to a functional category listed above. Other cost components do not directly correspond with one functional category but are spread among several. The cost causation components include:

- **Volume**: costs associated with providing water (supply, treatment, and distribution)
- **Meters**: directly associated with the Meters functional category
- **Customer**: directly associated with the Customer functional category

Most functional categories are allocated entirely to the corresponding cost causation component. The only allocation basis for functional categories not allocated entirely to a single cost causation component is Distribution, which is allocated to Volume and Meter based on Base and Max Day, respectively.

6.5. O&M Expense Allocation

The next step of the COS analysis is to develop an allocation basis for the operating revenue requirement based on the functionalization of the City's O&M expenses. **Table 6-3** shows the City's FY 2026 O&M expenses (from Error! Reference source not found.). Each line item is allocated to the most appropriate functional category.

Table 6-3: Functionalization of Water O&M by Cost Center

Operating Expenses	FY 2026	Wells	Treatment	Distribution	Meter	Customer Service	General
Fund: 502 - Water							
Salaries	$609,356	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Overtime	$62,710	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Fica Soc Sec/M-Care Ins	$52,765	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Unemployment	$2,190	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Group Insurance	$83,443	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Workers' Compensation	$19,839	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Pers/Retirement Contrib.	$50,014	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Pers-Unfunded Liability	$54,429	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Lwr Col Multi-Sp Cons Pro	$5,151	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Engineering Services	$735	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Medical Exams	$242	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Educational Training	$3,905	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Audit Fees	$14,117	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Legal Fees-Water	$81,284	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Other Professional Svs.	$22,720	13.00%	25.00%	30.00%	20.00%	2.00%	10.00%
Electric Utilities	$90,302	50.00%		50.00%			
Water Utilities	$108		35.00%	65.00%			
Vehicle Maint/Repair	$3,477	10.00%		80.00%	10.00%		
Equipment Maint/Repair	$463	10.00%	15.00%	75.00%			
Meter Maint/Repair	$7,398				100.00%		
Wells Maint/Repair	$1,500	100.00%					
Tools & Equipm Maint/Repl	$9,120			100.00%			
Valves-Maint/Repair	$15,148			100.00%			
Streets-Asphalt Materials	$6,307			100.00%			
Liability Insurance	$14,674						100.00%
Blanket Bond Insurance	$184						100.00%
Property Insurance	$27,876						100.00%
Telephone/Cell	$11,765					20.00%	80.00%
Postage	$193					100.00%	
Advertising	$534					100.00%	
Economic Dev. Consulting	$12,132						100.00%
Public Education	$5,957					100.00%	
Travel Per Diem	$1,722						100.00%

Operating Expenses	FY 2026	Wells	Treatment	Distribution	Meter	Customer Service	General
Dues And Membership	$3,211						100.00%
Licensing	$496						100.00%
Utility Business Office	$143,209						100.00%
Central Purchasing Adm	$67,117					100.00%	
Mgmt Info Sys/O & M	$33,317					100.00%	
Fleet Maintenance	$46,804			100.00%			
Vehicle Replacement Fund	$44,991			100.00%			
Finance Dept. Services	$480						100.00%
Lab Testing	$11,811		100.00%				
Encroachment Permits	$19,689						100.00%
Lab Supplies	$735		100.00%				
Back Flow Prevention	$382			100.00%			
Boots	$1,908						100.00%
Chlorine/Chemical Supplie	$46,872		100.00%				
Purchased Inventory	$60,878	25.00%	25.00%	25.00%	25.00%		
Office Supplies	$680						100.00%
Computer/Printer Supplies	$5					20.00%	80.00%
Uniforms	$4,425						100.00%
Safety Equipment	$3,691						100.00%
Vehicle Fuel	$25,176			100.00%			
Regulatory Fees	$16,584						100.00%
Employee Meals	$27						100.00%
Fair Share Allocations	$154,429						100.00%
Vac/Sl/Comp Accrual	$10,110						100.00%
Purchased Inventory	$14,757						100.00%
Bad Debts Expense	$16,331						100.00%
Trf-Asset Replacement	$277,777	25.00%	25.00%	25.00%	25.00%		
Total	**$2,277,652**	**$269,885**	**$409,914**	**$599,812**	**$304,989**	**$130,730**	**$562,321**

Table 6-4 shows a summary of FY 2026 expenses by functional category based on the allocation of cost centers to functional categories (from **Table 6-3**). This intermediate step is necessary to allocate total O&M to the appropriate cost causation components.

Table 6-4: Summary of Water O&M Expenses by Functional Category

[A]	[B]	[C]
Line	Functional Category	FY 2026 Expenses
1	Wells	$269,885
2	Treatment	$409,914
3	Distribution	$599,812
4	Meter	$304,989
5	Customer Service	$130,730
6	General	$562,321
7	**Total O&M Expenses**	***$2,277,652***

Table 6-5 shows the allocation of FY 2026 O&M expenses by functional category to each cost causation component. The percentage allocation of each functional category (Columns C-E) to the various cost causation components was determined in **Table 6-3**. The total dollar amount allocated to each cost causation component (Line 7) is determined by multiplying the total expense associated with each functional category by the corresponding percentage allocation and then summing across all functional categories.

For example, 100 percent (Column C, Line 1) of Well costs (Column P, Line 1) are allocated to the Volume cost causation factor total (Column C, Line 17). The same calculation is performed for the remaining functional categories (i.e. Column C × Column F in Lines 2-16). The subtotals of Column C × Column F in Lines 1-6 are summed to determine the total dollar amount allocated to the Volume cost causation factor (Column C, Line 7). The same calculations are repeated for the remaining cost causation components (Columns D-E) to determine the allocation of O&M expenses to each cost causation component (Line 17).

The final O&M Allocation percentages (Line 9) represent the proportion of total O&M expenses allocated to each cost causation component (Line 7). These O&M allocation percentages are used to allocate the total operating revenue requirement. The total operating revenue requirement (Column F, Line 11) equals the operating revenue requirement (from **Table 6-1**, Column C, Line 5) less operating adjustments (from **Table 6-1**, Column C, Line 14). This total is allocated to each cost causation component (Columns C-E, Line 11) based on the final O&M allocation percentages (Columns C-E, Line 9). Note that the total operating revenue requirement (Line 11) simply equals total O&M (Line 7). This is because the total operating revenue requirement consists solely of O&M expenses.

Table 6-5: Allocation of Water O&M Expenses to the Cost Causation Components

[A]	[B]	[C]	[D]	[E]	[F]
Line	Functional Category	Volume	Meter	Customer	FY 2026 Expense
1	Wells	100.00%			$269,885
2	Treatment	100.00%			$409,914
3	Distribution	29.58%	70.42%		$599,812
4	Meter		100.00%		$304,989
5	Customer Service			100.00%	$130,730
6	General	49.97%	42.41%	7.62%	$562,321
7	**Total O&M**	**$1,138,219**	**$965,847**	**$173,586**	**$2,277,652**
8					
9	**O&M Allocation**	**49.97%**	**42.41%**	**7.62%**	**100.0%**
10					
11	**Operating Revenue Requirement**	**$1,318,541**	**$1,118,860**	**$201,086**	**$2,638,487**

6.6. Capital Allocation

Capital assets are utilized in COS analyses to allocate the proportion of capital revenue requirement to the various cost causation components. The distribution of a short-term CIP can be heavily weighted to specific cost causation components based on the type of projects. Using short-term planned CIP to allocate capital costs may cause rates to fluctuate and cause customer confusion. Conversely, the overall capital asset base is considerably more stable in the long-term, and therefore is more representative of long-term capital re-investment in a water system. Thus, functionalized capital assets are used to allocate capital costs.

City staff provided Raftelis with a detailed asset listing that included the original cost of each individual asset. Raftelis calculated the estimated replacement cost of each asset based on original cost and acquisition year using the Engineering News-Record's 20-City Average Cost Construction Index (CCI) to account for capital cost escalation. This financial reporting methodology does not reflect the true current replacement cost. This approach is to illustrate the asset base in present value terms, however, it does not represent an appraisal of the water system. Rather, the estimates are used to apportion capital costs across water system components in relation to the relative share of each. As part of the capital asset analysis, Raftelis assigned each individual asset to the most appropriate functional category. Total asset value, in estimated replacement cost dollars less depreciation, by functional category is shown in **Table 6-6**.

Table 6-6: Summary of Water Capital Assets by Functional Category

[A]	[B]	[C]
Line	Functional Category	Asset Value (Replacement Cost less Depreciation)
1	Wells	$2,013,274
2	Treatment	$486,649
3	Distribution	$6,269,146
4	Meter	$1,207,976
5	Customer Service	$0
6	General	$12,604
10	Total Asset Value[8]	$9,989,650

Table 6-7 shows the allocation of capital assets by functional category to each cost causation component. The percentage allocation of each functional category (Columns C-E) to the various cost causation components was determined in **Table 6-3**. Total asset value associated with each functional category (Column F) was determined in **Table 6-6**. The Capital Revenue Requirement in Column F, Line 11 was determined in **Table 6-1**, Column D, Line 17 and is multiplied by the percent capital allocations in Line 9 to calculate the revenue requirement for each cost causation component in Columns C to E, Line 11.

Table 6-7: Allocation of Functionalized Water Capital Assets to Cost Causation Components

[A]	[B]	[C]	[D]	[E]	[F]
Line	Functional Category	Volume	Meters	Customer	Asset Value
1	Wells	100.00%			$2,013,274
2	Treatment	100.00%			$486,649
3	Distribution	29.58%	70.42%		$6,269,146
4	Meter		100.00%		$1,207,976
5	Customer Service			100.00%	$0
6	General	43.64%	56.36%	0.00%	$12,604
7	**Total Assets**	**$4,359,679**	**$5,629,971**	**$0**	**$9,989,650**
8					
9	**Capital Allocation**	**43.64%**	**56.36%**	**0.00%**	**100.00%**
10					
11	**Capital Revenue Requirement**	**$379,352**	**$489,885**	**$0**	**$869,238**

6.7. Revenue Requirement Adjustment Allocation

Revenue offsets (from **Table 6-1**, Column E, Lines 8 and 9) are allocated to each cost causation factor based on either the Capital allocation or the Operating allocation. Fund 582 revenues are allocated based on the Capital allocation since those revenues contribute to funding capital expenditures. Miscellaneous revenues and interest income are allocated based the Operating allocation. The total adjustment allocations are shown in **Table 6-8**.

[8] Total asset value in this study is based on escalating the original cost by historical construction cost inflation and is therefore an estimate of replacement cost. It does not represent an appraisal of system infrastructure or relate to the book value of the system documented in financial reports of the District.

Table 6-8: Water Adjustment Allocation

[A]	[B]	[C]	[D]	[E]	[F]
Line	Functional Category	Volume	Meters	Customer	Adjustment Value
1	Fund 582 Revenue	43.64%	56.36%	0.00%	-$285,685
2	Miscellaneous Revenue	49.97%	42.41%	7.62%	-$85,679
3	Interest Income	49.97%	42.41%	7.62%	-$7,824
4	**Total Adjustments**	**-$171,405**	**-$200,656**	**-$7,126**	**-$379,187**

6.8. Cost of Service Allocation

Table 6-9 shows the allocation of the total FY 2026 rate revenue requirement to the various cost causation components. The results shown in **Table 6-9** are calculated as follows based on intermediate results developed in the preceding subsections:

1. **Operating Revenue Requirement** (Column C): The total operating revenue requirement consists of the City's O&M expenses and debt service payments. The allocation of the total operating revenue requirement to each cost causation component was previously determined in **Table 6-5**, Columns C-E, Line 11.

2. **Capital Revenue Requirement** (Column D): The total capital revenue requirement consists solely of CIP expenditures. The allocation of the total capital revenue requirement to each cost causation component was previously determined in **Table 6-7**, Columns C-E, Line 11.

3. **Revenue Offsets** (Column E)**:** Total revenue offsets (from **Table 6-1**, Column E, Line 10) are allocated to each cost causation factor based on the values in **Table 6-8**, Column C-E, Line 3.

Table 6-9: Water Cost of Service Allocation

[A]	[B]	[C]	[D]	[E]	[F]
Line	Revenue Requirement	Volume	Meters	Customer	FY 2026 Total
1	Operating	$1,318,541	$1,118,860	$201,086	$2,638,487
2	Capital	$379,352	$489,885	$0	$869,238
3	Revenue Offsets	-$171,405	-$200,656	-$7,126	-$379,187
4	Total	$1,526,488	$1,408,089	$193,960	$3,128,538

6.9. Unit Cost Development

Units of service are used to convert total adjusted costs allocated to each cost causation component (from **Table 6-9**) into unit costs, which are directly incorporated into the proposed rate calculations for FY 2026 in **Section 7**. Units of service relating to water use were previously determined (see **Table 4-7**). However, additional units of service must be determined to develop the customer and meters unit costs.

6.9.1. Additional Units of Service

Table 6-10 shows the development of additional units of service needed to develop unit costs for Customer and Meters cost causation components. Customer unit costs are calculated on a per account basis, as these

costs do not vary based on connection type or size. Total accounts are approximated by summing total water meters in Column C, Lines 1-9 (from **Table 4-5**).

Meter unit costs are calculated per equivalent meter unit. Equivalent meter units are used to allocate meter-related costs appropriately and equitably. Larger meters generally impose larger demands, are more expensive to install, maintain, and replace than smaller meters, and require greater capacity within the water system. Equivalent meter units in this study are based on AWWA-rated hydraulic capacities and are calculated to represent the potential demand of a connection on the water system relative to a base meter size.

Capacity ratios are calculated by dividing larger meter capacities by the base meter capacity. The base meter in this study is a 3/4-inch meter, which is used to approximate the capacity of 5/8-inch and 3/4-inch meters. AWWA capacity ratios (Column E) are calculated by dividing the capacity of each meter size (Column D) by the capacity of a 3/4-inch meter (Column D, Line 1). The projected number of meters (Column C) is multiplied by the AWWA capacity ratios (Column E) to determine equivalent meter units (Column F).

Table 6-10: Water Monthly Service Charge Units of Service

[A]	[B]	[C]	[D]	[E]	[F]
Line	Water Meter Size	Number of Meters	AWWA Capacity (gpm)	AWWA Capacity Ratio	Equivalent Meter Units
1	5/8" & 3/4"	1,671	30	1.0	1,671
2	1"	113	50	1.7	188
3	1 1/2"	40	100	3.3	133
4	2"	104	160	5.3	555
5	3"	0	320	10.7	0
6	4"	10	500	16.7	167
7	6"	4	1,000	33.3	133
8	8"	1	1,600	53.3	53
9	10"	0	4,200	140.0	0
10	**Total**	**1,943**			**2,901**

6.9.2. Unit Costs

Unit costs comprise the constituent parts from which proposed FY 2026 rates are calculated in **Section 7**. **Table 6-11** shows unit costs for each cost causation component (Column F), which are calculated by dividing the final COS allocation in Column C (**Table 6-9**, Line 4) by the relevant annual units of service (Line 2). The units of service vary by cost component and are based on either projected FY 2026 water use (from **Table 4-7**) or the number of accounts or equivalent meter units (from **Table 6-10**) multiplied by the number of bills per year (12).

Table 6-11: Development of Water Unit Costs

[A]	[B]	[C]	[D]	[E]	[F]
Line	Unit Cost Calculation	FY 2026 Total	Volume	Meters	Customer
1	Revenue Requirement	$3,128,538	$1,526,488	$1,408,089	$193,960
2	Units of Service		453,034	34,808	23,316
3	**Unit Cost**		**$3.37**	**$40.45**	**$8.32**

7. Proposed Water Rates

Section 7 details the proposed water rate calculations. Proposed FY 2026 rates are calculated directly from the results of the COS analysis (from **Section 6**). All proposed rates beginning in FY 2027 are calculated by increasing the prior year rate by the annual revenue adjustment (from **Table 5-9**).

7.1. Proposed FY 2026 Monthly Service Charges

Monthly Service Charges are designed to recover the portion of the revenue requirement allocated to the Customer and Meters cost causation components. **Table 7-1** shows the detailed calculation of proposed FY 2026 Monthly Service Charges based on Customer, Meters, and Fire Protection unit rates. Customer costs do not vary by connection type or size. Therefore, the Customer unit rate (from **Table 6-11**, Column F, Line 3) is applied uniformly to all Monthly Service Charges (Column E). Because Meters costs vary by meter size based on hydraulic capacity, AWWA capacity ratios in Column C (from **Table 6-10**, Columns E) are used to differentiate the Meters unit rates by meter size. The Meters rate components (Column F) are calculated by multiplying the Meters unit rate (from **Table 6-11**, Column E, Lines 3) by the AWWA capacity ratio (Column C).

Table 7-1: Proposed FY 2026 Water Monthly Service Charge Calculation

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
Line	Water Meter Size	AWWA Capacity Ratio	Meter	Customer	Proposed	Current	Difference ($)	Difference (%)
1	5/8" & 3/4"	1.0	$40.45	$8.32	$48.78	$48.86	-$0.08	-0.2%
2	1"	1.7	$67.42	$8.32	$75.75	$79.10	-$3.35	-4.2%
3	1 1/2"	3.3	$134.84	$8.32	$143.17	$177.30	-$34.13	-19.2%
4	2"	5.3	$215.75	$8.32	$224.07	$225.36	-$1.29	-0.6%
5	3"	10.7	$431.50	$8.32	$439.82	$611.58	-$171.76	-28.1%
6	4"	16.7	$674.22	$8.32	$682.54	$801.89	-$119.35	-14.9%
7	6"	33.3	$1,348.43	$8.32	$1,356.76	$1,437.60	-$80.84	-5.6%
8	8"	53.3	$2,157.50	$8.32	$2,165.82	$2,259.31	-$93.49	-4.1%
9	10"	140.0	$5,663.43	$8.32	$5,671.75	$1,977.70	$3,694.05	186.8%

7.2. Proposed FY 2026 Commodity Rate

Commodity Charges are designed to recover the portion of the rate revenue requirement allocated to the Volume cost causation components. The City will maintain the same flat rate structure for all customers. Because the commodity rate is uniformly charged to all customers, the proposed FY 2026 volumetric rate is equal to the unit rate (**Table 6-11**, Column D, Line 3).

Table 7-2 shows the difference between proposed FY 2026 Commodity Charges and current FY 2025 Commodity Charges (from Error! Reference source not found.). Distributional impacts to the various customer classes are a result of the cost of service analysis including changes to cost structure, water use patterns relative to the prior rate study, and due to refinements in methodology to ensure fair and objective cost recovery.

Table 7-2: Proposed FY 2026 Water Commodity Rate

[A]	[B]	[C]	[D]	[E]	[F]
Line	Customer Class	Proposed Rate ($/hcf)	Current Rate ($/hcf)	Difference ($)	Difference (%)
1	All Classes	**$3.37**	$3.07	$0.30	10%

7.3. Proposed Five-Year Rate Schedule

Table 7-3 shows the proposed five-year schedule of water rates through FY 2030. Proposed FY 2026 Monthly Service Charges (see **Table 7-1**) and Commodity Charges (see **Table 7-2**) were calculated in the preceding subsections. All proposed rates beginning in FY 2027 are calculated by increasing the prior year's proposed rate by the proposed annual revenue adjustment (from **Table 5-9**). For example, the proposed FY 2027 5/8" & 3/4" Monthly Service Charge ($64.30) is calculated by increasing the proposed FY 2026 5/8" & 3/4" Monthly Service Charge ($62.64) by 3.0 percent. All proposed rates are rounded up to the nearest cent to ensure full cost recovery. Current FY 2025 water rates (from **Table 4-1**) are also shown.

Table 7-3: Proposed Five-Year Water Rate Schedule

Description	FY 2025 (Current)	FY 2026 (7/1/2025)	FY 2027 (7/1/2026)	FY 2028 (7/1/2027)	FY 2029 (7/1/2028)	FY 2030 (7/1/2029)
Proposed Revenue Adjustment		**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
Monthly Service Charges						
5/8" & 3/4"	$48.86	$48.78	$50.25	$51.76	$53.32	$54.92
1"	$79.10	$75.75	$78.03	$80.38	$82.80	$85.29
1 1/2"	$177.30	$143.17	$147.47	$151.90	$156.46	$161.16
2"	$225.36	$224.07	$230.80	$237.73	$244.87	$252.22
3"	$611.58	$439.82	$453.02	$466.62	$480.62	$495.04
4"	$801.89	$682.54	$703.02	$724.12	$745.85	$768.23
6"	$1,437.60	$1,356.76	$1,397.47	$1,439.40	$1,482.59	$1,527.07
8"	$2,259.31	$2,165.82	$2,230.80	$2,297.73	$2,366.67	$2,437.68
10"	$1,977.70	$5,671.75	$5,841.91	$6,017.17	$6,197.69	$6,383.63
Commodity Charges (per hcf)						
All Customers	$3.07	$3.37	$3.48	$3.59	$3.70	$3.82

Table 7-4 shows projected rate revenues by charge and customer class over the next five years. Revenues beyond FY 2026 are calculated based on estimated units of service consistent with the growth assumptions outlined in **Section 4**. Note that total rate revenues slightly exceed projected rate revenues under the proposed financial plan in **Section 5** due to rounding up of rates to the nearest whole penny.

Table 7-4: Projected Water Rate Revenue

Description	FY 2025	FY 2026	Difference (%)
Monthly Service Charges			
5/8" & 3/4"	$979,741	$978,137	-0.2%
1"	$107,260	$102,717	-4.2%
1 1/2"	$85,104	$68,722	-19.2%
2"	$281,249	$279,639	-0.6%
3"	$0	$0	0.0%
4"	$96,227	$81,905	-14.9%
6"	$69,005	$65,124	-5.6%
8"	$27,112	$25,990	-4.1%
10"	$0	$0	0.0%
Commodity Charges (per hcf)			
All Customers	$1,390,814	$1,526,725	9.8%
Total	**$3,036,511**	**$3,128,958**	**3.0%**

7.4. Monthly Bill Impacts

Table 7-5 shows sample monthly bills for customers with a 5/8-inch or 3/4-inch water meter at varying levels of water use. Note that approximately 86 percent of customers have either a 5/8-inch or 3/4-inch water meter. The three water use levels represent low, average, and high water users in the system.

Table 7-5: Water Bill Impacts

Bill Impacts, 5/8" & 3/4" Meter	Low	Average	High
Monthly Usage (hcf)	10	15	25
Current Bill	$79.56	$94.91	$125.61
Proposed Bill	$82.48	$99.33	$133.03
Difference ($)	$2.92	$4.42	$7.42
Difference (%)	**3.7%**	**4.7%**	**5.9%**

8. Wastewater Financial Plan

Section 8 details the development of a proposed wastewater five-year financial plan for the City over the study period. The following subsections include estimates and projections of annual revenues, O&M expenses, debt service payments, capital expenditures, and reserve funding through FY 2030. The overall purpose of the financial plan is to determine annual revenues required to achieve sufficient cash flow, maintain adequate reserves, and meet debt coverage requirements.

8.1. Revenues from Current Rates

The City's wastewater revenues consist of rate revenues, interest earnings on cash reserves, and other miscellaneous revenues. The rate revenue projections shown assume that current FY 2025 rates are effective throughout the study period; and therefore, represent estimated revenues in the absence of any revenue adjustments (i.e., rate increases). This status quo scenario provides a baseline from which Raftelis evaluates the need for revenue adjustments.

8.1.1. Calculated Wastewater Rate Revenues

Raftelis projected wastewater rate revenues from Monthly Service Charges FY 2025 through FY 2030 based on current FY 2025 rates and the current and projected number of equivalent dwelling units (EDUs).

Table 8-1 shows projected Monthly Service Charge revenues under current rates over the study period. Monthly Service Charge Revenues are calculated in each year as follows based on current FY 2025 wastewater rates (from **Table 4-2**) and the projected number of wastewater EDUs (from **Table 4-6**):

Annual Monthly Service Charge Revenue = [FY 2025 monthly rate] × [Number of EDUs] × [12 Bills per year]

Table 8-1: Projected Monthly Service Charge Revenues under Current Rates

Meter Size	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Residential	$885,611	$901,832	$912,614	$923,395	$934,177	$944,958
Hotel	$257,621	$261,925	$264,461	$267,632	$270,803	$273,974
Hospitals	$12,598	$12,684	$12,684	$12,684	$12,684	$12,684
Multi-Family	$379,188	$386,228	$390,667	$395,107	$399,546	$403,985
Garden & Nurseries	$630	$634	$634	$634	$634	$634
Laundromats	$0	$0	$0	$0	$0	$0
Schools	$132,905	$135,085	$136,353	$137,621	$138,890	$140,158
General Commercial	$106,450	$108,448	$109,717	$110,985	$112,253	$113,522
Beauty Salon & Barber Shop	$630	$634	$634	$634	$634	$634
Needles Marina	$69,917	$71,030	$71,665	$72,299	$72,933	$73,567
Religious Organizations	$17,637	$17,758	$17,758	$17,758	$17,758	$17,758
Seventh Day Adventist	$1,890	$1,903	$1,903	$1,903	$1,903	$1,903
Food Establishments	$84,404	$85,617	$86,251	$86,885	$87,520	$88,154
Government	$129,125	$131,279	$132,548	$133,816	$135,085	$136,353
Gas Stations	$64,878	$65,957	$66,591	$67,225	$67,859	$68,494
Shell/Dairy Queen	$23,935	$24,100	$24,100	$24,100	$24,100	$24,100
Native Village	$69,917	$71,030	$71,665	$72,299	$72,933	$73,567
Total	**$2,237,334**	**$2,276,144**	**$2,300,243**	**$2,324,977**	**$2,349,711**	**$2,374,445**

8.1.2. Other Revenues

Table 8-2 shows all other revenues. All FY 2024 other revenues are based on the City's FY 2024 budget. Other revenues from FY 2025 through FY 2030 were projected by Raftelis relying on the assumptions detailed in **Section 4**. Beginning in FY 2026, interest revenue is estimated based on projected cash balances and the assumed interest rate (from **Table 4-4**). All other revenues are estimated by the miscellaneous inflation rate (from **Table 4-3**).

Table 8-2: Projected Other Revenues

Description	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Fund 503 - Wastewater							
Connect Fee	$4,710	$4,710	$4,710	$4,710	$4,710	$4,710	$4,710
Establishment Fee	$4,975	$5,075	$5,176	$5,280	$5,385	$5,493	$5,603
Miscellaneous	$2,638	$2,691	$2,745	$2,800	$2,856	$2,913	$2,971
Interest Earnings Other	$1,949	$0	$2,523	$1,911	$699	$0	$0
Reimburse Wastewater Labor/Mat	$1,209,678	$0	$0	$0	$0	$0	$0
Subtotal – Fund 503	**$1,223,950**	**$12,475**	**$15,154**	**$14,700**	**$13,650**	**$13,115**	**$13,284**
Fund 583 – NPUA Capital Wastewater							
Wastewater Asset Replacement	$35,676	$35,676	$35,676	$35,676	$35,676	$35,676	$35,676
Subtotal – Fund 583	**$35,676**	**$35,676**	**$35,676**	**$35,676**	**$35,676**	**$35,676**	**$35,676**
Total	**$1,259,626**	**$48,151**	**$50,830**	**$50,376**	**$49,326**	**$48,791**	**$48,960**

Table 8-3 shows a summary of projected revenues under current rates over the study period. This represents expected revenues in the absence of any rate increase over the study period.

Table 8-3: Summary of Projected Revenues under Current Rates

Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Monthly Service Charges	$2,179,180	$2,237,334	$2,276,144	$2,300,243	$2,324,977	$2,349,711	$2,374,445
Interest Earnings	$1,949	$0	$2,523	$1,911	$699	$0	$0
Miscellaneous Revenue	$1,257,677	$48,151	$48,307	$48,465	$48,627	$48,791	$48,960
Total	**$3,438,805**	**$2,285,485**	**$2,326,974**	**$2,350,619**	**$2,374,303**	**$2,398,502**	**$2,423,404**

8.2. Operations and Maintenance Expenses

Table 8-4 shows O&M expenses over the study period. All projections shown beyond FY 2024 were calculated based on inflationary assumptions (from **Table 4-3**) and any anticipated structural changes to the O&M budget due to either non-recurring expenses or future expenses not currently incurred.

Table 8-4: Projected Operating & Maintenance Expenses

Description	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Fund 503 - Wastewater							
Salaries	$579,994	$594,493	$609,356	$624,590	$640,204	$656,209	$672,615
Overtime	$59,688	$61,180	$62,710	$64,278	$65,885	$67,532	$69,220
Fica Soc Sec/M-Care Ins	$43,608	$47,968	$52,765	$58,042	$63,846	$70,230	$77,253
Unemployment	$1,913	$2,046	$2,190	$2,343	$2,507	$2,682	$2,870
Group Insurance	$68,961	$75,858	$83,443	$91,788	$100,966	$111,063	$122,169
Workers' Compensation	$17,328	$18,541	$19,839	$21,228	$22,713	$24,303	$26,005
Pers/Retirement Contrib.	$48,547	$49,275	$50,014	$50,764	$51,526	$52,299	$53,083
Pers-Unfunded Liability	$52,832	$53,625	$54,429	$55,246	$56,074	$56,915	$57,769
Lwr Col Multi-Sp Cons Pro	$4,856	$5,001	$5,151	$5,306	$5,465	$5,629	$5,798
Engineering Services	$693	$714	$735	$757	$780	$803	$828
Medical Exams	$200	$220	$242	$266	$293	$322	$354
Educational Training	$3,681	$3,791	$3,905	$4,022	$4,143	$4,267	$4,395
Audit Fees	$13,307	$13,706	$14,117	$14,541	$14,977	$15,426	$15,889
Legal Fees-Ww	$76,618	$78,916	$81,284	$83,722	$86,234	$88,821	$91,486
Other Professional Svs.	$21,416	$22,058	$22,720	$23,401	$24,103	$24,827	$25,571
Sewer Operation Contract	$83,489	$85,994	$88,574	$91,231	$93,968	$96,787	$99,690
Electric Utilities	$100	$104	$108	$112	$117	$121	$126
Water Utilities	$3,246	$3,376	$3,511	$3,651	$3,797	$3,949	$4,107
Plant Maint/Repair	$432	$447	$463	$479	$496	$513	$531
Equipment Maint/Repair	$6,906	$7,148	$7,398	$7,657	$7,925	$8,202	$8,489
Security Monitoring	$1,400	$1,449	$1,500	$1,552	$1,607	$1,663	$1,721
Tools Maint/Repair	$8,514	$8,812	$9,120	$9,440	$9,770	$10,112	$10,466
Usa Alert	$14,140	$14,635	$15,148	$15,678	$16,226	$16,794	$17,382
Liability Insurance	$5,887	$6,300	$6,741	$7,212	$7,717	$8,257	$8,835
Blanket Bond Insurance	$12,817	$13,714	$14,674	$15,701	$16,800	$17,976	$19,235
Property Insurance	$161	$172	$184	$197	$211	$226	$242
Telephone/Cell	$24,348	$25,078	$25,831	$26,606	$27,404	$28,226	$29,073
Postage	$11,090	$11,423	$11,765	$12,118	$12,482	$12,856	$13,242
Advertising	$182	$187	$193	$199	$205	$211	$217
Economic Dev. Consulting	$503	$518	$534	$550	$566	$583	$601
Travel Per Diem	$11,435	$11,778	$12,132	$12,496	$12,871	$13,257	$13,654
Dues And Membership	$5,615	$5,784	$5,957	$6,136	$6,320	$6,510	$6,705
Licensing	$1,623	$1,672	$1,722	$1,774	$1,827	$1,882	$1,938

Description	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
Utility Business Office	$3,027	$3,117	$3,211	$3,307	$3,406	$3,509	$3,614
Central Purchasing Adm	$467	$481	$496	$511	$526	$542	$558
Mgmt Info Sys/O & M	$134,988	$139,038	$143,209	$147,505	$151,930	$156,488	$161,183
Fleet Maintenance	$63,264	$65,162	$67,117	$69,130	$71,204	$73,340	$75,541
Finance Dept. Services	$31,404	$32,346	$33,317	$34,316	$35,345	$36,406	$37,498
Sludge Disposal	$43,692	$45,003	$46,353	$47,743	$49,176	$50,651	$52,171
Lab Testing	$42,000	$43,260	$44,558	$45,895	$47,271	$48,690	$50,150
Encroachment Permits	$452	$466	$480	$494	$509	$525	$540
Boots	$11,133	$11,467	$11,811	$12,165	$12,530	$12,906	$13,293
Chlorine/Chemical-Plant	$18,559	$19,301	$20,073	$20,876	$21,711	$22,580	$23,483
Chlorine/Chemical-Lft Stn	$693	$721	$750	$780	$811	$843	$877
Purchased Inventory	$360	$371	$382	$393	$405	$417	$430
Office Supplies	$1,799	$1,853	$1,908	$1,966	$2,025	$2,085	$2,148
Computer/Printer Supplies	$43,336	$44,636	$45,975	$47,354	$48,775	$50,238	$51,745
Uniforms	$57,383	$59,104	$60,878	$62,704	$64,585	$66,523	$68,518
Safety Equipment	$641	$660	$680	$701	$722	$743	$766
New Tools	$5	$5	$5	$5	$6	$6	$6
Vehicle Fuel	$4,171	$4,338	$4,511	$4,692	$4,880	$5,075	$5,278
Regulatory Fees	$3,479	$3,583	$3,691	$3,802	$3,916	$4,033	$4,154
Employee Meals	$23,277	$23,975	$24,695	$25,435	$26,198	$26,984	$27,794
Buildings	$15,632	$16,101	$16,584	$17,082	$17,594	$18,122	$18,666
Fair Share Allocations	$25	$26	$27	$28	$28	$29	$30
Vac/Sl/Comp Accrual	$6,212	$6,398	$6,590	$6,788	$6,992	$7,201	$7,417
Purchased Inventory	$3,174	$3,269	$3,367	$3,468	$3,572	$3,679	$3,789
Bad Debts Expense	$15,832	$15,832	$15,832	$15,832	$15,832	$15,832	$15,832
Transfer - O & M Reimb	$1,209,678	$0	$0	$0	$0	$0	$0
Trf-Asset Replacement	$35,676	$36,925	$38,217	$39,555	$40,939	$42,372	$43,855
Subtotal – Fund 502	**$2,955,889**	**$1,803,424**	**$1,863,170**	**$1,925,608**	**$1,990,914**	**$2,059,275**	**$2,130,897**
Fund 582 – NPUA Capital Water							
Capital Equipment	$16,150	$16,715	$17,300	$17,906	$18,533	$19,181	$19,853
Transfer Expense	$145,913	$0	$0	$0	$0	$0	$0
Subtotal – Fund 582	**$162,064**	**$16,715**	**$17,300**	**$17,906**	**$18,533**	**$19,181**	**$19,853**
Total	**$3,117,952**	**$1,820,140**	**$1,880,470**	**$1,943,514**	**$2,009,447**	**$2,078,456**	**$2,150,749**

8.3. Debt Service

Table 8-5 shows the City's existing debt service obligations associated with its 2016 Revenue Refunding Bonds. The 2016 Bond is scheduled to be fully repaid in FY 2031.

Table 8-5: Schedule of Debt Service Payments

Debt Service	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
2016 Revenue Refunding Bonds						
Principal	$347,564	$361,109	$375,183	$389,805	$404,996	$420,779
Interest	$102,311	$88,766	$74,693	$60,071	$44,879	$29,095
Total Debt Service	**$449,875**	**$449,875**	**$449,876**	**$449,875**	**$449,875**	**$449,875**

8.4. Capital Improvement Plan

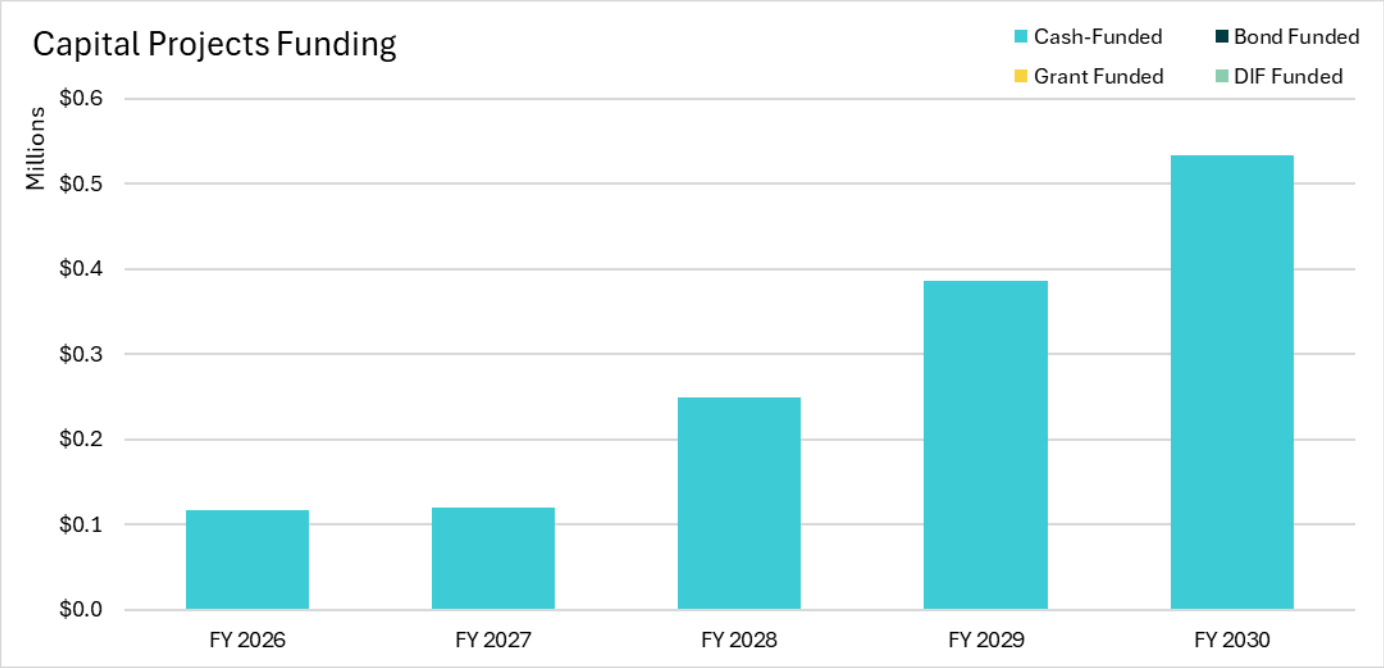
The City has approximately $1.9 M in wastewater Capital Improvement Plan (CIP) capital project costs from FY 2025 through FY 2030. These projects are shown in detail in **Table 8-6** and amount to approximately $280 thousand in average annual costs over the next five years, driven primarily by aging infrastructure. To ensure reserves remain stable and customers are not impacted by large rate adjustments, CIP expenditures are scaled up over the next five years. The first two years are 25 percent of planned expenditures, year three is 50 percent of planned, year four is 75 percent of planned, and year five is back to 100 percent of planned expenditures.

Table 8-6: Capital Improvement Plan

Project Description	Planned FY 2025	Planned FY 2026	Planned FY 2027	Planned FY 2028	Planned FY 2029	Planned FY 2030
Railroad crossing at Bazoobuth lift station	$15,455	$15,995	$16,555	$17,135	$17,734	$18,355
Upsize effluent pump	$1,818	$1,882	$1,948	$2,016	$2,086	$2,159
Mini excavator & tilt trailer	$10,909	$11,291	$11,686	$12,095	$12,518	$12,957
Jet Vac / Trailer	$13,636	$14,114	$14,608	$15,119	$15,648	$16,196
Plant grit separator	$27,273	$28,227	$29,215	$30,238	$31,296	$32,391
Upsize deficient sewer lines on 15 blocks of Front St.	$134,975	$139,699	$144,588	$149,649	$154,887	$160,308
Upsize deficient sewer lines from T St. to Front St.	$80,468	$83,284	$86,199	$89,216	$92,339	$95,570
Manhole rehab program (ongoing)	$13,636	$14,114	$14,608	$15,119	$15,648	$16,196
Manhole replacement and upsize project	$150,993	$156,277	$161,747	$167,408	$173,268	$179,332
Total Planned CIP	**$449,163**	**$464,883**	**$481,154**	**$497,995**	**$515,424**	**$533,464**
Percent of planned CIP to spend		*25%*	*25%*	*50%*	*75%*	*100%*
Total Proposed CIP Expenses	**$449,163**	**$116,221**	**$120,289**	**$248,997**	**$386,568**	**$533,464**

Figure 8-1 shows the proposed CIP over the study period. Total CIP expenditures in each year (from **Table 8-6**) are represented by the blue stacked bars below. The blue bars represent cash-funded CIP.

Figure 8-1: Capital Improvement Plan



8.5. Financial Policies

Agency-specific financial policies must be considered during the financial planning process. Financial policies typically define key financial metrics that an agency strives to meet or exceed.

8.5.1. Required Debt Coverage

The City must meet the minimum coverage requirements on its outstanding debt to ensure it meets the associated debt covenants. The required debt coverage ratio is 1.2, which means the City's net revenue from operations must amount to at least 1.2 times the annual debt service. Net revenues equal revenues less O&M expenses. Annual debt service includes annual principal and interest payments on all outside debt.

8.5.2. Reserve Targets

Prudent fiscal management requires that the City maintain reserve balances to provide sufficient working capital, maintain necessary cash on hand to award construction contracts, and provide funding during emergencies efficiently. The City's current reserve policy consists of an operating target balance:

- **Operating Reserve target:** The target balance for the Operating Reserve is 10% of annual operating costs.

8.6. Status Quo Water Financial Plan

To evaluate the need for revenue adjustments (i.e., rate increases), Raftelis first developed a status quo financial plan. The status quo financial plan assumes that current FY 2025 wastewater rates remain unchanged over the study period. **Table 8-7** combines projected revenues (from **Table 8-3**), O&M expenses (from **Table 8-4**), debt service (from **Table 8-5**), CIP expenditures (from **Table 8-6**), and reserve targets to

generate estimated cash flow, projected ending cash balance, and debt coverage projections under the status quo.

Under the status quo financial plan, net operating cash flow (revenue less O&M and debt service) is projected to be negative in all years throughout the study period, and total operating and capital reserves fall below zero by FY 2028. The status quo financial plan is thus insufficient to meet the City's needs. This demonstrates a need for revenue adjustments over the study period to increase rate revenues to achieve full cost recovery of projected expenditures and achieve the City's financial policies.

Table 8-7: Status Quo Financial Plan – Pro Forma

Line	Description			FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	**REVENUE**								
2	**Rate Revenue Under Existing Rates**			**$2,237,334**	**$2,276,144**	**$2,300,243**	**$2,324,977**	**$2,349,711**	**$2,374,445**
3									
4	**Additional Rate Revenue Required from Revenue Adjustments**[9]								
5	**Fiscal Year**	**Revenue Adjustment**	**Month Effective**						
6	FY 2026	0.00%	October		$0	$0	$0	$0	$0
7	FY 2027	0.00%	October			$0	$0	$0	$0
8	FY 2028	0.00%	October				$0	$0	$0
9	FY 2029	0.00%	October					$0	$0
10	FY 2030	0.00%	October						$0
11	**Total Revenue Adjustments**			**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
12									
13	**Revenue Summary (including Revenue Adjustments)**								
14	Revenue from Rates [Line 2 +Line 11]			$2,237,334	$2,276,144	$2,300,243	$2,324,977	$2,349,711	$2,374,445
15	Miscellaneous Revenue			$12,475	$12,631	$12,789	$12,951	$13,115	$13,284
16	Interest Earnings			$0	$2,523	$1,911	$699	$0	$0
17	Fund: 583 - NPUA Capital Wastewater			$35,676	$35,676	$35,676	$35,676	$35,676	$35,676
18	**TOTAL REVENUE**			**$2,285,485**	**$2,326,974**	**$2,350,619**	**$2,374,303**	**$2,398,502**	**$2,423,404**
19									
20	**O&M EXPENSES**								
21	Fund 503			$1,803,424	$1,863,170	$1,925,608	$1,990,914	$2,059,275	$2,130,897
22	Fund 583			$16,715	$17,300	$17,906	$18,533	$19,181	$19,853
23	**TOTAL O&M EXPENSES**			**$1,820,140**	**$1,880,470**	**$1,943,514**	**$2,009,447**	**$2,078,456**	**$2,150,749**
24									
25	**NET REVENUE** [Line 18 – Line 23]			**$465,345**	**$446,503**	**$407,105**	**$364,857**	**$320,046**	**$272,655**
26									
27	**DEBT SERVICE**								
28	Existing Debt Service			$449,875	$449,875	$449,876	$449,875	$449,875	$449,875
29	Proposed Debt Service			$0	$0	$0	$0	$0	$0

[9] The increase in rate revenues resulting from each year's revenue adjustment is calculated individually in Lines 9-13. This is necessary to account for revenue increases resulting from prior year revenue adjustments. However, revenue adjustments equal zero dollars under the status quo, which assumes no revenue adjustments (i.e. rate increases) over the study period.

Line	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
30	**TOTAL DEBT SERVICE**	**$449,875**	**$449,875**	**$449,876**	**$449,875**	**$449,875**	**$449,875**
31							
32	**NET OPERATING CASH FLOW** [Line 25 – Line 30]	**$15,470**	**-$3,371**	**-$42,771**	**-$85,019**	**-$129,829**	**-$177,219**
33							
34	**CAPITAL EXPENDITURES**						
35	Cash Funded	$449,163	$116,221	$120,289	$248,997	$386,568	$533,464
36	**TOTAL CAPITAL EXPENDITURES**	**$449,163**	**$116,221**	**$120,289**	**$248,997**	**$386,568**	**$533,464**
37							
38	**UNRESTRICTED CASH BALANCE**						
39	Combined 503 and 583 Beginning Balance[10]	$1,057,170	$503,109	$64,858	-$4,464	-$235,962	-$520,505
40	Net Cash Change [Line 35 – Line 39]	-$433,692	-$119,592	-$163,059	-$334,016	-$516,397	-$710,684
41	**Combined 502 and 582 ENDING BALANCE**	**$503,109**	**$64,858**	**-$4,464**	**-$235,962**	**-$520,505**	**-$861,115**
42							
43	*Operating Reserve Target*	*$180,342*	*$186,317*	*$192,561*	*$199,091*	*$205,928*	*$213,090*
44							
45	**DEBT COVERAGE**						
46	Projected Debt Coverage [Line 49 ÷ Line 54]	1.03	0.99	0.90	0.81	0.71	0.61
47	Required Debt Coverage	1.20	1.20	1.20	1.20	1.20	1.20

[10] Beginning FY 2025 unrestricted cash balance of $936,801 for Fund 503 and $120,369 for Fund 583 was provided by District staff. All other beginning and ending balances shown are projections by Raftelis.

Figure 8-2 shows the City's projected ending balances under the status quo (from **Table 8-7**Table 5-8). The dark blue line represents the existing reserve target. The blue bars represent the Fund 503 ending balance, the green bars represent the Fund 583 ending balance, and the yellow bars represent the combined ending balance. The City's combined reserves are projected to fall to zero in FY 2028.

Figure 8-2: Status Quo Financial Plan – Projected Ending Balances

8.7. Proposed Financial Plan

The status quo financial plan demonstrates that the City must increase its revenues from water rates over the study period to adequately fund its operating and capital expenditures and generate sufficient reserve funding. Raftelis worked closely with City staff to select the proposed annual revenue adjustments shown in **Table 8-8**. Revenue adjustments represent annual percent increases in rate revenue relative to the prior year. All CIP over the study period is assumed to be cash funded (i.e., funded by wastewater rates and cash reserves) (**Table 8-6**).

Table 8-8: Proposed Revenue Adjustments

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Effective Date	October 1, 2025	October 1, 2026	October 1, 2027	October 1, 2028	October 1, 2029
Revenue Adjustment	6.0%	6.0%	6.0%	6.0%	6.0%

Table 8-9 shows the proposed financial plan pro forma. This combines projected revenues (from **Table 8-3**), O&M expenses (from **Table 8-4**), debt service (from **Table 8-5**), CIP expenditures (from **Table 8-6**), and reserve targets to generate estimated cash flow, projected ending cash balances, and debt coverage projections under the proposed financial plan. Revenue adjustments over the study period generate increases in rate revenues. This results in positive net cash flow beginning in FY 2027 and sufficient debt coverage starting in FY 2026.

Table 8-9: Proposed Financial Plan – Pro Forma

Line	Description			FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	**REVENUE**								
2	**Rate Revenue Under Existing Rates**			**$2,237,334**	**$2,276,144**	**$2,300,243**	**$2,324,977**	**$2,349,711**	**$2,374,445**
3									
4	**Additional Rate Revenue Required from Revenue Adjustments**[11]								
5	**Fiscal Year**	**Revenue Adjustment**	**Month Effective**						
6	FY 2026	0.00%	October		$102,426	$138,015	$139,499	$140,983	$142,467
7	FY 2027	0.00%	October			$109,722	$147,869	$149,442	$151,015
8	FY 2028	0.00%	October				$117,555	$158,408	$160,076
9	FY 2029	0.00%	October					$125,934	$169,680
10	FY 2030	0.00%	October						$134,896
11	**Total Revenue Adjustments**			**$0**	**$102,426**	**$247,736**	**$404,923**	**$574,767**	**$758,133**
12									
13	**Revenue Summary (including Revenue Adjustments)**								
14	Revenue from Rates [Line 2 +Line 11]			$2,237,334	$2,378,570	$2,547,980	$2,729,900	$2,924,478	$3,132,578
15	Miscellaneous Revenue			$12,475	$12,631	$12,789	$12,951	$13,115	$13,284
16	Interest Earnings			$0	$3,291	$4,184	$5,154	$6,200	$7,327
17	Fund: 583 - NPUA Capital Wastewater			$35,676	$35,676	$35,676	$35,676	$35,676	$35,676
18	**TOTAL REVENUE**			**$2,285,485**	**$2,430,168**	**$2,600,629**	**$2,783,680**	**$2,979,469**	**$3,188,864**
19									
20	**O&M EXPENSES**								
21	Fund 503			$1,803,424	$1,863,170	$1,925,608	$1,990,914	$2,059,275	$2,130,897
22	Fund 583			$16,715	$17,300	$17,906	$18,533	$19,181	$19,853
23	**TOTAL O&M EXPENSES**			**$1,820,140**	**$1,880,470**	**$1,943,514**	**$2,009,447**	**$2,078,456**	**$2,150,749**
24									
25	**NET REVENUE** [Line 18 – Line 23]			**$465,345**	**$549,698**	**$657,115**	**$774,234**	**$901,013**	**$1,038,115**
26									
27	**DEBT SERVICE**								
28	Existing Debt Service			$449,875	$449,875	$449,876	$449,875	$449,875	$449,875
29	Proposed Debt Service			$0	$0	$0	$0	$0	$0
30	**TOTAL DEBT SERVICE**			**$449,875**	**$449,875**	**$449,876**	**$449,875**	**$449,875**	**$449,875**

[11] The increase in rate revenues resulting from each year's revenue adjustment is calculated individually in Lines 6-10. This is necessary to account for revenue increases resulting from prior year revenue adjustments.

Line	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
31							
32	**NET OPERATING CASH FLOW** [Line 25 – Line 30]	**$15,470**	**$99,823**	**$207,239**	**$324,358**	**$451,138**	**$588,240**
33							
34	**CAPITAL EXPENDITURES**						
35	Cash Funded	$449,163	$116,221	$120,289	$248,997	$386,568	$533,464
36	**TOTAL CAPITAL EXPENDITURES**	**$449,163**	**$116,221**	**$120,289**	**$248,997**	**$386,568**	**$533,464**
37							
38	**UNRESTRICTED CASH BALANCE**						
39	Combined 503 and 583 Beginning Balance[12]	$1,057,170	$503,109	$168,619	$273,608	$269,654	$265,152
40	Net Cash Change [Line 35 – Line 39]	-$433,692	-$16,398	$86,951	$75,361	$64,569	$54,776
41	**Combined 502 and 582 ENDING BALANCE**	**$503,109**	**$168,619**	**$273,608**	**$269,654**	**$265,152**	**$261,949**
42							
43	*Operating Reserve Target*	*$180,342*	*$186,317*	*$192,561*	*$199,091*	*$205,928*	*$213,090*
44							
45	**DEBT COVERAGE**						
46	Projected Debt Coverage [Line 49 ÷ Line 54]	1.03	1.22	1.46	1.72	2.00	2.31
47	Required Debt Coverage	1.20	1.20	1.20	1.20	1.20	1.20

[12] Beginning FY 2025 unrestricted cash balance of $936,801 for Fund 503 and $120,369 for Fund 583 was provided by District staff. All other beginning and ending balances shown are projections by Raftelis.

Figure 8-3 shows the debt coverage under the proposed financial plan. The required debt coverage ratio of 1.20 is denoted by the dark blue line, with projected debt coverage represented by the light blue line. The City is projected to exceed its required debt coverage requirement in all years of the study period.

Figure 8-3: Proposed Financial Plan –Debt Coverage

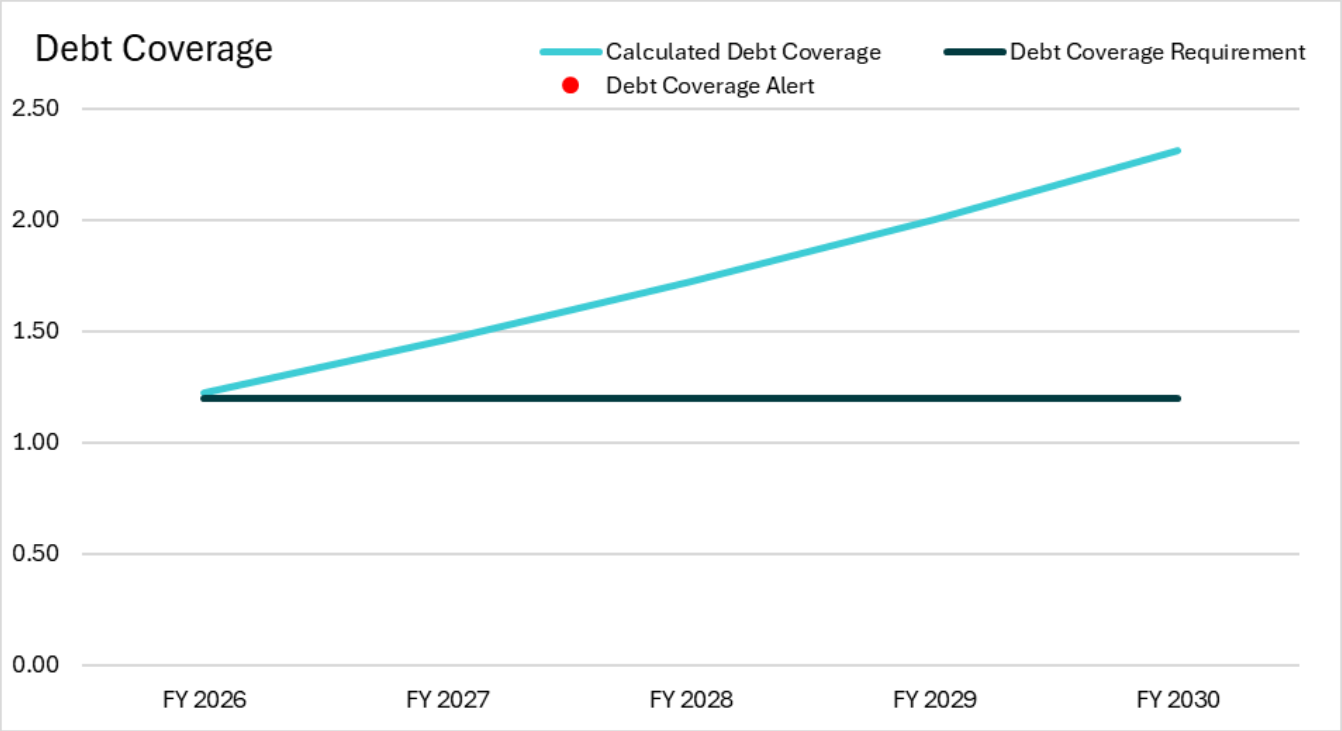


Figure 8-4 shows the proposed annual funding for the CIP. The CIP is planned to be funded through rate revenues and reserves, shown in the light blue bars.

Figure 8-4: Proposed CIP Financing Plan

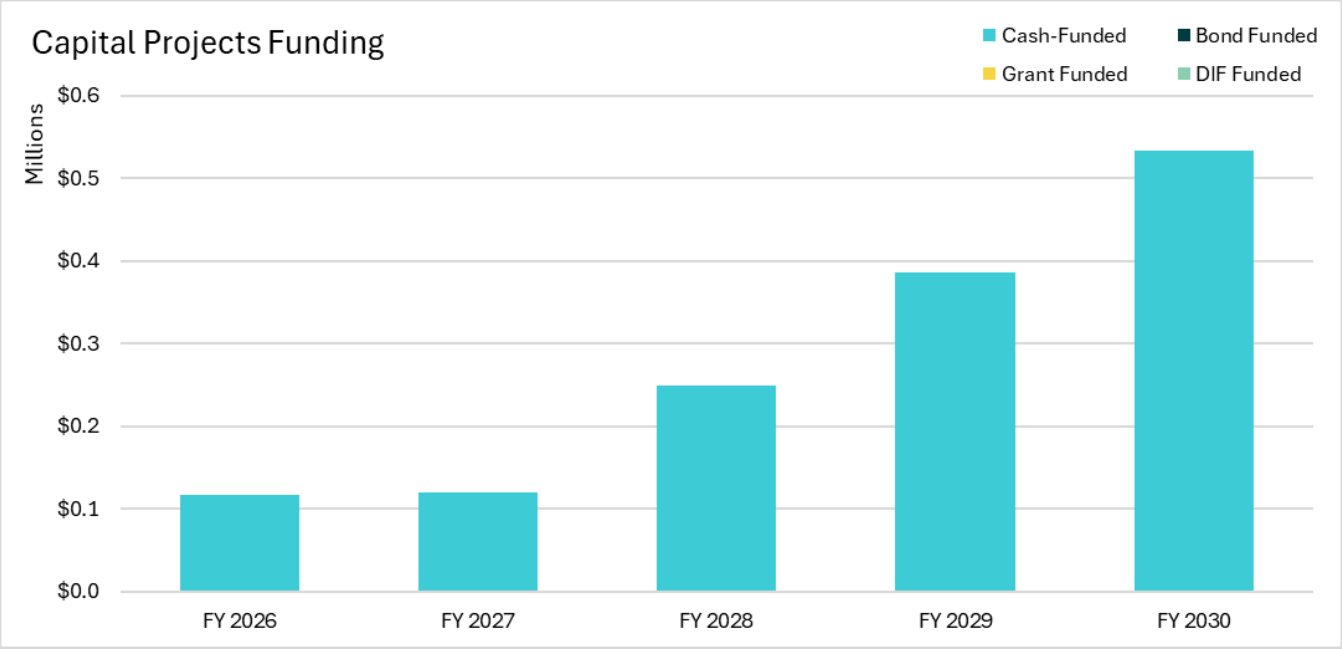


Figure 8-5 shows the City's projected ending balances under the proposed financial plan. The light blue bars represent the Fund 503 ending balance, the green bars represent the Fund 583 ending balance, and the yellow bars represent the combined ending balance. The City is projected to build reserves from FY 2026 to FY 2027 and then maintain steady reserves through FY 2030. The proposed plan is advantageous in several ways including: reducing risk relative to the present day; providing flexibility in future CIP financing or cash-funding; and providing a sufficient revenue base to support any potential increases to the CIP in the next rate cycle (FY 2031-2035) given continued inflation and the amount of aging equipment projected to exceed its expected service life.

Figure 8-5: Proposed Financial Plan – Projected Ending Balances

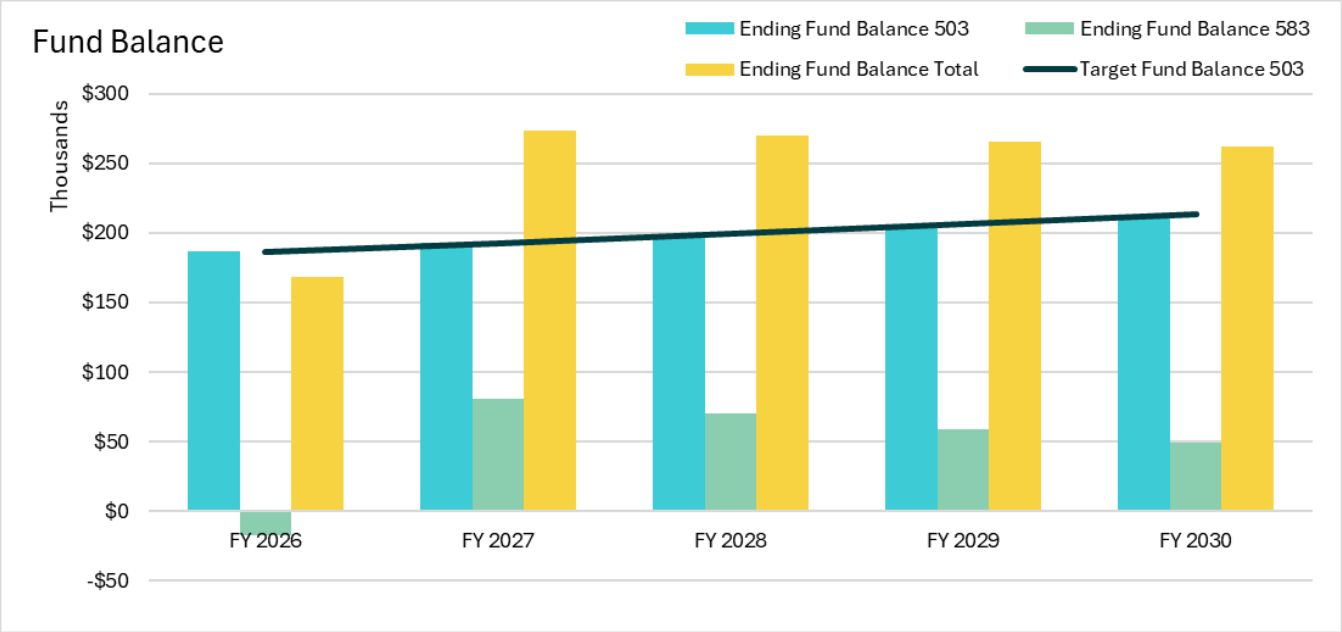
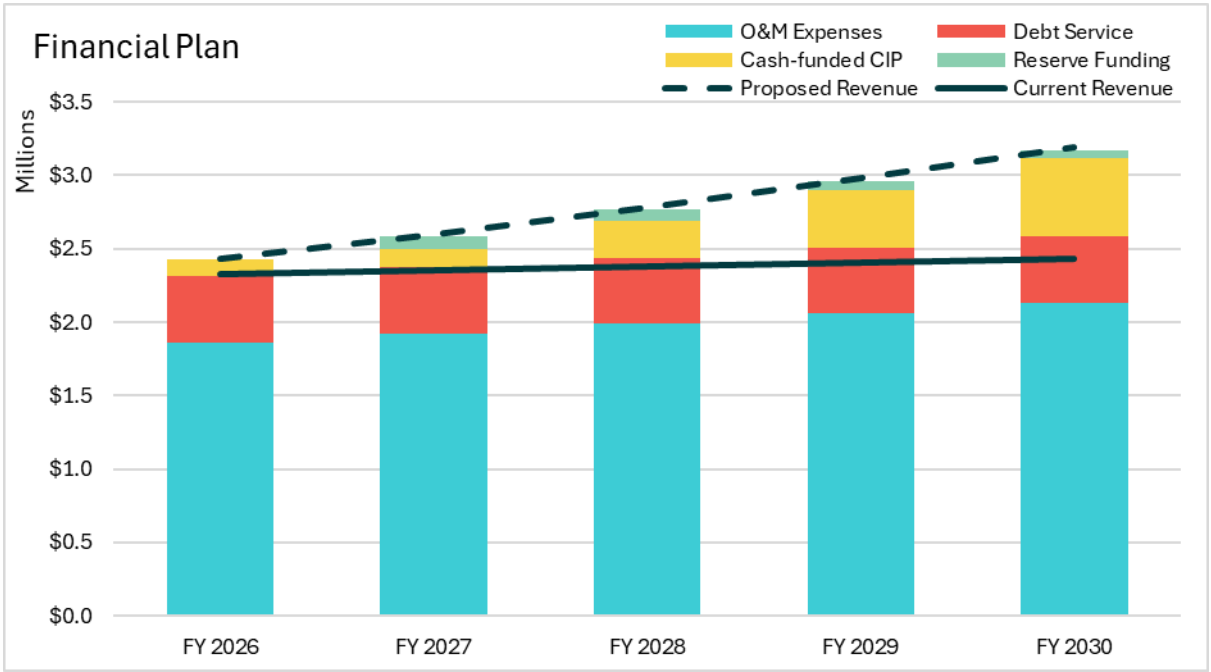


Figure 8-6 shows the proposed versus status quo financial plan. Revenues under the proposed financial plan and the status quo financial plan are represented by the dashed and solid dark blue lines, respectively. Revenue requirements, including O&M expenses, debt service, cash-funded CIP, and reserve funding, are represented by the various stacked bars. Although current rates result in adequate recovery of O&M expenses and debt service payments, revenue adjustments are required to generate sufficient revenue to cover cash-funded CIP and maintain reserves.

Figure 8-6: Proposed vs. Status Quo Financial Plan



9. Wastewater Revenue Requirement and Rate Calculation

Section 9 details the revenue requirement and rate calculation for the proposed wastewater monthly service charges. Because the wastewater service charge is a flat monthly rate per EDU and the EDU ratios did not change during this study, the increase in the rate for FY 2026 will align with the overall revenue adjustment from **Table 8-8**. To calculate the FY 2026 rate, we will determine the revenue requirement and divide that by the projected number of EDUs.

9.1. Wastewater Revenue Requirement

Table 9-1 shows the rate revenue requirement for FY 2026 (also referred to as the test year or rate-setting year). The revenue requirements (Lines 2-4) are equal to FY 2026 expenses. The revenue offsets (Lines 8-10) include Fund 583 revenue, interest earnings, and miscellaneous revenues that are applied as offsets to the final rate revenue requirement. The cash adjustment (Line 14) is equal to the FY 2026 positive net cash change to reserves, less the operating expenses for Fund 583. The adjustment to annualize the rate increase (Line 15) represents the revenue that would have been collected if the rates were implemented for all 12 months of the fiscal year. All values are from the proposed financial plan pro forma (**Table 8-9**). The final rate revenue requirement (Line 18) is calculated as follows:

Total revenue required from rates (Line 18) = Revenue requirements (Line 5) - Revenue offsets (Line 11) - Adjustments (Line 16)

Table 9-1: FY 2026 Revenue Required from Wastewater Rates

[A]	[B]	[C]
Line	Description	Total
1	**Revenue Requirements**	
2	O&M Expenses	$1,863,170
3	Debt Service	$449,875
4	Cash Funded CIP	$116,221
5	**Total Revenue Requirements**	**$2,429,265**
6		
7	**Less Revenue Offsets**	
8	Fund 583 Revenue	$35,676
9	Miscellaneous Revenue	$12,631
10	Interest Income	$3,291
11	**Total Revenue Offsets**	**$51,598**
12		
13	**Less Adjustments**	
14	Cash from (to) Reserves	-$903
15	Adjustment to Annualize Rate Increase	-$34,142
16	**Total Adjustments**	**-$35,045**
17		
18	**Total Revenue Required from Rates**	**$2,412,712**

9.2. Rate Calculation

Table 9-2 shows the FY 2026 rate per EDU calculation. The rate is calculated by dividing the FY 2026 revenue requirement (from **Table 9-1**) by the projected number of EDUs for FY 2026 (from **Table 4-6**).

Table 9-2: Wastewater Rate Calculation

[A]	[B]	[C]
Line	Rate Calculation	FY 2026
1	Revenue Requirement	$2,412,712
2	Units of Service	43,068
3	**Rate per EDU**	**$56.02**
4	Current Rate	$52.85
5	Difference ($)	$3.17
6	Difference (%)	6.0%

9.3. Proposed Five-Year Rate Schedule and Bill Impacts

Table 9-3 shows the proposed five-year wastewater rate schedule through FY 2030. Proposed rates for FY 2027 through FY 2030 are calculated by applying the proposed revenue adjustment in those years to the prior year rates. All rates are rounded up to the whole penny.

Table 9-3: Proposed Five-Year Wastewater Rate Schedule

Description	FY 2025 (Current)	FY 2026 (10/1/2025)	FY 2027 (10/1/2026)	FY 2028 (10/1/2027)	FY 2029 (10/1/2028)	FY 2030 (10/1/2029)
Proposed Revenue Adjustment		**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**
Fixed Service Charges (per Month)						
All Customers ($/EDU)	$52.85	$56.03	$59.40	$62.97	$66.75	$70.76

Table 9-4 shows the proposed wastewater rates for each customer class based on their EDU ratios. Each customer class is charged the EDU rate multiplied by their respective EDU ratio and the number of units for their account.

Table 9-4: Proposed Five-Year Wastewater Rates by Customer Class

Description	EDU Ratio	Units	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Fixed Service Charges (per Month)							
All Customers ($/EDU)			$56.03	$59.40	$62.97	$66.75	$70.76
Residential	1.00	per account	$56.03	$59.40	$62.97	$66.75	$70.76
Hotel	0.70	per room	$39.22	$41.58	$44.08	$46.73	$49.53
Hospitals	0.75	per bed	$42.02	$44.55	$47.23	$50.06	$53.07
Multi-Family	1.00	per account	$56.03	$59.40	$62.97	$66.75	$70.76
Garden & Nurseries	1.00	per account	$56.03	$59.40	$62.97	$66.75	$70.76
Schools	0.23	per student	$12.89	$13.66	$14.48	$15.35	$16.27
General Commercial	1.65	per account	$92.45	$98.01	$103.90	$110.14	$116.75
Beauty Salon & Barber Shop	0.50	per sink	$28.02	$29.70	$31.49	$33.38	$35.38
Needles Marina	0.55	custom	$30.99	$32.85	$34.82	$36.91	$39.13
Religious Organizations	0.02	per seat	$1.27	$1.35	$1.43	$1.52	$1.61
Seventh Day Adventist	0.01	custom	$0.64	$0.68	$0.72	$0.76	$0.80
Food Establishments	0.18	per seat	$10.09	$10.69	$11.33	$12.02	$12.74
Government	1.65	per employee	$92.45	$98.01	$103.90	$110.14	$116.75
Gas Stations	2.90	per pump (side)	$162.49	$172.26	$182.61	$193.58	$205.20
Shell/Dairy Queen	0.74	custom	$41.27	$43.75	$46.38	$49.16	$52.12
Native Village	109	per account	$6,107.27	$6,474.60	$6,863.73	$7,275.75	$7,712.84

Table 9-5 compares sample wastewater monthly bills for the four largest customer classes (based on number of accounts) using the average number of units for each class. Estimated monthly bills are based on both the City's current FY 2025 and proposed FY 2026 rates.

Table 9-5: Wastewater Sample Bill Impacts

Bill Impacts	Residential	Hotel	Gen. Com.	Food Est.
# of Units	1	45	1	58
EDU Ratio	1.00	0.70	1.65	0.18
Units	per account	per room	per account	per seat
Current Bill	$52.85	$1,664.78	$87.20	$551.75
Proposed Bill	**$56.03**	**$1,764.95**	**$92.45**	**$584.95**
Difference ($)	$3.18	$100.17	$5.25	$33.20
Difference (%)	6.0%	6.0%	6.0%	6.0%