

CITY OF YUBA CITY  
STAFF REPORT

**Date:** June 1, 2021  
**To:** Honorable Mayor & Members of the City Council  
**From:** Public Works Department  
**Presentation by:** Diana Langley, Public Works Director

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**Summary**

**Subject:** Proposed Water and Wastewater Rates for Fiscal Year 2021/22

**Recommendation:** A. Receive recommendation from staff for Water and Wastewater Rate increases for FY 2021/22;

B. Consider public input, and direct staff to bring the rate increases back to City Council on June 15, 2021, for further consideration and possible adoption.

**Fiscal Impact:** The scheduled rate increase will fund ongoing operation and maintenance expenses, provide adequate debt-service coverage, and fund capital improvement projects.

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**Purpose:**

To ensure adequate revenues in the Water and Wastewater Enterprise Funds for operations and maintenance, debt service coverage, and capital improvement projects.

**Background:**

Council adopted a Water and Wastewater Rate Study on April 5, 2016, which proposed adjustments to the City's water and wastewater rates over the next 5 years to fund ongoing expenses, provide adequate debt-service coverage, and fund priority capital projects.

In accordance with Proposition 218, a protest public hearing took place on June 8, 2016, and protests were received and tabulated. The City Clerk determined that there was not a majority protest of the proposed rate adjustments. Even though the Water and Wastewater Rate Studies only contemplated through FY 20/21, since Council adopted rates less than those approved through the Proposition 218 process, there is still the ability to increase rates beyond FY 20/21, provided that the rates do not exceed those approved through the Proposition 218 process.

On June 21, 2016, City Council adopted Water and Wastewater Ordinances which have provisions requiring that the City Council review the rates on an annual basis as part of the fiscal year budget review process, prior to the July 1 implementation of the increases for each year.

Council retains the authority to set by resolution the actual rates less than the maximum rates approved through the Proposition 218 process.

Water and wastewater rates were increased August 1, 2016, July 1, 2017, and July 1, 2018. Rates were not increased for FY's 19/20 and 20/21. Since the last increase of July 1, 2018, operational costs have increased, and through the completion of the updated Water and Wastewater Master Plans, significant capital replacement projects have been identified that need to be funded.

**Analysis:**

The City's updated Water Master Plan was completed in 2019, and identified approximately \$105 million in improvements necessary over the next 20 years to provide water supply improvements and rehabilitate or replace existing aging infrastructure. A breakdown of the improvements by timeframe is provided in Table 1.

**Table 1 – Recommended Water Improvements by Timeframe**

Facility	Capital Costs, \$M			
	1-5 Years	6-10 Years	11-15 Years	16-20 Years
Supply Improvements	-	4.5	3.2	-
Low Lift Pump Station	-	0.3	0.3	-
Water Treatment Plant	12.1	4	2.5	2.8
Booster Pump Stations/Tanks	9.3	3.3	1.6	1.2
Pipelines	15.0	15.0	15.0	15.0
Total:	36.4	27.1	22.6	19.0

The City's updated Wastewater Master Plan was completed in 2020, and identified approximately \$183.5 million in improvements necessary over the next 20 years to provide collection system improvements, Wastewater Treatment Facility condition-related improvements, and a new Outfall Pipeline and Diffuser. A breakdown of the improvements by timeframe is provided in Table 2.

**Table 2 – Recommended Wastewater Improvements by Timeframe**

Facility	Capital Costs, \$M		
	1-5 Years	6-10 Years	11-20 Years
Pipelines	18.8	13.0	17.9
Lift Stations	18.1	12.5	1.9
Wastewater Treatment Facility Improvements	18.0	35.7	12.6
Outfall Diffuser and Pipeline	35.0	-	-
Total:	89.9	61.2	32.4

The City does not have the cash on hand to fund the identified projects, nor is it realistic that the City will have the ability to construct all of the recommended improvements within the recommended timeframes. It will be necessary to prioritize the projects further, build capital, and pursue grants, low-interest loans, and/or sell municipal bonds to pay for the infrastructure. With any type of financing, the City will need to have sufficient funds to make the annual debt payment.

In order to generate additional capital over the next few years to pay for smaller projects with cash and finance larger projects, staff is requesting rate increases over the next three years to get close to the previously approved Proposition 218 rates in FY 23/24 for water and max out to the previously approved Proposition 218 rates in FY 23/24 for wastewater. Tables 3, 4, and 5 reflect

the proposed rate increases as compared to the current rates and approved Proposition 218 rates.

**Table 3 – Proposed Water Rates**

Meter Size	Baseline HCF's*	Current Rate	FY 21/22 5% Increase	FY 22/23 5% Increase	FY 23/24 5% Increase	Prop. 218 Amount
1"	15	\$35.84	\$37.63	\$39.51	\$41.49	\$42.59
1 ½"	30	\$71.69	\$75.27	\$79.04	\$82.99	\$85.18
2"	60	\$143.40	\$150.57	\$158.10	\$166.00	\$170.39
3"	240	\$573.56	\$602.24	\$632.35	\$663.97	\$681.53
4"	480	\$1,147.14	\$1,204.50	\$1,264.72	\$1,327.96	\$1,363.08
6"	900	\$2,150.86	\$2,258.40	\$2,371.32	\$2,489.89	\$2,555.74
8"	2,100	\$5,018.70	\$5,269.64	\$5,533.12	\$5,809.77	\$5,963.42
Flow Rate Per Excess HCF		\$1.840	\$1.904	\$2.029	\$2.130	\$2.137

**Table 4 – Proposed Wastewater Rates – Residential, Commercial, and Schools**

Sewer Rate Schedule	Current Rate	FY 21/22 8% Increase	FY 22/23 8% Increase	FY 23/24 5.6% Increase	Prop. 218 Amount
Single Family	\$52.96	\$57.20	\$61.77	\$65.23	\$65.27
Multi-Family	\$42.38	\$45.77	\$49.43	\$52.20	\$52.23
Commercial – C1	\$52.96	\$57.20	\$61.77	\$65.23	\$65.27
Commercial – C2	\$59.59	\$64.36	\$69.51	\$73.40	\$73.44
Commercial – C3	\$72.17	\$77.94	\$84.18	\$88.89	\$88.95
Commercial Volumetric Charge (HCF)	\$2.09	\$2.26	\$2.44	\$2.57	\$2.57
Schools – Per Student/Year	\$24.32	\$26.27	\$28.37	\$29.96	\$29.97

**Table 5 – Proposed Wastewater Rates – Industrial and Septage Haulers**

Sewer Rate Schedule	Current Rate	FY 21/22 8% Increase	FY 22/23 8% Increase	FY 23/24 5.6% Increase	Prop. 218 Amount
Industrial					
Volume (MG)	\$3,053.89	\$3,298.20	\$3,562.06	\$3,761.53	\$3,763.63
TSS (lbs)	\$0.235	\$0.254	\$0.274	\$0.289	\$0.290
BOD (lbs)	\$0.313	\$0.338	\$0.365	\$0.385	\$0.385
Septage Hauler					
\$/Gallon	\$0.408	\$0.441	\$0.48	\$0.50	\$0.502
400 Gallons	\$163.090	\$176.14	\$190.23	\$200.88	\$200.99

The proposed rate increases were presented at the Council budget workshop held on May 25, 2021. However, because rates have not been increased since July 1, 2018, staff recommends that Council allow opportunities for the public to provide input. Staff is recommending that Council accept staff's presentation and recommendation, consider public input, and then direct staff to bring the rate increases back to Council on June 15, 2021, for further consideration and possible adoption. It is staff's goal to have the rate increases adopted prior to July 1<sup>st</sup> so that they can go into effect on July 1<sup>st</sup> with the new fiscal year.

**Fiscal Impact:**

The anticipated fiscal impact on the annual operating budget of a 5% increase in water rates each year for FY's 21/22 through FY 23/24 is shown in Table 6.

**Table 6 – Water Rate Increase Fiscal Impact**

	FY 21/22	FY 22/23	FY 23/24
Proposed Rate Increase	5%	5%	5%
Anticipated Revenues under Current Rates	\$16,067,178	\$16,181,894	\$16,321,194
Anticipated Revenues – Water Rate Increase	\$734,756	\$1,513,780	\$2,339,538
Total Revenues:	\$16,801,934	\$17,695,674	\$18,660,732
Operating Expenses	\$8,587,021	\$8,960,675	\$9,292,327
Existing Debt Service	\$3,682,119	\$3,692,278	\$3,705,177
Total Expense:	\$12,269,140	\$12,652,953	\$12,997,504
Net Revenues Available for Reserves/Projects:	\$4,532,794	\$5,042,721	\$5,663,228
Debt Coverage After Rate Increase:	2.23	2.37	2.31

The anticipated fiscal impact on the annual operating budget of an 8% increase in wastewater rates in FY 21/22 and FY 22/23, and a 5.6% increase in FY 23/24 is shown in Table 7.

**Table 7 – Wastewater Rate Increase Fiscal Impact**

	FY 21/22	FY 22/23	FY 23/24
Proposed Rate Increase	8%	8%	5.6%
Anticipated Revenues under Current Rates	\$17,016,051	\$17,102,176	\$17,209,662
Anticipated Revenues - Wastewater Rate Increase	\$1,293,398	\$2,703,000	\$3,782,085
Total Revenues:	\$18,309,449	\$19,805,176	\$20,991,747
Operating Expenses	\$12,536,270	\$12,957,889	\$13,282,956
Existing Debt Service	\$3,642,746	\$3,628,052	\$3,628,552
Total Expenses:	\$16,179,016	\$16,585,941	\$16,911,508
Net Revenues Available for Reserves/Projects:	\$2,130,433	\$3,219,235	\$4,080,239
Debt Coverage After Rate Increase:	1.58	1.89	2.12

The projections in Tables 6 and 7 are based on financial rate models, with assumptions related to annual increases in costs and development. As the projections are based on models, the actual numbers will vary.

**Alternatives:**

1. Do not increase the water rates.
2. Do not increase the wastewater rates.
3. Direct staff to consider a different increase for implementation of water and/or wastewater rates.

**Recommendation:**

- A. Receive recommendation from staff for Water and Wastewater Rate increases for FY 2021/22;
- B. Consider public input, and direct staff to bring the rate increases back to City Council on June 15, 2021, for further consideration and possible adoption.

Prepared by:

*/s/ Diana Langley*

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Submitted by:

*/s/ Dave Vaughn*

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SLC by email