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CONSULTANTS

Sewer Rate Study

City of Willows

April 28, 2026





Background

- The City of Willows provides sewer service to about 2,600 customers
- The Sewer Fund is an Enterprise Fund that should be self-supported from rates and charges
- The last rate study was conducted in 2021, and the most recent rate increase was July 1, 2025 (+12%)
- Goal of this rate study is to fund the full cost of providing service
 - Cost of service includes operating and maintenance costs, infrastructure (capital) improvements, debt service payments, and maintaining emergency reserves
- This rate study proposes new 5-year plan with rates going into effect August 1, 2026; then each July 1 from 2027 to 2030



Legal Requirements: Proposition 218

- Governs how sewer service charges can be calculated and adopted
 - Rates can be adopted over a maximum 5-year period with a single study
 - Rates must be based on the reasonable cost of providing service
 - Rates must proportionally recover costs based on how customers take service
- Procedural requirements for adopting rate adjustments:
 - Conduct a rate study
 - Mail a notice of hearing and conduct hearing at least 45 days later
- Ratepayers can block the increase with a 50% protest



Rate Study Process

1. FINANCIAL PLAN

Long-term cash flow analysis to evaluate cost of service needs

2. RATE DESIGN

Review sewer rate structure to ensure compliance with Proposition 218

3. PUBLIC OUTREACH

Engage ratepayers through public outreach process



Key Considerations

1. Financial Plan

- Finance capital improvement plan (\$7.8 million over the next five years)

2. Rate Design

- Review equity between customer classes
- Rates should be proportional to the underlying flow and pollutant strengths of each customer class

3. Public Outreach

- Rates must adopted before the tax roll deadline (August 10)



FINANCIAL PLAN

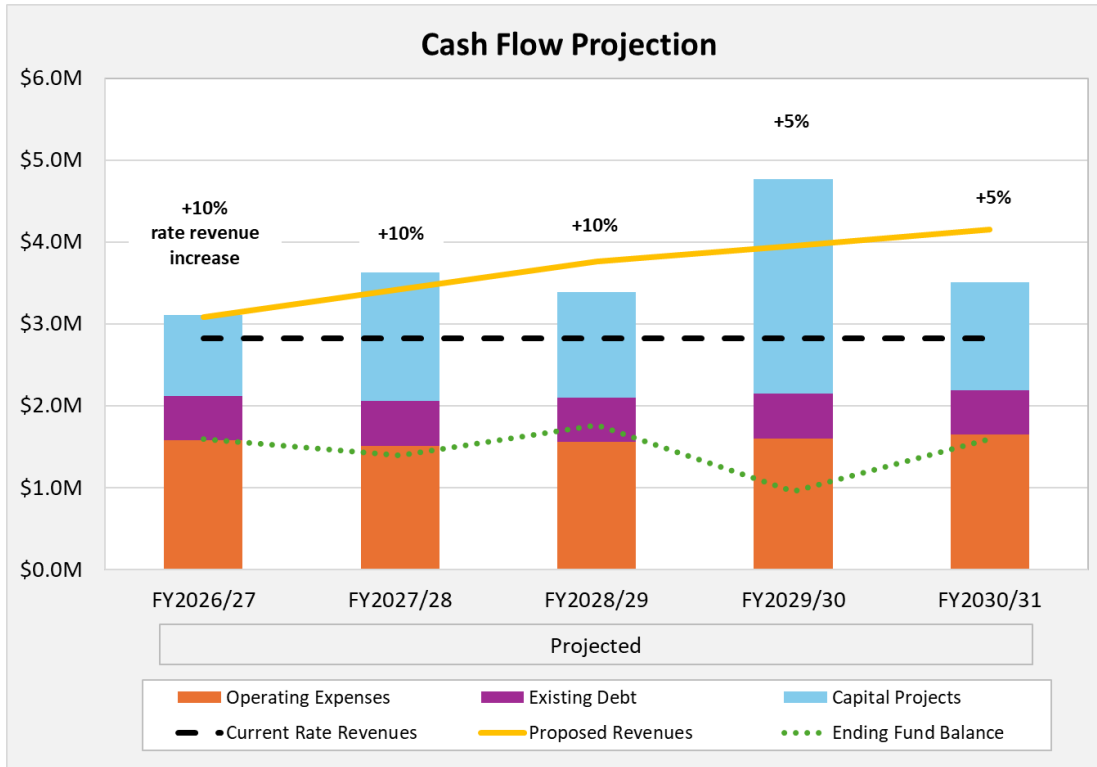


Current Sewer Fund Financial Standing

- Cash reserves of about **\$1.6M**
- Current revenues of about **\$2.9M** are covering operating expenses of about **\$1.5M** + debt service of **\$540,000**
- Rate increases are needed to fund capital improvements and cover inflationary operating cost increases without drawing down reserves
- The City intends to complete necessary capital improvements totaling to about **\$7.8M** over the next 5 years:
 - \$4M of replacement of aging and failing collection system infrastructure
 - \$1.5M of WWTP improvements to clarifier, chlorine contact chamber, chemical storage and pipelines
 - \$1.45M for WWTP pond liners
 - \$800,000 to replace Vac Truck



Sewer Financial Projection



The proposed rate revenue increases represent how much the total rate revenues must increase to cover costs.

The rate increase to each individual customer will differ from the total revenue increase based on how costs are allocated proportionally to each customer class.



RATE DESIGN



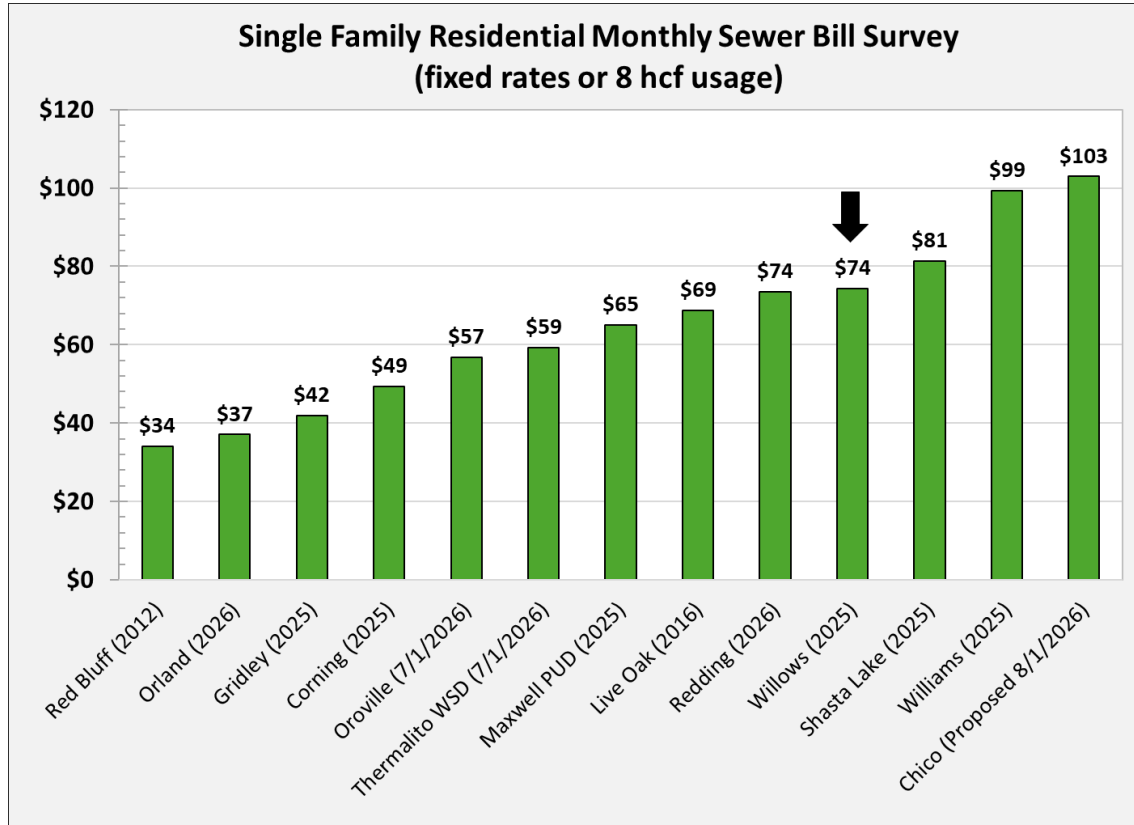
Review of Current Rates

Fixed Service Charge	
Single Family Residential	\$74.24
Multi-Family Residential (per unit)	\$42.93
Commercial	\$87.62

Volumetric Charge (\$/hcf)	
Commercial (<i>Applied to Average <u>Winter</u> Water Use</i>)	
Car Wash	\$3.65
Hospital & Rest Home	\$4.37
Jail	\$5.50
Laundry	\$4.07
Market & Morgue	\$8.89
Motel & Hotel	\$4.73
Restaurant & Bakery	\$9.53
Other Commercial	\$5.50



Review of Current Rates





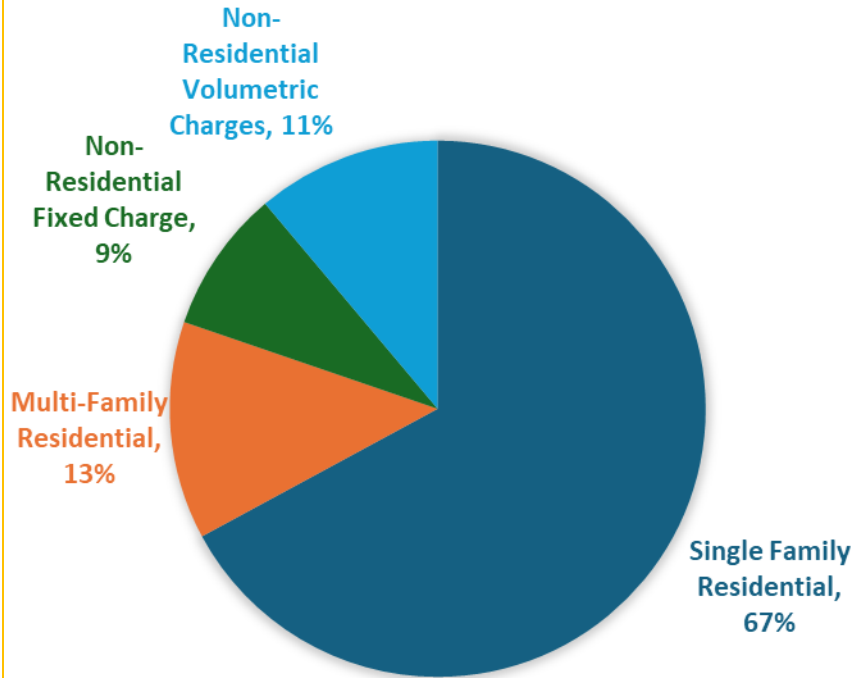
Proposed Rate Design

- Residential rate design will not change – fixed rates for single family and multi-family customers
- Recategorize non-residential customers based on pollutant strength:
 - Car Wash, Laundry → **Low Strength**
 - Hospital & Rest Home, Jail, Motel & Hotel, Other Commercial → **Medium Strength**
 - Market & Morgue, Restaurant & Bakery → **High Strength**
- Proposed Non-Residential Fixed Charge (Base Fee) will include up to the first 8 hcf of average winter water use
 - Same billing method for volumetric charges (winter water usage data)
 - However, only winter water usage above 8 hcf will be billed the volumetric charges
- Proposed revenue recovery from each customer class is based on winter water usage data and estimated pollutant strengths of each class

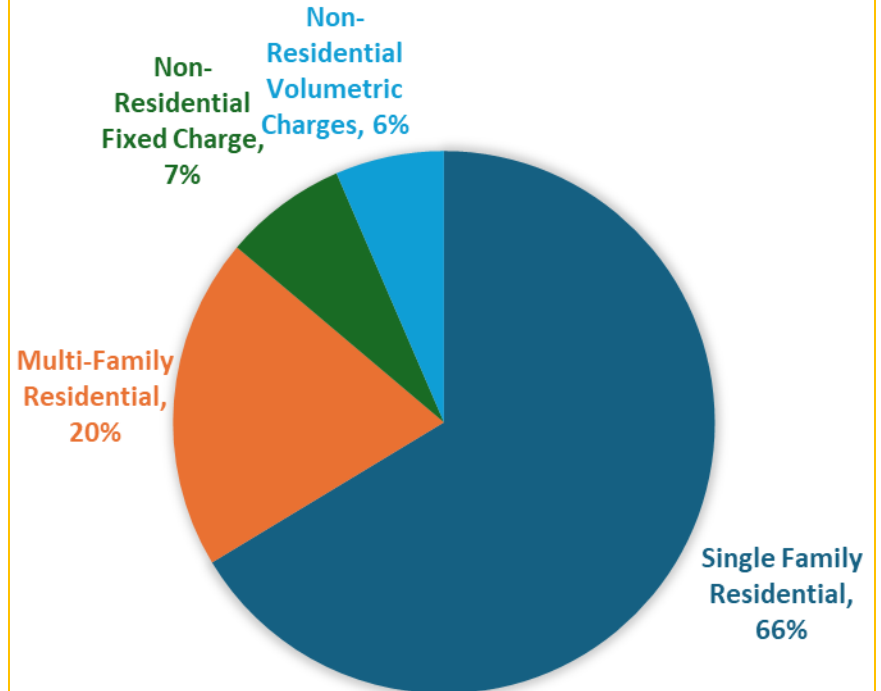


Sewer Revenue Recovery

CURRENT SEWER RATE REVENUE RECOVERY BY CUSTOMER CLASS



PROPOSED SEWER RATE REVENUE RECOVERY BY CUSTOMER CLASS





Fixed or Base Rate Calculation

- Customer service charges are the same for all customer classes
- Flow and strength charges reflect the pollutant strength of each customer class
- Residential fixed fees are based on estimated average winter water use
- Non-residential base fees include flow of 8 hcf

Customer Class	Customer Service Charge (\$/mo)		Flow (hcf)		Flow and Strength Charge (\$/hcf)		Total Monthly Rate or Base Fee
Residential Fixed Charge							
Single Family Residential	\$39.69	+	8	x	\$4.43	=	\$75.13
Multi-Family Residential	\$39.69	+	6	x	\$4.43	=	\$66.27
Non-Residential Base Rate (for the first 8 units of flow)							
Low Strength	\$39.69	+	8	x	\$3.89	=	\$70.81
Medium Strength	\$39.69	+	8	x	\$4.43	=	\$75.13
High Strength	\$39.69	+	8	x	\$6.68	=	\$93.13



Proposed Rates

Fiscal Year <i>Effective Date</i>	Current Rates <i>July 1, 2025</i>	PROPOSED				
		FY2026/27 <i>August 1, 2026</i>	FY2027/28 <i>July 1, 2027</i>	FY2028/29 <i>July 1, 2028</i>	FY2029/30 <i>July 1, 2029</i>	FY2030/31 <i>July 1, 2030</i>
Fixed Charges						
Single Family Residential	\$74.24	\$75.13	\$82.64	\$90.90	\$95.45	\$100.22
Multi-Family Residential (per unit)	\$42.93	\$66.27	\$72.90	\$80.19	\$84.20	\$88.41
Non-residential base fee for up to the first 8 hcf						
Low Strength	\$87.62	\$70.81	\$77.89	\$85.68	\$89.96	\$94.46
Medium Strength	\$87.62	\$75.13	\$82.64	\$90.90	\$95.45	\$100.22
High Strength	\$87.62	\$93.13	\$102.44	\$112.68	\$118.31	\$124.23
Volumetric Charge for Non-residential Customers (\$/hcf above 8 hcf) [1] [2]						
Low Strength	varies	\$3.89	\$4.28	\$4.71	\$4.95	\$5.20
Medium Strength	varies	\$4.43	\$4.87	\$5.36	\$5.63	\$5.91
High Strength	varies	\$6.68	\$7.35	\$8.09	\$8.49	\$8.91

1 - Per hundred cubic feet (hcf). 1 hcf = 748 gallons. Applied to average winter water use.

2 - Non-residential customers are classified as follows:

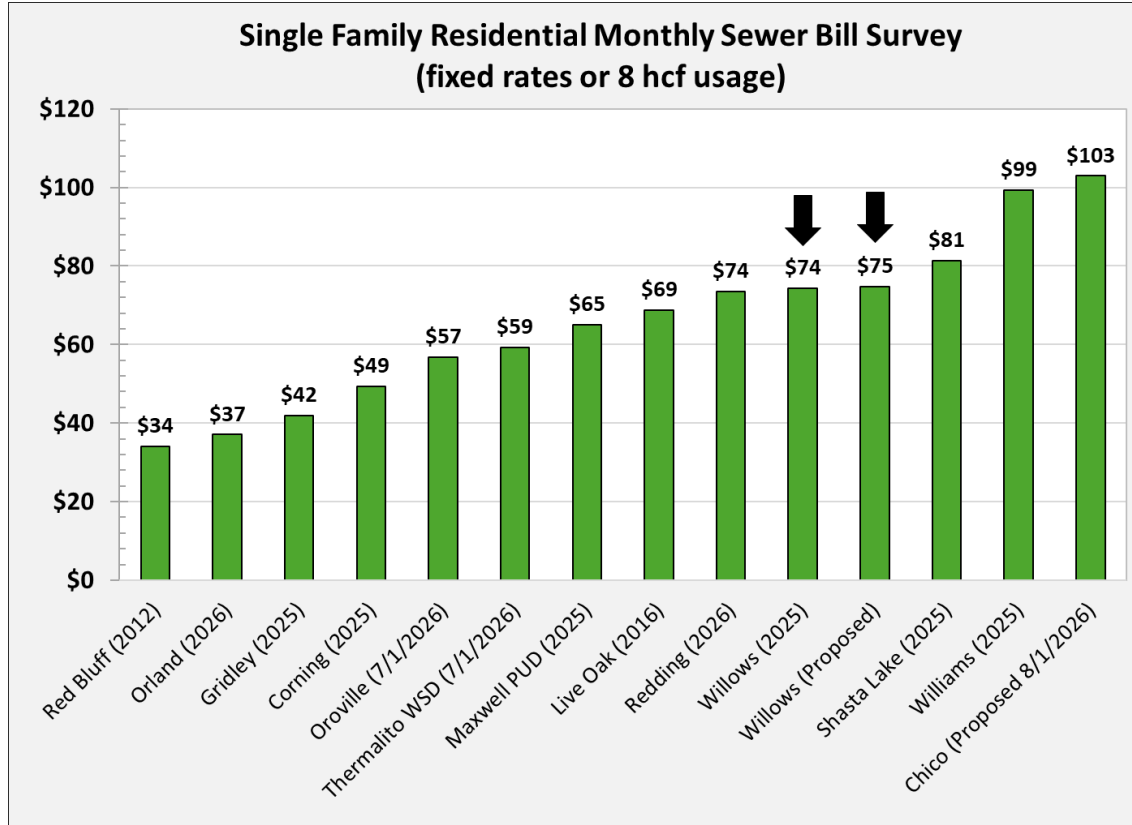
Low Strength = existing Car Wash and Laundry customers

Medium Strength = existing Hospital & Rest Home, Jail, Motel & Hotel, & Other Commercial customers

High Strength = existing Market & Morgue, Restaurant & Bakery customers



Residential Bill Survey





Proposed Commercial Flow Charges

CURRENT	
<i>Fee per hcf applied to ALL average winter water use.</i>	
Car Wash	\$3.65
Laundry	\$4.07
Hospital & Rest Home	\$4.37
Motel & Hotel	\$4.73
Jail	\$5.50
Other Commercial	\$5.50
Market & Morgue	\$8.89
Restaurant & Bakery	\$9.53



PROPOSED AUG 1, 2026	
<i>Fee per hcf applied to winter water use ABOVE BASE FLOW of 8 hcf only.</i>	
Low Strength	\$3.89
Medium Strength	\$4.43
High Strength	\$6.68



Example Commercial Bills

Current Bill – Office using 8 hcf

	Rate		Count	Charges
Fixed Charge	\$87.62	x	1	\$87.62
Volumetric Charge	\$5.50	x	8	<u>\$44.00</u>
Total Monthly Bill				\$131.62

Proposed August 1, 2026

	Rate		Count	Charges
Customer Service Charge	\$39.69	x	1	\$39.69
Flow and Strength Minimum	\$4.43	x	8	<u>\$35.44</u>
Subtotal Base Fee				\$75.13
Flow Above Minimum	\$4.43	x	0	<u>\$0.00</u>
Total Monthly Bill				\$75.13
\$ Change				-\$56.49
% Change				-42.9%

Current Bill – Office using 15 hcf

	Rate		Count	Charges
Fixed Charge	\$87.62	x	1	\$87.62
Volumetric Charge	\$5.50	x	15	<u>\$82.50</u>
Total Monthly Bill				\$170.12

Proposed August 1, 2026

	Rate		Count	Charges
Customer Service Charge	\$39.69	x	1	\$39.69
Flow and Strength Minimum	\$4.43	x	8	<u>\$35.44</u>
Subtotal Base Fee				\$75.13
Flow Above Minimum	\$4.43	x	7	<u>\$31.01</u>
Total Monthly Bill				\$106.14
\$ Change				-\$63.98
% Change				-37.6%



Next Steps and Wrap Up

- April 28 - Present City Council with draft rate results
- Revise results based on feedback received
- May 12 - Present final rate results to City Council; initiate Proposition 218 process
- May 29 - Mail Proposition 218 notices (must be mailed 45 days before the hearing)
- July 14, 2026 - Prop 218 hearing
- August 1, 2026 - New rates go into effect

