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# Sewer Rate Proposition 218 Hearing

## City of Willows

July 14, 2026


# Background

- The Sewer Fund is an Enterprise Fund that is self-supported from rates and charges. Rates are each customer's share of the City's cost to operate, maintain, and finance the sewer system.
- The last rate study was conducted in 2021, and the most recent rate increase was July 1, 2025 (+12%)
- This rate study proposes new 5-year plan with rates going into effect August 1, 2026; then each July 1 from 2027 to 2030
- Proposition 218 procedural requirements:
  - Conduct a rate study
  - Mail a notice to impacted parcels
  - Hold a public hearing a minimum of 45 days after notice is mailed
  - Rates cannot be adopted if more than 50% of ratepayers submit written protests

# Rate Study Timeline

- Rate study began earlier this year. The project team reviewed public financial data – budgets, audits, and capital improvement plans
- April 28 - Presented City Council with preliminary rate results
- May 12 - Presented final rate recommendations to City Council
- May 29 - Mailed Proposition 218 notices to about 2,600 parcels
- July 14, 2026 - Proposition 218 hearing to consider rate adoption
- August 1, 2026 - New rates go into effect

# Key Considerations

1. **Financial Plan**
   - Finance capital improvement plan ($7.8 million in critical infrastructure repairs over the next five years)
2. **Rate Design**
   - Rates are proportional to an updated analysis of the underlying flow and pollutant strengths of each customer class
   - Non-residential rates for most customers are proposed to decrease, and the rate structure will be simplified
   - Multi-family rates are proposed to increase to a greater degree than other customer classes

# What will the proposed rates finance?

- 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

# What will the proposed rates finance?

- Summary of five-year financial plan:

| | Without a Rate Increase | With the Proposed Rate Increase |
|---|---|---|
| **Total Revenues** | **$14,500,000** | **$18,870,200** |
| Operating Expenses | $7,897,800 | $7,897,800 |
| Debt Service | $2,708,100 | $2,708,100 |
| Capital Projects | $7,782,400 | $7,782,400 |
| **Total Expenses** | **$18,388,300** | **$18,388,300** |
| **Total Net Revenues** | **-$3,888,300** | **+$481,900** |

Will be added to reserves; can be spent on future capital projects

# 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 (*Applied to Average <u>Winter</u> Water Use*) | |
| 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 |

# Proposed Rates

| Fiscal Year | Current Rates | PROPOSED | | | | |
|---|---|---|---|---|---|---|
| | | FY2026/27 | FY2027/28 | FY2028/29 | FY2029/30 | FY2030/31 |
| *Effective Date* | *July 1, 2025* | *August 1, 2026* | *July 1, 2027* | *July 1, 2028* | *July 1, 2029* | *July 1, 2030* |
| **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.

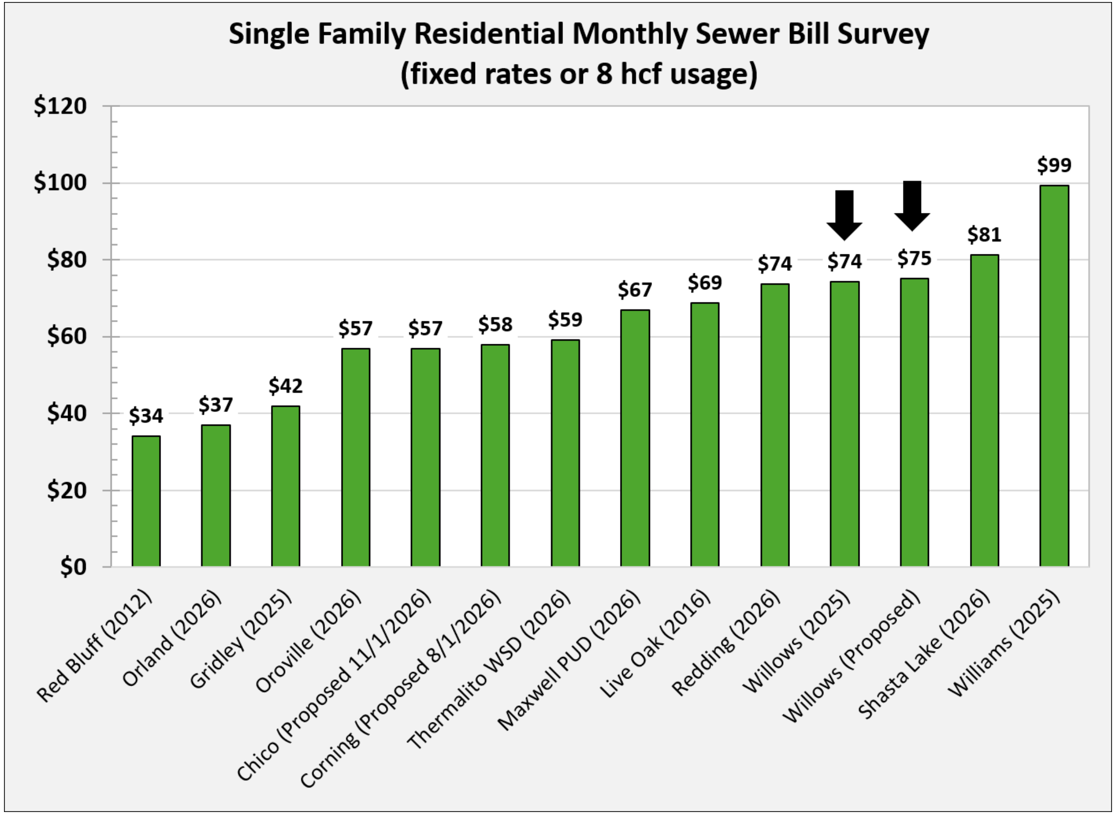
2 - Non-residential customers are classified as follows:

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



# Proposition 218 Procedures

- Open the public hearing
- Listen to public comments
- Collect any additional written protests
- Close the public hearing
- Count the protests received
- If less than 50% of customers protest, City Council can consider adopting the rates which would go into effect August 1, 2026
  - 2,627 total impacted parcels
  - A majority protest is 1,314 parcels