



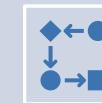
# **City of Arcata**

## **2025 Water and Wastewater Rate Study**

**October 15, 2025**



# Presentation Overview



## Rate Study Overview



## Proposition 218



## Water Financial Plan & Rates



## Wastewater Financial Plan & Rates



## Next Steps



## Questions and Discussion

# Rate Study Objectives



**Financial Sufficiency**



**Legal Compliance (Prop. 218)**



**Rates Aligned with City Objectives**



**Minimize the Impact on Ratepayers**

# Rate Study Process



# Proposition 218



- **Voter-approved constitutional amendment 1996**
  - Rates cannot exceed cost of providing service
- **Substantive requirements for property-related charges**
  - Rates cannot exceed cost of providing service
  - Proportionate cost recovery (fair and equitable)
- **Procedural requirements for rate increases**
  - Mail notice of rate increases to all property owners/customers
  - Hold public hearing at least 45 days after the mailing
  - Rates are subject to “majority protest”

# Water Enterprise Overview

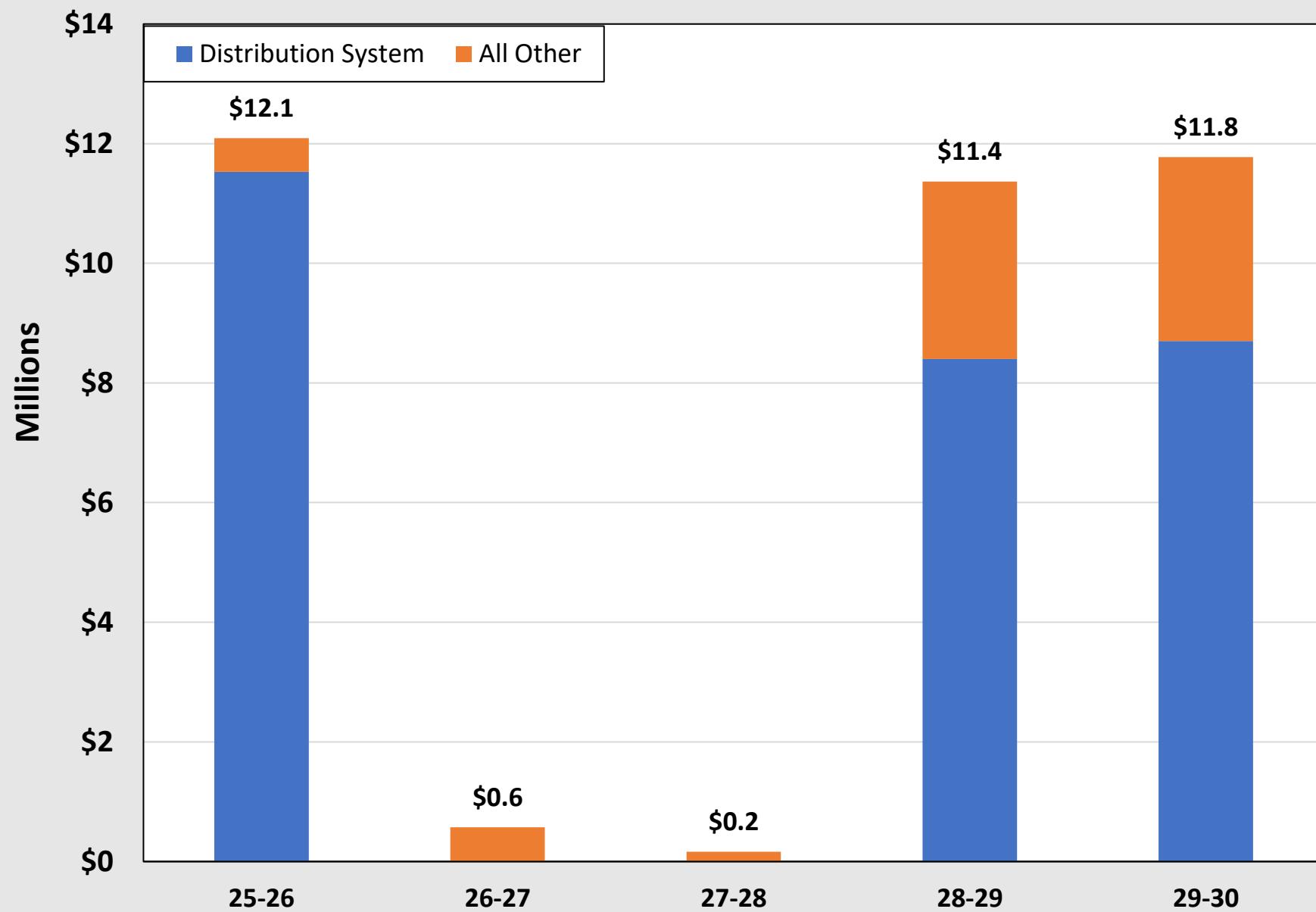


- Water utility is a financially self-supporting enterprise that provides service to 6,600 customers
  - Single Family Residential: 3,900 (60%)
  - Commercial: 2,700 (40%)
- Rates are the main source of revenues
- Rates need to be set at levels adequate to fund the cost of providing service

# Water Capital Improvement Planning Efforts



## City of Arcata Water System Improvement Projects



# Water Financial Challenges (Short-Term)



- FY 25/26 capital improvements \$12.1 million
  - Steel water line replacement and Plunkett water line improvements \$11.5 million
- Sewer loan of \$3.5 million insufficient
  - With a 44% rate increase reserves will drop from \$9 million to \$1.5 million with no additional financing
  - Insufficient reserves increase enterprise risk and impede future borrowing
- Recommendation: Issue 30-year bonds for \$9.5 million
  - \$6 million for additional capital funding
  - \$3.5 million to refund sewer loan
  - Sewer loan will bridge gap until rate increases effective

# Water Financial Challenges (Long-Term)



- Aging infrastructure & capital improvement needs
  - Water system upgrades, repairs & replacements needed to maintain safe & reliable operations
  - Approximately \$36 million over the next 5 years
- Debt service
  - Existing annual debt service of \$139,000
  - Projected need to issue \$30 million in new debt to fund capital improvements in the next five years
    - Issuances of \$10 million in FY 25/26 and \$20 million in FY 28/29
    - Additional debt service building to \$2 million per year in FY 29/30
- Operating cost inflation
  - Annual operating cost inflation of 4.0% for the next five years
  - Annual rate adjustments needed to keep rates in line with escalating costs (chemicals, utilities, staffing, supplies, insurance, etc.)
- Maintain Prudent Reserves
  - Emergencies, demand fluctuation, cash funding capital, credit worthiness etc.

# Water Rate Scenarios



- Scenario 1, returning to Fiscal Year (July 1) increases
- Scenario 2, maintaining calendar year (January 1) rate increases

## Water Rate Revenue Scenarios

### Scenario 1: Immediate Revenue Recovery

| Rates Effective                      | Feb. 1, 2026 | Jul. 1, 2027 | Jul. 1, 2028 | Jul. 1, 2029 | Jul. 1, 2030 |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Rate Revenue Increase in FY (\$) | \$1,017,063  | \$0          | \$798,857    | \$878,743    | \$773,294    |
| Rate Revenue Increase (%)            | 44.0%        | 0.0%         | 10.0%        | 10.0%        | 8.0%         |
| Ending Reserve Balance               | \$6,935,088  | \$7,745,508  | \$9,088,705  | \$9,127,187  | \$8,516,465  |

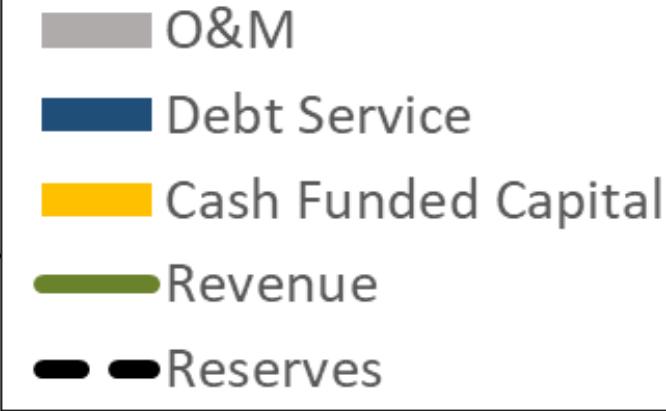
### Scenario 2: Phased-In Revenue Recovery

| Rates Effectives                     | Feb. 1, 2026 | Jan. 1, 2027 | Jan. 1, 2028 | Jan. 1, 2029 | Jan. 1, 2030 |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Rate Revenue Increase in FY (\$) | \$531,647    | \$614,121    | \$483,109    | \$450,901    | \$495,992    |
| Rate Revenue Increase (%)            | 23.0%        | 18.0%        | 12.0%        | 10.0%        | 10.0%        |
| Ending Reserve Balance               | \$6,449,671  | \$6,699,504  | \$7,769,277  | \$7,584,132  | \$6,918,910  |

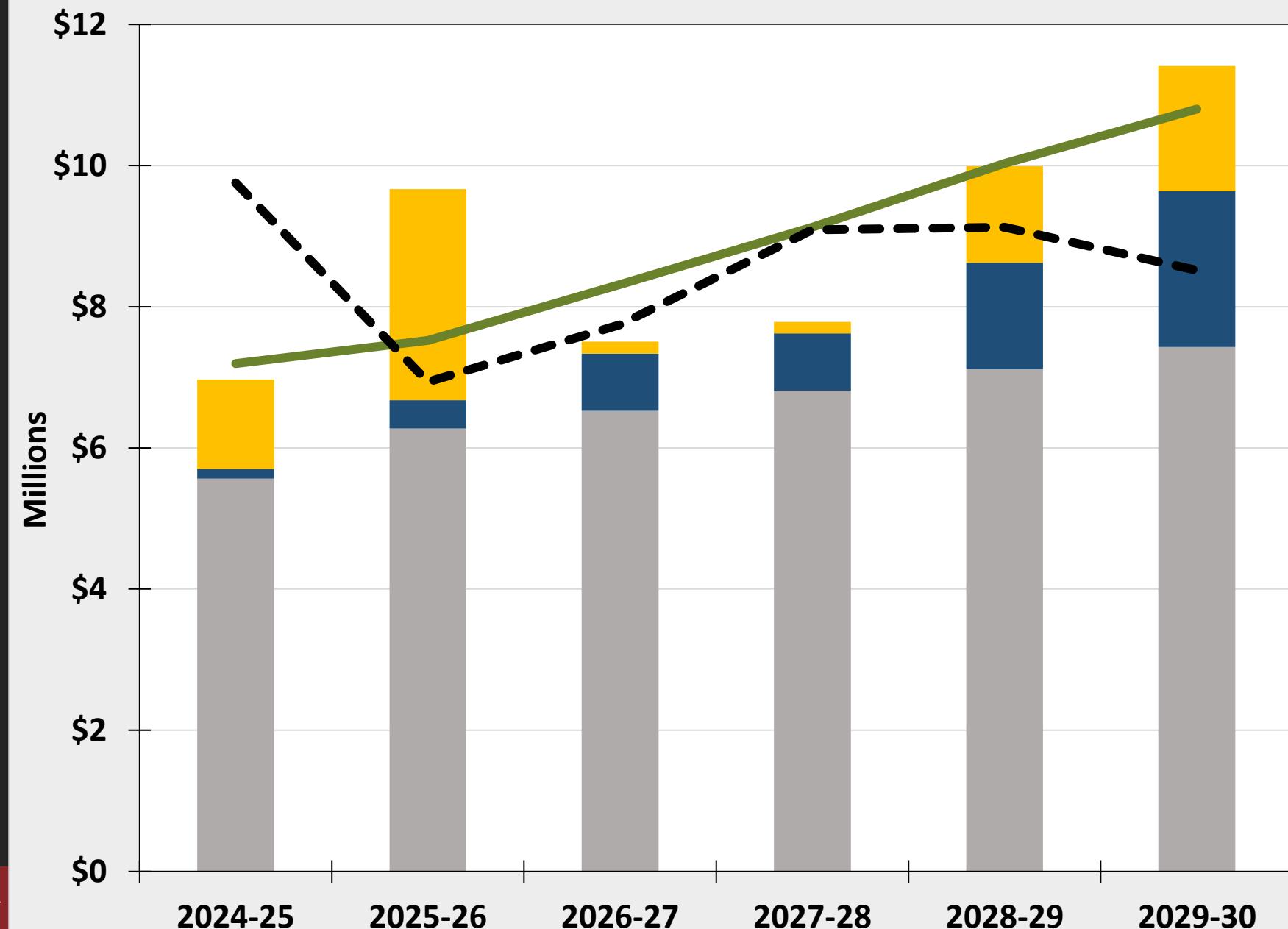
\*Initial bill impacts will vary based on customer class and usage due to rate structure adjustments realigning rates with cost of service.

# 5-YR Water Financial Plan

Scenario 1:  
Immediate Revenue Recovery

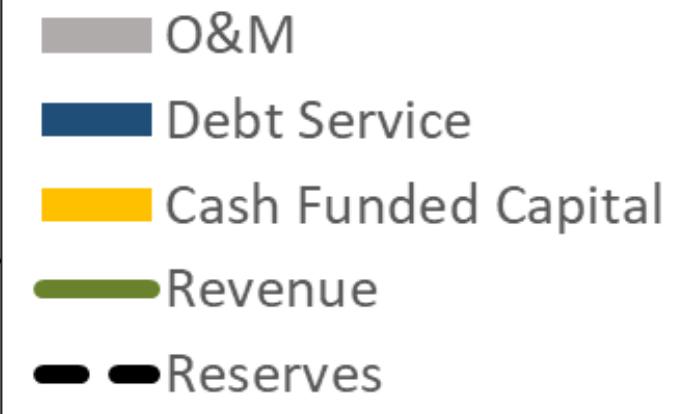


## Scenario 1 Projected Water Revenues & Expenses

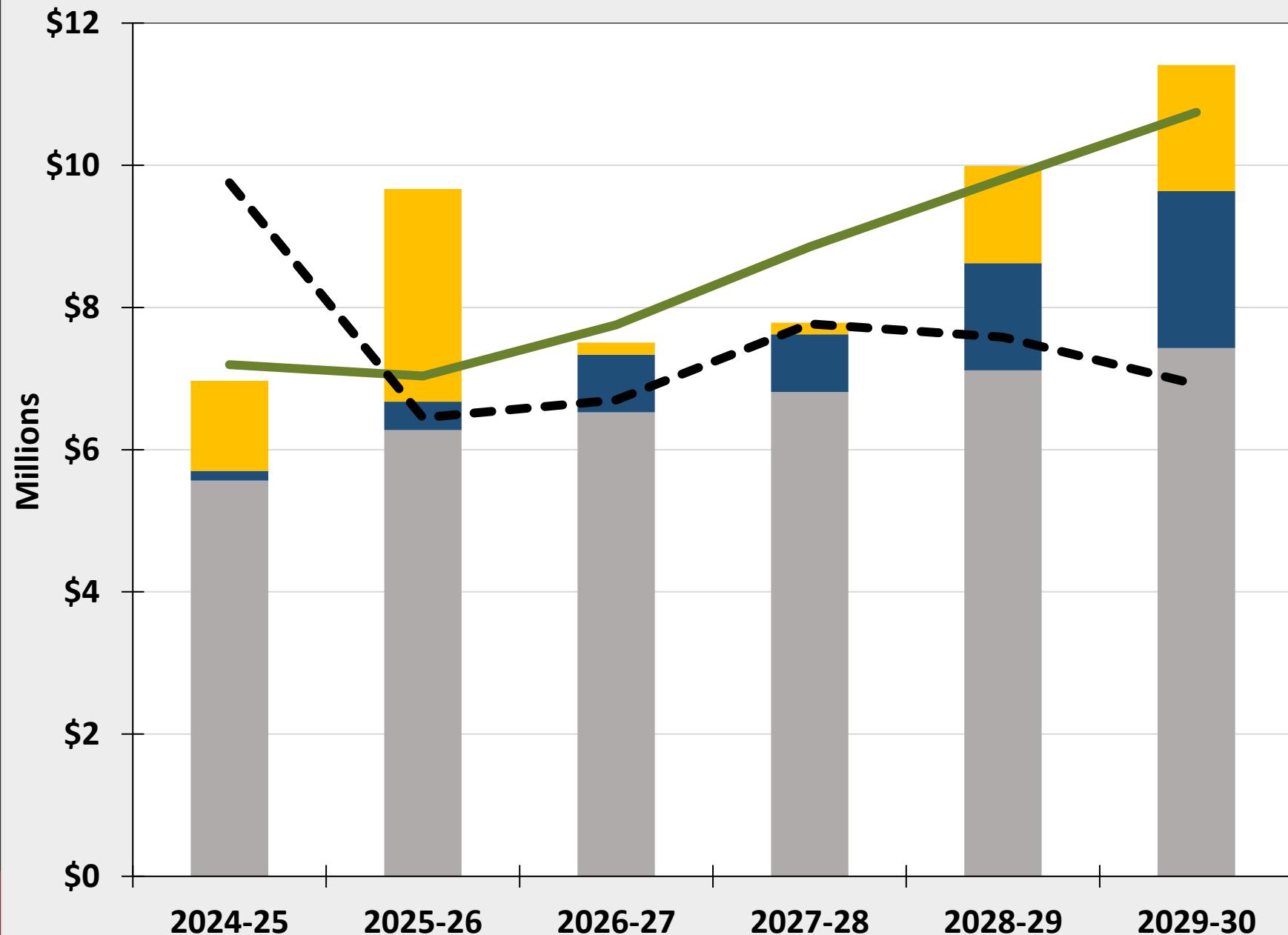


# 5-YR Water Financial Plan

## Scenario 2: Phased-In Revenue Recovery



### Scenario 2 Projected Water Revenues & Expenses



# Proposed Water Rates

Scenario 1:  
Immediate Revenue  
Recovery

| Volumetric     |          |            |            |            |            |            |
|----------------|----------|------------|------------|------------|------------|------------|
| Rates (\$/hcf) | 2025/26  | 2/1/2026   | 7/1/2027   | 7/1/2028   | 7/1/2029   | 7/1/2030   |
|                | Current  | Proposed   | Proposed   | Proposed   | Proposed   | Proposed   |
| All Usage      | \$7.15   | \$10.33    | \$10.33    | \$11.37    | \$12.50    | \$13.50    |
| Monthly Fixed  |          |            |            |            |            |            |
| Charges        | 2025/26  | 2/1/2026   | 7/1/2027   | 7/1/2028   | 7/1/2029   | 7/1/2030   |
|                | Current  | Proposed   | Proposed   | Proposed   | Proposed   | Proposed   |
| Meter Size     |          |            |            |            |            |            |
| 5/8" and 3/4"  | \$12.23  | \$18.05    | \$18.05    | \$19.85    | \$21.84    | \$23.58    |
| 1"             | \$20.43  | \$30.14    | \$30.14    | \$33.15    | \$36.47    | \$39.39    |
| 1 1/2"         | \$40.73  | \$60.10    | \$60.10    | \$66.11    | \$72.72    | \$78.53    |
| 2"             | \$65.19  | \$96.19    | \$96.19    | \$105.81   | \$116.39   | \$125.70   |
| 3"             | \$122.31 | \$180.47   | \$180.47   | \$198.52   | \$218.37   | \$235.84   |
| 4"             | \$203.89 | \$300.85   | \$300.85   | \$330.93   | \$364.02   | \$393.14   |
| 6"             | \$407.65 | \$601.51   | \$601.51   | \$661.66   | \$727.83   | \$786.05   |
| 8"             | \$652.27 | \$962.45   | \$962.45   | \$1,058.70 | \$1,164.57 | \$1,257.73 |
| 10"            | \$937.74 | \$1,383.67 | \$1,383.67 | \$1,522.04 | \$1,674.24 | \$1,808.18 |

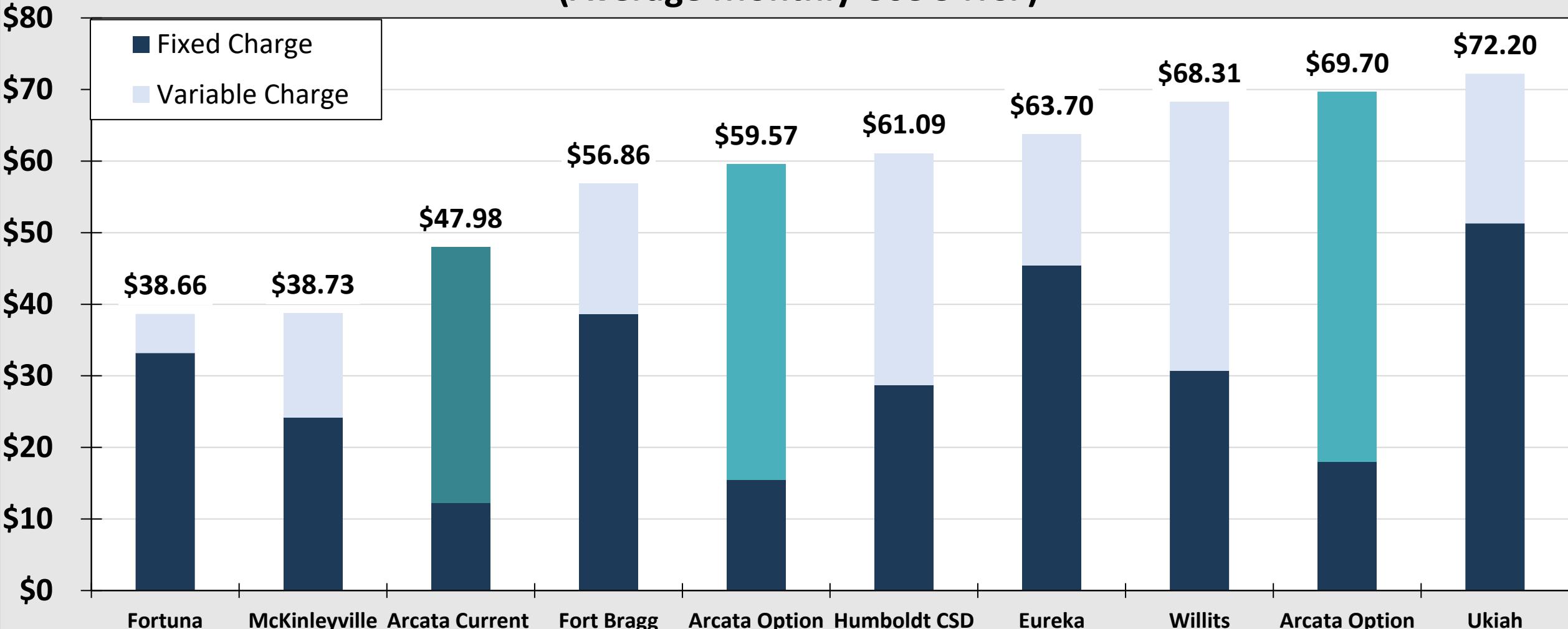
# Proposed Water Rates

## Scenario 2: Phased-In Revenue Recovery

| Volumetric     |          |            |            |            |            |            |
|----------------|----------|------------|------------|------------|------------|------------|
| Rates (\$/hcf) | 2025/26  | 2/1/2026   | 1/1/2027   | 1/1/2028   | 1/1/2029   | 1/1/2030   |
|                | Current  | Proposed   | Proposed   | Proposed   | Proposed   | Proposed   |
| All Usage      | \$7.15   | \$8.83     | \$10.42    | \$11.67    | \$12.83    | \$14.12    |
| Monthly Fixed  |          |            |            |            |            |            |
| Charges        | 2025/26  | 2/1/2026   | 1/1/2027   | 1/1/2028   | 1/1/2029   | 1/1/2030   |
|                | Current  | Proposed   | Proposed   | Proposed   | Proposed   | Proposed   |
| Meter Size     |          |            |            |            |            |            |
| 5/8" and 3/4"  | \$12.23  | \$15.42    | \$18.19    | \$20.37    | \$22.41    | \$24.65    |
| 1"             | \$20.43  | \$25.74    | \$30.38    | \$34.02    | \$37.42    | \$41.17    |
| 1 1/2"         | \$40.73  | \$51.33    | \$60.57    | \$67.84    | \$74.63    | \$82.09    |
| 2"             | \$65.19  | \$82.16    | \$96.95    | \$108.59   | \$119.45   | \$131.39   |
| 3"             | \$122.31 | \$154.15   | \$181.90   | \$203.73   | \$224.10   | \$246.51   |
| 4"             | \$203.89 | \$256.97   | \$303.23   | \$339.61   | \$373.58   | \$410.93   |
| 6"             | \$407.65 | \$513.79   | \$606.27   | \$679.03   | \$746.93   | \$821.62   |
| 8"             | \$652.27 | \$822.10   | \$970.07   | \$1,086.48 | \$1,195.13 | \$1,314.64 |
| 10"            | \$937.74 | \$1,181.89 | \$1,394.63 | \$1,561.98 | \$1,718.18 | \$1,890.00 |

# Single Family Residential Monthly Water Rate Survey

## (Average Monthly Use 5 HCF)



HCF = Hundred Cubic Feet = 748 gallons

# Wastewater Enterprise Overview

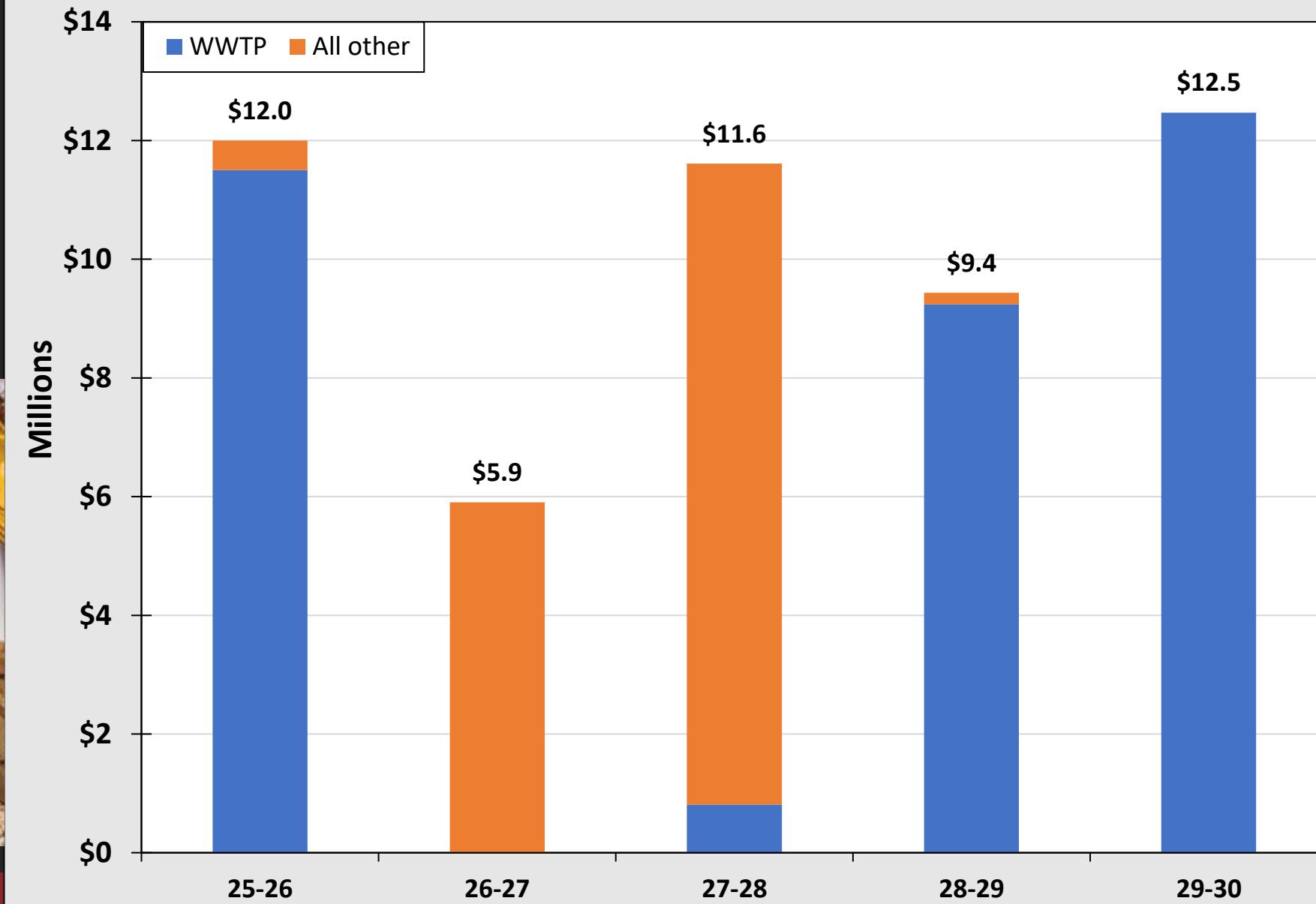


- Sewer utility is a financially self-supporting enterprise that provides service to 5,600 customers
  - Residential: 4,900 accounts (90%)
  - Commercial/Other: 700 accounts (10%)
- Rates are the main source of revenues
- Rates need to be set at levels adequate to fund the cost of providing service

# Wastewater Capital Improvement Planning Efforts



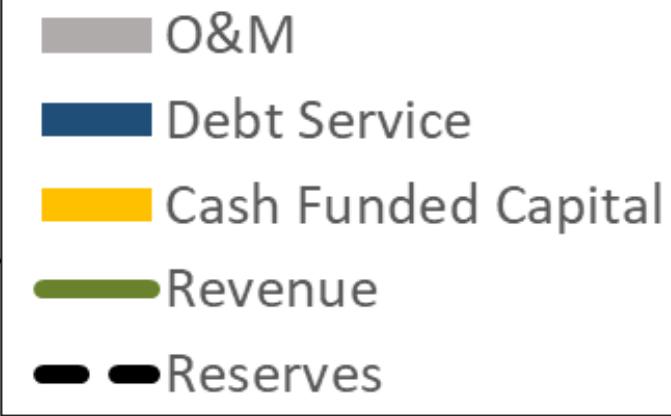
## City of Arcata Wastewater System Improvement Projects



# Wastewater Financial Challenges

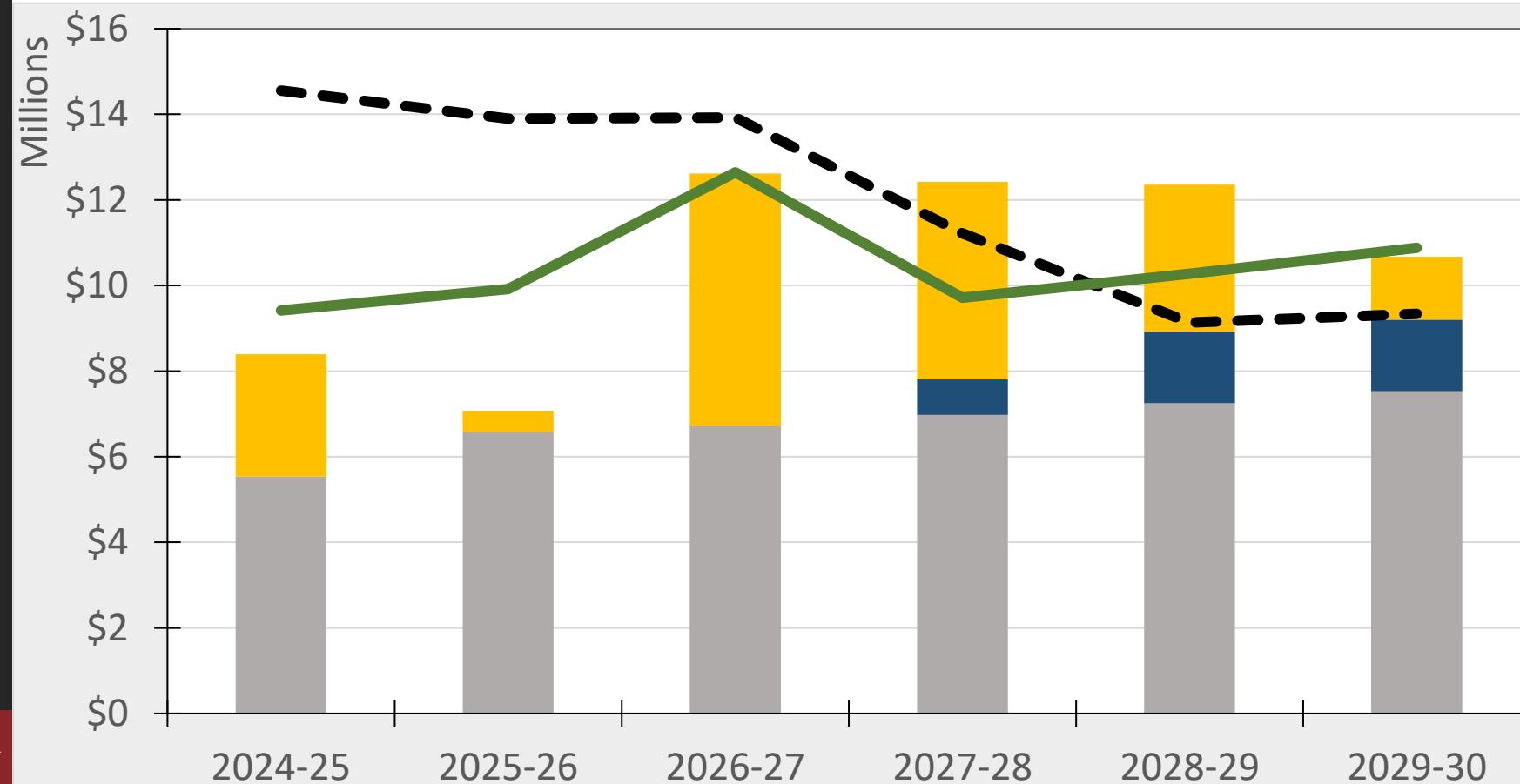
- Aging infrastructure & capital improvement needs
  - Wastewater system upgrades, repairs, & replacements needed to maintain safe & reliable operations & long-term climate resiliency
  - Approximately \$51.4 million over the next 5 years
- Debt service
  - Projected need to issue \$24 million in new debt to fund capital improvements in the next five years
    - Additional annual debt service of \$2 million beginning in FY 28/29
- Operating cost inflation
  - Annual operating cost inflation of 4.0% for the next five years
  - Annual rate adjustments needed to keep rates in line with escalating costs (chemicals, utilities, staffing, supplies, insurance, etc.)
- Maintain Prudent Reserves
  - Emergencies, demand fluctuation, capital funding, credit worthiness etc.

# 5-YR Wastewater Financial Plan



## Projected Wastewater Revenues & Expenses

| Rates Effective            | Feb. 1, 2026 | Jul. 1, 2027 | Jul. 1, 2028 | Jul. 1, 2029 | Jul. 1, 2030 |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Rate Revenue Increase (\$) | \$0          | \$0          | \$572,000    | \$609,180    | \$648,777    |
| Rate Revenue Increase (%)  | 0.0%         | 0.0%         | 6.5%         | 6.5%         | 6.5%         |
| Ending Reserve Balance     | \$13,899,822 | \$13,925,486 | \$11,218,753 | \$9,133,986  | \$9,340,646  |



# Wastewater Rate Structure Recommendations



## Single Family Residential

- Move to monthly fixed rates with no volumetric component
- Current structure has a base of 4 units and cap from June through September based on winter water use (Feb-Apr) that is on average 5 units

## Commercial

- Minimum monthly fixed rates reflect strength differences

## Reasons for the recommendations

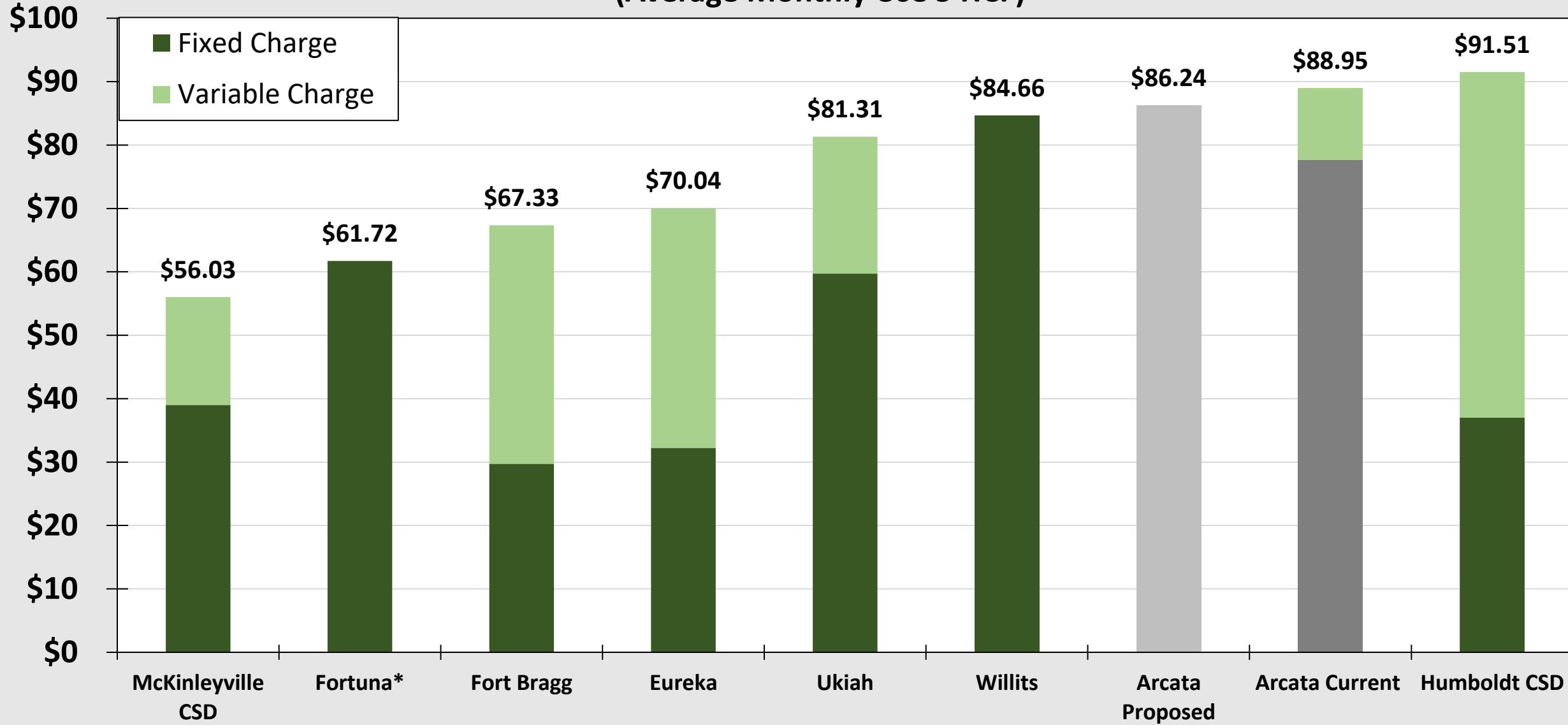
- Clear, defensible nexus between costs and rates
- Less administrative burden
- Easier to understand and explain
- Improve customer equity
- Better reflect current system

# Proposed Wastewater Rates

| Wastewater User  | 2025/26 | 2/1/2026 | 7/1/2027 | 7/1/2028 | 7/1/2029 | 7/1/2030 |
|--|---------|----------|----------|----------|----------|----------|
|  | Current | Proposed | Proposed | Proposed | Proposed | Proposed |
| <b>Residential - Fixed Monthly Rate per Unit</b>   |         |          |          |          |          |          |
| Single Family  | \$77.61 | \$86.24  | \$86.24  | \$91.85  | \$97.82  | \$104.17 |
| <b>Residential - Volumetric Rates per Hundred Cubic Feet (hcf) of Water Use Greater Than 4 HCF</b> |         |          |          |          |          |          |
| Single Family  | \$11.34 | \$0.00   | \$0.00   | \$0.00   | \$0.00   | \$0.00   |
| <b>Commercial - Volumetric Rates per Hundred Cubic Feet (hcf) of Water Use Greater Than 4 HCF</b>  |         |          |          |          |          |          |
| Low Strength   | \$9.88  | \$12.06  | \$12.06  | \$12.84  | \$13.68  | \$14.57  |
| Medium Strength  | 12.01   | 15.20    | 15.20    | 16.19    | 17.24    | 18.36    |
| High Strength  | 20.14   | 21.30    | 21.30    | 22.69    | 24.16    | 25.74    |
| <b>Commercial - Minimum Monthly Fixed Rate per Connection</b>                                      |         |          |          |          |          |          |
| Low Strength   | \$81.05 | \$48.24  | \$48.24  | \$51.38  | \$54.72  | \$58.27  |
| Medium Strength  | 81.05   | 60.80    | 60.80    | 64.75    | 68.96    | 73.44    |
| High Strength  | 81.05   | 85.22    | 85.22    | 90.76    | 96.66    | 102.94   |

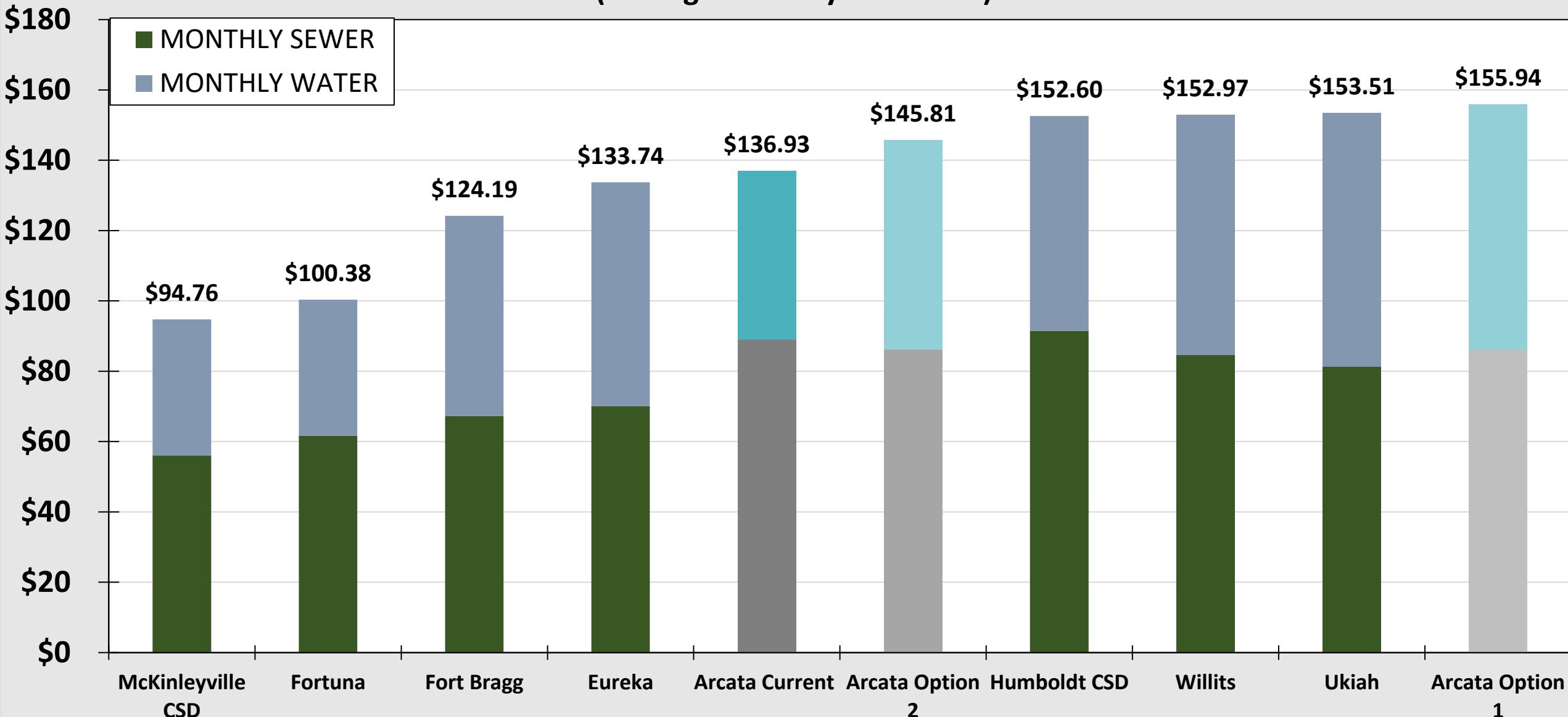
\*Initial bill impacts will vary based on customer class and usage due to rate structure adjustments realigning rates with cost of service.

## Single Family Residential Monthly Sewer Rate Survey (Average Monthly Use 5 HCF)



\*Volumetric charges of \$13.71 apply after 5 hcf of water use.

# Combined Water and Sewer Single Family Residential Monthly Rate Survey (Average Monthly Use 5 HCF)



# Next Steps

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City Council  
Meeting  
10.15.25

Send  
Prop. 218  
Notices  
11.17.25

Public  
Hearing  
1.7.2026



City  
Council  
Meeting  
11.5.25

Prop. 218  
Notice Period  
November –  
January 2026

Rates  
Effective  
2.1.26



BARTLE WELLS  
ASSOCIATES

