



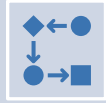
City of Arcata

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

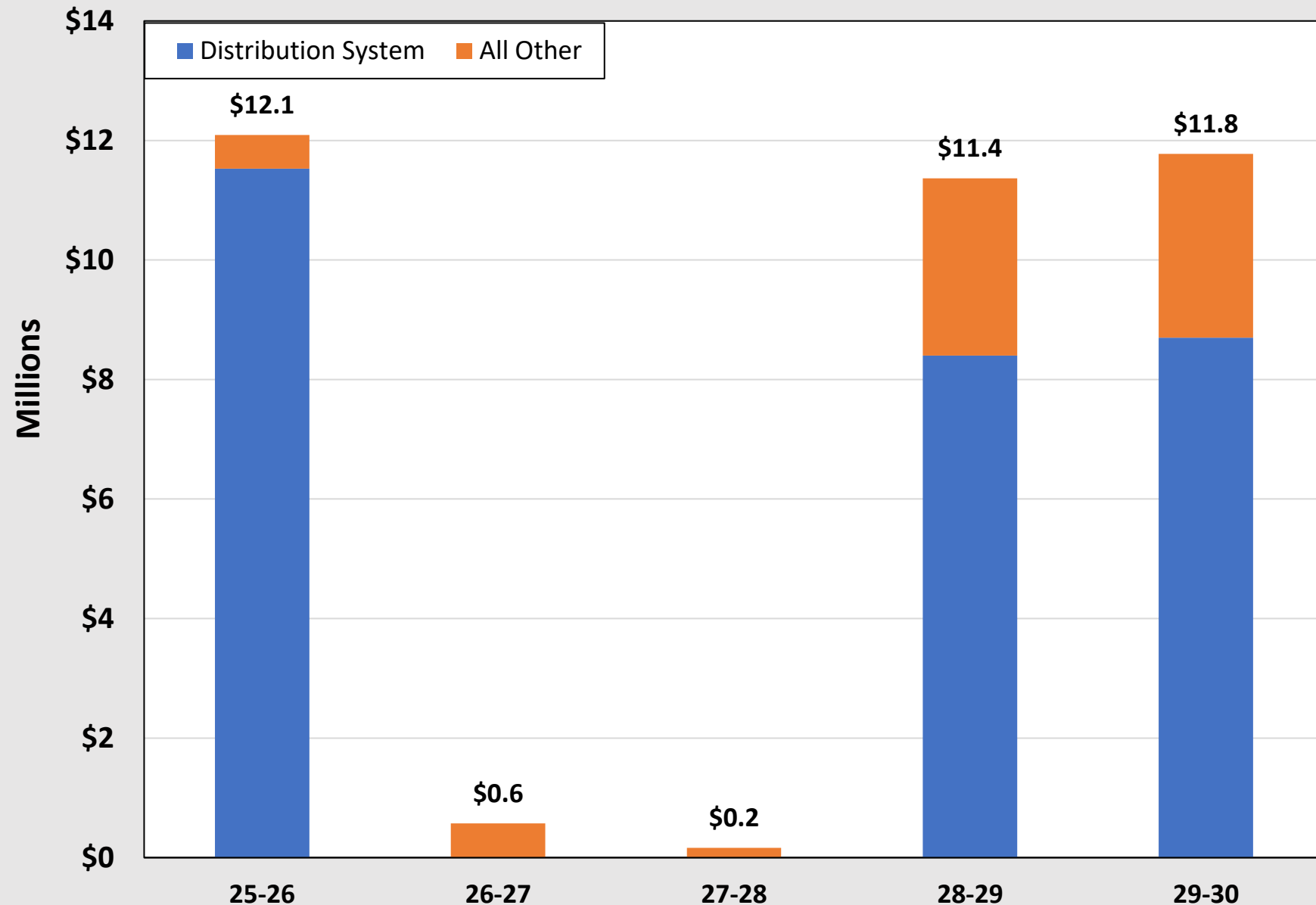


- Water utility is a financially self-supporting enterprise that provides service to 6,600 customers
 - Single Family Residential: 3,900 (60%)
 - Commercial: 2,700 (40%)
- Rates are the main source of revenues
- Rates need to be set at levels adequate to fund the cost of providing service

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

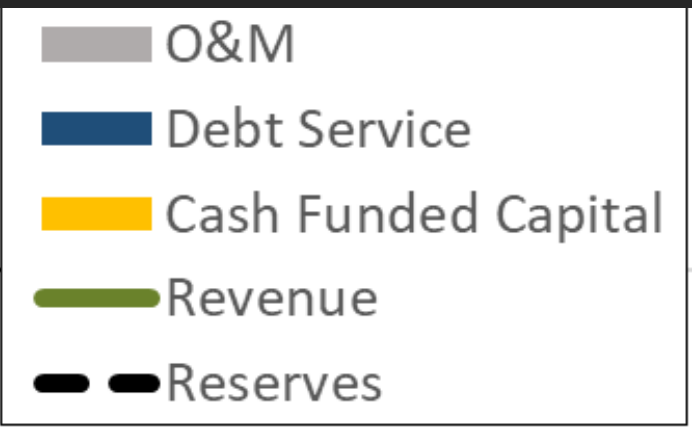
Scenario 2: Phased-In Revenue Recovery

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

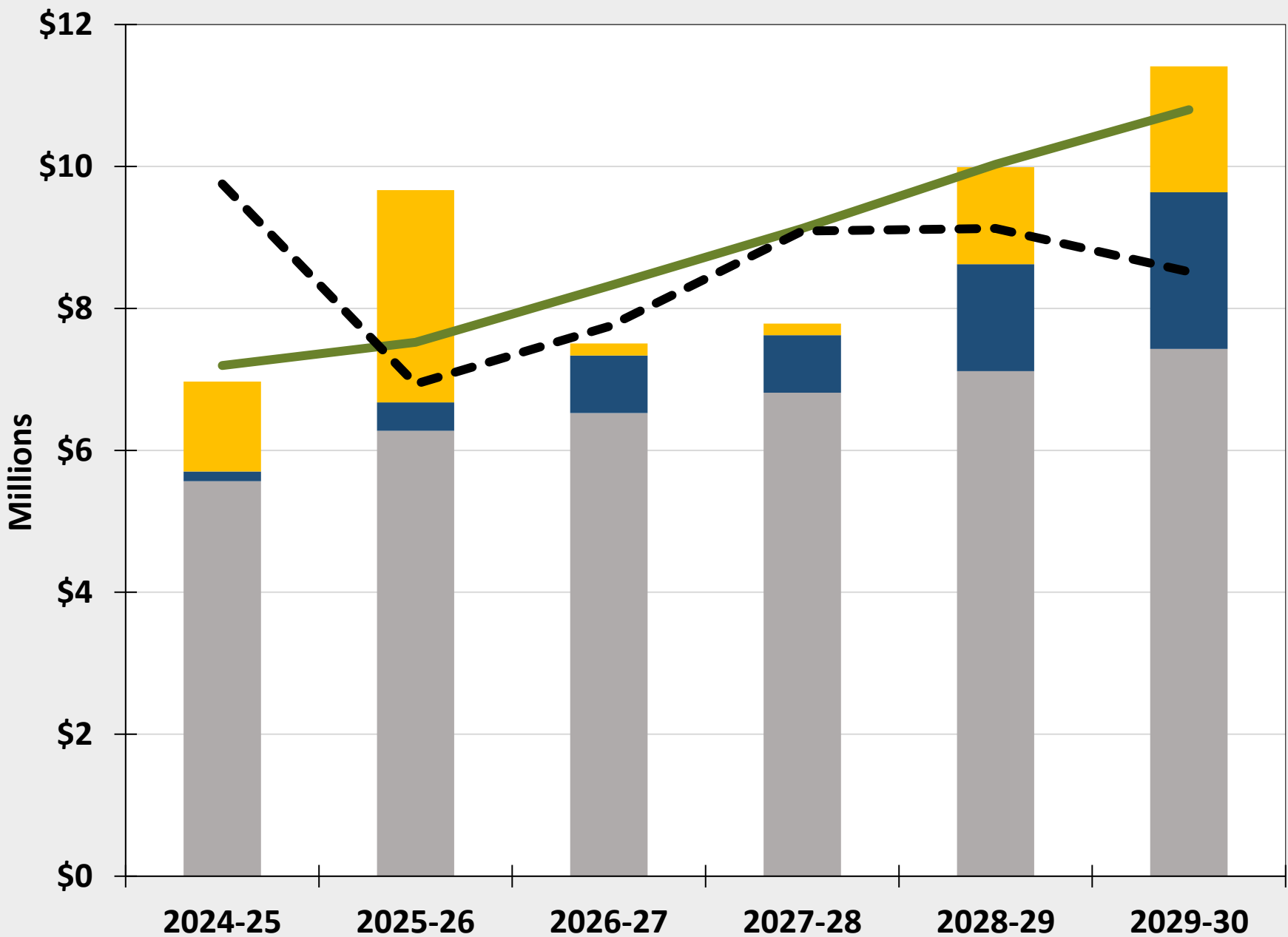
*Initial bill impacts will vary based on customer class and usage due to rate structure adjustments realigning rates with cost of service.

5-YR Water Financial Plan

Scenario 1:
Immediate Revenue
Recovery

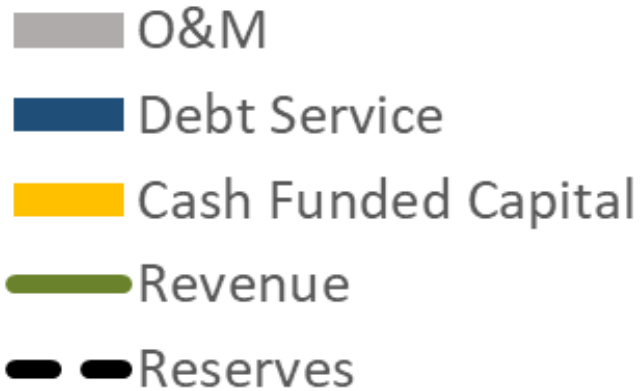


Scenario 1
Projected Water Revenues & Expenses

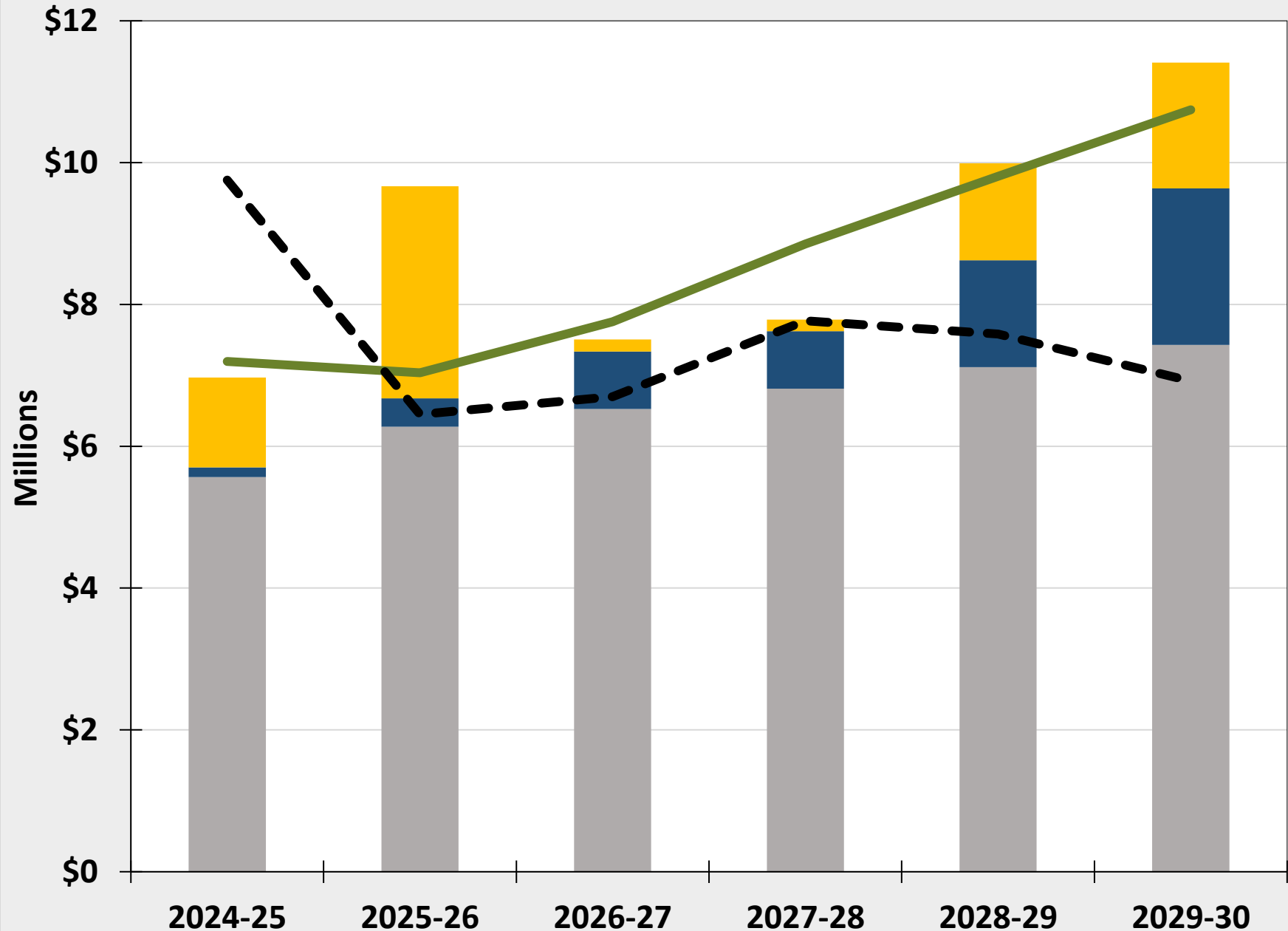


5-YR Water Financial Plan

Scenario 2: Phased-In Revenue Recovery



Scenario 2
Projected Water Revenues & Expenses



Proposed Water Rates

Scenario 1: Immediate Revenue Recovery

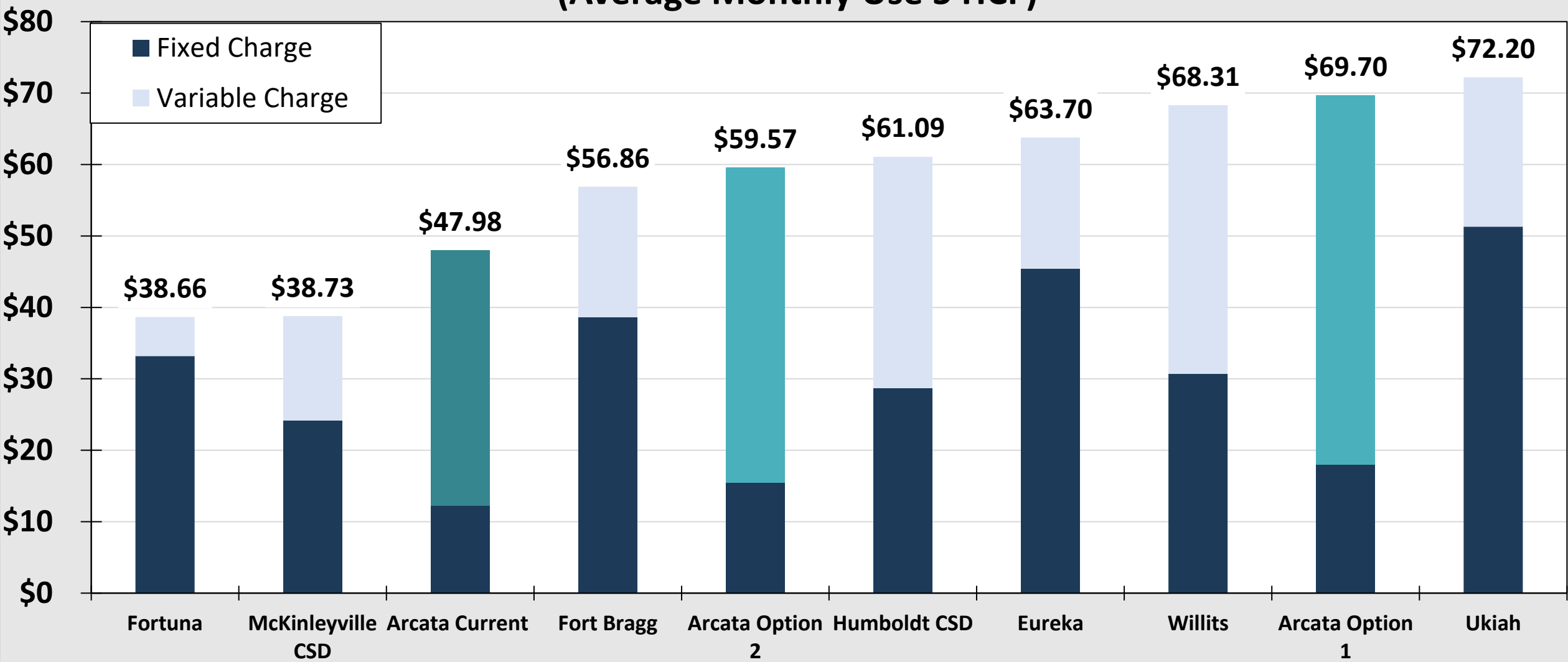
Volumetric						
Rates (\$/hcf)	2025/26	2/1/2026	7/1/2027	7/1/2028	7/1/2029	7/1/2030
	<i>Current</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
All Usage	\$7.15	\$10.33	\$10.33	\$11.37	\$12.50	\$13.50
Monthly Fixed						
Charges	2025/26	2/1/2026	7/1/2027	7/1/2028	7/1/2029	7/1/2030
	<i>Current</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
<u>Meter Size</u>						
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
All Usage	<i>Current</i> \$7.15	<i>Proposed</i> \$8.83	<i>Proposed</i> \$10.42	<i>Proposed</i> \$11.67	<i>Proposed</i> \$12.83	<i>Proposed</i> \$14.12
Monthly Fixed Charges	2025/26	2/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
	<i>Current</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
<u>Meter Size</u>						
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

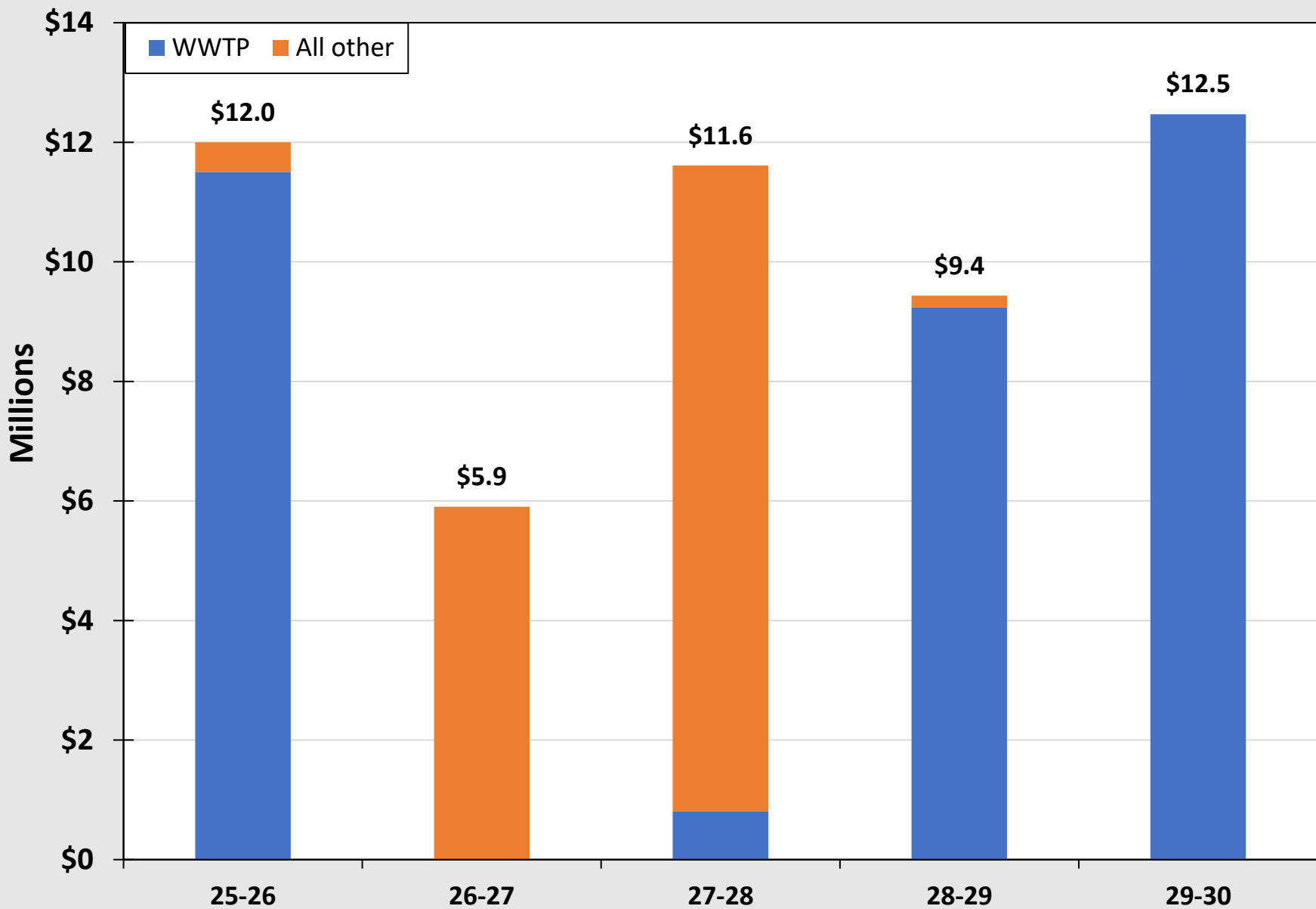


- Sewer utility is a financially self-supporting enterprise that provides service to 5,600 customers
 - Residential: 4,900 accounts (90%)
 - Commercial/Other: 700 accounts (10%)
- Rates are the main source of revenues
- Rates need to be set at levels adequate to fund the cost of providing service

Wastewater Capital Improvement Planning Efforts



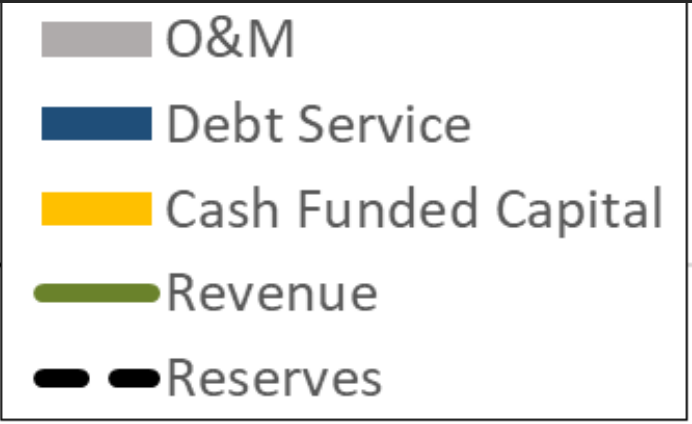
City of Arcata
Wastewater System Improvement Projects



Wastewater Financial Challenges

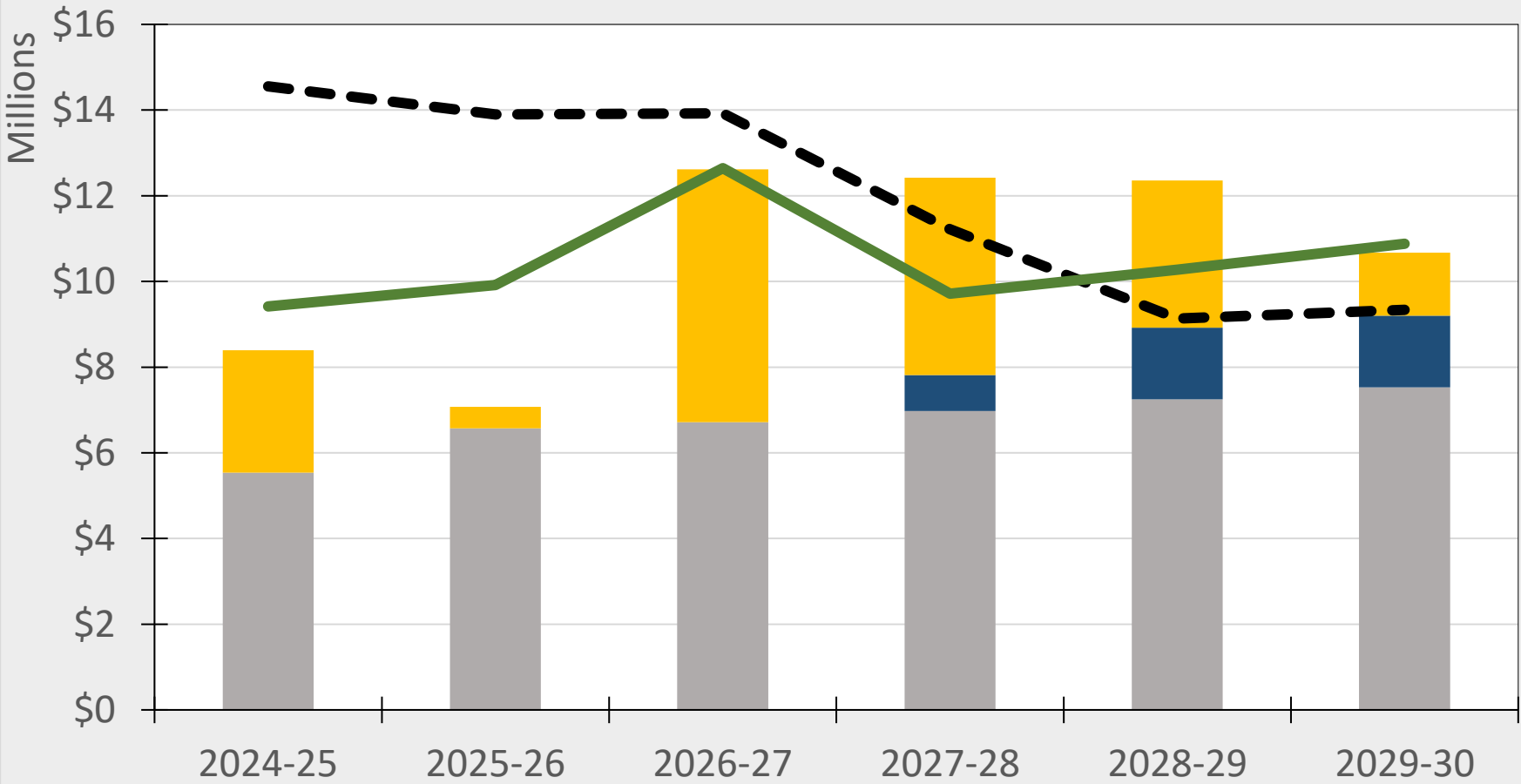
- Aging infrastructure & capital improvement needs
 - Wastewater system upgrades, repairs, & replacements needed to maintain safe & reliable operations & long-term climate resiliency
 - Approximately \$51.4 million over the next 5 years
- Debt service
 - Projected need to issue \$24 million in new debt 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

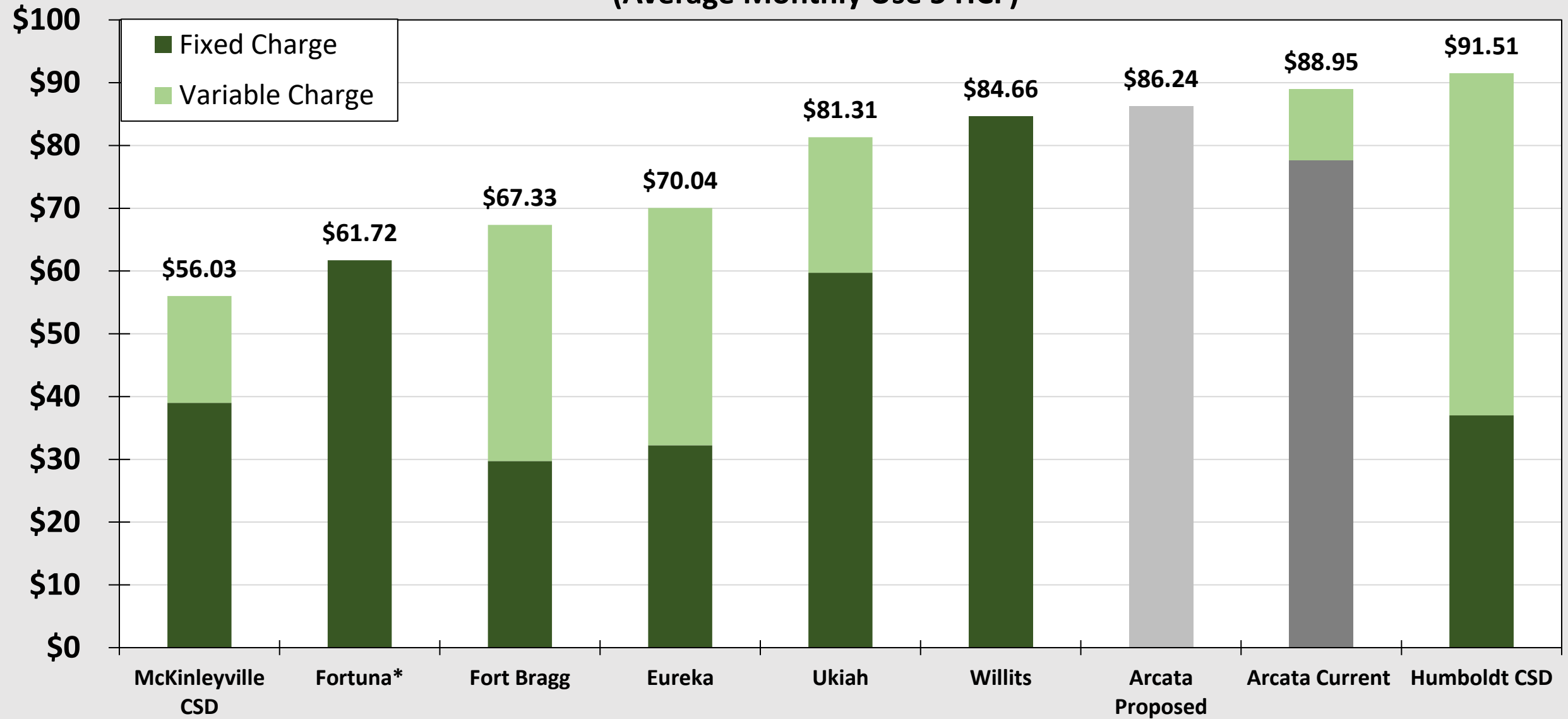
- Clear, defensible nexus between costs and rates
- Less administrative burden
- Easier to understand and explain
- Improve customer equity
- Better reflect current system

Proposed Wastewater Rates

Wastewater User	2025/26	2/1/2026	7/1/2027	7/1/2028	7/1/2029	7/1/2030
	<i>Current</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
Residential - Fixed Monthly Rate per Unit						
Single Family	\$77.61	\$86.24	\$86.24	\$91.85	\$97.82	\$104.17
Residential - Volumetric Rates per Hundred Cubic Feet (hcf) of Water Use Greater Than 4 HCF						
Single Family	\$11.34	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Commercial - Volumetric Rates per Hundred Cubic Feet (hcf) of Water Use Greater Than 4 HCF						
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
Commercial - Minimum Monthly Fixed Rate per Connection						
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

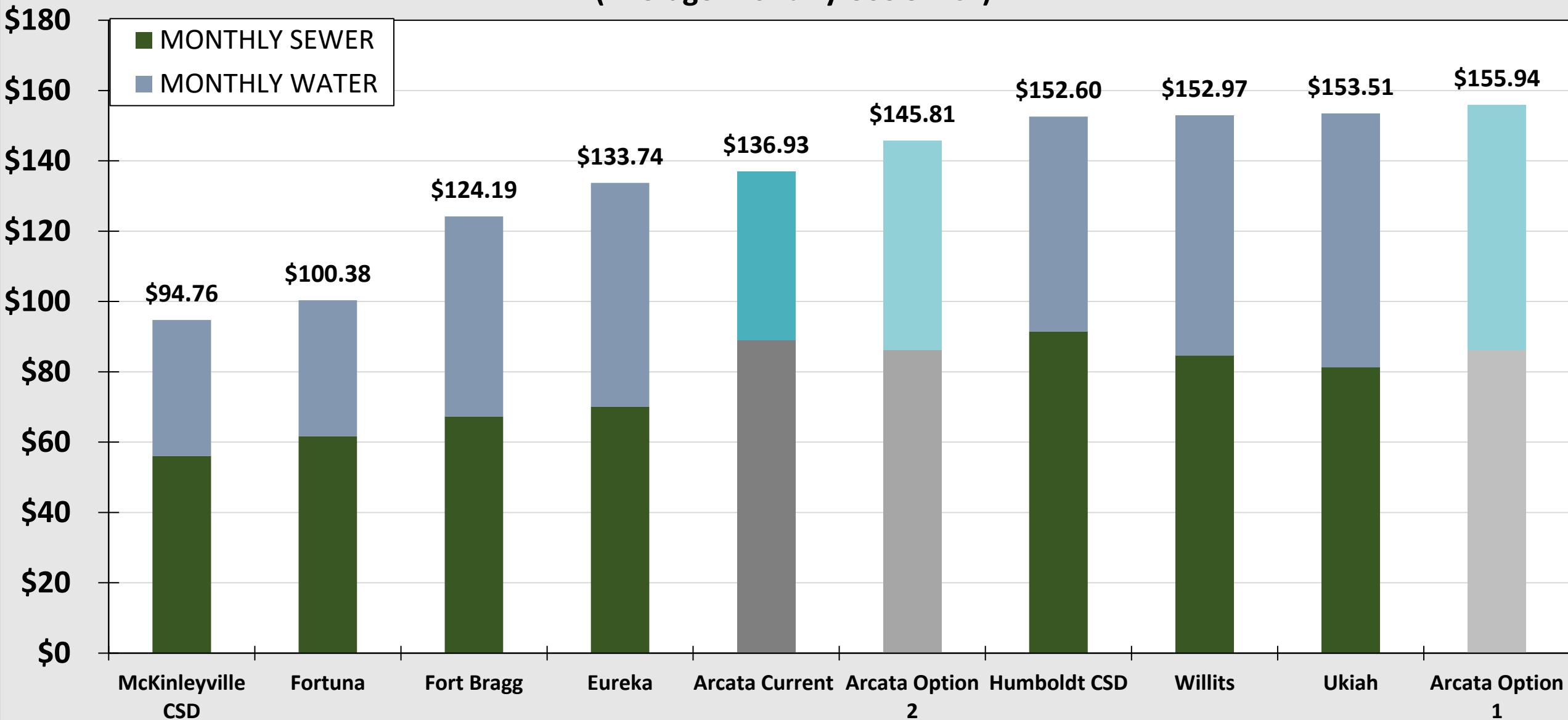
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Single Family Residential Monthly Sewer Rate Survey (Average Monthly Use 5 HCF)

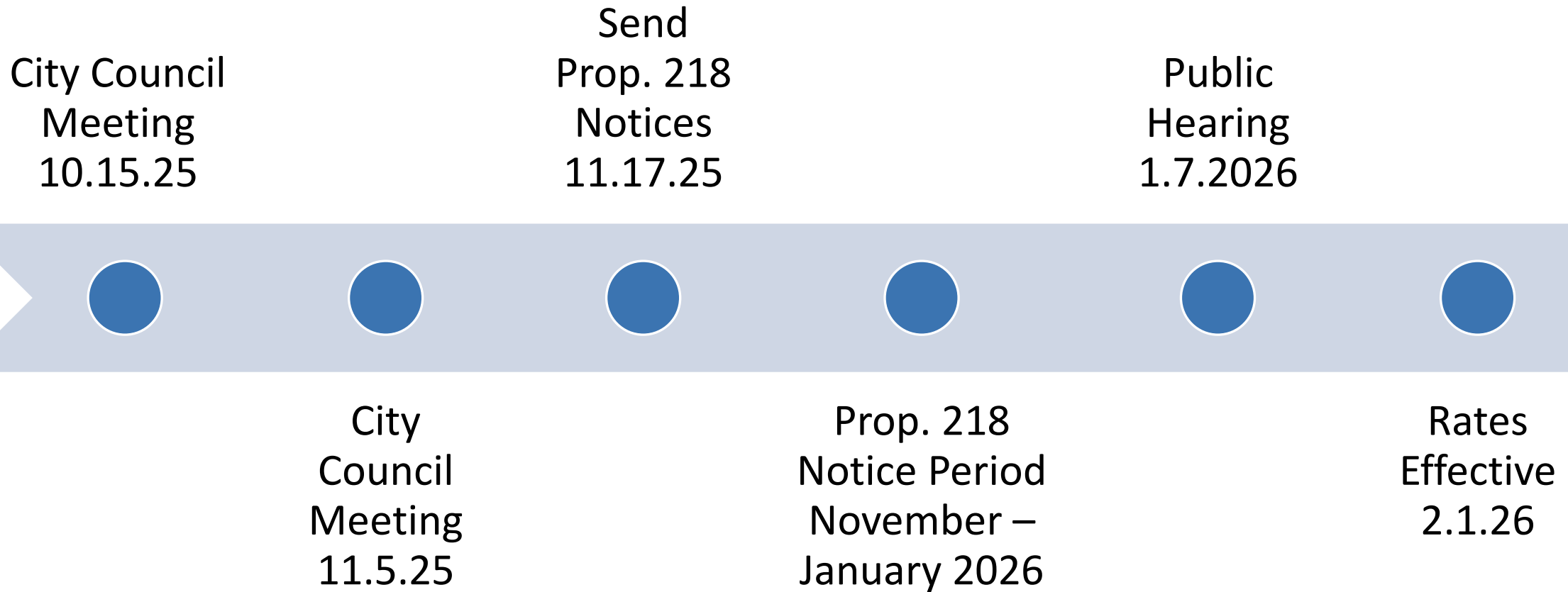


*Volumetric charges of \$13.71 apply after 5 hcf of water use.

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



Next Steps





BARTLE WELLS
ASSOCIATES

