

Consideration of a Resolution Approving a Pass-Through Increase for Cost Recovery Related to Wholesale Water Purchases and Discussion of the Need for an Updated Water Rate Study, Sewer Rate Study, and Financial Plan

May 6, 2025



Note: This PowerPoint presentation is intended solely as a visual aid to an oral staff presentation of an agenda report topic. In the event of any differences between the presentation and the agenda report, the information in the agenda report prevails.

What is a Pass-Through Increase?

- Adjustment to recover wholesale cost increases
- Authorized under Government Code Section 53756 and adopted Resolution No. 22-0079
- Does not require full Proposition 218 process if properly noticed
- 30-days notice must be provided



Why the Pass-Through is Needed

- Wholesale costs higher than 2022 water rate study projections
- Increased imported water use due to delay in treatment plant
- Adjustment ensures the City can recover nearly all the increased costs for FY 2025



Key Financial Impacts

- \$638K expected revenue from pass-through
- Helps stabilize Water Fund and maintain required reserves
- Supports City goals of self-sustaining enterprise funds



Customer Impact

- Residential customers: \$3.82–\$11.46 bi-monthly increase
- Average residential bill increase: about 4%
- Commercial customers: \$15.28–\$76.40 bi-monthly increase
- Average commercial bill increase with a 1-inch meter: 4.7%



New Rate Studies Needed

- Water Fund operating reserve shortfall: \$2.6M by the end of FY 2025
- Sewer Fund operating reserve projected to fall short by FY 2026
- Capital reserve targets unmet:
Water Fund target = \$3.8 million
Sewer Fund target = \$2.8 million



Alignment of Rate Studies

- Streamlines consultant work and outreach
- Shows combined customer rate impacts
- Aligns long-term planning across funds



Recommendation

1. Adopt Resolution No. 25-0046, approving the FY 2025 pass-through water rate adjustment of \$0.38 per centum cubic foot to recover increased wholesale water costs.
2. Direct staff to begin the process of updating the City's water and sewer rate studies and align them on the same schedule.



