Water & Sewer FY2027 Rate Proposal

City Council File ID 26-0988

11 June 2028

Water & Sewer Enterprise Expenses

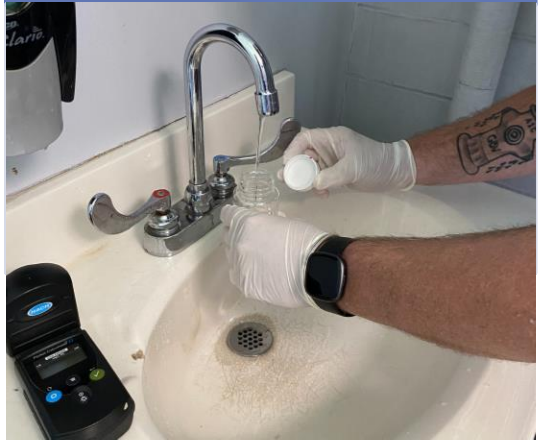
What do the rates pay for next year?

Water & Sewer Operations & Maintenance

Critical work to deliver safe drinking water, safely handle sewage and stormwater, and provide on-demand fire protection

Delivering Vital Life-Sustaining Services
24 hours a day, 365 days a year

Quality Water



Safe Sewer Services

Fire Suppression

Overseeing Our Water & Sewer System

- **116** miles of water mains
- **183** miles of sewer mains
- **4,800+** manholes
- **3,600+** catch basins
- **1,600+** fire hydrants
- **29,000+** water & sewer connections

Sustaining Aging Infrastructure

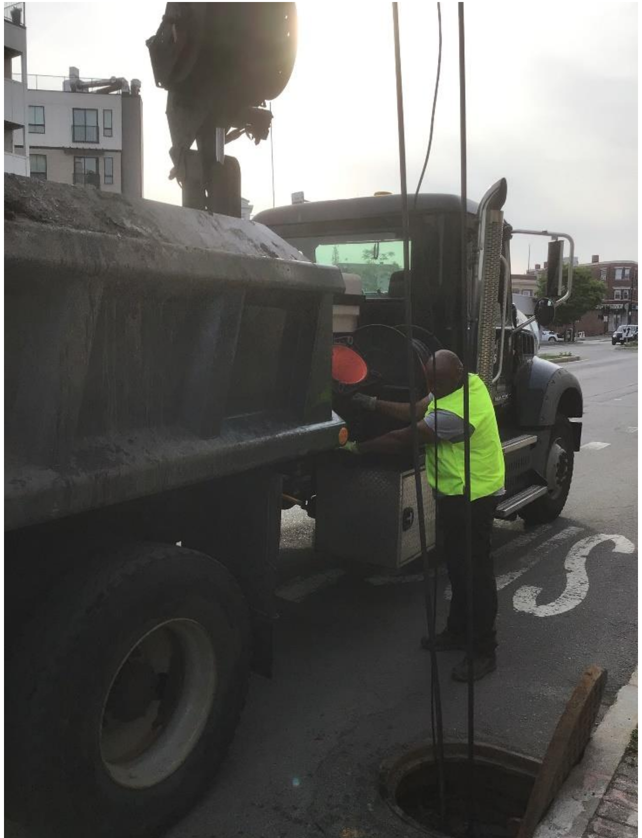
- **Aging Infrastructure:** Many of our underground water pipes date back to the late 1800s, significantly increasing the risk of failures and service disruptions.
- **Rising Maintenance Costs:** There is growing concern about the escalating cost of maintaining and repairing these aging systems.
- **Increased Material Costs:** The cost of pipe and fittings required for repairs continues to rise, further straining maintenance budgets and long-term sustainability.

Snapshot of Select Water Services FY26

- **Emergency Responses:**
  - Addressed 35 urgent issues to ensure public health and safety.
- **Non-Emergency Maintenance:**
  - Completed 219 tasks (curb stop resets, hydrant and valve replacements) to maintain system reliability.
- **Water Quality Monitoring:**
  - Collected 84 water samples *monthly* to ensure safe, compliant drinking water.
- **Lead Sampling:**
  - Collected 20 samples from homes and 2 from schools/daycares annually to monitor and reduce lead exposure.

Snapshot of Select Sewer Operations FY26

- Responded to over 260 Q-alert/311 request in the last year
- 2,816 Dig safe requests
- Over 46 sewer back-ups
- 58 Manhole cover matters
- Investigated 63 reported sinkholes
- Hydraulicly cleaned 5,420 ft of sewer line
- Secured property on 508 Columbia St and set up staging area to offload catch basin tailings for catch basin cleaning and contract with a vendor for disposal.



Field Staffing Updates

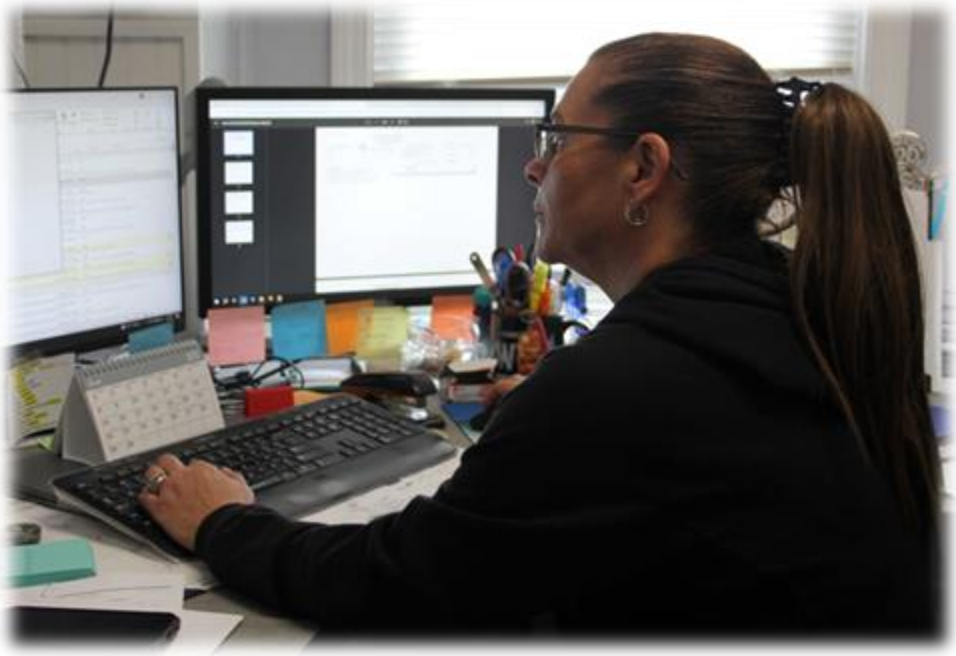
- New Hires
  - Hired one Water Laborer (June 1, 2026)
- Open Positions
  - Director of Water & Sewer Operations
  - Water Working Foreman
  - Sewer Working Foreman
  - Primary Sewer Operator
  - SHMEO/Catch Basin Cleaner (Sewer) (3 vacant)
  - SHMEO/HMEO/Laborer (Water) (3 vacant)

Administration and Billing

Critical support work to operate a public utility

Snapshot of Billing & Administration FY26

- 51,069 bills generated to date, estimated 61,750 by year end
- 15,440 mailers sent out updating account holders of quarterly billing schedule
- 76 new accounts created
- 915 meters replaced

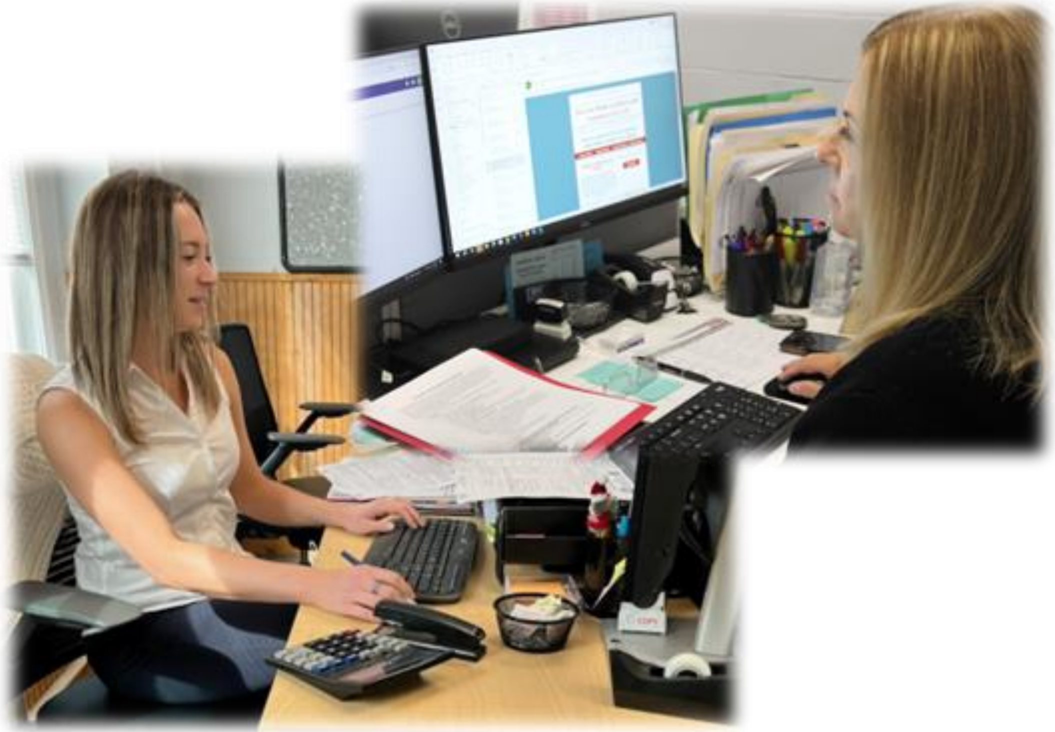


Snapshot of Billing & Administration FY26

- 15,070 accounts in Waterscope
  - 5,237 registered accounts
  - Leak notification program intitiated
- 25 meter tests – 100% passed
- Over 1,215 accounts reconciled
- $1,226,992.82 in delinquent bills liened to tax

Billing & Admin Staffing Updates

- New Hires
  - Director of Finance & Admin (Sept. 2025)
  - Service Operations Manager (Oct. 2025)
  - Billing Analyst (Nov. 2025)
  - Three Principal Clerks (Oct. 2025; Jan. 2026; Mar. 2026)
  - Utility Billing Manager (May 2026)
- Open Positions
  - Systems Analyst (June 2026)

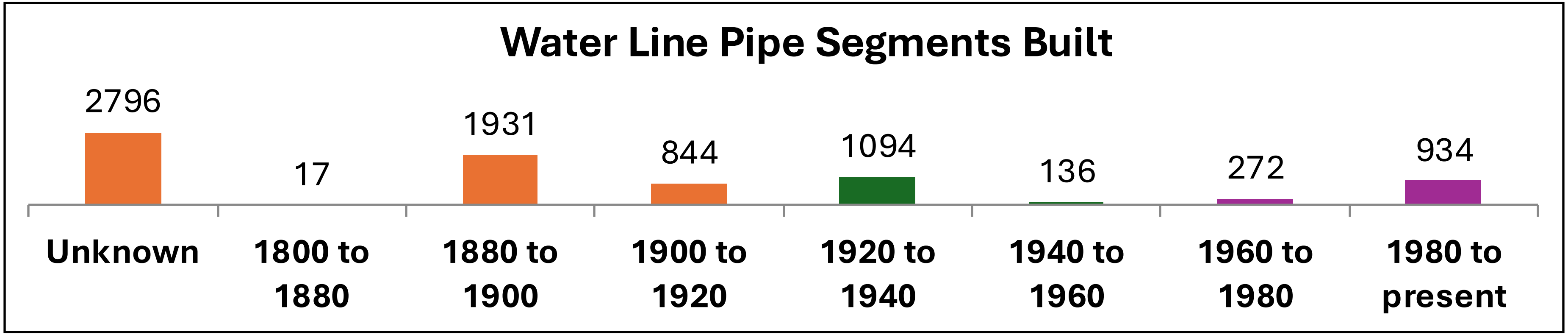


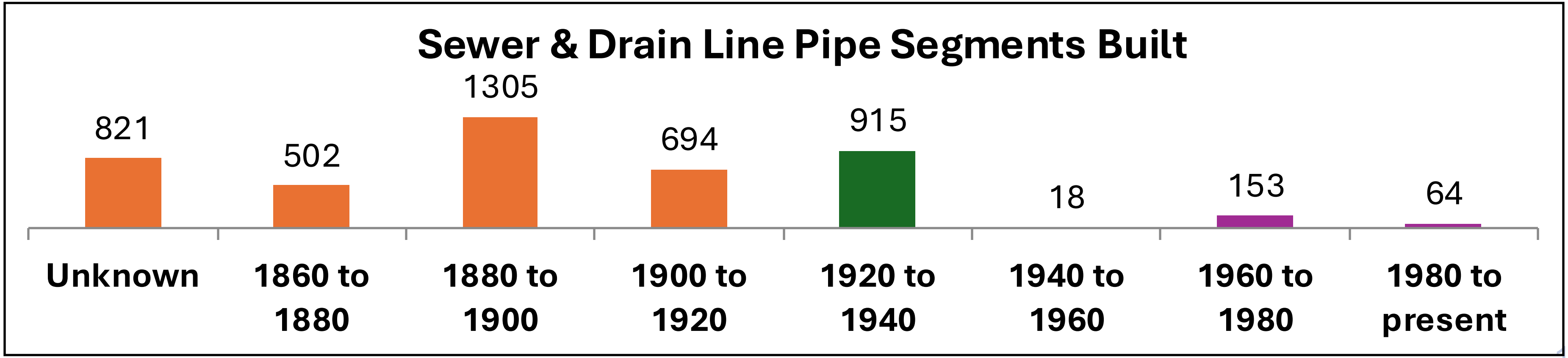
Capital Investment Plan

Primary driver for future rate increases

Aging infrastructure

- 90% pipes are over 50 years old
- 70% are older than 100 years





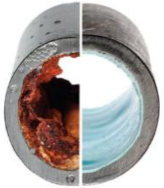
Old pipes pose risk; outdated system fails to achieve regulatory and service goals

Water system modes of failure

- Capacity

- Quality

- Condition (tuberculation)



- Condition (main break)

- Condition (valve operation)

Sewer system modes of failure

- Capacity

- Flow type (I/I)
- Quality (CSO/MS4)
- Condition (buildup)

- Condition (collapse)

Guiding Principles for CIP Project Selection

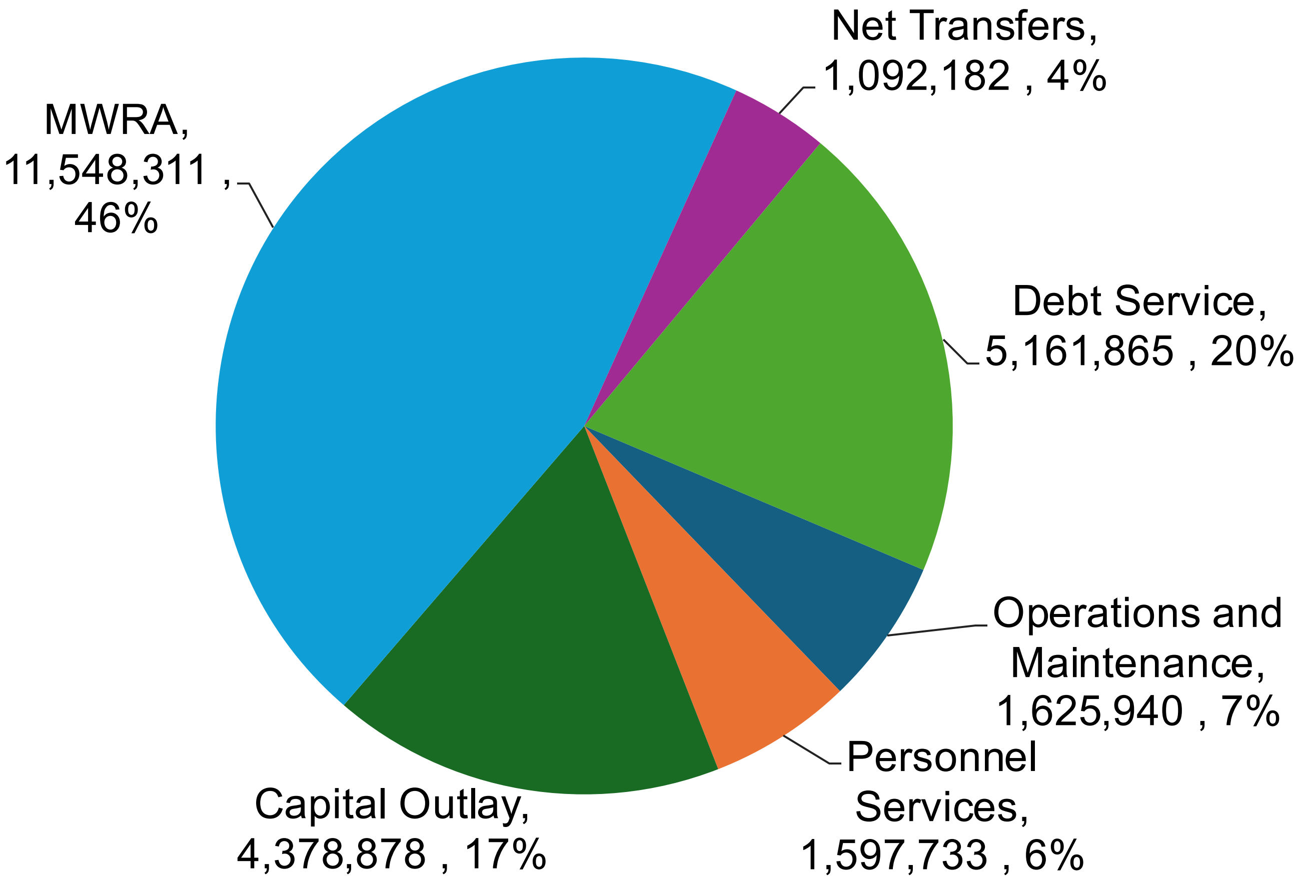
- Fulfill Regulatory Requirements
  - Comply with Administrative Orders and Permits
  - Mitigate CSOs
- Improve Level of Service
  - Increase capacity to deliver water
  - Decrease sewer system backups
- Mitigate Flooding
  - Add capacity and storage to reduce surface flooding
- Reduce Risk
  - Rehabilitate or replace pipes before they fail
  - Prioritize pipes with greatest impact
  - Add water valves and sewer manholes to improve operations & maintenance

Water & Sewer Rate Analysis

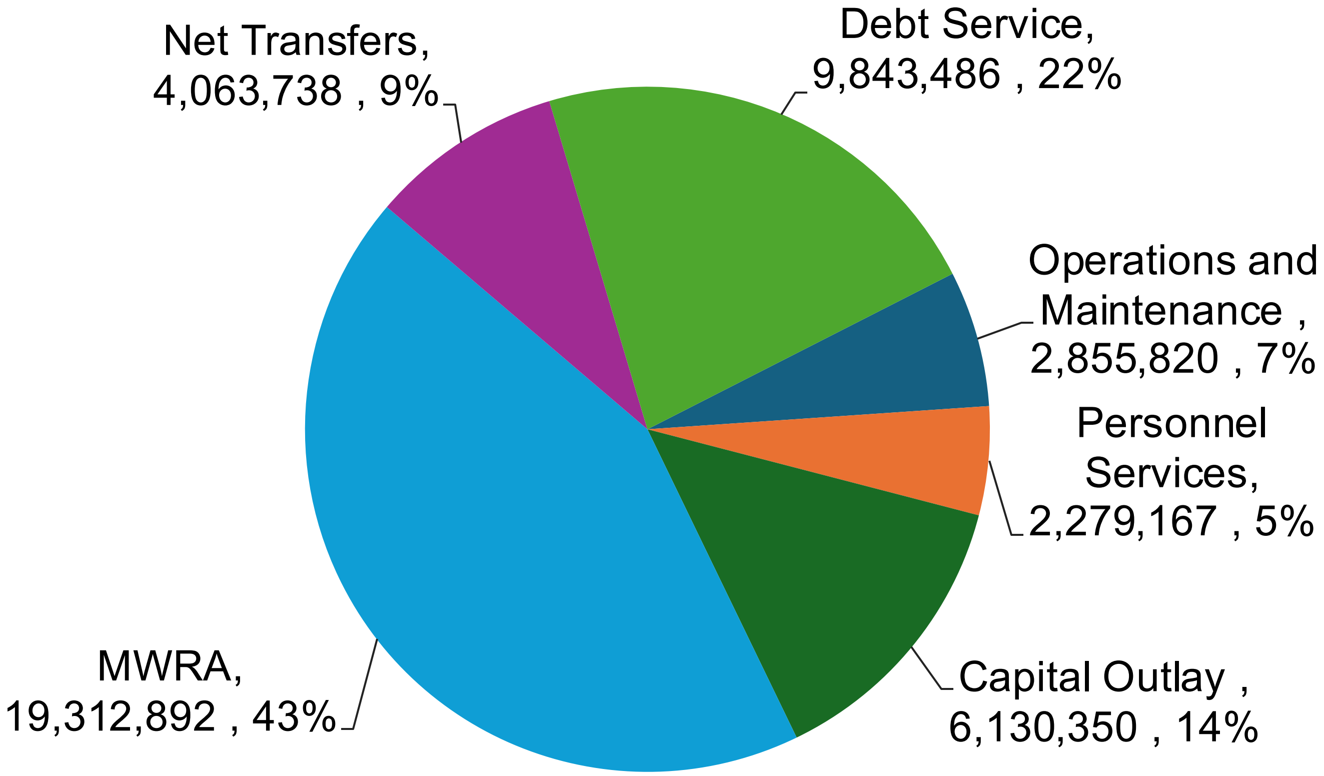
What goes into annual rate increase recommendations?

Fiscal outlook for FY27

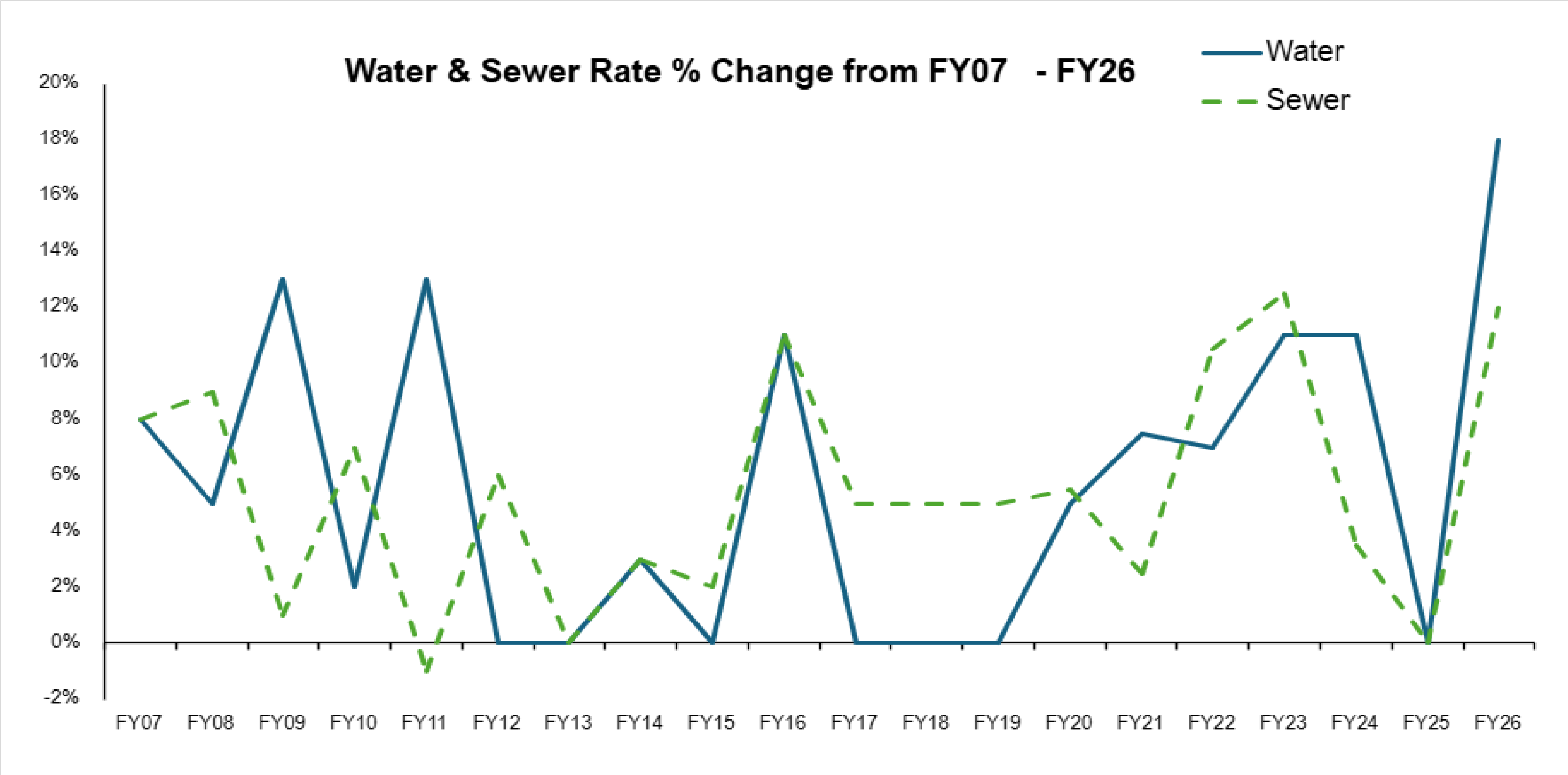
Water FY 2027 –Expenses by Category



Sewer FY 2027 – Expenses by Category



Goal: stabilize rates, made them more predictable for rate payers



Revenue Sufficiency Components

- Shift to proactive approach since 2017
- Reduce volatility
- Steadily align rates with long-term revenue needs

Capital projects & debt service become primary driver for rates

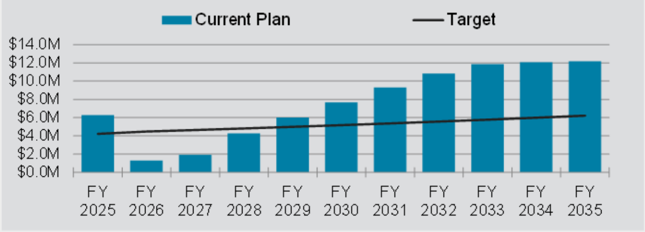
Long-range rate projections

Avoid year-to-year swings and future rate shock

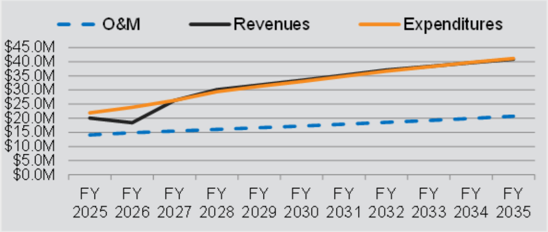
Rate model and dashboard

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2026	FY 2031
Water Rate Increases	0.00%	0.00%	45.00%	14.00%	5.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	82.28%	119.35%
Debt Service Coverage (1.25 Target)	1.20	0.67	1.79	1.92	1.73	1.68	1.65	1.61	1.56	1.48	1.48	Growth	Normal
Debt Service / Revenue	19.3%	27.0%	22.9%	24.2%	27.4%	28.8%	29.9%	31.0%	32.0%	33.6%	33.3%		
Tri-Annual Single-Family Bill @ 18 CCF	$139.49	$139.49	$193.31	$217.52	$227.40	$237.79	$248.64	$260.08	$267.27	$274.64	$282.24	Check	-
Net Cash Flow ($ M)	$1.65	-$5.20	$0.80	$3.54	$2.61	$2.44	$2.39	$2.26	$1.47	$0.16	$0.00		

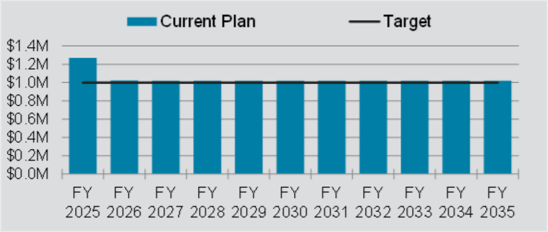
Operating Fund



Revenues vs. Expenses



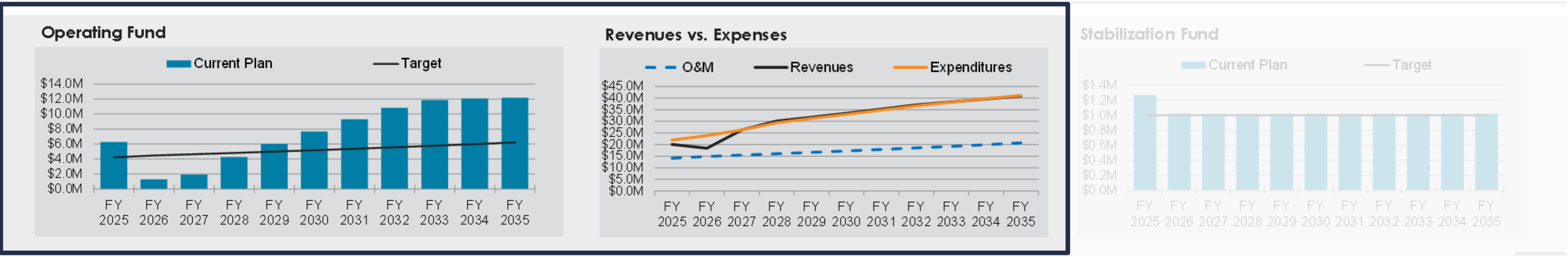
Stabilization Fund



	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Revenues	$18,210,539	$26,136,907	$29,926,302	$31,592,049	$33,272,255	$35,039,642	$36,899,159	$38,159,021	$39,427,418	$40,728,699
Operating Expenses	$18,970,264	$19,746,235	$20,555,461	$21,399,422	$22,279,672	$23,197,833	$24,155,604	$25,154,762	$26,197,166	$27,284,764
Net Debt Service	4,435,767	5,380,992	5,616,710	7,365,114	8,325,127	9,215,072	10,244,643	11,289,352	12,813,743	13,178,725
Cash Funded Projects	-	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955
Total Expenses	$23,406,031	$25,333,227	$26,384,350	$28,983,082	$30,829,901	$32,644,760	$34,639,057	$36,690,089	$39,264,264	$40,724,444
Net Cash Flow	**($5,195,491)**	**$803,679**	**$3,541,952**	**$2,608,967**	**$2,442,354**	**$2,394,882**	**$2,260,102**	**$1,468,932**	**$163,154**	**$4,255**
Stablization Fund Balance	$1,022,683	$1,020,227	$1,020,202	$1,020,202	$1,020,202	$1,020,202	$1,020,202	$1,020,202	$1,020,202	$1,020,202
Operating Fund Balance	$1,296,939	$1,930,494	$4,272,232	$6,028,457	$7,678,091	$9,295,522	$10,826,108	$11,859,526	$12,074,065	$12,186,442
Total Fund Balance	**2,319,622**	**2,950,721**	**5,292,434**	**7,048,659**	**8,698,293**	**10,315,724**	**11,846,310**	**12,879,728**	**13,094,267**	**13,206,644**
Total Debt Service	$4,904,051	$5,973,799	$7,237,151	$8,638,058	$9,538,049	$10,412,725	$11,394,361	$12,145,069	$13,182,560	$13,490,805

Operating fund target & Revenues vs. Expenses

- Keep fund balance near but above revenue requirement target projection, create ability to cash-fund capital projects



- Align revenues with expenses

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$22,279,672	$23,197,833	$24,155,604	$25,154,762	$26,197,166	$27,284,764
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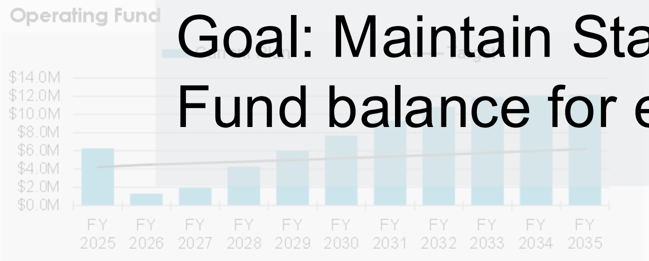
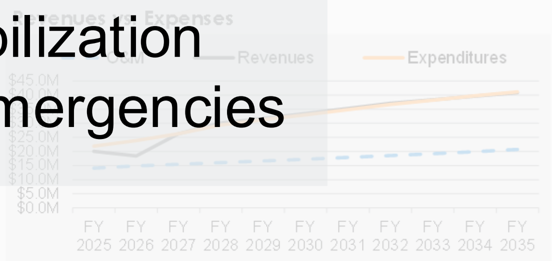
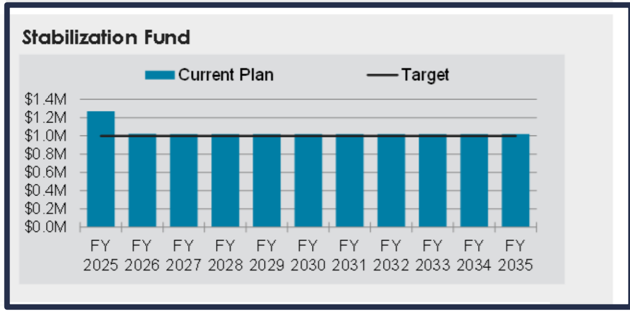


Goal: Maintain Stabilization Fund balance for emergencies





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Debt service coverage, Debt service to Revenue ratio

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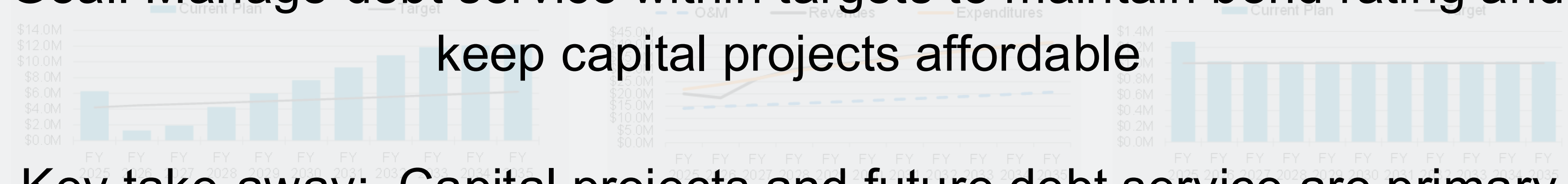
Goal: Manage debt service within targets to maintain bond rating and keep capital projects affordable



Key take-away: Capital projects and future debt service are primary drivers for today's rate increases

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Revenues	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$39,427,418	$40,728,699
Operating Expenses	$18,970,264	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$25,154,762	$26,197,166	$27,284,764
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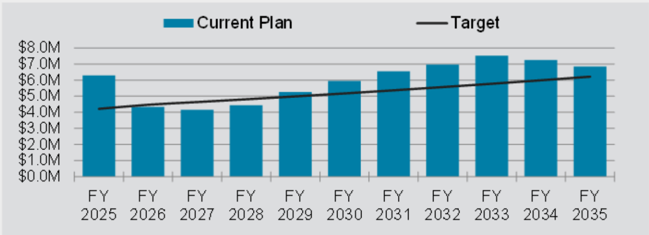
Look back at FY2026 Proposal

What was predicted for FY27 in May/June 2025?

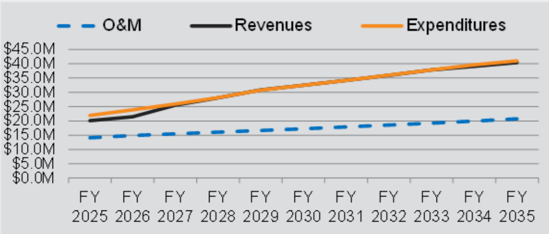
May/June 2025 Forecast
Water FY26 – 18% increase

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2026	FY 2031
Water Rate Increases	0.00%	18.00%	18.00%	10.00%	10.00%	5.00%	5.00%	5.00%	5.00%	3.00%	3.00%	77.22%	117.54%
Debt Service Coverage (1.25 Target)	1.20	1.29	1.65	1.64	1.62	1.58	1.55	1.51	1.52	1.44	1.45	Growth	Normal
Debt Service / Revenue	19.3%	23.2%	23.7%	26.0%	28.3%	29.6%	30.7%	32.0%	32.4%	34.0%	33.7%		
Tri-Annual Single-Family Bill @ 18 CCF	$139.49	$161.04	$186.48	$203.14	$221.49	$231.60	$242.22	$253.30	$264.97	$272.34	$279.89	Check	-
Net Cash Flow ($ M)	$1.65	-$2.15	-$0.39	$0.26	$1.12	$0.91	$0.75	$0.49	$0.69	-$0.47	-$0.60		

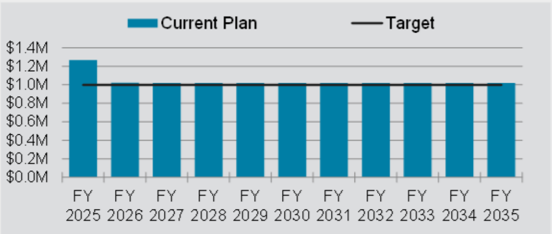
Operating Fund



Revenues vs. Expenses



Stabilization Fund



- **Projected 18% for FY27, 10% for FY28 & FY29; Reduce thereafter**

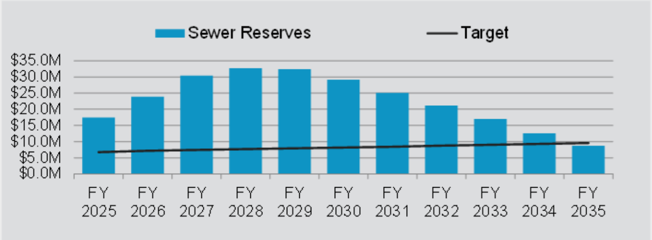
May/June 2025 Forecast
Sewer FY26 – 12% increase

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2027	FY 2032
Sewer Usage Rate Plan	0.00%	12.00%	12.00%	12.00%	10.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	65.28%	131.79%
Debt Service Coverage (1.25 Target)	1.55	1.90	1.82	1.52	1.28	1.10	1.07	1.08	1.08	1.08	1.10		
Debt Service / Revenue	18.3%	17.1%	21.0%	28.1%	36.4%	44.1%	47.1%	47.9%	49.5%	51.5%	52.1%		
Tri-Annual Single-Family Bill @ 18 CCF	$272.53	$300.43	$331.66	$366.58	$399.22	$424.38	$451.28	$480.05	$510.87	$543.87	$579.15		
Combined Tri-Annual W&S Single-Family Bill	$412.02	$455.02	$503.19	$548.73	$592.76	$630.05	$662.53	$697.11	$733.84	$772.93	$814.48		
Net Cash Flow ($ M)	$3.81	$7.11	$7.29	$2.29	-$0.34	-$3.29	-$4.13	-$3.73	-$3.85	-$4.21	-$3.63		

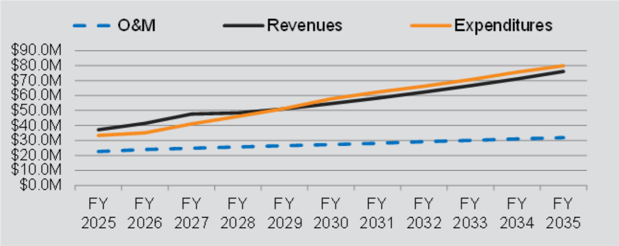
Scenario Manager

Growth	Normal
Check	-
Stormwater Fee	No

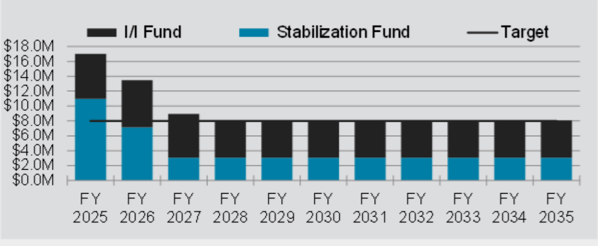
Operating Fund



Revenues vs. Expenses



Stabilization Fund & I/I Fund



- **Projected 12% increase for FY27 & FY28; reduce thereafter**

March 2026 Update
Combined Sewer Overflow Plan

Dashboard	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040
Usage Rate Increase - Override	N/A	12.00%														
Usage Rate Increase	N/A	12.00%	20.00%	17.00%	17.00%	17.00%	10.00%	9.00%	5.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Base Rate Increase	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Balance Excess/Deficiency	$ 10,686,098	$ 16,293,191	$ 23,929,719	$ 34,996,060	$ 40,295,667	$ 50,442,891	$ 64,410,581	$ 78,884,883	$ 94,687,012	$ 111,481,572	$ 114,936,633	$ 104,570,784	$ 89,182,209	$ 74,115,204	$ 58,412,398	$ 50,745,809
Debt Service Coverage	1.90	2.11	2.35	2.00	1.91	1.99	2.08	2.15	2.11	2.09	2.18	2.17	2.12	2.07	2.04	1.97
Annual Bill SFR	$817.59	$851.70	$998.04	$1,147.31	$1,321.95	$1,526.28	$1,666.91	$1,806.13	$1,890.44	$1,943.55	$1,980.02	$2,017.22	$2,055.17	$2,093.87	$2,133.35	$2,173.61
Debt Service/Revenue	14.97%	15.42%	17.88%	23.48%	28.11%	29.88%	30.10%	30.15%	31.18%	32.08%	31.55%	31.73%	32.38%	33.46%	33.70%	33.99%
Cash Funded CIP - Override																
Cash Funded CIP			$ -	$ -	$ 4,000,000	$ 4,000,000	$ 4,000,000	$ 7,000,000	$ 7,000,000	$ 7,000,000	$ 23,000,000	$ 35,000,000	$ 40,000,000	$ 40,000,000	$ 40,000,000	$ 30,000,000
Debt Funded Project Costs			$ -	$ 2,108,690	$ 343,901	$ 474,218	$ 2,912,667	$ 4,866,745	$ 2,778,198	$ 553,658	$ 513,699	$ 1,328,664	$ 16,127,786	$ 24,235,133	$ 9,621,640	$ 10,888,232

Baseline Scenario	No
Alternative Scenario	2-TY
Total CSO CIP Capital Cost	$ 371,133,841
CPH	$1,974
Residential Indicator	1.43%

CALCULATE

FCA Alternative 1 - Residential Indicator	Baseline	1-LTD	2-TY	3-SS	4-5Yr-SH	5-5Yr-SL	6-25Yr-SH	7-25Yr-SL
	1.16%	1.34%	1.43%	3.88%	1.55%	1.28%	1.54%	1.28%

Baseline:	No
Alternative:	2-TY

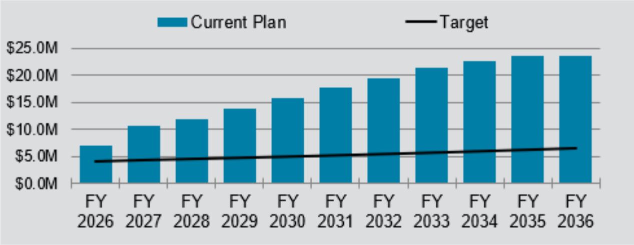
- **Projected 20% increase for FY27**
- **Plus 17% for FY28 thru FY30**

FY2027 Water & Sewer Rate Recommendations

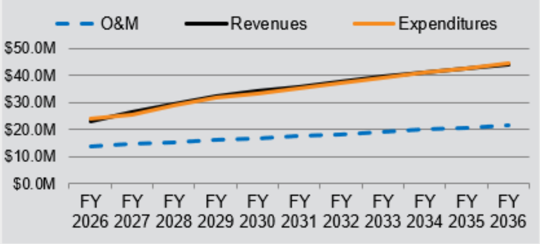
Water – 15% 2027 Rate Increase

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2026	FY 2031
Water Rate Increases		15.00%	10.00%	10.00%	5.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	53.42%	84.79%
Debt Service Coverage (1.25 Target)	1.66	2.23	1.71	1.71	1.67	1.64	1.60	1.61	1.53	1.54	1.45	Growth	Normal
Debt Service / Revenue	23.5%	19.8%	27.6%	29.4%	30.5%	31.5%	32.5%	32.7%	34.1%	33.7%	35.3%		
Tri-Annual Single-Family Bill @ 18 CCF	$162.87	$187.35	$206.09	$226.71	$238.10	$250.00	$262.49	$275.67	$284.41	$293.48	$302.80	Check	-
Net Cash Flow ($ M)	$3.17	$4.59	$1.67	$2.77	$2.65	$2.57	$2.40	$2.68	$1.43	$1.29	-$0.33		

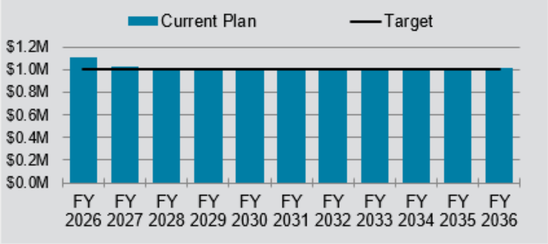
Operating Fund



Revenues vs. Expenses



Stabilization Fund

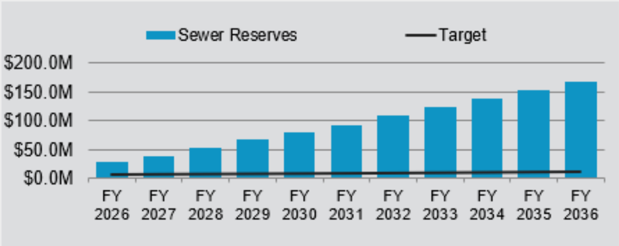


- Less than 18% projected in May/June 2025
- Cash receipts in FY25 and FY26 better than historical levels
- Builds up cash to fund capital projects starting in FY29 to keep within Debt Service/Revenue requirements
- Rate increases reduce after FY29

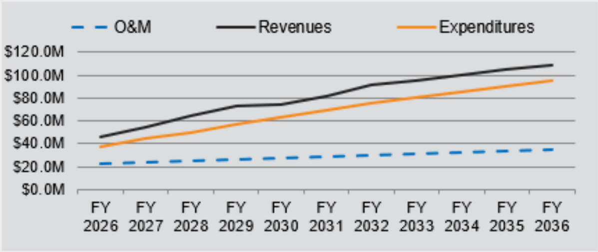
Sewer – 15% 2027-2029 Rate Increase

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2027	FY 2032
Sewer Usage Rate Plan		15.00%	15.00%	15.00%	10.00%	10.00%	10.00%	5.00%	5.00%	5.00%	5.00%	84.01%	146.12%
Debt Service Coverage (1.25 Target)	2.71	2.12	2.14	1.89	1.68	1.67	1.75	1.68	1.59	1.56	1.48	Scenario Manager	
Debt Service / Revenue	15.3%	21.9%	24.2%	30.0%	35.4%	36.8%	36.4%	38.4%	40.6%	41.8%	44.2%	Growth	Normal
Tri-Annual Single-Family Bill @ 18 CCF	$283.26	$321.24	$364.98	$415.20	$453.72	$496.11	$542.73	$568.38	$595.29	$623.55	$653.25	Check	-
Combined Tri-Annual W&S Single-Family Bill	$446.13	$454.86	$513.54	$573.12	$621.72	$674.82	$726.39	$757.17	$789.30	$822.96	$858.15	Stormwater Fee	No
Net Cash Flow ($ M)	$8.01	$14.94	$20.53	$20.46	$17.04	$20.10	$25.66	$25.04	$23.74	$23.73	$21.81		

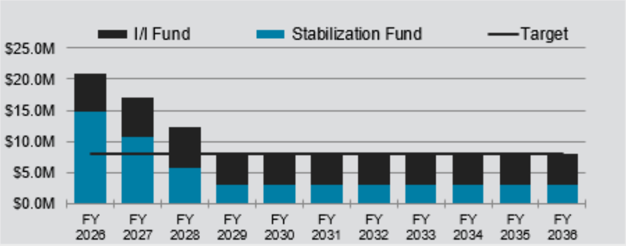
Operating Fund



Revenues vs. Expenses

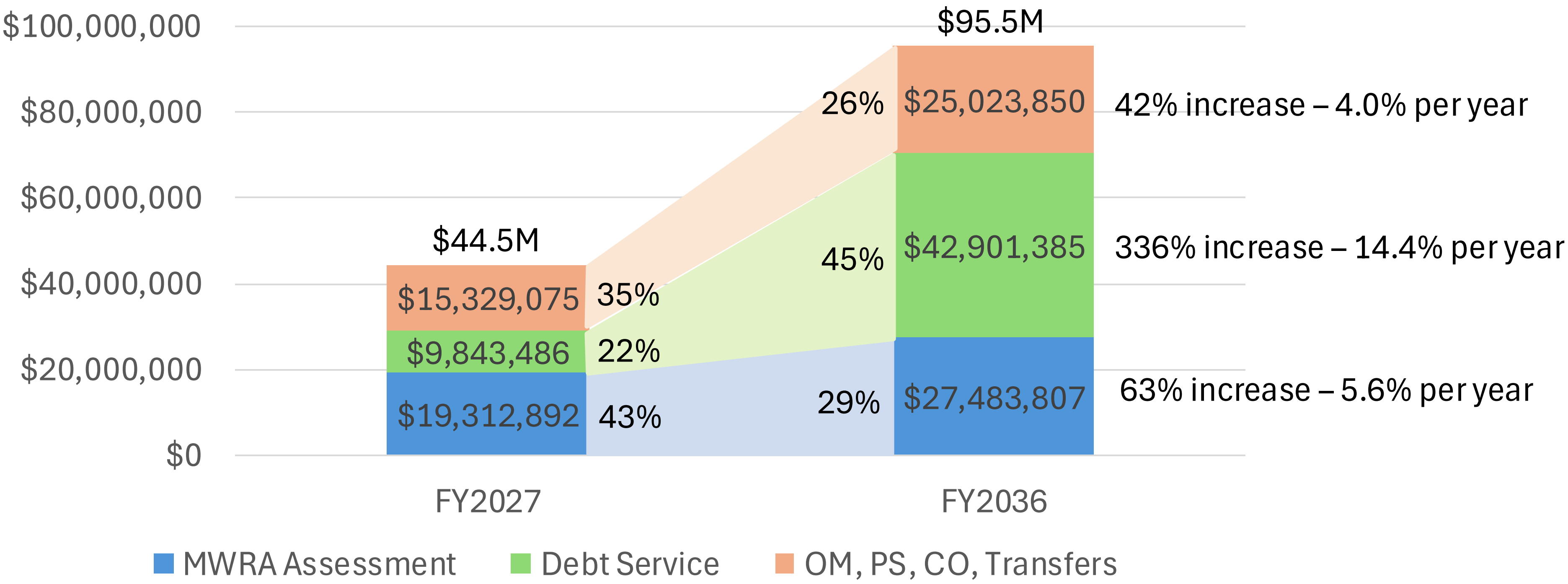


Stabilization Fund & I/I Fund



- Less than 20% projected in April 2026
- Cash receipts in FY25 and FY26 better than historical levels
- Extended implementation/spend schedule for CIP
- Builds up cash to fund capital projects starting in FY29 to keep within Debt Service/Revenue requirements
- Still requires significant rate increases through FY33 for CIP

Projected sewer expenditure changes



Key Customer Impacts (15% Water and Wastewater Rate Adjustment)

Total Change in Annual Costs for Various Billing Units (including base & volumetric charges, amended)				
Total Units per Bill (in CCF)	FY 2026 Annual Total	FY 2027 Annual Total	$ Change (FY 2027 - FY 2026)	% Change
15 (average condo unit)	$1,487	$1,711	$223	15%
18 (average single-family home)	$1,785	$2,052	$413	15%
30 (average two-family home)	$3,211	$3,692	$818	15%
42 (average three-family home)	$4,637	$5,332	$1,222	15%
110 (average 8-unit apartment building)	$12,988	$14,934	$3,568	15%

Key Commercial Impacts (15% Water and Wastewater Rate Adjustment)

Commercial		7/1/2026	7/1/2027	$ Change	% Change
Mixed Use	Water	$849.27	$976.56	$127.29	15%
3/4" Meter	Sewer	$1,461.38	$1,680.33	$218.95	15%
Annual Use 320.5 CCF	**Total**	**$2,310.65**	**$2,656.89**	**$346.24**	**15%**
Large Commercial	Water	$207.27	$238.41	$31.14	15%
1" Meter	Sewer	$365.78	$420.63	$54.85	15%
Annual Use 82 CCF	**Total**	**$573.05**	**$659.04**	**$85.99**	**15%**
Restaurant	Water	$161.24	$185.48	$24.24	15%
3/4" Meter	Sewer	$282.63	$325.02	$42.39	15%
Annual Use 69 CCF	**Total**	**$443.87**	**$510.50**	**$66.63**	**15%**

Proposed FY27 Rate Table – 15% Increases to Water and Sewer

TABLE 1: RESIDENTIAL VOLUMETRIC USAGE CHARGES

	$Rate/Unit			
Tier	**Tier Range**	**Water**	**Sewer**	**Blended**
1	0-9	$8.40	$14.16	$22.56
2	10-18	$10.50	$17.97	$28.47
3	Over 18	$12.59	$21.57	$34.16

TABLE 2: COMMERCIAL VOLUMETRIC USAGE CHARGES

	$Rate/Unit			
Tier	**Tier Range**	**Water**	**Sewer**	**Blended**
1	0-19	$8.37	$16.12	$24.49
2	20-100	$12.05	$20.57	$32.62
3	101-200	$12.62	$21.57	$34.19
4	Over 200	$13.12	$22.33	$35.45

TABLE 3:BASE CHARGES

Meter	**Water**		**Sewer**		**Blended**	
Size	**Quarterly**	**Annually**	**Quarterly**	**Annually**	**Quarterly**	**Annually**
5/8"	$15	$60	$30	$120	$45	$180
3/4"	$22.50	$90	$45	$180	$68	$270
1"	$37.50	$150	$75	$300	$113	$450
1 1/2"	$75	$300	$150	$600	$225	$900
2"	$120	$480	$240	$960	$360	$1,440
3"	$326.25	$1,305	$653	$2,612	$979	$3,917
4"	$562.50	$2,250	$1,125	$4,500	$1,688	$6,750
6"	$1,200	$4,800	$2,400	$9,600	$3,600	$14,400
8"	$2,100	$8,400	$4,200	$16,800	$6,300	$25,200

Water & Sewer FY2027 Rate Proposal

City Council File ID 26-0988

11 June 2028