



# CITY OF WHEATLAND

## CITY COUNCIL MEETING STAFF REPORT

October 10, 2023

**SUBJECT:** Report on Water and Sewer Utility Rate Study  
**PREPARED BY:** Bill Zenoni, City Manager

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### Recommendation

Staff recommends that the Wheatland City Council review the results of the recently completed Water and Sewer Utility Rate Study and direct staff to prepare a Notice of Intent to Adjust Water and Sewer Rates advising residents of the proposed rate adjustments and the right to protest the proposed action and setting a public hearing for consideration of the proposed rate adjustments for January 9, 2024.

### Background

The City of Wheatland provides domestic water, and sewer collection and treatment services to its residents and businesses. The last utility rate study was completed in January 2019. In March 2019, the City Council approved a series of adjustments to water and sewer utility rates beginning in April 2019. The last rate adjustment was implemented in October 2022. A summary of those rates increases is provided below.

Effective Date	Rate Adjustment	
	Water	Sewer
April 1, 2019	6.75%	3.00%
October 1, 2019	6.75%	3.00%
October 1, 2020	6.75%	3.00%
October 1, 2021	6.75%	3.00%
October 1, 2022	5.69%	5.69%

### Discussion

Periodic review and adjustment of the City's water and sewer utility rates is required in order to ensure rates are fairly calculated and that sufficient funding is available to meet operating, debt service and capital funding needs of the water and sewer utilities. The City Council, in November 2022, approved an agreement with ClearSource Financial Consulting to prepare an updated analysis of the City's water and sewer utility rates. City staff from the Engineering, Public Works, Finance and City Manager Departments have been working with ClearSource Financial Consulting over the past ten months to review the current rate structure, identify current and projected future revenue requirements and to develop a rate structure which will

generate enough revenue to cover the City’s expenses, while minimizing the fiscal impact to the City’s ratepayers. The City Council Utility Rate Review Ad Hoc Committee (Mayor West and Councilmember Teter) reviewed the preliminary results of the water and sewer rate analysis with ClearSource Financial consulting on September 11, 2023. The Ad Hoc Committee met again on September 26, 2023, with City staff to develop a recommendation to bring forward to the City Council for discussion. The recommendation of City staff and the Council Ad Hoc Committee for discussion by the City Council on October 10<sup>th</sup> is a five-year water and sewer rate adjustment strategy beginning in March 2024 as follows:

Recommended Rate Adjustment		
Effective Date	Water	Sewer
March 1, 2024	2.75%	4.00%
March 1, 2025	2.75%	3.00%
March 1, 2026	2.75%	3.00%
March 1, 2027	2.75%	3.00%
March 1, 2028	2.75%	3.00%

The recommended rate adjustments above will yield some capital funding capacity, assuming favorable economic factors prevail. However, it is important to emphasize that the proposed rate plan for both utilities does not intentionally account for financing of a formal capital improvement plan or explicit reservation toward long-term capital replacement.

Terry Madsen from ClearSource Financial will be present at the October 10<sup>th</sup> City Council meeting to discuss the results of their utility rate analysis. Based upon feedback received from the City Council on October 10<sup>th</sup>, staff will finalize the rate adjustment recommendations.

At the following City Council meeting (October 24<sup>th</sup>), staff will present the final rate adjustment recommendations and will ask the City Council to initiate the rate adjustment process. Proposition 218, which was approved by California voters in 1996, requires government agencies to notify property owners in writing of proposed rate changes 45 days prior to a scheduled public hearing and provide the opportunity to protest the fee increase in writing. In accordance with the requirements of Proposition 218, the City Council will be asked on October 24<sup>th</sup> to adopt a resolution receiving the findings of the utility rate study, declaring their intention to adjust water and sewer rates, setting a public hearing for January 9, 2024, and directing staff to mail the required notice to all property owners.

At the January 9, 2024, meeting, the City Council will conduct a public hearing on the proposed rate adjustments. At the conclusion of the public hearing, and assuming written protests have not been received from a majority of the property owners, the City Council may consider adoption of a resolution adjusting sewer and water rates.

**Fiscal Impact**

No action with fiscal impact is requested at this time.

**Attachment**

1. Water and Sewer Rate Study Report



October 3, 2023

**CITY OF WHEATLAND**

Attention: Bill Zenoni | City Manager  
City Hall | 111 C Street  
Wheatland, California 95692  
DIGITAL TRANSMISSION TO: BZENONI@WHEATLAND.CA.GOV

**PROPOSED WATER AND SEWER RATE PLAN FOR 2023-24 THROUGH 2027-28**

To Mr. Zenoni:

The City of Wheatland has been conducting an analysis of the financial performance of its water and sewer utility enterprise funds in order to determine the sufficiency of utility rate revenues in supporting the costs of service of each operation. After City staff review of various performance scenarios for the funds, alternative rate strategies were discussed with the Ad Hoc Committee to determine a single proposed rate management plan for City Council consideration in October 2023.

Upon its review, the City Council may:

- **Proceed with the Proposed Rate Plan:** The City Council will direct staff to initiate Proposition 218 proceedings signaling its intention to approve the proposed rate plan after a future public hearing.
- **Direct Development of an Alternative Rate Plan:** Staff will work with consultants to remodel the rate plan to target different goals and assumptions for the utilities with the aim of developing an alternative series of rate adjustments. A redesigned rate plan will be brought back to the City Council for review and direction.
- **Take No Action:** Current water and sewer rates in effect, which were last increased in October 2022, will remain as is.

**Background**

**PROPOSITION 218** | Utility rates in California are subject to what is referred to commonly as "Proposition 218." In the specific context of utility rates, this references Article XIII D of the California State Constitution, which was enacted via ballot measure in 1996 and has been affirmed and refined via court decisions and subsequent related ballot measures. For the City's water and sewer rates, Proposition 218 defines the basis threshold for the charges, as well as the process by which rates can be modified by the City Council. Broadly, utility rates are intended to recover only the estimated reasonable costs of service for each utility in proportion to the estimated reasonable cost to serve the customer. When rates are intended to be increased, the City must provide advance noticing and ability to protest prior to public hearing and approval.



**PREVAILING RATES** | The City’s current water and sewer rates, last modified in October 2022, are listed in Exhibit 1. Water utility bills for all customer classes are based on a combination of monthly fixed and variable rates. Fixed water rates follow the size of meter fit to the customer’s service line. Variable water rates are charged based on metered consumption in excess of an allowance assumed in the fixed rate. Sewer utility bills for all customer classes are based on fixed rates linked to a calculation for each customer to determine an equivalent billing unit.

**EXHIBIT 1 | PREVAILING WATER AND SEWER RATES LAST MODIFIED OCTOBER 1, 2022**

Water Base Meter Charge per Month		Sewer Base Charge per Month	
3/4 or 1"	\$ 55.22	Residential per EDU*	\$ 65.06
1.5	\$ 62.95	Apartment per Unit**	\$ 37.90
2	\$ 74.94	Commercial per EDU***	\$ 65.06
3	\$ 127.90		
4	\$ 164.99	* 1 house = 1 EDU.	
6	\$ 255.53	** 1 Unit = 0.583 Residential EDU.	
8	\$ 362.35	*** 1 EDU = 900 cubic feet, measured from prior year average winter water consumption.	
10	\$ 494.63		
Water Consumption Charges per 100 cubic feet per Month			
0 to 1,200 cubic feet	\$ -		
Over 1,200 cubic feet	\$ 2.77		

**PRIOR RATE ACTION** | The City of Wheatland has regularly managed its rates in recent history, adjusting rates between 2009 and 2018 an average of 2.9% per year. After extensive study in 2018-2019, the City approved a five-year water and sewer rate plan, beginning in 2019 and continuing through a final rate adjustment in 2022. The approved rate plan accomplished two major changes to utility rates:

- ➔ **Increasing Rate Revenues:** Water and sewer rates were increased to generate additional revenue for each utility fund. This addressed structural deficiencies in meeting the core financial obligations of the utilities, including annual operating and maintenance expense and debt repayment. The enacted rates also established operating and capital emergency cash reserve expectations as prudent enterprise fund management tools. The adopted rates did not achieve a meaningful level of direct funding or reserving for a capital improvement program for the utilities’ infrastructure. Overall rate revenue increases adopted were as illustrated in Exhibit 2.
- ➔ **Restructuring of Rates:** Water and sewer rates were redesigned to better satisfy the reasonable proportionality of costs imposed on different customers, with changes as follows:
  - Recalibrated fixed water charges to proportionality inherent through meter size in line with industry practice.
  - Redesigned variable increasing tier water charges to align with customer demands and industry practices in pricing.
  - Redefined and set equivalent dwelling units used in fixed sewer charges on different customer classes based on recalibrated volume metrics.

Because of the scale of change in rate structure during the last rate plan, which addresses individual proportionality of the costs to serve received through the rates, no redesign of rates is proposed as part of this analysis, with overall costs of service attributable to each utility the primary focus for City Council consideration. Proposed revenue increases are applied across the board to prevailing rate structures.

**EXHIBIT 2 | OVERALL RATE REVENUE INCREASES 2019-2022**

Effective Date	Rate Revenue Increase	
	Water	Sewer
Apr. 1, 2019	6.75%	3.00%
Oct. 1, 2019	6.75%	3.00%
Oct. 1, 2020	6.75%	3.00%
Oct. 1, 2021	6.75%	3.00%
Oct. 1, 2022*	5.69%	5.69%

\* Planned 3.0% or *Engineering News Record* Construction Cost Inflation Index; *ENR* applied.

**RATE REVENUE REQUIREMENT** | The following discussion focuses on the revenue requirement of the City’s water and sewer rates. This refers to the annual revenue needed by the utility enterprise funds to meet the financial obligations in sustaining utility service. The ongoing rates charged to utility customers represent the vast majority of revenue available to fund utility needs. The utilities are accounted for as enterprise funds, which demands that business activities be self-sufficient: utility revenues satisfy utility costs accounted for in the fund.

The revenues of each utility have an obligation to satisfy its minimum cost of service. This minimum funding level means that utility revenues cover operating, maintenance, and administrative expenses of the utility and cover debt service obligations in the form of principal and interest repayment and other covenants of the debt issuance, such as reserve funding and coverage ratios. When the minimum cost of service is not met by rate revenues, there is a structural deficit in the utility fund. This deficit draws down available cash reserves intended for emergency or longer-term needs in order to meet current needs that should be met by current income.

In optimally run utilities, the revenues of the utility target a higher cost of service. This targeted funding level provides a rate-based source of ongoing funding for capital projects: investment in the utility’s infrastructure. When adequate reinvestment in aging infrastructure is not occurring, service reliability can be compromised, while also increasing ongoing costs of operation and maintenance to keep failing assets functional. Utilities accomplish rate-based capital funding by at least adding the utility’s annual depreciation expense to its minimum cost of service to be met by revenues and then reserving the amount collected for near- and long-term capital replacement projects.

At this time, the City of Wheatland sets rates to achieve the minimum cost of service and does not set rates intentionally to support a formal capital improvement plan (CIP). Proactively addressing a CIP for the utilities would require a higher level of rate revenue than accomplished by both existing and proposed rates.



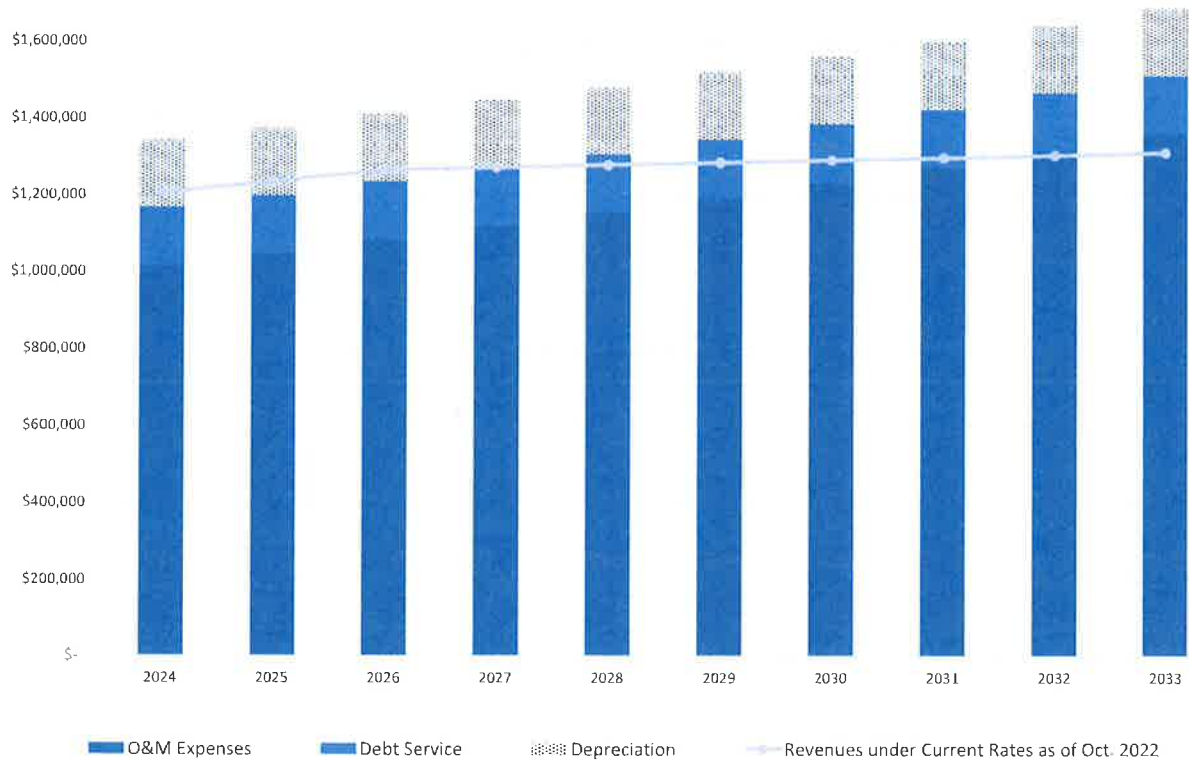
### Current Rate Performance and Financial Forecast

The following discussion summarizes the current financial performance of each utility and a forecast of available cash reserves in each fund assuming no further change to rates. Estimated future rate revenue assumes recent customer usage levels and increase only from known near-term growth in the customer base. Estimated future expense assumes recent spikes in cost inflation do not continue and moderate to a level more consistent with long-term inflation levels. (It is important to note that all of these assumptions introduce degrees of risk in the basis for the rate plan: revenue stability and growth outside of rate change, as well as expense moderation different from immediately recent economic conditions. Proposed rate strategies would need to increase if more conservatism was assumed in the analysis for these factors.)

**WATER UTILITY** | Exhibit 3 compares annual utility obligations against current rate revenue. Current rates generate approximately \$1.20 million annually against roughly \$1.17 million in annual operating expense and debt service. Current rates satisfy existing obligations and will continue to do so under planned growth for a short period. However, without minor increase to rates at a minimal level, a structural deficit in the utility fund will return by at least Fiscal Year 2027-2028, if not earlier. A structural deficit compromises satisfaction of debt obligations – principal and interest repayment and coverage requirements – as well as reducing resources for planned operation and maintenance of the system.

EXHIBIT 3 | WATER ANNUAL OBLIGATIONS VERSUS RATE REVENUE

WATER UTILITY REVENUE REQUIREMENT COMPARED TO PREVAILING RATE REVENUE  
 (PLANNED CUSTOMER GROWTH; NO RATE ADJUSTMENTS)

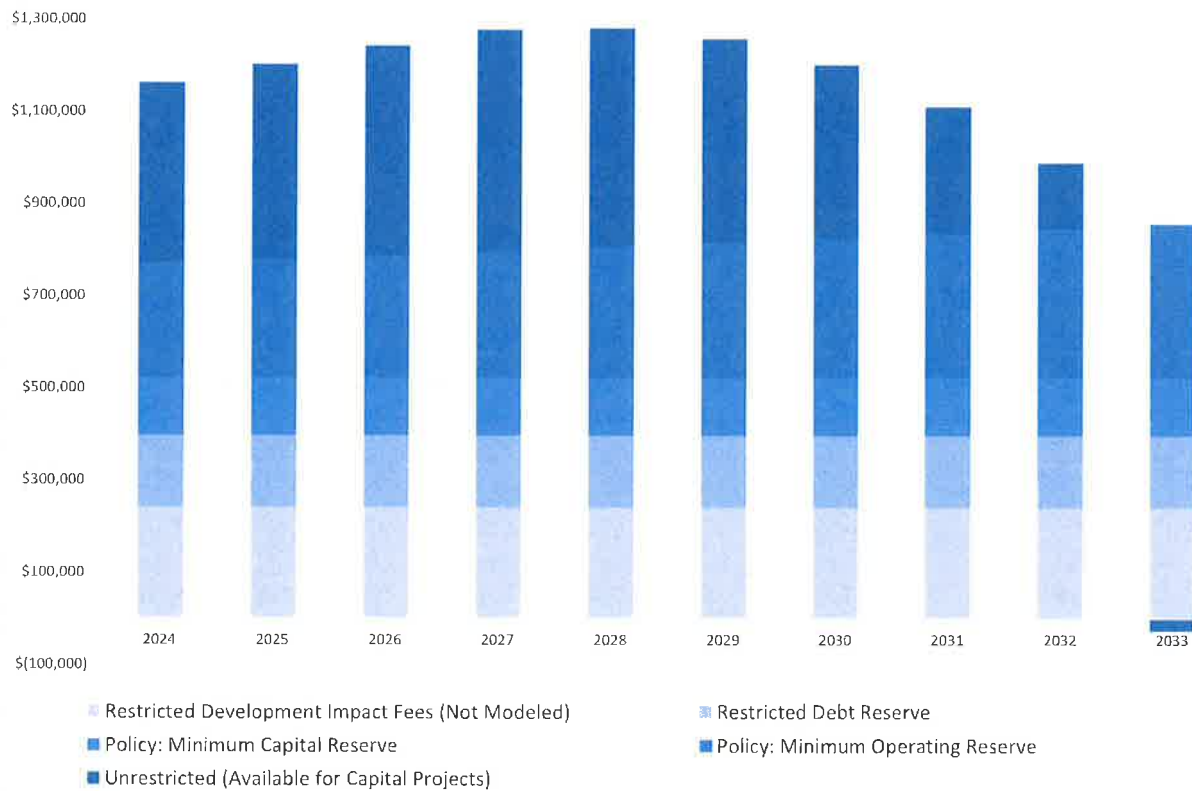


Through the last five-year rate plan, the water utility built and sustained prudent operating and emergency cash reserves in the enterprise fund. These reserves are intended to be available to the City to satisfy utility obligations through normal revenue instability and minor emergency. Cash in excess of these reserve levels is available for capital investment in the utility, which is made by rehabilitating, replacing, or improving utility infrastructure as it ages, fails, or requires modification to meet standards.

Exhibit 4A illustrates the impact to available cash reserves in the utility fund under no change to rates. As of the last *Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2022*, the Water Enterprise Fund reported \$1,066,382 million in cash and equivalents. Segregating debt reserve, restricted revenue held for specific uses, and the aforementioned operating and emergency reserves intended by previous rate action, the utility had \$312,289 in unrestricted cash. This value may continue to increase for a time under planned growth in water revenue, but without increasing rates at a minimal level, operating losses will return by Fiscal Year 2027-28 and begin eroding accumulated reserves that would otherwise be available for infrastructure reinvestment. From the graph in Exhibit 4A, Exhibit 4B identifies the value of the annual status of the cash reserve available for a capital program under no rate action.

**EXHIBIT 4A | WATER CASH POSITION UNDER NO RATE ACTION**

**WATER FUND BEGINNING CASH FORECAST (NO RATE CHANGES AFTER FY 2022-23)  
 \*\* NO SPENDING ON CAPITAL PROJECTS \*\***



**EXHIBIT 4B | WATER CASH AVAILABLE FOR CAPITAL PROGRAM UNDER NO RATE ACTION**

Water Cash Resources at Beginning of Fiscal Year (No Rate Adjustments)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Unrestricted Cash (Available for Capital Projects)	\$ 391,228	\$ 423,665	\$ 455,219	\$ 481,199	\$ 476,018	\$ 443,519	\$ 377,311	\$ 276,129	\$ 143,649	\$ (26,698)

**SEWER UTILITY** | Exhibit 5 compares annual utility obligations against current rate revenue. Current rates generate approximately \$1.09 million annually against roughly \$1.11 million in annual operating expense and debt service. Current rates do not satisfy existing obligations, and the sewer utility currently operates at a loss. This structural deficit compromises satisfaction of debt obligations – principal and interest repayment and coverage requirements – as well as reducing resources for planned operation and maintenance of the system.

**EXHIBIT 5 | SEWER ANNUAL OBLIGATIONS VERSUS RATE REVENUE**

**SEWER UTILITY REVENUE REQUIREMENT COMPARED TO PREVAILING RATE REVENUE  
(PLANNED CUSTOMER GROWTH; NO RATE ADJUSTMENTS)**

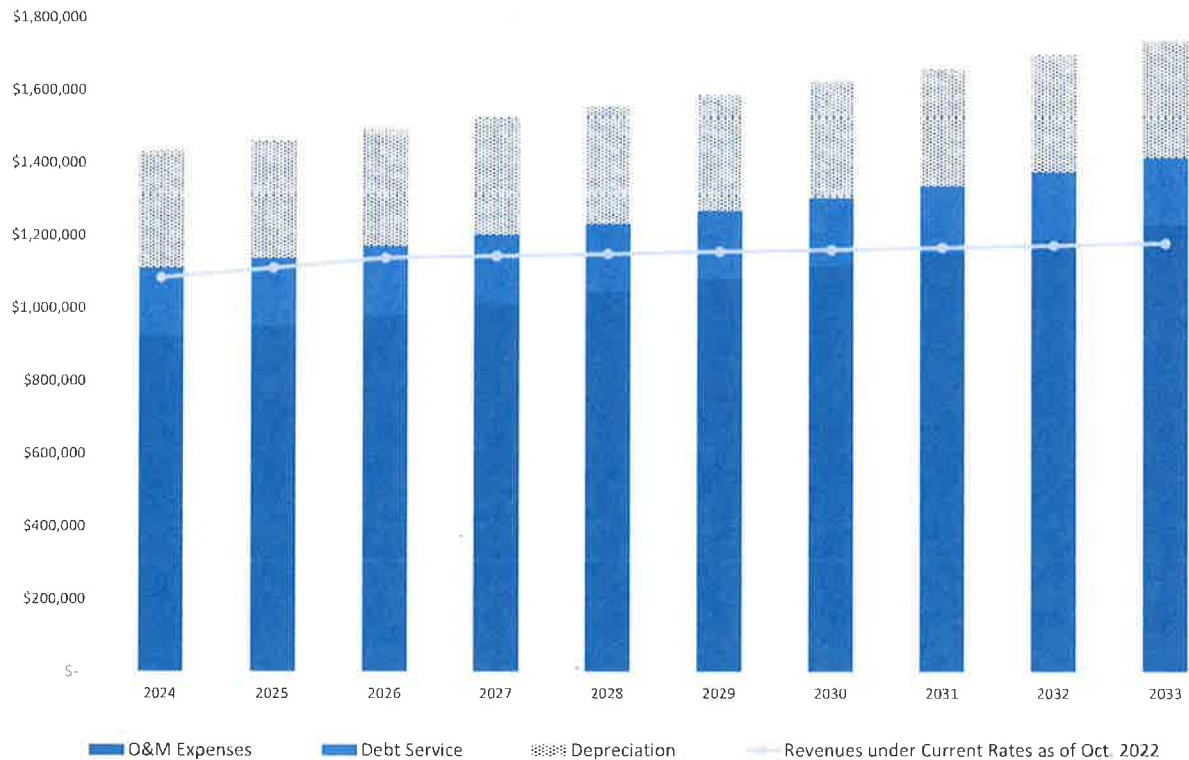


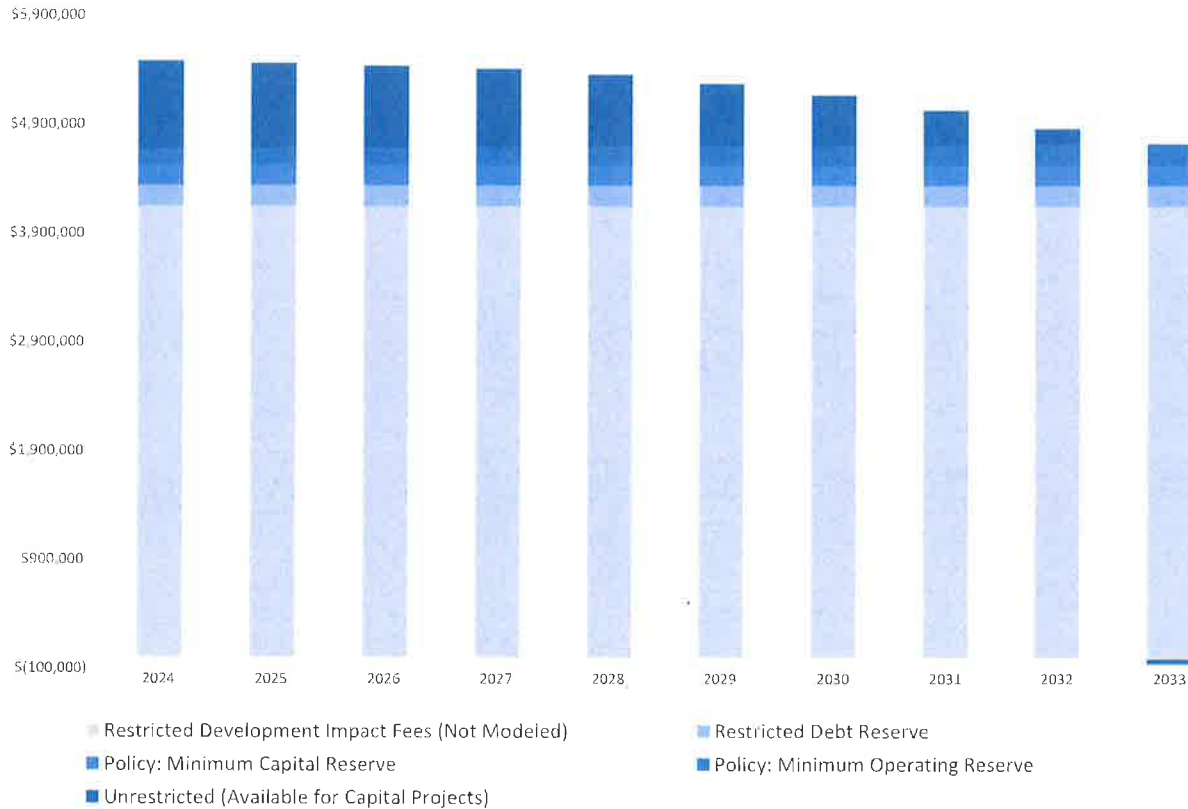
Exhibit 6A illustrates the impact to available cash reserves in the utility fund under no change to rates. As of the last *Annual Comprehensive Financial Report for Fiscal Year Ending June 30, 2022*, the Sewer Enterprise Fund reported \$5,447,000 in cash and equivalents. Segregating debt reserved, restricted revenue held for specific uses, and the aforementioned operating and emergency reserves intended by previous rate action, the utility had \$777,280 in unreserved cash. This value is currently in decline, as the utility operated at a loss



in Fiscal Year 2022-23 and is currently budgeted to remain in that loss position absent rate changes. This erodes accumulated reserves that would otherwise be available for infrastructure reinvestment. From the graph in Exhibit 6A, Exhibit 6B identifies the value of the annual status of the cash reserve available for a capital program under no rate action.

**EXHIBIT 6A | SEWER CASH POSITION UNDER NO RATE ACTION**

**SEWER FUND BEGINNING CASH FORECAST (NO RATE CHANGES AFTER FY 2022-23)**  
 \*\* NO SPENDING ON CAPITAL PROJECTS \*\*



**EXHIBIT 6B | SEWER CASH AVAILABLE FOR CAPITAL PROGRAM UNDER NO RATE ACTION**

Sewer Cash Resources at Beginning of Fiscal Year (No Rate Adjustments)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Unrestricted Cash (Available for Capital Projects)	\$ 807,244	\$ 780,018	\$ 752,505	\$ 720,144	\$ 659,929	\$ 575,877	\$ 461,777	\$ 316,577	\$ 144,592	\$ (60,456)

**Proposed Rate Increases and Financial Performance**

The following discussion identifies a minimum course of rate increases to reverse and avoid forecasted financial deficits.

**WATER UTILITY** | Continuing the historical practice of regular increases to water rates is necessary to preserve the positive financial performance of the utility. Exhibit 7 identifies a pattern of minimum annual increases to water rates to avoid structural deficits and, depending on actual conditions at the time, potentially

accumulate additional cash resources for capital reinvestment. Annual rate increases of 2.75% are proposed. For context, this adds less than two dollars to the monthly base charge on a typical single family home. (Depending on meter size and actual water consumption above the fixed allowance, bill impacts will vary from that level.)

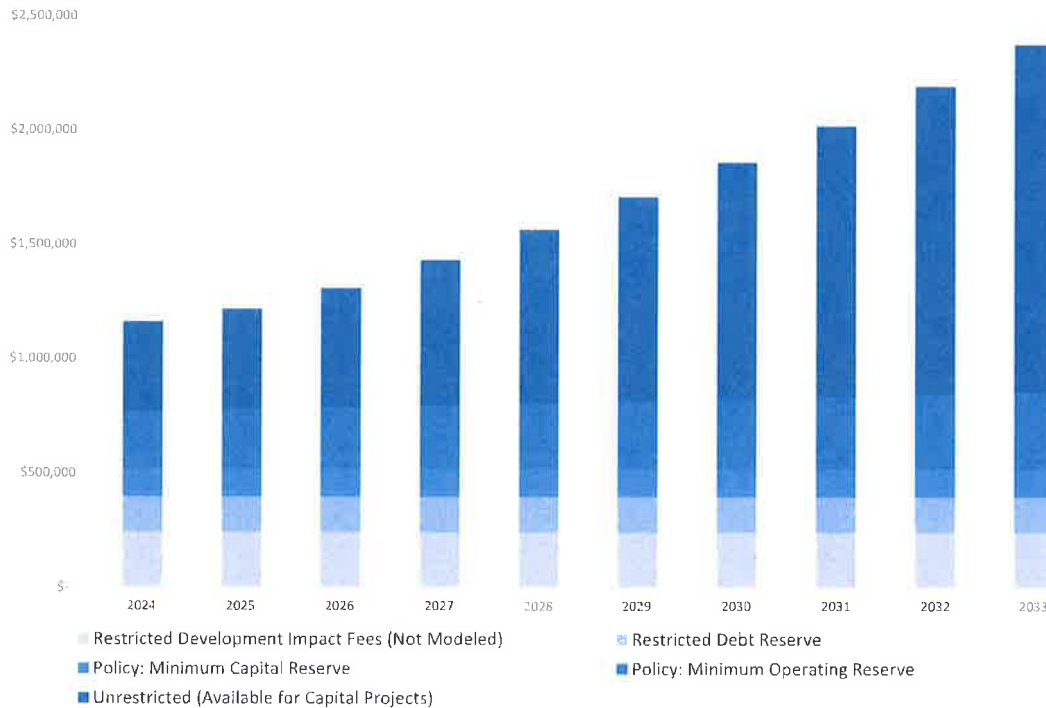
**EXHIBIT 7 | MINIMUM WATER RATE ACTION PROPOSED TO PRESERVE POSITIVE FINANCIAL PERFORMANCE**

Proposed Water Rate Revenue Increases	2024	2025	2026	2027	2028
Overall Increase to Rate Structure	2.75%	2.75%	2.75%	2.75%	2.75%

Exhibits 8A and 8B illustrate the impact of the proposed rate increases on the utility’s cash position. By the end of Fiscal Year 2027-28, the water utility is estimated to have accumulated approximate \$760,000 in cash available for a capital program.

**EXHIBIT 8A | WATER CASH POSITION UNDER PROPOSED RATE INCREASES**

**WATER FUND BEGINNING CASH FORECAST (2.75% ANNUAL RATE INCREASES 2024+)**  
 \*\* NO SPENDING ON CAPITAL PROJECTS \*\*



**EXHIBIT 8B | WATER CASH AVAILABLE FOR CAPITAL PROGRAM UNDER PROPOSED RATE INCREASES**

Water Cash Resources at Beginning of Fiscal Year (Under Proposed Rate Plan)	2024	2025	2026	2027	2028
Unrestricted Cash (Available for Capital Projects)	\$ 391,228	\$ 440,225	\$ 523,222	\$ 638,346	\$ 760,472

**SEWER UTILITY** | Continuing the historical practice of regular increases to sewer rates is necessary to correct current losses in the fund and then sustain positive financial performance for the utility. Exhibit 9 identifies a pattern of minimum annual increases to sewer rates to correct and then avoid structural deficits. An initial rate increase of 4.0%, followed by annual rate increases of 3.00% are proposed. For context, this adds less than three dollars initially to the monthly charge on a single family home, followed by annual increases of just over two dollars per month. (These rate increases and financial performance do not account for investments in either local or regional sewer treatment improvement solutions, which is an outstanding issue not addressed by this rate analysis.)

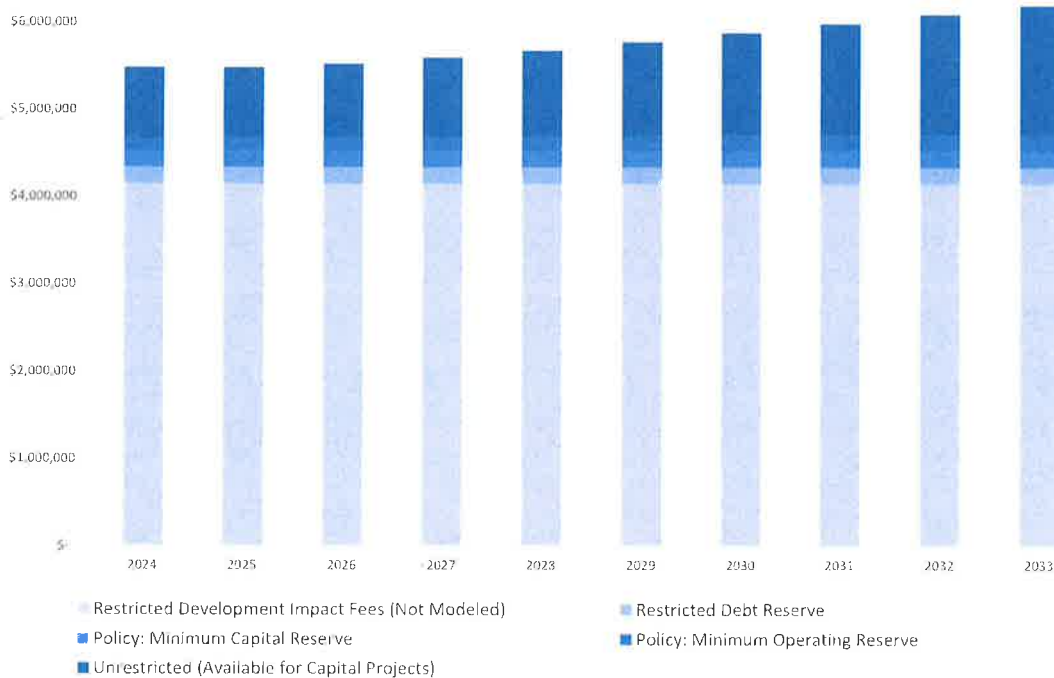
**EXHIBIT 9 | MINIMUM SEWER RATE ACTION PROPOSED TO ACHIEVE POSITIVE FINANCIAL PERFORMANCE**

Proposed Sewer Rate Revenue Increases	2024	2025	2026	2027	2028
Overall Increase to Rate Structure	4.00%	3.00%	3.00%	3.00%	3.00%

Exhibits 10A and 10B illustrate the impact of the proposed rate increases on the utility’s cash position. By the end of Fiscal Year 2027-28, the sewer utility is estimated to have accumulated over \$980,000 in cash available for a capital program.

**EXHIBIT 10A | SEWER CASH POSITION UNDER PROPOSED RATE INCREASES**

SEWER FUND BEGINNING CASH FORECAST (4.0% IN 2024 + 3.0% ANNUAL RATE INCREASES)  
 \*\* NO SPENDING ON CAPITAL PROJECTS \*\*



**EXHIBIT 10B | SEWER CASH AVAILABLE FOR CAPITAL PROGRAM UNDER PROPOSED RATE INCREASES**

Sewer Cash Resources at Beginning of Fiscal Year (Under Proposed Rate Plan)	2024	2025	2026	2027	2028
Unrestricted Cash (Available for Capital Projects)	\$ 807,244	\$ 801,724	\$ 836,134	\$ 903,555	\$ 981,326

**Capital Funding**

It is important to emphasize that the proposed rate plan for both utilities does not intentionally account for financing of a formal capital improvement plan or explicit reserving toward long-term capital replacement via the “targeted” cost of service that includes depreciation-based reserve funding as a rate obligation. The proposed rate plan will yield some capital funding capacity in the revenue stream, assuming favorable economic factors prevail, such as normalized cost inflation and avoidance of unexpected outlays. This capital funding capacity was demonstrated in Exhibits 8B and 10B for each utility.

Evaluating the reasonableness of cash forecasted in reserve and available for capital projects benefits from comparing those values to potential projects. The City has a list of known capital projects for each utility, which is presented in Exhibit 11 for water and Exhibit 12 for sewer. In current year costs, the water utility has identified \$2.4 million in necessary projects over 11 years, while the sewer utility has identified \$2.8 million, excluding wastewater treatment improvement (local or regional). Fully funding a CIP will require a financing plan that may include additional burdens to customer rates.

**EXHIBIT 11 | KNOWN WATER CAPITAL PROJECTS**

Capital Projects, Current-Year Cost Estimate	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
1 Vehicle Replacement Program	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 25,000
2 Heavy Equipment Replacement Program	-	50,000	-	-	-	50,000	-	-	-	50,000	-
3 Major Building Maint and Improvements	-	-	-	30,000	-	-	-	30,000	-	-	-
4 Replace Utility Billing Software	-	-	-	-	-	-	-	-	-	75,000	-
5 Capital Improvement Plan Update	-	-	-	-	-	15,000	-	-	-	-	-
6 GIS System Major Updates	-	-	-	10,000	-	-	-	-	10,000	-	-
7 Water Model Update & Calibration	-	-	-	-	-	-	40,000	-	-	-	-
8 SCADA & Computer Hardware Updates	25,000	-	-	-	-	-	-	-	-	25,000	-
9 Well Rehab & Supply Meters	-	-	45,000	-	-	-	-	45,000	-	-	-
10 Portable Emergency Generator	-	-	-	-	-	50,000	-	-	-	-	-
11 Clean and Re-Coat Tank #2	-	-	-	400,000	-	-	-	-	-	-	-
12 Water Main & Service Replacement Program	-	275,000	-	-	275,000	-	-	275,000	-	-	275,000
13 Fire Hydrant Replacement Program	-	-	-	15,000	-	-	-	-	15,000	-	-
14 Fourth St. Storage Building (30'x50')	8,000	50,000	-	-	-	-	-	-	-	-	-
15 Replace Ancillary/Chem Well Equipment	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Total Capital Projects</b>	<b>\$ 68,000</b>	<b>\$385,000</b>	<b>\$ 80,000</b>	<b>\$465,000</b>	<b>\$ 310,000</b>	<b>\$ 125,000</b>	<b>\$ 75,000</b>	<b>\$ 360,000</b>	<b>\$ 60,000</b>	<b>\$ 160,000</b>	<b>\$ 310,000</b>
<i>Cumulative Total</i>	<i>\$ 68,000</i>	<i>\$ 453,000</i>	<i>\$ 533,000</i>	<i>\$ 998,000</i>	<i>\$ 1,308,000</i>	<i>\$ 1,433,000</i>	<i>\$ 1,508,000</i>	<i>\$ 1,868,000</i>	<i>\$ 1,928,000</i>	<i>\$ 2,088,000</i>	<i>\$ 2,398,000</i>

*(Please continue to the next page.)*

EXHIBIT 12 | KNOWN SEWER CAPITAL PROJECTS

Capital Projects, Current-Year Cost Estimate	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
1 Vehicle Replacement Program	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 25,000
2 Heavy Equipment Replacement Program	-	50,000	-	-	-	50,000	-	-	-	50,000	-
3 Major Building Maint and Improvements	-	-	-	30,000	-	-	-	30,000	-	-	-
4 Replace Utility Billing Software	-	-	-	-	-	-	-	-	-	75,000	-
5 Capital Improvement Plan Update	-	-	-	-	-	15,000	-	-	-	-	-
6 GIS System Major Updates	-	-	-	10,000	-	-	-	-	10,000	-	-
7 Sewer System Model	-	-	-	80,000	-	-	-	-	-	-	-
8 Renew Discharge Permit (WDRs)	-	-	50,000	-	-	-	-	50,000	-	-	-
9 SSMP Major Update	20,000	-	-	-	-	-	-	-	-	-	-
10 Rehab Lift Stations (1 every 5yrs)	-	-	-	-	38,000	-	-	-	-	38,000	-
11 Sewer Collection Replace or Line	-	-	495,000	-	-	495,000	-	-	495,000	-	-
12 Replace Electrical/Mechanical Equipment	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
13 SCADA & Computer Hardware Updates	25,000	-	-	-	-	-	-	-	-	25,000	-
14 Replace headworks influent screen	65,000	-	-	-	-	-	-	-	-	65,000	-
15 Spare PC Control Board for Lift Stations	10,125	-	-	-	-	-	-	-	-	-	-
16 Replace Safety Grating at Sunrise LS	7,500	-	-	-	-	-	-	-	-	-	-
17 Fourth St. Storage Building (30'x50')	8,000	50,000	-	-	-	-	-	-	-	-	-
18 1-ton Truck Mounted Crane	25,000	-	-	-	-	-	-	-	-	-	-
19 WWTP Reliability Improvement Project	-	-	500,000	1,477,500	1,477,500	-	-	-	-	-	-
20 WWTP Emergency Generator Replacement	-	-	31,250	487,500	-	-	-	-	-	-	-
21 Replace Malone Lift Station & Generator	-	-	120,000	530,000	-	-	-	-	-	-	-
<b>Total Capital Projects</b>	<b>\$215,625</b>	<b>\$130,000</b>	<b>\$1,251,250</b>	<b>\$2,645,000</b>	<b>\$1,570,500</b>	<b>\$590,000</b>	<b>\$55,000</b>	<b>\$110,000</b>	<b>\$560,000</b>	<b>\$283,000</b>	<b>\$55,000</b>
<i>Cumulative Total</i>	<i>\$ 215,625</i>	<i>\$ 345,625</i>	<i>\$ 1,596,875</i>	<i>\$ 4,241,875</i>	<i>\$ 5,812,375</i>	<i>\$ 6,402,375</i>	<i>\$ 6,457,375</i>	<i>\$ 6,567,375</i>	<i>\$ 7,127,375</i>	<i>\$ 7,410,375</i>	<i>\$ 7,465,375</i>
<b>Total Excluding WWTP (#19-21)</b>	<b>\$215,625</b>	<b>\$130,000</b>	<b>\$600,000</b>	<b>\$150,000</b>	<b>\$93,000</b>	<b>\$590,000</b>	<b>\$55,000</b>	<b>\$110,000</b>	<b>\$560,000</b>	<b>\$283,000</b>	<b>\$55,000</b>
<i>Cumulative Total</i>	<i>\$ 215,625</i>	<i>\$ 345,625</i>	<i>\$ 945,625</i>	<i>\$ 1,095,625</i>	<i>\$ 1,188,625</i>	<i>\$ 1,778,625</i>	<i>\$ 1,833,625</i>	<i>\$ 1,943,625</i>	<i>\$ 2,503,625</i>	<i>\$ 2,786,625</i>	<i>\$ 2,841,625</i>

Bill Impacts and Comparison

**IMPACTS TO A SINGLE FAMILY RESIDENCE** | Exhibit 13 summarizes the pattern of annual increases proposed in each utility and calculates an average bill for a single family residence under the rate plan. The first year of the rate plan, which raises water rates by 2.75% and sewer rates by 4.0%, increases the average monthly bill to a home by \$4.35 total. Thereafter, the monthly increase to the average home is \$3.82 to \$4.17, caused by annual increases on water rates of 2.75% and 3.0% on sewer rates. (Due to the tiered water rate structure varying by metered water consumption, lower than average usage months will have a lower bill impact, and higher than average usage months will have a higher bill impact than the average shown.)

EXHIBIT 13 | COMBINED BILL IMPACT TO A SINGLE FAMILY RESIDENCE

Fiscal Year Ending	Annual Rate Increase		Average Single Family Residence Bill			Change per Month			Overall Increase to Bill
	Water	Sewer	Water	Sewer	Total	Water	Sewer	Total	
2023	5.69%	5.69%	\$ 63.53	\$ 65.06	\$ 128.59				
2024	2.75%	4.00%	\$ 65.28	\$ 67.66	\$ 132.94	\$ 1.75	\$ 2.60	\$ 4.35	3.4%
2025	2.75%	3.00%	\$ 67.07	\$ 69.69	\$ 136.76	\$ 1.80	\$ 2.03	\$ 3.82	2.9%
2026	2.75%	3.00%	\$ 68.92	\$ 71.78	\$ 140.70	\$ 1.84	\$ 2.09	\$ 3.94	2.9%
2027	2.75%	3.00%	\$ 70.81	\$ 73.94	\$ 144.75	\$ 1.90	\$ 2.15	\$ 4.05	2.9%
2028	2.75%	3.00%	\$ 72.76	\$ 76.15	\$ 148.91	\$ 1.95	\$ 2.22	\$ 4.17	2.9%

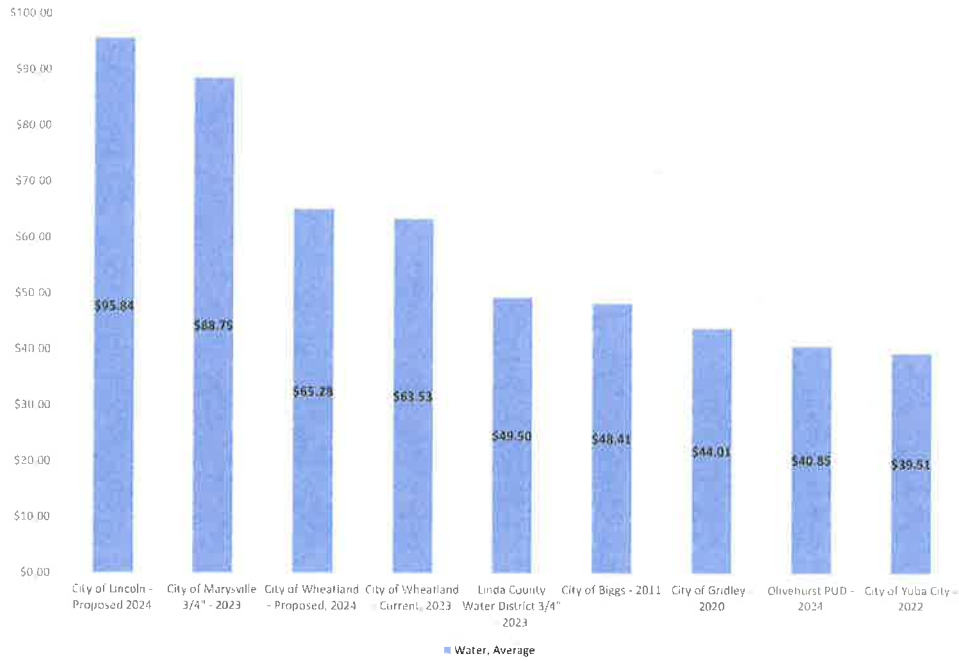
Assumed water consumption of 1,500 cubic feet (15 CCF).



**REGIONAL COMPARISON** | Exhibits 14 and 15 illustrate the relative position of Wheatland’s current and proposed rates in 2024 among those of other public utilities in the region.

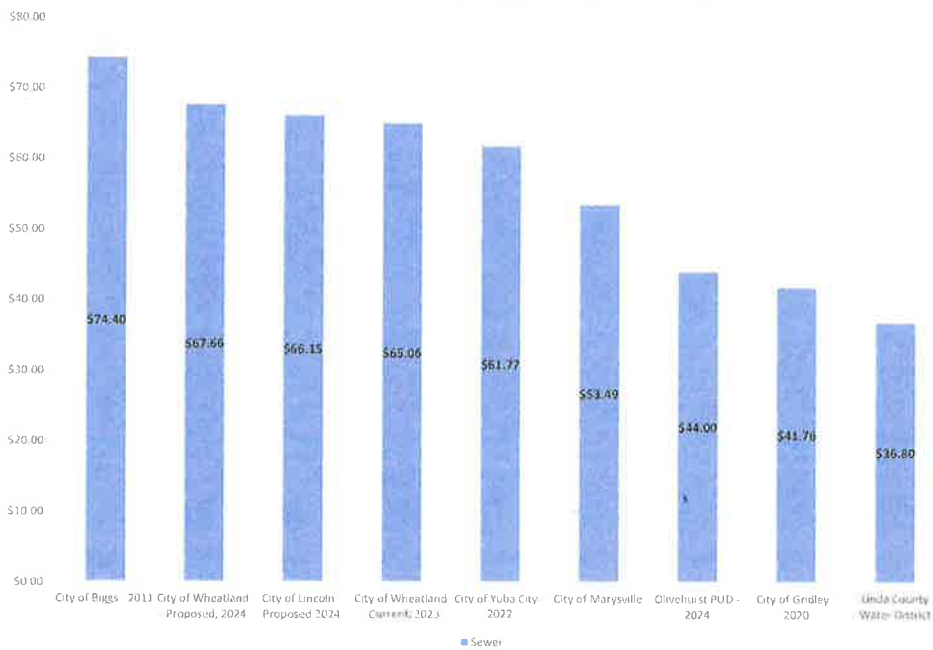
**EXHIBIT 14 | RESIDENTIAL WATER BILL COMPARISON**

**SINGLE FAMILY RESIDENTIAL MONTHLY WATER BILL COMPARISON**



**EXHIBIT 15 | RESIDENTIAL SEWER BILL COMPARISON**

**SINGLE FAMILY RESIDENTIAL MONTHLY SEWER BILL COMPARISON**



### Proposed Five-Year Rate Plan for City Council Consideration

Under Prop 218, the City may adopt up to five years of modified rates in one formal process. Given the extent of the process and the time required to complete it, it is recommended that the City Council act on that maximum time period. Future councils may always either direct a lower rate than approved or undergo a new Prop 218 process within the five-year window to pursue a different plan. The purpose of noticing the five-year plan is to make transparent the maximum rates currently enacted, not to prevent future councils from taking alternative action.

Exhibits 16 and 17 display the proposed water and sewer rates in each of the next five years.

#### EXHIBIT 16 | PROPOSED WATER RATES

Water Base Meter Charge per Month	Current	2023-24	2024-25	2025-26	2026-27	2027-28
3/4 or 1"	\$ 55.22	\$ 56.74	\$ 58.30	\$ 59.90	\$ 61.55	\$ 63.24
1.5	\$ 62.95	\$ 64.68	\$ 66.46	\$ 68.29	\$ 70.17	\$ 72.10
2	\$ 74.94	\$ 77.00	\$ 79.12	\$ 81.30	\$ 83.54	\$ 85.84
3	\$ 127.90	\$ 131.42	\$ 135.03	\$ 138.74	\$ 142.56	\$ 146.48
4	\$ 164.99	\$ 169.53	\$ 174.19	\$ 178.98	\$ 183.90	\$ 188.96
6	\$ 255.53	\$ 262.56	\$ 269.78	\$ 277.20	\$ 284.82	\$ 292.65
8	\$ 362.35	\$ 372.31	\$ 382.55	\$ 393.07	\$ 403.88	\$ 414.99
10	\$ 494.63	\$ 508.23	\$ 522.21	\$ 536.57	\$ 551.33	\$ 566.49

Water Consumption Charges per 100 cubic feet per Month	Current	2023-24	2024-25	2025-26	2026-27	2027-28
0 to 1,200 cubic feet	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Over 1,200 cubic feet	\$ 2.77	\$ 2.85	\$ 2.93	\$ 3.01	\$ 3.10	\$ 3.19

#### EXHIBIT 17 | PROPOSED SEWER RATES

Sewer Base Charge per Month	2023-24	2023-24	2023-24	2023-24	2023-24
Residential per EDU*	\$ 67.66	\$ 69.69	\$ 71.78	\$ 73.93	\$ 76.15
Apartment per Unit**	\$ 39.42	\$ 40.60	\$ 41.82	\$ 43.07	\$ 44.36
Commercial per EDU***	\$ 67.66	\$ 69.69	\$ 71.78	\$ 73.93	\$ 76.15

\* 1 house = 1 EDU.

\*\* 1 Unit = 0.583 Residential EDU.

\*\*\* 1 EDU = 900 cubic feet, measured from prior year average winter water consumption.

*(Please continue to the next page.)*

## Next Steps

The content of this report is expected to be presented to the City Council at a regular meeting in October 2023. Should the City Council choose to proceed with increased water and sewer rates, the next steps are required by Proposition 218:

- A date for a future public hearing on proposed rates must be directed. The public hearing must take place no sooner than 45 days from the date of public notice mailing.
- A written public notice of the intended rates and public hearing will be prepared and mailed to all property owners and payors of the utility.
- Any eligible written protests will be received by the City through the close of the public hearing.
- The public hearing will take place on the noticed date. Upon close of the public hearing, any received eligible written protests will be tabulated. If no more than a majority of parcels represented by either owner or other payor protest the proposed rates, the City Council may proceed with approval.
- Approved rates take effect not less than 30 days from approval.
- Subsequent year rate increases within the adopted five-year plan should be noticed not less than 30 days prior to effective date.

From the date at which the City Council directs the initiation of Prop 218 procedures to increase rates, the City should expect a minimum of three months to pass before new rates can become effective.

We appreciate the opportunity to continue our work with the City of Wheatland on this subject. Please feel free to contact us if you have any questions.

Sincerely,



**TERRY MADSEN, PRESIDENT | CLEARSOURCE FINANCIAL CONSULTING**

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