

STORMWATER RATE STUDY RECOMMENDATIONS

COUNCIL WATER COMMITTEE

Item 25-1279

November 13, 2025

Stormwater Rate Study

❖ Today's Actions

- Outline stormwater utility challenges and funding needs
- Summarize proposed solution
 - ❖ Rate Study findings and Recommendations
 - ❖ Summarize Proposition 218 requirements and approach
- Request approval to forward the proposed rate schedules and Rate Study to the City Council

Problem to be Addressed

- ❖ Stormwater must be physically removed from properties to avoid flood damage and nuisance flooding, and reduce pollution in local waterways
- ❖ Aging stormwater infrastructure at risk for failures
- ❖ Current stormwater utility rate revenues do not adequately fund the cost to provide reliable service
 - Operations and maintenance
 - Emergency repairs
 - Capital improvement projects
 - Regulatory compliance

Stormwater System Overview

Large network of storm drains, pipes, pump stations and detention basins that collect and move stormwater from properties into local waterways like rivers, creeks, sloughs and the Delta.



243,000 Customers



19 Detention Basins



23,200 Catch Basins
(also know as storm drains)



620 Miles of Pipeline



77 Pump Stations



~100 Discharge Outlets

Stormwater Master Plan

❖ Purpose:

- Identify and evaluate flooding concerns
- Develop CIP projects to alleviate flooding
- Support future development

❖ Findings:

- Existing flooding concerns are distributed throughout the City
- New development often creates or exacerbates flooding concerns
- 12 improvement concepts developed with costs ranging from \$5-75M
- Improvements focused on larger flooding issues but could be augmented by smaller-scale projects

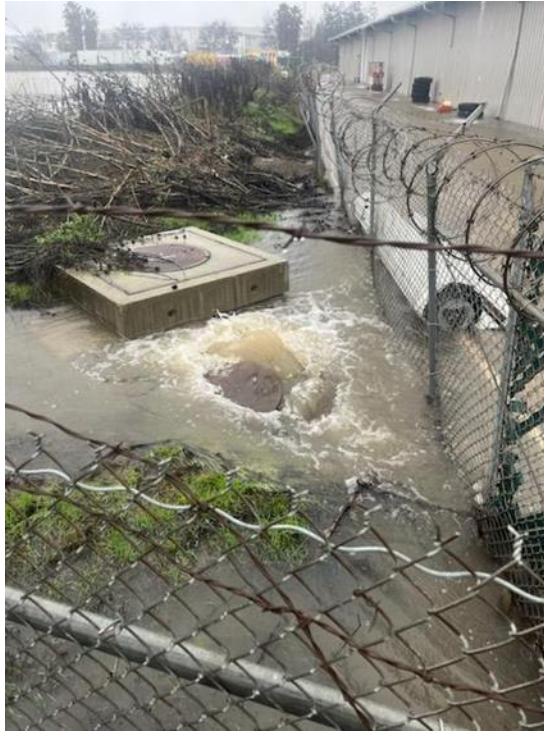
Aging Infrastructure



Aging Infrastructure



Infrastructure Impacts



Infrastructure Impacts



Infrastructure Impacts



Stormwater Master Plan Capital Improvements

Project	Cost	Priority
Boggs Tract	\$17,144,585	High
Bonnie Brook	\$11,547,232	High
Hwy 4 and San Joaquin	\$24,902,729	High
Walker Turnpike Alt 1 *	\$46,204,468	High
Walker Turnpike Alt 2 + Eighth St and San Joaquin *	\$75,142,267	High
Bianchi and Calaveras	\$30,682,180	Medium
Duck Creek	\$12,061,203	Medium
Legion Park and Smith Canal	\$50,864,178	Medium
Deep Water	\$10,229,853	Low
Little Johns	\$4,552,126	Low
Mormon Slough	\$27,524,026	Low
Sutter and Calaveras River	\$13,710,877	Low
West Lane and Calaveras River	\$6,517,147	Low

* Denoted projects are alternatives and would not both be constructed

Existing Stormwater System Revenues

- ❖ Enterprise utility must be self supporting
 - About 87% of funding comes from rate revenues
- ❖ Current rate of \$2.10/month (~\$25/year for a single-family home) established 33 years ago, has never increased
- ❖ Fee was established to meet the NPDES permit requirements, not O&M
 - Stormwater monitoring, site inspections, reporting, outreach
- ❖ Since 1992, infrastructure has aged while NPDES requirements and the City have grown
- ❖ Utility faces \$2.7M deficit over the next two fiscal years combined
- ❖ Estimated to begin fiscal year 2027-28 with a ~\$5M deficit for operations and maintenance alone

Impacts of Insufficient Revenues

- ❖ Backlog of deferred maintenance
- ❖ Past and future deferral of critical infrastructure improvements
- ❖ Increased risk of flood damage to properties and nuisance flooding
- ❖ Risk of increased pollution in local waterways
- ❖ Risk of regulatory fines for violations due to infrastructure failures

Purpose of a Rate Study

- ❖ Determine adequate level of rate revenue to operate and maintain the stormwater utility
- ❖ Develop cost-based and proportional stormwater rates to meet intent and requirements of Proposition 218
 - Based on stormwater billing units – equivalent residential unit (ERU)
- ❖ Reflect prudent financial planning criteria
 - Prudent rate funding of capital
 - Meet target reserve balances
- ❖ Developed using generally accepted methodologies tailored to the City's system and customer characteristics

Developing Cost-Based Rates

Revenue Requirement

Compares the revenue of the utility to the expenses to evaluate the level of overall rate revenues



Cost of Service

Proportionally distribute the revenue requirement between the customer classes of service



Rate Design

Design rates for each class of service to reflect the prior two analyses, along with rate design goals and objectives

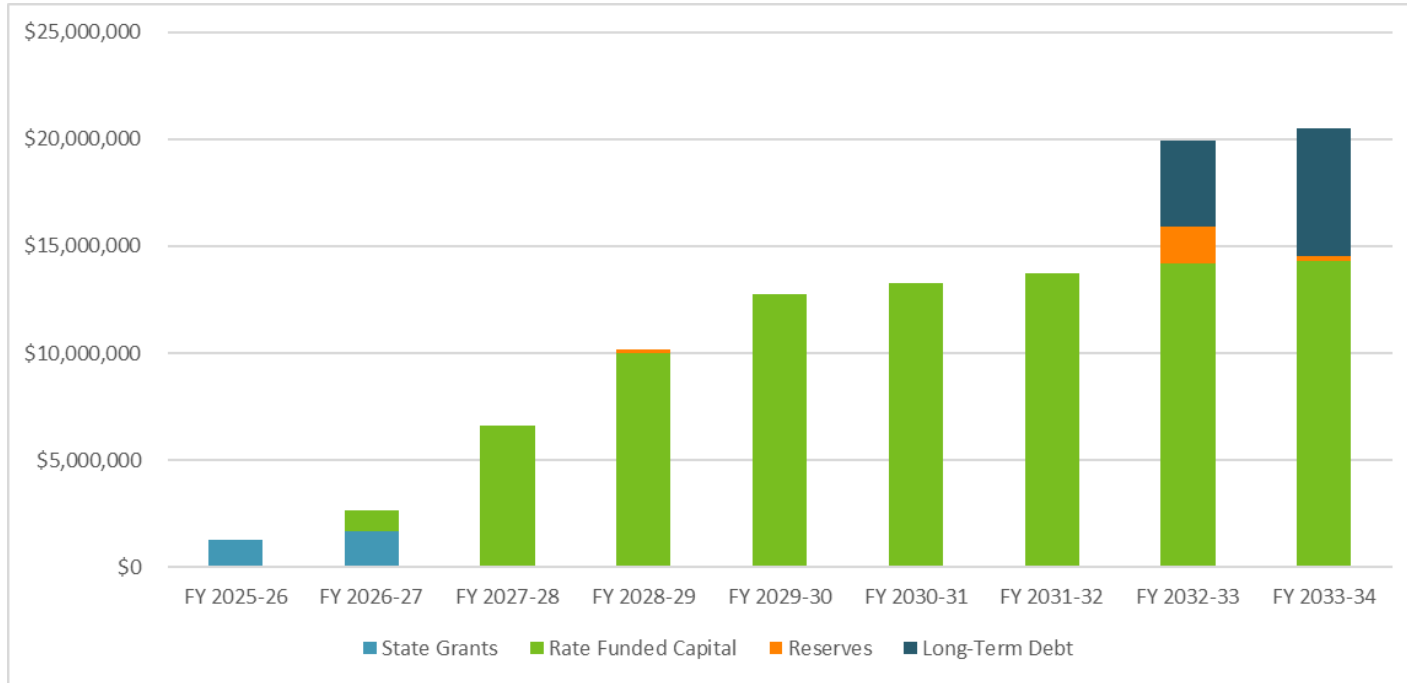
Proposition 218 – Establishing Cost Based Rates

- ❖ Prop. 218 – California constitutional amendment to protect taxpayers
 - Limits how taxes, fees and charges can be created or increased
- ❖ Prop. 218 is not prescriptive in defining a “cost-based” rate
 - Fees shall not exceed the reasonable cost of providing the service
 - Fees shall not exceed the proportional cost of providing service
- ❖ Cost of service analysis results are the foundation of the proposed rates
 - Nexus between cost to provide service and rates charged

Revenue Requirement - Key Assumptions

- ❖ Revenues independently calculated by customer group
- ❖ O&M expenses based on recent adopted budgets
 - Projected based on annual inflationary factors
- ❖ Capital Funding Plan based on City's current stormwater CIP
 - As outlined in the 2023 Stormwater Master Plan
- ❖ Target annual rate funding of capital
 - Target increasing rate funded capital annually to fund necessary capital improvements
- ❖ No current annual debt service
- ❖ Reserve minimum target: six months of O&M expenses

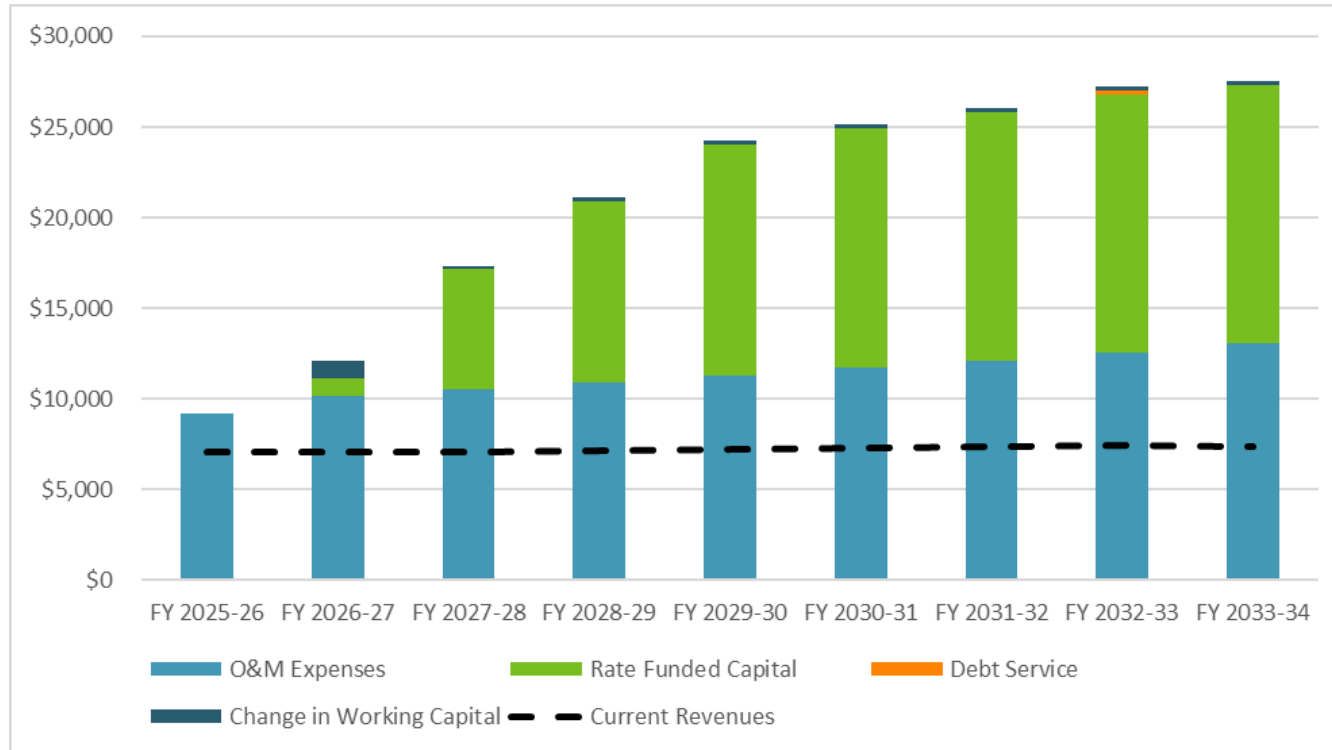
Capital Improvement Funding Plan



Priority 1 Projects

- ❖ Pump Station Improvements
- ❖ HWY 4 and San Joaquin
- ❖ Bonnie Brook
- ❖ Boggs Tract
- ❖ Walker Turnpike Alt 1

Revenue Requirement Summary (\$000's)



Revenue Requirement Summary

- ❖ Proposed rate revenue adjustments are necessary to prudently fund the stormwater enterprise fund (utility)
 - Adequately fund annual O&M expenses to reflect recent and future projected inflationary increases
 - Fund essential capital improvements
 - Maintain strong financial metrics
 - Overall revenue adjustment may not reflect individual bill impacts developed in the cost of service and rate design analyses
- ❖ Rate revenue adjustments propose annual adjustments to the ERU rate

Cost of Service Summary

- ❖ Provides the basis to meet Proposition 218 requirements
 - Proportional distribution of costs between customer classes
- ❖ Cost of service analysis is simplified using an ERU for billing purposes
- ❖ Revenue requirement distributed on a cost per ERU:
 - Cost divided by total number of ERUs
- ❖ Cost of service average unit costs provide basis for proposed rate designs per ERU

Current Stormwater Rate Structure

❖ Residential

- Based on an ERU
- Single family residential is equal to one ERU
 - 1 ERU = 2,347 square feet of impervious area
- Multi-family and apartments are charged for each dwelling unit

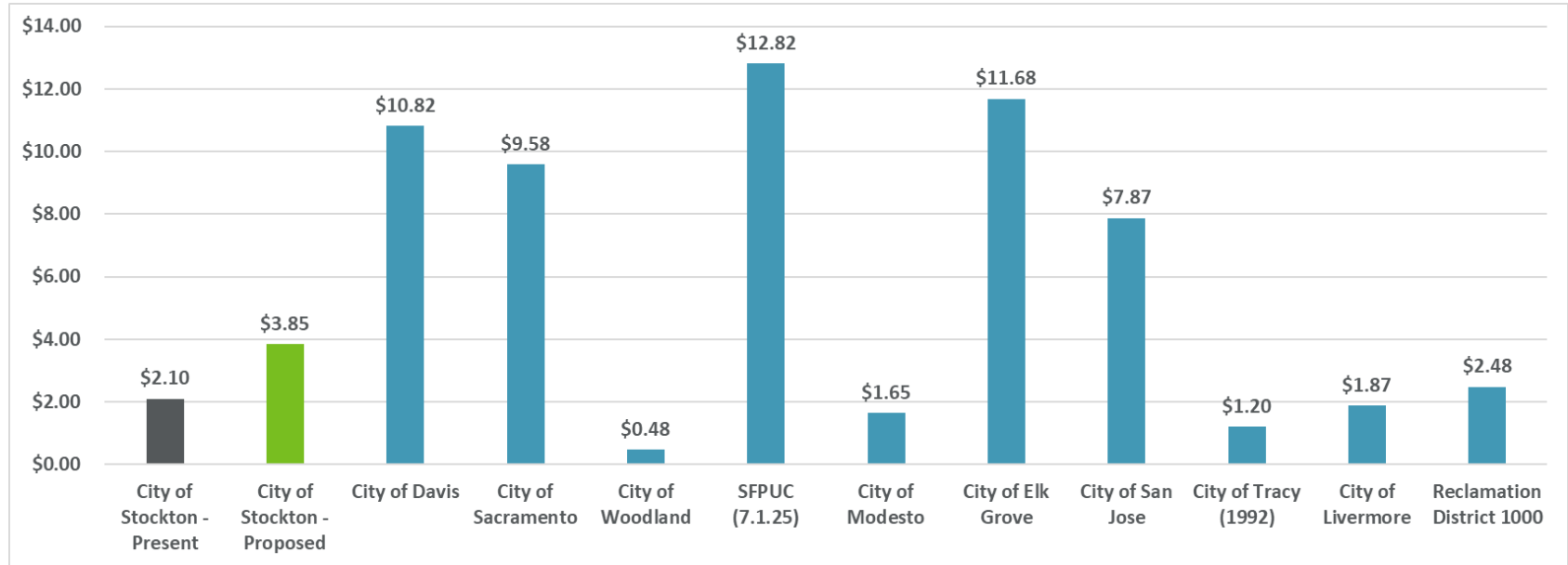
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Average Residential Customer Bill	\$2.10	\$3.85	\$5.60	\$6.85	\$7.85	\$8.10

Current Stormwater Rate Structure (continued)

❖ Non-Residential

- Commercial, Industrial and Institutional are based on a density of development factor, or the estimated amount of impervious surface area on a given parcel
 - ❖ Commercial – 90%
 - ❖ Institutional – 62%
 - ❖ Industrial – 79%
- The amount of impervious area is divided by the average amount of impervious area per ERU to determine the number of ERUs for non-residential customers
- The number of ERUs are multiplied by the rate per ERU

Monthly Stormwater Bill Comparison



Proposition 218 Process

- ❖ Upon City Council acceptance of the Study, staff sends customer notification outlining proposed rates for protest hearing
 - Review and count protests
 - Council may move forward with proposed rates if no majority protest (50% + 1)
- ❖ If no majority protest (<50%) , send ballot to customers and set public hearing
- ❖ If majority (>50%) of ballots received are in favor, the City Council may approve the Study and implement proposed rates

Next Steps

- ❖ Finalize technical analysis
- ❖ Present findings and proposed rates
 - City Council
 - Set Public Hearing
- ❖ Adoption and Implementation Process
 1. Hold Protest Hearing
 - If >50% protest, process cannot move forward
 - If <50% protest, next step
 2. Hold Ballot Hearing
 - Review and count ballots
 - Council may adopt rates if a majority of returned votes are affirmative

Recommendation

Staff recommend approving a motion to forward the proposed rate schedules and Rate Study to the City Council

Questions and Discussion