

## Draft Report



**City of Stockton**  
**Municipal Utilities Department**  
**Comprehensive Stormwater**  
**Rate Study**  
**December 2025**



December 4, 2025

Mr. Jeff Marasovich  
Deputy Director of Stormwater Operations  
City of Stockton Municipal Utilities Department  
2500 Navy Drive  
Stockton, CA 95206

**Subject: Stormwater Draft Rate Study Report**

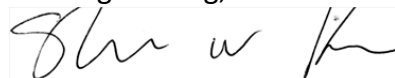
Dear Mr. Marasovich:

HDR Engineering, Inc. (HDR) is pleased to present to the City of Stockton Municipal Utilities Department (Department) the draft report for the comprehensive stormwater rate study (Study). The Department's comprehensive Study was developed to provide cost-based stormwater rates that generate sufficient revenue to fund the operation and maintenance and capital needs of the stormwater utility. More specifically, the Study was designed to develop proportional rates for the Department's customers. This report outlines the overall approach used to achieve these objectives, along with our findings, conclusions, and recommendations.

The costs associated with providing stormwater services to the Department's customers has been developed based on Department specific information and costs and is included within the development of the proposed stormwater rates. The Study was developed utilizing industry recognized generally accepted rate setting principles and methodologies, which were then tailored to the Department's specific stormwater system and customer characteristics. This report provides the basis for developing and implementing stormwater rates which are cost-based, proportional, and defensible for the Department's customers. The development of the proposed rates is based on the assumptions and data provided at the time of the Study. Should these change, the proposed rates should be reviewed to determine if adjustments should be made to reflect the cost basis and proportionality of the adopted rates.

We appreciate the assistance provided by the Department's project team in the development of the Study. More importantly, HDR appreciates the opportunity to provide these technical and professional services to the City of Stockton Municipal Utilities Department.

Sincerely yours,  
HDR Engineering, Inc.

A handwritten signature in black ink, appearing to read "Shawn Koorn", is written over a light gray rectangular background.

Shawn Koorn  
Associate Vice President



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## Executive Summary

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### Introduction

HDR Engineering, Inc. (HDR) was retained by the City of Stockton Municipal Utilities Department (Department) to conduct a comprehensive stormwater rate study (Study). The main objectives of the Study were to:

- Develop a projection of stormwater revenues to support the Department's operating and capital costs
- Proportionately distribute the costs of providing stormwater service to the customers receiving service
- Propose cost-based and proportional stormwater rates for a multi-year time period that are in compliance with Proposition 218 requirements

The Department owns, operates, and maintains the stormwater system, which provides service to customers within the City of Stockton and the surrounding area. The costs associated with providing stormwater service to the Department's customers have been based on the information developed and provided by the Department and are the basis for the proposed rates.

### Overview of the Stormwater Utility

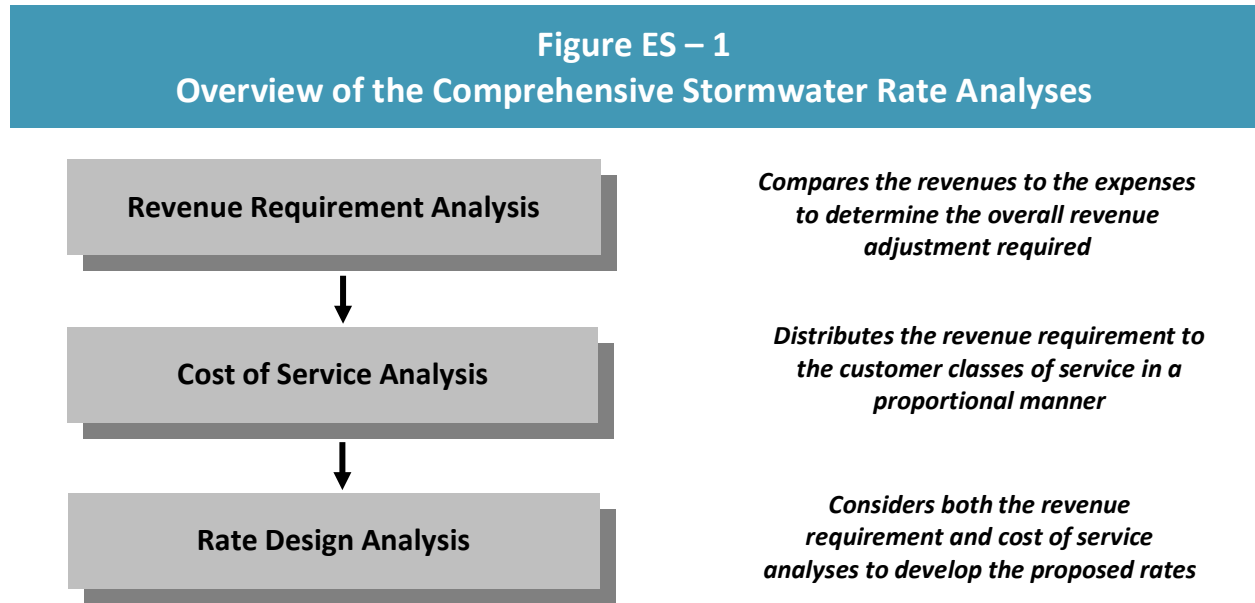
The Department's stormwater system protects people, property, and waterways by reducing flood risk, and preventing pollutants from flowing into local rivers, creeks, sloughs, and the Delta. The Department's stormwater utility is an enterprise fund and as such is funded primarily through charges (i.e., rates) to the Department's approximately 243,000 customers benefiting from stormwater services. The stormwater rate is intended to fund the operation, maintenance, and improvements to over 600 miles of pipelines, over 23,000 catch basins (storm drains), 77 pump stations and 19 detention basins. As noted, the funding is provided primarily through the monthly stormwater rate which was implemented in 1992 and has not been adjusted since that time. Since the implementation of the stormwater rate, the City has grown, as have the Department's responsibilities, maintenance of aging infrastructure to provide service, as well as changes in the National Pollutant Discharge Elimination System requirements the Department must meet.

As a result of inflationary increases in operating expenses, stricter state and federal regulations, and aging infrastructure, the current stormwater rate, and revenue it generates, is no longer sufficient to support the stormwater utility. Absent additional funding, the Department will not be able to maintain the existing infrastructure or make necessary improvements to aging and failing infrastructure. This will result in the deferral of infrastructure improvements and maintenance, increased risk of flooding and pollution in local waterways. The purpose of this study is to develop the projection of rate revenue needs and the projection of cost-based and proportional rates for the Department's stormwater customers.

### Overview of the Rate Study Process

A comprehensive rate study uses three interrelated analyses to address the adequacy and proportionality of a utility's rates. These three analyses are a revenue requirement analysis, a

cost of service analysis, and a rate design analysis. These three analyses are illustrated below in Figure ES – 1.



The above framework was utilized in the development of the Study for reviewing and evaluating the Department’s stormwater rates.

## Key Stormwater Rate Study Results

The Study technical analysis was developed based on the historical and projected operating and maintenance (O&M) and capital costs necessary to provide stormwater services to the Department’s customers. The stormwater analysis resulted in the following findings, conclusions, and recommendations.

- A revenue requirement analysis was developed for the projected time period of FY 2025 through FY 2034 for the stormwater utility
- The Department’s projected year end FY 2025 and adopted FY 2026 stormwater utility budgets were used as the starting point of the Study
- Operation and maintenance (O&M) expenses are projected to increase at inflationary levels with no assumed changes to levels of service or anticipated extraordinary expenses
- One Equivalent Residential Unit (ERU) is equal to 2,347 sq. ft. of impervious area as established by the Department
- A cost of service analysis was developed to review the existing rates and to proportionately distribute the revenue requirement to the total billed ERUs
- The results of the cost of service analysis provided the unit costs on a per ERU basis (i.e., cost basis) which were used to establish the proposed stormwater rates
- The Study has developed proposed rates for the FY 2027 – FY 2031 time period

- The proposed stormwater revenue adjustments increase the monthly bill from the current rate of \$2.10 to a proposed rate of \$8.10 by FY 2031

## Summary of the Stormwater Revenue Requirement Analysis

The Department's stormwater utility revenue requirement analysis is the first analytical step in the comprehensive rate study process. The revenue requirement analysis determines the adequacy of the current stormwater rates to fund current and future costs related to both O&M and capital needs. From this comparison, a determination can be made as to the overall level of stormwater rate revenue adjustments needed to provide adequate and prudent funding for the stormwater utility.

For the Study, the revenue requirement was developed for the projected year end FY 2025 and budgeted FY 2026 expenses and a projected time period of FY 2027 – FY 2034. As a practical matter, a multi-year time frame is recommended to identify major expenses that may be on the horizon. By anticipating future financial requirements, the Department may begin planning for these changes sooner, thereby minimizing short-term rate impacts and overall long-term rates. While a long-term time period (i.e., 10-years) was developed, the focus of the Study was on the next five-year rate setting period of FY 2027– FY 2031.

The revenue requirement analysis was developed using the “cash basis” approach. The cash basis approach is an industry standard approach and the typical approach used by municipal utilities to set their revenue requirement. Under this approach, the revenues of the utility must be sufficient to recover all cash needs, including O&M expenses, transfer payments, annual debt service payments, and capital projects funded through rates (rate funded capital). The primary financial inputs in the development of the revenue requirement were the Department's budget and financial documents, historical billed customer data, and the Department's stormwater capital improvement plan. Budgeted O&M expenses were projected using inflationary factors for the Department's various expenses over the projected time period. These inflationary factors were based on historical Department specific increases in costs and planned changes based on City of Stockton planning and financial projection studies and analyses.

The proper and adequate funding of capital projects is important to help minimize rate increases over time. General financial guidelines state that, at a minimum, a utility should fund an amount equal to, or greater than, the annual depreciation expense through rate revenues. The annual depreciation expense reflects the current investment in plant facilities in service being depreciated or “losing” their useful life. This portion of plant investment needs to be replaced to maintain the existing level of infrastructure (and service levels). However, it must be kept in mind that simply funding an amount equal to the annual depreciation expense will not be sufficient to fund the replacement of an existing or depreciated facility. Therefore, consideration should be given to funding within rates an amount greater than the annual depreciation expense for renewal and replacement capital improvement needs.

As a part of the Study, the Department made a concerted effort to increase the overall level of “pay-as-you-go” (rate) funding as part of the Department’s capital improvement plan to maintain and improve the stormwater system (e.g., renewal and replacement needs). Provided below in Table ES – 1 is a summary of the capital funding plan. This shows the annual level of capital projects identified by the Department through recent planning studies, the other funding sources (available reserves), and the amount of rate funded capital over the five-year rate setting period. A more detailed discussion of the capital funding plan is included in Section 3.2.4 of this report.

<b>Table ES – 1</b> <b>Summary of the Stormwater Capital Funding Plan (\$000)</b>						
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
Total Capital Improvement Projects	\$1,300	\$2,650	\$6,625	\$10,192	\$12,740	\$13,250
Less: Other Funding	1,300	1,700	0	167	0	0
<b>Total Rate Funded Capital</b>	<b>\$0</b>	<b>\$950</b>	<b>\$6,625</b>	<b>\$10,025</b>	<b>\$12,740</b>	<b>\$13,250</b>

As a point of reference, the Department’s annual depreciation expense is approximately \$1.7 million (FY 2022-2023). The Study has placed the Department’s rate funding for capital improvements at \$950,000 in FY 2027 and increases annually over the Study time period to prudently fund the identified capital improvement projects. In developing this funding plan, HDR and the Department have attempted to minimize rate impacts while funding the necessary capital improvement plan projects of the stormwater system. HDR has worked with the Department’s financial staff to develop the proposed capital funding plan. It is important to note that HDR is not acting in a municipal advisory role to the Department in the development of the capital funding plan.

Given a projection of O&M and capital expenses, a summary of the stormwater revenue requirement analysis was developed. Provided below in Table ES – 2 is a summary of the revenue requirement analysis for the Department’s stormwater utility.



**Table ES – 2**  
**Summary of the Stormwater Revenue Requirement Analysis (\$000)**

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Revenues</b>						
Rate Revenues	\$6,097	\$6,128	\$6,158	\$6,189	\$6,220	\$6,251
Other Revenues	<u>948</u>	<u>895</u>	<u>920</u>	<u>935</u>	<u>976</u>	<u>1,027</u>
<b>Total Revenues</b>	<b>\$7,045</b>	<b>\$7,023</b>	<b>\$7,078</b>	<b>\$7,125</b>	<b>\$7,196</b>	<b>\$7,278</b>
<b>Expenses</b>						
O&M Expenses	\$9,197	\$10,149	\$10,516	\$10,897	\$11,291	\$11,700
Rate Funded Capital	0	950	6,625	10,025	12,740	13,250
Net Annual Debt Service	0	0	0	0	0	0
To / (From) Reserves	<u>(2,152)</u>	<u>1,022</u>	<u>195</u>	<u>206</u>	<u>202</u>	<u>198</u>
<b>Total Expenses</b>	<b>\$7,045</b>	<b>\$12,121</b>	<b>\$17,335</b>	<b>\$21,129</b>	<b>\$24,233</b>	<b>\$25,148</b>
Bal./ (Def.) of Funds	\$0	(\$5,098)	(\$10,257)	(\$14,004)	(\$17,037)	(\$17,870)

As can be seen, the revenue requirement has summed the O&M expenses, rate funded capital, net debt service, and reserve funding. The total revenue requirement is then compared to the total sources of funds, which include the rate revenues, at present rate levels, and other miscellaneous revenues. Note revenues assume annual customer growth of 0.5% which increases revenues when calculated at present rates. From this comparison, a balance or deficiency of funds in each year can be determined. This balance or deficiency of funds is then compared to the current level of rate revenues to determine the level of adjustment needed to meet the revenue requirement. It is important to note that the “Bal. / (Def.) of Funds” row is cumulative. That is, any adjustments in the initial years will reduce the deficiency in later years. Over the rate setting time period, the total deficiency of rate revenue is approximately \$17.9 million by FY 2031 absent proposed revenue (rate) increases.

Based on the revenue requirement analysis developed herein, HDR has concluded that the Department will need to adjust the level of stormwater revenues received over the next five fiscal years (FY 2027 – FY 2031). HDR has reached this conclusion for the following reasons:

- Adjustments are necessary to fund the Department’s annual system renewal and replacement and system improvement needs
- Adjustments are necessary to maintain prudent funding of annual inflationary increases to O&M expenses in order to maintain stormwater services for the Department’s customers
- The proposed adjustments maintain the Department’s strong financial health and provide long-term, sustainable funding levels for the Department to maintain the stormwater system

In reaching this conclusion, HDR would recommend that the Department adopt the proposed revenue adjustments for FY 2027 through FY 2031 to provide sufficient funding for the O&M and capital improvement needs over the Study time period. A more detailed discussion of the development of the revenue requirement is provided in Section 3 of this report.

## Summary of the Stormwater Cost of Service Analysis

A cost of service analysis determines the proportional distribution of the revenue requirement to the total billed ERUs to establish the proposed stormwater rates. The objective of the cost of service analysis is different from determining the revenue requirement. Whereas the revenue requirement analysis determines the utility’s overall revenue needs, the cost of service analysis determines the proportional distribution of the revenue requirement to establish proposed rates for the proposed time period. In this case, the revenue requirement for FY 2027, the first year of the proposed rate transition plan, was used for establishing the cost of service analysis.

The cost of service analysis is based on generally accepted industry standard approaches. The Department charges customers on an equivalent unit basis and each customer type, residential and non-residential, has a specific number of equivalent residential units (ERUs), which is defined by the Department as 2,347 sq. ft. of impervious surface area. Residential customers are charged one ERU per residence, while non-residential customer charges are based on the density of development factor. The density development factor is a percentage applied to the gross parcel area to determine a customer’s number of ERUs. The density factor for a Commercial customer is 90%, Institutional is 62% and Industrial is 79%. Given this, the cost of service analysis is simplified in that the total costs are divided through by the number of total system ERUs to determine the rate per ERU. Table ES – 3 provides the summary of the cost per ERU as calculated in the Study.

Table ES – 3 Summary of the Stormwater Cost of Service Analysis		
Total Costs <sup>[1]</sup>	Total ERUs <sup>[2]</sup>	Cost per ERU (\$/month) <sup>1</sup>
\$11,226,171	243,168	\$3.85

[1] Based on the FY 2027 total revenue requirement less miscellaneous revenues, which is the costs to be recovered through rates

[2] Reflects the number of billed ERUs as provided by the Department for FY 2027

The results of the cost of service analysis, on a per ERU basis, provide the starting point for the proposed rates. Given the requirements of California Constitution Article XIII D, Section 6 (commonly referred to as Proposition 218), the results of the stormwater cost of service analysis are used to establish the proposed rates. A detailed discussion of the development of the cost of service analysis is provided in Section 4 of the report.

## Summary of the Stormwater Rate Design

The final step of the comprehensive rate study process is the design of the proposed stormwater rates to collect the desired levels of revenue, based on the results of the revenue requirement

and cost of service analyses. The revenue requirement analysis provided a set of recommendations related to annual revenue adjustments, while the cost of service results provide the basis for the development of proportional rates on a per ERU basis for the Department's customers.

The Department currently has a monthly flat rate that applies to all customers on a per ERU basis. For the City, the basis for one ERU for the residential class of service is 2,347 sq. ft of impervious surface area. Residential customers include Single-Family, Condominiums, Multi-Family and Apartments and are all charged one ERU. A non-residential customer is classified as Commercial, Institutional, or Industrial. Each of the non-residential customers' monthly bills are calculated using the same method, but each class is adjusted by the density of development factor depending on the customer class. As stated previously, the density of development factor is a percentage applied to the gross parcel area used to determine a customer's number of ERUs to reflect the customer type and impact to the stormwater system. The density of development factor for a Commercial customer is 90%, Institutional is 62%, and Industrial is 79%. These factors are used to determine the Commercial, Institutional, or Industrial customer ERUs, which are then multiplied by the rate per ERU for the total monthly non-residential charge for a given parcel.

Given the results of the revenue requirement, which provided the total revenue needs for the stormwater utility, the cost of service analysis provided the basis for the charge per ERU. Given this, the proposed stormwater rates that have been developed are cost-based and proportional for the Department's customers. Note the structure of the proposed stormwater rate is maintained and only the level of the rate has been adjusted to meet the revenue requirement of the Department's stormwater utility. Furthermore, the rate for FY 2027 is based on the unit costs developed in the cost of service. The proposed stormwater rate, thereafter (FY 2028 – FY 2031), is increased by the annual revenue requirement adjustment.

Provided in Table ES – 4 is a summary of the current and proposed stormwater rates for the Department's stormwater utility.

Table ES – 4 Summary of the Present and Proposed Stormwater Rates						
	<i><b>Present Rates</b></i>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
	<i><b>\$/ERU</b></i>					
Rate Per Equivalent Unit	\$2.10	\$3.85	\$5.60	\$6.85	\$7.85	\$8.10

As shown above, the stormwater rate is proposed to increase over the five-year period to \$8.10, or an average of \$1.20 per year per month over the five-year period. The development of the stormwater rate design is outlined in detail in Section 5 of the report.

## **Summary of the Stormwater Rate Study**

The Study has been developed to reflect industry standard approaches and the Department's specific system and customer characteristics. The proposed rates are based on the data and assumptions provided during the development of the Study. Should those assumptions change, the proposed rates should be reviewed to determine if changes are necessary.



# 1 Introduction and Overview

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## 1.1 Introduction

HDR was retained by the City of Stockton Municipal Utilities Department (Department) to conduct a comprehensive stormwater rate study (Study). The objective of the Study was to review the Department's operating and capital costs to develop a financial plan for the stormwater utility on a standalone basis as well as cost-based rates that comply with the requirements of Proposition 218. The Study reviewed the adequacy of the existing stormwater rates and provides the framework, cost basis, and proportionality for the proposed stormwater rates.

The Department owns and operates the stormwater system in Stockton, California. The costs, both operating and capital, associated with providing stormwater services to customers have been developed based on financial and operating data provided by the Department and were included within the development of the Study.

## Overview of the Stormwater Utility

The Department's stormwater system protects people, property, and waterways by reducing flood risk, and preventing pollutants from flowing into local rivers, creeks, sloughs, and the Delta. The Department's stormwater utility is an enterprise fund and as such is funded primarily through charges (i.e., rates) to the Department's approximately 243,000 customers benefiting from stormwater services. The stormwater rate is intended to fund the operation, maintenance, and improvements to over 600 miles of pipelines, over 23,000 catch basins (storm drains), 77 pump stations and 19 detention basins. As noted, the funding is provided primarily through the monthly stormwater rate which was implemented in 1992 and has not been adjusted since that time. Since the implementation of the stormwater rate, the City has grown, as have the Department's responsibilities, maintenance of aging infrastructure to provide service, as well as changes in the National Pollutant Discharge Elimination System requirements the Department must meet.

As a result of inflationary increases in operating expenses, stricter state and federal regulations, and aging infrastructure, the current stormwater rate, and revenue it generates, is no longer sufficient to support the stormwater utility. Absent additional funding, the Department will not be able to maintain the existing infrastructure or make necessary improvements to aging and failing infrastructure. This will result in the deferral of infrastructure improvements and maintenance, increased risk of flooding and pollution in local waterways. The purpose of this study is to develop the projection of rate revenue needs and the projection of cost-based and proportional rates for the Department's stormwater customers.

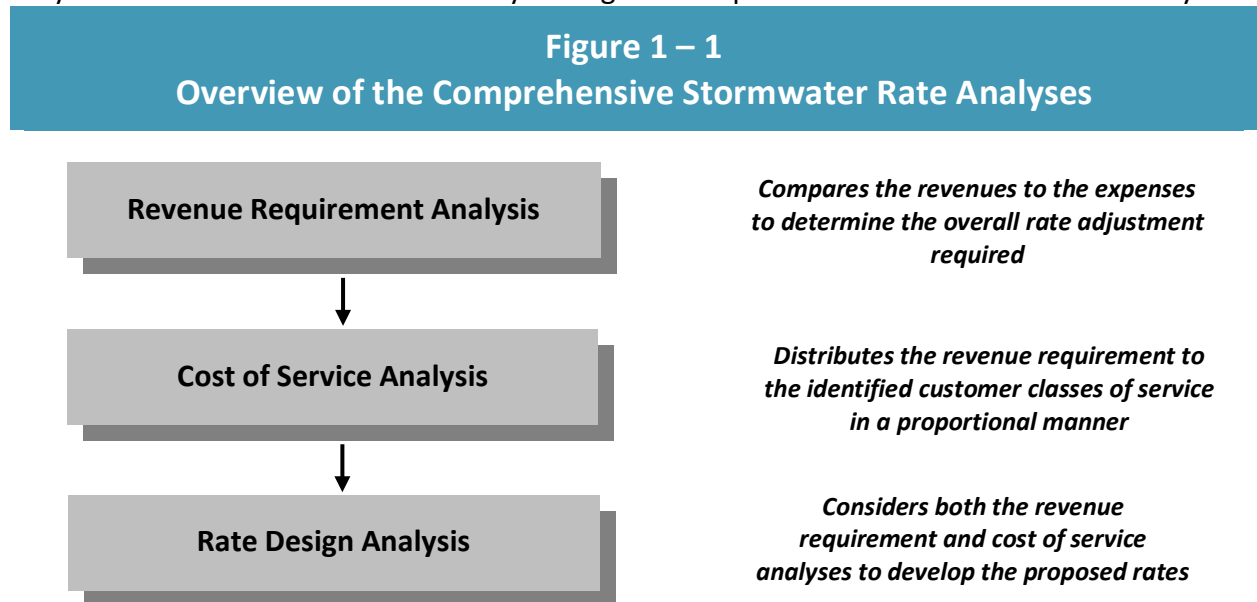
## 1.2 Goals and Objectives

The Department had a number of key objectives in developing the stormwater rate study. These key objectives provided a framework for policy decisions in the analyses that followed. The key objectives were:

- Develop the Study in a manner that is consistent with generally accepted industry standard principles and methodologies
- In financial planning and establishing the Department's rates, review and utilize best industry practices, while recognizing and acknowledging the specific and unique characteristics of the Department's stormwater system and customers
- Review the Department's rates utilizing generally accepted rate making (cost of service) methodologies to determine the adequacy of the utility rates
- Meet the Department's financial planning criteria and goals, such as adequate funding of capital infrastructure replacement and maintenance of adequate and prudent reserve levels
- Develop a financial plan which supports the stormwater utility's funding requirements, while attempting to minimize overall impacts to rates
- Provide rates designed to meet the intent and requirements of California Constitution Article XIII D, Section 6 (commonly referred to as Proposition 218)

### 1.3 Overview of the Rate Study Process

Rates must be set at a level where a utility's annual O&M and capital expenses are met with the annual revenues received from customers. This is an important point, as failure to achieve this objective may lead to insufficient funds to maintain system integrity. To evaluate the adequacy of the existing stormwater rates, a comprehensive rate study is performed. A comprehensive rate study consists of three interrelated analyses. Figure 1 – 1 provides an overview of these analyses.



The above framework for reviewing and evaluating rates was utilized for the development of the Study. As noted, the stormwater utility was reviewed on a stand-alone basis – that is, no funding from other Department or City funds was assumed – to determine the level of adequate funding needs from the utility's rate revenues.

## 1.4 Organization of the Study

This report is organized in a sequential manner that first provides an overview of utility rate setting principles, followed by sections that detail the specific steps used to review and develop the Department's proposed stormwater rates. The following sections comprise the Department's stormwater rate study report:

- **Section 2** – Overview of Rate Setting Principles
- **Section 3** – Stormwater Revenue Requirement Analysis
- **Section 4** – Stormwater Cost of Service Analysis
- **Section 5** – Stormwater Rate Design Analysis

Technical Appendices are attached at the end of this report, which detail the technical analyses that were undertaken in the preparation of the Study.



## 2 Overview of Rate Setting Principles

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### 2.1 Introduction

This section of the report provides background information about the stormwater rate setting process, including descriptions of generally accepted principles, types of utilities and methods of determining the revenue requirement, cost of service, and rate design analyses. This information is useful for gaining a better understanding of the details presented in Sections 3 through 5 of this report.

### 2.2 Generally Accepted Rate Setting Principles

As a practical matter, all utilities should consider setting their rates around some generally accepted or global principles and guidelines. Utility rates must be cost-based, proportional, and set at a level that meets the utility's full revenue requirement. As a result of setting proportional, cost-based rates, and in addition to the prior noted goals, utility rates should also be:

- Easy to understand and administer
- Designed to conform to “generally accepted” rate setting techniques
- Established at a level that is stable from year-to-year from a customer's perspective

### 2.3 Determining the Revenue Requirement

Most public utilities use the cash basis<sup>1</sup> approach for establishing their revenue requirement and setting rates. This approach conforms to most public utility budgetary requirements and the calculation is straightforward and easy to understand. A public utility totals its cash expenditures for a period of time to determine its required revenues for that time period. The revenue requirement for a public utility is usually comprised of the following costs or expenses:

- **Total Operating Expenses:** This includes a utility's operation and maintenance (O&M) expenses, plus applicable taxes or transfer payments. O&M expenses include the materials, electricity, labor, supplies, etc., needed to keep the utility functioning.
- **Total Capital Expenses:** Capital expenses are calculated by adding debt service payments (principal and interest) to capital replacements financed with rate revenues. In lieu of including capital replacements financed with rate revenues, a utility can include annual depreciation expense to stabilize the annual revenue requirement.

<sup>1</sup> “Cash basis” as used in the context of rate setting is not the same as the terminology used for accounting purposes and the recognition of revenues and expenses. As used for rate setting, “cash basis” refers to the specific cost components to be included within the revenue requirement analysis.



Under the cash basis approach, the sum of the total O&M expenses plus the total capital expenses equals the utility's total revenue requirement during any selected period of time (historical or projected).

Note that the two portions of the capital expense component (debt service and rate funded capital) are necessary under the cash basis approach as utilities generally cannot finance all of their capital facilities with long-term debt. At the same time, it is often difficult to pay for capital expenditures on a "pay-as-you-go" basis given that some capital projects may have significant rate impacts on a utility, even when financed with long-term debt. Many utilities have found that a combination of pay-as-you-go funding and long-term financing will often lead to the minimization of rate increases over time.

While public utilities typically use the cash basis approach to establish their revenue requirement, an exception can occur if a public utility provides service to a large wholesale or contract customer. In this situation, a public utility may use the utility basis approach (see Table 2 – 1) regarding earning a reasonable return on its investment.

Table 2 – 1 Cash Basis versus Utility Basis Comparison	
Cash Basis	Utility Basis (Accrual)
+ O&M Expenses	+ O&M Expenses
+ Taxes / Transfer Payments	+ Taxes/Transfer Payments
+ Capital Improv. Funded From Rates (≥ Depreciation Expense)	+ Depreciation Expense
+ Debt Service (Principal + Interest)	+ Return on Investment
= Total Revenue Requirement	= Total Revenue Requirement

## 2.4 Analyzing Cost of Service

After the total revenue requirement is determined, it is proportionately distributed to the users of the service (i.e., customer classes/rate schedules). The distribution of costs, as analyzed through a cost of service analysis, reflects the cost relationships for providing stormwater services. A cost of service analysis results in the following three analytical steps:

1. Costs are **functionalized** or grouped into the different cost categories related to providing service. For a stormwater utility, this typically includes collection and pumping. This step is largely accomplished by the utility's accounting system (chart of accounts).
2. The functionalized costs are then **allocated** to specific cost components. Allocation refers to the arrangement of the functionalized data into the appropriate cost component(s). For example, stormwater costs are typically allocated as volume and customer-related costs.

3. Once the costs are allocated to the appropriate cost component(s), each cost component is then proportionally ***distributed*** to each customer class of service (e.g., residential, commercial, industrial). The distribution is based on each customer class's relative or proportional contribution to the cost component. For example, customer-related costs are distributed to each class of service based on the total number of customers in each class of service. Once costs are distributed, the total amount of revenues needed from each customer class of service, to achieve cost-based rates, can be determined.

Note that the cost of service approach can vary from utility to utility. Typically, the approach will be based on the current, or proposed, rate structure. For example, an equivalent billing unit approach infers the proportionality between customers based on the definition of the equivalent billing unit and the cost of service analysis can be simplified by dividing the total costs by the number of equivalent billing units the system serves. As a result, each cost of service analysis is specifically developed based on the unique characteristics, billing approach, customer base, and rate structure of the specific utility.

## 2.5 Designing Utility Rates

Rates that meet the utility's objectives are designed based on the results of the revenue requirement and cost of service analyses. This approach results in rates that are strictly cost-based. While rate-setting can consider factors such as ability to pay, continuity of past rate philosophy, economic development, ease of administration, and customer understanding, such factors are incidental to cost-based, proportional rates. The proposed rates must take into consideration each customer class's proportionate share of costs distributed through the cost of service analysis to meet the requirements of the California Constitution.

## 2.6 Economic Theory and Rate Setting

One of the major justifications for a comprehensive rate study is founded in economic theory. Economic theory suggests that the price of a commodity must roughly equal its cost if parity among customers is to be maintained. This statement's implications on utility rate designs are significant. When costing and pricing techniques are refined, consumers have a more accurate understanding of the cost to provide stormwater service.

*"Economic theory suggests that the price of a commodity must roughly equal its cost if parity among customers is to be maintained."*



## **3 Stormwater Revenue Requirement**

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### **3.1 Introduction**

This section of the report details the development of the revenue requirement analysis for the Department's Study. The revenue requirement analysis is the first analytical step in the comprehensive rate study process. From this analysis, a determination can be made as to the overall level of rate revenue adjustments needed to provide adequate and prudent funding for both O&M and capital needs of the utility. The primary objective of the Study was to develop cost-based and proportional rates that comply with the California Constitution.

### **3.2 Determining the Revenue Requirement**

In developing the Department's stormwater revenue requirement for the Study period, the objective is that the utility must financially "stand on its own" and be properly funded. That is, no rate revenues are transferred from other Department or City funds to support the stormwater utility. As a result, the revenue requirement analysis assumes the full and proper funding needed to operate and maintain the stormwater system on a financially sound and prudent basis over the Study time period.

#### **3.2.1 Establishing a Time Frame and Approach**

To begin calculating the revenue requirement for the Department's stormwater utility, a time frame was established for the analysis (i.e., the Study period). The Study period was defined as the projected year end FY 2025 and adopted FY 2026 budgets plus an 8-year review period (FY 2027 – FY 2034). This time period was determined to be an appropriate amount of time for the revenue requirement analysis to evaluate the data and information and establish proposed rates for the next five fiscal years. The revenue requirement was projected over a multi-year period based on assumed escalation factors as well as historical figures and anticipated projections. Reviewing a multi-year time period is recommended to identify major expenses that may be on the horizon. By anticipating future financial requirements, the Department can begin planning for these changes sooner, thereby minimizing short-term rate impacts and overall long-term rates.

The second step in determining the revenue requirement was to determine the basis for accumulating costs. As discussed in Section 2 of the report, the revenue requirement analysis was developed using the cash basis approach. The cash basis approach is the typical methodology utilized by municipal utilities to set their revenue requirement. This is also the methodology that the Department has historically used to establish its stormwater revenue requirement. Table 3 – 1 provides a summary of the cash basis approach and the cost components used to develop the Department's stormwater revenue requirement.

**Table 3 – 1**  
**Overview of the Department’s Cash Basis Revenue Requirement**

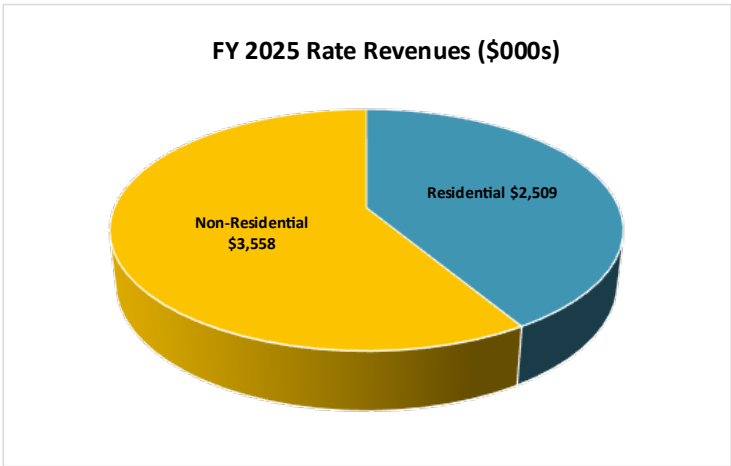
+	Stormwater Operation and Maintenance Expenses
+	Transfers
+	Rate Funded Capital
+	Debt Service (Principal + Interest) – Existing and Future
±	<u>Reserve Funding</u>
=	<b>Total Stormwater Revenue Requirement</b>
–	<u>Miscellaneous Revenues</u>
=	<b>Net Revenue Requirement</b> <i>(Balance Required from Rates)</i>

Given a time period around which to develop the revenue requirement and a method to accumulate the costs, the focus shifts to the development and projection of the revenues and expenses of the Department’s stormwater utility.

The primary financial inputs in the development of the revenue requirement were the Department’s projected year end FY 2025 and adopted FY 2026 budget documents, recent customer billing data, historical financial reports, and the Department’s capital improvement plan (CIP). Presented below is a detailed discussion of the steps and key assumptions contained in the development of the projections of the Department’s stormwater revenue requirement analysis.

### 3.2.2 Projecting Rate and Other Miscellaneous Revenues

The first step in developing a projection of the stormwater rate revenues, at present rate levels, was to determine the projected billing units for each customer group. The billing units for each customer group were based on recent customer billing data to determine the current customer billing characteristics. These billing units were then multiplied by the applicable current



stormwater rates. This method of independently calculating revenues links the projected revenues used within the analysis to the projected billing units. It also helps to confirm that the billing units used within the Study are reasonable for purposes of projecting future revenues, distributing costs and ultimately, establishing the proposed rates. The rate revenues are also shown in Exhibit 3 under “Rate Revenues” for FY 2025.

Based on the Department’s adopted stormwater rate schedule, the majority of the rate revenues are derived from non-residential customers. In total, and at currently adopted rate levels, the

Department's stormwater system is projected to receive approximately \$6.1 million in rate revenue in FY 2026. Based on current City planning documents, the Study has assumed a conservative level of customer account growth of 0.5% / year. By FY 2034, the rate revenues - assuming no rate adjustments - are projected to be approximately \$6.3 million. The detailed calculation of the revenues at present rates is included in Exhibit 5 of the Technical Appendix.

In addition to rate revenues, the Department also receives other miscellaneous revenues. These are revenues related to interest income, storm drain administration fees, agency reimbursements, etc. In total, the Department is projected to average approximately \$991,000 annually in miscellaneous revenues over the projected time period.

On a combined basis, taking into account rate revenues and miscellaneous revenues, the Department's stormwater utility has total projected revenues of approximately \$7.0 million in FY 2026, increasing to approximately \$7.4 million by FY 2034 as a result of the estimated growth as noted above. The assumptions used for projecting growth and increases in miscellaneous revenues can be found in Exhibit 2 of the Technical Appendix. Furthermore, the projection of rate and miscellaneous revenues can be found in Exhibit 3 of the Technical Appendix.

### **3.2.3 Projecting Operation and Maintenance Expenses**

Operation and maintenance (O&M) expenses are incurred by the Department to maintain the stormwater system at a consistent service level. The starting point of the projection of O&M expenses was the Department's projected year end FY 2025 and adopted FY 2026 budgets. Budgeted O&M expenses were projected over the Study time period based on historical inflationary factors. These factors took into consideration the Department's historical and projected cost increases. The factors ranged from 2.8% to 25.0% annually for the various types of expenses (e.g., labor, benefits, materials & supplies). Several specific costs were adjusted based on known increases and were provided by the Department and City staff. These were items related to CalPERS and other benefit related costs. In total, O&M expenses were projected to increase at an average annual inflation rate of approximately 6.4% over the Study time period. As a note, this is consistent with annual changes in stormwater O&M costs over the past several years. The total operation and maintenance expenses for the stormwater utility are budgeted to be approximately \$9.2 million in FY 2026. Over the five-year rate setting period, total O&M expenses are projected to increase to approximately \$11.7 million by FY 2031. A summary of the O&M expenses is shown as a line item in Table 3 – 3 and Exhibit 3 of the Technical Appendix.

### 3.2.4 Projecting Capital Funding Needs

A key component in the development of the stormwater revenue requirement is to properly and adequately fund capital improvement needs in the near and long term. One of the major issues facing utilities across the U.S. is the amount of deferred capital projects and funding pressure from regulatory-related improvements. The proper and adequate funding of capital projects is an important issue for all stormwater utilities and is not just a local issue or concern of the Department. To accomplish this, the Department recently completed a master plan for the stormwater system, which resulted in the identification of a capital improvement plan (CIP) to address both the short and long-term capital needs of the stormwater utility. The Department's CIP outlines the infrastructure improvements necessary to provide stormwater service to existing and future stormwater customers.

In general, there are three types of capital projects that the Department may need to fund. These include the following types:

- Renewal and replacement projects
- Growth/capacity expansion projects
- Regulatory-related projects

A renewal and replacement project is essentially a project to maintain the existing system that is in place today. Existing facilities become worn out, obsolete, etc. The Department should continuously be making investments to maintain the integrity of the facilities with renewal and replacement projects to ensure continued, uninterrupted stormwater service. Growth or capacity expansion projects are related to providing service to new customers. This may be through expansion of the existing system or construction of new facilities to provide service to customers within the Department's service area. Additionally, certain projects may be a function of a regulatory requirement in which the Federal or State government mandates the need for an improvement to the system to meet regulatory standards. Understanding these different types of capital projects is important because it may help to explain why costs are increasing and as a result, the cost drivers for any needed rate adjustment.

The way in which projects are funded may vary by the type of capital project. For example, renewal and replacement projects should be funded through annual rates on a "pay-as-you-go basis". In contrast to this, growth or capacity expansion projects may be funded through the collection of connection fees (i.e., growth-related charges) in which new development pays a proportional share of the cost of improvements required as a result of their connection (impact). Finally, regulatory projects may be funded by a variety of different means, which may include one or more sources such as rates, long-term debt, grants, etc.

While the above discussion appears to neatly divide capital projects into three clearly defined categories, the reality of working with specific capital projects may be more complex. For example, a pump may be replaced, but while being replaced, it is upsized to accommodate the need for greater capacity. There are many projects that share these "joint" characteristics. At the same time, projects may not be "replacement" related, but rather "improvement" related.

The Department recently completed a master planning process for the stormwater system, which identified priority projects. Important to note is that the Study includes only Priority 1 projects during the five-year rate setting period. Note that the master plan identified additional priority projects that the Department will need to complete outside the Study review period. Provided below in Table 3 – 2 is a summary of the stormwater capital funding analysis for the rate setting period.

<b>Table 3 – 2</b> <b>Summary of the Stormwater Capital Improvements (\$000)</b>						
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
Capital Improvement Projects	\$1,300	\$2,480	\$2,328	\$1,035	\$736	\$299
Master Plan Projects	0	0	4,206	9,156	9,431	12,552
Future Unidentified Capital Improv.	0	0	0	0	0	0
Transfer to Capital Reserve	<u>0</u>	<u>170</u>	<u>92</u>	<u>0</u>	<u>2,573</u>	<u>400</u>
<b>Total Capital Improvement Projects</b>	<b>\$1,300</b>	<b>\$2,650</b>	<b>\$6,625</b>	<b>\$10,192</b>	<b>\$12,740</b>	<b>\$13,250</b>
<i>Less: Other Funding Sources</i>						
Operating Fund - Stormwater	\$0	\$0	\$0	\$0	\$0	\$0
Capital Fund - Stormwater	0	0	0	167	0	0
State Grants	1,300	1,700	0	0	0	0
New Public Works Trust Fund Loans	0	0	0	0	0	0
New Revenue Bonds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Funding Sources</b>	<b>\$1,300</b>	<b>\$1,700</b>	<b>\$0</b>	<b>\$167</b>	<b>\$0</b>	<b>\$0</b>
<b>Rate Funded Capital</b>	<b>\$0</b>	<b>\$950</b>	<b>\$6,625</b>	<b>\$10,025</b>	<b>\$12,740</b>	<b>\$13,250</b>

As shown in Table 3 – 2, the funding of capital is provided through annual rate levels (“Rate Funded Capital”), state grants, and available reserves. In this way, no long-term debt is issued to fund the CIP during the Study rate setting period and the CIP is funded on a pay-as-you-go approach.

While the total amount of a project may vary from year to year, the stormwater capital funding plan has attempted to provide a consistent funding source for the replacement of deteriorating system assets. In this case, the stormwater utility’s rates will fund an amount of \$950,000 in FY 2027. Given the identified capital needs for the stormwater system, the Department is committed to making an effort to increase this funding component to maintain the stormwater infrastructure and replacement needs. As such, the rate funded capital is projected to increase annually to \$13.3 million by FY 2031. Note in some years rate funded capital exceeds total capital improvements. In those years funds are transferred to reserves to fund projects in subsequent years. To establish a prudent level of annual replacement funding through rates, HDR worked with Department staff to develop a funding plan for the CIP. In developing this financial plan, HDR and the Department have attempted to minimize rate impacts while funding the planned capital projects of the Department.

### **3.2.5 Projection of Debt Service**

The Department currently has no outstanding long-term debt issuances related to the stormwater utility. As noted previously, no new additional debt has been assumed during the Study rate setting period.

It is important to note that HDR is not advising the Department on the terms of any long-term debt issuances but rather identifying the overall funding needs. As noted previously, HDR is not acting in a municipal advisor role to the Department for the issuance of any long-term borrowing.

### **3.2.6 Reserve Funding**

The final component of the revenue requirement analysis is reserve funding. This can be described as additional transfers of revenue to reserve funds to maintain prudent ending fund balances or for future funding of specific or unanticipated projects. Additionally, the balance of funds after the expenses are paid is transferred to the operating fund to maintain minimum fund balances. The Department has a reserve policy in place to maintain six months of operating expenses in reserves, which is equal to approximately \$4.5 million for FY 2026. The Study was developed to meet this target minimum over the review period (FY 2027 – FY 2031). During the Study time period, reserve levels are used to smooth out the rate adjustments as needed in some years and transferred in others if available to continue to maintain prudent ending reserve balances.

### **3.2.7 Summary of the Stormwater Revenue Requirement**

Given the above projections of revenues and expenses, a summary of the stormwater revenue requirement analysis can be developed. In developing the revenue requirement analysis, consideration was given to the financial planning considerations of the Department. In particular, emphasis was placed on attempting to minimize rates yet still having adequate funds to support the operational activities and funding of capital projects throughout the Study time period. Presented below in Table 3 – 3 is a summary of the Department’s projected stormwater revenue requirement. Detailed exhibits of this analysis can be found in the Technical Appendix (Exhibits 1 – 5).



**Table 3 – 3**  
**Summary of the Stormwater Revenue Requirement Analysis (\$000)**

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Revenues</b>						
Rate Revenues	\$6,097	\$6,128	\$6,158	\$6,189	\$6,220	\$6,251
Other Revenues	948	895	920	935	976	1,027
<b>Total Revenues</b>	<b>\$7,045</b>	<b>\$7,023</b>	<b>\$7,078</b>	<b>\$7,125</b>	<b>\$7,196</b>	<b>\$7,278</b>
<b>Expenses</b>						
O&M Expenses	\$9,197	\$10,149	\$10,516	\$10,897	\$11,291	\$11,700
Rate Funded Capital	0	950	6,625	10,025	12,740	13,250
Net Annual Debt Service	0	0	0	0	0	0
To / (From) Reserves	<u>(2,152)</u>	<u>1,022</u>	<u>195</u>	<u>206</u>	<u>202</u>	<u>198</u>
<b>Total Expenses</b>	<b>\$7,045</b>	<b>\$12,121</b>	<b>\$17,335</b>	<b>\$21,129</b>	<b>\$24,233</b>	<b>\$25,148</b>
Bal./ (Def.) of Funds	\$0	(\$5,098)	(\$10,257)	(\$14,004)	(\$17,037)	(\$17,870)

As can be seen, the revenue requirement has summed the O&M, annual rate funded capital, net annual debt service, and reserve funding components. The total revenue requirement is then compared to the total revenues, which include both rate revenues – at current rate levels – and other revenues. Note, revenues are increasing based on the assumed growth in customers which increases revenues when calculated at present rate levels.

From this comparison, a balance or deficiency of funds in each year can be determined. This balance or deficiency of funds is then compared to the projected revenues from current rates to determine the level of rate adjustment needed to meet the revenue requirement. It is important to note that the “Bal. / (Def.) of Funds” row is cumulative. That is, adjustments in the initial years will reduce the deficiency in later years.

The revenue requirement in Table 3 – 3 has been developed to meet the financial planning objectives of the Department. More specifically, and as an enterprise fund, the Department needs to adequately and prudently fund its stormwater operating and capital needs, for this study only Priority 1 projects were included. The proposed revenue adjustments are a function of assumed inflation over the time period, coupled with the need to increase capital improvement funding from rates (renewal and replacement funding), as well as maintaining prudent financial metrics (e.g., minimum reserve levels).

Over the five-year rate setting period, annual deficiencies range from \$5.1 million to \$17.9 million. Over the Study time period, the total deficiency in revenues is approximately \$64.3 million absent rate revenue increases. The overall revenue adjustment reflects the revenues needed for the system as a whole. The more detailed revenue requirement analysis is included in Exhibit 3 of the Technical Appendix.

### 3.3 Consultant's Conclusions

Based on the revenue requirement analysis developed herein, HDR recommends that the Department increase stormwater revenues over the next five-year period (FY 2027 – FY 2031). HDR has reached this conclusion for the following reasons:

- Revenue adjustments are necessary to fund the Department's capital improvement needs, which have been outlined by a system review and planning process
- Revenue adjustments are necessary to reflect current and ongoing annual inflationary costs related to the O&M expenses of the stormwater utility
- The proposed revenue adjustments provide an approach for the Department to provide long-term, sustainable funding levels for the stormwater utility

In reaching this conclusion, HDR would recommend that the Department adopt the proposed revenue adjustments in order to provide sufficient funding for annual O&M and capital improvement projects over the next five-year period.



## **4 Stormwater Cost of Service**

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### **4.1 Introduction**

In the previous section, the revenue requirement analysis focused on the total sources and applications of the revenues required to adequately fund the Department's stormwater utility O&M and capital expenses. This section will provide an overview of the cost of service analysis developed for the Department's stormwater utility.

The stormwater cost of service analysis is concerned with the proportional distribution of the total revenue requirement on a per equivalent residential unit (ERU). This provided the cost basis and proportionality for the rate on a per ERU basis. The previously developed revenue requirement was utilized in the development of the cost of service analysis. It should be noted that given the use of an ERU to apply the stormwater rates, the cost of service analysis is simplified.

#### **4.1.1 Objectives of a Cost of Service Analysis**

The primary objective of a cost of service analysis is the proportional manner in which to collect the revenue requirement from the Department's stormwater customers on an ERU basis. As noted, the cost of service analysis is simplified for the stormwater utility given the use of an established ERU that is applied to all customers based on the impervious square footage of each customer in relation to the square footage identified by the Department as 2,347 sq. ft. per ERU. This results in the development of proposed stormwater rates that properly reflect the costs incurred by the Department and impacts customers place on the stormwater system.

### **4.2 General Cost of Service Procedures**

In order to determine the proportional cost to serve each customer on the Department's stormwater system, a cost of service analysis is conducted. For the Department's cost of service analysis, the process was abbreviated as the total costs are shared by customers based on the total number of ERUs. The stormwater cost of service analysis consisted of dividing the total revenue requirement by the total number of billed ERUs given the establishment of an ERU by the Department.

### **4.3 Summary of the Stormwater Cost of Service Analysis**

In summary, the cost of service analysis began by taking the FY 2027 revenue requirement and total billed ERUs. Then, the unit cost per ERU was calculated by dividing the total revenue requirement by the total billed ERUs. Provided in Table 4 – 1 is a summary of the distribution of the revenue requirement to the equivalent residential units.

Table 4 – 1 Summary of the FY 2027 Stormwater Cost of Service Analysis			
	FY 2027 Current Rate Revenues	FY 2027 Revenue Requirement	\$ Difference
All Customers	\$6,127,822	\$11,226,171	\$5,098,348
Equivalent Residential Units	243,168	243,168	
\$/ERU/Month	\$2.10	\$3.85	\$1.75

The results of the cost of service analysis indicate the need to increase the rate per ERU in FY 2027 to reflect the costs of providing stormwater service on a per ERU basis. The development of the stormwater cost per ERU is provided in Exhibits 6 through 13 of the Stormwater Technical Appendix.

#### 4.4 Consultant's Conclusions and Recommendations

The results of the cost of service analysis reflect the results of the revenue requirement and indicate the need for an increase in the stormwater rate per ERU. Given this, HDR recommends the Department adjust the stormwater rate to reflect the results of the cost of service analysis on a per ERU basis.



## 5 Stormwater Rate Design Analysis

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### 5.1 Introduction

The final step of the Department's comprehensive stormwater rate study is the design of rates to collect the appropriate level of revenues based on the results of the revenue requirement and cost of service analyses. In reviewing the Department's rates, consideration is given to the level of the rates and the structure of the rates as developed in the prior two analyses.

### 5.2 Rate Design Criteria and Considerations

Rates must be set in accordance with Proposition 218, and in a manner that proportionally allocates the utility's cost of service to each parcel through their respective rates. A utility may consider additional criteria, provided they do not result in rates that are not based on the proportional cost of service. Some of these rate design criteria are listed below:

- Rates which are easy to understand from the customer's perspective
- Rates which are easy for the utility to administer
- Consideration of the customer's ability to pay
- Continuity, over time, of the rate making philosophy
- Policy considerations (encourage efficient use, economic development, etc.)
- Provide revenue stability from month to month and year to year
- Promote efficient allocation of the resource
- Non-discriminatory (cost-based)
- Compliant with State law

The Department may consider various cost-based rate structures that have incidental benefits of sending proper price signals as to what their usage or volumetric contributions are costing. This goal may be approached through rate level and structure, provided the resulting rates reflect the proportional cost of service. When developing the proposed rate designs, all the above-listed criteria can be taken into consideration. However, it should be noted that it is difficult, if not impossible, to design a rate that meets all the goals and objectives listed above. For example, designing a rate that is cost-based may not reflect the customer's ability to pay. In designing rates, there are always trade-offs between these goals and objectives.

### 5.3 Development of Cost-Based Stormwater Rates

Calculating cost-based and proportional rates is of paramount importance in developing the proposed stormwater rates. While always a key consideration in developing rates, meeting the legal requirements and documenting the steps taken to meet said requirements has been in the forefront with the recent legal challenges in the State of California on utility rates. Given this, the Department's proposed stormwater rates have been developed to meet the legal requirements of California Constitution Article XIII D, Section 6 (Article XIII D). A key component of Article XIII D is the development of rates which reflect the cost of providing service and are proportionately distributed between the customer classes of service and the customers within each class. HDR would point out that there is no single methodology for equitably assigning costs to the customer

classes of service. Article XIII D is not prescriptive and does not provide a specific methodology for establishing rates. Given that, HDR developed the Department's proposed stormwater rates based on generally accepted rate setting methodologies to meet the requirements of Article XIII D.

HDR is of the opinion that the proposed rates meet the legal requirements of Article XIII D. HDR reaches this conclusion based upon the following:

- **The revenue derived from stormwater rates does not exceed the funds required to provide the property related service (i.e., stormwater service).** The proposed rates are designed to collect the overall revenue requirement of the Department's stormwater system.
- **The revenues derived from stormwater rates shall not be used for any purpose other than that for which the fee or charge is imposed.** The revenues derived from the Department's stormwater rates are used exclusively to operate, maintain and fund the Department's stormwater system.
- **The amount of a fee or charge imposed upon a parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.** Section 4 of the Study focused exclusively on the issue of proportional assignment of costs on an equivalent unit basis. The proposed rates have appropriately distributed costs on a per ERU basis to reflect the costs of providing stormwater services (i.e., the benefits they receive from and burdens they place on the system) based on the square footage of impervious area of a given parcel. Utilizing ERUs establishes the proportionality expected under Proposition 218 by developing an equivalent unit that is applied to all customers, which reflects the manner in which these costs are incurred by the Department and the impacts stormwater customers place on the system.

## 5.4 Overview of the Present and Proposed Stormwater Rates

The Department currently has a single monthly flat rate for all customers on a per ERU basis. For the City, the basis for one ERU for the residential class of service is 2,347 sq. ft of impervious surface area. Residential customers include Single-Family, Condominiums, Multi-Family and Apartments. A non-residential customer is classified as Commercial, Industrial, or Institutional. Each of the non-residential customers' monthly bills are calculated using the same method, but each class is adjusted by the density of development factor depending on the customer class. As stated previously, the density of development factor is a percentage applied to the gross parcel area used to determine a customer's number of ERUs. The density of development factor for a Commercial customer is 90%, Institutional is 62%, and Industrial is 79% based on the Department's approach. These factors are used to determine the Commercial, Industrial, or Institutional customer ERUs, which are then multiplied by the rate per ERU for the total monthly non-residential charge for a given parcel.

Given the results of the revenue requirement and cost of service analyses, a proposed stormwater rate has been developed that reflects the proportional distribution of the costs of providing stormwater service to the Department's customers on a per ERU basis. It is important to note that the structure, based on an ERU, of the proposed stormwater rate is recommended to be maintained at this time. Therefore, only the level of the rate has been adjusted to meet the revenue requirement of the Department's stormwater utility. Furthermore, the rate for FY 2027 is based on the unit cost developed in the cost of service analysis. The proposed stormwater rate, thereafter, is increased by the annual revenue requirement adjustment to recover the revenues to support the identified O&M and capital expenses in each year.

Provided in Table 5 – 1 is a summary of the current and proposed stormwater rates for the Department's stormwater utility.

Table 5 – 1 Summary of the Present and Proposed Stormwater Rates						
	<i>Present Rates</i>	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
	<i>\$/ERU</i>					
Rate Per Equivalent Unit	\$2.10	\$3.85	\$5.60	\$6.85	\$7.85	\$8.10

## 5.5 Summary of the Stormwater Rate Study

This completes the analysis for the Department's stormwater utility. This Study has provided a comprehensive review and development of proposed stormwater rates. Based on the Department's system and customer characteristics, the proposed stormwater rates appropriately reflect the cost to provide service and are proportionally distributed to the total billed ERUs. Full and complete technical appendices of the development of the comprehensive stormwater rate study and the proposed revenue adjustments can be found in the Technical Appendix of this report.

The Study was developed based on existing operating expenses and the adopted capital plan, along with assumptions of cost escalation and customer growth as examples. Should the assumptions or data change, the Study should be revisited and updated to reflect these changes to maintain cost-based and proportional stormwater rates.



## Technical Appendix – Stormwater

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City of Stockton  
Stormwater Rate Study  
Summary of the Revenue Requirement  
Exhibit 1

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
<b>Revenues</b>									
Total Rate Revenues	\$6,067,001	\$6,097,336	\$6,127,822	\$6,158,462	\$6,189,254	\$6,220,200	\$6,251,301	\$6,282,558	\$6,313,970
Total Miscellaneous Revenue	922,274	947,597	894,867	919,738	935,267	975,846	1,026,866	1,048,340	1,085,150
<b>Total Revenues</b>	<b>\$6,989,275</b>	<b>\$7,044,932</b>	<b>\$7,022,689</b>	<b>\$7,078,200</b>	<b>\$7,124,521</b>	<b>\$7,196,046</b>	<b>\$7,278,167</b>	<b>\$7,330,898</b>	<b>\$7,399,120</b>
<b>Expenses</b>									
Total O & M Expense	\$7,532,340	\$9,196,577	\$10,149,202	\$10,515,797	\$10,897,478	\$11,290,642	\$11,700,101	\$12,126,676	\$12,571,237
Total Taxes and Transfers	0	0	0	0	0	0	0	0	0
Net CIP From Rates	0	0	950,000	6,625,000	10,025,000	12,740,000	13,250,000	13,725,000	14,190,000
Net Debt Service	0	0	0	0	0	0	0	0	0
General Fund Back Payment	0	0	0	0	0	0	0	0	0
Total Application of Funds	<b>\$7,532,340</b>	<b>\$9,196,577</b>	<b>\$11,099,202</b>	<b>\$17,140,797</b>	<b>\$20,922,478</b>	<b>\$24,030,642</b>	<b>\$24,950,101</b>	<b>\$25,851,676</b>	<b>\$26,761,237</b>
<b>Total Reserve Funding</b>	<b>(\$543,065)</b>	<b>(\$2,151,645)</b>	<b>\$1,021,836</b>	<b>\$194,690</b>	<b>\$206,130</b>	<b>\$202,481</b>	<b>\$198,282</b>	<b>\$190,295</b>	<b>\$196,070</b>
<b>Total Revenue Requirement</b>	<b>\$6,989,275</b>	<b>\$7,044,932</b>	<b>\$12,121,038</b>	<b>\$17,335,487</b>	<b>\$21,128,608</b>	<b>\$24,233,123</b>	<b>\$25,148,383</b>	<b>\$26,041,971</b>	<b>\$26,957,306</b>
Bal. /(Def.) of Funds	\$0	\$0	(\$5,098,348)	(\$10,257,287)	(\$14,004,087)	(\$17,037,076)	(\$17,870,216)	(\$18,711,073)	(\$19,558,186)
<b>Debt Service Coverage Ratio (all debt, including taxes and transfers)</b>									
Before Rate Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
After Proposed Rate Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Ending Fund Balance</b>	<b>\$8,387,043</b>	<b>\$4,088,902</b>	<b>\$5,280,976</b>	<b>\$5,567,168</b>	<b>\$5,606,565</b>	<b>\$8,381,954</b>	<b>\$8,980,051</b>	<b>\$9,170,346</b>	<b>\$7,647,127</b>

[illegible]

City of Stockton  
Stormwater Rate Study  
Revenue Requirement Analysis  
Exhibit 3

	<i>Proj Yr End</i>	<i>Budget</i>	<i>Projected</i>								
	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>	<b>FY 2032</b>	<b>FY 2033</b>	<b>FY 2034</b>	<i>Notes</i>
<b>Revenues</b>											
<b>Rate Revenues</b>											
Residential	<b>\$2,508,761</b>	\$2,521,305	\$2,533,911	\$2,546,581	\$2,559,314	\$2,572,110	\$2,584,971	\$2,597,896	\$2,610,885	\$2,623,939	Customer Growth
Non-Residential	<b>3,558,240</b>	3,576,031	3,593,911	3,611,881	3,629,940	3,648,090	3,666,330	3,684,662	3,703,085	3,721,601	Customer Growth
<b>Total Rate Revenues</b>	<b>\$6,067,001</b>	<b>\$6,097,336</b>	<b>\$6,127,822</b>	<b>\$6,158,462</b>	<b>\$6,189,254</b>	<b>\$6,220,200</b>	<b>\$6,251,301</b>	<b>\$6,282,558</b>	<b>\$6,313,970</b>	<b>\$6,345,540</b>	
<b>Miscellaneous Revenue</b>											
Interest Income	<b>\$175,000</b>	\$168,277	\$107,754	\$124,754	\$132,333	\$160,868	\$199,663	\$208,730	\$232,945	\$180,632	Calculated on Reserves
Commercial Fse Inspct Fee	<b>60,000</b>	<b>70,000</b>	70,700	71,407	72,121	73,203	74,301	75,415	76,547	77,695	Miscellaneous Revenues
Construction Inspections	<b>90,000</b>	<b>100,000</b>	101,000	102,010	103,030	104,576	106,144	107,736	109,352	110,993	Miscellaneous Revenues
Sw Quality Cntrl Crit Plan	<b>19,719</b>	<b>20,000</b>	20,200	20,402	20,606	20,915	21,229	21,547	21,870	22,199	Miscellaneous Revenues
Admin Fee Storm Drains	<b>110,569</b>	<b>117,176</b>	118,348	119,531	120,727	122,537	124,376	126,241	128,135	130,057	Miscellaneous Revenues
Agency Reimbursements	<b>360,800</b>	<b>371,444</b>	375,158	378,910	382,699	388,440	394,266	400,180	406,183	412,276	Miscellaneous Revenues
Fines & Penalties	<b>106,186</b>	<b>100,700</b>	101,707	102,724	103,751	105,308	106,887	108,491	110,118	111,770	Miscellaneous Revenues
<b>Total Miscellaneous Revenue</b>	<b>\$922,274</b>	<b>\$947,597</b>	<b>\$894,867</b>	<b>\$919,738</b>	<b>\$935,267</b>	<b>\$975,846</b>	<b>\$1,026,866</b>	<b>\$1,048,340</b>	<b>\$1,085,150</b>	<b>\$1,045,620</b>	
<b>Total Revenues</b>	<b>\$6,989,275</b>	<b>\$7,044,932</b>	<b>\$7,022,689</b>	<b>\$7,078,200</b>	<b>\$7,124,521</b>	<b>\$7,196,046</b>	<b>\$7,278,167</b>	<b>\$7,330,898</b>	<b>\$7,399,120</b>	<b>\$7,391,160</b>	

City of Stockton  
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	<i>Proj Yr End</i>	<i>Budget</i>	<i>Projected</i>								
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	Notes
<b>Expenses</b>											
<b>Utility Billing</b>											
Salaries - Regular	\$145,591	\$150,288	\$183,351	\$188,852	\$194,517	\$200,353	\$206,364	\$212,554	\$218,931	\$225,499	Labor
Salaries - Part Time/Temp	5,930	6,230	7,601	7,829	8,063	8,305	8,555	8,811	9,076	9,348	Labor
Regular Overtime	2,539	5,740	7,003	7,213	7,429	7,652	7,882	8,118	8,362	8,613	Labor
Holiday Pay	738	0	0	0	0	0	0	0	0	0	Labor
Vacation Sell Back	360	304	371	382	393	405	417	430	443	456	Benefits - Other
Employee Separation Pay	2,181	2,250	2,745	2,827	2,912	3,000	3,090	3,182	3,278	3,376	Benefits - Other
Additional Pay	723	134	163	168	173	179	184	190	195	201	Benefits - Other
Retirement	42,226	46,691	58,364	61,866	65,578	69,512	73,683	78,104	82,790	87,758	Benefits - Retirement
Deferred Compensation	988	0	0	0	0	0	0	0	0	0	Benefits - Other
Medicare	2,595	2,352	2,869	2,956	3,044	3,136	3,230	3,326	3,426	3,529	Benefits - Medical
Health/Dental/Vision	42,294	34,216	41,744	42,996	44,286	45,614	46,983	48,392	49,844	51,339	Benefits - Medical
L/T Disability Insurance	1,059	945	1,153	1,187	1,223	1,260	1,298	1,337	1,377	1,418	Benefits - Other
Life Insurance	158	130	159	163	168	173	179	184	189	195	Benefits - Other
Workers Compensation	5,387	4,619	5,635	5,804	5,978	6,158	6,342	6,533	6,729	6,931	Benefits - Other
Unemployment Insurance	184	161	196	202	208	215	221	228	235	242	Benefits - Other
Cell Phone Allowance	248	135	165	170	175	180	185	191	197	203	Benefits - Other
Insurance Premiums	15,008	20,954	22,840	24,895	27,136	29,578	32,240	35,142	38,305	41,752	Insurance
Computer/Tech/Oper Support	20,200	19,775	20,408	21,061	21,735	22,430	23,148	23,889	24,653	25,442	Materials & Supplies
Contractual Employees	6,717	7,070	7,296	7,530	7,771	8,019	8,276	8,541	8,814	9,096	Materials & Supplies
Computer Programming Services	1,224	1,288	1,329	1,372	1,416	1,461	1,508	1,556	1,606	1,657	Materials & Supplies
Other Services	132,411	139,380	143,840	148,443	153,193	158,095	163,154	168,375	173,763	179,324	Materials & Supplies
Duplication/Copy Costs	2,216	2,333	2,408	2,485	2,564	2,646	2,731	2,818	2,909	3,002	Materials & Supplies
Publicity & Advertising	120	126	130	134	138	143	147	152	157	162	Materials & Supplies
Printing & Mapping	16,015	16,858	17,397	17,954	18,529	19,122	19,734	20,365	21,017	21,689	Materials & Supplies
Postage/Mailing Services	77,852	81,949	84,571	87,278	90,071	92,953	95,927	98,997	102,165	105,434	Materials & Supplies
Maint & Repair Services	1,074	1,130	1,166	1,203	1,242	1,282	1,323	1,365	1,409	1,454	Materials & Supplies
Pool Vehicle Rental	106	112	116	119	123	127	131	135	140	144	Materials & Supplies
Processing Fees	13,876	14,606	15,073	15,556	16,054	16,567	17,097	17,645	18,209	18,792	Materials & Supplies
Collection Costs	15,352	16,160	16,677	17,211	17,762	18,330	18,916	19,522	20,146	20,791	Materials & Supplies
Telephone	159	167	172	178	184	189	195	202	208	215	Materials & Supplies
Materials and Supplies	960	1,044	1,077	1,111	1,147	1,184	1,222	1,261	1,301	1,343	Materials & Supplies
Computer Software	1,207	1,435	1,481	1,528	1,577	1,628	1,680	1,734	1,789	1,846	Materials & Supplies
Fuels - Gasoline and Propane	909	957	988	1,019	1,052	1,086	1,120	1,156	1,193	1,231	Materials & Supplies
Training Services	2,303	2,424	2,502	2,582	2,664	2,749	2,837	2,928	3,022	3,119	Materials & Supplies
Meetings and Travel	312	328	338	349	361	372	384	396	409	422	Materials & Supplies
Memberships	118	124	128	132	136	141	145	150	155	160	Materials & Supplies
Car Mileage Reimbursement	76	80	98	101	104	107	110	113	117	120	Benefits - Other
Settlement Payments	11,742	4,283	4,403	4,526	4,653	4,783	4,917	5,055	5,196	5,342	Miscellaneous
TRAVEL	0	0	0	0	0	0	0	0	0	0	Miscellaneous
Computer/Programming Svcs	7,600	4,750	4,883	5,020	5,160	5,305	5,453	5,606	5,763	5,924	Miscellaneous
<b>Total Utility Billing</b>	<b>\$580,758</b>	<b>\$591,528</b>	<b>\$660,840</b>	<b>\$684,402</b>	<b>\$708,919</b>	<b>\$734,438</b>	<b>\$761,008</b>	<b>\$788,682</b>	<b>\$817,515</b>	<b>\$847,567</b>	
<b>Total Utility Billing Expenses</b>	<b>\$580,758</b>	<b>\$591,528</b>	<b>\$660,840</b>	<b>\$684,402</b>	<b>\$708,919</b>	<b>\$734,438</b>	<b>\$761,008</b>	<b>\$788,682</b>	<b>\$817,515</b>	<b>\$847,567</b>	

City of Stockton  
Stormwater Rate Study  
Revenue Requirement Analysis  
Exhibit 3

	<i>Proj Yr End</i>	<i>Budget</i>	<i>Projected</i>								
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	<i>Notes</i>
<b>Administration</b>											
<b>Employee Services</b>											
Salaries - Regular	\$545,995	\$621,200	\$757,864	\$780,600	\$804,018	\$828,138	\$852,983	\$878,572	\$904,929	\$932,077	Labor
Salaries - Part Time/Temp	1,445	0	0	0	0	0	0	0	0	0	Labor
Regular Overtime	8,629	18,280	22,302	22,971	23,660	24,370	25,101	25,854	26,629	27,428	Labor
Holiday Pay	4,917	3,500	4,270	4,398	4,530	4,666	4,806	4,950	5,099	5,252	Benefits - Other
Vacation Sell Back	1,701	2,345	2,861	2,947	3,035	3,126	3,220	3,317	3,416	3,519	Benefits - Other
Employee Separation Pay	6,899	9,175	11,194	11,529	11,875	12,231	12,598	12,976	13,366	13,767	Labor
Additional Pay	520	296	361	372	383	395	406	419	431	444	Labor
Retirement	126,544	192,180	240,225	254,639	269,917	286,112	303,279	321,475	340,764	361,210	Benefits - Retirement
Deferred Compensation	13,086	14,107	17,211	17,727	18,259	18,806	19,371	19,952	20,550	21,167	Benefits - Other
Medicare	6,444	8,209	10,015	10,315	10,625	10,944	11,272	11,610	11,958	12,317	Benefits - Medical
Medicare/Social Security	0	1,184	1,444	1,488	1,532	1,578	1,626	1,675	1,725	1,777	Benefits - Medical
Health/Dental/Vision	64,096	102,157	124,632	128,370	132,222	136,188	140,274	144,482	148,817	153,281	Benefits - Medical
L/T Disability Insurance	2,072	3,921	4,784	4,927	5,075	5,227	5,384	5,546	5,712	5,883	Benefits - Other
Life Insurance	344	421	514	529	545	561	578	595	613	632	Benefits - Other
Workers Compensation	13,013	14,262	17,400	17,922	18,459	19,013	19,583	20,171	20,776	21,399	Benefits - Other
Unemployment Insurance	554	648	791	814	839	864	890	916	944	972	Benefits - Other
Cell Phone Allowance	3,244	1,932	2,357	2,428	2,501	2,576	2,653	2,732	2,814	2,899	Benefits - Other
Settlement Payments	9,720	8,003	9,764	10,057	10,358	10,669	10,989	11,319	11,658	12,008	Benefits - Other
<b>Total Employee Services</b>	<b>\$809,223</b>	<b>\$1,001,820</b>	<b>\$1,227,986</b>	<b>\$1,272,032</b>	<b>\$1,317,832</b>	<b>\$1,365,465</b>	<b>\$1,415,012</b>	<b>\$1,466,561</b>	<b>\$1,520,202</b>	<b>\$1,576,031</b>	
<b>Other Services</b>											
Maintenance & Repair Services	\$1,130	\$2,175	\$2,654	\$2,733	\$2,815	\$2,900	\$2,987	\$3,076	\$3,168	\$3,263	Labor
Duplication/Copy Costs	1,535	3,035	3,120	3,207	3,297	3,389	3,484	3,582	3,682	3,785	Miscellaneous
Insurance Premiums	44,626	84,793	92,424	100,743	109,809	119,692	130,465	142,206	155,005	168,955	Insurance
Automotive Equipment Rental	1,169	17,157	17,706	18,273	18,857	19,461	20,084	20,726	21,389	22,074	Materials & Supplies
Computer/Tech/Operation Support	21,876	10,153	12,387	12,758	13,141	13,535	13,941	14,360	14,790	15,234	Labor
Telephone Rental	5,953	8,302	8,568	8,842	9,125	9,417	9,718	10,029	10,350	10,681	Materials & Supplies
Radio Equipment Rental	183	200	206	213	220	227	234	242	249	257	Materials & Supplies
Equipment Repairs/Maint	0	240	248	256	264	272	281	290	299	309	Materials & Supplies
Telecommunications	0	150	156	162	169	175	181	187	194	200	Utilities
Other Rentals	711,217	711,126	733,882	757,366	781,602	806,613	832,425	859,062	886,552	914,922	Materials & Supplies
Processing Fees	1,015	7,175	7,405	7,642	7,886	8,138	8,399	8,668	8,945	9,231	Materials & Supplies
Testing & Analysis Services	21	547	565	583	601	620	640	661	682	704	Materials & Supplies
Uniform/Laundry Services	2,584	4,584	4,731	4,882	5,038	5,200	5,366	5,538	5,715	5,898	Materials & Supplies
Publicity & Advertising	2,500	4,565	4,693	4,824	4,959	5,098	5,241	5,388	5,539	5,694	Miscellaneous
Postage/Mailing Services	101	315,022	60,000	61,920	63,901	65,946	68,057	70,234	72,482	74,801	Materials & Supplies
Reprographics	0	30	31	32	33	34	35	36	37	39	Materials & Supplies
Legal Services	7,880	10,700	13,054	13,446	13,849	14,264	14,692	15,133	15,587	16,055	Labor
Professional & Special Services	459,480	515,718	629,176	648,051	667,493	687,518	708,143	729,387	751,269	773,807	Labor
Travel	0	150	155	160	165	170	176	181	187	193	Materials & Supplies
<b>Total Other Services</b>	<b>\$1,261,270</b>	<b>\$1,695,822</b>	<b>\$1,591,159</b>	<b>\$1,646,092</b>	<b>\$1,703,225</b>	<b>\$1,762,670</b>	<b>\$1,824,548</b>	<b>\$1,888,986</b>	<b>\$1,956,123</b>	<b>\$2,026,103</b>	

	<i>Proj Yr End</i>	<i>Budget</i>	<i>Projected</i>								
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	<i>Notes</i>
<b>Materials &amp; Supplies</b>											
Materials & Supplies	\$11,995	\$11,160	\$11,517	\$11,886	\$12,266	\$12,659	\$13,064	\$13,482	\$13,913	\$14,358	Materials & Supplies
Computer Software	65,000	40,035	41,316	42,638	44,003	45,411	46,864	48,364	49,911	51,508	Materials & Supplies
Subscription - Periodical	250	500	516	533	550	567	585	604	623	643	Materials & Supplies
Water	0	0	0	0	0	0	0	0	0	0	Materials & Supplies
Telephone	3,404	4,407	4,548	4,694	4,844	4,999	5,159	5,324	5,494	5,670	Materials & Supplies
Technology and Communications	0	0	0	0	0	0	0	0	0	0	Materials & Supplies
Fuels - Gas/Oil/Propane	200	1,264	1,315	1,367	1,422	1,472	1,523	1,576	1,632	1,689	Utilities
Fuel	3,200	4,293	4,464	4,643	4,829	4,998	5,173	5,354	5,541	5,735	Utilities
Library Materials	250	500	516	533	550	567	585	604	623	643	Materials & Supplies
<b>Total Materials &amp; Supplies</b>	<b>\$84,299</b>	<b>\$62,159</b>	<b>\$64,192</b>	<b>\$66,293</b>	<b>\$68,462</b>	<b>\$70,672</b>	<b>\$72,953</b>	<b>\$75,307</b>	<b>\$77,738</b>	<b>\$80,247</b>	
<b>Other Expenses</b>											
Training	\$8,700	\$11,920	\$12,254	\$12,597	\$12,950	\$13,312	\$13,685	\$14,068	\$14,462	\$14,867	Miscellaneous
Meeting & Travel	500	535	550	565	581	597	614	631	649	667	Miscellaneous
Memberships	234	59	61	62	64	66	68	70	72	74	Miscellaneous
Indirect Cost Allocation	171,547	171,547	177,037	182,702	188,548	194,582	200,808	207,234	213,866	220,709	Materials & Supplies
Non-Capital Assets	5,000	5,000	5,140	5,284	5,432	5,584	5,740	5,901	6,066	6,236	Miscellaneous
<b>Total Other Expenses</b>	<b>\$185,981</b>	<b>\$189,061</b>	<b>\$195,041</b>	<b>\$201,210</b>	<b>\$207,575</b>	<b>\$214,141</b>	<b>\$220,915</b>	<b>\$227,904</b>	<b>\$235,115</b>	<b>\$242,553</b>	
<b>Total Administration Expenses</b>	<b>\$2,340,773</b>	<b>\$2,948,862</b>	<b>\$3,078,378</b>	<b>\$3,185,627</b>	<b>\$3,297,094</b>	<b>\$3,412,948</b>	<b>\$3,533,428</b>	<b>\$3,658,759</b>	<b>\$3,789,177</b>	<b>\$3,924,934</b>	
<b>Storm Pump Stations</b>											
<b>Employee Services</b>											
Salaries - Regular	\$1,113,405	\$1,622,157	\$1,979,032	\$2,038,402	\$2,099,555	\$2,162,541	\$2,227,417	\$2,294,240	\$2,363,067	\$2,433,959	Labor
Salaries - Part Time/Temp	4,589	4,900	5,978	6,157	6,342	6,532	6,728	6,930	7,138	7,352	Labor
Regular Overtime	59,551	60,410	73,700	75,911	78,189	80,534	82,950	85,439	88,002	90,642	Labor
Stand By Time	48,386	69,900	85,278	87,836	90,471	93,186	95,981	98,861	101,826	104,881	Labor
Holiday Pay	5,807	5,981	7,297	7,516	7,741	7,973	8,213	8,459	8,713	8,974	Labor
Employee Separation Pay	3,077	5,614	6,849	7,055	7,266	7,484	7,709	7,940	8,178	8,424	Labor
Separation Pay	9,799	16,991	20,729	21,351	21,991	22,651	23,331	24,031	24,752	25,494	Labor
Additional Pay	8,681	7,014	8,557	8,814	9,078	9,351	9,631	9,920	10,218	10,524	Labor
Retirement	276,248	506,180	632,725	670,689	710,930	753,586	798,801	846,729	897,533	951,384	Benefits - Retirement
Retirement Expense	2,226	2,000	2,440	2,513	2,589	2,666	2,746	2,829	2,913	3,001	Benefits - Other
Deferred Compensation	42,545	62,996	76,855	79,161	81,536	83,982	86,501	89,096	91,769	94,522	Benefits - Other
Medicare	14,408	24,449	29,828	30,723	31,644	32,594	33,571	34,579	35,616	36,684	Benefits - Medical
Medicare/Social Security	0	312	381	392	404	416	428	441	455	468	Benefits - Medical
Health/Dental/Vision	216,544	295,859	360,948	371,776	382,930	394,418	406,250	418,438	430,991	443,920	Benefits - Medical
L/T Disability Insurance	3,362	7,481	9,127	9,401	9,683	9,973	10,272	10,580	10,898	11,225	Benefits - Other
Life Insurance	831	1,269	1,548	1,595	1,642	1,692	1,742	1,795	1,849	1,904	Benefits - Other
Workers Compensation	66,618	91,681	111,851	115,206	118,663	122,222	125,889	129,666	133,556	137,562	Benefits - Other
Recruitment Incentive	185	0	0	0	0	0	0	0	0	0	Benefits - Other
Unemployment Insurance	1,251	1,703	2,078	2,140	2,204	2,270	2,338	2,409	2,481	2,555	Benefits - Other
Cell Phone Allowance	3,682	3,561	4,344	4,475	4,609	4,747	4,890	5,036	5,187	5,343	Benefits - Other
Allowances	97	90	110	113	116	120	124	127	131	135	Benefits - Other
Vacation Sell Back	1,523	1,953	2,383	2,454	2,528	2,604	2,682	2,762	2,845	2,930	Benefits - Other
Settlement Payments	46,071	49,652	60,575	62,393	64,264	66,192	68,178	70,224	72,330	74,500	Benefits - Other
<b>Total Employee Services</b>	<b>\$1,928,886</b>	<b>\$2,842,153</b>	<b>\$3,482,612</b>	<b>\$3,606,072</b>	<b>\$3,734,375</b>	<b>\$3,867,734</b>	<b>\$4,006,374</b>	<b>\$4,150,529</b>	<b>\$4,300,447</b>	<b>\$4,456,386</b>	

City of Stockton  
Stormwater Rate Study  
Revenue Requirement Analysis  
Exhibit 3

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	<i>Proj Yr End</i>	<i>Budget</i>	<i>Projected</i>								<i>Notes</i>
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	
<b>Other Services</b>											
Electricity	\$600,000	\$650,000	\$676,000	\$703,040	\$731,162	\$756,752	\$783,239	\$810,652	\$839,025	\$868,391	Utilities
Gas	40,000	45,000	46,800	48,672	50,619	52,391	54,224	56,122	58,086	60,119	Utilities
Sanitary Sewer	2,500	2,500	2,600	2,704	2,812	2,911	3,012	3,118	3,227	3,340	Utilities
Water	40,000	42,000	43,680	45,427	47,244	48,898	50,609	52,381	54,214	56,111	Utilities
Telephone	23,304	28,055	29,177	30,344	31,558	32,663	33,806	34,989	36,214	37,481	Utilities
Storm Water	100	0	0	0	0	0	0	0	0	0	Utilities
Maintenance & Repair Services	316,389	400,270	413,079	426,297	439,939	454,017	468,545	483,539	499,012	514,980	Materials & Supplies
Equipment Repairs/Maint.	2,300	2,500	2,600	2,704	2,812	2,925	3,042	3,163	3,290	3,421	Equipment
Security and Alarm Services	116,766	104,480	107,823	111,274	114,834	118,509	122,301	126,215	130,254	134,422	Materials & Supplies
Testing and Analysis Services	502	400	413	426	440	454	468	483	499	515	Materials & Supplies
Insurance Premiums	99,167	223,690	243,822	265,766	289,685	315,757	344,175	375,151	408,914	445,716	Insurance
Automotive Equipment Rental	19,173	13,504	13,936	14,382	14,842	15,317	15,807	16,313	16,835	17,374	Materials & Supplies
Telephone Rental	47,725	41,116	42,432	43,790	45,191	46,637	48,129	49,669	51,259	52,899	Materials & Supplies
Radio Equipment Rental	1,528	2,439	2,517	2,598	2,681	2,766	2,855	2,946	3,041	3,138	Materials & Supplies
Other Rentals	6,000	3,000	3,096	3,195	3,297	3,403	3,512	3,624	3,740	3,860	Materials & Supplies
Duplication/Copy Costs	1,117	1,495	1,543	1,592	1,643	1,696	1,750	1,806	1,864	1,923	Materials & Supplies
Publicity & Advertising	14,128	12,040	12,425	12,823	13,233	13,657	14,094	14,545	15,010	15,490	Materials & Supplies
Printing & Mapping	500	250	258	266	275	284	293	302	312	322	Materials & Supplies
Printing	0	38,500	39,732	41,003	42,316	43,670	45,067	46,509	47,997	49,533	Materials & Supplies
Postage/Mailing Services	43,256	2,590	2,673	2,758	2,847	2,938	3,032	3,129	3,229	3,332	Materials & Supplies
Uniform/Laundry Services	14,373	20,270	20,919	21,588	22,279	22,992	23,728	24,487	25,270	26,079	Materials & Supplies
Laboratory Services	45,947	13,500	13,932	14,378	14,838	15,313	15,803	16,308	16,830	17,369	Materials & Supplies
Technology and Communications	1,039	1,137	1,173	1,211	1,250	1,290	1,331	1,374	1,417	1,463	Materials & Supplies
Training Services	18,752	24,316	25,094	25,897	26,726	27,581	28,464	29,374	30,314	31,285	Materials & Supplies
Processing Fees	155,762	176,217	181,151	186,223	191,438	196,798	202,308	207,973	213,796	219,782	Miscellaneous
Computer/Tech/Operations Support	24,168	31,527	38,463	39,617	40,805	42,029	43,290	44,589	45,927	47,305	Labor
Memberships	1,940	3,267	3,372	3,479	3,591	3,706	3,824	3,947	4,073	4,203	Materials & Supplies
Professional & Special Services	122,684	91,430	93,990	96,622	99,327	102,108	104,967	107,906	110,928	114,034	Miscellaneous
Other Services	100,000	175,000	179,900	184,937	190,115	195,439	200,911	206,536	212,319	218,264	Miscellaneous
<b>Total Other Services</b>	<b>\$1,859,120</b>	<b>\$2,150,493</b>	<b>\$2,242,600</b>	<b>\$2,333,014</b>	<b>\$2,427,798</b>	<b>\$2,522,897</b>	<b>\$2,622,586</b>	<b>\$2,727,151</b>	<b>\$2,836,897</b>	<b>\$2,952,153</b>	
<b>Materials &amp; Supplies</b>											
Materials & Supplies	\$87,960	\$103,530	\$106,843	\$110,262	\$113,790	\$117,432	\$121,189	\$125,067	\$129,070	\$133,200	Materials & Supplies
Computer Software	66,791	51,685	53,339	55,046	56,807	58,625	60,501	62,437	64,435	66,497	Materials & Supplies
Non-Capital Assets	46,138	137,520	141,921	146,462	151,149	155,986	160,977	166,128	171,445	176,931	Materials & Supplies
Building & Structures	80,000	75,000	77,400	79,877	82,433	85,071	87,793	90,602	93,502	96,494	Materials & Supplies
Community/Program	1,000	2,500	2,580	2,663	2,748	2,836	2,926	3,020	3,117	3,216	Materials & Supplies
Vehicle Acquisition	264,317	55,050	56,812	58,630	60,506	62,442	64,440	66,502	68,630	70,826	Materials & Supplies
Equipment Acquisition	245,007	226,250	233,490	240,962	248,672	256,630	264,842	273,317	282,063	291,089	Materials & Supplies
Subscriptions	464	55	57	59	60	62	64	66	69	71	Materials & Supplies
Chemicals	3,871	5,000	5,160	5,325	5,496	5,671	5,853	6,040	6,233	6,433	Materials & Supplies
Library Materials	2,872	2,055	2,121	2,189	2,259	2,331	2,406	2,483	2,562	2,644	Materials & Supplies
Fuels - Gas/Oil/Propane	14,000	1,182	1,220	1,259	1,299	1,341	1,384	1,428	1,474	1,521	Materials & Supplies
Technology Capital	8,953	2,850	2,941	3,035	3,132	3,233	3,336	3,443	3,553	3,667	Materials & Supplies
<b>Total Materials &amp; Supplies</b>	<b>\$821,373</b>	<b>\$662,677</b>	<b>\$683,883</b>	<b>\$705,767</b>	<b>\$728,351</b>	<b>\$751,659</b>	<b>\$775,712</b>	<b>\$800,535</b>	<b>\$826,152</b>	<b>\$852,589</b>	

City of Stockton  
Stormwater Rate Study  
Revenue Requirement Analysis  
Exhibit 3

	<i>Proj Yr End</i>	<i>Budget</i>	<i>Projected</i>								
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	<i>Notes</i>
<b>Other Expenses</b>											
Training	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	Miscellaneous
Meetings & Travel	1,430	865	889	914	940	966	993	1,021	1,049	1,079	Miscellaneous
<b>Total Other Expenses</b>	<b>\$1,430</b>	<b>\$865</b>	<b>\$889</b>	<b>\$914</b>	<b>\$940</b>	<b>\$966</b>	<b>\$993</b>	<b>\$1,021</b>	<b>\$1,049</b>	<b>\$1,079</b>	
<b>Total Storm Pump Stations Expenses</b>	<b>\$4,610,809</b>	<b>\$5,656,188</b>	<b>\$6,409,984</b>	<b>\$6,645,768</b>	<b>\$6,891,464</b>	<b>\$7,143,256</b>	<b>\$7,405,665</b>	<b>\$7,679,235</b>	<b>\$7,964,544</b>	<b>\$8,262,206</b>	
<b>CIP Related MUD Staff Cost</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Total O&amp;M Expenses</b>	<b>\$7,532,340</b>	<b>\$9,196,577</b>	<b>\$10,149,202</b>	<b>\$10,515,797</b>	<b>\$10,897,478</b>	<b>\$11,290,642</b>	<b>\$11,700,101</b>	<b>\$12,126,676</b>	<b>\$12,571,237</b>	<b>\$13,034,707</b>	
		22.09%	10.36%	3.61%	3.63%	3.61%	3.63%	3.65%	3.67%	3.69%	
<b>Taxes &amp; Transfers</b>											
Taxes & Transfers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Taxes Taxes &amp; Transfers</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Rate Funded Capital</b>	<b>\$0</b>	<b>\$0</b>	<b>\$950,000</b>	<b>\$6,625,000</b>	<b>\$10,025,000</b>	<b>\$12,740,000</b>	<b>\$13,250,000</b>	<b>\$13,725,000</b>	<b>\$14,190,000</b>	<b>\$14,300,000</b>	FY 2022 Depr. Exp. \$1,684,553
<b>Debt Service</b>											
New Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$260,206	Calculated
<b>Total Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$260,206</b>	
<i>Less: Debt Service Funding</i>											
Reserve Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Net Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$260,206</b>	
<b>General Fund Back Payment</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	Debt Schedule
<b>Reserve Funding</b>											
To / (From) Operating Reserve [441]	(\$543,065)	(\$2,151,645)	\$1,021,836	\$194,690	\$206,130	\$202,481	\$198,282	\$190,295	\$196,070	\$206,268	
To / (From) Capital Reserve	0	0	0	0	0	0	0	0	0	0	
<b>Total Reserve Funding</b>	<b>(\$543,065)</b>	<b>(\$2,151,645)</b>	<b>\$1,021,836</b>	<b>\$194,690</b>	<b>\$206,130</b>	<b>\$202,481</b>	<b>\$198,282</b>	<b>\$190,295</b>	<b>\$196,070</b>	<b>\$206,268</b>	
<b>Total Revenue Requirement</b>	<b>\$6,989,275</b>	<b>\$7,044,932</b>	<b>\$12,121,038</b>	<b>\$17,335,487</b>	<b>\$21,128,608</b>	<b>\$24,233,123</b>	<b>\$25,148,383</b>	<b>\$26,041,971</b>	<b>\$26,957,306</b>	<b>\$27,801,181</b>	
Bal. /(Def.) of Funds	\$0	\$0	(\$5,098,348)	(\$10,257,287)	(\$14,004,087)	(\$17,037,076)	(\$17,870,216)	(\$18,711,073)	(\$19,558,186)	(\$20,410,021)	



City of Stockton  
Stormwater Rate Study  
Revenue Requirement Analysis  
Exhibit 3

	Proj Yr End	Budget	Projected								Notes
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	
Debt Service Coverage Ratio (all debt, including taxes and transfers)											
Before Rate Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
After Proposed Rate Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	56.75	
Reserve Funds											
Total Beginning Balance	\$8,930,108	\$6,240,547	\$4,088,902	\$5,280,976	\$5,567,168	\$5,606,565	\$8,381,954	\$8,980,051	\$9,170,346	\$7,647,127	
Operating Reserve Fund - Stormwater (441)											
Beginning Reserve Fund Balance	\$5,140,108	\$6,240,547	\$4,088,902	\$5,110,738	\$5,305,428	\$5,511,558	\$5,714,039	\$5,912,321	\$6,102,616	\$6,298,686	
Plus: To Reserve Fund	0	0	1,021,836	194,690	206,130	202,481	198,282	190,295	196,070	206,268	
Less: Uses of Funds	(543,065)	(2,151,645)	0	0	0	0	0	0	0	0	
Ending Fund Balance	\$4,597,043	\$4,088,902	\$5,110,738	\$5,305,428	\$5,511,558	\$5,714,039	\$5,912,321	\$6,102,616	\$6,298,686	\$6,504,954	
Target: 180 days of O&M	\$3,714,579	\$4,535,298	\$5,005,086	\$5,185,872	\$5,374,099	\$5,567,988	\$5,769,913	\$5,980,279	\$6,199,514	\$6,428,075	
Capital Reserve Fund											
Beginning Reserve Fund Balance	\$3,790,000	\$0	\$0	\$170,239	\$261,740	\$95,007	\$2,667,915	\$3,067,730	\$3,067,730	\$1,348,442	
Plus: To Reserve Fund	0	0	170,239	91,501	0	2,572,908	399,815	0	0	0	
Less: Uses of Funds	0	0	0	0	(166,733)	0	0	0	(1,719,288)	(206,567)	
Ending Fund Balance	\$3,790,000	\$0	\$170,239	\$261,740	\$95,007	\$2,667,915	\$3,067,730	\$3,067,730	\$1,348,442	\$1,141,875	
Total Ending Balance	\$8,387,043	\$4,088,902	\$5,280,976	\$5,567,168	\$5,606,565	\$8,381,954	\$8,980,051	\$9,170,346	\$7,647,127	\$7,646,828	
Target O&M Fund Balance	\$3,714,579	\$4,535,298	\$5,005,086	\$5,185,872	\$5,374,099	\$5,567,988	\$5,769,913	\$5,980,279	\$6,199,514	\$6,428,075	180 days of O&M
Target Bal. / (Def.)	\$4,672,464	(\$446,397)	\$275,891	\$381,295	\$232,466	\$2,813,966	\$3,210,138	\$3,190,067	\$1,447,613	\$1,218,754	

City of Stockton  
Stormwater Rate Study  
Capital Improvement Plan  
Exhibit 4

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	Notes
<b>CIP Projects</b>											
Alexandria and 14-Mile Slough Storm Drain Pump Station	\$0	\$0	\$0	\$273,182	\$0	\$0	\$0	\$0	\$0	\$0	
Swenson Park and Five Mile (Bonniebrook) Storm PS Improv	0	0	0	819,545	0	0	0	0	0	0	
Storm Drain System Emergency	0	0	265,225	273,182	281,377	289,819	298,513	307,468	316,693	326,193	
West Lane and Calaveras South Storm Pump Station Improvements	0	0	0	819,545	562,754	0	0	0	0	0	
Buena Vista & Smith Canal Pump Station Discharge Pipe Rehab	0	0	0	0	0	446,321	0	0	0	0	
Storm Pump Station Transfer Switch	0	0	265,225	0	0	0	0	0	0	0	
Rose Street Assessment and Repair	0	0	106,090	0	0	0	0	0	0	0	
Total MUD Staff Cost	0	0	143,222	142,055	191,336	0	0	0	0	0	
<b>Total CIP Projects</b>	<b>\$0</b>	<b>\$0</b>	<b>\$779,762</b>	<b>\$2,327,509</b>	<b>\$1,035,468</b>	<b>\$736,139</b>	<b>\$298,513</b>	<b>\$307,468</b>	<b>\$316,693</b>	<b>\$326,193</b>	
<b>CIP Projects - State Funded</b>											
Stockton Channel Water Quality Improvements	\$0	\$1,300,000	\$1,700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total CIP Projects - State Funded</b>	<b>\$0</b>	<b>\$1,300,000</b>	<b>\$1,700,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Master Plan CIP Projects</b>											
HWY 4 and San Joaquin	\$0	\$0	\$0	\$0	\$0	\$0	\$7,433,790	\$7,656,804	\$7,886,508	\$8,123,103	1st Priority
Bonnie Brook	0	0	0	4,205,990	4,332,170	4,462,135	0	0	0	0	1st Priority
Boggs Tract	0	0	0	0	4,824,095	4,968,818	5,117,882	5,271,419	0	0	1st Priority
Walker Turnpike Alt 1	0	0	0	0	0	0	0	0	11,706,088	12,057,271	1st Priority
<b>Total Master Plan CIP Projects</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,205,990</b>	<b>\$9,156,265</b>	<b>\$9,430,953</b>	<b>\$12,551,672</b>	<b>\$12,928,223</b>	<b>\$19,592,596</b>	<b>\$20,180,374</b>	
<b>Future Unidentified Capital Projects</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$489,309</b>	<b>\$0</b>	<b>\$0</b>	
<b>Transfer to Capital Reserve</b>	<b>\$0</b>	<b>\$0</b>	<b>\$170,239</b>	<b>\$91,501</b>	<b>\$0</b>	<b>\$2,572,908</b>	<b>\$399,815</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Total Capital Improvement Projects</b>	<b>\$0</b>	<b>\$1,300,000</b>	<b>\$2,650,000</b>	<b>\$6,625,000</b>	<b>\$10,191,733</b>	<b>\$12,740,000</b>	<b>\$13,250,000</b>	<b>\$13,725,000</b>	<b>\$19,909,288</b>	<b>\$20,506,567</b>	
<b>Less: Other Funding Sources</b>											
Operating Reserve Fund - Stormwater (441)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	Input
Capital Reserve Fund	0	0	0	0	166,733	0	0	0	1,719,288	206,567	Input
State Grants	0	1,300,000	1,700,000	0	0	0	0	0	0	0	Linked
New Public Works Trust Fund Loans	0	0	0	0	0	0	0	0	0	0	Input
New Revenue Bonds	0	0	0	0	0	0	0	0	4,000,000	6,000,000	Calculated
<b>Total Less: Other Funding Sources</b>	<b>\$0</b>	<b>\$1,300,000</b>	<b>\$1,700,000</b>	<b>\$0</b>	<b>\$166,733</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,719,288</b>	<b>\$6,206,567</b>	
<b>Rate Funded Capital</b>	<b>\$0</b>	<b>\$0</b>	<b>\$950,000</b>	<b>\$6,625,000</b>	<b>\$10,025,000</b>	<b>\$12,740,000</b>	<b>\$13,250,000</b>	<b>\$13,725,000</b>	<b>\$14,190,000</b>	<b>\$14,300,000</b>	

**City of Stockton  
Stormwater Rate Study  
Revenue at Present Rates  
Exhibit 5**

**Notes**

## Notes

**City of Stockton**  
**Stormwater Rate Study**  
**Cost of Service Summary**  
**Exhibit 6**

	<b>Total</b>
Revenues at Present Rates	<b>\$6,127,822</b>
Distributed Revenue Requirement	<b>\$11,226,171</b>
Balance/(Deficiency) of Funds	<b>(\$5,098,348)</b>

City of Stockton  
Stormwater Rate Study  
Average Unit Costs  
Exhibit 7

	Total
Total Costs - \$ / ERU / Month	\$3.85
Current Rates \$ / Month	\$2.10
<b>Base Data:</b>	
Total Billed ERUs	243,168

City of Stockton  
Stormwater Rate Study  
Rate Summary  
Exhibit 8

	Present	Proposed				
	Rates	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Monthly Rate (per ERU)	\$2.10	\$3.85	\$5.60	\$6.85	\$7.85	\$8.10