



# CITY COUNCIL

## STORMWATER RATE STUDY RECOMMENDATIONS

January 27, 2026

Agenda Item 16.1

# Stormwater System Overview

Large network of storm drains, pipes, pump stations and stormwater holding ponds that collect and move stormwater from properties into local waterways like rivers, creeks, sloughs and the Delta to avoid flood damage, nuisance flooding, and reduce pollution entering local waterways.



**243,000** Customers



**23,200** Catch Basins  
*(also known as storm drains)*



**77** Pump Stations



**19** Detention Basins



**620** Miles of Pipeline



**~100** Discharge Outlets

## Challenges to be Addressed

- ❖ As an enterprise utility, stormwater utility must be self-supporting
- ❖ Current rate of \$2.10/month (~\$25/year for a single-family home) established 33 years ago, has never increased
- ❖ Since 1992 NPDES requirements and the City have grown
- ❖ Revenues do not adequately fund the cost to provide reliable service
  - Stormwater utility faces \$2.7M deficit over the next two fiscal years combined and estimated to begin fiscal year 2027-28 with a ~\$5M deficit for operations and maintenance alone
- ❖ Aging stormwater infrastructure at risk for failures
- ❖ Stormwater master plan was completed to identify projects to alleviate flooding and support system improvements

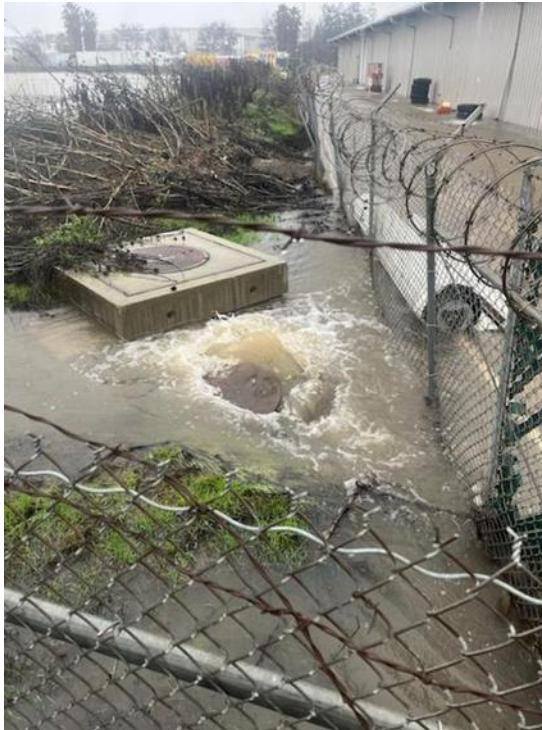
# Aging Infrastructure



# Aging Infrastructure



# Infrastructure Impacts



# Infrastructure Impacts



# Purpose of the Rate Study

- ❖ Determine adequate level of rate revenue to operate and maintain the City's stormwater utility operating and capital needs
- ❖ Develop cost-based and proportional stormwater rates to meet intent and requirements of Proposition 218
  - Prop. 218 is a voter-approved California constitutional amendment that limits how property-related fees and charges can be created or increased
  - Two step process to implement stormwater rates
- ❖ Developed using generally accepted methodologies tailored to the City's system and customer characteristics
- ❖ Reflect prudent financial planning criteria
- ❖ Rate study results provide the foundation for cost-based and proportional proposed rates

# Developing Cost-Based Rates

## Revenue Requirement

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



## Cost of Service

*Proportionally distribute the revenue requirement between the customer classes of service*

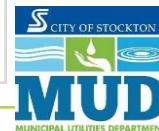
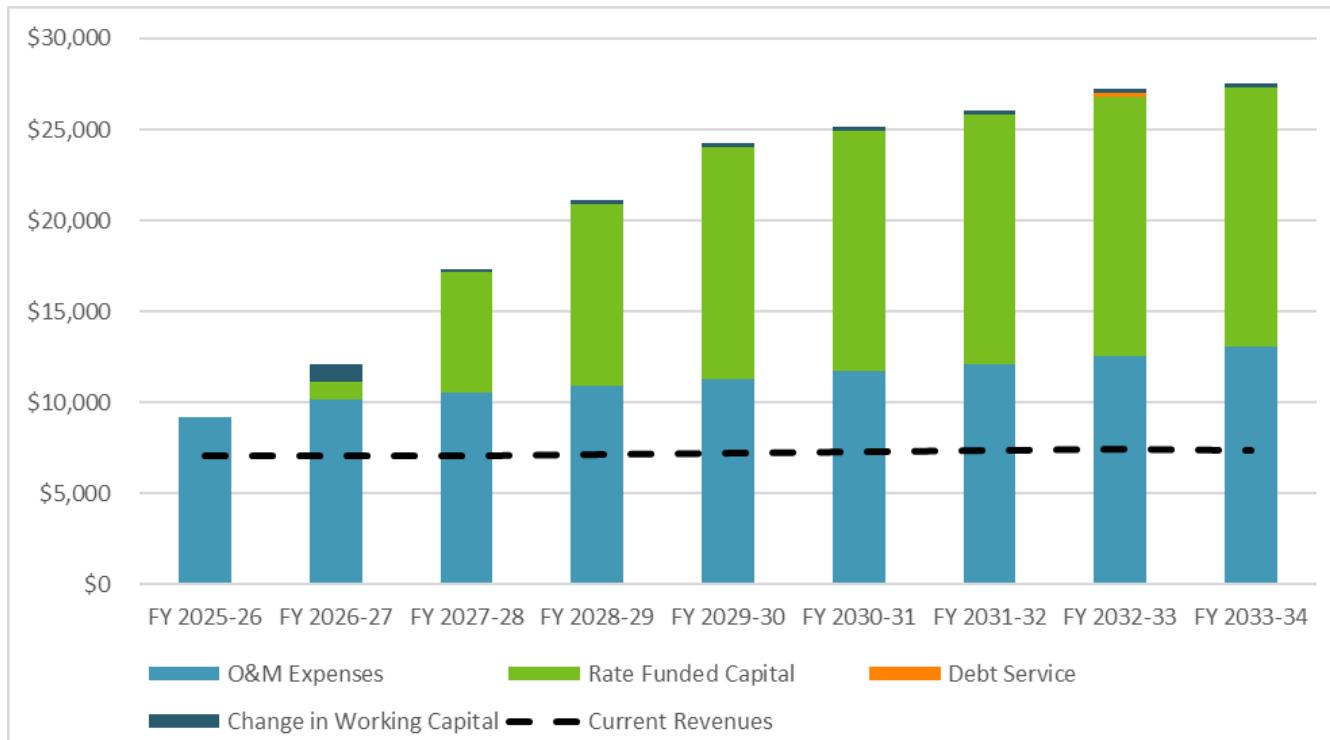


## Rate Design

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



# Revenue Requirement Summary (\$000's)





## Stormwater Rate Structure

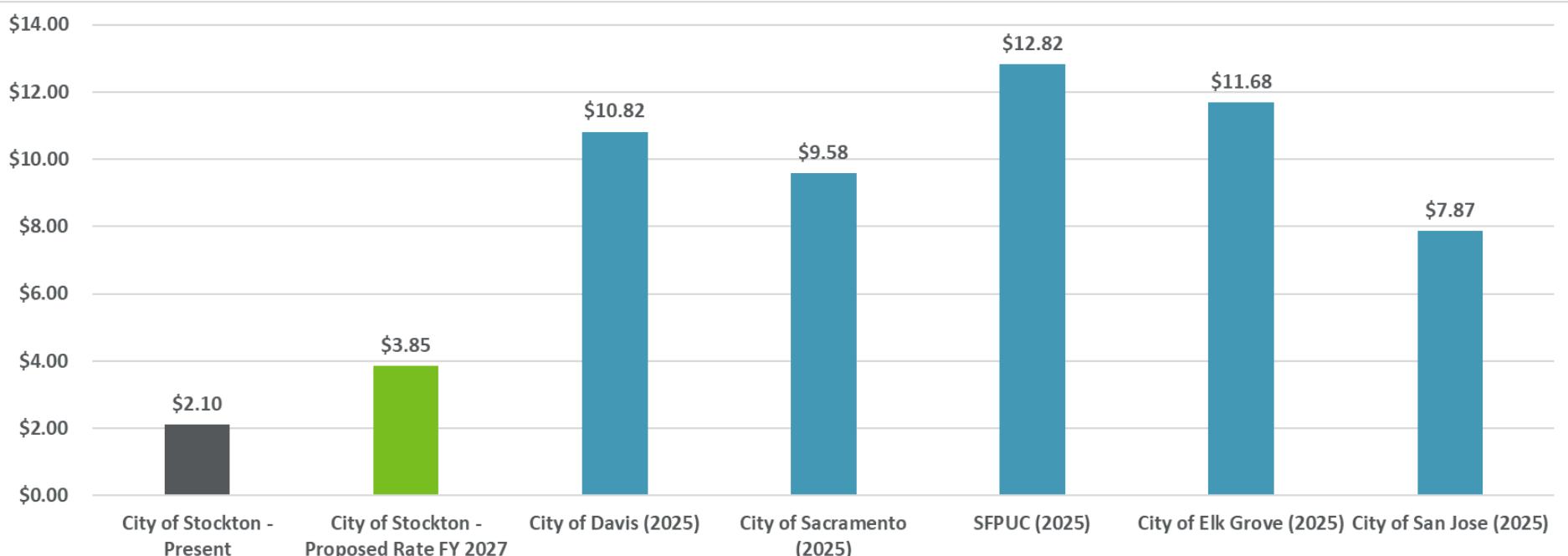
- ❖ Cost of service provides the basis to meet Proposition 218 requirements
- ❖ Average unit costs provide basis for proposed rate per ERU
  - Single family residential is equal to one ERU
  - Multi-family and apartments are charged one ERU for each dwelling unit
  - Non-residential are based on a density factor to calculate ERUs

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





# Monthly Stormwater Bill Comparison



# Impacts of Insufficient Revenues

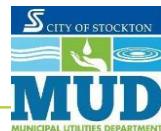
- ❖ Backlog of deferred maintenance
- ❖ Past and future deferral of critical infrastructure improvements
- ❖ Increased risk of flood damage to properties and nuisance flooding
- ❖ Risk of increased pollution in local waterways
- ❖ Risk of regulatory fines for violations due to infrastructure failures

## Proposition 218 Process

- ❖ Upon City Council acceptance of the Study
  - Set public protest hearing and send customer notification outlining proposed rates
    - ❖ Review and count protests
    - ❖ Council may not forward with proposed rates if majority protest (>50%)
- ❖ If no majority protest
  - Send ballot to customers and set ballot hearing at Council direction
- ❖ If majority (>50%) of ballots received are in favor, Council may approve the Study and implement proposed rates

# Outreach/Communication Efforts

- ❖ Online open house
- ❖ Community meeting
- ❖ Business/Civic group presentations
- ❖ Meetings with Commercial/Industrial properties
- ❖ Mailings
  - Protest notice
  - “Gap mailer” (between protest hearing & ballot mailing)
  - Ballot package (ballot and ballot information guide)
- ❖ Social media
- ❖ Traditional media



## RECOMMENDED ACTION

Adopt a resolution to authorize:

- ❖ A public hearing to be held on March 31, 2026 to consider necessary adjustments to the City's stormwater rates
- ❖ The City Manager to mail a notice of the future public hearing to all City stormwater utility customers and the record property owners, upon which the stormwater rates are proposed for imposition
  - ❖ The public hearing shall be held not less than 45 days after the notice has been mailed
- ❖ The City Manager to take actions necessary to carry out the purpose and intent of the Resolution