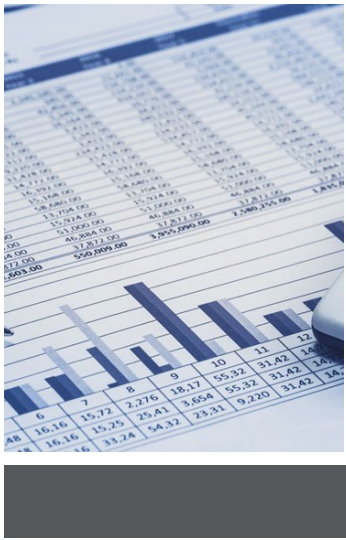


Final Report



March 31, 2026

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

Subject: Stormwater Final Rate Study Report

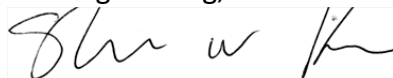
Dear Mr. Marasovich:

HDR Engineering, Inc. (HDR) is pleased to present to the City of Stockton Municipal Utilities Department (Department) the final 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.



Shawn Koorn
Associate Vice President

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Executive Summary

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

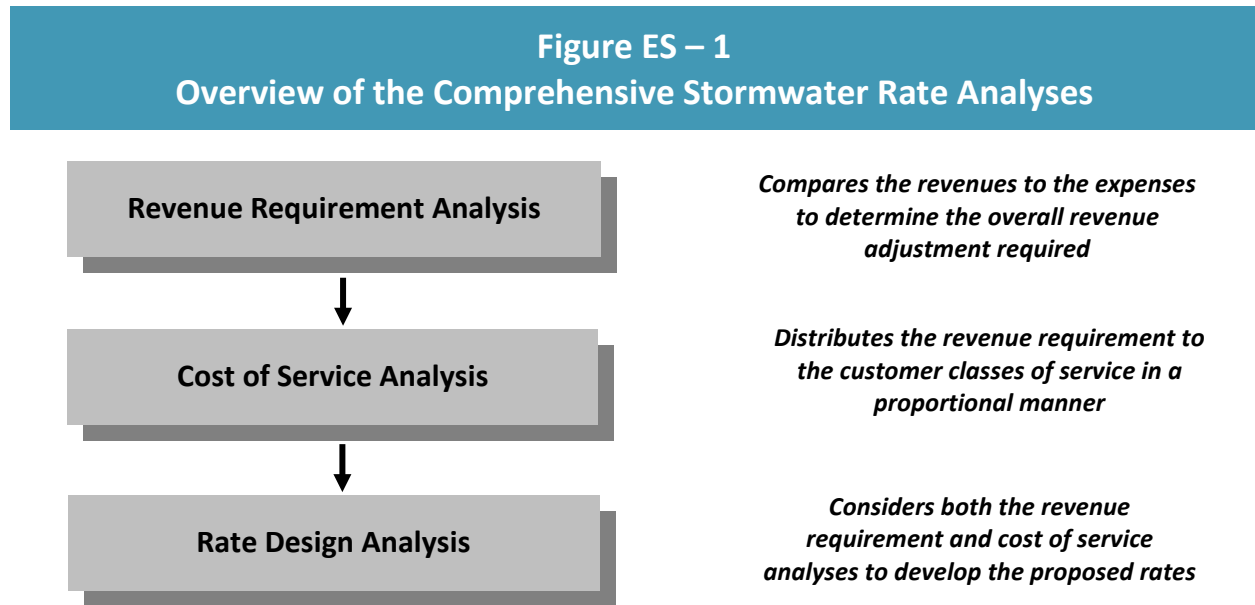
The Department's stormwater system protects people, property, and waterways by reducing flood risk, and preventing pollutants from flowing into local rivers, creeks, sloughs, and the Delta. The Department's stormwater utility is an enterprise fund and as such is funded primarily through charges (i.e., 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.

| Table ES – 1 | | | | | | |
|---|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Summary of the Stormwater Capital Funding Plan (\$000) | | | | | | |
| | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
| 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 |
| Total Rate Funded Capital | \$0 | \$950 | \$6,625 | \$10,025 | \$12,740 | \$13,250 |

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 |
|-------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues | | | | | | |
| 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> |
| Total Revenues | \$7,045 | \$7,023 | \$7,078 | \$7,125 | \$7,196 | \$7,278 |
| Expenses | | | | | | |
| 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> |
| Total Expenses | \$7,045 | \$12,121 | \$17,335 | \$21,129 | \$24,233 | \$25,148 |
| 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 ^[1] | Total ERUs ^[2] | Cost per ERU (\$/month) ¹ |
| \$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>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 |

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

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.

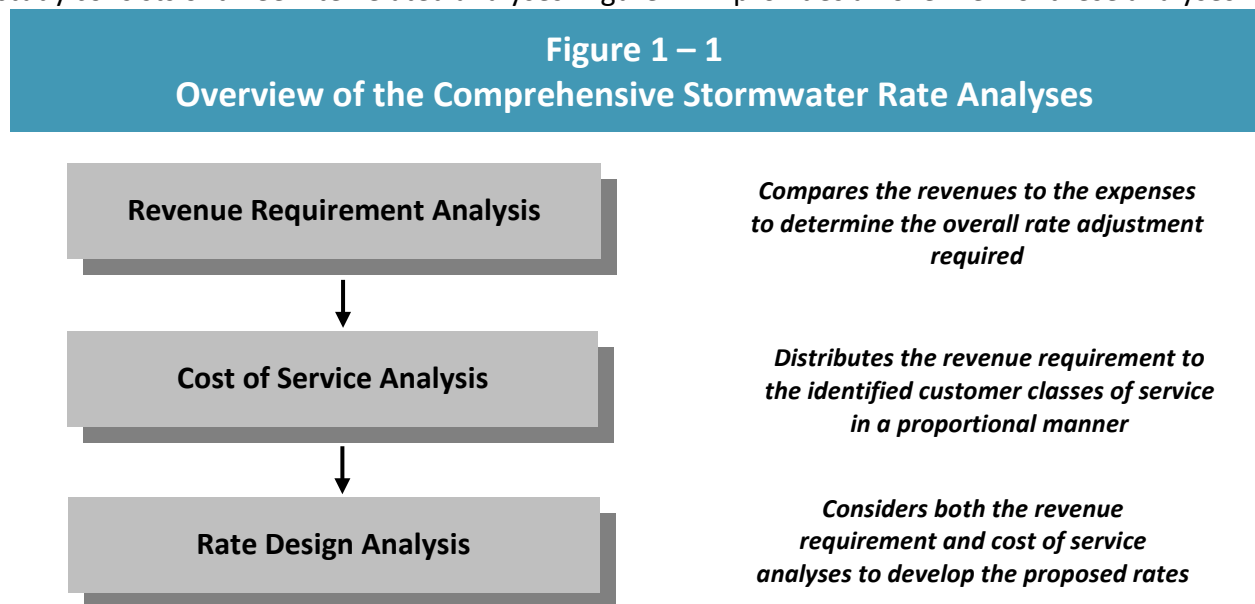
1.2 Goals and Objectives

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

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 basis¹ 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.

¹ “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 |
| = <u>Total Revenue Requirement</u> | = <u>Total Revenue Requirement</u> |

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

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

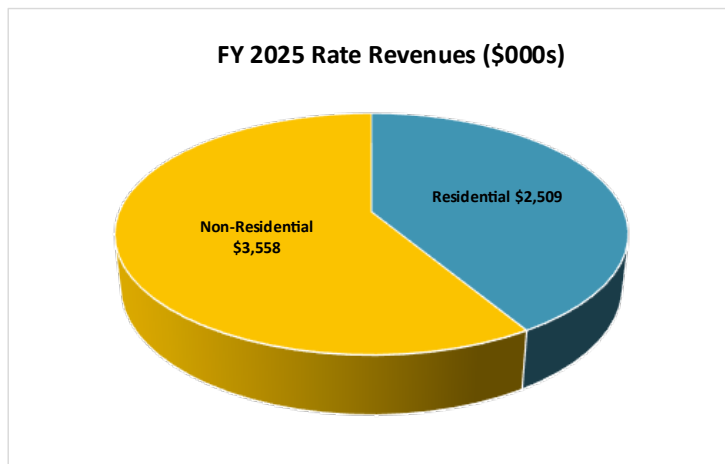
| | |
|---|---|
| + | Stormwater Operation and Maintenance Expenses |
| + | Transfers |
| + | Rate Funded Capital |
| + | Debt Service (Principal + Interest) – Existing and Future |
| ± | <u>Reserve Funding</u> |
| = | Total Stormwater Revenue Requirement |
| - | <u>Miscellaneous Revenues</u> |
| = | Net Revenue Requirement <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.

| Table 3 – 2 | | | | | | |
|---|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Summary of the Stormwater Capital Improvements (\$000) | | | | | | |
| | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
| 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> |
| Total Capital Improvement Projects | \$1,300 | \$2,650 | \$6,625 | \$10,192 | \$12,740 | \$13,250 |
| <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> |
| Total Other Funding Sources | \$1,300 | \$1,700 | \$0 | \$167 | \$0 | \$0 |
| Rate Funded Capital | \$0 | \$950 | \$6,625 | \$10,025 | \$12,740 | \$13,250 |

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 |
|-------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues | | | | | | |
| Rate Revenues | \$6,097 | \$6,128 | \$6,158 | \$6,189 | \$6,220 | \$6,251 |
| Other Revenues | 948 | 895 | 920 | 935 | 976 | 1,027 |
| Total Revenues | \$7,045 | \$7,023 | \$7,078 | \$7,125 | \$7,196 | \$7,278 |
| Expenses | | | | | | |
| 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> |
| Total Expenses | \$7,045 | \$12,121 | \$17,335 | \$21,129 | \$24,233 | \$25,148 |
| 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

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

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 A – Stormwater Analysis

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 |
|--|--------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | | | | |
| 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 |
| Total Revenues | \$6,989,275 | \$7,044,932 | \$7,022,689 | \$7,078,200 | \$7,124,521 | \$7,196,046 | \$7,278,167 | \$7,330,898 | \$7,399,120 |
| Expenses | | | | | | | | | |
| 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 | \$7,532,340 | \$9,196,577 | \$11,099,202 | \$17,140,797 | \$20,922,478 | \$24,030,642 | \$24,950,101 | \$25,851,676 | \$26,761,237 |
| Total Reserve Funding | (\$543,065) | (\$2,151,645) | \$1,021,836 | \$194,690 | \$206,130 | \$202,481 | \$198,282 | \$190,295 | \$196,070 |
| Total Revenue Requirement | \$6,989,275 | \$7,044,932 | \$12,121,038 | \$17,335,487 | \$21,128,608 | \$24,233,123 | \$25,148,383 | \$26,041,971 | \$26,957,306 |
| 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) |
| 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 |
| After Proposed Rate Adjustment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Ending Fund 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 |

City of Stockton
Stormwater Rate Study
Revenue Requirement Analysis
Exhibit 3

| | <i>Proj Yr End</i> | <i>Budget</i> | <i>Projected</i> | | | | | | | | <i>Notes</i> |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|
| | <i>FY 2025</i> | <i>FY 2026</i> | <i>FY 2027</i> | <i>FY 2028</i> | <i>FY 2029</i> | <i>FY 2030</i> | <i>FY 2031</i> | <i>FY 2032</i> | <i>FY 2033</i> | <i>FY 2034</i> | |
| Revenues | | | | | | | | | | | |
| Rate Revenues | | | | | | | | | | | |
| Residential | \$2,508,761 | \$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 | 3,558,240 | 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 |
| 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 | \$6,345,540 | |
| Miscellaneous Revenue | | | | | | | | | | | |
| Interest Income | \$175,000 | \$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 | 60,000 | 70,000 | 70,700 | 71,407 | 72,121 | 73,203 | 74,301 | 75,415 | 76,547 | 77,695 | Miscellaneous Revenues |
| Construction Inspections | 90,000 | 100,000 | 101,000 | 102,010 | 103,030 | 104,576 | 106,144 | 107,736 | 109,352 | 110,993 | Miscellaneous Revenues |
| Sw Quality Cntrl Crit Plan | 19,719 | 20,000 | 20,200 | 20,402 | 20,606 | 20,915 | 21,229 | 21,547 | 21,870 | 22,199 | Miscellaneous Revenues |
| Admin Fee Storm Drains | 110,569 | 117,176 | 118,348 | 119,531 | 120,727 | 122,537 | 124,376 | 126,241 | 128,135 | 130,057 | Miscellaneous Revenues |
| Agency Reimbursements | 360,800 | 371,444 | 375,158 | 378,910 | 382,699 | 388,440 | 394,266 | 400,180 | 406,183 | 412,276 | Miscellaneous Revenues |
| Fines & Penalties | 106,186 | 100,700 | 101,707 | 102,724 | 103,751 | 105,308 | 106,887 | 108,491 | 110,118 | 111,770 | Miscellaneous Revenues |
| Total Miscellaneous Revenue | \$922,274 | \$947,597 | \$894,867 | \$919,738 | \$935,267 | \$975,846 | \$1,026,866 | \$1,048,340 | \$1,085,150 | \$1,045,620 | |
| Total Revenues | \$6,989,275 | \$7,044,932 | \$7,022,689 | \$7,078,200 | \$7,124,521 | \$7,196,046 | \$7,278,167 | \$7,330,898 | \$7,399,120 | \$7,391,160 | |

City of Stockton
 Stormwater Rate Study
 Revenue Requirement Analysis
 Exhibit 3

| | <i>Proj Yr End</i> | <i>Budget</i> | <i>Projected</i> | | | | | | | | <i>Notes</i> |
|---------------------------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|
| | <i>FY 2025</i> | <i>FY 2026</i> | <i>FY 2027</i> | <i>FY 2028</i> | <i>FY 2029</i> | <i>FY 2030</i> | <i>FY 2031</i> | <i>FY 2032</i> | <i>FY 2033</i> | <i>FY 2034</i> | |
| Expenses | | | | | | | | | | | |
| Utility Billing | | | | | | | | | | | |
| 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 |
| Total Utility Billing | \$580,758 | \$591,528 | \$660,840 | \$684,402 | \$708,919 | \$734,438 | \$761,008 | \$788,682 | \$817,515 | \$847,567 | |
| Total Utility Billing Expenses | \$580,758 | \$591,528 | \$660,840 | \$684,402 | \$708,919 | \$734,438 | \$761,008 | \$788,682 | \$817,515 | \$847,567 | |

| | <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 | |
| Administration | | | | | | | | | | | |
| Employee Services | | | | | | | | | | | |
| 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 |
| Total Employee Services | \$809,223 | \$1,001,820 | \$1,227,986 | \$1,272,032 | \$1,317,832 | \$1,365,465 | \$1,415,012 | \$1,466,561 | \$1,520,202 | \$1,576,031 | |
| Other Services | | | | | | | | | | | |
| 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 |
| Total Other Services | \$1,261,270 | \$1,695,822 | \$1,591,159 | \$1,646,092 | \$1,703,225 | \$1,762,670 | \$1,824,548 | \$1,888,986 | \$1,956,123 | \$2,026,103 | |

| | <i>Proj Yr End</i> | <i>Budget</i> | <i>Projected</i> | | | | | | | | <i>Notes</i> |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|
| | <i>FY 2025</i> | <i>FY 2026</i> | <i>FY 2027</i> | <i>FY 2028</i> | <i>FY 2029</i> | <i>FY 2030</i> | <i>FY 2031</i> | <i>FY 2032</i> | <i>FY 2033</i> | <i>FY 2034</i> | |
| Materials & Supplies | | | | | | | | | | | |
| 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 |
| Total Materials & Supplies | \$84,299 | \$62,159 | \$64,192 | \$66,293 | \$68,462 | \$70,672 | \$72,953 | \$75,307 | \$77,738 | \$80,247 | |
| Other Expenses | | | | | | | | | | | |
| 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 |
| Total Other Expenses | \$185,981 | \$189,061 | \$195,041 | \$201,210 | \$207,575 | \$214,141 | \$220,915 | \$227,904 | \$235,115 | \$242,553 | |
| Total Administration Expenses | \$2,340,773 | \$2,948,862 | \$3,078,378 | \$3,185,627 | \$3,297,094 | \$3,412,948 | \$3,533,428 | \$3,658,759 | \$3,789,177 | \$3,924,934 | |
| Storm Pump Stations | | | | | | | | | | | |
| Employee Services | | | | | | | | | | | |
| 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 |
| Total Employee Services | \$1,928,886 | \$2,842,153 | \$3,482,612 | \$3,606,072 | \$3,734,375 | \$3,867,734 | \$4,006,374 | \$4,150,529 | \$4,300,447 | \$4,456,386 | |

City of Stockton
 Stormwater Rate Study
 Revenue Requirement Analysis
 Exhibit 3

| | <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 | | |
| Other Services | | | | | | | | | | | | |
| 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 | |
| Total Other Services | \$1,859,120 | \$2,150,493 | \$2,242,600 | \$2,333,014 | \$2,427,798 | \$2,522,897 | \$2,622,586 | \$2,727,151 | \$2,836,897 | \$2,952,153 | | |
| Materials & Supplies | | | | | | | | | | | | |
| 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 | |
| Total Materials & Supplies | \$821,373 | \$662,677 | \$683,883 | \$705,767 | \$728,351 | \$751,659 | \$775,712 | \$800,535 | \$826,152 | \$852,589 | | |

City of Stockton
 Stormwater Rate Study
 Revenue Requirement Analysis
 Exhibit 3

| | <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 | | |
| Other Expenses | | | | | | | | | | | | |
| Training | \$0 | \$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 |
| Total Other Expenses | \$1,430 | \$865 | \$889 | \$914 | \$940 | \$966 | \$993 | \$1,021 | \$1,049 | \$1,079 | | |
| Total Storm Pump Stations Expenses | \$4,610,809 | \$5,656,188 | \$6,409,984 | \$6,645,768 | \$6,891,464 | \$7,143,256 | \$7,405,665 | \$7,679,235 | \$7,964,544 | \$8,262,206 | | |
| CIP Related MUD Staff Cost | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | | |
| Total O&M Expenses | \$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 | \$13,034,707 | | |
| | | 22.09% | 10.36% | 3.61% | 3.63% | 3.61% | 3.63% | 3.65% | 3.67% | 3.69% | | |
| Taxes & Transfers | | | | | | | | | | | | |
| Taxes & Transfers | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | | |
| Total Taxes Taxes & Transfers | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | | |
| Rate Funded Capital | \$0 | \$0 | \$950,000 | \$6,625,000 | \$10,025,000 | \$12,740,000 | \$13,250,000 | \$13,725,000 | \$14,190,000 | \$14,300,000 | | FY 2022 Depr. Exp. \$1,684,553 |
| Debt Service | | | | | | | | | | | | |
| New Revenue Bonds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$260,206 | | Calculated |
| Total Debt Service | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$260,206 | | |
| <i>Less: Debt Service Funding</i> | | | | | | | | | | | | |
| Reserve Funding | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | | |
| Net Debt Service | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$260,206 | | |
| General Fund Back Payment | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | | Debt Schedule |
| Reserve Funding | | | | | | | | | | | | |
| 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 | | |
| Total Reserve Funding | (\$543,065) | (\$2,151,645) | \$1,021,836 | \$194,690 | \$206,130 | \$202,481 | \$198,282 | \$190,295 | \$196,070 | \$206,268 | | |
| Total Revenue Requirement | \$6,989,275 | \$7,044,932 | \$12,121,038 | \$17,335,487 | \$21,128,608 | \$24,233,123 | \$25,148,383 | \$26,041,971 | \$26,957,306 | \$27,801,181 | | |
| 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

| | <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 | |
| 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 | 0.00 |
| After Proposed Rate Adjustment | 0.00 | 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 | \$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 | \$6,102,616 | \$6,298,686 |
| Plus: To Reserve Fund | 0 | 0 | 1,021,836 | 194,690 | 206,130 | 202,481 | 198,282 | 190,295 | 196,070 | 196,070 | 206,268 |
| Less: Uses of Funds | (543,065) | (2,151,645) | 0 | 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 | \$6,298,686 | \$6,504,954 |
| <i>Target: 180 days of O&M</i> | <i>\$3,714,579</i> | <i>\$4,535,298</i> | <i>\$5,005,086</i> | <i>\$5,185,872</i> | <i>\$5,374,099</i> | <i>\$5,567,988</i> | <i>\$5,769,913</i> | <i>\$5,980,279</i> | <i>\$6,199,514</i> | <i>\$6,199,514</i> | <i>\$6,428,075</i> |
| 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 | \$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 | 0 |
| Less: Uses of Funds | 0 | 0 | 0 | 0 | (166,733) | 0 | 0 | 0 | (1,719,288) | (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 | \$1,348,442 | \$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 | \$7,647,127 | \$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 | \$6,199,514 | \$6,428,075 |
| <i>Target Bal. / (Def.)</i> | <i>\$4,672,464</i> | <i>(\$446,397)</i> | <i>\$275,891</i> | <i>\$381,295</i> | <i>\$232,466</i> | <i>\$2,813,966</i> | <i>\$3,210,138</i> | <i>\$3,190,067</i> | <i>\$1,447,613</i> | <i>\$1,447,613</i> | <i>\$1,218,754</i> |

180 days of O&M

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 |
|---|------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|
| CIP Projects | | | | | | | | | | | |
| 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 | |
| Total CIP Projects | \$0 | \$0 | \$779,762 | \$2,327,509 | \$1,035,468 | \$736,139 | \$298,513 | \$307,468 | \$316,693 | \$326,193 | |
| CIP Projects - State Funded | | | | | | | | | | | |
| Stockton Channel Water Quality Improvements | \$0 | \$1,300,000 | \$1,700,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Total CIP Projects - State Funded | \$0 | \$1,300,000 | \$1,700,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Master Plan CIP Projects | | | | | | | | | | | |
| 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 |
| Total Master Plan CIP Projects | \$0 | \$0 | \$0 | \$4,205,990 | \$9,156,265 | \$9,430,953 | \$12,551,672 | \$12,928,223 | \$19,592,596 | \$20,180,374 | |
| Future Unidentified Capital Projects | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$489,309 | \$0 | \$0 | |
| Transfer to Capital Reserve | \$0 | \$0 | \$170,239 | \$91,501 | \$0 | \$2,572,908 | \$399,815 | \$0 | \$0 | \$0 | |
| Total Capital Improvement Projects | \$0 | \$1,300,000 | \$2,650,000 | \$6,625,000 | \$10,191,733 | \$12,740,000 | \$13,250,000 | \$13,725,000 | \$19,909,288 | \$20,506,567 | |
| Less: Other Funding Sources | | | | | | | | | | | |
| 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 |
| Total Less: Other Funding Sources | \$0 | \$1,300,000 | \$1,700,000 | \$0 | \$166,733 | \$0 | \$0 | \$0 | \$5,719,288 | \$6,206,567 | |
| Rate Funded Capital | \$0 | \$0 | \$950,000 | \$6,625,000 | \$10,025,000 | \$12,740,000 | \$13,250,000 | \$13,725,000 | \$14,190,000 | \$14,300,000 | |

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

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

City of Stockton
Stormwater Rate Study
Average Unit Costs
Exhibit 7

| | Total |
|--------------------------------|--------------|
| Total Costs - \$ / ERU / Month | \$3.85 |
| Current Rates \$ / Month | \$2.10 |
| <hr/> | |
| Base Data: | |
| 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 |



Technical Appendix B – Proposition 218 Notice



City of Stockton
Municipal Utilities Department
2500 Navy Drive
Stockton, CA 95202



City of Stockton Proposed Adjustments to Stormwater Utility Rates

Review this public hearing notice, available in multiple languages, by scanning the QR code or visiting www.stocktonca.gov/stormrates.

Revise esta anuncio por una audiencia pública, disponible en múltiple idiomas, por escaneando el código QR o visitando www.stocktonca.gov/stormrates.

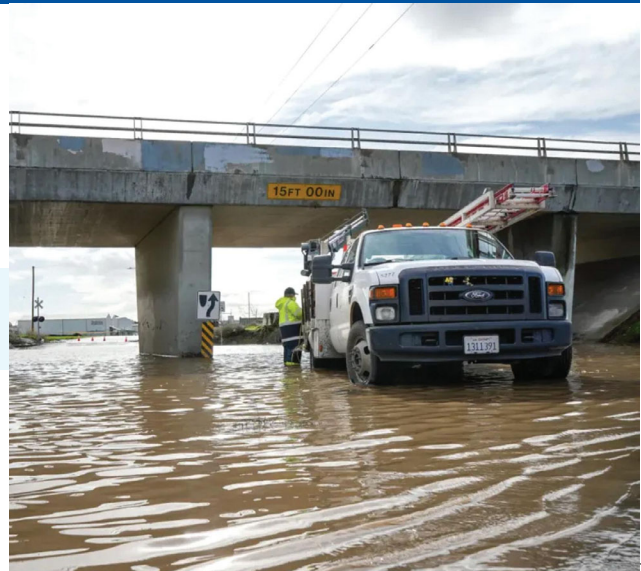


The City's Stormwater System is at a Breaking Point

The City of Stockton's stormwater system, which protects your property, is at a breaking point. Revenues from stormwater rates paid by property owners or customers of record do not cover the total cost of maintenance, repairs and needed improvements. That's because current stormwater rates were adopted in 1992 (34 years ago) and have never been increased. Reserve funds, which have been used to cover funding shortfalls, are nearly depleted.

Today, your stormwater utility needs additional revenues to avoid service level cuts, system failures and increased risks to your property, like flooding.

The City is proposing a gradual, five-year rate adjustment starting in fiscal year 2027 (August 1, 2026). If approved, the City will invest revenues in long overdue stormwater system maintenance and improvements. Even after year five, your stormwater rate will still be lower than other cities in the region.



Proposed Rate Adjustments Required for Safe, Reliable Stormwater System

The City operates and maintains a large network of storm drains, pipes, pump stations and stormwater holding ponds to collect and move stormwater from properties and into local waterways. Stormwater includes any water that flows off property—rainwater, water from sprinklers, water from hoses, etc.—along with water used for commercial/industrial purposes.

The stormwater system protects your property by:

- Preventing flood damage through collection and removal of stormwater
- Keeping pollutants like trash, oil, chemicals, sediment and sewage from entering local rivers, creeks, sloughs and the Delta

The system is aging and faces critical challenges:

- Current stormwater rate—\$2.10 per month for each Equivalent Dwelling Unit (EDU), about \$25 per year for a typical single-family home—was set in 1992 and has never been increased
- Existing stormwater rate revenues do not cover operations, maintenance, regulatory compliance and needed infrastructure improvements
- Budget reserves, which have been used to cover funding shortfalls, will soon be exhausted
- No funding for significant maintenance, repairs and improvements

Without additional funding, the stormwater utility will face an annual deficit of approximately \$5 million beginning in fiscal year 2027-28. **This may lead to system failures, slow or reduced emergency response, increased flood damage to properties, greater pollution of local waterways and potential fines for water quality violations.**

To avoid these issues and provide you with reliable service, the City is proposing a gradual five-year rate adjustment beginning August 1, 2026.

By law, rate revenues can only be used to:

- Fully fund stormwater operations, maintenance, and compliance with state and federal water quality regulations
- Pay for long-overdue stormwater system repairs and improvements identified in the City's 2023 Stormwater Master Plan (approximately \$285 million in needed projects)

Summary of Proposed Maximum Stormwater Rates

| Customer Classes | Start Date | | | | |
|---|----------------|--------------|--------------|--------------|--------------|
| | August 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| Rates Per Month | | | | | |
| Single Family Residential \$/Parcel | \$3.85 | \$5.60 | \$6.85 | \$7.85 | \$8.10 |
| Multi-Family \$/Living Unit* | \$3.85 | \$5.60 | \$6.85 | \$7.85 | \$8.10 |
| Non-Residential** | | | | | |
| Commercial 90% density factor | | | | | |
| Industrial 79% density factor | \$3.85 | \$5.60 | \$6.85 | \$7.85 | \$8.10 |
| Institutional 62% density factor | | | | | |

* Includes all residential accounts other than single-family (i.e., duplex, fourplex, apartment homes, etc.)

** Non-residential accounts are billed based on total acreage multiplied by a density factor and then divided by the EDU equivalent to determine the number of billed EDUs

Process for Proposed Rate Adjustments

As required by California Proposition 218, adoption of the proposed stormwater rates requires a two-step process:

1 Protest Hearing

City Council schedules a public hearing and directs staff to send this notice of proposed rate adjustments to all stormwater property owners or customers of record. You may submit written protests to the proposed rates any time before the public hearing closes.

- If more than 50% of property owners or customers of record submit protests, the rate setting process cannot move forward
- If 50% or fewer protest, the City Council may proceed to Step 2

Public Protest Hearing



Tuesday, March 31, 2026 | 5:30 p.m.

City of Stockton Council Chambers
425 N. El Dorado Street, Stockton, CA 95202

How to Submit a Written Protest

- Written protests must be delivered in person or by mail **before the close of the public hearing on Tuesday, March 31, 2026**, to:
 - Office of the City Clerk City Hall
425 N. El Dorado Street, Stockton, CA 95202
- Written protests must include:
 - Name and signature of the person submitting the written protest
 - Property address or Assessor's Parcel Number (APN)
 - Clear statement protesting the proposed rate adjustments (not necessary to give a reason, opposition alone is sufficient)
- Only one protest per parcel will be counted
- Protests may also be submitted in person to the City Clerk during the public hearing

2 Election and Public Hearing

The Stockton City Council may then direct staff to mail ballots to all property owners or customers of record, starting a 45-day election period that ends with a public hearing.

- Proposed stormwater rates may be adopted if more than half of the returned ballots are marked "yes"
- Stormwater rates cannot be adopted if more than half of the returned ballots are marked "no"

Learn More



Visit our Online Open House
www.stocktonca.gov/StormRates



Contact the Municipal Utilities Department
(209) 937-5001