

2025 Sewer Rate Study Board Recommendation

November 24, 2025



Agenda

- 1. General utility rate setting**
- 2. Financial Plan**
- 3. Cost of Service & Rate Design**
- 4. Proposed Rates and Survey**
- 5. AB 2257**
- 6. Capacity Charges**
- 7. Project Schedule**

Legal Requirements for Setting Water Rates In California

- Proposition 218 (Article XIID, Section 6 of California Constitution)
 - Revenues shall not exceed funds required to provide service; nor used for another purpose
 - Amount shall not exceed the proportional cost of the service attributable to the parcel
 - Service must be actually used or immediately available
 - Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).
- Many court decisions have clarified requirements

The Rate Setting Process

Revenue Requirements

Compares the revenues of each utility to its expenses to determine the overall level of annual rate adjustments to meet financial objectives

Cost-of-Service

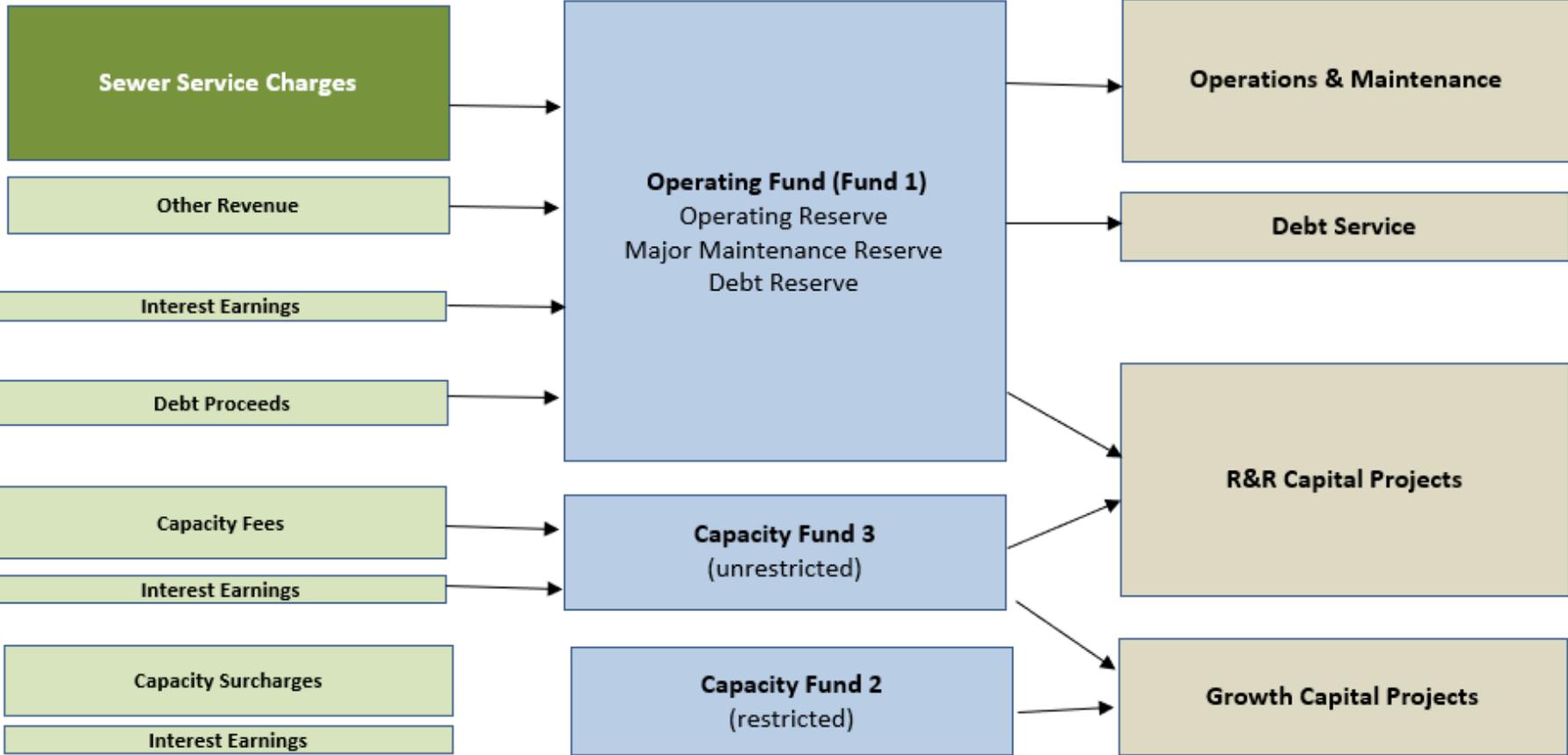
Equitably allocates the revenue requirements between the various customer classes of service on a proportionate basis

Rate Design

Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives

Financial Plan

Cash Flow Diagram



Estimated Cash Reserves

For fiscal year beginning July 1, 2025

Fund 1 (Operating Fund)	\$37,764,000
Fund 2 (Restricted Capacity Charges)	\$9,219,000
Fund 3 (Unrestricted Capacity Charges)	\$9,354,000
Total:	\$56,337,000

Revenue

FY2025/26 Budget

Rate Revenue	\$36,889,000
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Non-Rate Revenue

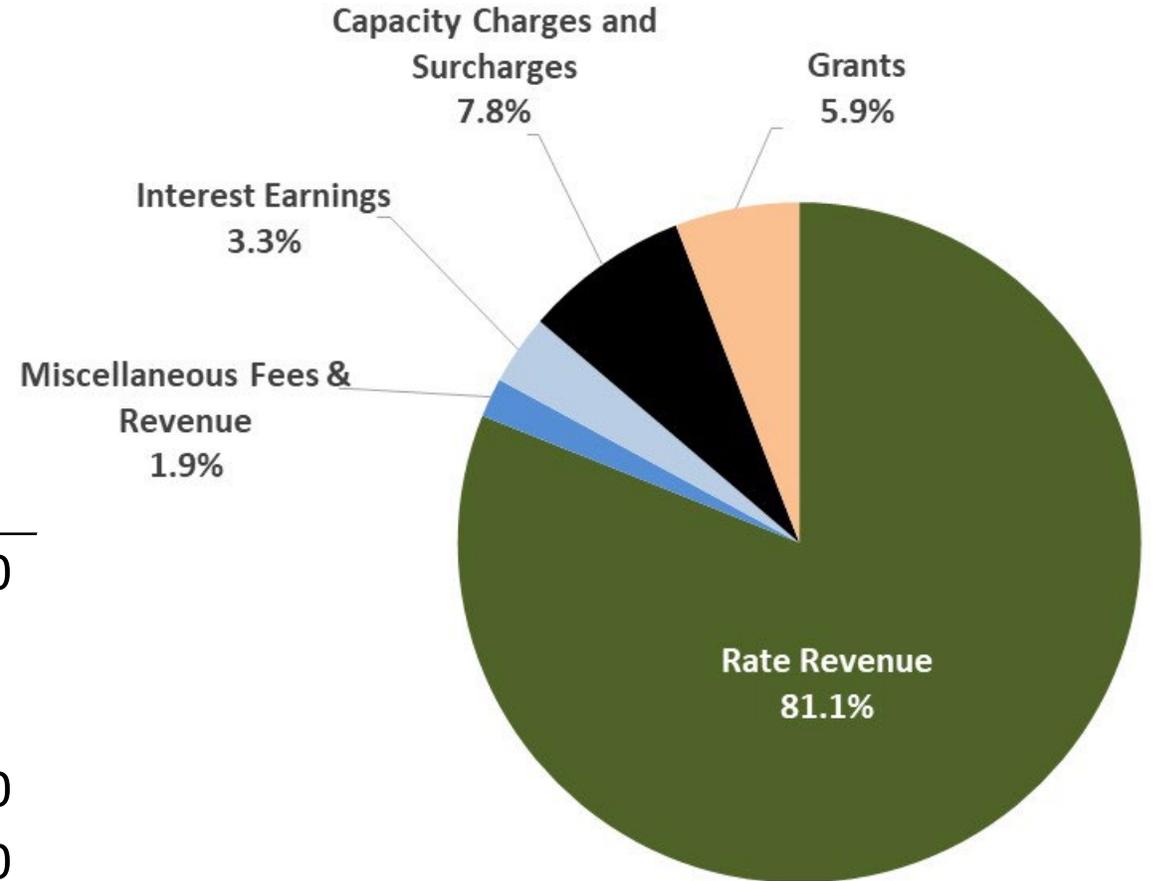
Miscellaneous Fees & Revenue	\$848,000
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Interest Earnings	\$1,516,000
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Capacity Charges and Surcharges	\$3,565,000
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Grants	\$2,677,000
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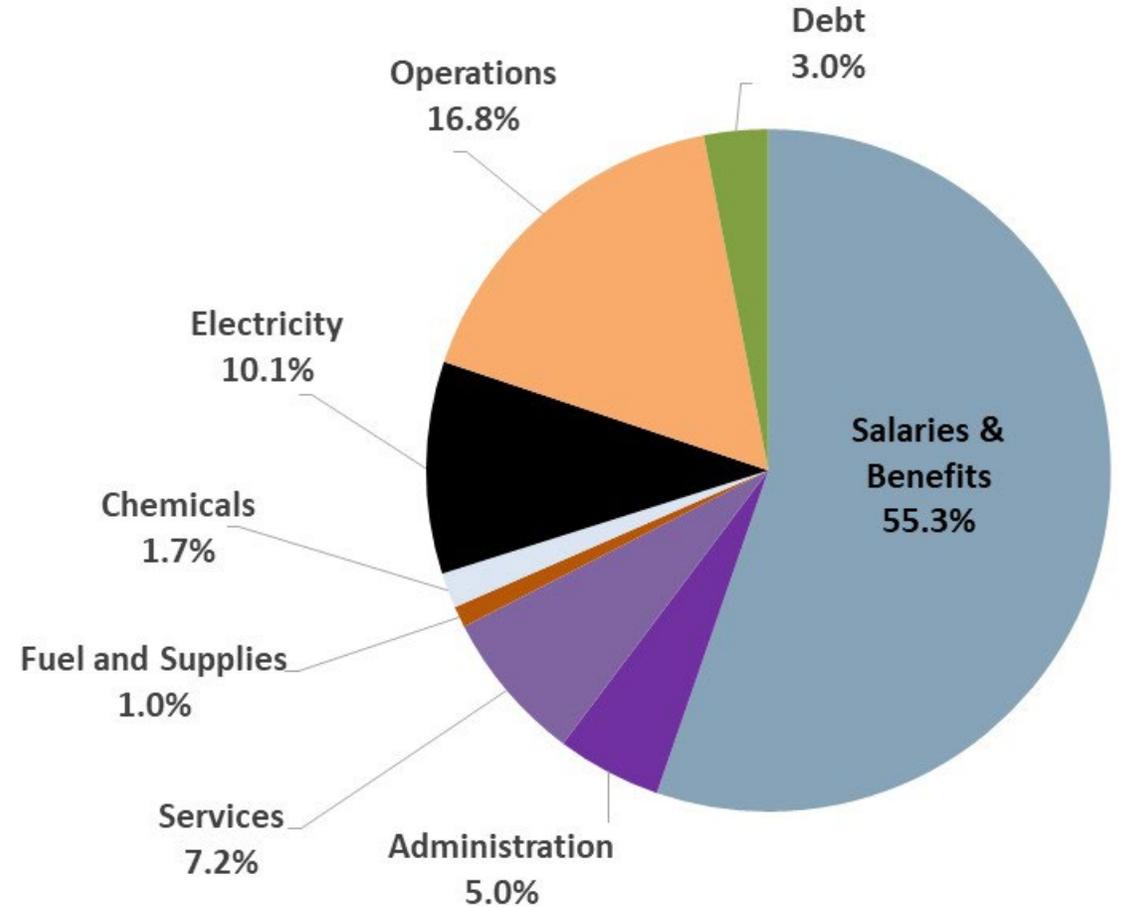
Total:	\$45,495,000
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Operating & Debt Service Expenses

FY2025/26 Budget

Salaries & Benefits	\$19,501,000
Administration	\$1,746,000
Services	\$2,537,000
Fuel and Supplies	\$354,000
Chemicals	\$590,000
Electricity	\$3,546,000
Operations	\$5,928,000
Debt	\$1,070,000
Total Operating and Debt	\$35,272,000



Increases to operating costs

	2021 Rate Study Forecast for FY26	Actual FY26 Budget	Difference	
			(\$)	(%)
Salaries and Benefits *	\$13,573,000	\$19,501,000	\$5,928,000	44%
Utilities **	\$2,372,000	\$3,546,000	\$1,174,000	49%
Liability Insurance	\$410,000	\$1,075,000	\$665,000	162%
Other	\$9,157,000	\$10,080,000	\$923,000	10%
Total	\$25,512,000	\$34,202,000	\$8,690,000	34%

* Salaries and benefits difference primarily driven by additional staff to increase from a workforce of ~60 employees to a workforce of ~70 employees. Includes HR Manager, IT Manager, additional O&M supervisors, additional operators, maintenance staff, engineers, and administration staff.

** Some increase in utility cost is temporary while the Bioenergy Generation Project is underway. Reduction in PG&E power expenditures forecast for FY 25/26.

TOTAL FTE COUNT

HISTORICAL DATA

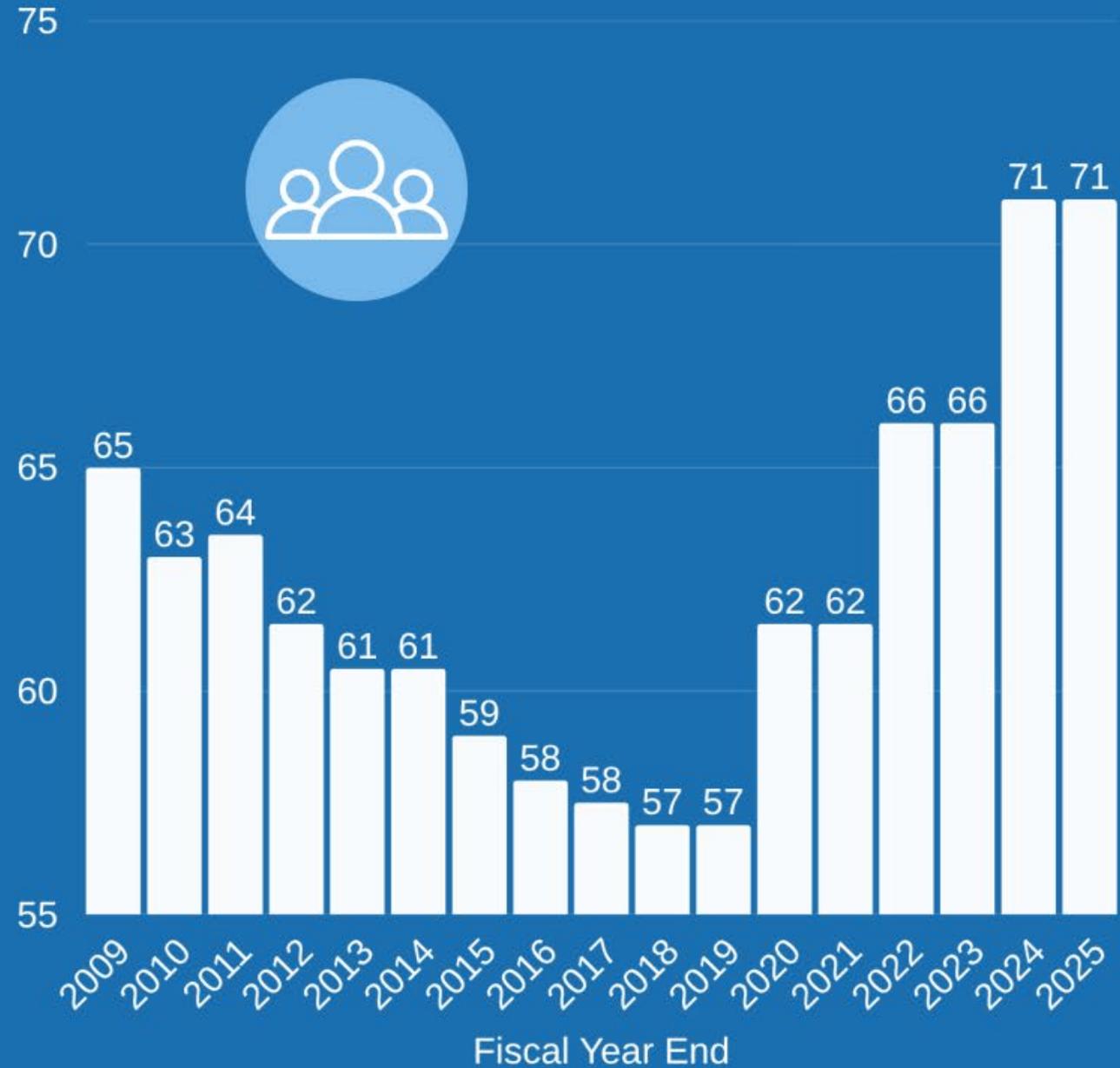


POSITIONS ADDED SINCE 2018

There has been a 25% increase in positions since 2018; which was the lowest FTE count in 10 years.

REASONS FOR INCREASE

- Improve public service
- Bring back essential positions for growth
- Meet staffing requirements for regulatory needs and capital improvement projects



Inflation Assumptions

- Insurance.....10% for 5 years, and then 5% thereafter
- Utilities, chemicals & health insurance..... 5% per year
- Salaries and Benefits and all other costs..... 3% per year

Existing Debt Obligations

- Two outstanding SRF Loans
- Combined annual debt service:
 - \$1.07 million through 2034...
 - ... and then \$333 thousand through 2040

Reserve Policies

Reserve policies are important for protecting the District against unforeseen circumstances, stabilizing revenue requirements, and contributing towards the District's credit rating.

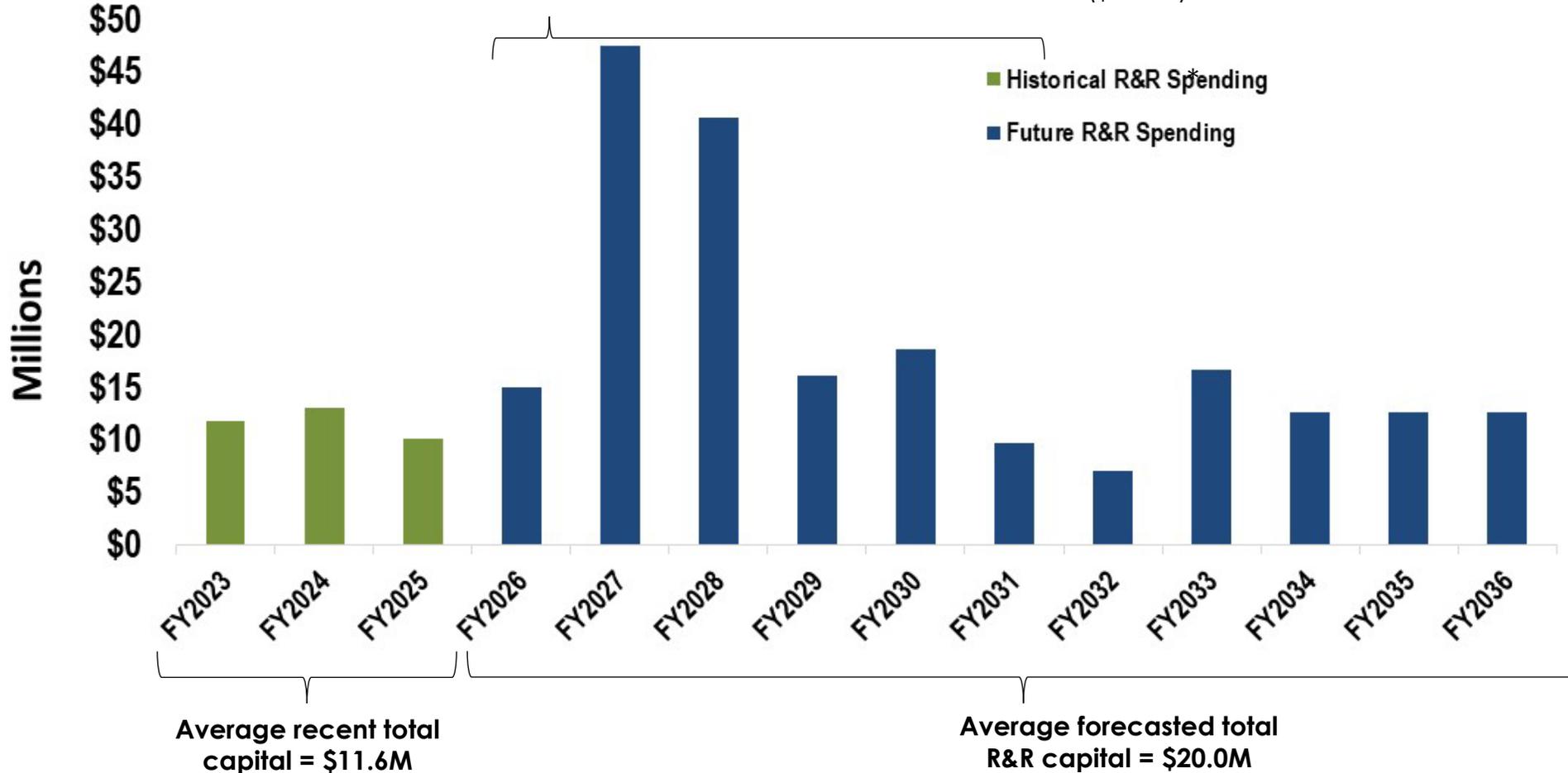
The following reserve targets are proposed by this Study and are consistent with recent District practices.

- “Minimum Reserve”* { **Operating Reserve:** Maintain a reserve equal to 3 months of O&M budget (25%) making the current target about \$8.5 million.
- Debt Reserve:** Maintain a reserve equal to one year of debt service (reserve target is currently \$1.07 million)
- “Target Reserve”* **Major Maintenance Reserve (recommendation):** Target a reserve level equal to 100% of 5-year average annual capital spending (a target of about \$11 million currently).

Recent and Projected R&R* Capital Spending

Potential Debt Funded Projects:

- Suisun Force Main Rehabilitation (\$68M)
- Electrical Replacement (\$15.2M)
- A/B Train Aeration Basin Anoxic Zones - Phase 1 (\$13.5M)



* R&R = repair and rehabilitation (as opposed to expansion projects)

Capital Project Highlights

Suisun Force Main Reliability

- Existing 3-mile pipeline that transports raw sewage to the WWTP.
- The pipe is 50 years old and has been in continuous service. No ability to take offline for inspection.
- SFM passes through downtown Suisun City, crosses Highway 12, the Union Pacific Railroad, and sensitive habitat.
- **Solution:** Construct a new dual force main that minimizes disruption while providing cost effectiveness and ensuring sustainable operation.

Electrical Replacement Project

- Major electrical substation at WWTP is 50 years old and reaching end of useful life—parts are failing and replacement parts are unavailable.
- Suisun Pump Station has unconventional backup system utilizing diesel-engine-driven pumps during power failure. Engine drives are aging, have control issues, and are causing loss of performance from pumps.
- **Solution:** replace electrical substation at WWTP with new, reliable, consistently-configured gear; install a single diesel generator at Suisun Pump Station to provide electrical pump backup.

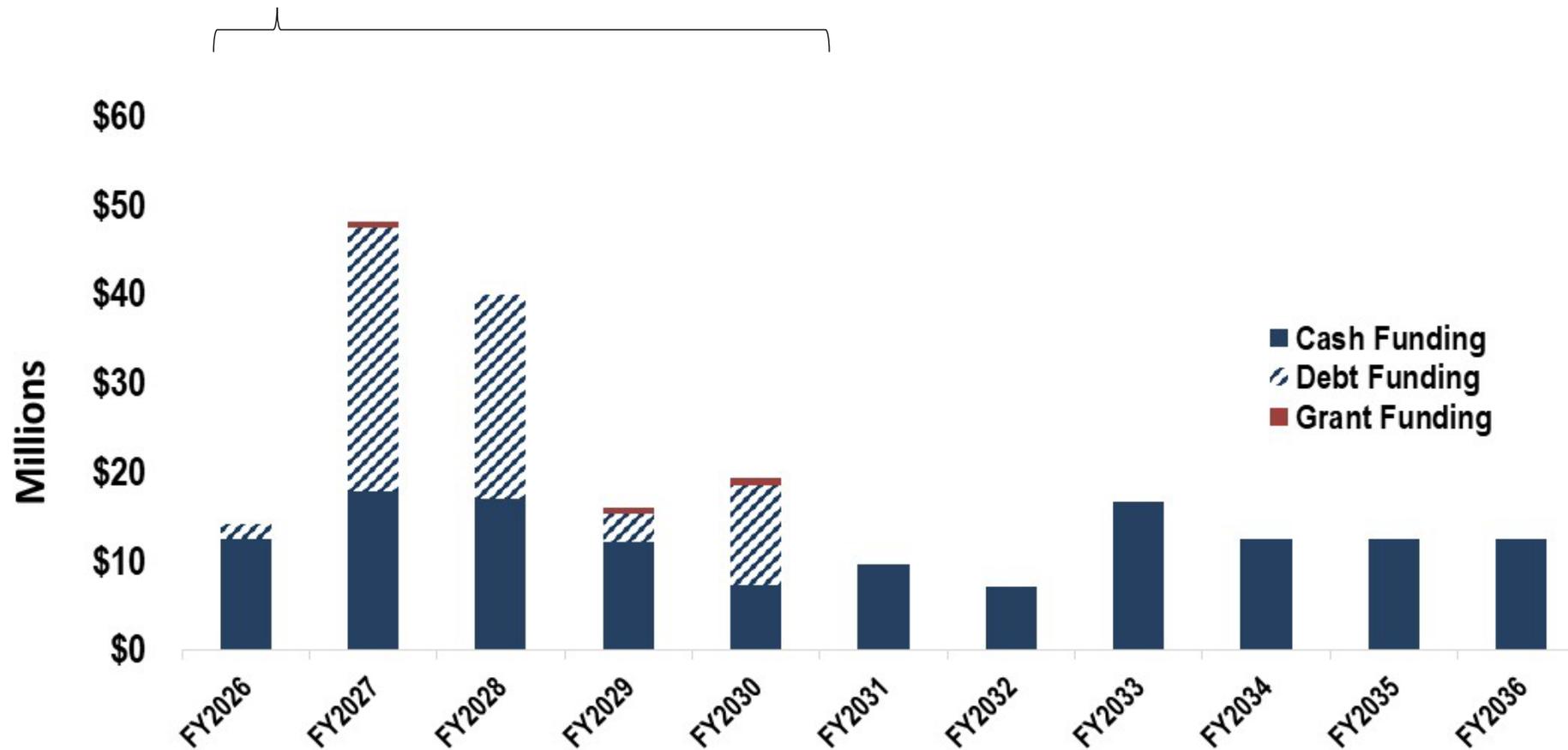
A/B Train Aeration Basin Anoxic Zones - Phase 1

- 2024 Nutrient Watershed Permit requires FSSD to decrease nitrogen discharge to Boynton Slough by ~40% by 2035.
- Two phase project designed to achieve final design parameters.
- **Solution:** Phase 1 implements anoxic zones in Trains A and B, implements reliable electrical power configuration for aeration basins.
- Future Phase 2: implement additional piping and pumping to optimize for nitrogen removal

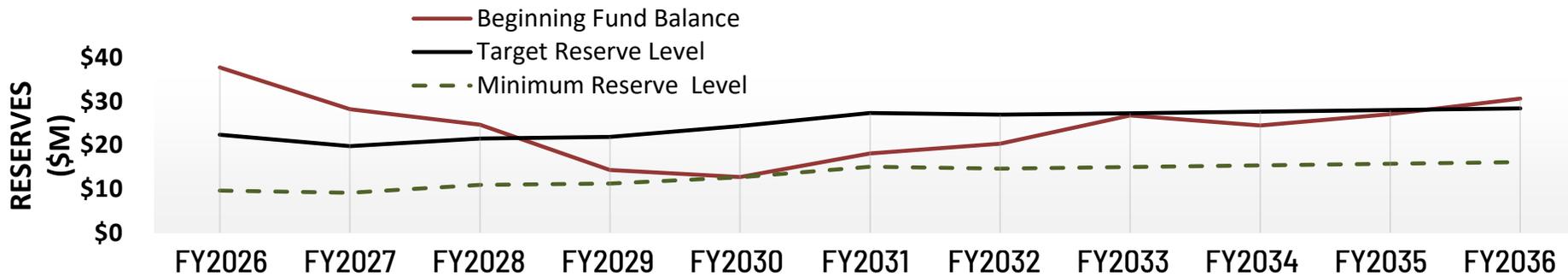
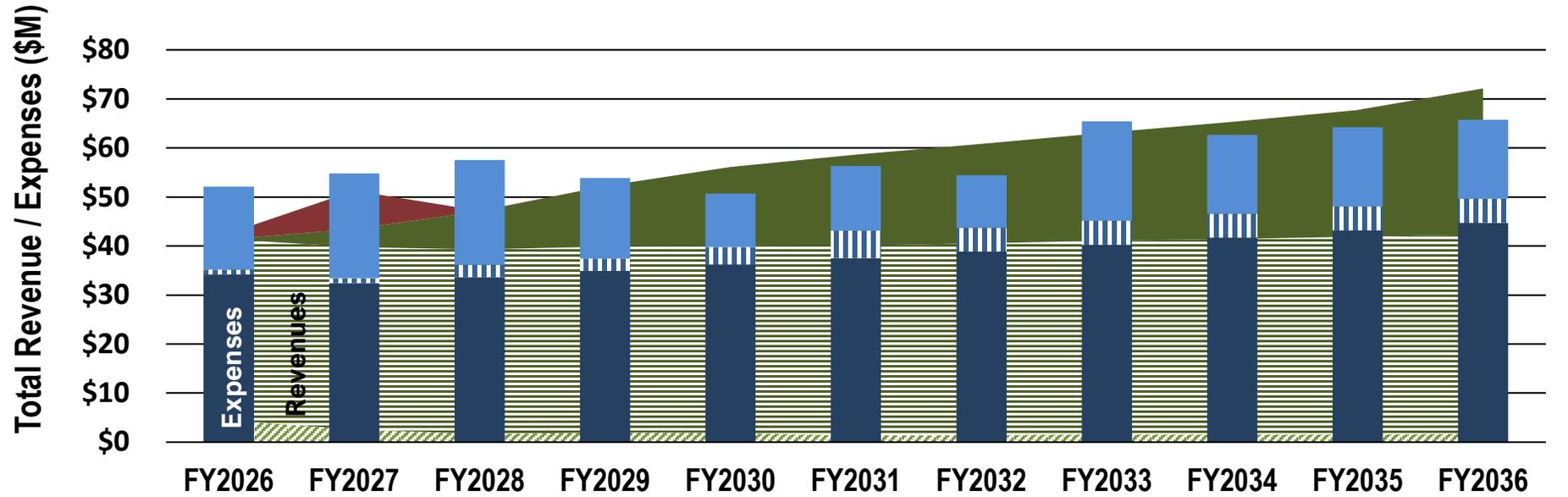
Debt Strategy

Debt Funded Projects:

- Suisun Force Main Rehabilitation (\$53M)
- Electrical Replacement (\$22.1M)



Financial Forecast



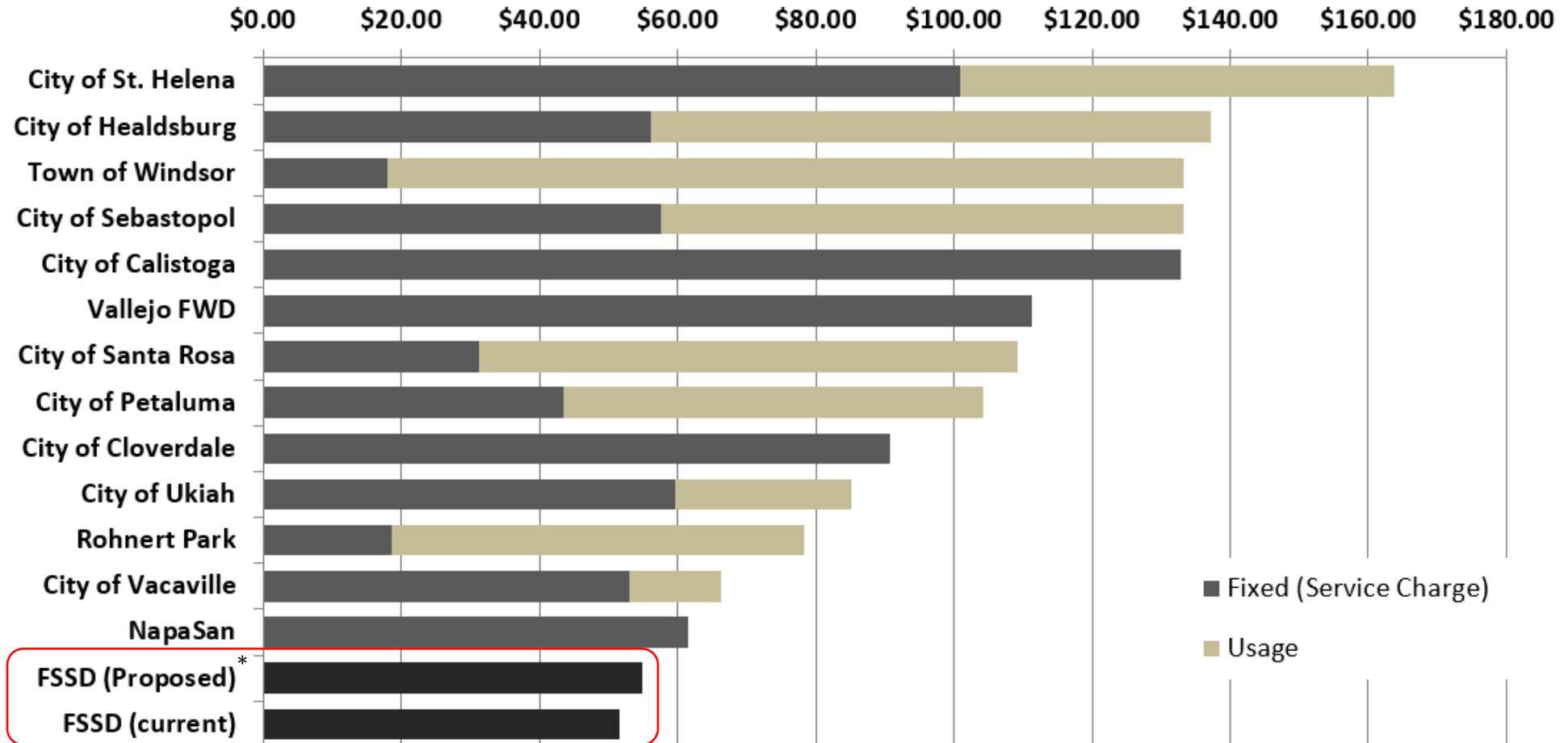
	Proposed					Forecasted				
Rate Revenue Increase:	10.0%	10.0%	10.0%	7.0%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Debt Coverage Ratio:	13.18	6.47	7.59	6.05	4.16	4.92	5.07	5.19	5.30	5.82
Debt Proceeds:	\$1.7M	\$29.7M	\$22.9M	\$3.2M	\$11.2M					

Compounded 5-Year Increase: 50%
 Compounded 10-Year Increase: 73%

Survey

Monthly Sewer Service Charges for Single Family Homes

(assumes 7 HCF of winter water usage)



* With 10% rate increase

Current Sewer Rates

Residential (monthly)	\$51.62 per dwelling unit
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Commercial	
Regular Strength Volumetric or High Strength Volumetric	\$4.13 per HCF \$7.14 per HCF

Case-by-Case	
Volumetric and BOD (by weight) and TSS (by weight)	\$3,433.67 per MG \$577.37 per thousand lbs \$293.02 per thousand lbs

Travis Air Force Base Volumetric	\$3.33 per HCF
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HCF = hundred cubic feet (748 gallons)

MG = million gallons

Cost Allocation

Account Charge (per account or dwelling unit)

- Customer service costs and other fixed operating costs

Usage Charge (based on estimated wastewater flows)

- For collection and treatment flow-related costs
- Collection system costs parsed into “local” vs. “general”

Strength Charges (based on loadings)

- Allocated based on estimated BOD & TSS strength

	Proposed Year 1	<u>Change*</u>
Residential (monthly)	\$54.91 per dwelling unit	6.4%
Commercial		
Monthly Account Charge and	\$17.13 per account per mo.	24.8%
Regular Strength Volumetric <u>or</u>	\$4.56 per HCF	10.4%
High Strength Volumetric	\$7.81 per HCF	9.4%
Case-by-Case		
Monthly Account Charge and	\$17.13 per account per mo.	24.8%
Volumetric (direct connect) <u>or</u>	\$3,823.53 per MG	11.4%
Volumetric (through local collection) and	\$5,601.60 per MG	11.1%
BOD (by weight) and	\$605.32 per 1000 lbs	4.8%
TSS (by weight)	\$324.73 per 1000 lbs	10.8%
Travis Air Force Base Volumetric	\$3.67 per HCF	10.2%

The increase to residential accounts in Year 1 will be **\$3.29** per month

* Not equal to 10% due to cost-of-service updates. Rate increases after Year 1 are uniform.

Proposed 5-Year Rate Schedule

Effective Date:	Proposed Rates					
	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030	
Residential (monthly)	\$54.91	\$60.40	\$66.44	\$73.08	\$78.20	per dwelling unit
Commercial						
Monthly Account Charge and Regular Strength Volumetric <u>or</u> High Strength Volumetric	\$17.13	\$18.84	\$20.72	\$22.79	\$24.39	per account per mo.
	\$4.56	\$5.02	\$5.52	\$6.07	\$6.49	per HCF
	\$7.81	\$8.59	\$9.45	\$10.40	\$11.13	per HCF
Case-by-Case						
Monthly Account Charge and Volumetric (direct connect) <u>or</u> Volumetric (through local collection) and BOD (by weight) and TSS (by weight)	\$17.13	\$18.84	\$20.72	\$22.79	\$24.39	per account per mo.
	\$3,823.53	\$4,205.88	\$4,626.47	\$5,089.12	\$5,445.36	per MG
	\$5,601.60	\$6,161.76	\$6,777.94	\$7,455.73	\$7,977.63	per MG
	\$605.32	\$665.85	\$732.44	\$805.68	\$862.08	per 1000 lbs
	\$324.73	\$357.20	\$392.92	\$432.21	\$462.46	per 1000 lbs
Travis Air Force Base (volumetric)	\$3.67	\$4.04	\$4.44	\$4.88	\$5.22	per HCF

Change to Residential Accounts: \$3.29 \$5.49 \$6.04 \$6.64 \$5.12 per dwelling unit

Capacity Charge Study

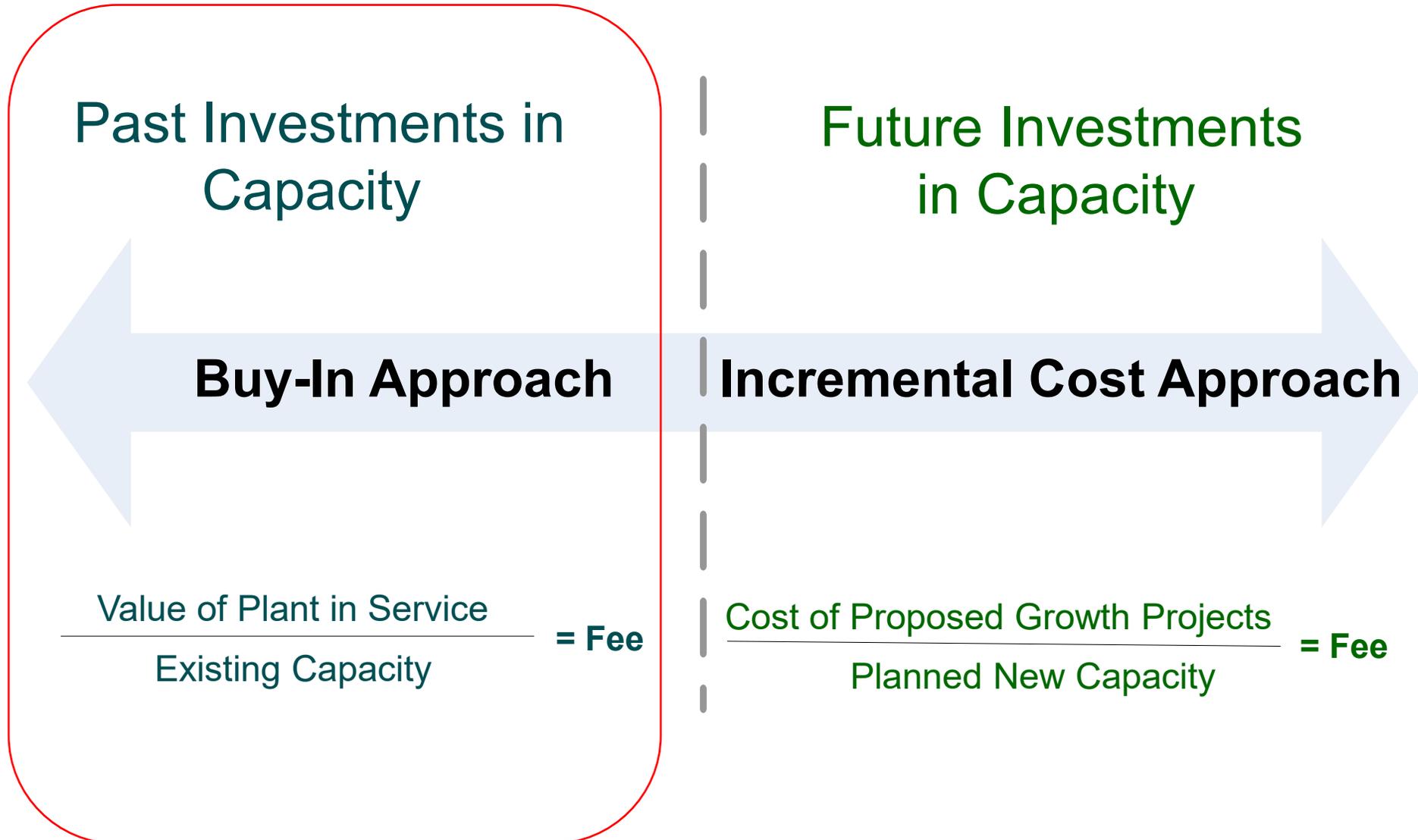
Capacity Charges

- Capacity charges are the one-time fees charged to new development for capacity in the sewer system.
- Fee calculations were last calculated in 2022.

Legal Standard

- Section 66013 of the Government Code states that capital facility fees shall not exceed the ***estimated reasonable cost*** of providing the service for which the charges are imposed.

Common Capacity Charge Approaches



Estimated System Value

Replacement Cost:	\$926,377,000
Estimated Depreciation: -	<u>57.4%</u>
Replacement Cost Net Less Depreciation (RCNLD):	\$531,740,000
Less outstanding principal on long-term debt:	-\$7,811,000
Plus existing Major Maintenance Fund reserves:	\$28,143,000
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Total System Value:	\$552,072,000

Unit Cost Calculation

	Total	Flow (HCF per year)	BOD (lbs/year)	SS (lbs/year)
		Functional Allocation ¹		
		74.81%	19.73%	5.46%
Existing System Value:	\$552,072,000	\$413,005,000	\$108,924,000	\$30,143,000
Estimated Current Flow & Loadings ² :		11,221,000 gpd	27,100 (lbs/year)	22,100 (lbs/year)
Unit Cost:		\$36.81 \$ / gpd	\$4,019.34 \$ / annual lbs	\$1,363.94 \$ / annual lbs

¹ Based on previous asset-value costs allocation study

² Based rate study analysis

Residential Capacity Charge per equivalent dwelling unit (EDU)

Average Residential
Flow

$$162.5 \text{ gpd} \times \$36.81 / \text{gpd} = \mathbf{\$5,940}$$

+

$$0.407 \text{ lbs BOD} \times \$4,019.34 \text{ per lbs BOD} = \mathbf{\$1,640}$$

+

$$0.298 \text{ lbs TSS} \times \$1,363.94 \text{ per lbs TSS} = \mathbf{\$410}$$

Average Residential
Loadings

$$= \mathbf{\$8,030 \text{ per EDU}}$$

(current charge is \$7,056, which is a 13.8% increase)

Application of Capacity Charges

- **Residential**

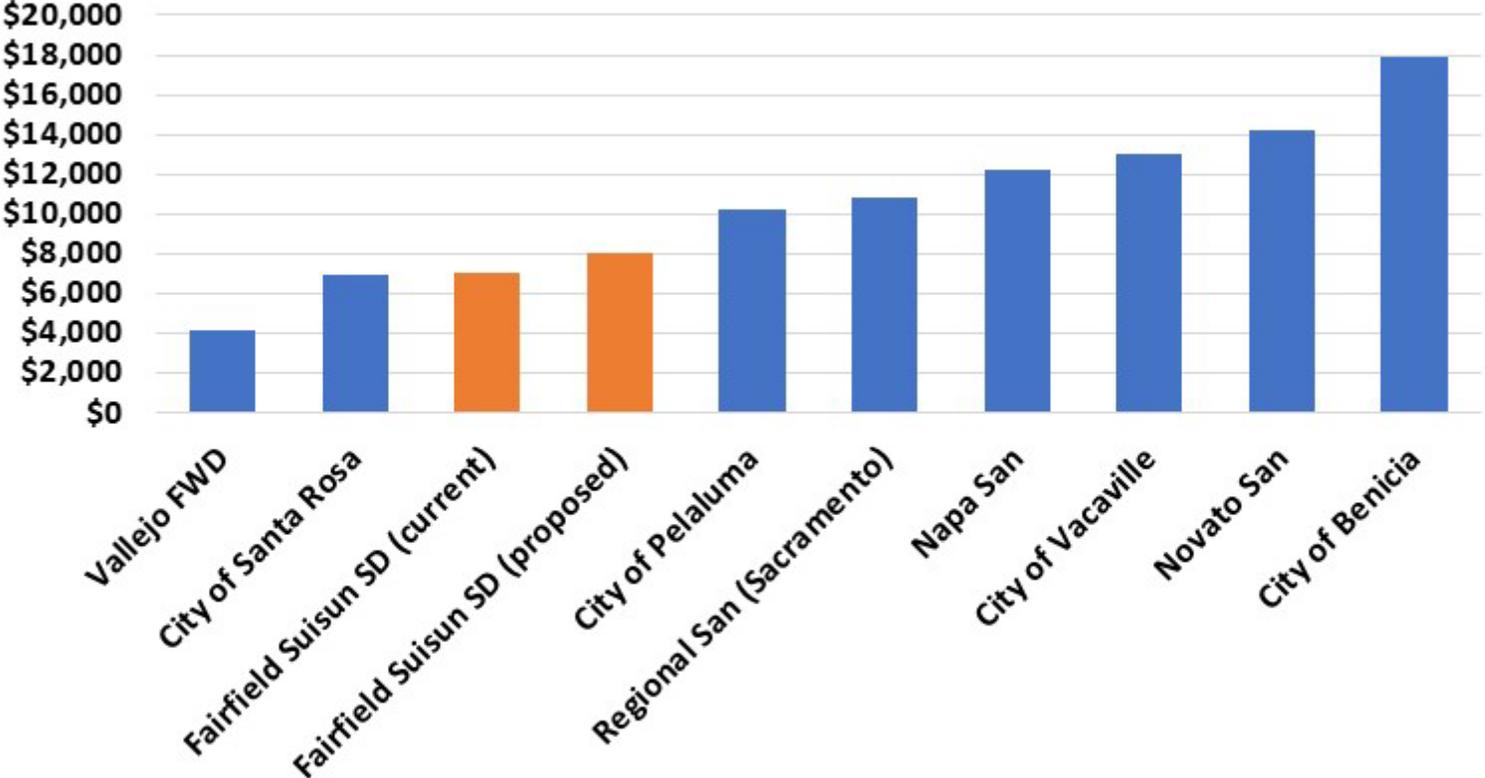
- All dwelling units (single family, multifamily, etc.) will receive the same charge based on fact that most dwelling units have the same potential for capacity needs

- **Non-Residential**

- Equivalent Dwelling Units (EDU) are assigned to non-residential accounts based on the EDU table in Ordinance 2024-01, based on account type and building square footage.

Survey of Regional Capacity Charges

for Single Family Homes



AB 2257

- Enacted in September 2024
- Establishes formal objection procedure for ratepayers to raise concerns about potential increases
- Designed to address disputes during public participation period
- Creates an exhaustion of administrative remedies procedure
- Requires ratepayers to bring objection prior to the deadline established as part of the rate setting process
- Enhances ratepayer engagement and permits agency to resolve factual issues

Implementing AB 2257

- Adopt procedure for establishing “Exhaustion of Administrative Remedies”
- Procedures would be noticed on District’s website and in Prop 218 Notice (minimum 45 days)
- Receive “Written Objections”
 - Objections are eligible until the close of the specified deadline (prior to Public Hearing)
- District would prepare written responses to Objections
- Hold Public Hearing
- Vote to adopt rates (if majority protest does not exist)

Project Schedule

- ✓ November 17 Executive Committee Presentation ✓
- ✓ November 24 Board Presentation ✓
- ✓ February 7 Deadline to mail 218 notices
- ✓ March 22 Deadline to receive Objections (2257)
- ✓ April 27 Public Hearing