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City Manager's Report

April 14, 2026 City Council Meeting

Prepared by: Dave Warren, City Manager

Item #: 11.1

Subject: Consider approving the 2026 Water and Wastewater Rate Study prepared by Bartle Wells Associates, the bi-monthly water rates and drought water rates recommended by Bartle Wells Associates effective April 16, 2026, the pass through of any wholesale water rate increase from El Dorado Irrigation District to the City's water rates as allowed under California Government Code Section 53756, a limitation on ratepayer water leak adjustments to one billing period once every two years effective April 16, 2026, a 2.50% credit/debit card convenience fee effective July 10, 2026, the bi-monthly wastewater rates recommended by Bartle Wells Associates effective April 16, 2026, and eliminating the vacant home sewer charge discount program effective April 16, 2026.

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1. Adopt a resolution:
 - A. Approving the 2026 Water Rate Study prepared by Bartle Wells Associates; and
 - B. Approving the bi-monthly water rates and drought rates recommended by Bartle Wells Associates effective April 16, 2026; and
 - C. Approving the pass through of any wholesale water rate increase from El Dorado Irrigation District to the City's water rates as allowed under California Government Code Section 53756.
 - D. Approving a limitation on ratepayer water leak adjustments to one billing period once every two years effective April 16, 2026; and
 - E. Approving a 2.50% credit/debit card convenience fee effective July 10, 2026.
 2. Adopt a resolution:
 - A. Approving the 2026 Wastewater Rate Study prepared by Bartle Wells Associates; and
 - B. Approving the bi-monthly wastewater rates recommended by Bartle Wells Associates effective April 16, 2026; and
 - C. Approving a limitation on ratepayer water leak adjustments affecting wastewater charges to one billing period once every two years effective April 16, 2016; and
 - D. Approving a 2.50% credit/debit card convenience fee effective July 10, 2026; and
 - E. Eliminating the vacant home sewer charge discount program effective April 16, 2026.

Purpose:

To hold a Public Hearing and adopt the proposed water, drought water, and wastewater rates in accordance with Proposition 218.

Strategic Plan Strategy:

Fiscal Stability/Sustainability: 2) Strategy - Increase Revenues. b. Perform and implement new five-year water and wastewater rate study.

Background:

At its meeting held on November 9, 2022, the City Council approved an agreement with Bartle Wells Associates (BWA) to perform the rate study in the amount of \$29,000.00. Since that time, staff and BWA have made steady progress on preparing the study and associated analysis. A study update was

presented to the City Council on May 14, 2024. Staff met with the Measures H/L Sales Tax Committee several times to evaluate the proposed use of additional Measure H Funds for Sewer Enterprise Fund debt service. On January 22, 2026, the City Council held a Sewer and Water Rate Workshop and the initial results of the Water and Sewer Cost of Service Study were discussed including potential rate reduction measures that could minimize the proposed increases. The Council gave general direction to staff to provide an additional rate option including certain reduction measures.

At its meeting held on February 10, 2026, staff presented Option #2 water and wastewater rates which assume a reduction of 1.00 percentage point each year in the first two years of the rate schedule. The City Council had further discussion about the proposed water, drought water, and wastewater rates for the next five years, directed staff to distribute a Proposition 218 Rate Notice with the Option #2 rates to affected property owners, and set a Proposition 218 Public Hearing for April 14, 2026.

Discussion:

At the Sewer and Water Rate Study Workshop, staff presented the initial draft rates over the next five years. At its meeting held on February 10, 2026, the City Council selected the option #2 wastewater rates, which assumes the following rate reduction measures:

- Elimination of the vacant home sewer charge discount program
- Reforms to the water the leak adjustment past practice
 - Limiting an adjustment to once every two years
 - Limiting an adjustment to one billing period only
- Implementation a new 2.50% credit/debit card convenience fee
 - No fee for cash, checks, or ACH/echecks

The current and proposed water rates are as follows:

Bi-Monthly Water Rate Category	Current Rates	Effective 04/16/26	Effective 04/16/27	Effective 04/16/28	Effective 04/16/29	Effective 04/16/30
<i>Commercial & Residential Rates</i>						
Base Charge	\$25.73	\$29.33	\$33.44	\$38.12	\$42.69	\$47.82
Commodity Charge (All Uses, Per CCF)*	\$5.17	\$5.89	\$6.72	\$7.66	\$8.58	\$9.61
<i>Residential-Lifeline Rates</i>						
Base Charge	\$19.30	\$22.00	\$25.08	\$28.59	\$32.03	\$35.87
Commodity Charge (All Uses, Per CCF)*	\$3.88	\$4.42	\$5.04	\$5.75	\$6.44	\$7.21

*Rates are per hundred cubic feet (CCF) or approximately 750 gallons of water.

Note: Water rates subject to automatic “pass through” increases based on increases in the price of water from El Dorado Irrigation District.

Bi-Monthly Drought Water Rate Category	Current Rates	Effective 04/16/26	Effective 04/16/27	Effective 04/16/28	Effective 04/16/29	Effective 04/16/30
Commercial & Residential Rates						
Base Charge	\$25.73	\$29.33	\$33.44	\$38.12	\$42.69	\$47.82
Commodity Charge (All Uses, Per CCF)*	\$5.97	\$6.81	\$7.76	\$8.84	\$9.91	\$11.09
Residential-Lifeline Rates						
Base Charge	\$19.30	\$22.00	\$25.08	\$28.59	\$32.03	\$35.87
Commodity Charge (All Uses, Per CCF)*	\$4.48	\$5.11	\$5.82	\$6.64	\$7.43	\$8.33

Note: The drought rates could be implemented after the City, El Dorado Irrigation District, and/or the State of California declares a drought.

The current and proposed wastewater rates are as follows:

Bi-Monthly Wastewater Rates	Current Rates		Rates Effective 04/16/26		Rates Effective 04/16/27		Rates Effective 04/16/28		Rates Effective 04/16/29		Rates Effective 04/16/30	
	Base Charge - First 7.5 CCF*	Per CCF over 7.5 CCF*	Base Charge - First 7.5 CCF*	Per CCF over 7.5 CCF*	Base Charge - First 7.5 CCF*	Per CCF over 7.5 CCF*	Base Charge - First 7.5 CCF*	Per CCF over 7.5 CCF*	Base Charge - First 7.5 CCF*	Per CCF over 7.5 CCF*	Base Charge - First 7.5 CCF*	Per CCF over 7.5 CCF*
<i>Consumption Based - Per 100 Cubic Feet</i>												
<u>Residential:</u>												
Single Family	\$205.81	\$9.53	\$232.57	\$10.77	\$251.17	\$11.63	\$268.75	\$12.44	\$287.57	\$13.32	\$307.69	\$14.25
Lifeline	\$154.36	\$7.15	\$174.43	\$8.08	\$188.38	\$8.73	\$201.57	\$9.34	\$215.68	\$9.99	\$230.77	\$10.69
Apartment Units	\$185.24	\$9.53	\$209.32	\$10.77	\$226.07	\$11.63	\$241.89	\$12.44	\$258.82	\$13.32	\$276.94	\$14.25
<u>Non-Residential:</u>												
Retail Stores and Offices	\$182.80	\$19.13	\$206.56	\$21.62	\$223.09	\$23.35	\$238.71	\$24.98	\$255.41	\$26.73	\$273.29	\$28.60
Service Stations	\$217.73	\$23.00	\$246.03	\$25.99	\$265.72	\$28.07	\$284.32	\$30.03	\$304.22	\$32.14	\$325.52	\$34.39
Motel - Hotel Rooms (w/o kitchens)	\$217.11	\$16.26	\$245.33	\$18.37	\$264.96	\$19.84	\$283.51	\$21.23	\$303.35	\$22.72	\$324.59	\$24.31
Restaurants	\$415.66	\$23.63	\$469.70	\$26.70	\$507.27	\$28.84	\$542.78	\$30.86	\$580.78	\$33.02	\$621.43	\$35.33
Fast Food Service	\$357.49	\$19.39	\$403.96	\$21.91	\$436.28	\$23.66	\$466.82	\$25.32	\$499.50	\$27.09	\$534.46	\$28.99
Coffee Shops	\$270.14	\$19.27	\$305.26	\$21.78	\$329.68	\$23.52	\$352.76	\$25.16	\$377.45	\$26.92	\$403.87	\$28.81
Laundromats / Laundry	\$174.11	\$19.49	\$196.74	\$22.02	\$212.48	\$23.79	\$227.36	\$25.45	\$243.27	\$27.23	\$260.30	\$29.14
Hospitals	\$200.79	\$21.12	\$226.89	\$23.87	\$245.04	\$25.77	\$262.20	\$27.58	\$280.55	\$29.51	\$300.19	\$31.58
Resthomes	\$193.26	\$20.47	\$218.38	\$23.13	\$235.85	\$24.98	\$252.36	\$26.73	\$270.03	\$28.60	\$288.93	\$30.60
Markets	\$226.14	\$23.63	\$255.54	\$26.70	\$275.98	\$28.84	\$295.30	\$30.86	\$315.97	\$33.02	\$338.09	\$35.33
Churches	\$163.22	\$16.62	\$184.44	\$18.78	\$199.19	\$20.28	\$213.14	\$21.70	\$228.06	\$23.22	\$244.02	\$24.85
Car Wash	\$154.44	\$16.48	\$174.52	\$18.62	\$188.48	\$20.11	\$201.67	\$21.52	\$215.79	\$23.03	\$230.89	\$24.64
Bars	\$235.10	\$20.18	\$265.66	\$22.80	\$286.92	\$24.63	\$307.00	\$26.35	\$328.49	\$28.20	\$351.48	\$30.17
Mortuaries	\$265.16	\$30.88	\$299.63	\$34.89	\$323.60	\$37.69	\$346.25	\$40.32	\$370.49	\$43.15	\$396.43	\$46.17
Halls	\$163.27	\$13.59	\$184.50	\$15.36	\$199.25	\$16.59	\$213.20	\$17.75	\$228.13	\$18.99	\$244.10	\$20.32
Fire Station	\$192.81	\$20.07	\$217.88	\$22.68	\$235.31	\$24.49	\$251.78	\$26.21	\$269.40	\$28.04	\$288.26	\$30.01
Fair Grounds	\$207.70	\$22.26	\$234.70	\$25.15	\$253.48	\$27.17	\$271.22	\$29.07	\$290.21	\$31.10	\$310.52	\$33.28
<i>Consumption Based - Per Unit</i>												
Movie Theatre (per seat)	n/a	\$1.10	n/a	\$1.24	n/a	\$1.34	n/a	\$1.44	n/a	\$1.54	n/a	\$1.64
Schools (per student)	n/a	\$10.54	n/a	\$11.91	n/a	\$12.86	n/a	\$13.76	n/a	\$14.73	n/a	\$15.76

*Rates are per hundred cubic feet (CCF) or approximately 750 gallons of water.

Staff and BWA will make a presentation to the City Council and answer any questions the Council or the Public may have about the proposed rates.

At the close of tonight's Public Hearing, staff will perform a final count of all rate protest letters. If the City receives valid written protest letters from 51% or more of the affected property owners, the City Council will be unable to approve the said rate increases according to Proposition 218. If the City receives valid written protest letters from less than 51% of the affected property owners, the City Council will be able to approve the said rate increases according to Proposition 218. If the City Council adopts the proposed water and wastewater rates, they would become effective April 16, 2026, and the said rates would be used to calculate the July 10, 2026 utility bills. Staff also plans on distributing two informational notices to customers between May and June 2026.

Options:

1. Approve the proposed water, drought water, and wastewater rates as presented.
2. Direct staff to take other actions.

Environmental:

Tonight's action has no associated impacts.

Cost:

The estimated cost of the two informational notices to be distributed with the May and July 2026 utility bills is \$1,849.

Budget Impact:

The City Council adopted the Fiscal Year 2025/2026 Operating Budgets for the Sewer Enterprise Fund and the Water Enterprise Fund. The \$1,849 estimated cost of the two informational notices can be absorbed within the Sewer Enterprise Fund and the Water Enterprise Fund budgets. If approved, the proposed water rate and wastewater rate increases are anticipated to generate approximately \$83,068 and \$194,483 respectively in Fiscal Year 2025/2026.



Dave Warren, City Manager

Attachments:

- A. Resolution-Water Rates
- B. Resolution-Wastewater Rates
- C. Water and Wastewater Cost of Service Study