LT MUNICIPAL CONSULTANTS

Water and Sewer Rate Study

City of Red Bluff

July 21, 2026

Background

- The City of Red Bluff provides water and wastewater (sewer) service to about 4,600 active service connections
- The goal of the rate study is to fund the full cost of providing service
  - Cost of service includes operating & maintenance costs, capital improvement projects, maintaining reserve funds for emergencies
- Rate structure adjustments are proposed to more fairly recover costs proportional to usage of the systems
- This rate study proposes new 5-year plan with rates going into effect each January 1 from 2027 to 2031

Background Continued

- Water and sewer rates have not increased for **14 years**
  - Last rate increase – July 15, 2012
- Both funds are operating in a deficit (revenues are less than expenses)
  - Without rate increases, water reserves will be depleted by 2029/30 (w/ no CIP funding)
  - Sewer reserves are fully depleted – Estimated July 1, 2026 balance is negative $2,826,200
- Utility funds are Enterprise Funds
  - Separate from General Fund
  - Similar to a private business; should be self-supported from rates and charges

Legal Requirements: Proposition 218

- Governs how water and sewer service charges can be calculated and adopted
  - Rates can be adopted over a maximum 5-year period with a single study
  - Rates must be based on the reasonable cost of providing service
  - Rates must proportionally recover costs based on how customers take service
- Procedural requirements for adopting rate adjustments:
  - Conduct a rate study
  - Mail a notice of public hearing and conduct hearing at least 45 days later
- Ratepayers can block the increase with a 50% protest

Rate Study Process

1. FINANCIAL PLAN

Long-term cash flow analysis to evaluate cost of service needs

2. RATE DESIGN

Review water and sewer rate structures to ensure compliance with Proposition 218

3. PUBLIC OUTREACH

Engage ratepayers through public outreach process

Key Considerations

1. **Financial Plan**
   - Reverse deficit for both the Water and Sewer Enterprises
   - Finance Capital Improvement Plan (developed in Master Plan process)
2. **Rate Design**
   - Comply with all Proposition 218 requirements
   - Replace tiered water rates with a uniform rate for all use
   - Revise non-residential sewer rate customer categories
3. **Public Outreach**
   - Rates must be adopted before January 1, 2027

WATER ENTERPRISE

Current Base Meter Rates

Fee Description	Monthly Charge [1]
BASE RATE (fixed)	
<u>Meter Size</u>	
3/4"	$15.04
1"	$25.78
1.5"	$48.33
2"	$60.24
3"	$82.69
4"	$205.81
6"	$454.39

1 – Customers outside the City limits are billed 2x the rates shown here

* Meter fee rate structure is not proposed to be adjusted. Larger meters are billed higher rates in proportion to the capacity of each meter in the system.

Current Consumption Rates

Fee Description	Charge per 100 cubic feet [1]
CONSUMPTION RATE	
Volume (Cubic Feet)	
1 - 2,500	$0.79
2,501 - 4,000	$0.74
4,001 - 6,000	$0.69
6,001 - 8,000	$0.66
8,001 - 12,000	$0.62
12,001 - 20,000	$0.61
20,001 - 36,000	$0.55
36,001 - 68,000	$0.54
68,000+	$0.48

Tiers are proposed to be replaced with a uniform rate for all water use.

1 – Customers outside the City limits are billed 2x the rates shown here

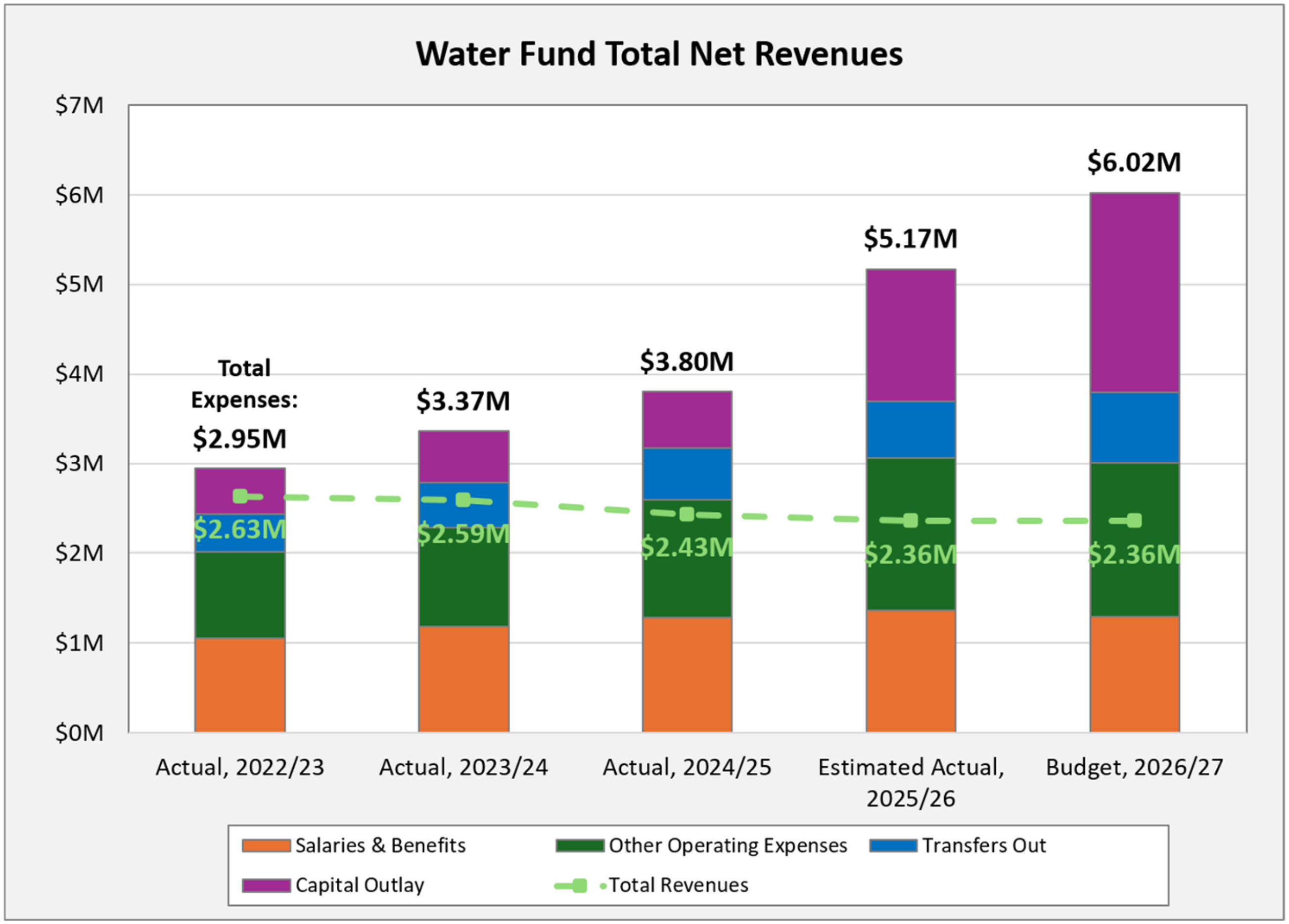
2 – 100 cubic feet = 1 HCF = 748 gallons

Current Average Residential Water Bill

Average Monthly Bill, 3/4” Meter (16 HCF)				
Category	Rate		Count	Total
Base Fee (3/4”)	$15.04	x	1	$15.04
Consumption Rate ($/HCF)	$0.79	x	16	$12.64
Total Monthly Bill				**$27.68**

Based on average monthly water use of 16 HCF; 1 HCF = 748 gallons

Water Financial Standing



The fund has been operating in a deficit for the past five years.

July 1, 2026: Remaining cash reserves of **$5.6M**

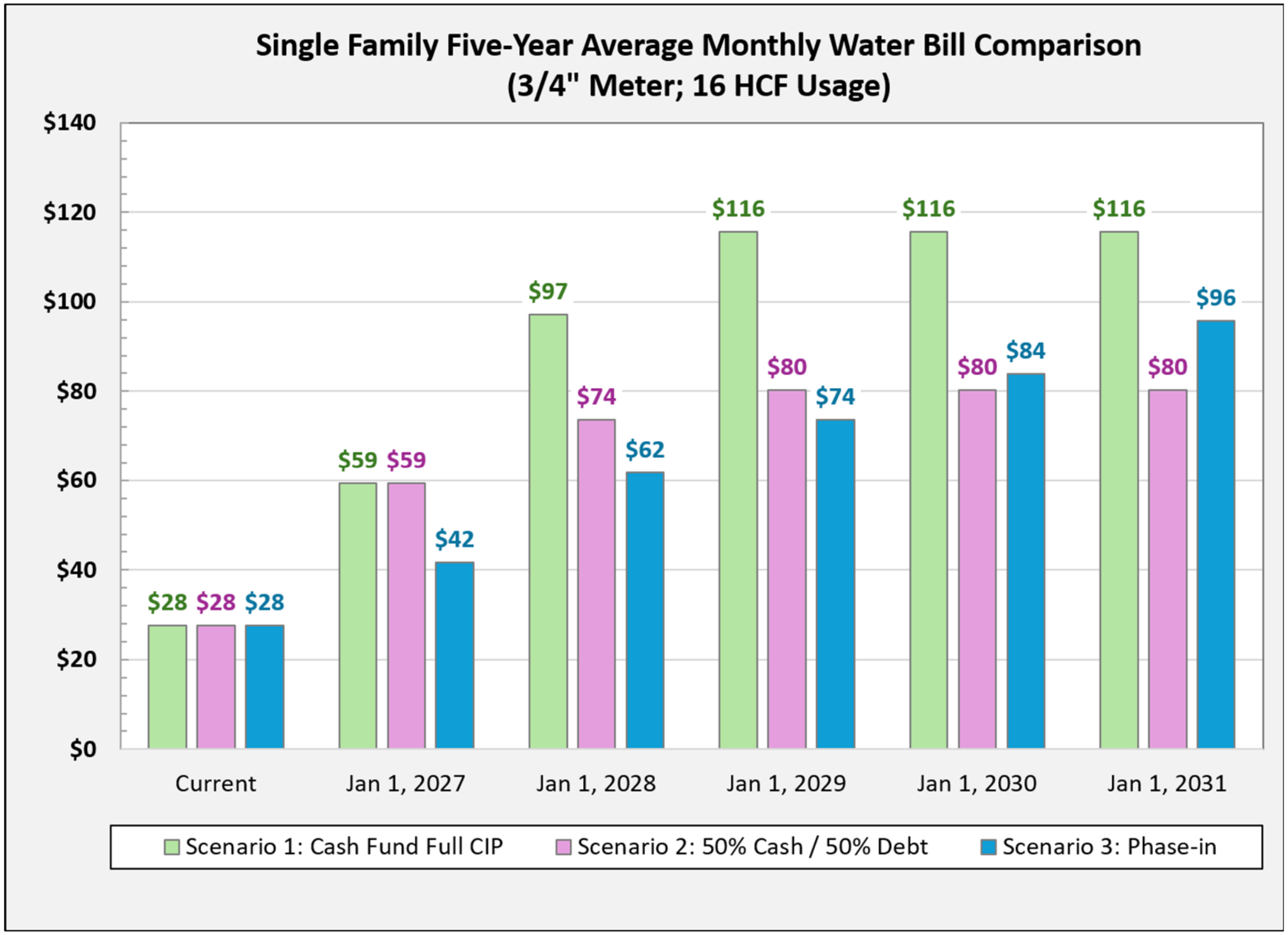
Water Infrastructure Needs

- Capital Improvement Plan (CIP) for the next 5 years totals $18.9M
- Short-term focus is funding high-priority projects identified in the August 2025 Water Master Plan
- Another priority is completing pipeline replacements in conjunction with roadway improvements funded via Street Smart Initiative
- Critical improvements include:
  - Well improvements – mitigate PFAS at Well 6, emergency chlorination of well sites, standby generators at Wells 10 & 14
  - Replacing old steel water pipelines and inoperable isolation valves
  - Replace existing SCADA and telemetry system

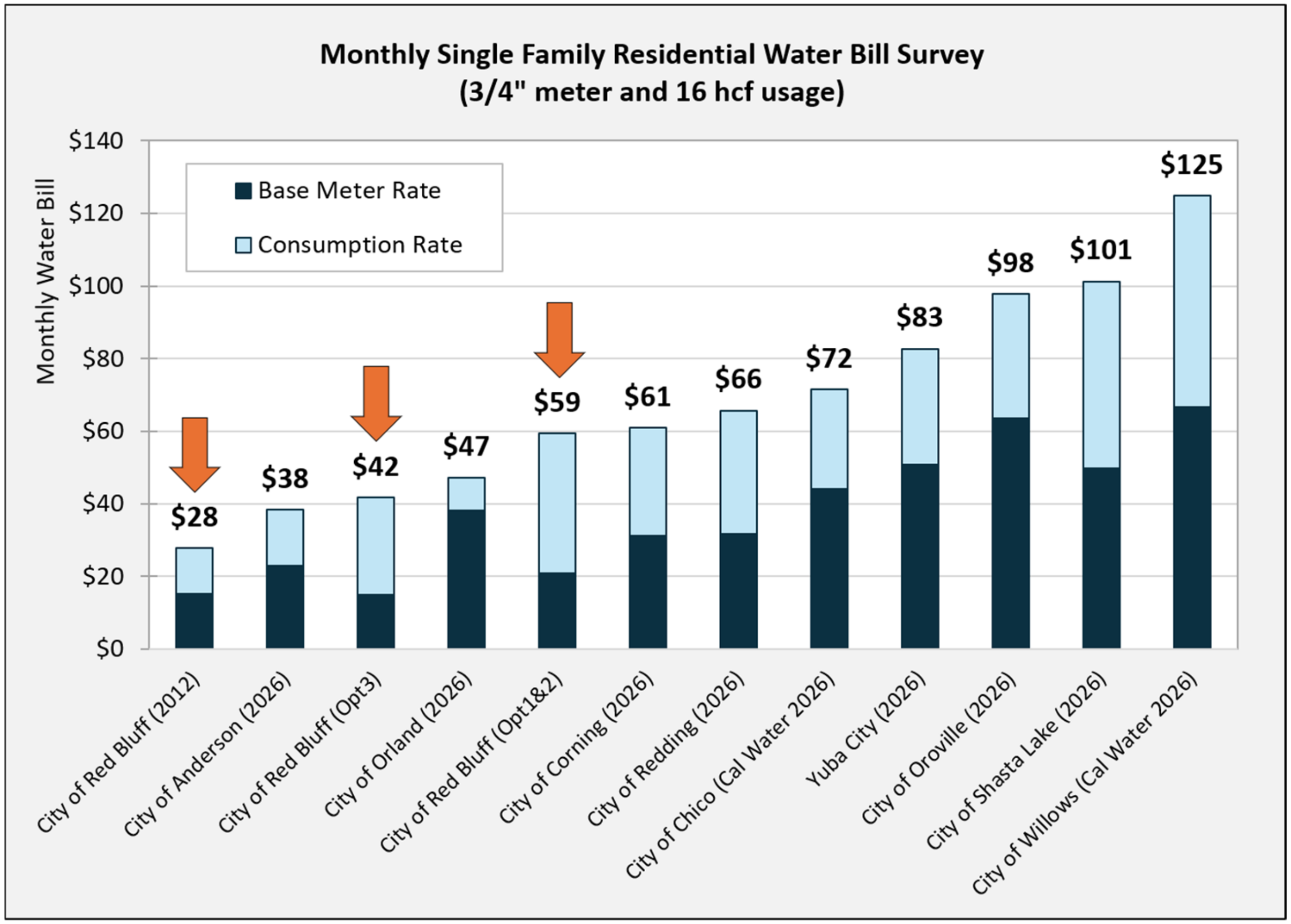
Water Financial Plan Scenarios

Variable	Scenario 1 (Cash Fund Full CIP)	Scenario 2 (50% cash / 50% debt)	Scenario 3 (Phase-in)
CIP Funding Over 5 yrs	$18.9M cash funded	$8.8M loan + $10.1M cash	$9.2M cash funded (about half of full CIP)
Debt Service	No debt	Annual payments of $709,000 beginning yr 4	No debt
Initial Avg Bill Increase	$28 → $59	$28 → $59	$28 → $42
Net Revenues	• Positive Operating revenues yr 1 • Positive net revenues yr 4	• Positive Operating revenues yr 1 • Positive net revenues yr 4	• Positive Operating revenues yr 2 • Positive net revenues yr 4
Estimated ending fund balance (yr 5)	$4.96M Current balance: $5.6M	$3.57M Current balance: $5.6M	$2.64M Current balance: $5.6M

Water Scenario Bill Comparison

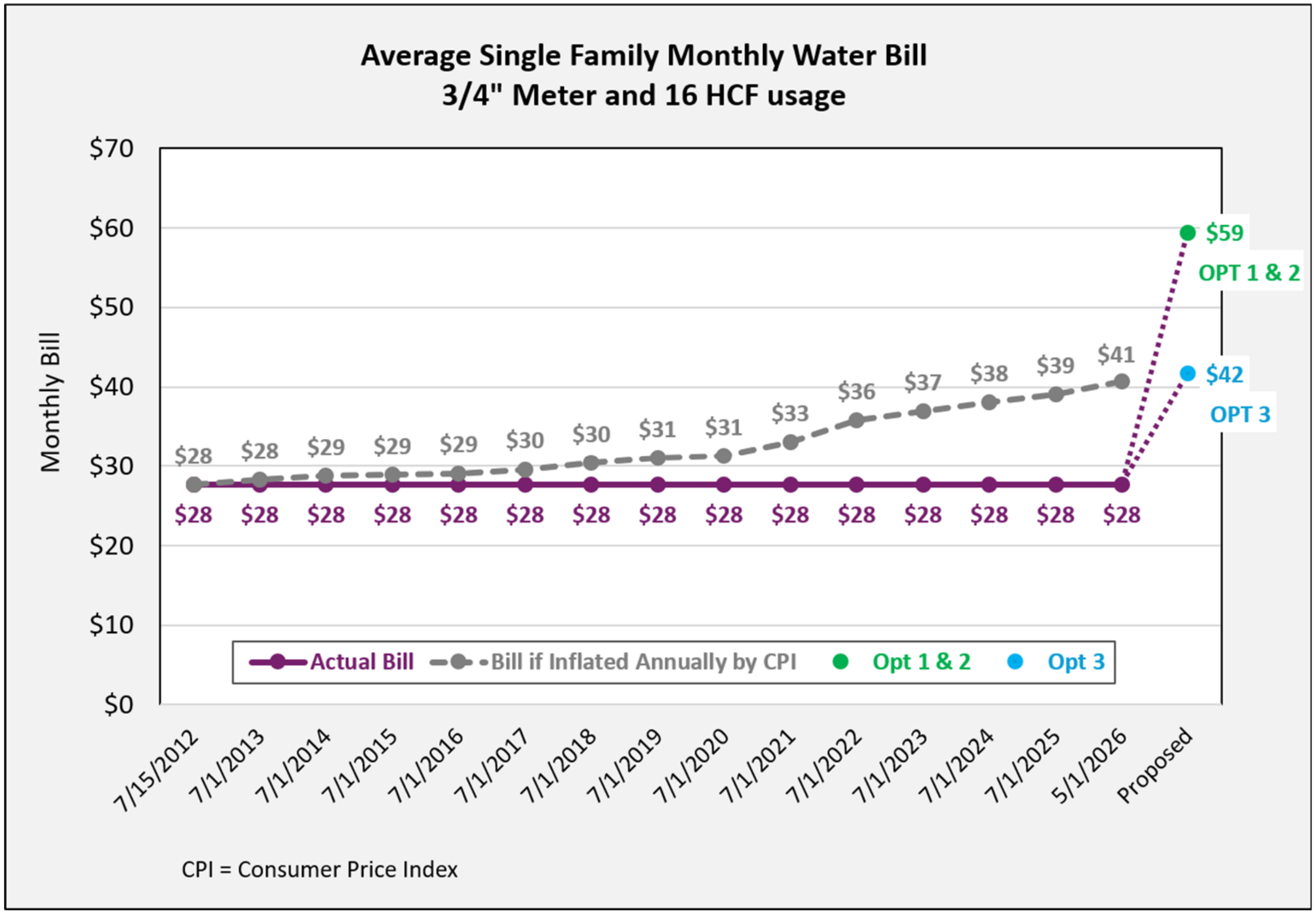


Water Bill Survey



HCF = hundred cubic feet; 1 HCF = 748 gallons

Avg Water Bill Compared w/Inflation



SEWER ENTERPRISE

Current Monthly Sewer Rates

Residential Class	Fixed Monthly Rate
Single Family	$34.00
Multi-Family (Condo or Townhouse)	$34.00
Mobile Homes, per unit	$24.00
Apartment, per unit	$24.00

Multi-family customers are proposed to be consolidated into one class.

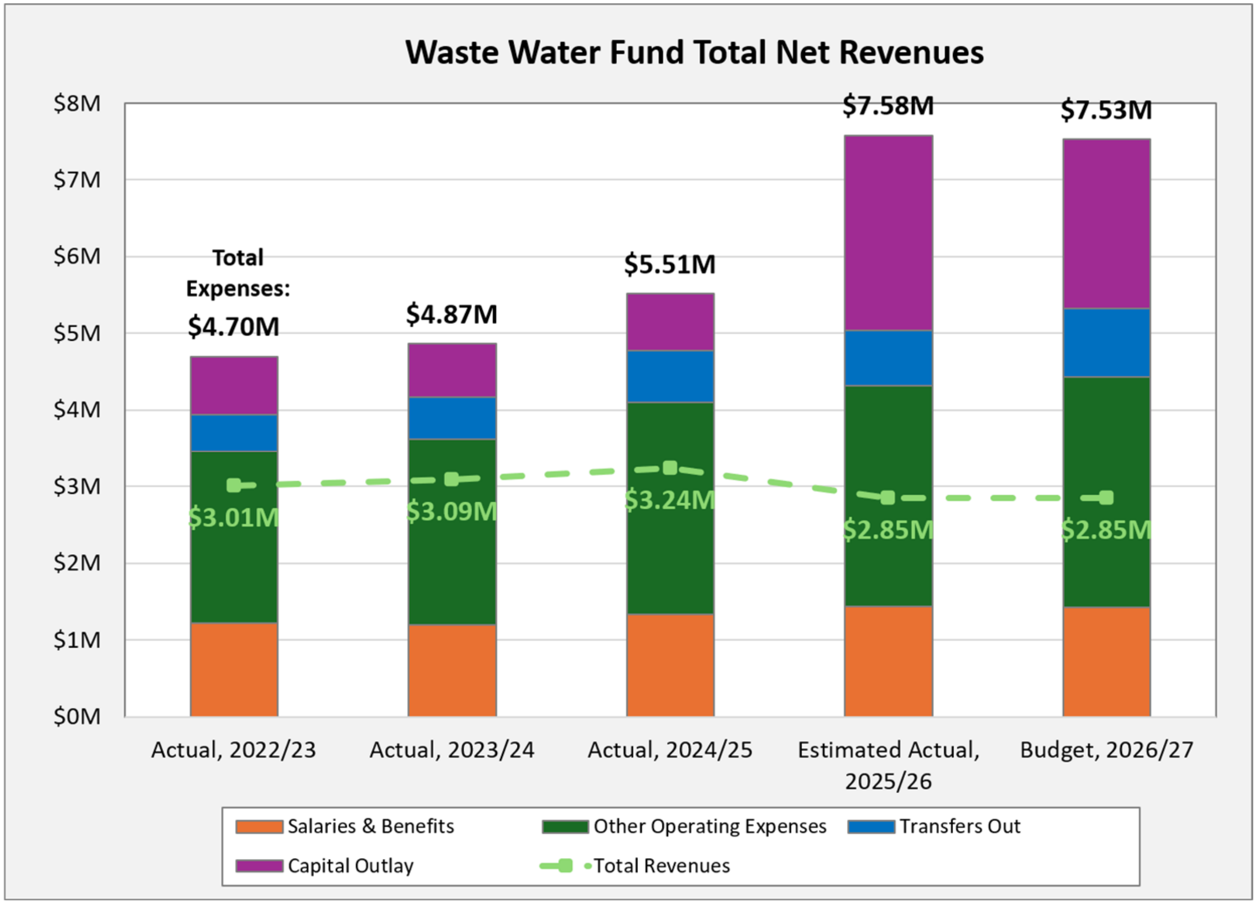
Commercial Class	Amount Included in Minimum (HCF)	Use rate over minimum
		$/HCF
Minimum Fee		$34.00
Bakery	4	$3.63
Restaurant	5	$2.99
All Others	11	$2.69

Non-residential customers are proposed to be reclassified into low, medium, and high strength classes, with 7 HCF included in minimum for all.

Proposed Sewer Customer Classes

- Residential
  - Single Family
  - Multi-family (existing condo, townhouse, mobile home, and apartment customers)
- Non-residential (based on pollutant strength)
  - High Strength = bakeries, restaurants, and theaters
  - Medium Strength = assisted living facilities, auto shops and dealerships, bars, car washes, churches, medical offices, gas stations, grocery stores, laundromats, hotel/motels, schools, veterinarians, RV parks, and mixed use
  - Low Strength = retail, offices, gyms

Sewer Financial Standing



The fund has been operating in a deficit for over five years.

July 1, 2026: Cash balance of **negative $2.8M** (owed to other City funds)

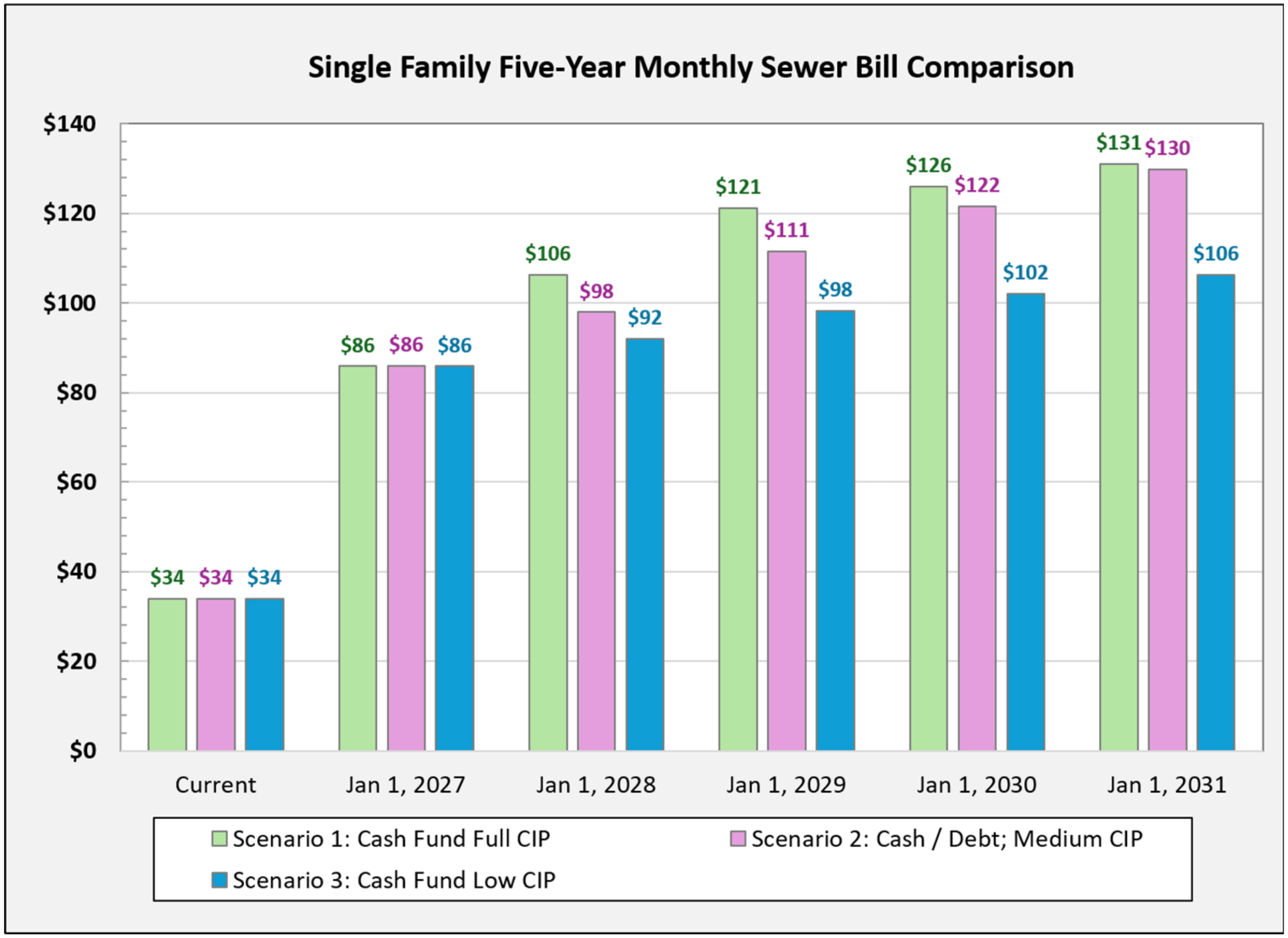
Sewer Infrastructure Needs

- Recent capital spending has consisted of emergency repairs. Goal is to proactively improve sewer system before emergencies occur.
- Draft CIP recommends $16M of projects over five years
- Similar to the Water Fund, focus is funding high-priority projects identified in the 2025 Sewer Master Plan and conducting pipeline replacements concurrent with planned road work
- Unlike the Water Fund, the Waste Water Fund does not have existing reserves to allow for the rates to be phased in
- Critical improvements include:
  - Second clarifier at WWTP – City cannot apply for an SRF loan without a rate increase
  - Improve operational efficiency during wet weather conditions

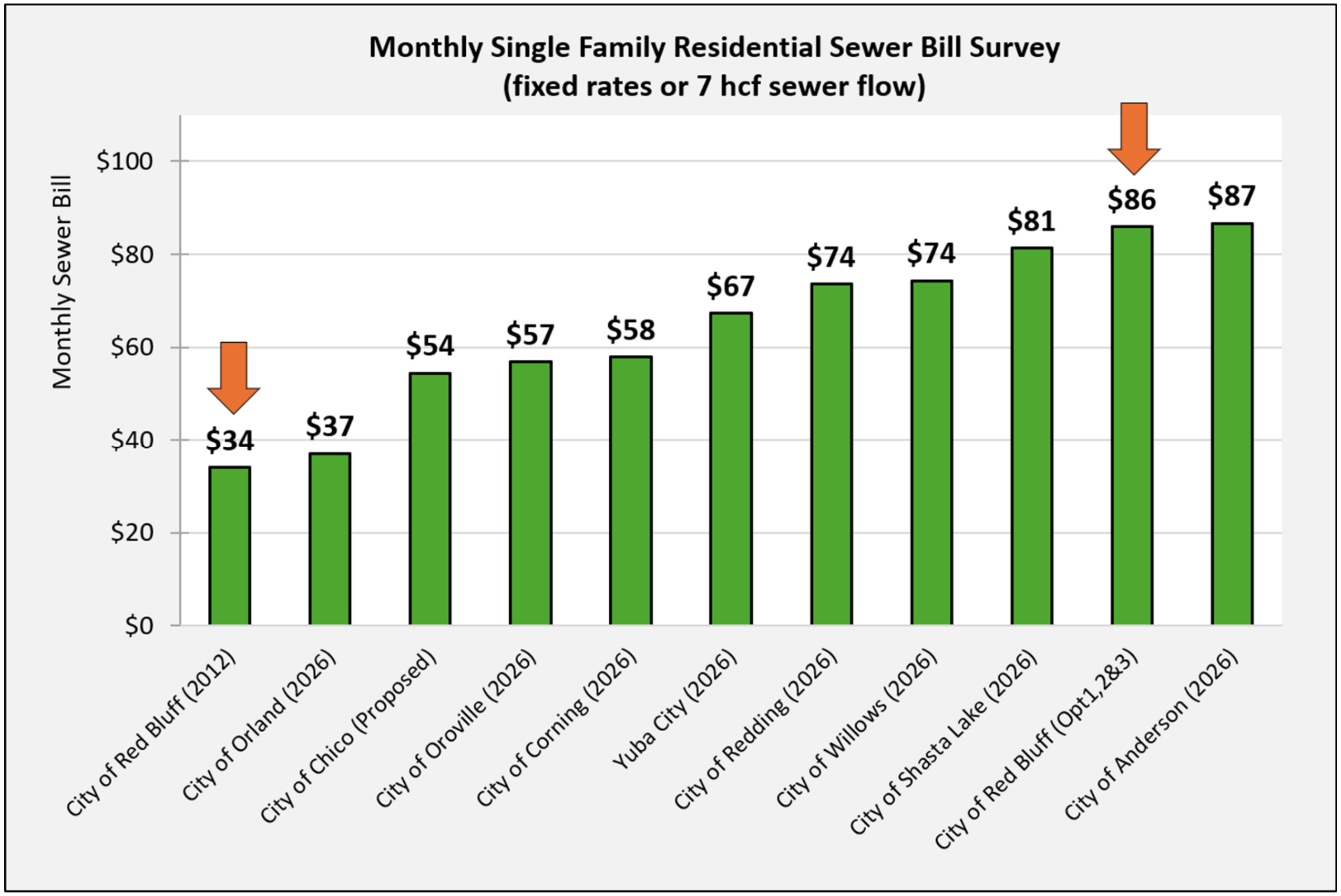
Sewer Financial Plan Scenarios

Variable	Scenario 1 (Cash Fund Full CIP)	Scenario 2 (Cash/Debt Medium CIP)	Scenario 3 (Cash Fund Low CIP)
CIP Funding Over 5 yrs	$16M cash funded	$8M loan + $10.6M cash	$8M cash funded
Repayment of Past Deficit (negative $2.8M)	Full repayment in about 10 years	Full repayment in about 10 years	Full repayment in about 10 years
New Debt	No new debt	Annual payments of $641,900 beginning yr 3	No new debt
Initial Avg Bill Increase	$34 → $86	$34 → $86	$34 → $86
Estimated ending fund balance (yr 5)	$4.15M	$3.92M	$3.78M

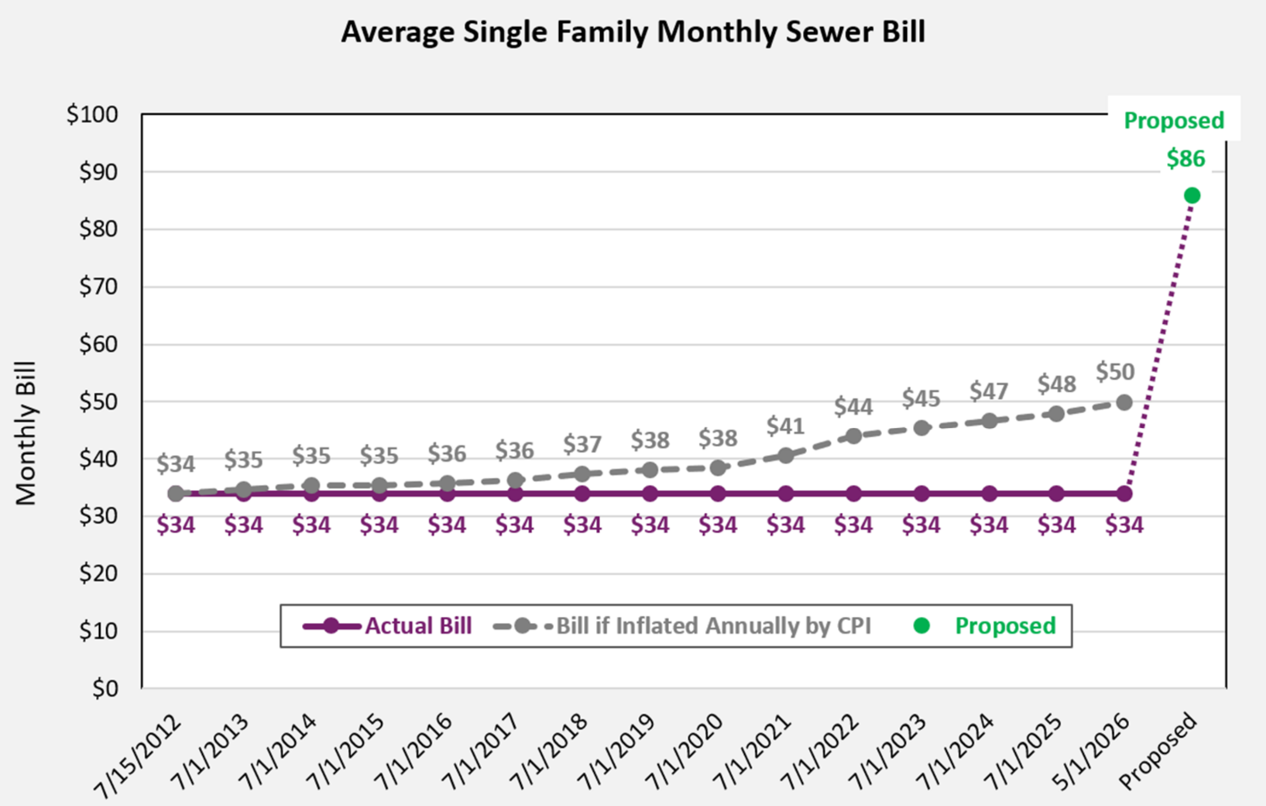
Sewer Scenario Bill Comparison



Sewer Survey

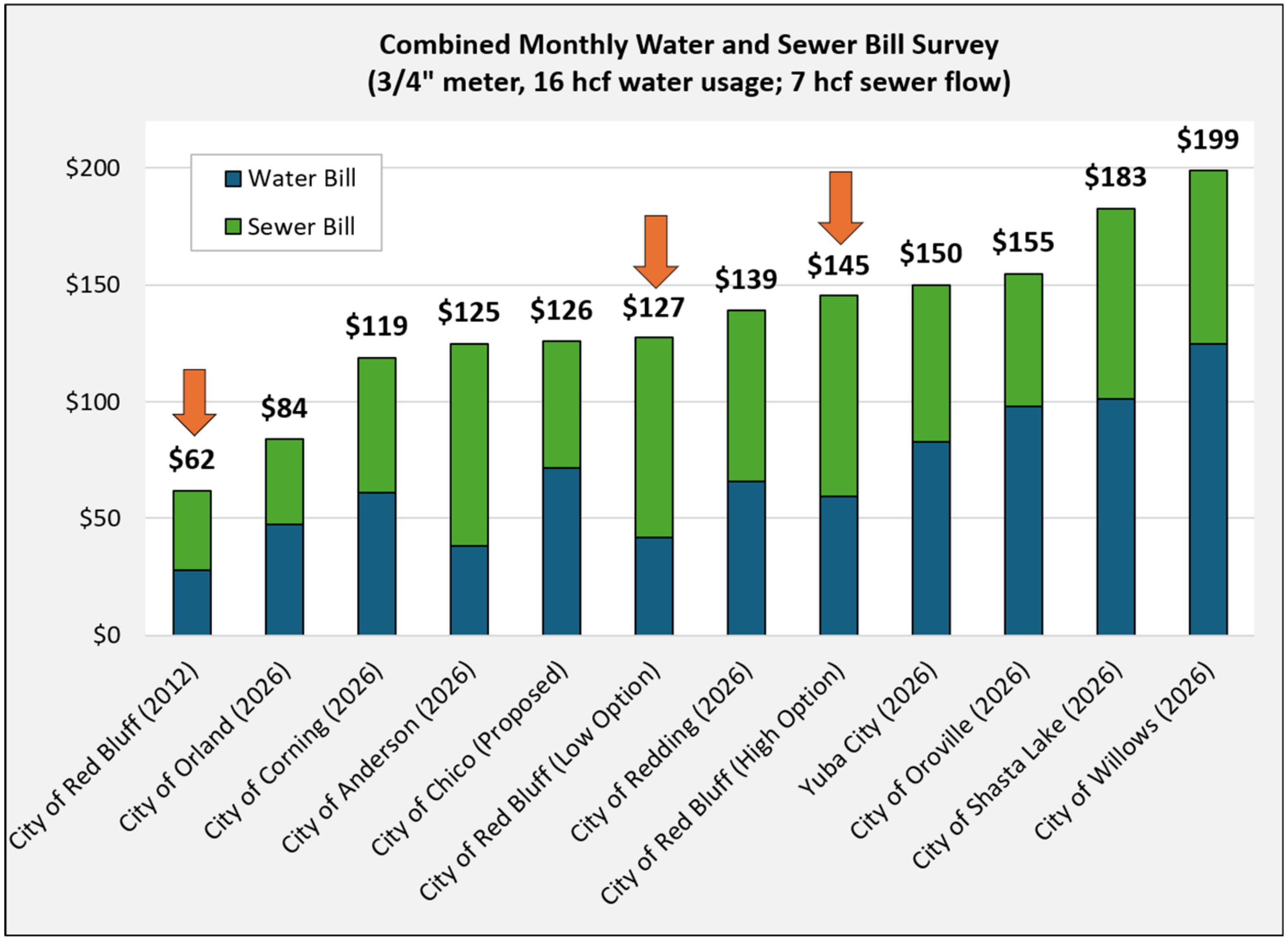


Sewer Bill Compared w/ Inflation

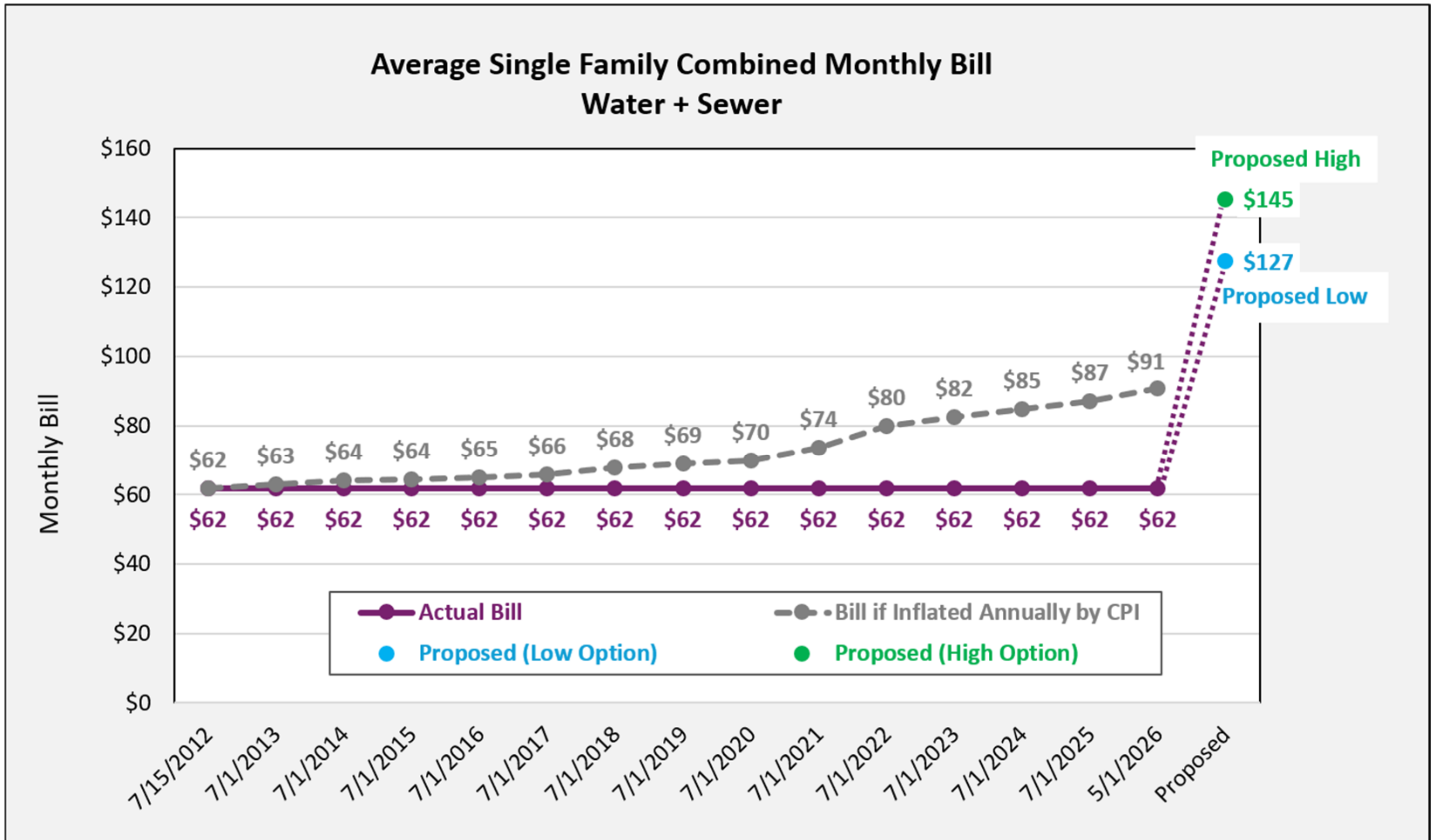


CPI = Consumer Price Index

Water & Sewer Survey



Combined Bill Compared w/ Inflation



CPI = Consumer Price Index

Tentative Schedule and Wrap Up

- Receive feedback from City Council and revise calculations as needed
- Return on August 4 with final recommendations; request authorization to conduct Proposition 218 notification
- August 20 - Mail Proposition 218 notices (47 days in advance)
- September 16 - Public outreach meeting
- October 6 - Prop 218 hearing
- January 1, 2027 - New rates go into effect

Detailed Rate Plans (for background)

Proposed Water Rates – Scenario 1

		PROPOSED				
Fiscal Year		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Effective Date	CURRENT	Jan 1, 2027	Jan 1, 2028	Jan 1, 2029	Jan 1, 2030	Jan 1, 2031
METER FEE						
Meter Size						
3/4”	$15.04	$20.73	$33.95	$40.44	$40.44	$40.44
1”	$25.78	$33.34	$54.60	$65.05	$65.05	$65.05
1.5”	$48.33	$64.85	$106.24	$126.56	$126.56	$126.56
2”	$60.24	$102.67	$168.20	$200.38	$200.38	$200.38
3”	$82.69	$203.53	$333.42	$397.24	$397.24	$397.24
4"	$205.81	$316.99	$519.30	$618.70	$618.70	$618.70
6”	$454.39	$632.15	$1,035.64	$1,233.86	$1,233.86	$1,233.86
VOLUME RATE		**ALL USE ($/HCF)**				
All Use ($/HCF)	Varies by tier	$2.42	$3.95	$4.70	$4.70	$4.70

HCF = hundred cubic feet; 1 HCF = 748 gallons

Proposed Water Rates – Scenario 2

Fiscal Year Effective Date	CURRENT	PROPOSED FY2026/27 Jan 1, 2027	FY2027/28 Jan 1, 2028	FY2028/29 Jan 1, 2029	FY2029/30 Jan 1, 2030	FY2030/31 Jan 1, 2031
METER FEE						
Meter Size						
3/4”	$15.04	$20.73	$25.72	$28.08	$28.08	$28.08
1”	$25.78	$33.34	$41.37	$45.17	$45.17	$45.17
1.5”	$48.33	$64.85	$80.48	$87.88	$87.88	$87.88
2”	$60.24	$102.67	$127.42	$139.14	$139.14	$139.14
3”	$82.69	$203.53	$252.60	$275.84	$275.84	$275.84
4"	$205.81	$316.99	$393.42	$429.62	$429.62	$429.62
6”	$454.39	$632.15	$784.58	$856.78	$856.78	$856.78
VOLUME RATE				**ALL USE ($/HCF)**		
All Use ($/HCF)	Varies by tier	$2.42	$2.99	$3.26	$3.26	$3.26

HCF = hundred cubic feet; 1 HCF = 748 gallons

Proposed Water Rates – Scenario 3

		PROPOSED				
Fiscal Year		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Effective Date	CURRENT	Jan 1, 2027	Jan 1, 2028	Jan 1, 2029	Jan 1, 2030	Jan 1, 2031
METER FEE						
Meter Size						
3/4”	$15.04	$14.89	$22.17	$26.39	$30.13	$34.40
1”	$25.78	$23.60	$35.15	$41.85	$47.78	$54.56
1.5”	$48.33	$45.39	$67.60	$80.50	$91.92	$104.96
2”	$60.24	$71.53	$106.54	$126.88	$144.88	$165.44
3”	$82.69	$141.23	$210.38	$250.56	$286.10	$326.72
4"	$205.81	$219.65	$327.20	$389.70	$444.98	$508.16
6”	$454.39	$437.49	$651.70	$776.20	$886.32	$1,012.16
VOLUME RATE		**ALL USE ($/HCF)**				
All Use ($/HCF)	Varies by tier	$1.67	$2.48	$2.95	$3.36	$3.83

HCF = hundred cubic feet; 1 HCF = 748 gallons

Proposed Sewer Rates – Scenario 1

CURRENT		PROPOSED					
		Effective Date	Jan 1, 2027	Jan 1, 2028	Jan 1, 2029	Jan 1, 2030	Jan 1, 2031
Residential Customers	**Monthly Rate**	**Residential Fixed Monthly Rates ($/dwelling unit)**					
Single Family Residential	$34.00	Single Family	$85.94	$106.25	$126.39	$131.50	$136.62
Multi-Family (Condo or Townhouse)	$34.00	Multi-Family	$62.74	$77.57	$92.27	$96.00	$99.74
Multi-Family (Apartment), per unit	$24.00						
Mobile Homes, per unit	$24.00						
Commercial Minimum Fee		**Non-residential Minimum Fee ($/unit; includes 7 HCF of usage)**					
Bakery (includes 4 HCF)	$34.00	High Strength	$109.60	$135.37	$160.97	$167.62	$174.14
Restaurant (includes 5 HCF)	$34.00	Medium Strength	$85.94	$106.25	$126.39	$131.50	$136.62
All Others (includes 11 HCF)	$34.00	Low Strength	$80.90	$99.95	$118.83	$123.66	$128.50
Commercial Flow Rates ($/HCF above minimum)		**Non-residential Flow Rates ($/HCF for use above 7 HCF)**					
Bakery	$3.63	High Strength	$14.98	$18.50	$22.00	$22.91	$23.80
Restaurant	$2.99	Medium Strength	$11.60	$14.34	$17.06	$17.75	$18.44
All Others	$2.69	Low Strength	$10.88	$13.44	$15.98	$16.63	$17.28

Proposed Sewer Rates – Scenario 2

CURRENT		PROPOSED					
		Effective Date	Jan 1, 2027	Jan 1, 2028	Jan 1, 2029	Jan 1, 2030	Jan 1, 2031
Residential Customers	**Monthly Rate**	**Residential Fixed Monthly Rates ($/dwelling unit)**					
Single Family Residential	$34.00	Single Family	$85.94	$97.94	$111.43	$121.50	$129.87
Multi-Family (Condo or Townhouse)	$34.00	Multi-Family	$62.74	$71.50	$81.35	$88.70	$94.81
Multi-Family (Apartment), per unit	$24.00						
Mobile Homes, per unit	$24.00						
Commercial Minimum Fee		**Non-residential Minimum Fee ($/unit; includes 7 HCF of usage)**					
Bakery (includes 4 HCF)	$34.00	High Strength	$110.58	$125.94	$143.49	$156.36	$167.11
Restaurant (includes 5 HCF)	$34.00	Medium Strength	$85.94	$97.94	$111.43	$121.50	$129.87
All Others (includes 11 HCF)	$34.00	Low Strength	$80.62	$91.78	$104.57	$113.94	$121.89
Commercial Flow Rates ($/HCF above minimum)		**Non-residential Flow Rates ($/HCF for use above 7 HCF)**					
Bakery	$3.63	High Strength	$15.12	$17.22	$19.62	$21.38	$22.85
Restaurant	$2.99	Medium Strength	$11.60	$13.22	$15.04	$16.40	$17.53
All Others	$2.69	Low Strength	$10.84	$12.34	$14.06	$15.32	$16.39

Proposed Sewer Rates – Scenario 3

CURRENT		PROPOSED					
		Effective Date	Jan 1, 2027	Jan 1, 2028	Jan 1, 2029	Jan 1, 2030	Jan 1, 2031
Residential Customers	**Monthly Rate**	**Residential Fixed Monthly Rates ($/dwelling unit)**					
Single Family Residential	$34.00	Single Family	$85.87	$91.94	$98.24	$102.10	$106.31
Multi-Family (Condo or Townhouse)	$34.00	Multi-Family	$62.69	$67.12	$71.72	$74.54	$77.61
Multi-Family (Apartment), per unit	$24.00						
Mobile Homes, per unit	$24.00						
Commercial Minimum Fee		**Non-residential Minimum Fee ($/unit; includes 7 HCF of usage)**					
Bakery (includes 4 HCF)	$34.00	High Strength	$112.05	$119.94	$128.48	$133.32	$138.79
Restaurant (includes 5 HCF)	$34.00	Medium Strength	$85.87	$91.94	$98.24	$102.10	$106.31
All Others (includes 11 HCF)	$34.00	Low Strength	$80.13	$85.78	$91.80	$95.38	$99.17
Commercial Flow Rates ($/HCF above minimum)		**Non-residential Flow Rates ($/HCF for use above 7 HCF)**					
Bakery	$3.63	High Strength	$15.33	$16.41	$17.58	$18.24	$18.99
Restaurant	$2.99	Medium Strength	$11.59	$12.41	$13.26	$13.78	$14.35
All Others	$2.69	Low Strength	$10.77	$11.53	$12.34	$12.82	$13.33