



LT MUNICIPAL
CONSULTANTS



Water and Sewer Rate Study

City of Fort Bragg

Final Report

February 3, 2026

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SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Background

The City of Fort Bragg (City) is located on the Pacific Coast of Mendocino County along State Highway 1. Although small, Fort Bragg is the largest City on the coast between San Francisco and Eureka. There are about 7,200 people who reside in the City permanently, but the City's economy is largely tourism based and the City hosts many temporary visitors each year. The City's water system includes water collection, treatment, and distribution facilities which are owned, operated, and maintained by the City. The City's wastewater (sewer) system is owned by the Fort Bragg Municipal Improvement District (MID or District) No. 1, which is entirely operated and maintained by the City at the expense of the District. The sewer system includes collection, treatment, and discharge facilities. The water and sewer systems provide service to approximately 2,800 service connections.

The City's current water and sewer rate structures are based on recommendations from rate studies conducted in 2013. The most recent rate adjustment went into effect over five years ago on July 1, 2019. The goal of this rate study is to determine a rate plan that covers the City's cost of service for the next five years, spanning fiscal year (FY) 2026/27 through FY2030/31. Both utilities are currently covering operating costs and maintaining reasonable reserves. The City has also been successful in securing grants for infrastructure projects in recent years. However, rate increases are needed to keep up with inflation, pay down debt on the wastewater treatment plant, and fund capital improvements that likely will not be covered by grants.

A second goal of this rate study is to simplify and modernize the water and sewer rate structures to better align with industry standard practices and to recover costs in a manner that is more proportional to how customers use the utilities. The water rate structure proposed in this report eliminates the current tiered water variable (consumption; CONS) charges which are billed to single family residential customers in favor of a uniform water variable charge for all customers. Additionally, the fixed charges for residential and commercial water meter customers are proposed to be combined into a single schedule of fixed charges for all customers by the end of the five-year rate plan. It is proposed that all sewer customers continue to be billed a uniform monthly fixed charge. Residential sewer variable charges are proposed to be updated to be consistent across all residential customer classes, while commercial sewer customers are proposed to continue to be charged variable charges based on pollutant strength.

1.2 Requirements of Proposition 218

The implementation of public agency utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the "Right to Vote on Taxes Act" which is codified as Articles XIII C and XIII D of the California Constitution. The City must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The City must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fees, the basis upon which they were calculated, the reason for the fees, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to water and sewer rates and charges, including:

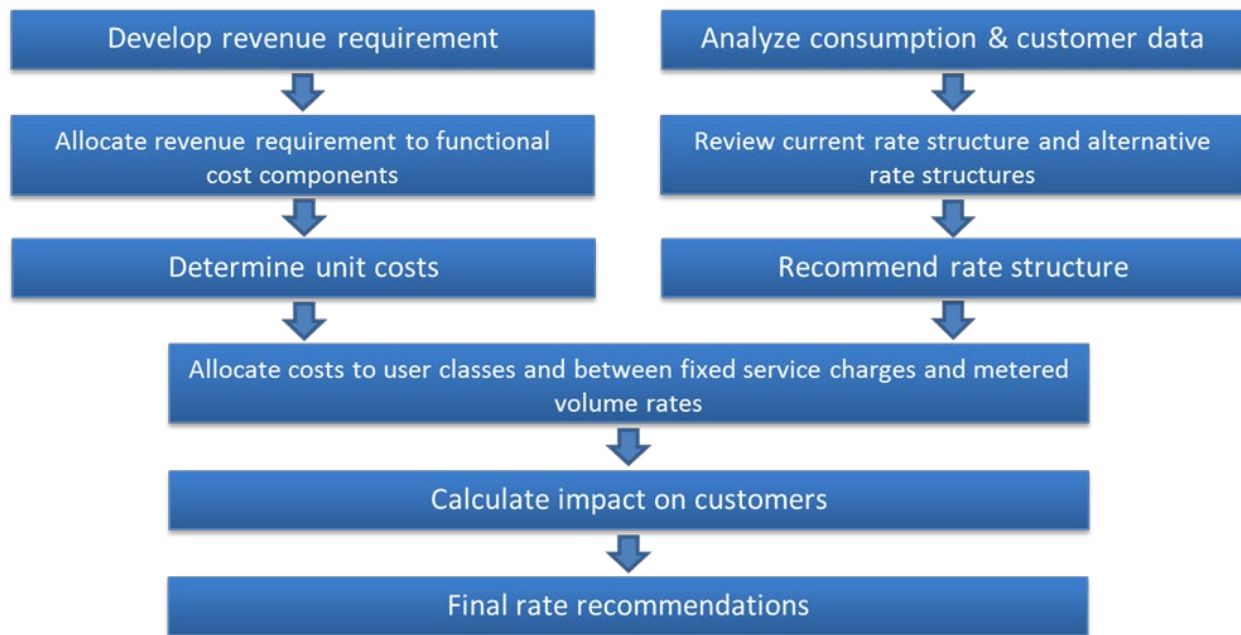
1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** – The amount of the fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of service attributable to that parcel.
4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** – No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water and sewer service are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

1.3 Rate Study Process

A summary of the rate study process is provided in Figure 1 on the following page.

Figure 1: Rate Study Process



The following is a brief description of the rate study process:

- **Revenue Requirement** – Revenue requirements are analyzed via cash flow projections based on the best information currently available such as historical operating results, budgets, audits, and input from City staff. The cash flows serve as a roadmap for funding future operating costs and capital expenditures while maintaining long-term fiscal stability, all of which is calculated in this study to produce rates that will be necessary to recover only the actual cost of the water and sewer service per parcel under these proposed rates.
- **Cost of Service Allocation** - The cost of service process builds on the revenue requirement analysis and assigns water costs to functional cost components: *metering and customer service, base demand, and extra demand*. Sewer costs are allocated based on *customer service, sewage flow, and pollutant strength*.
- **Rate Design** - Rate design involves developing a rate structure that fairly recovers costs from customers but does not exceed the proportional cost of the service attributable to each parcel. Final rate recommendations are designed to fund the City's short- and long-term costs of providing service and fairly allocate costs to all customers.

The rates developed in this report are based on the best available information gathered from City budgets, audits, and input from staff. The cost allocations proposed herein are based on American Water Works Association methodologies and industry standard practice. The proposed rates are based

on the reasonable cost of providing service and do not exceed the proportional cost of the service attributable to each parcel.

1.4 Proposed Rates

Current and proposed water and sewer rates are provided in Table 1 and Table 2, respectively. If adopted by the City Council, rate adjustments are proposed to take effect each July 1 beginning 2026 to 2030. Based on the analysis in this report, the water and sewer service rates do not exceed the proportional cost of the service attributable to each parcel.

1.4.1 Proposed Water Rates

Currently, water fixed charges are assessed based on meter size and customer class (residential or non-residential). In addition to the fixed charge, customers are billed a variable charge for all metered water consumption. Single family residential customers are billed according to a tiered rate structure, while all non-single family residential customers are charged a uniform variable charge. It is proposed that the fixed meter charges be consolidated into a single schedule applicable to all customers by the end of the five-year rate plan. In addition, it is proposed that the tiered variable charges for single family residential customers be eliminated and replaced with a uniform variable charge for all customers. The City is also proposing to recover a greater proportion of rate revenues through the variable charges rather than the fixed charges based on an updated cost analysis. Consequently, the fixed charges for some meter sizes are proposed to decrease.

1.4.2 Proposed Sewer Rates

It is proposed that all sewer customers, regardless of customer class, continue to be charged a uniform fixed charge per dwelling or commercial unit. Similar to the proposed water rate changes, the City is proposing to recover a greater proportion of sewer rate revenues through the variable charges and the fixed charge is therefore proposed to decrease. The current variable charges differ by customer class and this billing method is not proposed to change. However, it is proposed that all residential customers be billed the same variable charge reflecting that there is little variation in pollutant strength between different types of residential dwelling units (i.e. it costs the City the same amount to treat one gallon of sewage from a single family home as it does from a multi-family home or mobile home). To mitigate the financial impacts of this proposed change to mobile home customers, the mobile home variable charges are proposed to be phased in over the next five years until they equal the single family variable charge. There are no changes proposed to the commercial customer classifications of low pollutant strength, medium strength, high strength, or breweries, but the proposed rates are based on an updated analysis of the estimated flows and wastewater strength (pollutant loadings) of each customer class. Because of the revised estimates, some commercial customers are proposed to receive variable charge increases and others are proposed to receive decreases in the first year of the rate plan.

Table 1: Current and Proposed Monthly Water Rates

Customer Class & Meter Size	Current	PROPOSED				
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Effective Date		July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
FIXED CHARGE						
<u>Residential</u>						
5/8" & 3/4"	\$36.86	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
1"	\$52.42	\$39.94	\$43.14	\$46.59	\$50.32	\$54.35
1.5"	\$62.80	\$76.08	\$82.18	\$88.74	\$95.83	\$103.51
2"	\$109.16	\$119.44	\$129.02	\$139.32	\$150.45	\$162.51
3"	\$157.76	\$190.00	\$222.46	\$254.92	\$287.38	\$319.85
4"	\$206.38	\$265.00	\$322.96	\$380.92	\$438.88	\$496.85
6"	\$498.01	\$600.00	\$697.13	\$794.26	\$891.39	\$988.51
<u>Non-Residential</u>						
5/8" & 3/4"	\$74.98	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
1"	\$115.09	\$39.94	\$43.14	\$46.59	\$50.32	\$54.35
1.5"	\$141.83	\$76.08	\$82.18	\$88.74	\$95.83	\$103.51
2"	\$275.53	\$119.44	\$129.02	\$139.32	\$150.45	\$162.51
3"	\$409.24	\$235.06	\$253.92	\$274.20	\$296.11	\$319.85
4"	\$542.94	\$365.14	\$394.44	\$425.94	\$459.97	\$496.85
6"	\$1,234.61	\$726.48	\$784.78	\$847.44	\$915.13	\$988.51
<u>Commercial (Low-Usage)</u>						
5/8" & 3/4"	\$36.86	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
VARIABLE CHARGE per HCF						
<u>Single Family Residential</u>						
Tier 1: 1-5 HCF	\$3.49	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53
Tier 2: 6-10 HCF	\$5.23	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53
Tier 3: 11+ HCF	\$7.84	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53
<u>Non-Single Family Residential</u>						
Rate per HCF	\$6.01	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53

HCF = hundred cubic feet; 1 HCF = 748 gallons

The variable charges appear as the "CONS" charges on customer bills.

Table 2: Current and Proposed Monthly Sewer Rates

Fiscal Year	Current	PROPOSED				
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Effective Date		July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
Fixed Charges:						
Residential (per dwelling unit)						
Single Family Residential	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Multi-Family Residential	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Mobile Home Parks	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Commercial (per unit)						
Low Strength	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Medium Strength	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Brewery	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
High Strength	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Variable Charges:						
Residential (per HCF)						
Single Family Residential	\$7.31	\$12.93	\$14.48	\$16.22	\$18.17	\$20.35
Multi-Family Residential	\$3.28	\$12.93	\$14.48	\$16.22	\$18.17	\$20.35
Mobile Home Parks	\$0.23	\$4.25	\$8.27	\$12.29	\$16.31	\$20.35
Commercial (per HCF)						
Low Strength	\$9.90	\$11.39	\$12.76	\$14.29	\$16.00	\$17.92
Medium Strength	\$10.19	\$12.93	\$14.48	\$16.22	\$18.17	\$20.35
Brewery	\$20.30	\$20.01	\$22.41	\$25.10	\$28.11	\$31.48
High Strength	\$25.38	\$22.98	\$25.74	\$28.83	\$32.29	\$36.16

HCF = hundred cubic feet; 1 HCF = 748 gallons

For single family residential customers, variable charges are based on average monthly winter water consumption measured between November through February subject to a 2 HCF minimum. For all other customers, variable charges are billed based on monthly metered water consumption excluding usage from dedicated irrigation lines.

Low strength customers: car washes, laundromats

Medium strength customers: barber shops, beauty shops, spas, retail, wholesale, churches, libraries, meeting halls, government buildings, professional buildings, offices, hotels, motels, lodging, gas stations, general commercial and mixed use

High strength: markets with grease traps, grocery stores, restaurants, bars, bakeries, and delis

The categories above represent general land use designations. By its determination, the City may establish specialized rates for customers that are not categorized into the designations listed above or for customers that fall into multiple categories. Any specialized rates will be proportional to the cost of wastewater flow and pollutant disposal included in the sewer rates above.

Figure 2 provides a survey comparing the City's current and proposed single family residential water bill with other local agencies. Figure 3 provides a similar survey for sewer bills and Figure 4 provides a survey comparing combined water and sewer bills with other agencies. It should be noted that the agencies listed vary in size, complexity, and treatment standards. It is also likely that many of these agencies will implement water and sewer rate increases over the next five years.

The City's current average monthly water use is 4 hundred cubic feet (HCF) per month and the majority of customers are served by a 5/8" or 3/4" meter. At this level of usage, the current monthly water bill is \$50.82 and the proposed July 1, 2026 bill is \$56.45, an increase of \$5.63. For this same customer using 4 HCF, the current monthly sewer bill is \$58.13 and the proposed July 1, 2026 bill is \$66.19, an increase of \$8.06. The total combined monthly bill is therefore proposed to increase from \$108.95 to \$122.64 under the proposed rates.

Figure 2: Monthly Water Bill Survey

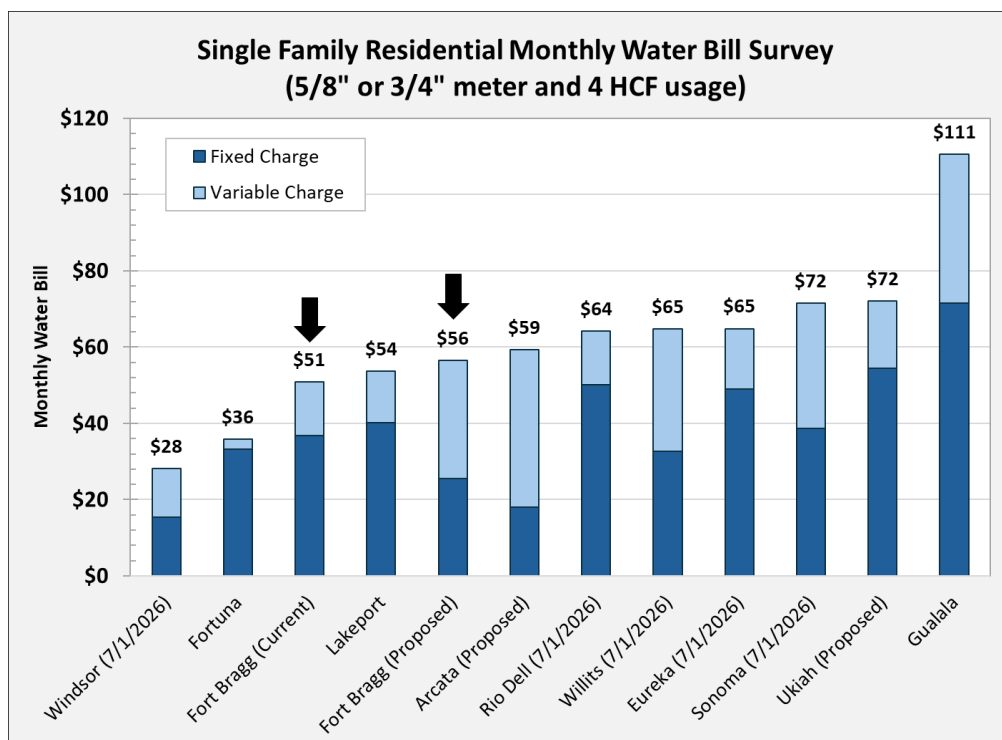


Figure 3: Monthly Sewer Bill Survey

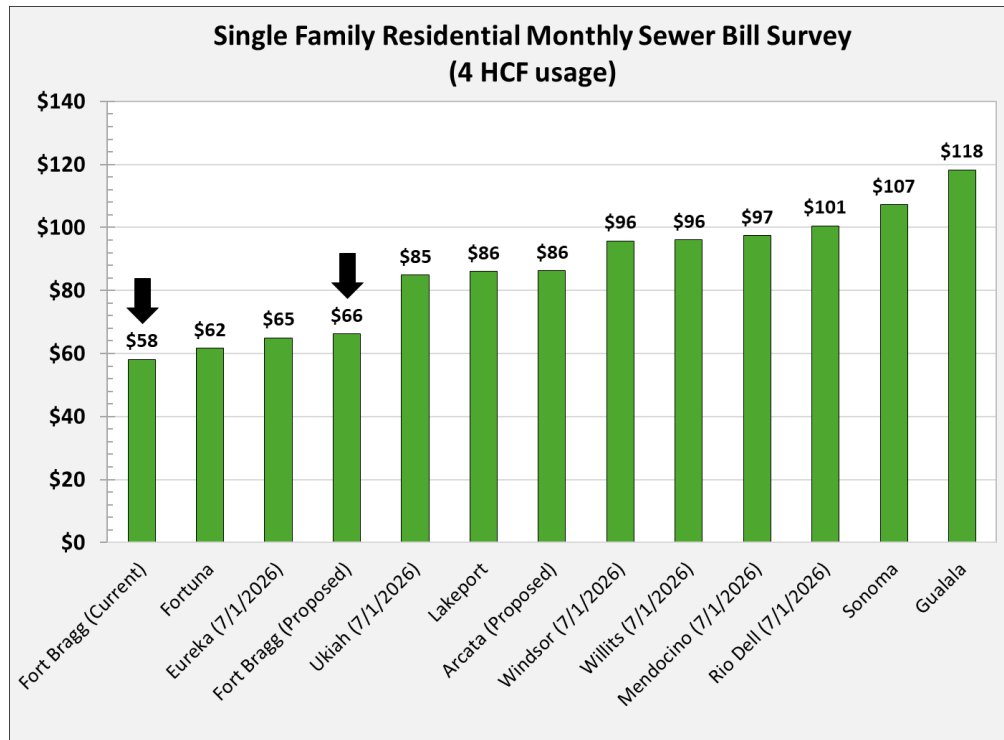
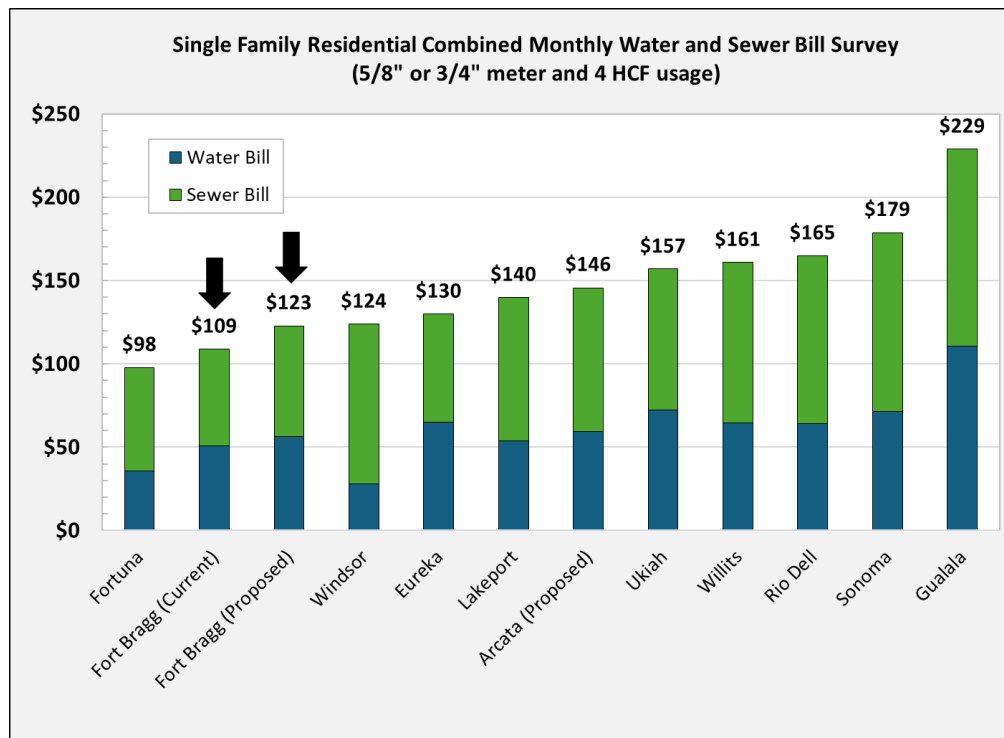


Figure 4: Combined Monthly Water & Sewer Bill Survey



SECTION 2: CUSTOMER BASE AND CURRENT RATE REVENUES

The City of Fort Bragg provides water and sewer service to a population of about 7,200 via approximately 2,800 active service connections. This section provides an overview of the City's current water and sewer rates, customer base, and current rate revenues.

2.1 Current Water Rates

Table 3 summarizes the City's current monthly water rates which were adopted pursuant to Proposition 218 requirements as part of a five-year schedule of rate increases proposed in the City's 2013 water rate study. The current rates were the last of that series of rate increases and went into effect on July 1, 2019. The water rate structure includes two components – (1) Fixed Charge and (2) Variable Charge.

1. Fixed Charge

All customers, residential and non-residential, are charged fixed meter charges based on their meter size ranging from 5/8" & 3/4" up to 6". Residential customers are billed lower rates than non-residential customers. The fixed charges are levied regardless of water consumption, recognizing that even when a customer does not use any water, the City incurs fixed costs associated with maintaining the ability or readiness to serve each connection. The fixed charges increase as meter size increases. Meter size represents the estimated demand that each customer can place on the water system. A significant portion of a water system's design, and therefore, the utility's operating and capital costs, are associated with meeting capacity requirements.

2. Variable Charge

In addition to the fixed charges, all customers are billed variable (consumption) charges for each unit of water consumed. One unit of water, or one hundred cubic feet (HCF), is equal to 748 gallons of water. The variable charges for water usage for single family residential customers are based on a 3-tiered rate structure where the price per unit of water is higher as more water is used. All other customers are billed a uniform variable charge where the price per unit of water does not vary based on the amount of water used. The variable charges are intended to recover the cost of supplying and delivering water to customers.

Table 3: Current Monthly Water Rates

Customer Class & Meter Size	Monthly Rate
FIXED CHARGE	
<u>Residential Customers</u>	
5/8" & 3/4"	\$36.86
1"	\$52.42
1.5"	\$62.80
2"	\$109.16
3"	\$157.76
4"	\$206.38
6"	\$498.01
<u>Non-Residential Customers</u>	
5/8" & 3/4"	\$74.98
1"	\$115.09
1.5"	\$141.83
2"	\$275.53
3"	\$409.24
4"	\$542.94
6"	\$1,234.61
<u>Commercial Low-Usage Customers</u>	
5/8" & 3/4"	\$36.86
VARIABLE CHARGE per HCF	
<u>Single Family Residential Customers</u>	
Tier 1: 1-5 HCF	\$3.49
Tier 2: 6-10 HCF	\$5.23
Tier 3: 11+ HCF	\$7.84
<u>Non-Single Family Residential</u>	
Rate per HCF	\$6.01

HCF = hundred cubic feet; 1 HCF = 748 gallons

2.2 Water Rate Revenues

Table 4 provides estimated water service charge revenues for FY2024/25 based on the City's billing data. The City collected about \$3 million in water service charge revenues, of which about 55% was collected from fixed charges and 45% was collected from variable charges. About 63% of customers are residential customers, the majority of which are served by 5/8" or 3/4" meters. Non-single family residential customers use the majority of the City's water, having consumed over 65% of water usage billed in FY2024/25.

Table 4: Current Water Rates and Estimated Rate Revenues

FY2024/25				
FIXED CHARGES				
Meter Size	No. of Meters	Monthly Rate	Total Revenues	% of Total
Residential Customers				
5/8 & 3/4"	2,235	\$36.86	\$988,585	59.6%
1"	38	\$52.42	\$23,904	1.4%
1.5"	21	\$62.80	\$15,826	1.0%
2"	7	\$109.16	\$9,169	0.6%
3"	0	\$157.76	\$0	0.0%
4"	1	\$206.38	\$2,477	0.1%
6"	1	\$498.01	\$5,976	0.4%
Total Residential Fixed Revenues	2,303		\$1,045,936	63.1%
Non-Residential Customers				
5/8 & 3/4" Low-Usage Customers	44	\$36.86	\$19,462	1.2%
5/8 & 3/4"	233	\$74.98	\$209,644	12.6%
1"	55	\$115.09	\$75,959	4.6%
1.5"	49	\$141.83	\$83,396	5.0%
2"	51	\$275.53	\$168,624	10.2%
3"	6	\$409.24	\$29,465	1.8%
4"	4	\$542.94	\$26,061	1.6%
6"	0	\$1,234.61	\$0	0.0%
Total Non-Residential Fixed Revenues	442		\$612,612	36.9%
Total Fixed Revenues	2,745		\$1,658,549	100.0%

VARIABLE CHARGES				
	Annual Consumption (HCF)	Rate per HCF	Total Revenues	% of Total
<u>Single Family Residential</u>				
Tier 1: 1-5 HCF	81,662	\$3.49	\$285,000	21.0%
Tier 2: 6-10 HCF	18,487	\$5.23	\$96,685	7.1%
Tier 3: 11+ HCF	11,183	\$7.84	\$87,677	6.5%
Subtotal	111,332		\$469,363	34.7%
<u>Non-Single Family Residential</u>				
Rate per HCF	147,269	\$6.01	\$885,089	65.3%
Total Variable Charges	258,601		\$1,354,452	100.0%

TOTAL WATER SALES REVENUES COMPARISON		
	Total Revenues	% of Total
Fixed Charges	\$1,658,549	55%
<u>Variable Charges</u>	<u>\$1,354,452</u>	<u>45%</u>
Total Water Sales Revenues (LT Calculation)	\$3,013,000	100%

2.3 Current Sewer Rates

Table 5 presents the City's current monthly sewer rates which were last adjusted July 1, 2019, at the same time as the most recent water rate adjustment, based on the City's 2013 sewer rate study. The City's sewer rate structure includes two components – (1) Fixed Charge and (2) Variable Charge.

The fixed charge is uniform across all customer types and is billed per residential dwelling unit or commercial unit. Some accounts are billed for multiple units. For example, a duplex is billed two fixed charges, one for each dwelling.

Regarding the sewer variable charges, residential customers are categorized as single-family, multi-family, and mobile home, with each class assigned a distinct variable charge. Commercial customers are categorized as low strength, medium strength, high strength, or brewery, each with a corresponding variable charge. For all customers except single family residences, sewer flow charges are based on month to month water usage. For example, if 4 HCF of water is used during the billing period, 4 HCF of sewer flow is billed. Water usage from dedicated irrigation lines is not billed sewer variable charges because irrigation water use does not flow into the sewer system.

Variable Charges for single family residences are billed based on average winter water use during the previous year, subject to a 2 HCF minimum. Each July, each single family residence's variable charge is calculated based on average monthly usage from the past November through February. This average determines how many sewer units each customer is billed each month for the fiscal year (July 1st through June 30th). All new customers pay the minimum variable sewer charge of 2 HCF until a winter average can be established. Winter averages calculated below the minimum variable charge of 2 HCF are billed the minimum charge. Winter water use is commonly used as a proxy for sewer flow because it is assumed that customers use little to no water for outdoor irrigation, which does not flow into the sewer, in the winter, so the majority of metered water use is discharged into the sewer.

Table 5: Current Monthly Sewer Rates

Customer Class	Monthly Rate
FIXED CHARGE	
<u>Residential (per unit)</u>	
Single Family Residential	\$28.89
Multi-Family Residential	\$28.89
Mobile Home Parks	\$28.89
<u>Commercial (per unit)</u>	
Low Strength	\$28.89
Medium Strength	\$28.89
Brewery	\$28.89
High Strength	\$28.89
VARIABLE CHARGE	
<u>Residential (per HCF)</u>	
Single Family Residential	\$7.31
Multi-Family Residential	\$3.28
Mobile Home Parks	\$0.23
<u>Commercial (per HCF)</u>	
Low Strength	\$9.90
Medium Strength	\$10.19
Brewery	\$20.30
High Strength	\$25.38

HCF = hundred cubic feet; 1 HCF = 748 gallons

2.4 Sewer Rate Revenues

An estimate of the City's FY2024/25 sewer service charge revenues by customer class is calculated in Table 6 based on the City's billing data. It is estimated that the City collected a total of \$3.41 million in sewer service charge revenues. About \$1.4 million of revenue, or about 41% of total, was from fixed charges while the remaining \$2 million was from variable charges. The majority of the City's fixed charge billing units are residential customers of all dwelling unit types, comprising 84% of the customer base. However, non-residential customers are billed higher variable charges and therefore contributed the majority of the City's variable charge revenues at about 61%.

Table 6: Current Sewer Rates and Estimated Rate Revenues

FY2024/25				
FIXED CHARGES				
Customer Class	No. of Dwelling and Commercial Units	Monthly Rate	Total Revenues	% of Total
Residential Customers				
Single Family Residential	2,190	\$28.89	\$759,229	54.3%
Multi-Family Residential	1,004	\$28.89	\$348,067	24.9%
<u>Mobile Home Parks</u>	<u>200</u>	\$28.89	<u>\$69,336</u>	<u>5.0%</u>
Subtotal Residential	3,394		\$1,176,632	84.2%
Non-Residential Customers				
Low Strength	43	\$28.89	\$14,907	1.1%
Medium Strength	491	\$28.89	\$170,220	12.2%
Brewery	4	\$29.89	\$1,435	0.1%
<u>High Strength</u>	<u>99</u>	\$28.89	<u>\$34,321</u>	<u>2.5%</u>
Subtotal Non-Residential	637		\$220,883	15.8%
Total Fixed Revenues	4,031		\$1,397,515	100.0%

VARIABLE CHARGES				
Customer Class	Billed Flow (HCF)	Rate per HCF	Total Revenues	% of Total
Residential Customers				
Single Family Residential	92,681	\$7.31	\$677,498	33.7%
Multi-Family Residential	34,219	\$3.28	\$112,238	5.6%
<u>Mobile Home Parks</u>	<u>5,842</u>	\$0.23	<u>\$1,344</u>	<u>0.1%</u>
Subtotal Residential	132,742		\$791,080	39.3%
Non-Residential Customers				
Low Strength	8,574	\$9.90	\$84,883	4.2%
Medium Strength	54,926	\$10.19	\$559,696	27.8%
Brewery	7,092	\$20.30	\$143,968	7.2%
<u>High Strength</u>	<u>17,065</u>	\$25.38	<u>\$433,110</u>	<u>21.5%</u>
Subtotal Non-Residential	87,657		\$1,221,656	60.7%
Total Variable Revenues	220,399		\$2,012,736	100.0%

TOTAL SEWER RATE REVENUES COMPARISON		
	Total Revenues	% of Total
Fixed Charges	\$1,397,515	41%
<u>Variable Charges</u>	<u>\$2,012,736</u>	<u>59%</u>
Total Sewer Rate Revenues (LT Calculation)	\$3,410,251	100%

SECTION 3: WATER COST OF SERVICE

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. This section provides an analysis of water system revenues and expenses to determine the total cost of service to be recovered via water rates. The cost of service is expressed in a cash flow table that illustrates revenue increases needed to keep up with expenses and maintain financial health. Over the five-year rate study period, rate increases are proposed so that the City can pay for operating costs, fund capital improvements, anticipated future debt service costs, and maintain reasonable reserves, all of which are calculated in this study to produce rates that will be necessary to recover only the actual cost of the water service per parcel under these proposed water rates. The water utility's cost of service was developed based on the FY2025/26 budget, the City's capital improvement plan, and input from staff.

3.1 Water System Overview and Estimated Demand

The City's water system includes raw water supply, treatment, and distribution facilities, which are owned and operated by the City. The purpose of the water system is to produce and deliver water for consumption, irrigation, and fire suppression in a safe and dependable manner. Water quality is closely monitored by several State of California regulatory agencies to guarantee compliance with Federal and State mandates. City staff is responsible for operating and maintaining the water treatment plant, source water intakes, water storage facilities, water meters, and various pump stations.

Water supply comes from three surface water sources. The primary water source is a pump drawing water from the Noyo River. The City's two additional water sources are spring fed from Waterfall Gulch and Newman Gulch. Over 30 miles of distribution lines deliver water to customers throughout Fort Bragg. Water is delivered primarily via gravity flow, apart from the East Fort Bragg pressure zone which requires a booster pump station to deliver water. In recent years, the City received over \$12 million in grant funding to complete an overhaul of the water treatment plant. Construction was completed in November 2025. The project consisted of rehabilitating the plant's filter treatment units and their surrounding buildings, making improvements to one of the City's water storage tanks, upgrading raw water storage and backwash ponds, and improving the piping system at the water treatment plant. These improvements will improve the overall efficiency of the plant for years to come.

The water utility has about 2,800 active service connections and the service area is fully metered. As shown on Table 7, total annual water consumption has averaged just under 250,000 HCF per year over the past three fiscal years based on the City's billing data. About 58% of water demands, on average, are by non-single family residential customers, while single family residential customers consume the remaining 42% of the City's billed water use. The vast majority of single family residential use, about 76%, is within the Tier 1 threshold which is up to the first 5 HCF of water used per month per service connection.

Table 7: Annual Water Consumption

Customer Class	Annual Billed Water Consumption			3-Year Average
	FY2022/23	FY2023/24	FY2024/25	
<u>Single Family Residential</u>				
Tier 1: 1-5 HCF	78,878	79,100	81,662	79,880
Tier 2: 6-10 HCF	14,962	15,716	18,487	16,388
<u>Tier 3: 11+ HCF</u>	<u>6,120</u>	<u>8,433</u>	<u>11,183</u>	<u>8,579</u>
Subtotal Single Family	99,961	103,250	111,332	104,847
<u>Non-Single Family Residential</u>				
Total Non-Single Family	145,045	142,509	147,269	144,941
Total Water Consumption (HCF)	245,006	245,759	258,601	249,788
<i>Percent Change</i>		0.31%	5.23%	

3.2 Revenues

The City's revenues consist of water service charges, interest earned, fees, and miscellaneous revenue. Total projected water system revenues are about \$3 million for FY2025/26. Water service charges make up the vast majority of total system revenues and are projected at \$2.9 million under current rates based on the most recent City Budget. Over the next five years, interest income is projected based on 3% of the City's beginning reserve fund balance each year. Fees and other miscellaneous revenues are also projected to increase 3% annually. The "fees" line item includes revenues earned from late penalties, permit inspection fees, final notice fees, water lateral install fees, and card processing fees.

A series of five annual rate increases are proposed to go into effect beginning on July 1, 2026 to fund the costs described below. To mitigate rate impacts, a small number of customers are proposed to have their rates phased in over the next five years. The loss of revenue associated with the phase-in is shown in the cash flow projection and will be drawn from reserves. As rate increases are phased-in, the rates approach the revenue requirement and the loss of revenue is less each year until the phase-in is completed by FY2030/31 (the fifth year of the rate plan).

3.3 Expenses

3.3.1 Operating Costs

Operating costs include salaries, benefits, repairs and maintenance, net capital assets, administration, contractual services, insurance, utilities, and other operating expenses. Net capital assets include supplies, chemicals, small tools, and equipment needed for operations. In FY2025/26, the City expects to incur about \$2.8 million in expenses to operate and maintain the water system. Operating costs over the course of the rate study period are projected in Table 8 on the following page based on the FY2025/26 Budget. Escalation factors of 3% annually are based on projected inflation and input from City staff.

Table 8: Water Operating Expense Projection

	Budget FY2025/26	Escalation Factor	Projected				
			FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Salaries & Benefits	\$1,268,700	3.0%	\$1,306,800	\$1,346,000	\$1,386,400	\$1,428,000	\$1,470,800
Repairs & Maintenance	\$67,000	3.0%	\$69,000	\$71,100	\$73,200	\$75,400	\$77,700
Capital Assets, Net	\$634,000	3.0%	\$653,000	\$672,600	\$692,800	\$713,600	\$735,000
Administration	\$493,700	3.0%	\$508,500	\$523,800	\$539,500	\$555,700	\$572,400
Contractual Services	\$60,400	3.0%	\$62,200	\$64,100	\$66,000	\$68,000	\$70,000
Insurance	\$72,400	3.0%	\$74,600	\$76,800	\$79,100	\$81,500	\$83,900
Other Operating	\$15,000	3.0%	\$15,500	\$16,000	\$16,500	\$17,000	\$17,500
<u>Utilities</u>	<u>\$200,000</u>	3.0%	<u>\$206,000</u>	<u>\$212,200</u>	<u>\$218,600</u>	<u>\$225,200</u>	<u>\$232,000</u>
Total Operating Expenses	\$2,811,200		\$2,895,600	\$2,982,600	\$3,072,100	\$3,164,400	\$3,259,300

3.3.2 Water Capital Improvement Plan

The City of Fort Bragg developed a Five-Year Capital Improvement Program (CIP) as part of its budgeting process which identifies and prioritizes all major capital projects in the City. Major capital projects consist of infrastructure improvements and non-routine maintenance that are not included in the City's operating budget (Table 8). The CIP for the City's Water Enterprise is provided in Table 9. Projects that will be grant funded have been removed from the list to reflect that those projects will be completed at no cost to the City's ratepayers.

As part of the rate study process, City staff reviewed and revised the originally adopted CIP, which included several projects with unidentified funding sources. Some projects were removed or postponed to mitigate rate impacts. For example, the City is expected to spend \$150,000 on design costs and a preliminary evaluation for the water main extension to North Fort Bragg in FY2025/26, but the full project will be postponed until the City can identify an appropriate funding source. To mitigate rate impacts, the City also expects to take on new debt financing in FY2028/29 to fund the Cedar Street water line replacement. The water main will be replaced and upsized to a 16" pipe. The total cost of the project is \$3.3 million.

Project costs over the five-year period funded through rate revenues and debt total to \$5.79 million. The debt-funded Cedar Street project is expected to cost about \$3.3 million, leaving \$2.49 million to be financed through a combination of rate revenues and cash reserves. It should be noted that the City's adopted CIP spans from FY2025/26 (current fiscal year) to FY2029/30 (year 4 of the five-year rate study period). Project costs have not been developed for FY2030/31. Beginning in FY2027/28 through the remainder of the rate study period, an additional \$350,000 per year is included in the cash flow projection to account for unforeseen or miscellaneous repairs and replacements that are not included in the CIP.

Table 9: Water Capital Improvements

Project	Budget FY2025/26	Projected				5-Year Total
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	
Rate-Funded Projects						
Madsen Hole Ranney - Design	400,000					400,000
Water Main Extension North FT Bragg [1]	150,000					150,000
Pudding Creek Water Main Paint	100,000					100,000
Brush Creek Culvert Replacement	90,000					90,000
Noyo River Crossing	210,000	1,190,000				1,400,000
Cedar Street Water Line Replacement			320,000			320,000
Oak Street Valves		30,000				30,000
Total Rate-Funded	\$950,000	\$1,220,000	\$320,000	\$0	\$0	\$2,490,000
Debt-Funded Projects						
Cedar Street Water Line Replacement [2]				1,650,000	1,650,000	3,300,000
Total Debt-Funded	\$0	\$0	\$0	\$1,650,000	\$1,650,000	\$3,300,000
Total Rate and Debt-Funded	\$950,000	\$1,220,000	\$320,000	\$1,650,000	\$1,650,000	\$5,790,000

1 – Project costs of \$4,000,000 were removed from the CIP

2 – Project costs of \$3,300,000 were removed from the rate-funded CIP. The project is proposed to be financed.

3.3.3 Debt Service and Capital Project Funding

The City's Water Enterprise Fund has no existing debt obligations. However, it is proposed that the City finance the Cedar Street water line replacement through a new debt issuance. For planning purposes, it is assumed the new debt of \$3.3 million will be repaid over a 30-year term with 3% interest. This potential future financing will result in a new debt service cost of about \$168,400 per year, beginning in FY2029/30.

Most forms of public agency debt require that the issuer maintain a coverage ratio of 1.2 times or greater. This is calculated as net revenues (not including grant funding) divided by the total annual debt service cost. The first debt payment is expected to occur in FY2029/30. By this time, it is projected that the City will have ample debt coverage. Debt coverage is one factor that lenders take into consideration when determining the credit rating of issuers. By maintaining a strong coverage ratio, the City should have a streamlined debt issuance process in the future.

3.4 Water Reserves

As of September 4, 2025, the Water Fund reserve balance is about \$4.8 million, see Table 10. It is recommended that the Water Fund maintain a balance equal to 9 months of operations and maintenance costs plus the annual debt service cost. Based on this calculation, the recommended fund target for FY2025/26 is about \$2.1 million. The current reserve of about \$4.8 million well exceeds the target. However, the City intends to prudently draw down reserves over the next few years to help fund capital improvement projects. It is projected that the City will end FY2030/31 with a reserve balance of \$3.4 million, exceeding the recommended target of \$2.6 million.

Adequate fund reserves protect the City when faced with unforeseen financial challenges such as emergency expenses and revenue deficits. Fund reserves are a critical tool that will allow the City to maintain its financial health and positive credit ratings, especially during emergencies. It is acceptable if reserves dip below the target on a temporary basis, provided the City takes action to attain the target over the longer run. Over the five-year rate study period, it is proposed that the City will exceed the fund reserve target each year, even though a portion of existing reserves will be spent down on capital projects.

Table 10: Water General Ledger Cash Balances as of 9/4/25

Fund 610	Water Works O&M	Ending Balance
	XP Deposit Acct	125,674
	USBank Checking	702,898
Fund 612	Recession Reserve	Ending Balance
	USBank Checking	267,314
Fund 614	Non-Routine Maintenance	Ending Balance
	USBank Checking	-69,203
Fund 615	Capital Reserve	Ending Balance
	USBank Checking	3,076,229
Fund 640	Waterworks Capacity Fees	Ending Balance
	USBank Checking	0
Fund 651	Water Capital Projects	Ending Balance
	USBank Checking	697,041
Total Reserve Balance		4,799,954

3.5 Water Cash Flow Projection

Figure 5 and Table 11 provide a cash flow projection spanning from FY2025/26 to FY2030/31. Over the five-year rate study period, water rate increases are proposed to fund operating costs, capital costs, future debt service, and maintain adequate reserves. Rate increases are proposed to take effect each July 1 from 2026 through 2030.

It is proposed that fixed charges for residential customers with larger meter sizes of 3" or above be phased in over the 5-year rate study period to mitigate the impacts of rate increases. Table 11 includes the line item "Loss from Phase-In" which represents the difference between revenue that would be generated under full cost implementation of the proposed rates (without a phase-in) and the actual

revenue expected to be collected during the phase-in period. The proposed rates, rate design, and rate phase-in are described in more detail in the following sections.

Figure 5 graphically summarizes the water cash flow projection including the proposed annual revenues in comparison to current revenues. It should be noted that the current and proposed revenues shown in the chart include both rate revenues and the City's non-rate revenue sources which consist of projected interest earnings, fees, and a small amount of other miscellaneous revenues. It should also be noted that the proposed revenue increases shown in both Figure 5 and Table 11 represent the percentage increase to total annual rate revenues. Due to proposed cost allocation and rate structure changes, which are described in further detail in the following sections, the rate increases for individual customers may vary.

Figure 5: Water Cash Flow Projection

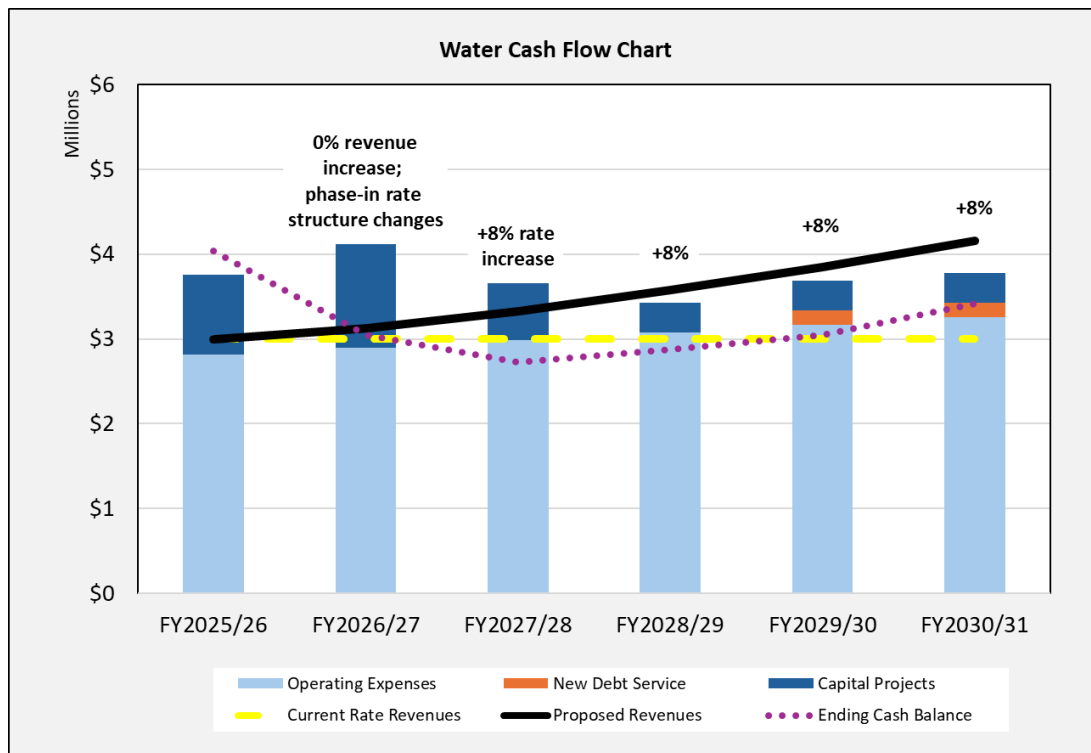


Table 11: Water Cash Flow Projection

	Budget FY2025/26	Projected: Years 1 - 5 (Prop 218 Period)				
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Rate Increase %		0%	8%	8%	8%	8%
Rate Increase Effective Date		July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
BEGINNING FUND BALANCE	\$4,800,000	\$4,039,300	\$3,045,700	\$2,721,300	\$2,872,200	\$3,041,800
REVENUES						
Water Services Charges	2,903,000	2,903,000	3,135,200	3,386,000	3,656,900	3,949,500
Loss from Phase-In	0	(2,700)	(1,900)	(1,200)	(500)	0
Interest Earned [1]	0	121,200	91,400	81,600	86,200	91,300
Fees	45,500	46,900	48,300	49,700	51,200	52,700
Miscellaneous Revenue	<u>52,000</u>	<u>53,600</u>	<u>55,200</u>	<u>56,900</u>	<u>58,600</u>	<u>60,400</u>
Subtotal Revenue	3,000,500	3,122,000	3,328,200	3,573,000	3,852,400	4,153,900
EXPENSES						
<u>Operating Expenses</u>						
Salaries & Benefits	1,268,700	1,306,800	1,346,000	1,386,400	1,428,000	1,470,800
Repairs & Maintenance	67,000	69,000	71,100	73,200	75,400	77,700
Capital Assets, Net	634,000	653,000	672,600	692,800	713,600	735,000
Administration	493,700	508,500	523,800	539,500	555,700	572,400
Contractual Services	60,400	62,200	64,100	66,000	68,000	70,000
Insurance	72,400	74,600	76,800	79,100	81,500	83,900
Other Operating	15,000	15,500	16,000	16,500	17,000	17,500
<u>Utilities</u>	<u>200,000</u>	<u>206,000</u>	<u>212,200</u>	<u>218,600</u>	<u>225,200</u>	<u>232,000</u>
Subtotal Operating	2,811,200	2,895,600	2,982,600	3,072,100	3,164,400	3,259,300
Net Operating Revenues	189,300	226,400	345,600	500,900	688,000	894,600
<u>Non-Operating Expenses</u>						
CIP Projects	950,000	1,220,000	320,000	0	0	0
Repairs and Replacements	0	0	350,000	350,000	350,000	350,000
<u>New Debt Service [2]</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>168,400</u>	<u>168,400</u>
Subtotal Non-Operating	950,000	1,220,000	670,000	350,000	518,400	518,400
Total Expenses	3,761,200	4,115,600	3,652,600	3,422,100	3,682,800	3,777,700
Total Net Revenues	(760,700)	(993,600)	(324,400)	150,900	169,600	376,200
ENDING FUND BALANCE	4,039,300	3,045,700	2,721,300	2,872,200	3,041,800	3,418,000
Target Reserve Balance [3]	2,108,400	2,171,700	2,237,000	2,304,100	2,541,700	2,612,900
Target Met?	yes	yes	yes	yes	yes	yes
Debt Service Coverage [4]	N/A	N/A	N/A	N/A	4.09	5.31

1 - Estimated interest earnings are 3% of annual beginning fund balance

2 - For loan of \$3,300,000 at 3% interest over 30 years to fund the Cedar Street Water Line Replacement project

3 - Annual target is 75% of operating expenses plus annual debt service

4 - Net operating revenues divided by total debt service. Annual target is > 1.2

SECTION 4: WATER COST ALLOCATION

Proposition 218 requires that agencies providing “property-related services” (including water utility service) set rates and charges that are based on the cost of providing those services. The prior section determined the total cost of providing water service to customers. In this section, the cost of service is allocated between different rate components to fairly recover costs based on how customers use the system, and in any event not to exceed the proportional cost of the water service attributable to each parcel.

4.1 Methodology

The American Water Works Association (AWWA) recommends methods to classify costs among various customers. Using the Base-Extra Capacity Method as recommended by the AWWA, water operating expenses are allocated to the following categories: (a) Base, (b) Extra, (c) Meters & Services, and (d) Customer Service. The Base and Extra categories are intended to recover the costs to deliver water to customers, while the Customer Service and Meters & Services categories are intended to recover expenses related to maintaining infrastructure in the system to supply water at all times under the proposed water service rates derived in this study. A summary of the cost allocation categories is provided below:

- *Base:* Base costs include the expenses related to providing water under average (“base”) demand conditions.
- *Extra:* The extra category includes costs related to providing water above the system average demand (i.e., related to peak, “extra” usage).
- *Meters & Services:* These include costs related to maintaining infrastructure and operating capacity to provide service at any time under the proposed water service fee rates in this study.
- *Customer Service:* This category contains costs associated with serving customers, such as billing and answering customer inquiries.

4.2 Proposed Cost Allocation

The cost allocation determines the percentage of annual revenue to be collected from the fixed charge and the variable charge. The water system’s expenses are allocated to each cost allocation category based on how the City incurs each cost to fairly recover costs based on how customers use the system. The percentage of costs allocated to the *Meters & Services* and *Customer Service* categories is proposed to be recovered from the fixed charge. The percentage of costs allocated to the *Base + Extra* category is proposed to be recovered from the variable charge which is billed per unit of metered consumption. Since the proposed variable charge is a uniform rate that applies to all levels of water consumption, the

AWWA recommended cost categories of *Base* and *Extra* are proposed to be combined for rate design purposes. Rate design is described further in the next section.

Table 12 provides the results of the cost allocation with FY2026/27 serving as the test year. The fixed charge is proposed to recover most costs for administration and insurance as well as capital improvements, replacements, and debt service. The variable charge is proposed to recover most of the costs of operator salaries and benefits, repairs and maintenance, net capital assets, and utilities. In total, about 35.4% of costs are attributable to the fixed charge (i.e. *Meters & Services* and *Customer Service*), and about 64.6% of costs are attributable to the variable charge (i.e. *Base + Extra*).

It is important to note that this represents a departure from the existing rate revenue recovery where about 55% of costs are recovered through the fixed charges and 45% are recovered through the variable charges (see Table 4).

Table 12: Water Cost Allocation

	Projected FY2026/27	FIXED CHARGE		VARIABLE CHARGE	Total
		Meters & Services	Customer Service	Base + Extra	
Operating Expenses					
Salaries & Benefits	\$1,306,800	0.0%	10.0%	90.0%	100%
Repairs & Maintenance	\$69,000	0.0%	0.0%	100.0%	100%
Capital Assets, Net	\$653,000	0.0%	0.0%	100.0%	100%
Administration	\$508,500	80.0%	5.0%	15.0%	100%
Contractual Services	\$62,200	0.0%	0.0%	100.0%	100%
Insurance	\$74,600	50.0%	0.0%	50.0%	100%
Other Operating	\$15,500	0.0%	0.0%	100.0%	100%
<u>Utilities</u>	<u>\$206,000</u>	<u>0.0%</u>	<u>0.0%</u>	<u>100.0%</u>	<u>100%</u>
Subtotal Operating	\$2,895,600	\$444,100	\$156,105	\$2,295,395	\$2,895,600
Allocation %		15.3%	5.4%	79.3%	100.0%
Non-Operating Expenses [1]					
Capital Projects	\$308,000	100.0%	0.0%	0.0%	100%
Repairs and Replacements	\$280,000	100.0%	0.0%	0.0%	100%
Debt Service	<u>\$67,400</u>	<u>100.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>100%</u>
Subtotal Non-Operating	\$655,400	\$655,400	\$0	\$0	\$655,400
Allocation %		100.0%	0.0%	0.0%	100.0%
TOTAL EXPENSES	\$3,551,000	\$1,099,500	\$156,105	\$2,295,395	\$3,551,000
Total Allocation %		31.0%	4.4%	64.6%	100.0%

1 - Average 5-year costs

SECTION 5: WATER RATE DESIGN

Following the allocation of costs, the next step is to derive the total cost responsibility for each customer class by developing unit costs of service for each cost function and then assigning those costs to the customer classes based on the respective service requirements of each.

5.1 Revenue Requirement Allocation

Table 13 calculates the fixed charge and variable charge revenue requirements for each year by applying the cost allocation percentages from Table 12 to the total annual water service charge revenue requirements derived in Table 11. Based on the cost allocation percentages, 31% of the total revenue requirement is assigned to the *Meters & Services* category (recovered through the fixed charge), 4.4% is assigned to the *Customer Service* category (also recovered through the fixed charge), and the remaining 64.6% is assigned to the combined *Base + Extra* category (recovered through the variable charge).

Table 13: Allocation of Annual Water Service Charge Revenue Requirement

	Cost Allocation %	PROJECTED				
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Total Revenue Requirement [1]		\$2,903,000	\$3,135,200	\$3,386,000	\$3,656,900	\$3,949,500
FIXED CHARGES						
Meters & Services	31.0%	\$899,930	\$971,912	\$1,049,660	\$1,133,639	\$1,224,345
<u>Customer Service</u>	<u>4.4%</u>	<u>\$127,732</u>	<u>\$137,949</u>	<u>\$148,984</u>	<u>\$160,904</u>	<u>\$173,778</u>
Total Fixed Charges	35.4%	\$1,027,662	\$1,109,861	\$1,198,644	\$1,294,543	\$1,398,123
VARIABLE CHARGES						
<u>Base + Extra</u>	<u>64.6%</u>	<u>\$1,875,338</u>	<u>\$2,025,339</u>	<u>\$2,187,356</u>	<u>\$2,362,357</u>	<u>\$2,551,377</u>
Total Variable Charges	64.6%	\$1,875,338	\$2,025,339	\$2,187,356	\$2,362,357	\$2,551,377
TOTAL	100.0%	\$2,903,000	\$3,135,200	\$3,386,000	\$3,656,900	\$3,949,500

1 - From Cash Flow; Water Service Charges revenue requirement for each year.

5.2 Billing Units

5.2.1 Meter Equivalents

The most common method to levy fixed charges is by meter size. AWWA guidelines recommend using meter equivalents to assign demand-related costs to larger meter sizes. The ratio at which the meter charge increases is typically a function of either meter investment (estimated cost) or the meter's safe operating capacity. Larger meters have the ability to place a greater demand on the water system and are therefore charged based on that potential demand. For example, based on the AWWA meter capacity ratios, a customer that has a 2" meter has 5.33 times the capacity equivalency of a customer with a 3/4" meter—a 2" meter has a safe operating capacity of 160 gallons per minute (gpm) compared to a 3/4" meter which has a safe operating capacity of 30 gpm.

Table 14 shows the City's current number of meters and calculates the number of meter equivalents based on AWWA meter capacity ratios. The City's existing fixed charges are based on meter size, but the ratios used to assign capacity equivalency to larger meter sizes differ from the AWWA ratios and additionally differ between the residential and non-residential fixed charges. With this rate update, it is proposed that both residential and non-residential customers be billed the same fixed charges based on the AWWA ratios shown in the table below.

The base meter size in the City is the 5/8" & 3/4" meter category. The meter ratio of each meter size is calculated by dividing the meter's safe operating capacity (in gpm) by the safe operating capacity of a 3/4" meter (30 gpm). The 3/4" meter capacity is used rather than the 5/8" meter capacity because the City no longer installs 5/8" meters. However, some older homes still have this meter size. The total number of meter equivalents is determined by multiplying the number of meters for each meter size by the corresponding meter ratio shown in Table 14. The City currently serves about 2,800 meters or 3,500 meter equivalents.

Table 14: Proposed Water Meter Equivalents

Meter Size	Number of Meters [1]	Safe Operating Capacity (gpm) [2]	Meter Ratio	Proposed Meter Equivalents
5/8 & 3/4"	2,558	30	1.00	2,558
1"	93	50	1.67	155
1.5"	72	100	3.33	240
2"	58	160	5.33	309
3"	6	320	10.67	64
4"	6	500	16.67	100
6"	<u>1</u>	1,000	33.33	<u>33</u>
	2,794			3,459

1 - The number of meters is taken from the City's billing data from June 2025.

2 - AWWA Manual M1, Table B-2. Safe maximum operating capacity by meter type, per current AWWA standards, in gallons per minute (gpm).

5.3 Water Rate Derivation

5.3.1 Fixed Charge Derivation

Table 15 provides the rate derivation for the proposed fixed charges using the annual revenue requirements from Table 13 and the number of meters and AWWA meter equivalents from Table 14. To be conservative, there is no growth expected in the City's customer base over the next five years. As shown in Table 13, the fixed charge is proposed to recover both the *Meters & Services* and the *Customer Service* components of the revenue requirement from the cost allocation (Table 12). Consequently, the proposed fixed charge is calculated from two components which are combined into a single monthly fixed charge that increases based on meter size – (1) Meter Equivalent Charge and (2) Customer Service Charge.

1. Meter Equivalent Charge

The Meter Equivalent Charge is calculated by dividing the *Meters & Services* revenue requirement in the given year by the total number of meter equivalents. The proposed Meter Equivalent Charge is then multiplied by the corresponding meter equivalent ratio to generate a charge for each meter size. As noted in the previous section, scaling the charges by meter equivalent ratios ensures that each meter size is charged based on their proportional impact on the system and is consistent with the City's current rate structure.

2. Customer Service Charge

The *Customer Service* component of the revenue requirement recovers a small amount of the City's administrative expenses which are the same for each customer regardless of meter size. Because of this, the Customer Service Charge is proposed not to vary by meter size. To calculate the Customer Service Charge, the *Customer Service* revenue requirement for the given year is divided by the total number of meters.

For FY2026/27, the proposed Meter Equivalent Charge of \$21.68 is multiplied by the corresponding meter equivalent ratio, then the Customer Service Charge of \$3.81 is added to that total to calculate the total proposed fixed charge. For customers with a 5/8" or 3/4" meter, the proposed FY2026/27 fixed charge is \$25.49. The proposed fixed charge is a decrease from the current 5/8" & 3/4" charges for both residential and non-residential customers because the proposed cost allocation shifts a greater proportion of revenue recovery onto the variable charge.

Table 15: Water Fixed Charge Derivation

	CURRENT	PROJECTED				
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
REVENUE REQUIREMENT						
Meters & Services		\$899,930	\$971,912	\$1,049,660	\$1,133,639	\$1,224,345
Customer Service		\$127,732	\$137,949	\$148,984	\$160,904	\$173,778
Total Fixed Charge Revenue		\$1,027,662	\$1,109,861	\$1,198,644	\$1,294,543	\$1,398,123
METER EQUIVALENT CHARGE						
Meters & Service Rev. Requirement		\$899,930	\$971,912	\$1,049,660	\$1,133,639	\$1,224,345
Number of Meter Equivalents		3,459	3,459	3,459	3,459	3,459
Total Meter Equivalent Charge		\$21.68	\$23.42	\$25.29	\$27.31	\$29.50
Meter Equiv. Charge by Meter Size						
Meter Size	Meter Ratio					
5/8" & 3/4"	1.00	\$21.68	\$23.42	\$25.29	\$27.31	\$29.50
1"	1.67	\$36.13	\$39.03	\$42.15	\$45.52	\$49.17
1.5"	3.33	\$72.27	\$78.07	\$84.30	\$91.03	\$98.33
2"	5.33	\$115.63	\$124.91	\$134.88	\$145.65	\$157.33
3"	10.67	\$231.25	\$249.81	\$269.76	\$291.31	\$314.67
4"	16.67	\$361.33	\$390.33	\$421.50	\$455.17	\$491.67
6"	33.33	\$722.67	\$780.67	\$843.00	\$910.33	\$983.33
CUSTOMER SERVICE CHARGE						
Customer Service Rev. Requirement		\$127,732	\$137,949	\$148,984	\$160,904	\$173,778
Number of Meters		2,794	2,794	2,794	2,794	2,794
Total Cust. Service Charge per Acct.		\$3.81	\$4.11	\$4.44	\$4.80	\$5.18
TOTAL MONTHLY FIXED CHARGE [1]						
Meter Size						
5/8" & 3/4"		\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
1"		\$39.94	\$43.14	\$46.59	\$50.32	\$54.35
1.5"		\$76.08	\$82.18	\$88.74	\$95.83	\$103.51
2"		\$119.44	\$129.02	\$139.32	\$150.45	\$162.51
3"		\$235.06	\$253.92	\$274.20	\$296.11	\$319.85
4"		\$365.14	\$394.44	\$425.94	\$459.97	\$496.85
6"		\$726.48	\$784.78	\$847.44	\$915.13	\$988.51

1 - Total Monthly Fixed Charge is the sum of the "Meter Equivalent Charge" by meter size plus the "Customer Service Charge per Account"

5.3.2 Variable Charge Derivation

Table 16 provides the rate derivation for the proposed variable charge using projected annual water consumption and the annual revenue requirements from Table 13. As shown in Table 13, the variable charge is proposed to recover the *Base + Extra* component of the revenue requirement from the cost allocation (Table 12). The proposed variable charge is a uniform rate where all customers are charged the same rate per unit of water consumed, replacing the single family residential tiered rate structure in which customers are charged a higher rate per HCF for higher levels of consumption. The current variable charges generate about 45% of total water rate revenues (Table 4) and it is proposed that the variable charges generate about 65% of total revenues beginning in FY2026/27 (Table 12).

The proposed variable charge for each year is equal to the annual revenue requirement divided by projected annual consumption. Since no growth is expected in the City's customer base over the next five years, water consumption is also projected to remain constant. Estimated water consumption is based on the average billed consumption over the past three years (Table 7) less a 3% reduction to account for some delinquency as well as potential conservation as customers react to increased rates. For FY2026/27, the proposed variable charge is \$7.74 per HCF.

Table 16: Water Variable Charge Derivation

	PROJECTED				
	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
REVENUE REQUIREMENT Base + Extra	\$1,875,338	\$2,025,339	\$2,187,356	\$2,362,357	\$2,551,377
VARIABLE CHARGE DERIVATION Revenue Requirement	\$1,875,338	\$2,025,339	\$2,187,356	\$2,362,357	\$2,551,377
<u>Projected Consumption (HCF) [1]</u>	<u>242,295</u>	<u>242,295</u>	<u>242,295</u>	<u>242,295</u>	<u>242,295</u>
Variable Charge per HCF	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53

1 - Based on average consumption over the past three years, less 3% for estimated conservation and delinquency

5.4 Proposed 5-Year Schedule of Monthly Water Rates

5.4.1 Hypothetical Rates (Without Phase-in)

Table 17 shows the five-year schedule of rates as derived in Table 15 and Table 16 to recover the full cost of providing water service. Because residential customers with meter sizes of 3" and up would experience high bill impacts under this hypothetical schedule of rates, fixed charges for these customers are proposed to be phased in as shown in Table 18.

Table 17: Hypothetical Five-Year Schedule of Monthly Water Rates – First Iteration

Customer Class & Meter Size	Current	PROPOSED				
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Effective Date		July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
FIXED CHARGE						
<u>Residential</u>						
5/8" & 3/4"	\$36.86	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
1"	\$52.42	\$39.94	\$43.14	\$46.59	\$50.32	\$54.35
1.5"	\$62.80	\$76.08	\$82.18	\$88.74	\$95.83	\$103.51
2"	\$109.16	\$119.44	\$129.02	\$139.32	\$150.45	\$162.51
3"	\$157.76	\$235.06	\$253.92	\$274.20	\$296.11	\$319.85
4"	\$206.38	\$365.14	\$394.44	\$425.94	\$459.97	\$496.85
6"	\$498.01	\$726.48	\$784.78	\$847.44	\$915.13	\$988.51
<u>Non-Residential</u>						
5/8" & 3/4"	\$74.98	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
1"	\$115.09	\$39.94	\$43.14	\$46.59	\$50.32	\$54.35
1.5"	\$141.83	\$76.08	\$82.18	\$88.74	\$95.83	\$103.51
2"	\$275.53	\$119.44	\$129.02	\$139.32	\$150.45	\$162.51
3"	\$409.24	\$235.06	\$253.92	\$274.20	\$296.11	\$319.85
4"	\$542.94	\$365.14	\$394.44	\$425.94	\$459.97	\$496.85
6"	\$1,234.61	\$726.48	\$784.78	\$847.44	\$915.13	\$988.51
<u>Commercial (Low-Usage)</u>						
5/8" & 3/4"	\$36.86	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
VARIABLE CHARGE per HCF						
<u>Single Family Residential</u>						
Tier 1: 1-5 HCF	\$3.49	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53
Tier 2: 6-10 HCF	\$5.23	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53
Tier 3: 11+ HCF	\$7.84	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53
<u>Non-Single Family Residential</u>						
Rate per HCF	\$6.01	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53

HCF = hundred cubic feet; 1 HCF = 748 gallons

Blue shaded cells are proposed to be phased in

5.4.2 Proposed Rates (With Phase-in)

To mitigate rate impacts, fixed charge adjustments for residential customers with a meter size of 3" or larger are proposed to be phased in over the next five years. By FY2030/31, the residential phased-in rates will equal the full cost rates. The loss of revenue from the phase-in is shown in the cash flow projection (Table 11) for each year. The loss of revenue is calculated as the revenues that the City would collect if the 13 residential meters sized 3" and up were billed at the hypothetical, full-cost fixed charges (Table 17) less the fixed charge revenues expected from these customers at the proposed, phased-in rates. The City intends to draw from reserves to offset the temporary loss of revenue resulting from the phased-in adjustments being lower than necessary to recover the full cost of providing water service.

The proposed five-year rate plan with phased-in rate adjustments is summarized in Table 18. All customers are proposed to be charged according to the proposed rate schedule shown. For any additional connections built out in the City, the rates for the water service fees in Table 18 will also apply to them. As described in the previous sections of this report, the rates have been calculated in this study to produce rates that will be necessary to recover only the actual cost of the water service per parcel under the proposed water rates. The first rate change is proposed to take effect on July 1, 2026, with subsequent increases each July 1 through 2030. While no overall rate revenue increase is proposed for July 1, 2026, customers are likely to experience changes in their individual bills as a result of proposed rate structure changes. The bill impacts to each customer will depend on customer class and meter size and may vary on a month-to-month basis due to individual water consumption patterns.

Table 18: Proposed Five-Year Schedule of Monthly Water Rates

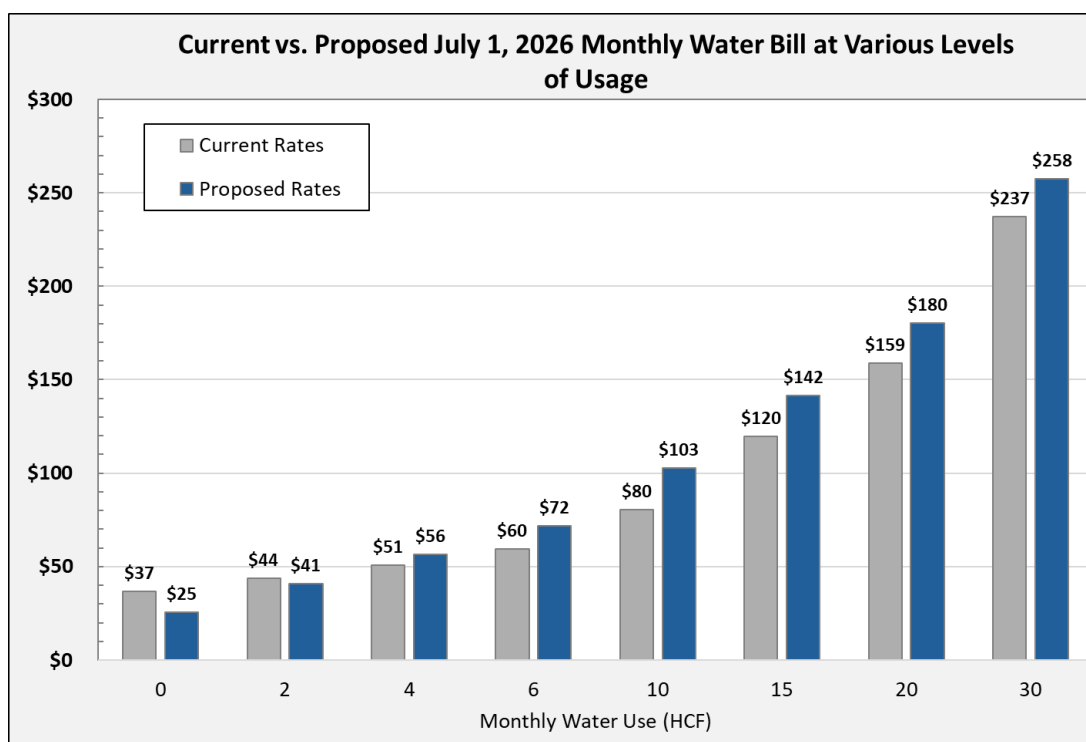
Customer Class & Meter Size	Current	PROPOSED				
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Effective Date		July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
FIXED CHARGE						
<u>Residential</u>						
5/8" & 3/4"	\$36.86	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
1"	\$52.42	\$39.94	\$43.14	\$46.59	\$50.32	\$54.35
1.5"	\$62.80	\$76.08	\$82.18	\$88.74	\$95.83	\$103.51
2"	\$109.16	\$119.44	\$129.02	\$139.32	\$150.45	\$162.51
3"	\$157.76	\$190.00	\$222.46	\$254.92	\$287.38	\$319.85
4"	\$206.38	\$265.00	\$322.96	\$380.92	\$438.88	\$496.85
6"	\$498.01	\$600.00	\$697.13	\$794.26	\$891.39	\$988.51
<u>Non-Residential</u>						
5/8" & 3/4"	\$74.98	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
1"	\$115.09	\$39.94	\$43.14	\$46.59	\$50.32	\$54.35
1.5"	\$141.83	\$76.08	\$82.18	\$88.74	\$95.83	\$103.51
2"	\$275.53	\$119.44	\$129.02	\$139.32	\$150.45	\$162.51
3"	\$409.24	\$235.06	\$253.92	\$274.20	\$296.11	\$319.85
4"	\$542.94	\$365.14	\$394.44	\$425.94	\$459.97	\$496.85
6"	\$1,234.61	\$726.48	\$784.78	\$847.44	\$915.13	\$988.51
<u>Commercial (Low-Usage)</u>						
5/8" & 3/4"	\$36.86	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
VARIABLE CHARGE per HCF						
<u>Single Family Residential</u>						
Tier 1: 1-5 HCF	\$3.49	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53
Tier 2: 6-10 HCF	\$5.23	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53
Tier 3: 11+ HCF	\$7.84	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53
<u>Non-Single Family Residential</u>						
Rate per HCF	\$6.01	\$7.74	\$8.36	\$9.03	\$9.75	\$10.53

HCF = hundred cubic feet; 1 HCF = 748 gallons

5.5 Sample Water Bill Impacts

July 1, 2026, the City is not proposing to increase the total amount of water rate revenues collected. However, because several adjustments to the cost allocation and rate structure are proposed, the actual bill impacts to customers will vary. For instance, the fixed charges for most customers are proposed to decrease while the variable charge is proposed to increase, resulting in varied bill impacts. Moreover, water consumption, particularly for single family customers, typically fluctuates throughout the year due to seasonal variations in weather and/or other factors. Hence, a single family customer could face a range of impacts throughout the year. Generally speaking, the bill impacts will be greater for customers with higher usage because of the shift in revenue recovery toward the variable charge. The City's typical customer is a single family residential customer with a 5/8" or 3/4" meter. Figure 6 below shows the single family residential bills at current rates compared with the proposed July 1, 2026 rates for various levels of water consumption.

Figure 6: Single Family Residential Water Bill Impacts at Various Levels of Usage



The tables on the following pages show the impacts of the proposed rates over the full five-year rate study period based on the typical monthly average water consumption across the whole year, average winter consumption, and average summer consumption. Table 19 provides sample bills for a single family residential customer with a 5/8" or 3/4" meter and Table 20 provides sample bills for a commercial customer with a 5/8" or 3/4" meter. In the second through fifth years of the rate plan, the rates are proposed to increase 8% per year.

Table 19: Sample Residential Monthly Water Bill Impacts, 5/8" & 3/4" Meters

	Monthly Use (HCF)	Current Bill	Proposed				
			July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
3 HCF (Winter Bill) Fixed Charge - 5/8" & 3/4" <u>Variable Charge</u> Total Monthly Water Bill <i>\$ Change</i> <i>% Change</i>	3	\$36.86 <u>\$10.47</u> \$47.33	\$25.49 <u>\$23.22</u> \$48.71 \$1.38 2.9%	\$27.53 <u>\$25.08</u> \$52.61 \$3.90 8.0%	\$29.73 <u>\$27.09</u> \$56.82 \$4.21 8.0%	\$32.11 <u>\$29.25</u> \$61.36 \$4.54 8.0%	\$34.68 <u>\$31.59</u> \$66.27 \$4.91 8.0%
4 HCF (Average Bill) Fixed Charge - 5/8" & 3/4" <u>Variable Charge</u> Total Monthly Water Bill <i>\$ Change</i> <i>% Change</i>	4	\$36.86 <u>\$13.96</u> \$50.82	\$25.49 <u>\$30.96</u> \$56.45 \$5.63 11.1%	\$27.53 <u>\$33.44</u> \$60.97 \$4.52 8.0%	\$29.73 <u>\$36.12</u> \$65.85 \$4.88 8.0%	\$32.11 <u>\$39.00</u> \$71.11 \$5.26 8.0%	\$34.68 <u>\$42.12</u> \$76.80 \$5.69 8.0%
5 HCF (Summer Bill) Fixed Charge - 5/8" & 3/4" <u>Variable Charge</u> Total Monthly Water Bill <i>\$ Change</i> <i>% Change</i>	5	\$36.86 <u>\$17.45</u> \$54.31	\$25.49 <u>\$38.70</u> \$64.19 \$9.88 18.2%	\$27.53 <u>\$41.80</u> \$69.33 \$5.14 8.0%	\$29.73 <u>\$45.15</u> \$74.88 \$5.55 8.0%	\$32.11 <u>\$48.75</u> \$80.86 \$5.98 8.0%	\$34.68 <u>\$52.65</u> \$87.33 \$6.47 8.0%

Table 20: Sample Commercial Monthly Water Bill Impacts, 5/8" & 3/4" Meters

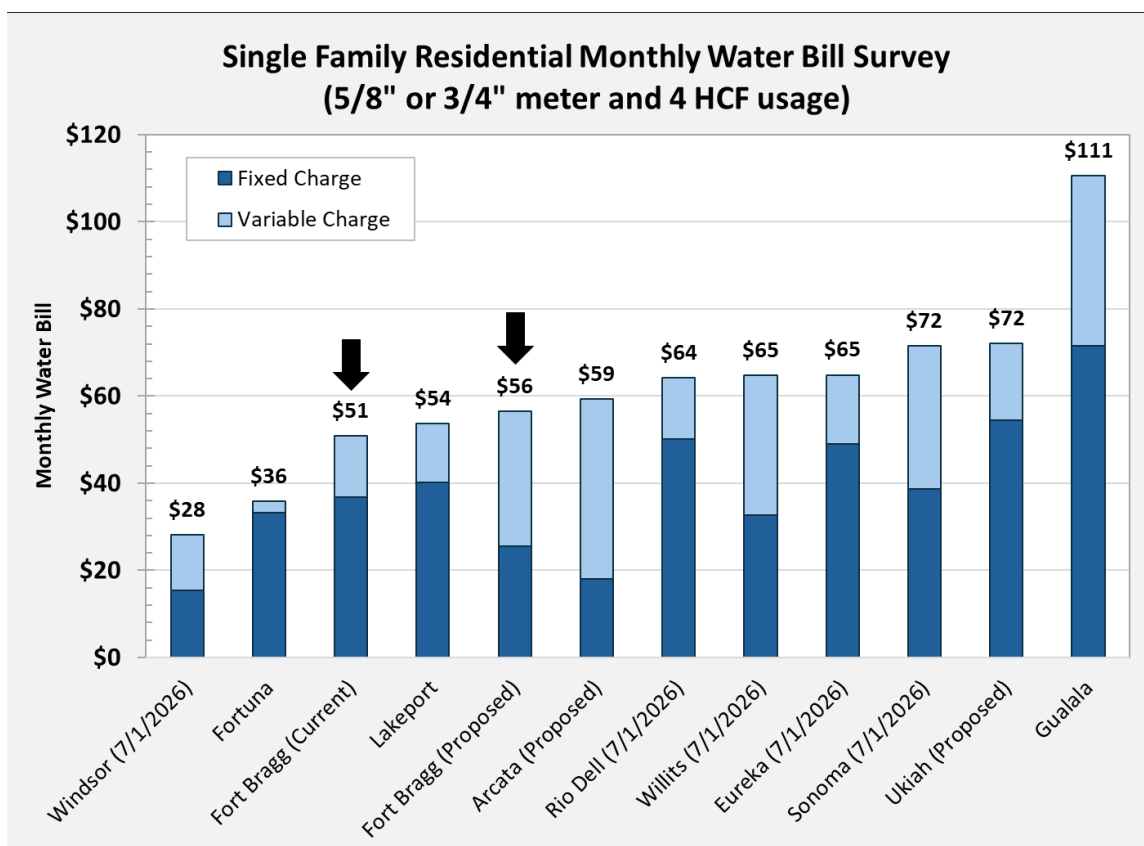
	Monthly Use (HCF)	Current Bill	Proposed				
			July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
3 HCF (Low Use)	3						
Fixed Charge - 5/8" & 3/4"		\$74.98	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
<u>Variable Charge</u>		<u>\$18.03</u>	<u>\$23.22</u>	<u>\$25.08</u>	<u>\$27.09</u>	<u>\$29.25</u>	<u>\$31.59</u>
Total Monthly Water Bill		\$93.01	\$48.71	\$52.61	\$56.82	\$61.36	\$66.27
<i>\$ Change</i>			(\$44.30)	\$3.90	\$4.21	\$4.54	\$4.91
<i>% Change</i>			-47.6%	8.0%	8.0%	8.0%	8.0%
8 HCF (Average Bill)	8						
Fixed Charge - 5/8" & 3/4"		\$74.98	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
<u>Variable Charge</u>		<u>\$48.08</u>	<u>\$61.92</u>	<u>\$66.88</u>	<u>\$72.24</u>	<u>\$78.00</u>	<u>\$84.24</u>
Total Monthly Water Bill		\$123.06	\$87.41	\$94.41	\$101.97	\$110.11	\$118.92
<i>\$ Change</i>			(\$35.65)	\$7.00	\$7.56	\$8.14	\$8.81
<i>% Change</i>			-29.0%	8.0%	8.0%	8.0%	8.0%
20 HCF (High Use)	20						
Fixed Charge - 5/8" & 3/4"		\$74.98	\$25.49	\$27.53	\$29.73	\$32.11	\$34.68
<u>Variable Charge</u>		<u>\$120.20</u>	<u>\$154.80</u>	<u>\$167.20</u>	<u>\$180.60</u>	<u>\$195.00</u>	<u>\$210.60</u>
Total Monthly Water Bill		\$195.18	\$180.29	\$194.73	\$210.33	\$227.11	\$245.28
<i>\$ Change</i>			(\$14.89)	\$14.44	\$15.60	\$16.78	\$18.17
<i>% Change</i>			-7.6%	8.0%	8.0%	8.0%	8.0%

5.5.1 Water Rate Survey

Figure 7 compares the City's current and proposed average monthly single family residential bill with those of surrounding agencies for the same amount of water consumption and a 5/8" or 3/4" meter. The typical monthly water use in the City is 4 HCF for single family residential customers. For a 5/8" and 3/4" meter, this equates to a current water bill of \$50.82 per month. July 1, 2026, the water bill for that customer would equal \$56.45, an increase of \$5.63.

The City's current water rates are in the lower end of those charged by other local agencies and will remain as such following the proposed rate adjustment. The rates shown for other local agencies are based on the most current publicly available information for each agency at the time of writing this report. It is likely that many of these agencies will implement rate increases over the next five years. Wherever possible, July 1, 2026 rates are shown in the chart to compare more directly with the City's proposed rates.

Figure 7: Monthly Water Bill Survey



SECTION 6: SEWER COST OF SERVICE

Following the same process as the analysis of the water system's cost of service, the sewer utility's cost of service is developed in this section based on the FY2025/26 budget, the City's capital improvement plan, and input from staff to produce rates that will be necessary to recover only the actual cost of the sewer service per parcel.

6.1 Sewer System Overview

The sewer utility's purpose is to collect, treat, and dispose of residential and commercial wastewater in an environmentally safe manner. This process is closely monitored by several State of California regulatory agencies to guarantee compliance with Federal and State mandates. The City's sewer system is owned by the Fort Bragg Municipal Improvement District (MID or District) No. 1, which is entirely operated and maintained by the City at the expense of the District. MID No. 1 is comprised of a Wastewater Treatment Plant (WWTP), six sewage lift stations, approximately 30 miles of gravity-fed pipelines, pressure force mains, and an ocean outfall pipeline that extends about 690 feet into the Pacific Ocean.

The original WWTP was built in 1971. Between 2017 and 2022, the WWTP was upgraded and a full overhaul was performed to meet current technology standards and wastewater treatment objectives. The WWTP is rated for 0.8 million gallons per day (MGD) of dry weather flow and an average daily wet weather treatment capacity of 4.9 MGD. The plant provides primary and secondary treatment of wastewater as well as treatment and conditioning of the solids removed at the WWTP, resulting in high-quality effluent that can be discharged into the ocean.

6.2 Revenues

The City's revenues consist of sewer service charges, revenues earned from providing sewer service to the nearby Mackerricher State Park, interest earned, fees, and miscellaneous income. This fiscal year (FY2025/26), projected sewer system revenues are about \$3.6 million which are primarily made up of \$3.3 million in expected earnings from sewer service charges. Over the next five years, interest income is projected based on 3% of the City's beginning reserve fund balance each year. Fees include items such as permits/inspections, card processing fees, grease trap fees, drainage fees, and installation fees. These fees and miscellaneous revenues are projected to increase 3% each year.

12% rate revenue increases are proposed to go into effect each July 1 from 2026 through 2030 to fund the costs described below. To mitigate rate impacts, mobile home customers are proposed to have their variable charges phased in over the next five years. The loss of revenues associated with the phase-in is shown in the cash flow projection. As rate increases are phased-in, the rates approach the revenue requirement and the loss of revenue is less each year until the phase-in is completed by FY2030/31 (the fifth year of the rate plan).

6.3 Expenses

6.3.1 Operating Costs

Operating costs include salaries, benefits, repairs and maintenance, net capital assets, administration, contractual services, insurance, and utilities. Net capital assets include supplies, chemicals, small tools, and equipment needed for operations. In FY2025/26, the City expects to incur about \$3.09 million in expenses to operate and maintain the sewer system. Operating costs for the next five years are estimated in Table 21 based on projected cost escalation of 3% per year.

Table 21: Sewer Operating Expense Projection

	Budget	Escalation	Projected				
	FY2025/26	Factor	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Salaries & Benefits	\$1,044,100	3.0%	\$1,075,400	\$1,107,700	\$1,140,900	\$1,175,100	\$1,210,400
Repairs & Maintenance	\$229,000	3.0%	\$235,900	\$243,000	\$250,300	\$257,800	\$265,500
Capital Assets, Net	\$416,000	3.0%	\$428,500	\$441,400	\$454,600	\$468,200	\$482,200
Administration	\$542,500	3.0%	\$558,800	\$575,600	\$592,900	\$610,700	\$629,000
Contractual Services	\$381,000	3.0%	\$392,400	\$404,200	\$416,300	\$428,800	\$441,700
Insurance	\$152,800	3.0%	\$157,400	\$162,100	\$167,000	\$172,000	\$177,200
<u>Utilities</u>	<u>\$325,000</u>	3.0%	<u>\$334,800</u>	<u>\$344,800</u>	<u>\$355,100</u>	<u>\$365,800</u>	<u>\$376,800</u>
Total Operating Expenses	\$3,090,400		\$3,183,200	\$3,278,800	\$3,377,100	\$3,478,400	\$3,582,800

6.3.2 Sewer Capital Improvement Plan

Table 22 provides a detailed breakdown of the sewer system's CIP excluding any grant-funded projects. The City's most significant upcoming capital improvement projects are the collection system rehabilitations beginning in FY2028/29, the biosolids material storage building in FY2025/26, and Cure in Place Pipe (CIPP) rehabilitations of two force mains in FY2025/26. The collection system rehabilitations included in the CIP are part of an ongoing program to rehabilitate and repair sewer mains where leak repairs have become chronic or a significant source of inflow and infiltration (I&I) has been identified. The cost of collection system rehabilitations is projected to total at least \$12 million, some of which will occur beyond the five-year rate study period.

To mitigate rate impacts, the City intends to debt finance the WWTP main replacement in FY2027/28. This is a critical project that was identified in the City's Collection Systems Master Plan and will replace the 36" main that leads to the treatment plant. The cost of the project is estimated at \$4.5 million. In addition to the \$4.5 million that will be financed through this new debt issuance, a total of \$5.9 million in project costs will be financed via rates over the next five years, for a total of \$10.4 million in CIP costs.

It should be noted that the City's adopted CIP spans from FY2025/26 (current fiscal year) to FY2029/30 (year 4 of the five-year rate study period). Project costs have not been developed for FY2030/31. The cash flow projection includes a placeholder of \$2 million in CIP funding for FY2030/31. It is anticipated

that this amount will be contributed toward the ongoing collection system rehabilitation or be used for other projects at the City's discretion.

Table 22: Wastewater Capital Improvements

Project	Budget	Projected				5-Year Total
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	
Rate-Funded Projects						
Collection System Rehabilitation [1]				1,500,000	1,500,000	3,000,000
Biosolids Dryer Building	335,392					335,392
Biosolids Material Storage Building	1,017,000					1,017,000
CIPP-Force DD Mains Project	1,400,000					1,400,000
Extend Sewer System North Fort Bragg	150,000					150,000
Total Rate-Funded	2,902,392	0	0	1,500,000	1,500,000	5,902,392
Debt-Funded Projects						
WWTP Main Replacement			4,500,000			4,500,000
Total Debt-Funded	0	0	4,500,000	0	0	4,500,000
Total Rate and Debt-Funded	\$2,902,392	\$0	\$4,500,000	\$1,500,000	\$1,500,000	\$10,402,392

1 – Project total of \$12,000,000 spread out over multiple years

6.3.3 Debt Service

In addition to operating and capital costs, the Sewer Fund is responsible for existing annual debt service costs of \$185,700. In 2018, the City issued \$5 million in Wastewater Revenue Refunding Bonds which served as a partial funding source for the overhaul of the City's Wastewater Treatment Plant. This debt obligation is expected to be paid off in full in FY2058/59.

It is also proposed that the sewer utility fund a portion of its CIP via new debt financing. It is proposed that the City issue a \$4.5 million dollar loan to fund the WWTP main replacement project which is scheduled to take place in FY2027/28. Debt payments are expected to begin in FY2029/30. For planning purposes, the new loan is expected to be paid over 30 years at 3% interest, resulting in a yearly payment of about \$229,600. In total, annual debt is expected to be about \$415,300 beginning in FY2029/30.

A chief covenant for the City to secure debt financing is to maintain a specific debt service coverage ratio. A debt service coverage ratio is a financial measure of an agency's ability to repay outstanding debt. For the Sewer Fund, the debt service coverage ratio means that annual sewer net revenues (gross revenues less operating and maintenance expenses) must be at least 1.2 times the combined annual debt service payments on all parity obligations. Failure to meet the debt service coverage ratio on an annual basis is considered to be technical default, thereby making the debt callable or payable upon demand. Thus, rates and fees must be set to meet this legal requirement. In FY2025/26, it is projected that the Sewer Fund will have ample debt coverage of about 2.77 and will retain a strong debt coverage ratio over the course of the rate study period, even after new debt is issued.

6.4 Sewer Reserves

The Sewer Fund reserve balance as of September 4, 2025 is about \$3.6 million, see Table 23. Similar to the Water Fund, it is recommended that the Sewer Fund maintain a balance equal to 9 months of operating costs plus annual debt service costs. It is projected that nearly \$2.6 million of this fund balance will be spent down this fiscal year to help cover the one-time capital improvement costs identified in Table 22. Consequently, the Sewer Fund is projected to end FY2025/26 with only \$1.03 million in reserves, which is less than the recommended target of \$2.5 million. Over the next five years, the proposed rate increases are designed so that the Sewer Fund will gradually rebuild reserves and meet the recommended target reserve balance by the end of FY2030/31.

Table 23: Wastewater General Ledger Cash Balances as of 9/4/25

Fund 710	Wastewater O&M	Ending Balance
	XP Deposit Acct	127,384
	USBank Checking	19,444
Fund 712	Recession Reserve	Ending Balance
	USBank Checking	256,373
Fund 714	Non-Routine Maintenance	Ending Balance
	USBank Checking	170,743
Fund 715	Capital Project Fund	Ending Balance
	USBank Checking	2,187,381
Fund 716	WW Capital Projects	Ending Balance
	USBank Checking	863,993
Fund 717	JPFA - WW Plant Bonds	Ending Balance
	USBank Checking	-140,540
Fund 740	Wastewater Capacity Fees	Ending Balance
	USBank Checking	117,738
Total Reserve Balance		3,602,516

6.5 Sewer Cash Flow Projection

Figure 8 and Table 24 provide the five-year cash flow spanning from FY2025/26 to FY2030/31. Over the five-year rate study period, 12% annual rate revenue increases are proposed to fund operating costs, capital costs, debt service costs, and rebuild reserves. Rate increases are proposed to take effect each

July 1 from 2026 through 2030. The 12% revenue increases shown in the cash flow projection reflect the percentage at which total annual rate revenues will increase. The percentage change to each individual customer's bill will be more or less depending on customer class and water use.

It is proposed that mobile home variable charges be phased in over the 5-year rate study period to mitigate the impacts of rate increases. Table 24 includes the line item "Loss from Phase-In" which represents the difference between revenue that would be generated under full implementation of the proposed rates (without a phase-in) and the actual revenue expected to be collected during the phase-in period. The proposed rates, rate design, and rate phase-in are described in more detail in the following section.

Figure 8 graphically summarizes the sewer cash flow projection including the proposed annual revenues in comparison to current revenues. It should be noted that the current and proposed revenues shown in the chart include both rate revenues and other non-rate revenue sources. The largest rate-funded capital projects are expected to be undertaken in FY2025/26. It is proposed that the Sewer Fund spend down some of its existing reserves on CIP projects to mitigate rate impacts, and the fund balance will be gradually rebuilt over the five-year period.

Figure 8: Sewer Cash Flow Projection

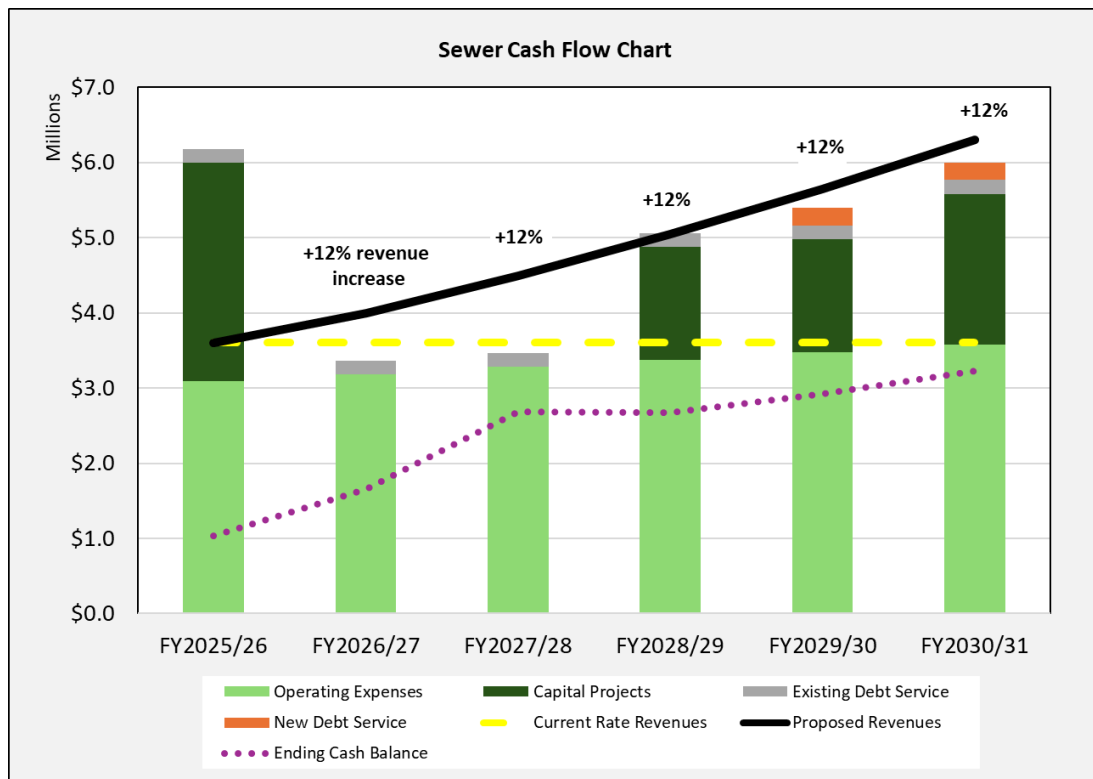


Table 24: Sewer Cash Flow Projection

	Budget FY2025/26	Projected: Years 1 - 5 (Prop 218 Period)				
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Rate Increase %		12%	12%	12%	12%	12%
Rate Increase Effective Date		July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
BEGINNING FUND BALANCE	\$3,602,500	\$1,029,400	\$1,656,500	\$2,683,100	\$2,672,200	\$2,920,200
REVENUES						
Sewer Service Charges	3,346,800	3,748,400	4,198,200	4,702,000	5,266,200	5,898,100
Loss from Phase-In	0	(50,700)	(36,300)	(23,000)	(10,900)	0
Mackerricher Sewer Service	40,000	44,800	50,200	56,200	62,900	70,400
Interest Earned [1]	2,500	30,900	49,700	80,500	80,200	87,600
Fees	25,000	25,800	26,600	27,400	28,200	29,000
Miscellaneous Revenue	<u>191,100</u>	<u>196,800</u>	<u>202,700</u>	<u>208,800</u>	<u>215,100</u>	<u>221,600</u>
Subtotal Revenues	3,605,400	3,996,000	4,491,100	5,051,900	5,641,700	6,306,700
EXPENSES						
<u>Operating Expenses</u>						
Salaries & Benefits	1,044,100	1,075,400	1,107,700	1,140,900	1,175,100	1,210,400
Repairs & Maintenance	229,000	235,900	243,000	250,300	257,800	265,500
Capital Assets, Net	416,000	428,500	441,400	454,600	468,200	482,200
Administration	542,500	558,800	575,600	592,900	610,700	629,000
Contractual Services	381,000	392,400	404,200	416,300	428,800	441,700
Insurance	152,800	157,400	162,100	167,000	172,000	177,200
<u>Utilities</u>	<u>325,000</u>	<u>334,800</u>	<u>344,800</u>	<u>355,100</u>	<u>365,800</u>	<u>376,800</u>
Subtotal Operating	3,090,400	3,183,200	3,278,800	3,377,100	3,478,400	3,582,800
Net Operating Revenues	515,000	812,800	1,212,300	1,674,800	2,163,300	2,723,900
<u>Non-Operating Expenses</u>						
CIP Projects [2]	2,902,400	0	0	1,500,000	1,500,000	2,000,000
Existing Debt Service	185,700	185,700	185,700	185,700	185,700	185,700
<u>New Debt Service [3]</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>229,600</u>	<u>229,600</u>
Subtotal Non-Operating	3,088,100	185,700	185,700	1,685,700	1,915,300	2,415,300
Total Expenses	6,178,500	3,368,900	3,464,500	5,062,800	5,393,700	5,998,100
Total Net Revenues	(2,573,100)	627,100	1,026,600	(10,900)	248,000	308,600
ENDING FUND BALANCE	\$1,029,400	\$1,656,500	\$2,683,100	\$2,672,200	\$2,920,200	\$3,228,800
Target Reserve Balance [4]	2,503,500	2,573,100	2,644,800	2,718,500	3,024,100	3,102,400
Target Met?	no	no	yes	no	no	yes
Debt Service Coverage [5]	2.77	4.38	6.53	9.02	5.21	6.56

1 - Estimated interest earnings are 3% of annual beginning fund balance

2 - 2030/31 projects have not been identified - \$2,000,000 in funding is included as a placeholder for future projects.

3 - For loan of \$4,500,000 at 3% interest over 30 years

4 - Annual target is 75% of operating expenses plus annual debt service

5 - Net operating revenues divided by total debt service. Annual target is > 1.2

SECTION 7: SEWER COST ALLOCATION

The prior section determined the total cost of providing sewer service to customers. In this section, the cost of service is allocated to rates to fairly recover costs based on how customers use the system, and in any event not to exceed the proportional cost of the sewer service attributable to each parcel.

7.1 Methodology

The revenue requirements of the Sewer Fund and the determination of the sewer flows and loadings of the wastewater utility provide the basis for performing the cost of service analysis. The concept of proportionate allocation to each customer class indicates that allocations should take into consideration the quantity of effluent a customer contributes in addition to the strength of that sewer effluent.

The key factors used to assign sewer utility costs are estimated effluent (flow) going to the wastewater treatment plant and effluent strengths, measured in biochemical oxygen demand (BOD) and total suspended solids (TSS). Higher levels of BOD or TSS equate to increased treatment costs. The total revenue requirement shown in the sewer cash flow projection (Table 24) is the net cost of providing service and is allocated to the following categories: (1) customer service, (2) flow, (3) BOD and (4) TSS. These allocations are then used as the basis to develop unit rates for each of the four parameters and to assign costs to each customer class in proportion to the sewer services rendered.

7.2 Proposed Cost Allocation

Table 25 provides the results of the cost allocation analysis. Projected sewer operating expenses are allocated to the customer service, flow, BOD, and TSS parameters based on how the City incurs each cost with FY2026/27 serving as the test year. Repairs & maintenance and net capital assets are allocated 50% to flow, 25% to BOD, and 25% to TSS based on industry-typical methodology. Utility costs are allocated 80% to flow reflecting the increased cost to move sewage throughout the system. Items related to overhead expenses – such as administration, insurance, contractual services, and salaries and benefits – are more heavily allocated to customer service charges since these costs are incurred regardless of a customer’s flow volume or loading characteristics. In total, 18.45% of wastewater utility costs are proposed to be allocated to customer service, 57.03% to flow, 12.26% to BOD, and 12.26% to TSS.

The fixed charge is proposed to recover the 18.45% of costs attributable to the customer service parameter, and the variable charges are proposed to recover the remaining 81.55% of costs based on the flow, BOD, and TSS parameters. Similar to the proposed water cost allocation, the proposed sewer cost allocation shifts a larger burden of total cost recovery to the variable charges compared to the City’s current rates. Currently, 41% of costs are recovered through the fixed charge with only 59% of costs recovered through the variable charges (Table 6).

Table 25: Sewer Cost Allocation

	Projected 2026/27	FIXED CHARGE	VARIABLE CHARGE			Total
		Customer Service	Flow	BOD	TSS	
Operating Expenses						
Salaries & Benefits	\$1,075,400	25.0%	50.0%	12.5%	12.5%	100.0%
Repairs & Maintenance	\$235,900	0.0%	50.0%	25.0%	25.0%	100.0%
Capital Assets, Net	\$428,500	0.0%	50.0%	25.0%	25.0%	100.0%
Administration	\$558,800	50.0%	25.0%	12.5%	12.5%	100.0%
Contractual Services	\$392,400	50.0%	25.0%	12.5%	12.5%	100.0%
Insurance	\$157,400	50.0%	25.0%	12.5%	12.5%	100.0%
<u>Utilities</u>	<u>\$334,800</u>	<u>0.0%</u>	<u>80.0%</u>	<u>10.0%</u>	<u>10.0%</u>	<u>100.0%</u>
Subtotal Operating	\$3,183,200	\$823,150	\$1,414,890	\$472,580	\$472,580	\$3,183,200
Allocation %		25.9%	44.4%	14.8%	14.8%	100.0%
Non-Operating Expenses [1]						
Capital Projects	\$1,000,000	0.0%	100.0%	0.0%	0.0%	100.0%
Existing Debt Service	\$185,700	0.0%	20.0%	40.0%	40.0%	100.0%
New Debt Service	<u>\$91,800</u>	<u>0.0%</u>	<u>100.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>100.0%</u>
Subtotal Non-Operating	\$1,277,500	\$0	\$1,128,940	\$74,280	\$74,280	\$1,277,500
Allocation %		0.0%	88.4%	5.8%	5.8%	100.0%
TOTAL EXPENSES	\$4,460,700	\$823,150	\$2,543,830	\$546,860	\$546,860	\$4,460,700
Proposed Allocation %		18.45%	57.03%	12.26%	12.26%	100.0%

1 - Average 5-year costs

SECTION 8: SEWER RATE DESIGN

The cost of service analysis calculated the revenue requirements for the cost parameters of customer service, flow, BOD, and TSS. The next step is rate design which determines how those revenue requirements are collected from each class based on their estimated impact on the sewer system.

8.1 Sewer Rate Design Considerations

As part of the rate study process, the City reviewed its current rate structure. Sewer rates in California are typically charged as either a fixed rate per equivalent dwelling unit (EDU), a volume rate charged per unit of wastewater flow, or as a combination of both fixed and volume rates. The City's current rate structure includes a combination of fixed and volume rates for all customers. The fixed charge is the same for all customer classes and is intended to recover administrative and overhead expenses that remain fixed regardless of the volume or strength of wastewater flow treated by the City. Variable charges currently differ by customer class. For example, single family residential customers have a higher variable charge than mobile home customers and high strength commercial customers such as restaurants have a higher variable charge than low strength commercial customers such as offices.

It is proposed that commercial customers continue to be billed variable charges based on the established strength categories, while all residential customers be transitioned to a uniform variable charge. Residential customers are a relatively homogeneous group with no significant variations in sewage strength between different types of homes, and the City does not incur higher costs to treat and dispose of one gallon of single family flow than it does to treat and dispose of one gallon of multi-family or mobile home flow. By contrast, commercial sewage strength characteristics vary significantly between different types of businesses (i.e., an office versus a restaurant). Thus, scaling the variable component of commercial bills based on flow strength of the business type is an appropriate rate structure for non-residential customers.

8.2 Sewer Rate Design

8.2.1 Sewer Flow & Loading Estimates

The sewer flows and strength and loading characteristics for each type of customer are estimated in Table 26 on the following page. Wastewater flow is expressed in HCF or gallons per year and pollutant strength is expressed in terms of milligrams per liter (mg/L) of biochemical oxygen demand (BOD) and total suspended solids (TSS). Flow over the next five years is expected to remain consistent with the City's most recent billing data (Table 6). The City does not directly meter the sewer flow of individual utility accounts. However, water use can be used as a proxy for sewer flow. More specifically, billed flows for single family residential customers are based on average winter water consumption, and flows for all other customer types are estimated based on monthly water use from non-irrigation water lines. The concentrations of BOD and TSS for each customer class are based on industry standard estimates. The City's residential customers include single family residential, multi-family residential, and mobile home park customers. There are four commercial customer categories – low strength, medium strength,

brewery, and high strength. Low strength customers include car washes and laundromats. Medium strength customers include barber and beauty shops, retail stores, offices, hotels, and other similar, general commercial land uses. High strength customers include markets with grease traps, grocery stores, restaurants, bars, bakeries, and delis. The City maintains a separate classification for breweries due to the unique characteristics of breweries compared to other commercial food and beverage businesses.

There are no changes proposed to the types of businesses included within each commercial customer classification. The City's existing designations of business types within each class are reasonable and comply with industry standard practices. However, the proposed variable charges for each class reflect updated strength and loading estimates shown in Table 26. For instance, it is estimated that all flow from residential and medium strength commercial customers has the same concentration of BOD and TSS. Currently, medium strength commercial customers are billed higher variable charges than residential customers.

Table 26: Sewer Flows & Loading Characteristics

Customer Class	Flow (HCF) [1]	Wastewater Strength		Wastewater Loadings		
		BOD (mg/L)	TSS (mg/L)	Flow (gal/yr)	BOD (lbs/yr)	TSS (lbs/yr)
Residential Customers						
Single Family Residential	92,681	200	200	69,325,388	115,635	115,635
Multi-Family Residential	34,219	200	200	25,595,812	42,694	42,694
Mobile Home Parks	5,842	200	200	4,369,816	7,289	7,289
Non-Residential Customers						
Low Strength	8,574	110	100	6,413,352	5,884	5,349
Medium Strength	54,926	200	200	41,084,648	68,529	68,529
Breweries	7,092	700	580	5,304,816	30,970	25,660
High Strength	17,065	910	740	12,764,620	96,876	78,778
Total	220,399			164,858,452	367,876	343,934

1 - Total estimated flow is taken from the City's billing data for FY2024/25.

8.2.2 Unit Cost Calculation

As noted in the cost allocation, sewer rates are determined based on customer service costs as well as the amount of wastewater flow and pollutants discharged into the sewer system. Table 27 provides the unit cost calculation for the customer service, flow, BOD, and TSS cost categories. The total amount of proposed rate revenue for one full year under the proposed FY2026/27 rates (taken from Table 24) is divided between the categories based on the percentages developed in Table 25. The revenue requirement for each cost category is then divided by the appropriate billing units to calculate a unit charge. For the customer service category, the number of billing units is equal to the number of residential dwelling units and commercial units from the City's June 2025 billing data. Because some accounts are billed for multiple units, the number of units billed is larger than the City's number of accounts. For example, each residential duplex is one account, but two dwelling units. For the flow, BOD, and TSS categories, the number of billing units is taken from the flows and loadings calculated in Table 26.

Table 27: FY2026/27 Unit Cost Calculation

Cost Allocation	Total	Cust. Serv. [2]	Flow	BOD	TSS
Cost Allocation %	100.0%	18.45%	57.03%	12.26%	12.26%
FY2026/27 Revenue Requirement [1]	\$3,748,400	\$691,600	\$2,137,700	\$459,600	\$459,600
Billing Units		3,983 Units or Dwelling Units	220,399 HCF/year	367,876 lbs/year	343,934 lbs/year
Rate		\$14.47 \$/unit	\$9.70 \$/HCF	\$1.25 \$/lb	\$1.34 \$/lb

1 - From Cash Flow; Sewer Service Charges revenue requirement for FY2026/27

2 - The number of accounts or dwelling units was taken from the City's June 2025 billing data records

8.3 Sewer Rate Derivation

The proposed FY2026/27 sewer rates are derived in Table 28 on the following page. The proposed fixed charge is equivalent to the customer service cost per unit from Table 27 and is the same for all units regardless of customer class and sewage strength. The proposed variable charges are calculated based on the flow, BOD, and TSS unit costs derived in Table 27. The strength multipliers shown in Table 26 for each customer class are applied to the BOD and TSS unit costs from Table 27 to calculate a strength charge per HCF that is added to the unit cost for flow. The cost per HCF for flow is the same for all customer classes regardless of sewage strength, but the costs per HCF for BOD and TSS increase as sewage strength increases. The total proposed variable charge per HCF is the sum of the flow, BOD, and TSS rates for each customer class.

Table 28: Full Cost Sewer Rate Derivation

Customer Class	FIXED CHARGE	VARIABLE CHARGES			
	Customer Service (\$/unit)	Flow (\$/HCF)	BOD (\$/HCF)	TSS (\$/HCF)	Total Flow Rate (\$/HCF)
Residential Customers					
Single Family Residential	\$14.47	\$9.70	\$1.56	\$1.67	\$12.93
Multi-Family Residential	\$14.47	\$9.70	\$1.56	\$1.67	\$12.93
Mobile Home Parks	\$14.47	\$9.70	\$1.56	\$1.67	\$12.93
Non-Residential Customers					
Low Strength	\$14.47	\$9.70	\$0.86	\$0.84	\$11.39
Medium Strength	\$14.47	\$9.70	\$1.56	\$1.67	\$12.93
Breweries	\$14.47	\$9.70	\$5.46	\$4.85	\$20.01
High Strength	\$14.47	\$9.70	\$7.10	\$6.19	\$22.98

8.4 Proposed 5-Year Schedule of Sewer Rates

The proposed five-year rate plan is summarized in Table 29. All customers are proposed to be charged according to the proposed rate schedule shown. As described in the previous sections of this report, the rates have been calculated in this study to produce rates that will be necessary to recover only the actual cost of the sewer service per parcel under the proposed sewer rates. The first rate change is proposed to take effect on July 1, 2026, with subsequent increases each July 1 through 2030. For any additional connections built out in the City, the sewer service fees in Table 29 will also apply to them.

To mitigate rate impacts, rate adjustments to the variable charge for mobile home customers are proposed to be phased in over the next five years. FY2030/31, the mobile home phased-in rates will equal the full cost rates to treat residential sewer flow. The City intends to draw from reserves to offset the temporary loss in revenues resulting from phasing in the mobile home variable charges. The projected loss of revenue from the phase-in is shown in the cash flow projection in Table 24. The loss of revenue is calculated as the revenues that the City would collect if the projected 5,482 HCF of annual mobile home flow was billed at the hypothetical, full-cost variable charges (i.e., the rates billed to other residential customers) less the variable charge revenues expected from 5,482 HCF of mobile home flow at the proposed, phased-in rates shown in Table 29.

July 1, 2026, although the proposed revenue increase is 12%, the rate impacts to each customer will not exactly equal 12% due to the revised wastewater strength estimates and the consolidation of residential variable charges into one class. Sewer bill impacts are described in further detail in Section 8.5.

Table 29: Proposed 5-Year Schedule of Monthly Sewer Rates

Fiscal Year	Current	PROPOSED				
		FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31
Effective Date		July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
Fixed Charges:						
Residential (per dwelling unit)						
Single Family Residential	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Multi-Family Residential	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Mobile Home Parks	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Commercial (per unit)						
Low Strength	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Medium Strength	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Brewery	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
High Strength	\$28.89	\$14.47	\$16.21	\$18.16	\$20.34	\$22.78
Variable Charges:						
Residential (per HCF)						
Single Family Residential	\$7.31	\$12.93	\$14.48	\$16.22	\$18.17	\$20.35
Multi-Family Residential	\$3.28	\$12.93	\$14.48	\$16.22	\$18.17	\$20.35
Mobile Home Parks	\$0.23	\$4.25	\$8.27	\$12.29	\$16.31	\$20.35
Commercial (per HCF)						
Low Strength	\$9.90	\$11.39	\$12.76	\$14.29	\$16.00	\$17.92
Medium Strength	\$10.19	\$12.93	\$14.48	\$16.22	\$18.17	\$20.35
Brewery	\$20.30	\$20.01	\$22.41	\$25.10	\$28.11	\$31.48
High Strength	\$25.38	\$22.98	\$25.74	\$28.83	\$32.29	\$36.16

HCF = hundred cubic feet; 1 HCF = 748 gallons

For single family residential customers, variable charges are based on average monthly winter water consumption measured between November through February subject to a 2 HCF minimum. For all other customers, variable charges are billed based on monthly metered water consumption excluding usage from dedicated irrigation lines.

Low strength customers: car washes, laundromats

Medium strength customers: barber shops, beauty shops, spas, retail, wholesale, churches, libraries, meeting halls, government buildings, professional buildings, offices, hotels, motels, lodging, gas stations, general commercial and mixed use

High strength: markets with grease traps, grocery stores, restaurants, bars, bakeries, and delis

The categories above represent general land use designations. By its determination, the City may establish specialized rates for customers that are not categorized into the designations listed above or for customers that fall into multiple categories. Any specialized rates will be proportional to the cost of wastewater flow and pollutant disposal included in the sewer rates above.

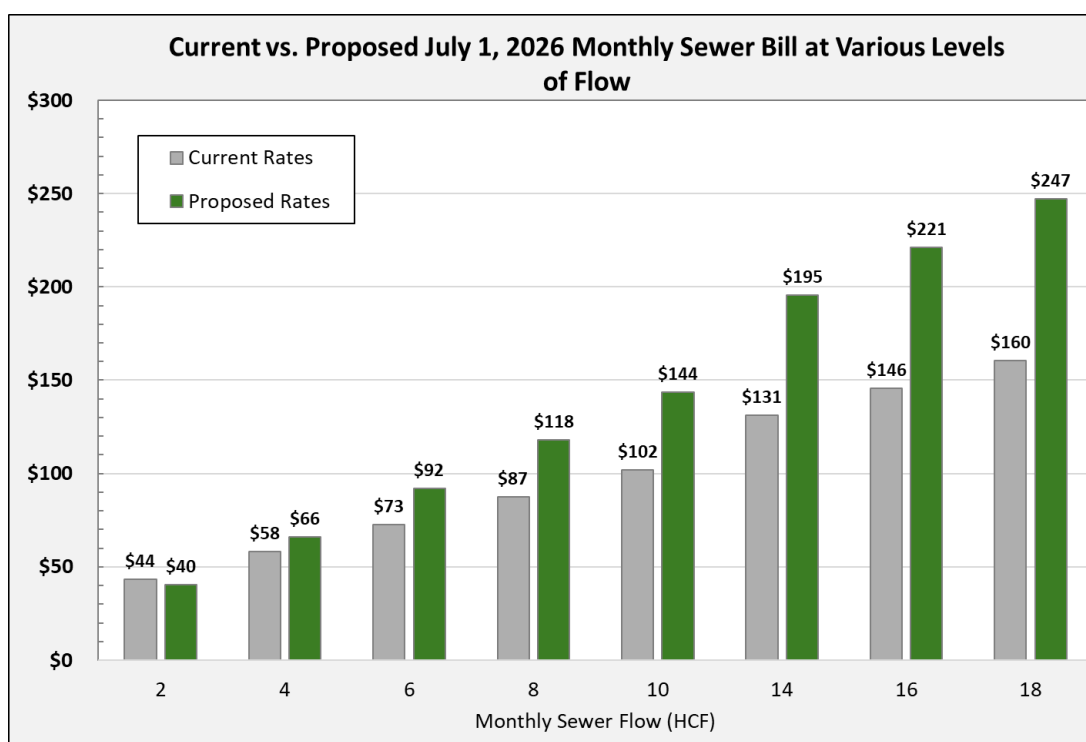
8.5 Sewer Bill Impacts

For FY2026/27, the proposed 12% revenue adjustment in the cash flow will not directly correlate with a 12% increase in the monthly bill for each customer due to the cost of service reallocation and the rate structure changes. The City's total annual revenue collected from rates is proposed to increase by 12%, but the bill impact to each customer will vary based on customer class and sewer flow.

8.5.1 Single Family Residential Bill Impacts and Rate Survey

Figure 9 below shows sample bill impacts of the proposed July 1, 2026 sewer rate adjustment for a single family residential customer at various levels of billed monthly flow, ranging from the minimum flow of 2 HCF to high flow of 18 HCF. Because of the shift in revenue recovery toward the variable charge, the bill impacts will be higher for customers with higher usage.

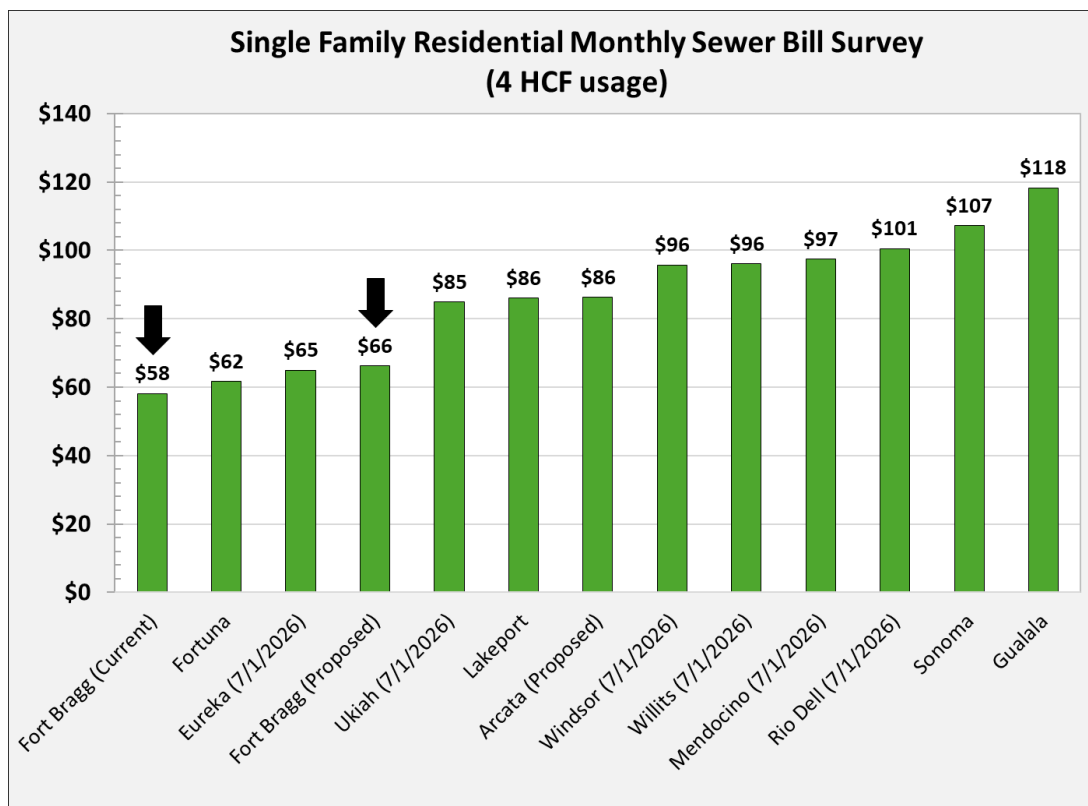
Figure 9: Single Family Residential Sewer Bill Impacts at Various Levels of Flow



Under the proposed rates, the monthly sewer bill for the average single family residential customer using 4 HCF will increase from \$58.13 to \$66.19, an increase of \$8.06. Figure 10 provides a rate survey illustrating how the current and proposed monthly bills compare to the corresponding bills for other local agencies. Despite the proposed bill increase, the City's monthly bill would remain on the lower end of the surveyed agencies.

The rates shown for other local agencies are based on the most current publicly available information for each agency at the time of writing this report. It is likely that many of these agencies will implement rate increases over the next five years. Wherever possible, July 1, 2026 rates are shown in the chart to compare more directly with the City's proposed rates.

Figure 10: Monthly Sewer Bill Survey



8.5.2 Residential Bill Impacts Over the Full, Five-Year Rate Plan

Table 30 on the following page provides sample residential sewer bill impacts for single family, multi-family, and mobile home customers over the full course of the rate study period based on the typical monthly flow of each residential customer type. The average single family residential customer is billed for 4 HCF of flow per month, while non-single family dwellings tend to use less water. The City's average multi-family water use is 3 HCF per dwelling unit, and average water use in mobile home parks is 2 HCF per dwelling unit.

Table 30: Residential Sewer Bill Impacts

Customer Class	Typical Monthly Flow	Current Bill	PROPOSED				
			July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
Single Family Residential	4 HCF	\$58.13	\$66.19 13.9%	\$74.13 12.0%	\$83.04 12.0%	\$93.02 12.0%	\$104.18 12.0%
Multi-Family Residential	3 HCF	\$38.73	\$53.26 37.5%	\$59.65 12.0%	\$66.82 12.0%	\$74.85 12.0%	\$83.83 12.0%
Mobile Home Parks	2 HCF	\$29.35	\$22.97 -21.7%	\$32.75 42.6%	\$42.74 30.5%	\$52.96 23.9%	\$63.48 19.9%

8.6 Combined Bill Impacts

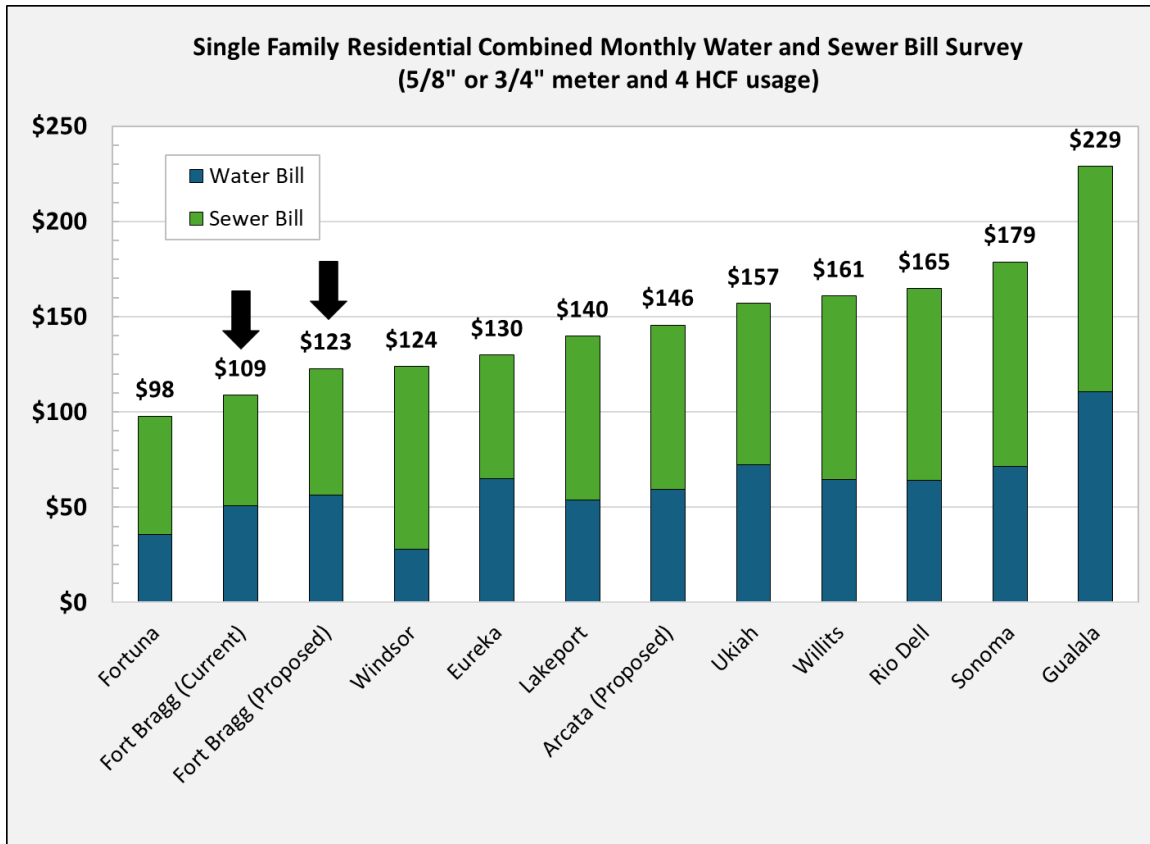
Table 31 provides combined monthly water and sewer single family residential bill impacts for the City's average customer over the five-year rate study period. The City's average customer has a 5/8" or 3/4" water meter and uses 4 HCF of water per month throughout the year.

Table 31: Combined Single Family Residential Bill Impacts for a 3/4" Meter and 4 HCF Usage

	Current	Proposed				
		July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
Water	\$50.82	\$56.45	\$60.97	\$65.85	\$71.11	\$76.80
Sewer	<u>\$58.13</u>	<u>\$66.19</u>	<u>\$74.13</u>	<u>\$83.04</u>	<u>\$93.02</u>	<u>\$104.18</u>
Combined Bill	\$108.95	\$122.64	\$135.10	\$148.89	\$164.13	\$180.98
<i>\$ Change</i>		\$13.69	\$12.46	\$13.79	\$15.24	\$16.85
<i>% Change</i>		12.6%	10.2%	10.2%	10.2%	10.3%

Figure 11 provides a survey comparing the City of Fort Bragg's combined water and sewer single family residential bill with other local agencies. Following the proposed rate adjustment, the City's combined water and sewer bill will not change in the ranking compared with the current bills of other local agencies.

Figure 11: Combined Monthly Bill Survey



8.6.1 Example Multi-Family Residential Combined Bill Impacts

For multi-family residential customers, bill impacts in FY2026/27 will depend on water meter size, number of dwelling units, and water consumption. Additionally, some customers have rate components which are proposed to be phased in, such as mobile home sewer bills or any residential account with a large water meter. Table 32 provides two examples of the proposed bill impacts to a large apartment complex. Table 33 provides two examples of the proposed bill impacts to mobile home parks.

Table 32: Example Multi-Family Residential Combined Bill Impacts

Example Apartment Complex #1 – 69 Dwelling Units, 6" Water Meter, and 175 HCF Monthly Water Use

	Current				Proposed July 1, 2026			
	Rate		Count	Total	Rate		Count	Total
<u>Water Bill</u>								
Fixed Charge - 6" Meter	\$498.01	x	1	\$498.01	\$600.00	x	1	\$600.00
Variable Charge - 175 HCF	\$6.01	x	175	<u>\$1,051.75</u>	\$7.74	x	175	<u>\$1,354.50</u>
Total Water Bill				\$1,549.76				\$1,954.50
<u>Sewer Bill</u>								
Fixed Charge - 69 Units	\$28.89	x	69	\$1,993.41	\$14.47	x	69	\$998.43
Variable Charge - 175 HCF	\$3.28	x	175	<u>\$574.00</u>	\$12.93	x	175	<u>\$2,262.75</u>
Total Sewer Bill				\$2,567.41				\$3,261.18
Total Combined Bill				\$4,117.17				\$5,215.68
Bill per Dwelling Unit				\$59.67				\$75.59

Example Apartment Complex #2 – 56 Dwelling Units, 1.5" Water Meter, and 200 HCF Monthly Water Use

	Current				Proposed July 1, 2026			
	Rate		Count	Total	Rate		Count	Total
<u>Water Bill</u>								
Fixed Charge - 1.5" Meter	\$62.80	x	1	\$62.80	\$76.08	x	1	\$76.08
Variable Charge - 200 HCF	\$6.01	x	200	<u>\$1,202.00</u>	\$7.74	x	200	<u>\$1,548.00</u>
Total Water Bill				\$1,264.80				\$1,624.08
<u>Sewer Bill</u>								
Fixed Charge - 56 Units	\$28.89	x	56	\$1,617.84	\$14.47	x	56	\$810.32
Variable Charge - 200 HCF	\$3.28	x	200	<u>\$656.00</u>	\$12.93	x	200	<u>\$2,586.00</u>
Total Sewer Bill				\$2,273.84				\$3,396.32
Total Combined Bill				\$3,538.64				\$5,020.40
Bill per Dwelling Unit				\$63.19				\$89.65

Table 33: Example Mobile Home Park Combined Bill Impacts

Example Mobile Home Park #1 – 86 Dwelling Units, 1.5" Water Meter, and 125 HCF Monthly Water Use

	Current				Proposed July 1, 2026			
	Rate		Count	Total	Rate		Count	Total
<u>Water Bill</u>								
Fixed Charge - 1.5" Meter	\$62.80	x	1	\$62.80	\$76.08	x	1	\$76.08
Variable Charge - 125 HCF	\$6.01	x	125	<u>\$751.25</u>	\$7.74	x	125	<u>\$967.50</u>
Total Water Bill				\$814.05				\$1,043.58
<u>Sewer Bill</u>								
Fixed Charge - 86 Units	\$28.89	x	86	\$2,484.54	\$14.47	x	86	\$1,244.42
Variable Charge - 125 HCF	\$0.23	x	125	<u>\$28.75</u>	\$4.25	x	125	<u>\$531.25</u>
Total Sewer Bill				\$2,513.29				\$1,775.67
Total Combined Bill				\$3,327.34				\$2,819.25
Bill per Dwelling Unit				\$38.69				\$32.78

Example Mobile Home Park #2 – 46 Dwelling Units, 4" Water Meter, and 210 HCF Monthly Water Use

	Current				Proposed July 1, 2026			
	Rate		Count	Total	Rate		Count	Total
<u>Water Bill</u>								
Fixed Charge - 4" Meter	\$206.38	x	1	\$206.38	\$265.00	x	1	\$265.00
Variable Charge - 210 HCF	\$6.01	x	210	<u>\$1,262.10</u>	\$7.74	x	210	<u>\$1,625.40</u>
Total Water Bill				\$1,468.48				\$1,890.40
<u>Sewer Bill</u>								
Fixed Charge - 46 Units	\$28.89	x	46	\$1,328.94	\$14.47	x	46	\$665.62
Variable Charge - 210 HCF	\$0.23	x	210	<u>\$48.30</u>	\$4.25	x	210	<u>\$892.50</u>
Total Sewer Bill				\$1,377.24				\$1,558.12
Total Combined Bill				\$2,845.72				\$3,448.52
Bill per Dwelling Unit				\$61.86				\$74.97