


# CITY OF CHOWCHILLA
# 2025 Utilities Rate Study

## Final Report - Draft
## July 23, 2025

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# SECTION 1: EXECUTIVE SUMMARY

## 1.1 Background

The City of Chowchilla (City) is located in Madera County approximately 15 miles south of the City of Merced and has a population of about 19,000. The City provides a variety of services to its residents including water, wastewater (sewer), solid waste (refuse), and storm drain service. The majority of the City's utility service customers are single family residential homes, but the City also provides service to the commercial downtown area, other retail properties, industrial developments, multi-family housing units, the fairgrounds, and the local school districts. All of the utility rates are billed monthly on the same municipal services bill. The water, sewer, and solid waste rates are increased annually. However, the storm drain rates have not been increased in over 10 years.

The City of Chowchilla (City) engaged Lechowicz & Tseng Municipal Consultants to complete a comprehensive utilities rate study for their water, sewer, solid waste, and storm water enterprises. The last utility rate study was conducted in 2020 in which water, sewer, and solid waste rate increases were adopted in 2020 and covered rates for fiscal year (FY) 2020/21 through 2024/25. This 2025 study covers the five-year period beginning in FY 2025/26 through 2029/30. The primary objective of this study is to recommend utility rates which ensure the continued financial health and stability of the City's enterprise funds, while minimizing the impact of any proposed rates changes on customers. The City's goal is to set rates that keep pace with increasing operating and maintenance costs as well as fund the capital needs of each enterprise.

The *2025 Utilities Rate Studies* began during Fall 2024, and the projections were based on the 2024/25 budget which was the most current information available at the time. In April 2025, the City Council voted to proceed with the Proposition 218 process to consider rate increases for the Water, Sewer, and Solid Waste Funds and set a public hearing date of June 24, 2025. In May 2025, the City mailed Proposition 218 notices to all property owners and customers informing them of the proposed utility rate adjustments and public hearing date.

During the month before the public hearing, the City completed a draft of the budget for the upcoming fiscal year 2025/26. Accordingly, all utility projections have been revised to reflect the 2025/26 budget and updated Capital Improvement Plans (CIP). Based on the updated projections, the recommended water, sewer, and solid waste rate adjustments for years 2 through 5 (2026/27 through 2029/20) are lower than the proposed utility rates shown in the Proposition 218 notice. This updated report summarizes the revised utility rate recommendations.

## 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 XIIIC and XIIID 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, sewer, solid waste, and storm drain 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.

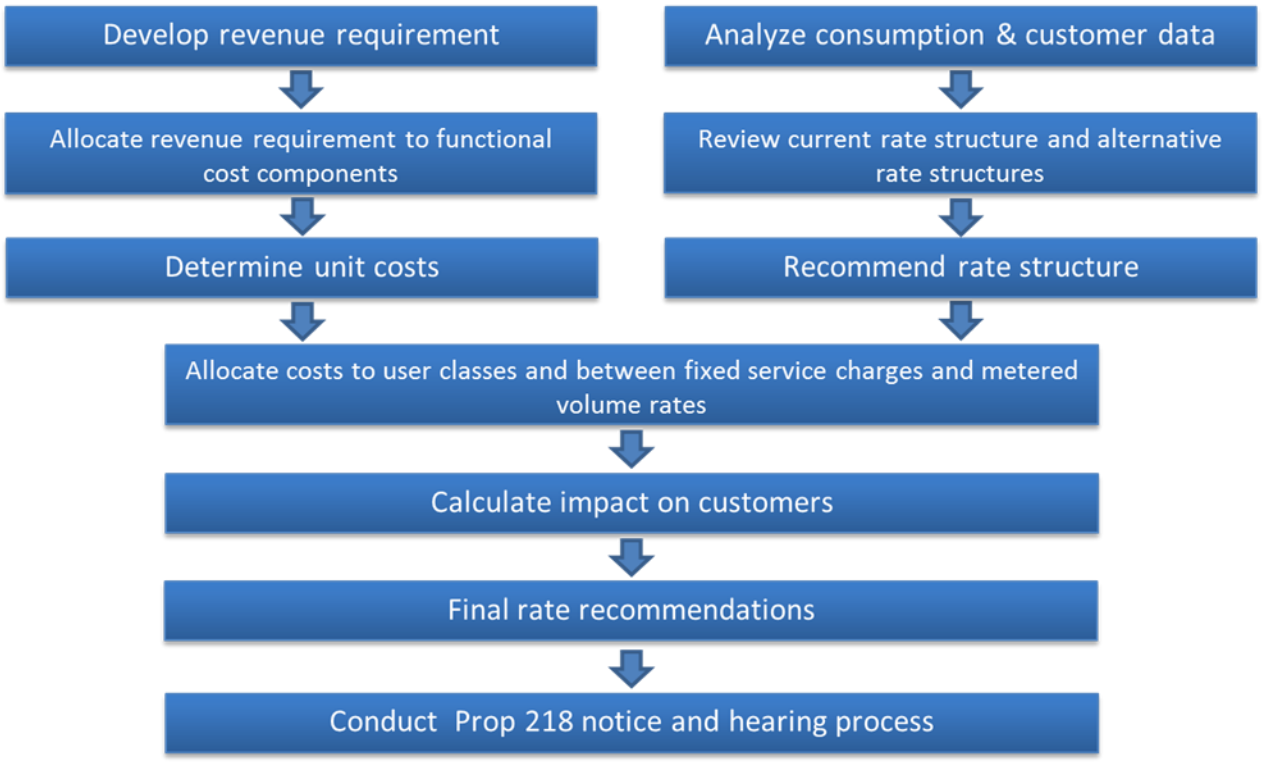
The next step for adopting property-related charges is a mailed ballot proceeding requiring 50% of property owners' approval. Proposition 218 exempted water, sewer, and refuse service from this additional voting requirement, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218. However, storm drain charges were not explicitly exempted.

In 2017, the State passed Senate Bill (SB) 231 which seemingly clarified the definition of "sewer" in Proposition 218 to include both sanitary and storm sewer, which would thereby exempt storm drain rates from the additional ballot requirement. However, subsequent legal cases and tradition suggest that storm drain fees still require balloting. In the years since SB 231 was enacted, proponents of Proposition 218 have threatened legal action against any agencies which adopt storm drain fees by holding a simple protest hearing without a subsequent election. To avoid litigation, it is therefore advisable that the City seek voter approval through both the protest vote procedure used for adopting water, sewer, and refuse fees and a subsequent ballot measure for any storm drain fee increases.

## 1.3 Rate Study Process

A summary of the development of the City's utility rates via the Proposition 218 process is shown in the following figure.

**Figure 1: Comprehensive Cost of Service Study Process**



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

- **Revenue Requirement** - Revenue requirements are analyzed via financial plans developed from each utility fund's budget. Based on the best information currently available, the financial plans incorporate projected operation and maintenance costs, capital expenditures, debt service, and growth to estimate annual revenue requirements. The plans serve as a roadmap for funding the City's future operating and capital programs while maintaining long-term fiscal stability.

- **Cost of Service Allocation** - The cost of service process builds on the financial plan analysis and assigns water and sewer system costs to functional cost components: *customer service*, *meters and services*, *base*, and *extra* for water, and *base*, *flow*, and *strength* for sewer.

- **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 (a) fund the City's short- and long-term costs of providing service; (b) proportionately allocate costs to all customers and customer classes; and (c) comply with the substantive requirements of Proposition 218.

The rates developed in this report are based on the best information currently available gathered from the 2025/26 budget, capital improvement plans, audited financial statements, and billing data provided by City 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 Utility Rates

The tables below summarize the current and proposed five-year rate schedules for the water, sewer, and solid waste utilities. The first rate adjustment will go into effect on July 1, 2025 with subsequent rate increases going into effect on July 1 of each year through July 1, 2029.

This study does not recommend any increases to the storm drain rates at this time. The Storm Drain Utility has healthy reserves and has historically fully covered its operating expenses each year. The City is planning to apply for a Community Development Block Grant (CDBG) for the Kings Avenue project ($2.3 million) when the application period opens in Fall 2025. If the City does not receive grant funding, the City can re-evaluate the need to increase storm drain rates at a later date.

| PROPOSED MONTHLY WATER RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 19.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| **METER CHARGES** | | | | | | |
| **Meter Size** | | | | | | |
| 1" | $26.74 | $29.29 | $31.63 | $34.15 | $36.88 | $39.83 |
| 1 1/2" | $42.55 | $45.57 | $49.21 | $53.13 | $57.38 | $61.97 |
| 2" | $61.51 | $65.11 | $70.31 | $75.91 | $81.98 | $88.54 |
| 3" | $112.07 | $117.20 | $126.56 | $136.64 | $147.58 | $159.39 |
| 4" | $168.96 | $175.81 | $189.85 | $204.97 | $221.38 | $239.09 |
| 6" | $326.97 | $338.61 | $365.65 | $394.77 | $426.38 | $460.49 |
| **COMMODITY RATE ($/hcf) [1]** | | | | | | |
| **Single Family Residential** | | | | | | |
| Tier 1: 0 - 18 hcf | $1.35 | $1.58 | $1.72 | $1.88 | $2.05 | $2.23 |
| Tier 2: Over 18 hcf | $1.74 | $2.29 | $2.49 | $2.72 | $2.97 | $3.24 |
| **All Other Customers [2]** | $1.46 | $1.85 | $2.02 | $2.20 | $2.40 | $2.62 |
| **METER INSTALL & RETROFIT CHARGES** *(No increase to current charges)* | | | | | | |
| 2013 Metered Customers | $6.51 | $6.51 | - | - | - | - |
| 2014 Retrofitted Customers | $2.44 | $2.44 | $2.44 | - | - | - |
| 2015 Retrofitted Customers | $2.44 | $2.44 | $2.44 | $2.44 | - | - |

[1] one hundred cubic feet (hcf) = 748 gallons

[2] Includes commercial, multi-family, and irrigation customers

| PROPOSED MONTHLY SEWER RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| **SEWER RATES** | | | | | | |
| **Residential *(Per Dwelling Unit)*** | | | | | | |
| Single Family | $31.94 | $32.83 | $33.81 | $34.82 | $35.86 | $36.94 |
| Multi-Family/Mobile Homes | $23.57 | $24.99 | $25.74 | $26.51 | $27.31 | $28.13 |
| **Commercial Metered *(Per hcf)* [1]** | | | | | | |
| Group 1: Extra-low Strength | $2.98 | $3.04 | $3.13 | $3.22 | $3.32 | $3.42 |
| Group 2: Low Strength | $3.34 | $3.45 | $3.55 | $3.66 | $3.77 | $3.88 |
| Group 3: Medium Strength | $3.59 | $3.73 | $3.84 | $3.96 | $4.08 | $4.20 |
| Group 4: High Strength | $6.80 | $7.37 | $7.59 | $7.82 | $8.05 | $8.29 |
| **DEBT SERVICE CHARGES *(No increase to current charges)*** | | | | | | |
| **Residential *(Per Dwelling Unit)*** | | | | | | |
| Single Family | $1.41 | $1.41 | $1.41 | $1.41 | $1.41 | $1.41 |
| Multi-Family/Mobile Homes | $1.05 | $1.05 | $1.05 | $1.05 | $1.05 | $1.05 |
| **Commercial *(Per hcf)*** | | | | | | |
| Group 1: Extra-low Strength | $0.09 | $0.09 | $0.09 | $0.09 | $0.09 | $0.09 |
| Group 2: Low Strength | $0.11 | $0.11 | $0.11 | $0.11 | $0.11 | $0.11 |
| Group 3: Medium Strength | $0.11 | $0.11 | $0.11 | $0.11 | $0.11 | $0.11 |
| Group 4: High Strength | $0.31 | $0.31 | $0.31 | $0.31 | $0.31 | $0.31 |

[1] Based on 80% of monthly consumption. One hundred cubic feet (hcf) = 748 gallons

Group 1 includes schools. Group 2 includes general commercial and churches. Group 3 includes hospitals. Group 4 includes restaurants.

| PROPOSED MONTHLY RESIDENTIAL SOLID WASTE RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **RESIDENTIAL** | | | | | | |
| Residential (per set) (1) | $34.63 | $36.02 | $36.74 | $37.47 | $38.22 | $38.98 |
| Residential Extra Toter (each) | $19.28 | $20.05 | $20.45 | $20.86 | $21.28 | $21.71 |
| Locking Lid for Bin (each) | $24.91 | $25.91 | $26.43 | $26.96 | $27.50 | $28.05 |

[1] Set includes three 96-gallon totters for Refuse, Recycles, and Green Waste

| PROPOSED MONTHLY COMMERCIAL SOLID WASTE RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **COMMERCIAL TRASH** | | | | | | |
| **1 yard bin** | | | | | | |
| 1x per week | $67.63 | $70.34 | $71.75 | $73.19 | $74.65 | $76.14 |
| 2x per week | $135.19 | $140.60 | $143.41 | $146.28 | $149.21 | $152.19 |
| 3x per week | $206.95 | $215.23 | $219.53 | $223.92 | $228.40 | $232.97 |
| 4x per week | $269.06 | $279.82 | $285.42 | $291.13 | $296.95 | $302.89 |
| 5x per week | $334.86 | $348.25 | $355.22 | $362.32 | $369.57 | $376.96 |
| 6x per week | $397.63 | $413.54 | $421.81 | $430.25 | $438.86 | $447.64 |
| **2 yard bin** | | | | | | |
| 1x per week | $109.21 | $113.58 | $115.85 | $118.17 | $120.53 | $122.94 |
| 2x per week | $210.31 | $218.72 | $223.09 | $227.55 | $232.10 | $236.74 |
| 3x per week | $308.86 | $321.21 | $327.63 | $334.18 | $340.86 | $347.68 |
| 4x per week | $415.45 | $432.07 | $440.71 | $449.52 | $458.51 | $467.68 |
| 5x per week | $523.29 | $544.22 | $555.10 | $566.20 | $577.52 | $589.07 |
| 6x per week | $625.80 | $650.83 | $663.85 | $677.13 | $690.67 | $704.48 |
| **3 yard bin** | | | | | | |
| 1x per week | $139.81 | $145.40 | $148.31 | $151.28 | $154.31 | $157.40 |
| 2x per week | $275.57 | $286.59 | $292.32 | $298.17 | $304.13 | $310.21 |
| 3x per week | $393.19 | $408.92 | $417.10 | $425.44 | $433.95 | $442.63 |
| 4x per week | $529.87 | $551.06 | $562.08 | $573.32 | $584.79 | $596.49 |
| 5x per week | $666.41 | $693.07 | $706.93 | $721.07 | $735.49 | $750.20 |
| 6x per week | $797.54 | $829.44 | $846.03 | $862.95 | $880.21 | $897.81 |
| **4 yard bin** | | | | | | |
| 1x per week | $170.41 | $177.23 | $180.77 | $184.39 | $188.08 | $191.84 |
| 2x per week | $336.84 | $350.31 | $357.32 | $364.47 | $371.76 | $379.20 |
| 3x per week | $480.66 | $499.89 | $509.89 | $520.09 | $530.49 | $541.10 |
| 4x per week | $648.34 | $674.27 | $687.76 | $701.52 | $715.55 | $729.86 |
| 5x per week | $813.50 | $846.04 | $862.96 | $880.22 | $897.82 | $915.78 |
| 6x per week | $978.60 | $1,017.74 | $1,038.09 | $1,058.85 | $1,080.03 | $1,101.63 |
| **5 yard bin** | | | | | | |
| 1x per week | $201.09 | $209.13 | $213.31 | $217.58 | $221.93 | $226.37 |
| 2x per week | $381.47 | $396.73 | $404.66 | $412.75 | $421.01 | $429.43 |
| 3x per week | $539.23 | $560.80 | $572.02 | $583.46 | $595.13 | $607.03 |
| 4x per week | $720.96 | $749.80 | $764.80 | $780.10 | $795.70 | $811.61 |
| 5x per week | $900.03 | $936.03 | $954.75 | $973.85 | $993.33 | $1,013.20 |
| 6x per week | $1,079.10 | $1,122.26 | $1,144.71 | $1,167.60 | $1,190.95 | $1,214.77 |
| **6 yard bin** | | | | | | |
| 1x per week | $225.99 | $235.03 | $239.73 | $244.52 | $249.41 | $254.40 |
| 2x per week | $424.46 | $441.44 | $450.27 | $459.28 | $468.47 | $477.84 |
| 3x per week | $603.65 | $627.80 | $640.36 | $653.17 | $666.23 | $679.55 |
| 4x per week | $806.85 | $839.12 | $855.90 | $873.02 | $890.48 | $908.29 |
| 5x per week | $1,007.55 | $1,047.85 | $1,068.81 | $1,090.19 | $1,111.99 | $1,134.23 |
| 6x per week | $1,208.13 | $1,256.46 | $1,281.59 | $1,307.22 | $1,333.36 | $1,360.03 |

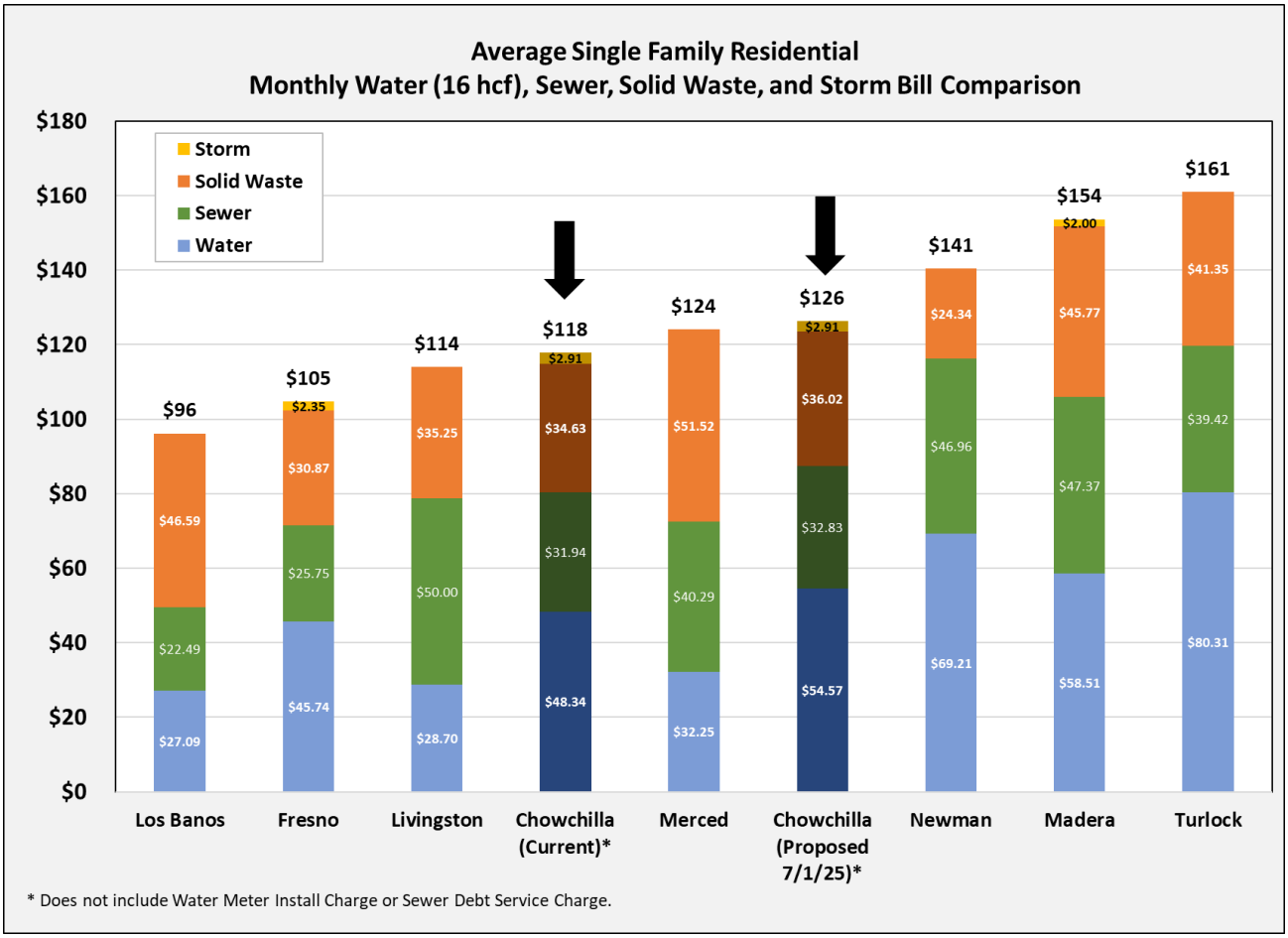
| PROPOSED MONTHLY COMMERCIAL SOLID WASTE RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **COMMERCIAL RECYCLE** | | | | | | |
| **96 Gallon** | | | | | | |
| 1x per week | $12.73 | $13.24 | $13.50 | $13.77 | $14.05 | $14.33 |
| 2x per week | $22.92 | $23.84 | $24.32 | $24.81 | $25.31 | $25.82 |
| 3x per week | $33.11 | $34.43 | $35.12 | $35.82 | $36.54 | $37.27 |
| **2 yard bin** | | | | | | |
| 1x per week | $39.47 | $41.05 | $41.87 | $42.71 | $43.56 | $44.43 |
| 2x per week | $71.05 | $73.89 | $75.37 | $76.88 | $78.42 | $79.99 |
| 3x per week | $102.64 | $106.75 | $108.89 | $111.07 | $113.29 | $115.56 |
| **3 yard bin** | | | | | | |
| 1x per week | $50.29 | $52.30 | $53.35 | $54.42 | $55.51 | $56.62 |
| 2x per week | $90.54 | $94.16 | $96.04 | $97.96 | $99.92 | $101.92 |
| 3x per week | $130.78 | $136.01 | $138.73 | $141.50 | $144.33 | $147.22 |
| **4 yard bin** | | | | | | |
| 1x per week | $62.39 | $64.89 | $66.19 | $67.51 | $68.86 | $70.24 |
| 2x per week | $112.30 | $116.79 | $119.13 | $121.51 | $123.94 | $126.42 |
| 3x per week | $162.21 | $168.70 | $172.07 | $175.51 | $179.02 | $182.60 |
| **6 yard bin** | | | | | | |
| 1x per week | $85.95 | $89.39 | $91.18 | $93.00 | $94.86 | $96.76 |
| 2x per week | $154.71 | $160.90 | $164.12 | $167.40 | $170.75 | $174.17 |
| 3x per week | $223.48 | $232.42 | $237.07 | $241.81 | $246.65 | $251.58 |
| **COMMERCIAL ORGANIC** | | | | | | |
| **96 Gallon** | | | | | | |
| 1x per week | $19.10 | $19.86 | $20.26 | $20.67 | $21.08 | $21.50 |
| 2x per week | $28.02 | $29.14 | $29.72 | $30.31 | $30.92 | $31.54 |
| 3x per week | $36.92 | $38.40 | $39.17 | $39.95 | $40.75 | $41.57 |
| **2 yard bin** | | | | | | |
| 1x per week | $67.10 | $69.78 | $71.18 | $72.60 | $74.05 | $75.53 |
| 2x per week | $120.80 | $125.63 | $128.14 | $130.70 | $133.31 | $135.98 |
| 3x per week | $174.47 | $181.45 | $185.08 | $188.78 | $192.56 | $196.41 |

| PROPOSED MONTHLY COMMERCIAL SOLID WASTE RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **ROLL OFF (DROP BOX) SERVICE** | | | | | | |
| **20 Yard Container** | | | | | | |
| Delivery | $30.79 | $32.02 | $32.66 | $33.31 | $33.98 | $34.66 |
| Service Charge Per Load | $193.69 | $201.44 | $205.47 | $209.58 | $213.77 | $218.05 |
| Rent (per day) | $12.32 | $12.81 | $13.07 | $13.33 | $13.60 | $13.87 |
| **30 Yard Container** | | | | | | |
| Delivery | $43.10 | $44.82 | $45.72 | $46.63 | $47.56 | $48.51 |
| Service Charge Per Load | $225.97 | $235.01 | $239.71 | $244.50 | $249.39 | $254.38 |
| Rent (per day) | $12.32 | $12.81 | $13.07 | $13.33 | $13.60 | $13.87 |
| **40 Yard Container** | | | | | | |
| Delivery | $55.41 | $57.63 | $58.78 | $59.96 | $61.16 | $62.38 |
| Service Charge Per Load | $271.16 | $282.01 | $287.65 | $293.40 | $299.27 | $305.26 |
| Rent (per day) | $12.32 | $12.81 | $13.07 | $13.33 | $13.60 | $13.87 |
| **Additional Per Ton Disposal** | | | | | | |
| Municipal Solid Waste | $55.41 | $57.63 | $58.78 | $59.96 | $61.16 | $62.38 |
| Recyclables | $67.73 | $70.44 | $71.85 | $73.29 | $74.76 | $76.26 |
| Organics | $43.10 | $44.82 | $45.72 | $46.63 | $47.56 | $48.51 |
| **3-Yard Rent-A-Bin Service** | | | | | | |
| Delivery and Removal | $153.91 | $160.07 | $163.27 | $166.54 | $169.87 | $173.27 |
| Additional Service | $61.56 | $64.02 | $65.30 | $66.61 | $67.94 | $69.30 |
| **Bulky Item Pick-Up** | $43.11 | $44.83 | $45.73 | $46.64 | $47.57 | $48.52 |
| **MISCELLANEOUS FEES** | | | | | | |
| Enclosure Access | $13.23 | $13.76 | $14.04 | $14.32 | $14.61 | $14.90 |
| Push/Pull Charge | $27.71 | $28.82 | $29.40 | $29.99 | $30.59 | $31.20 |
| Extra Pick-up per Cubic Yard | | | | | | |
| Municipal Solid Waste | $28.14 | $29.27 | $29.86 | $30.46 | $31.07 | $31.69 |
| Recyclables | $15.70 | $16.33 | $16.66 | $16.99 | $17.33 | $17.68 |
| Organics | $22.65 | $23.56 | $24.03 | $24.51 | $25.00 | $25.50 |

## 1.5 Utility Bill Survey

The chart below compares the current and proposed 2025/26 water, sewer, solid waste, and storm bill for an average single family residential customer to those of other regional agencies. The City's typical single family residential customer has a 1" meter and uses an average of 16 hcf of water per month. The chart assumes the storm drain rates will remain the same as current.

**Figure 2: Single Family Residential Utility Bill Survey**



# SECTION 2: WATER RATE STUDY

The City of Chowchilla provides water service to a population of about 19,000. The last water rate study was conducted in 2020 in which the City adopted water rates through 2024/25.

## 2.1 Current Water Rates

Table 1 summarizes the current water rates which were adopted following the 2020 utilities rate study. The previous rate study recommended 5.0% annual rate increases from 2020/21 through 2024/25. The City's current water rate structure includes three components – 1) Fixed Meter Charges, 2) Commodity Rates, and 3) City Wide System Upgrade (Meter Install and Retrofit) Charges. The City bills monthly for water service on each customer's combined monthly utility bill.

1. **Fixed Meter Charges**

   All customers, residential and non-residential, are charged the same fixed charges based on their meter size. The fixed charge is levied regardless of water consumption and recognizes 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. 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. The City's base meter size is a 1" meter. Larger meters are charged based on their estimated capacity represented by meter ratios recommended by the American Water Works Association (AWWA). These meter capacity ratios provide a basis for charging customers proportional to the capacity that is reserved for them in the water system.

   Fixed charges are designed to recover the City's fixed expenses and currently generate about 50% of total water rate revenues. Fixed costs include staffing, customer service, debt service, system maintenance, and repairs.

2. **Commodity Charges**

   Residential customers are billed according to a two-tiered inclining rate structure in which the cost per unit of water increases as customers use more water. The first tier is billable up to the first 18 hundred cubic feet (hcf) of water usage. One unit of water, or one hcf, is equal to 748 gallons of water. If a resident uses over 18 hcf, the resident is billed in the second tier for additional water use. Non-residential customers are charged a uniform rate for all water use.

   The commodity charges are intended to recover costs that vary based on the amount of water consumed and currently generate roughly 50% of total water rate revenues. Variable expenses include utilities and chemicals.

3. **City Wide System Upgrade (Meter Installation & Retrofit Charges)**
   The total cost for metering the entire City was approximately $4.5 million. To pay for the meter installations in 2012, the City adopted separate monthly Meter Install and Retrofit Charges. For customers whose meters were installed in 2013, the monthly charge is $6.51. For customers whose meters were retrofitted in 2014 and 2015, the monthly charge is $2.44. The City Wide System Upgrade Charges generate approximately $200,000 each year. The charges are levied for a 12-year period and will begin to be phased out starting in 2025/26.

**Table 1: Current Monthly Water Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| MONTHLY WATER RATES | |
|---|---|
| | **2024/25** |
| **METER CHARGES** | |
| Meter Size | |
| 1" | $26.74 |
| 1 1/2" | $42.55 |
| 2" | $61.51 |
| 3" | $112.07 |
| 4" | $168.96 |
| 6" | $326.97 |
| **COMMODITY RATE ($/hcf)** | |
| Single Family Residential | |
| Tier 1: 0 - 18 hcf | $1.35 |
| Tier 2: Over 18 hcf | $1.74 |
| Non-Single Family Commodity Rate | $1.46 |
| **METER INSTALL & RETROFIT CHARGES** | |
| 2013 Metered Customers | $6.51 |
| 2014 Retrofitted Customers | $2.44 |
| 2015 Retrofitted Customers | $2.44 |

1 - one hundred cubic feet (hcf) = 748 gallons

## 2.2 Water System Overview

### 2.2.1 Water System

The City maintains a water storage, treatment, and distribution system that provides water service to all residential, commercial, and industrial areas within the City. The City's entire water supply is provided via groundwater. The City operates 7 wells, 37 miles of main distribution lines, 243 water meters, 199 backflow prevention devices, 750 fire hydrants, and related equipment. Water quality is closely monitored by State of California regulatory agencies to ensure compliance with Federal and State mandates. The City also manages a year-round conservation program. The City completed its citywide metering project in FY2018.

### 2.2.2 Water Customers

The water utility currently has about 4,100 total metered water accounts as shown on Table 2. The majority of customers are single family residential (SFR) with 1" meters. To be conservative, no major change in the customer base is anticipated over the next 5 years. Growth is estimated at 1.0% each year.

**Table 2: Water Customers by Meter Size**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Meter Size | Single Family Residential | All Other Customers | Total Number of Meters |
|---|---|---|---|
| 1" | 3,617 | 274 | 3,891 |
| 1.5" | 0 | 28 | 28 |
| 2" | 0 | 108 | 108 |
| 3" | 0 | 20 | 20 |
| 4" | 0 | 18 | 18 |
| 6" | 0 | 4 | 4 |
| Total | 3,617 | 452 | 4,069 |

### 2.2.3 Water Consumption

As shown on Table 3, total water use in 2023/24 was 975,056 hcf, representing a nearly 9.0% decrease from the previous year. The decrease in overall consumption is in line with other agencies Statewide who have also seen a reduction in usage in response to the multi-year drought and strong conservation efforts. Single family residential customers represent over 67% of total use. Average single family residential use is 16 hcf per month. At current water rates, the average SFR monthly bill is $48.34 (not

including the City Wide System Upgrade Charges). To be conservative, this study does not assume any increase in total water consumption over the next five years.

**Table 3: Historical Water Consumption Data**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Consumption (hcf) [1] | | Two- Year | % of |
|---|---|---|---|---|
| | 2022/23 | 2023/24 | Average | Total |
| **Single Family Residential** | | | | |
| Tier 1: 0 - 18 hcf | 491,503 | 478,614 | 485,059 | 47.5% |
| Tier 2: Over 18 hcf | 225,138 | 187,001 | 206,070 | 20.2% |
| Subtotal | 716,641 | 665,615 | 691,128 | 67.7% |
| **All Other Customers** | 349,808 | 309,441 | 329,625 | 32.3% |
| **Total Water Consumption** | 1,066,449 | 975,056 | 1,020,753 | 100.0% |
| *Annual % Change* | | *-8.6%* | | |

1 – one hundred cubic feet (hcf) = 748 gallons

## 2.3 Water Financial Plan

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. The cost of service is summarized in a cash flow table that includes annual operating expenses, debt service payments, capital projects, repairs and replacements, and the accumulation of appropriate reserves. The water cost of service was developed based on the 2024/25 adopted budget, water capital improvement plan, and reserve recommendations based on industry standards. Over the five-year rate study period, rate increases are needed so that the Water Fund can continue to pay for operating costs, debt service, capital expenses, and to maintain reasonable reserves.

### 2.3.1 History of Net Revenues

Total revenues for the Water Fund include Water Sales, the System Upgrade Charges, Disconnect/Reconnect fees, Connection Fees, Fines and Penalties, and Other Charges for Service. Water Sales are the major source of operating revenues, accounting for 85.0%. Water expenses include Operations and Maintenance, Salaries and Benefits, Debt Service, Overhead Allocations, Transfers Out and Capital Projects.

Table 4 shows a three-year history of water revenues and expenses since 2021/22 and also includes the 2024/25 budget. As shown, the Water Fund has been operating in a deficit in which operating revenues exceed operating expenses for the past two years. For 2024/25, the operating deficit is projected at approximately $58,000. Including the budgeted capital expenses, the total deficit is estimated at $735,000 which will be drawn down from cash reserves. Without rate increases, the Water Fund will continue to operate in a deficit.

**Table 4: Water Net Revenues**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Actual | | | Budget |
|---|---|---|---|---|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| **OPERATING** | | | | |
| **Operating Revenues** | | | | |
| Water Sales | $2,471,837 | $2,677,901 | $2,725,197 | $3,147,859 |
| Water Bond-Systems Upgrade | $193,431 | $205,942 | $200,000 | $205,000 |
| Water Connection Fees | $55,992 | $29,252 | $3,096 | $10,000 |
| Other Charges for Services | $19,150 | $50,893 | $44,212 | $61,100 |
| Fines and Penalties | $11,606 | $86,137 | $68,643 | $88,042 |
| Other Revenues | $125,788 | $155,814 | $200,970 | $181,563 |
| **Total Operating Revenues** | **$2,877,804** | **$3,205,939** | **$3,242,118** | **$3,693,564** |
| **Operating Expenditures [1]** | | | | |
| Salaries and Benefits | ($145,154) | $1,221,072 | $619,871 | $755,992 |
| Operations and Maintenance | $1,109,544 | $1,139,459 | $1,048,101 | $1,406,859 |
| Debt Service | $441,360 | $368,061 | $553,571 | $553,621 |
| Overhead Allocations | $584,485 | $677,212 | $701,190 | $723,306 |
| Transfers Out | $284,831 | $327,354 | $398,733 | $311,613 |
| **Total Operating Expenses** | **$2,275,066** | **$3,733,158** | **$3,321,466** | **$3,751,391** |
| **Net Operating Revenues** | $602,738 | ($527,219) | ($79,348) | ($57,827) |
| **CAPITAL** | | | | |
| **Capital Revenues** | | | | |
| Transfers In | $291,291 | $376,824 | $2,032,075 | $3,641,440 |
| **Total Capital Revenues** | **$291,291** | **$376,824** | **$2,032,075** | **$3,641,440** |
| **Capital Expenses** | | | | |
| Vehicles, Machinery & Equip | $0 | $0 | $21,000 | $20,000 |
| Fleet Program | $0 | $0 | $6,052 | $18,252 |
| Infrastructure | $0 | $0 | $20,000 | $75,000 |
| Construction in Progress/Capital Outlay [2] | $0 | $0 | $1,980,082 | $4,263,420 |
| **Total Capital Expenses** | **$0** | **$0** | **$2,027,134** | **$4,376,672** |
| **Net Capital Revenues** | $291,291 | $376,824 | $4,941 | ($735,232) |

Source: Fiscal Year 2024-2025 Budget
1 - Does not include Depreciation
2 - 2023/24 Capital Outlay information provided by staff (email 3/13/2025)

### 2.3.2 Projected Expenses

The following section details the total cost of service for the Water Fund based on the 2025/26 adopted budget and capital improvement plan.

#### 2.3.2.1 Operating Expenses

Operating and maintenance expenses are projected at $3.0 million for 2025/26. Operating costs include salaries & benefits, operations, and overhead allocation expenses, but do not include capital, debt service, or depreciation costs. Table 5 includes a projection of operating expenses over the next five years. The escalation factors were determined based on projected inflation and input from City staff.

Salaries and Benefits are escalated by 6.0% each year to account for the need to increase overall salaries to align with regional standards. The Salaries and Benefits projection also includes one new water employee in 2026/27 at an estimated cost of $80,000/year. Energy costs are increased by 15.0% each year. Beginning in 2025/26, the expense projection includes $30,000 each year as a placeholder for future Groundwater Sustainability Plan (GSP) projects. All other expenses are increased by 3.0% each year and include System Repairs, Contracted Services, Liability Insurance, and Overhead Allocation expenses based on the City-Wide Cost Allocation Plan.

**Table 5: Water Operating Expenses**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Budget | Escalation | Projected | | | |
|---|---|---|---|---|---|---|
| | 2025/26 | Factor | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **Operating Expenses** | | | | | | |
| Salaries & Benefits [1] | $881,214 | 6.0% | $1,019,000 | $1,080,000 | $1,145,000 | $1,214,000 |
| Operations & Maintenance | | | | | | |
| Energy | 837,934 | 15.0% | 964,000 | 1,109,000 | 1,275,000 | 1,466,000 |
| System Repairs | 170,000 | 3.0% | 175,000 | 180,000 | 185,000 | 191,000 |
| Contracted Services | 51,000 | 3.0% | 53,000 | 55,000 | 57,000 | 59,000 |
| Groundwater Management Plan [2] | 7,500 | 0.0% | 27,500 | 27,500 | 27,500 | 27,500 |
| Liability Insurance | 77,880 | 3.0% | 80,000 | 82,000 | 84,000 | 87,000 |
| Other Operations | 218,506 | 3.0% | 225,000 | 232,000 | 239,000 | 246,000 |
| Subtotal O&M | 1,362,820 | | 1,524,500 | 1,685,500 | 1,867,500 | 2,076,500 |
| Overhead Allocation | 762,902 | 3.0% | 786,000 | 810,000 | 834,000 | 859,000 |
| **Total Operating Expenses** | **3,006,936** | | **3,329,500** | **3,575,500** | **3,846,500** | **4,149,500** |
| *Annual Percent Change* | | | *10.7%* | *7.4%* | *7.6%* | *7.9%* |

1 - Includes one new Water System employee in 2026/27. Total salary & benefits for new employee is estimated at $80,000/year.
2 - $20,000 per year to establish new reserve fund to pay for GMP projects is included beginning in 2026/27.

#### 2.3.2.2 Debt Service

The water utility currently has two outstanding debt obligations: 1) a 2016 State Water Resources Control Board (SWRCB) Loan for $3,205,991 and 2) the 2017 CREB bonds for $8,160,000. Annual debt service for the SWRCB Loan is $160,300 and the last payment is due in July 2038. Annual debt service for the CREB bonds will range from $329,000 to $418,000 over the next five years and the last payment is due in June 2047.

Total debt service for 2025/26 is approximately $572,000. The CREB bonds debt service payment is partially offset by the federal government's CREB subsidy, which is estimated to be about $68,500. The City does not anticipate issuing any additional debt for the water utility in the next five years.

**Debt Service Coverage**

A chief covenant for the City to secure revenue bonds/COPs 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 Water Fund, the debt service coverage ratio means that annual water net revenues (gross revenues less operating and maintenance expenses) must be at least 1.25 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 revenue bonds/COPs callable or payable upon demand. Thus, rates and fees must be set to meet this legal requirement.

#### 2.3.2.3 Water Capital Improvement Plan

As shown on Table 6, the five-year Water Capital Improvement Program (CIP) includes $5.3 million of water system improvements from 2025/26 through 2029/30. Projects include Water Tanks Backup Generators, Wells No. 15, 16, and 17 Development, Berenda Slough Water Extension, water main replacements, and meter replacements. The City has allocated $1.1 million in funding from the American Rescue Plan Act (ARPA) to pay for the development of Well No. 16 and the Berenda Slough Water Extension. The remaining $4.2 million in projects will be cash-funded with water rate revenues.

Additional annual capital costs not included in the CIP include:

- $100,000 each year to fund annual depreciation
- $50,000 each year to find pipeline replacements
- $20,000 each year for Vehicles, Machinery, & Equipment replacements
- $20,000 each year for the Fleet Program

**Table 6: Water Capital Improvement Plan**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Project # | Project | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | Total | Funding Source |
|---|---|---|---|---|---|---|---|---|
| W-10 | Well No. 17 Development [1] | - | - | $110,000 | $1,550,000 | - | $1,660,000 | Water DIF & Water Fund |
| W-11 | Water Main Replacement, Various Locations | - | - | - | - | $250,000 | $250,000 | Water Fund |
| W-3 | Water Main Replacement, Various Locations | $250,000 | - | - | - | - | $250,000 | Water Fund |
| W-4 | Well No. 15 Development | $100,000 | - | - | - | - | $100,000 | Water Fund |
| W-6 | Water Tanks Backup Generators | $418,000 | - | - | - | - | $418,000 | ARPA Funds |
| W-7 | Well No. 16 Development | $860,300 | - | - | - | - | $860,300 | ARPA & Water Fund |
| W-8 | Water Storage Tank No. 3 | - | - | $1,500,000 | - | - | $1,500,000 | Water DIF |
| W-9 | Berenda Slough Water Extension | $216,492 | - | - | - | - | $216,492 | ARPA Funds |
| | **Total Water Capital Projects** | **$1,844,792** | **$0** | **$1,610,000** | **$1,550,000** | **$250,000** | **$5,254,792** | |

Source: City of Chowchilla Capital Improvement Plan 2026 through 2030

### 2.3.3 Water Reserves

As of July 1, 2025, the projected beginning cash fund balance for the Water Fund is $1,749,163. The water reserve fund target is *25% of Annual O&M Expenses + One Year's Annual Debt Service Payment.* Currently total debt service is approximately $572,000, but debt service will gradually increase in the future. 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. Moreover, funding can be drawn from reserves to supplement rate revenues lost during drought conditions or other unexpected situations. 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.

### 2.3.4 Cash Flow Projection with No Rate Increases

The cash flow projection in Table 7 summarizes the revenues and expenses based on the 2024/25 budget and proposed reserve fund target if the City does not implement any rate increases. Without rate increases, the cash flow shows that the City will miss debt service coverage (line 48) beginning in 2025/26 and the operating reserve fund (line 52) will be drawn down by 2025/26.

**Table 7: Water Cash Flow Projection – No Rate Increase**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Projected | | | | |
|---|---|---|---|---|---|---|
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| 1 | Rate Increase Effective | July 1, 2025 | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 |
| 2 | **Annual Rate Increase** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |
| 3 | Growth Rate | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 4 | | | | | | |
| 5 | **Beginning Cash Fund Balance** | **$1,749,163** | **($566,496)** | **($1,430,579)** | **($2,670,070)** | **($5,288,989)** |
| 6 | | | | | | |
| 7 | **REVENUES** | | | | | |
| 8 | Charges for Service | | | | | |
| 9 | Water Rates | 2,863,000 | 2,892,000 | 2,921,000 | 2,950,000 | 2,980,000 |
| 10 | Water-Bond System Upgrades [1] | 100,023 | 57,945 | 28,973 | 0 | 0 |
| 11 | Water Disconnect/Reconnect | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 |
| 12 | Water Connection Fees | 0 | 0 | 0 | 0 | 0 |
| 13 | Other Charges for Service [2] | 175,409 | 175,409 | 175,409 | 175,409 | 175,409 |
| 14 | Total Charges for Service | 3,141,932 | 3,128,854 | 3,128,882 | 3,128,909 | 3,158,909 |
| 15 | Other Revenues | | | | | |
| 16 | Investment Earnings | 31,571 | 0 | 0 | 0 | 0 |
| 17 | CREB Subsidy | 0 | 0 | 0 | 0 | 0 |
| 18 | Other Revenues | 40,000 | 41,000 | 42,000 | 43,000 | 44,000 |
| 19 | Total Other Revenues | 71,571 | 41,000 | 42,000 | 43,000 | 44,000 |
| 20 | Fines & Penalties | 73,000 | 75,000 | 77,000 | 79,000 | 81,000 |
| 21 | Transfers In [3] | 269,512 | 0 | 1,500,000 | 350,000 | 0 |
| 22 | **TOTAL REVENUES** | **3,556,015** | **3,244,854** | **4,747,882** | **3,600,909** | **3,283,909** |
| 23 | | | | | | |
| 24 | **EXPENSES** | | | | | |
| 25 | **Operating Expenses** | | | | | |
| 26 | Salaries & Benefits | 881,214 | 1,019,000 | 1,080,000 | 1,145,000 | 1,214,000 |
| 27 | Operations & Maintenance | 1,355,320 | 1,497,000 | 1,658,000 | 1,840,000 | 2,049,000 |
| 28 | Groundwater Management Plan [4] | 7,500 | 27,500 | 27,500 | 27,500 | 27,500 |
| 29 | Overhead Allocation | 762,902 | 786,000 | 810,000 | 834,000 | 859,000 |
| 30 | Total Operating Expenses | 3,006,936 | 3,329,500 | 3,575,500 | 3,846,500 | 4,149,500 |
| 31 | | | | | | |
| 32 | **Net Operating Revenue** | 549,079 | (84,646) | 1,172,382 | (245,591) | (865,591) |
| 33 | | | | | | |
| 34 | **Debt Service** | | | | | |
| 35 | Total Debt Service | 571,922 | 581,436 | 603,873 | 625,327 | 645,770 |
| 36 | | | | | | |
| 37 | **Capital Outlay** | | | | | |
| 38 | Water CIP | 1,844,792 | 0 | 1,610,000 | 1,550,000 | 250,000 |
| 39 | Vehicles, Machinery & Equip | 29,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 40 | Fleet Program | 19,024 | 28,000 | 28,000 | 28,000 | 28,000 |
| 41 | Infrastructure [5] | 400,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| 42 | Total Capital Expenses | 2,292,816 | 198,000 | 1,808,000 | 1,748,000 | 448,000 |
| 43 | | | | | | |
| 44 | **Transfers Out** | 0 | 0 | 0 | 0 | 0 |
| 45 | | | | | | |
| 46 | **TOTAL EXPENSES** | 5,871,674 | 4,108,936 | 5,987,373 | 6,219,827 | 5,243,270 |
| 47 | | | | | | |
| 48 | **Coverage Ratio (1.25x)** | 0.96 | (0.15) | 1.94 | (0.39) | (1.34) |
| 49 | | | | | | |
| 50 | **Net Total Revenues** | (2,315,659) | (864,082) | (1,239,492) | (2,618,918) | (1,959,361) |
| 51 | | | | | | |
| 52 | **Ending Fund Balance** | **(566,496)** | **(1,430,579)** | **(2,670,070)** | **(5,288,989)** | **(7,248,349)** |
| 53 | | | | | | |
| 54 | **Target (25% of O&M + Debt Service)** | 1,323,622 | 1,413,836 | 1,497,773 | 1,586,927 | 1,683,170 |
| 55 | Target Met? | NO | NO | NO | NO | NO |
| 56 | | | | | | |

1 - Assumes that the System Upgrade Meter Fees will be phased out by 2028

2 - Includes Standby Fees, Application Fee, Hydrant Meter Rent, Repairs Charged to Customer, Water Sales - LLMD, Bulk Water Sales, Water Turn Offs/Repairs & Water Systems Upgrade

3 - Includes $1.1M ARPA funding in 2025/26. For 2027/28, $1.5M is developer contribution for Rancho Calera.

4 - Includes $20,000 each year beginning in 2026/27 for new Groundwater Management Plan Reserve

5 - Includes $100,000 each year to fund depreciation.

### 2.3.5 Adopted Water Rate Increases

During the rate study, the City Council was presented with multiple water rate scenarios based on whether to include an additional staff member as well as varying options for capital funding. At the June 24, 2025 Proposition 218 hearing, L&T presented 2 additional water rate options – one option that included Well No. 17 (at an estimated cost of $1.7 million as shown on Table 6) and another option that did not include Well No. 17. The City Council elected to proceed without Well No. 17 and adopted the following rate adjustments:

**Table 8: Annual Water Rate Increases**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Fiscal Year | Annual Water Rate Increase |
|---|---|---|
| 1 | **2025/26** | **19.0%** |
| 2 | **2026/27** | **8.0%** |
| 3 | **2027/28** | **8.0%** |
| 4 | **2028/29** | **8.0%** |
| 5 | **2029/30** | **8.0%** |

### 2.3.6 Water Cash Flow Projection

Over the five-year rate study period, water rate increases are proposed to meet the following objectives, in order of importance:

1) Fund operating expenses
2) Fund debt service obligations
3) Meet or exceed the debt service coverage requirement of 1.25 times the annual debt service payment
4) Fund capital costs
5) The ending operating cash fund balance should meet or exceed the target of 25% of operating expenses plus on year's annual debt service payment

The cash flow projection with the adopted rate adjustments is shown on Table 9. The projections are based on the proposed 2025/26 budget and incorporate the latest information available at the time of this study. The first revenue adjustment is proposed to take effect on July 1, 2025. Subsequent water rate increases thereafter are proposed to be effective on July 1 of each year through 2029. Key assumptions include:

- **Cash Reserves**
  - As of July 1, 2025, the projected beginning cash fund balance for the Water Fund is $1,749,163.
  - The water reserve fund target is *25% of Annual O&M Expenses + One Year's Annual Debt Service Payment*

- **Revenues**
  - Total budgeted Water Fund Revenues for 2025/26 are $5.59M which includes a one-time contribution from ARPA funds.
  - *Water Rates* for 2025/26 are estimated at $3.4M in the cash flow.
  - Total System Upgrade revenues are estimated at $100,000 for 2024/25. *Water-Bond System Upgrade Charges* will be phased out beginning in in 2025/26 through 2027/28.
  - *Water Disconnect/Reconnect* revenues are projected at $35,000 for 2025/26 and are not expected to increase over the next 5 years.
  - *Other Charges for Service* are estimated at $175,409 and are not projected to increase. *Other Charges for Service* includes Standby Fees, Application Fee, Hydrant Meter Rent, Repairs Charged to Customer, Water Sales - LLMD, Bulk Water Sales, Water Turn Offs/Repairs & Water Systems Upgrade.
  - *Investment Earnings* are projected at 1.0% of the cash fund balance each year.
  - *CREB Subsidy* is budgeted at $68,511 for 2025/26 and is not anticipated to change over the next five years.
  - *Other Revenues* are projected to total 40,000 for 2025/26 and is not anticipated to change over the next five years. *Other Revenues* include Unrealized Gain/Loss, Collection Proceeds, Payroll Reimbursements, Miscellaneous Revenues, and Amortization of Premium.
  - *Fines and Penalties* are estimated at $73,000 each year and are not projected to increase.
  - *Transfers In* for 2025/26 are budgeted at $1.6M and include $1.1M in ARPA funds for capital projects. This is a one-time revenue source. For future years, Transfers In include $1.5M in developer contributions in 2027/28.

- **Operating Expenses**
  - Total budgeted operating expenses for 2025/26 is $3.0M (does not include capital, debt service, or depreciation).
  - *Salaries & Benefits* are increased by 6.0% per year beginning in 2025/26.
  - Projections include a new water employee in 2026/27 at an estimated cost of $80,000/year
  - *Energy* is increased by 15.0% each year beginning in 2025/26.
  - All other expenses are increased by 3.0% each year.

- *Groundwater Management Plan* expenses are budgeted at $7,500 for 2024/25. Beginning in 2025/26, expenses include an additional $20,000 per year for future projects. The goal is to build a reserve for Groundwater Sustainability Plan projects.
- *Depreciation* is not included as an operating expense.

- **Capital Expenses**
  - The *Five-Year (2025/26 through 2029/30) Water CIP* includes a total of $3.6 million in capital projects and does not include the development of Well No. 17
  - In total, $1.1M or 20.0% of projects will be funded with ARPA funds in 2025/26. These projects include the Water Tank Backup Generators, Well No. 16 Development, and the Berenda Slough Water Extension.
  - The remaining $2.5M in projects will all be cash-funded with water revenues. These projects include Water Main Replacements, Well No. 15 Development, and Water Storage Tank No. 3.
  - Well No. 17 at an estimated cost of $1.7 million is not included in the Water CIP per direction from the City Council.
  - Additional capital costs not included in the CIP include:
    - $100,000 each year to fund annual depreciation
    - $50,000 each year to find pipeline replacements
    - $20,000 each year for Vehicles, Machinery, & Equipment replacements
    - $20,000 each year for the Fleet Program

- **Water Consumption**
  - Consumption estimates are based on total use in 2023/24 which was 975,056 hcf. Total water use decreased nearly 9.0% decrease from the previous year.
  - Total water consumption is not anticipated to increase because of the multi-year drought and strong conservation efforts
  - Growth is estimated at 1.0% each year, equating to roughly 40 new connections each year. No major changes in the customer base are expected through 2029/30.

**Table 9: Water Utility Cash Flow Projection – Scenario 1: Includes New Staff Member**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Projected | | | | |
|---|---|---|---|---|---|---|
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| 1 | Rate Increase Effective | July 1, 2025 | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 |
| 2 | **Annual Rate Increase** | **19.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** |
| 3 | Growth Rate | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 4 | | | | | | |
| 5 | **Beginning Cash Fund Balance** | **$1,749,163** | **$1,463,752** | **$1,543,282** | **$1,666,202** | **$2,189,995** |
| 6 | | | | | | |
| 7 | **REVENUES** | | | | | |
| 8 | Charges for Service | | | | | |
| 9 | Water Rates | 3,407,000 | 3,716,000 | 4,053,000 | 4,421,000 | 4,822,000 |
| 10 | Water-Bond System Upgrades [1] | 100,023 | 57,945 | 28,973 | 0 | 0 |
| 11 | Water Disconnect/Reconnect | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| 12 | Water Connection Fees | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 13 | Other Charges for Service [2] | 175,409 | 175,409 | 175,409 | 175,409 | 175,409 |
| 14 | Total Charges for Service | 3,722,432 | 3,989,354 | 4,297,382 | 4,636,409 | 5,037,409 |
| 15 | Other Revenues | | | | | |
| 16 | Investment Earnings | 57,412 | 14,600 | 15,400 | 16,700 | 21,900 |
| 17 | CREB Subsidy | 68,512 | 68,512 | 68,512 | 68,512 | 68,512 |
| 18 | Other Revenues | 40,000 | 41,000 | 42,000 | 43,000 | 44,000 |
| 19 | Total Other Revenues | 165,924 | 124,112 | 125,912 | 128,212 | 134,412 |
| 20 | Fines & Penalties | 73,000 | 75,000 | 77,000 | 79,000 | 81,000 |
| 21 | Transfers In [3] | 1,624,907 | 0 | 1,500,000 | 350,000 | 0 |
| 22 | **TOTAL REVENUES** | **5,586,263** | **4,188,466** | **6,000,294** | **5,193,621** | **5,252,821** |
| 23 | | | | | | |
| 24 | **EXPENSES** | | | | | |
| 25 | **Operating Expenses** | | | | | |
| 26 | Salaries & Benefits | 881,214 | 1,019,000 | 1,080,000 | 1,145,000 | 1,214,000 |
| 27 | Operations & Maintenance | 1,355,320 | 1,497,000 | 1,658,000 | 1,840,000 | 2,049,000 |
| 28 | Groundwater Management Plan [4] | 7,500 | 27,500 | 27,500 | 27,500 | 27,500 |
| 29 | Overhead Allocation | 762,902 | 786,000 | 810,000 | 834,000 | 859,000 |
| 30 | Total Operating Expenses | 3,006,936 | 3,329,500 | 3,575,500 | 3,846,500 | 4,149,500 |
| 31 | | | | | | |
| 32 | **Net Operating Revenue** | 2,579,327 | 858,966 | 2,424,794 | 1,347,121 | 1,103,321 |
| 33 | | | | | | |
| 34 | **Debt Service** | | | | | |
| 35 | Total Debt Service | 571,922 | 581,436 | 603,873 | 625,327 | 645,770 |
| 36 | | | | | | |
| 37 | **Capital Outlay** | | | | | |
| 38 | Water CIP | 1,844,792 | 0 | 1,500,000 | 0 | 250,000 |
| 39 | Vehicles, Machinery & Equip | 29,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 40 | Fleet Program | 19,024 | 28,000 | 28,000 | 28,000 | 28,000 |
| 41 | Infrastructure [5] | 400,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| 42 | Total Capital Expenses | 2,292,816 | 198,000 | 1,698,000 | 198,000 | 448,000 |
| 43 | | | | | | |
| 44 | **TOTAL EXPENSES** | 5,871,674 | 4,108,936 | 5,877,373 | 4,669,827 | 5,243,270 |
| 45 | | | | | | |
| 46 | **Coverage Ratio (1.25x)** | 4.51 | 1.48 | 4.02 | 2.15 | 1.71 |
| 47 | | | | | | |
| 48 | **Net Total Revenues** | (285,411) | 79,530 | 122,920 | 523,794 | 9,551 |
| 49 | | | | | | |
| 50 | **Ending Fund Balance** | **1,463,752** | **1,543,282** | **1,666,202** | **2,189,995** | **2,199,547** |
| 51 | | | | | | |
| 52 | **Target (25% of O&M + Debt Service)** | 1,323,622 | 1,413,836 | 1,497,773 | 1,586,927 | 1,683,170 |
| 53 | Target Met? | YES | YES | YES | YES | YES |
| 54 | | | | | | |

1 - Assumes that the System Upgrade Meter Fees will be phased out by 2028
2 - Includes Standby Fees, Application Fee, Hydrant Meter Rent, Repairs Charged to Customer, Water Sales - LLMD, Bulk Water Sales, Water Turn Offs/Repairs & Water Systems Upgrade
3 - Includes $1.1M ARPA funding in 2025/26. For 2027/28, $1.5M is developer contribution for Rancho Calera.
4 - Includes $20,000 each year beginning in 2026/27 for new Groundwater Management Plan Reserve
5 - Includes $100,000 each year to fund depreciation.

## 2.4 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 revenue requirements detailed in the previous section determine the total cost of service, meaning the total amount of revenue to be recovered from water rates. The cost of service allocation determines how revenues will be recovered from customers based on how they use the water system. Additionally, the cost allocation will determine the amount of revenue which will be collected from fixed charges and usage rates.

### 2.4.1 Overview of Water Cost Allocation Methodology

The American Water Works Association (AWWA) recommends two primary methods to classify costs among various customers: (1) the *Base-Extra Capacity Method* in which costs are allocated to the different customer classes proportionate to their use of the water system; and (2) the *Commodity Demand Method* in which costs are proportionately allocated to each customer class based on their peak demand. Although the two methods vary in the way that costs are allocated, both result in rates designed to recover the reasonable cost of service during periods of both average and peak demands. The Base-Extra Capacity Method was selected for this rate study to provide consistency with prior rate studies. Furthermore, the City focuses its water system cost allocation based on the relative impact of various customer classes.

In the *Base-Extra Capacity Method*, costs are typically separated into four components: (a) Base Demand, (b) Extra Capacity (peak), (c) Customer Service, and (d) Meters and Services. The Base Demand and Extra Capacity categories are intended to recover the costs to deliver water to customers, while the Customer Service and Meters and Services categories are intended to recover expenses related to maintaining infrastructure in the system to supply water at all times under the proposed water rates in this study. A summary of each category is provided below:

- *Base Demand*: Base costs include the expenses related to providing water under average, "base" demand conditions.

- *Extra Capacity*: The extra category includes costs related to providing water above the system average demand (i.e. related to peak, "extra" usage).

- *Meters and Services*: These include costs related to maintaining and replacing water meters.

- *Customer Service:* This category contains costs associated with serving customers, such as billing and answering customer inquiries.

All water utility expenses are allocated to each cost component based on the operating characteristics and design of the facilities. The cost allocation takes into account the average amount of water consumed as well as the peak rate at which water is utilized. For the water system to provide adequate service, it must be capable of meeting not only average demand, but also the maximum day or peak demand.

The cost allocation determines the percentage of annual revenue to be collected from each rate component based on the actual costs attributable to each component and establishes that each parcel's total water bill will not exceed the proportional cost of service.

### 2.4.2 Cost Allocation Results

Table 10 provides the allocation of all water expenses into the Base-Extra Capacity categories for Water Scenario 1 with 2024/25 serving as the base year. Costs are allocated according to how they are incurred by the City. Most operating expenses, debt service, and capital expenses are allocated amongst each function to varying degrees as these costs are directly associated with both the delivery of water to customers and the maintenance of the system. The City's overhead expenses are allocated solely to the *Meters and Services* and *Customer Service* categories because they are fixed administrative expenses unrelated to water delivery.

Energy expenses are allocated solely to the *Base* and *Extra* categories based on water usage patterns. For single family residential customers, it is proposed that *Base* expenses be recovered from the Tier 1 commodity rate and *Extra* expenses be recovered from the Tier 2 commodity rate. Based on current water usage patterns, average monthly use per single family residential customer is 16 hcf per month. Thus, 16 hcf is the proposed Tier 1 breakpoint, and accordingly, Tier 1 is intended to recover costs associated with the first 16 hcf of consumption. Tier 2 is intended to recover costs associated with any additional usage above the first 16 hcf.

For all other customers, the commodity rate will remain a uniform rate, so the *Base* and *Extra Capacity* categories will be combined for rate design purposes. Commodity rate design is described further in Section 2.6.3. Based on 2023/24 total water consumption, usage through the first 16 hcf per month accounted for 51.9% of total water consumption.

Based on the proposed cost allocation in Table 10, 54.5% of total expenses are attributable to the commodity rates (i.e. *Base* and *Extra*), and 45.5% of total expenses are attributable to the fixed meter charges (i.e. *Meters and Services* and *Customer Service*).

**Table 10: Water Cost Allocation**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Expenses | Budget 2024/25 | Base | Extra | Meters | Cust. Service | Total |
|---|---|---|---|---|---|---|
| **Operating Expenses** | | | | | | |
| Salaries & Benefits | $755,992 | 25.0% | 25.0% | 25.0% | 25.0% | 100% |
| Operations & Maintenance | | | | | | |
| Energy | $809,879 | 51.9% | 48.1% | 0.0% | 0.0% | 100% |
| System Repairs | $161,710 | 51.9% | 13.1% | 25.0% | 10.0% | 100% |
| Contracted Services | $126,960 | 51.9% | 13.1% | 25.0% | 10.0% | 100% |
| Groundwater Management Plan | $7,500 | 51.9% | 23.1% | 25.0% | 0.0% | 100% |
| Liability Insurance | $74,457 | 25.0% | 25.0% | 25.0% | 25.0% | 100% |
| Other Operations | $226,353 | 51.9% | 13.1% | 25.0% | 10.0% | 100% |
| Subtotal O&M | $2,162,851 | $899,622 | $665,871 | $338,243 | $259,115 | $2,162,851 |
| | | | | | | |
| Overhead Allocation | | | | | | |
| Overhead Allocation GF | $389,188 | 0.0% | 0.0% | 50.0% | 50.0% | 100% |
| Overhead Allocation Streets | $151,782 | 0.0% | 0.0% | 100.0% | 0.0% | 100% |
| Overhead Allocation Fleet | $37,722 | 0.0% | 0.0% | 100.0% | 0.0% | 100% |
| Overhead Allocation IT | $153,494 | 0.0% | 0.0% | 50.0% | 50.0% | 100% |
| Subtotal Overhead Allocation | $732,186 | $0 | $0 | $460,845 | $271,341 | $732,186 |
| | | | | | | |
| Debt Service | $534,895 | 25.0% | 25.0% | 25.0% | 25.0% | 100% |
| (5-year Avg) | | $133,724 | $133,724 | $133,724 | $133,724 | $534,895 |
| | | | | | | |
| Capital Projects | $675,456 | 30.0% | 30.0% | 25.0% | 15.0% | 100% |
| (5-year Avg) | | $202,637 | $202,637 | $168,864 | $101,318 | $675,456 |
| | | | | | | |
| **Total Water Expenses** | **$4,105,388** | **$1,235,983** | **$1,002,232** | **$1,101,676** | **$765,498** | **$4,105,388** |
| | | | | | | |
| **Total Cost Allocation** | | ***30.1%*** | ***24.4%*** | ***26.8%*** | ***18.6%*** | **100.0%** |

## 2.5 Water Rate Design Considerations

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.

### 2.5.1 Billing Units

The most common method to levy fixed charges is by meter size. American Water Works Association (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 3.20 times the capacity equivalency of a customer with a 1" meter. (A 2" meter has a safe operating capacity of 160 gallons per minute (gpm) compared to a 1" meter which has a safe operating capacity of 50 gpm).

Table 11 shows the proposed meter equivalents based on AWWA standards. Each meter size is charged based on their proportional impact on the system.

**Table 11: Proposed Meter Equivalents**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Meter Size | # of Meters | Operating Capacity (gpm) [1] | Meter Ratio | # of Meter Equivalents [2] |
|---|---|---|---|---|
| 1" | 3,891 | 50 | 1.00 | 3,891 |
| 1.5" | 28 | 100 | 2.00 | 56 |
| 2" | 108 | 160 | 3.20 | 346 |
| 3" | 20 | 320 | 6.40 | 128 |
| 4" | 18 | 500 | 10.00 | 180 |
| 6" | 4 | 1,000 | 20.00 | 80 |
| Total | 4,069 | | | 4,681 |

1 - Gallons per minute (gpm) safe maximum operating capacity for C712-10 singlejet type meter

2 - Meter ratio times number of meters

### 2.5.2 Single Family Residential Commodity Rate Tiers

Per Proposition 218 and legal rulings, each water rate tier breakpoint (i.e. the consumption used in each tier) and the price of each tier must be individually cost-justified. Higher use must be directly tied to specific costs such as imported water, higher electricity costs associated with peak pumping, increased

maintenance, and/or conservation programs. Tiers cannot be assigned to customers solely based on conservation objectives. For example, public agencies may not arbitrarily raise the price of higher use tiers in order to offer a discount to lower water users. Because the City relies solely on groundwater for its supply, it can be difficult to assign additional costs to the higher tiers. It is proposed that the tier breakpoint be changed to reflect the average monthly water use of single family residential customers.

The current tier breakpoint of 18 hcf was established many years ago and was not adjusted during the last rate study. Because the City had just completed metering all customers, the 2020 study recommended waiting until the City had several years of actual consumption data before making any rate structure changes such as adjusting the tier breakpoint. Now that multi-year water consumption data is available, it is proposed that the City update its single family residential commodity tiers to reflect actual usage patterns.

At the June 24, 2025 Proposition 218 hearing, the City Council elected to keep the current tier breakpoints to minimize the impact on customers. Therefore, the commodity tiers for single family residential customer will not change.

### 2.5.3 Non-Single Family Residential Uniform Tier

Unlike residential customers who are a relatively homogenous group that uses water for similar purposes (bathing, cooking, irrigation, etc.), commercial water use varies widely based on the type and size of business. Consequently, the benefits of tiered rates are greatly diminished for non-residential customers and can result in unintended impacts such as high marginal rates for high-water-use businesses that have implemented substantial conservation measures. Therefore, L&T recommends maintaining the uniform tiers for all other non-residential customers.

## 2.6 Water Rate Design

### 2.6.1 Annual Revenue Requirement Allocation

Table 12 calculates the fixed charge and commodity rate revenue requirements for each year by applying the functional cost allocation percentages from Table 10 to the total annual revenue requirements. The total annual revenue requirement in each year is the amount proposed to be recovered from water rates as shown on the cash flow projection (Table 9). The fixed charge revenue requirement is based on the *Meters and Services* and *Customer Service* categories from the cost allocation. The commodity rate revenue requirement is based on the *Base* and *Extra* categories.

**Table 12: Annual Revenue Requirement Allocation**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Cost Allocation % | Projected | | | | |
|---|---|---|---|---|---|---|
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **Total Revenue Requirement [1]** | | $3,407,000 | $3,716,000 | $4,053,000 | $4,421,000 | $4,822,000 |
| **FIXED CHARGES** | | | | | | |
| Meters & Services | 26.8% | $914,264 | $997,184 | $1,087,617 | $1,186,370 | $1,293,978 |
| Customer Service Charge | 18.6% | $635,275 | $692,892 | $755,729 | $824,347 | $899,118 |
| Total Fixed Charges | 45.5% | $1,549,539 | $1,690,076 | $1,843,347 | $2,010,717 | $2,193,096 |
| **CONSUMPTION CHARGES** | | | | | | |
| Base | 30.1% | $1,025,724 | $1,118,752 | $1,220,211 | $1,331,002 | $1,451,728 |
| Extra | 24.4% | $831,737 | $907,172 | $989,443 | $1,079,281 | $1,177,175 |
| Total Consumption Charges | 54.5% | $1,857,461 | $2,025,924 | $2,209,653 | $2,410,283 | $2,628,904 |
| **TOTAL** | 100.0% | $3,407,000 | $3,716,000 | $4,053,000 | $4,421,000 | $4,822,000 |

1 - From Water Cash Flow (Table 9, line 9)

### 2.6.2 Fixed Meter Charge Calculation

The fixed meter charge recovers the City's meter and customer service-related expenditures and is derived in Table 13. *Meters and Services* expenses are recovered based on the number of meter equivalents from Table 11. *Customer Service* expenses are recovered based on the number of meters and do not vary based on meter size. These two categories are then combined into a single monthly fixed meter charge that increases based on meter size.

For 2025/26, the proposed monthly fixed meter charge for a 1" meter is $29.29, which is the sum of the meter charge of $16.28 and the customer service charge of $13.01. For meters above 1" in size, the meter equivalent charge is multiplied by the meter ratio for the corresponding meter size to determine the meter charge. The customer service charge of $13.01 does not change based on meter size.

**Table 13: Water Fixed Meter Charge Derivation**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Projected | | | | |
|---|---|---|---|---|---|---|
| | | **2025/26** | **2026/27** | **2027/28** | **2028/29** | **2029/30** |
| **REVENUE REQUIREMENT** | | | | | | |
| Meters & Services | | $914,264 | $997,184 | $1,087,617 | $1,186,370 | $1,293,978 |
| Customer Service Charge | | $635,275 | $692,892 | $755,729 | $824,347 | $899,118 |
| Total Fixed Charge Revenue Requirement | | $1,549,539 | $1,690,076 | $1,843,347 | $2,010,717 | $2,193,096 |
| **A. METER EQUIVALENT CHARGE** | | | | | | |
| Meters & Service Rev Requirement | | $914,264 | $997,184 | $1,087,617 | $1,186,370 | $1,293,978 |
| Total Number of Meter Equivalents | | 4,681 | 4,728 | 4,775 | 4,823 | 4,871 |
| **Total Meter Equivalent Charge** | | **$16.28** | **$17.58** | **$18.98** | **$20.50** | **$22.14** |
| **Meter Equivalent Charge by Meter Size** | | | | | | |
| Meter Size | Meter Ratio | | | | | |
| 1" | 1.0 | $16.28 | $17.58 | $18.98 | $20.50 | $22.14 |
| 1-1/2" | 2.0 | $32.56 | $35.16 | $37.96 | $41.00 | $44.28 |
| 2" | 3.2 | $52.10 | $56.26 | $60.74 | $65.60 | $70.85 |
| 3" | 6.4 | $104.19 | $112.51 | $121.47 | $131.20 | $141.70 |
| 4" | 10.0 | $162.80 | $175.80 | $189.80 | $205.00 | $221.40 |
| 6" | 20.0 | $325.60 | $351.60 | $379.60 | $410.00 | $442.80 |
| **B. CUSTOMER SERVICE CHARGE** | | | | | | |
| Customer Service Charge Rev Requirement | | $635,275 | $692,892 | $755,729 | $824,347 | $899,118 |
| Total Number of Customers | | 4,069 | 4,110 | 4,151 | 4,193 | 4,235 |
| **Customer Service Charge per Account** | | **$13.01** | **$14.05** | **$15.17** | **$16.38** | **$17.69** |
| **C. TOTAL MONTHLY FIXED CHARGE [1]** | | | | | | |
| Meter Size | Current Rates | | | | | |
| 1" | $26.74 | $29.29 | $31.63 | $34.15 | $36.88 | $39.83 |
| 1-1/2" | $42.55 | $45.57 | $49.21 | $53.13 | $57.38 | $61.97 |
| 2" | $61.51 | $65.11 | $70.31 | $75.91 | $81.98 | $88.54 |
| 3" | $112.07 | $117.20 | $126.56 | $136.64 | $147.58 | $159.39 |
| 4" | $168.96 | $175.81 | $189.85 | $204.97 | $221.38 | $239.09 |
| 6" | $326.97 | $338.61 | $365.65 | $394.77 | $426.38 | $460.49 |

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

### 2.6.3 Commodity Rate Calculation

The commodity charges are intended to recover costs that vary based on the amount of water consumed. Table 14 details the derivation of the proposed commodity charges for Water Scenario 1. The total revenue requirement for the base and extra cost functions are allocated between the single family residential class and all other customers based on actual consumption. As described in Section 2.4.2, the *Base* revenue requirement is proposed to recover costs associated with average water demand. Based on actual consumption data for 2023/24, single family residential customers made up about 72% of total base use, so they are allocated 72% of the *Base* revenue requirement. On the other hand, single family residential customers made up only about 61% of total extra (peak) water use, so they are allocated 61% of the *Extra* revenue requirement.

To calculate the commodity rate per hcf for each single family residential tier, each tier's total revenue requirement is divided by the projected total water consumption for each tier. The projected consumption estimates are based on the average of 2022/23 and 2023/24 water consumption, the most recent data available at the time of this report. Based on the 2023/24 data, usage through the first 16 hcf per month comprises roughly 68% of usage, while projected Tier 2 consumption represents 32% of total single family residential water usage.

To calculate the uniform rate per hcf for all other customers, the base and extra revenue requirements are added together to determine the total commodity revenue requirement and divided by projected water consumption based on the average use in 2022/23 and 2023/24. To be conservative, it is estimated that water consumption will remain level over the next five years.

The proposed 2025/26 commodity charge per hcf for single family residential is $1.58 for Tier 1 and $2.29 for Tier 2. For all other customers, the commodity charge per hcf is $1.85 for 2025/26.

**Table 14: Commodity Rate Derivation**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Projected | | | | |
|---|---|---|---|---|---|
| | **2025/26** | **2026/27** | **2027/28** | **2028/29** | **2029/30** |
| **REVENUE REQUIREMENT** | | | | | |
| Base Revenue Requirement | $1,025,724 | $1,118,752 | $1,220,211 | $1,331,002 | $1,451,728 |
| Extra Revenue Requirement | $831,737 | $907,172 | $989,443 | $1,079,281 | $1,177,175 |
| Total Consumption Charges | $1,857,461 | $2,025,924 | $2,209,653 | $2,410,283 | $2,628,904 |
| **COMMODITY CHARGE DERIVATION** | | | | | |
| **Single Family Residential Customers** | | | | | |
| Tier 1 Revenue Requirement | $741,188 | $808,411 | $881,725 | $961,783 | $1,049,020 |
| Tier 1: 0-16 hcf Consumption | 469,905 | 469,905 | 469,905 | 469,905 | 469,905 |
| **Tier 1 Rate per hcf** | **$1.58** | **$1.72** | **$1.88** | **$2.05** | **$2.23** |
| Tier 2 Revenue Requirement | $505,866 | $551,746 | $601,783 | $656,423 | $715,963 |
| Tier 2: Above 16 hcf Consumption | 221,223 | 221,223 | 221,223 | 221,223 | 221,223 |
| **Tier 2 Rate per hcf** | **$2.29** | **$2.49** | **$2.72** | **$2.97** | **$3.24** |
| **All Other Customers** | | | | | |
| Base Revenue Requirement | $284,535 | $310,341 | $338,486 | $369,219 | $402,709 |
| Extra Revenue Requirement | $325,871 | $355,427 | $387,660 | $422,858 | $461,213 |
| Total Commodity Rev Requirement | $610,407 | $665,768 | $726,146 | $792,077 | $863,922 |
| Projected Consumption (ccf) [1] | 329,625 | 329,625 | 329,625 | 329,625 | 329,625 |
| **Commodity Charge per ccf** | **$1.85** | **$2.02** | **$2.20** | **$2.40** | **$2.62** |

1 - Based on 2023/24 total consumption

### 2.6.4 City Wide System Upgrade (Meter Installation & Retrofit Charges)

The total cost for metering the entire City was approximately $4.5 million. To pay for the meter installations in 2012, the City adopted separate monthly Meter Install and Retrofit Charges. For customers whose meters were installed in 2013, the monthly charge is $6.51. For customers whose meters were retrofitted in 2014 and 2015, the monthly charge is $2.44. The City Wide System Upgrade Charges generate approximately $200,000 each year. The charges will be levied for a 12-year period and will begin to be phased out starting in 2025/26.

## 2.7 Proposed 5-Year Schedule of Water Rates

The proposed five-year rate plan is shown on Table 15. All customers are proposed to be charged according to the proposed rate schedule shown. The first rate change is proposed to take effect on July 1, 2025, with subsequent increases each July 1 through 2029.

**Table 15: Proposed Water Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| PROPOSED MONTHLY WATER RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 19.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| **METER CHARGES** | | | | | | |
| **Meter Size** | | | | | | |
| 1" | $26.74 | $29.29 | $31.63 | $34.15 | $36.88 | $39.83 |
| 1 1/2" | $42.55 | $45.57 | $49.21 | $53.13 | $57.38 | $61.97 |
| 2" | $61.51 | $65.11 | $70.31 | $75.91 | $81.98 | $88.54 |
| 3" | $112.07 | $117.20 | $126.56 | $136.64 | $147.58 | $159.39 |
| 4" | $168.96 | $175.81 | $189.85 | $204.97 | $221.38 | $239.09 |
| 6" | $326.97 | $338.61 | $365.65 | $394.77 | $426.38 | $460.49 |
| **COMMODITY RATE ($/hcf) [1]** | | | | | | |
| **Single Family Residential** | | | | | | |
| Tier 1: 0 - 18 hcf | $1.35 | $1.58 | $1.72 | $1.88 | $2.05 | $2.23 |
| Tier 2: Over 18 hcf | $1.74 | $2.29 | $2.49 | $2.72 | $2.97 | $3.24 |
| **All Other Customers [2]** | $1.46 | $1.85 | $2.02 | $2.20 | $2.40 | $2.62 |
| **METER INSTALL & RETROFIT CHARGES** *(No increase to current charges)* | | | | | | |
| 2013 Metered Customers | $6.51 | $6.51 | - | - | - | - |
| 2014 Retrofitted Customers | $2.44 | $2.44 | $2.44 | - | - | - |
| 2015 Retrofitted Customers | $2.44 | $2.44 | $2.44 | $2.44 | - | - |

[1] one hundred cubic feet (hcf) = 748 gallons
[2] Includes commercial, multi-family, and irrigation customers

## 2.8 Water Bill Impacts

Table 16 show the impacts of the proposed water rates for a range of sample single family residential customers. For the first year of rate increases in 2025/26 due to the updated cost of service allocation, actual bill impacts for customers will vary based on monthly water use. Moreover, water consumption, particularly for single family customers, typically varies due to seasonal variations in weather and/or other factors. Hence, a single customer could face a range of impacts throughout the year.

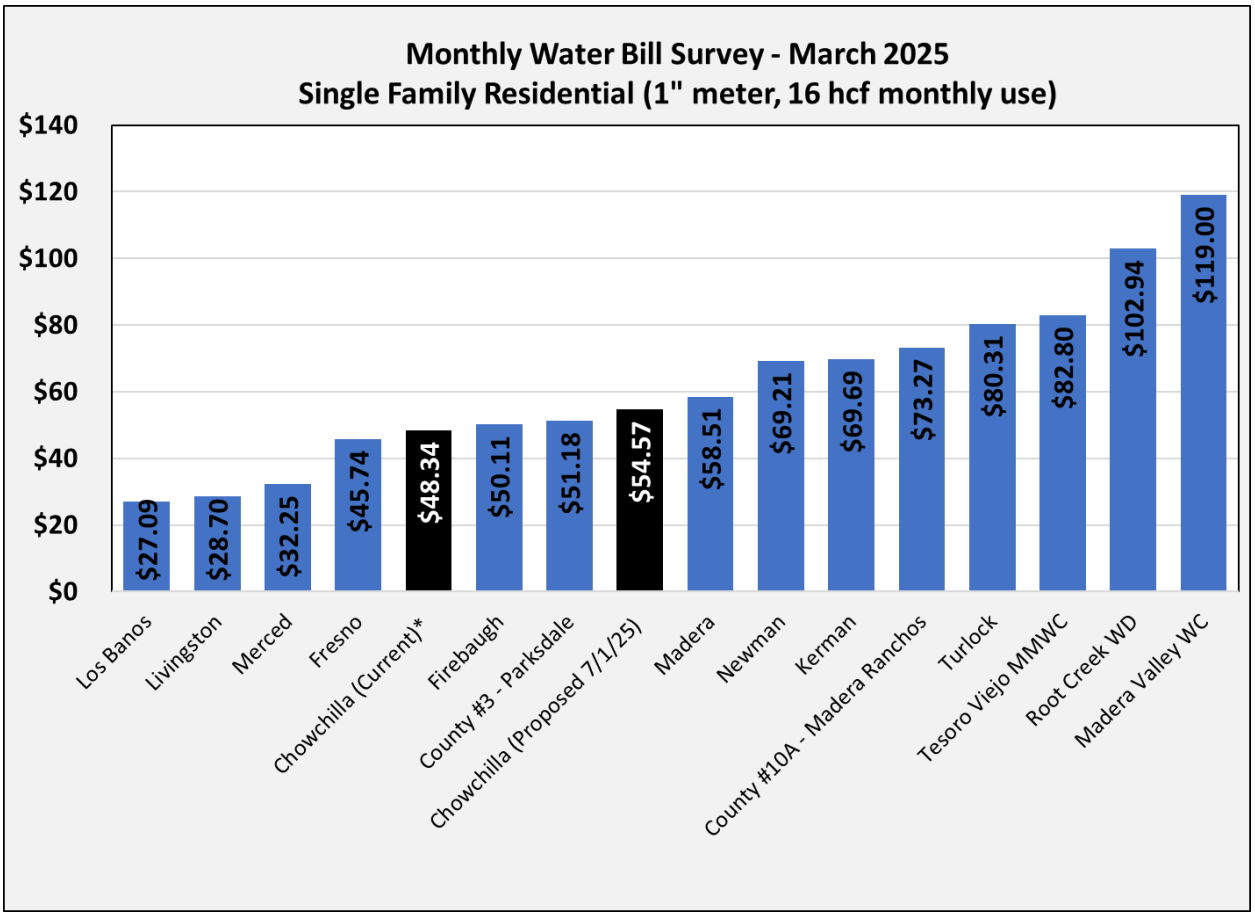
**Table 16: Sample Water Bill Impacts – Single Family Residential**
**City of Chowchilla**
**2025 Utilities Rate Study**

| SINGLE FAMILY RESIDENTIAL BILL IMPACTS - 1" METER | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Monthly Use | Current | Proposed | | | | |
| | (hcf) | Bill | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **LOW WATER USE: 9 HCF** | | | | | | | |
| Meter Charge - 1" | | $26.74 | $29.29 | $31.63 | $34.15 | $36.88 | $39.83 |
| Commodity Rate | | | | | | | |
| Tier 1: 0 - 18 hcf | 9 | $12.15 | $14.22 | $15.48 | $16.92 | $18.45 | $20.07 |
| Tier 2: Over 18 hcf | 0 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Subtotal Commodity Rate | 9 | $12.15 | $14.22 | $15.48 | $16.92 | $18.45 | $20.07 |
| **Total Monthly Water Bill** | | **$38.89** | **$43.51** | **$47.11** | **$51.07** | **$55.33** | **$59.90** |
| *$ Change* | | | *$4.62* | *$3.60* | *$3.96* | *$4.26* | *$4.57* |
| *% Change* | | | *11.9%* | *8.3%* | *8.4%* | *8.3%* | *8.3%* |
| **AVERAGE USE: 16 HCF** | | | | | | | |
| Meter Charge - 1" | | $26.74 | $29.29 | $31.63 | $34.15 | $36.88 | $39.83 |
| Commodity Rate | | | | | | | |
| Tier 1: 0 - 18 hcf | 16 | $21.60 | $25.28 | $27.52 | $30.08 | $32.80 | $35.68 |
| Tier 2: Over 18 hcf | 0 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Subtotal Commodity Rate | 16 | $21.60 | $25.28 | $27.52 | $30.08 | $32.80 | $35.68 |
| **Total Monthly Water Bill** | | **$48.34** | **$54.57** | **$59.15** | **$64.23** | **$69.68** | **$75.51** |
| *$ Change* | | | *$6.23* | *$4.58* | *$5.08* | *$5.45* | *$5.83* |
| *% Change* | | | *12.9%* | *8.4%* | *8.6%* | *8.5%* | *8.4%* |
| **TIER BREAKPOINT: 18 HCF** | | | | | | | |
| Meter Charge - 1" | | $26.74 | $29.29 | $31.63 | $34.15 | $36.88 | $39.83 |
| Commodity Rate | | | | | | | |
| Tier 1: 0 - 18 hcf | 18 | $24.30 | $28.44 | $30.96 | $33.84 | $36.90 | $40.14 |
| Tier 2: Over 18 hcf | 0 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Subtotal Commodity Rate | 18 | $24.30 | $28.44 | $30.96 | $33.84 | $36.90 | $40.14 |
| **Total Monthly Water Bill** | | **$51.04** | **$57.73** | **$62.59** | **$67.99** | **$73.78** | **$79.97** |
| *$ Change* | | | *$6.69* | *$4.86* | *$5.40* | *$5.79* | *$6.19* |
| *% Change* | | | *13.1%* | *8.4%* | *8.6%* | *8.5%* | *8.4%* |
| **HIGH WATER USE: 34 HCF** | | | | | | | |
| Meter Charge - 1" | | $26.74 | $29.29 | $31.63 | $34.15 | $36.88 | $39.83 |
| Commodity Rate | | | | | | | |
| Tier 1: 0 - 18 hcf | 18 | $24.30 | $28.44 | $30.96 | $33.84 | $36.90 | $40.14 |
| Tier 2: Over 18 hcf | 16 | $27.84 | $36.64 | $39.84 | $43.52 | $47.52 | $51.84 |
| Subtotal Commodity Rate | 34 | $52.14 | $65.08 | $70.80 | $77.36 | $84.42 | $91.98 |
| **Total Monthly Water Bill** | | **$78.88** | **$94.37** | **$102.43** | **$111.51** | **$121.30** | **$131.81** |
| *$ Change* | | | *$15.49* | *$8.06* | *$9.08* | *$9.79* | *$10.51* |
| *% Change* | | | *19.6%* | *8.5%* | *8.9%* | *8.8%* | *8.7%* |

## 2.9 Water Rate Survey

Figure 3 compares the City's current rates to those of other regional agencies for a single family residential customer with a 1" meter using 16 hcf of water per month, the City's average single family monthly consumption. The City's water rates are expected to remain in this range as many other regional agencies are also facing financial pressures to raise rates in upcoming years.

**Figure 3: Single Family Residential Monthly Water Bill Survey**



# SECTION 3: SEWER RATE STUDY

The City of Chowchilla provides sewer service to a population of about 19,000. The last sewer rate study was conducted in 2020 in which the City adopted water rates through 2024/25.

## 3.1 Current Sewer Rates

Table 17 summarizes the current monthly sewer rates which were adopted during the last rate study in 2020. The previous rate study recommended 5.0% annual rate increases through 2024/25. The City's current sewer rate structure includes two components – 1) Sewer Rate, and 2) Debt Service Charge.

1. **Sewer Rate**
   Residential customers, including single family, multi-family, and mobile home customers, are billed a fixed monthly fee charged on a per dwelling unit basis. The rate for single family customers is higher because compared to multi-family customers, single family customers on average typically use more water per month, which equates to a greater volume of sewer discharge, and are therefore charged a higher sewer rate. The fixed rate provides revenue stability for the City and reflects the fact that the majority of the sewer utility's costs are fixed.

   By contrast, the majority of non-residential water consumption is for business needs and has a direct relationship to the amount of water discharged. Commercial customers are charged a volume rate per hcf based on 80 percent of metered water consumption. There are four sub-categories of non-residential sewer customers: Group 1: Extra-Low Strength (Schools), Group 2: Low Strength (General commercial and Churches), Group 3: Medium Strength (Hospitals), and Group 4: High Strength (Restaurants). The volume rates correspond to the cost to convey and treat the sewer pollutants of each group. Current sewer rates are provided in Table 17.

2. **Debt Service Charge**
   To pay for debt service on existing obligations, the City levies a separate debt service charge. For residential customers, the charge is a fixed monthly fee charged per dwelling unit. For non-residential customers, the charge is a volume rate based on actual use. The Debt Service Charges currently generates $88,000 per year. This study does not recommend any changes to the Debt Service Charges.

**Table 17: Current Monthly Sewer Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | 2024/25 |
|---|---|
| **SEWER RATES** | |
| **Residential *(Per Dwelling Unit)*** | |
| Single Family | $31.94 |
| Multi-Family/Mobile Homes | $23.57 |
| **Commercial Metered *(Per hcf) [1]*** | |
| Group 1: Extra-low Strength | $2.98 |
| Group 2: Low Strength | $3.34 |
| Group 3: Medium Strength | $3.59 |
| Group 4: High Strength | $6.80 |
| **DEBT SERVICE CHARGES** | |
| **Residential *(Per Dwelling Unit)*** | |
| Single Family | $1.41 |
| Multi-Family/Mobile Homes | $1.05 |
| **Commercial *(Per hcf) [1]*** | |
| Group 1: Extra-low Strength | $0.09 |
| Group 2: Low Strength | $0.11 |
| Group 3: Medium Strength | $0.11 |
| Group 4: High Strength | $0.31 |

1 - Based on 80% of consumption. 1 hundred cubic feet (hcf) = 748 gallons
Group 1 includes schools. Group 2 includes general commercial and churches.
Group 3 includes hospitals. Group 4 includes restaurants.

## 3.2 Sewer System Overview

### 3.2.1 Sewer System

The sewer utility's purpose is to collect, treat, and dispose of residential and commercial sewer in an environmentally safe manner. Built in 1967, the 1.8 million gallon-per-day (MGD) wastewater treatment has received major improvements in 1977, 1995, and 2006. Total annual sewer flow is approximately 563,000 hcf. The City also maintains 4 sewage lift pump stations and 37 miles of sewer pipelines.

### 3.2.2 Sewer Customers

The sewer utility currently has about 4,700 sewer accounts as shown on Table 18. The majority of customers are residential which account for 96% of total customers. To be conservative, no major growth or change in the customer base is anticipated over the next 5 years.

**Table 18: Sewer Customers**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Customer Class | No. of Customers |
|---|---|
| **Residential** | |
| Single Family | 3,610 |
| Multi Family/Mobile Homes | 870 |
| Subtotal Residential | 4,480 |
| **Commercial Metered** | |
| Group 1: Extra-low Strength | 61 |
| Group 2: Low Strength | 87 |
| Group 3: Medium Strength | 10 |
| Group 4: High Strength | 13 |
| Subtotal Commercial | 171 |
| **Total Wastewater Customers** | **4,651** |

Source: June 2024 Sewer Billing Data

### 3.2.3 Fairmead Consolidation

The City is annexing Madera County Maintenance District 33 (MD-33), also known as the Town of Fairmead, to the City's sewer system to provide wastewater collection and treatment services to the Town's approximately 1,200 residents. Fairmead includes approximately 175 residential connections, Fairmead Elementary School, and a commercial property. All customers are currently connected to local individual septic systems.

The City received a grant from the SWRCB to upgrade and expand the treatment plant to annex Fairmead into the City's wastewater system. The benefits to the City include extending the gravity sewer to the industrial park and upgrading the wastewater treatment plant to newer technology which allows for increased maintenance activities and extends the life of the treatment plant.

The estimated capital cost of the project is $23.0 million with completion anticipated in 2026. The City's current ratepayers will not pay any capital costs related to the annexation of Fairmead. The entire project will be paid for with grant funding from the High Speed Rail Project and a grant from the SWRCB. However, once the project is complete the City will incur additional operating expenses beginning in 2027/28. The operating costs are estimated at $164,388 based on the *MD-33 Fairmead Proposition 218 Rate Study, July 2020* as shown on Table 20. Fairmead's share of these operating costs is $52,916, representing 32.2% of O&M costs. The City will be responsible for $111,571 or 67.8% of O&M costs.

Once the project is complete, Fairmead residents will pay a separate sewer rate to the City to pay for their share of operating costs. The proposed monthly sewer rate for 2024 is $31.81 (Table 4-1 in the *MD-33 Fairmead Proposition 218 Rate Study, July 2020).* Total annual Fairmead revenues are projected at $67,000 ($31.81 x 175 customers x 12 months). The sewer rate for Fairmead will be increased at the same percentage as the City's sewer rates beginning in 2028/29. The High Speed Rail project will pay the utility bills for Fairmead customers for 10 years beginning in 2027 through 2037.

## 3.3 Sewer Financial Plan

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. The cost of service is summarized in a cash flow table that includes annual operating expenses, debt service payments, capital projects, repairs and replacements, and the accumulation of appropriate reserves. The sewer cost of service was developed based on the 2024/25 adopted budget, sewer capital improvement plan, and reserve recommendations based on industry standards. Over the five-year rate study period, rate increases are needed so that the Sewer Fund can continue to pay for operating costs, debt service, capital expenses, and to maintain reasonable reserves.

### 3.3.1 History of Net Revenues

Total revenues for the Sewer Fund include Sewer Service Charges, Debt Service Charges, Connection Fees, Fines and Penalties, Investment Earnings, CREB Subsidies, and Other Miscellaneous Revenues. Sewer Service Charges are the major source of revenues, totaling $1.9 million and accounting for approximately 83.0% of total revenues. Sewer expenses include Salaries and Benefits, Operations and Maintenance, Debt Service, Overhead Allocations, Transfers Out and Capital Projects

Table 19 shows a three-year history of sewer revenues and expenses since 2021/22 and also includes the 2024/25 budget. As shown, the Sewer Fund has been doing well and covering annual expenses. However, based on the 2024/25 budget, the Sewer Fund will have an operating deficit of approximately $287,500 which will be drawn from reserves.

**Table 19: Sewer Net Revenues**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Actual | | | Budget |
|---|---|---|---|---|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| **Revenues** | | | | |
| Sewer Service Charges | $1,669,045 | $1,866,698 | $1,951,237 | $1,991,571 |
| Sewer Debt Service Charges | $81,843 | $87,500 | $86,789 | $88,000 |
| Fines and Penalties | $7,029 | $46,725 | $38,382 | $50,000 |
| Sewer Connection Fees | $33,434 | $17,522 | $1,445 | $5,000 |
| Investment Earnings | $6,946 | $62,707 | $128,921 | $66,702 |
| Misc Reimbursement | $4,297 | $279 | $8,677 | $2,070,700 |
| CREB Subsidy Revenue | $82,982 | $41,491 | $81,927 | $81,927 |
| Other Revenues | $5,471 | $13,333 | $20,876 | $12,433 |
| Transfers In [1] | $69,021 | $139,329 | $153,675 | $450,458 |
| **Total Revenues** | **$1,960,068** | **$2,275,584** | **$2,471,930** | **$4,816,791** |
| **Expenditures [2]** | | | | |
| Salaries and Benefits | $4,082 | $804,273 | $353,369 | $435,155 |
| Operations and Maintenance | $288,360 | $428,207 | $661,792 | $640,560 |
| Debt Service [3] | $201,290 | $166,804 | $188,605 | $188,605 |
| Capital Outlay [4] | $0 | $0 | $191,000 | $3,315,933 |
| Overhead Allocations | $342,707 | $375,484 | $416,189 | $418,051 |
| Transfers Out | $66,628 | $144,607 | $67,566 | $105,958 |
| **Total Expenditures** | **$903,067** | **$1,919,375** | **$1,878,521** | **$5,104,262** |
| **Total Net Revenues** | $1,057,001 | $356,209 | $593,409 | ($287,471) |

Source: Fiscal Year 2024-2025 Budget

### 3.3.2 Projected Expenses

The following section details the total cost of service for the Sewer Fund based on the 2025/26 adopted budget and Five Year (2025/26 through 2029/30) Sewer Capital Improvement Plan.

#### 3.3.2.1 Operating Expenses

Operating and maintenance expenses are projected at $1.55 million for 2025/26 as detailed on Table 20. Operating costs include salaries & benefits, operations, and the overhead allocation but do not include capital projects, debt service, or depreciation. Salaries and benefits are escalated by 6.0% each year. The salary projection also includes the addition of a new hire in 2026/27 at an estimated cost of $80,000 per year. Energy is increased by 15% each year. All other expenses are increased by 3.0% each year and include System Repairs, Contracted Services, Liability Insurance, and Overhead Allocation expenses based on the City-Wide Cost Allocation Plan. The operating costs for the Fairmead Annexation are included beginning in 2027/28 and are escalated annually by 3.0%.

**Table 20: Projected Sewer Operating Expenses**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Projected | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2026/27 | | 2027/28 | | 2028/29 | | 2029/30 | |
| | Budget 2025/26 | Escalation Factor | Annual Cost | Escalation Factor | Annual Cost | Escalation Factor | Annual Cost | Escalation Factor | Annual Cost |
| **Operating Expenses** | | | | | | | | | |
| Salaries & Benefits [1] | $451,726 | 6.0% | $558,800 | 6.0% | $592,300 | 6.0% | $627,800 | 6.0% | $665,500 |
| Operations & Maintenance | | | | | | | | | |
| Energy | 142,999 | 15.0% | 164,400 | 15.0% | 189,100 | 15.0% | 217,500 | 15.0% | 250,100 |
| System Repairs | 100,000 | 3.0% | 103,000 | 3.0% | 106,100 | 3.0% | 109,300 | 3.0% | 112,600 |
| Liability Insurance | 50,426 | 3.0% | 51,900 | 3.0% | 53,500 | 3.0% | 55,100 | 3.0% | 56,800 |
| Mandated Costs/Fees | 66,000 | 3.0% | 68,000 | 3.0% | 70,000 | 3.0% | 72,100 | 3.0% | 74,300 |
| Other Operations | 249,959 | 3.0% | 257,500 | 3.0% | 265,200 | 3.0% | 273,200 | 3.0% | 281,400 |
| Subtotal O&M | 609,384 | | 644,800 | | 683,900 | | 727,200 | | 775,200 |
| Overhead Allocation | 439,474 | 3.0% | 452,700 | 3.0% | 466,300 | 3.0% | 480,300 | 3.0% | 494,700 |
| Fairmead O&M [2] | 0 | 3.0% | 0 | 3.0% | 164,000 | 3.0% | 168,900 | 3.0% | 174,000 |
| **Total Operating Expenses** | **1,500,584** | | **1,656,300** | | **1,906,500** | | **2,004,200** | | **2,109,400** |
| *% Change* | | | *10.4%* | | *15.1%* | | *5.1%* | | *5.2%* |

1 - Includes one new Sewer System employee in 2026/27. Total salary & benefits for new worker is estimated at $80,000/year.

2 - Includes total operating costs based on the *MD-33 Fairmead Proposition 218 Rate Study, July 2020*

### 3.3.3 Sewer Debt Service

The sewer utility currently has one outstanding debt obligation—the 2017 Wastewater Revenue bonds for $3,310,000. Total annual debt service is approximately $180,000. This debt service cost is partially offset by the federal government's CREB subsidy, which is estimated at about $82,000. The monthly Debt Service Charges pay for the remaining debt service.

**Debt Service Coverage**

A chief covenant for the City to secure revenue bonds/COPs 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 1.25 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 revenue bonds/COPs callable or payable upon demand. Thus, rates and fees must be set to meet this legal requirement.

### 3.3.4 Sewer Capital Improvement Plan

As shown on Table 21Table 6, the Five-Year Sewer Capital Improvement Program (CIP) includes $24.3 million of sewer system improvements from 2025/26 through 2029/30. The largest project is the Fairmead Consolidation project totaling $20.0M, comprising 82.1% of the total CIP. The Fairmead annexation will be funded entirely with grants from the High Speed Rail and the SWRCB. The remaining $4.4 million in capital projects will be cash-funded with sewer service charge revenues. Projects include Sewer Main Replacements, Digester Rehabilitation, Other Aeration System Upgrades, and installing a Screw Press.

Additional capital costs not included in the CIP include:

- $100,000 each year to fund annual depreciation
- $50,000 each year to find pipeline replacements
- $50,000 each year for Vehicles, Machinery, & Equipment replacements
- $10,000 each year for the Fleet Program

**Table 21: Sewer Capital Improvement Plan**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Project # | Project | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | Total | Funding Source |
|---|---|---|---|---|---|---|---|---|
| S-10 | Fairmead Sewer Consolidation [1] | $19,933,700 | - | - | - | - | $19,933,700 | SWRCB Grant & High Speed Rail |
| S-11 | Digester Rehabilitation | - | - | $127,000 | - | - | $127,000 | Sewer Fund |
| S-12 | Upsize Main at Circle & Ventura | - | - | - | $540,000 | - | $540,000 | Sewer Fund |
| S-13 | Upsize Main at Ninth & Sonoma | - | - | - | - | $337,500 | $337,500 | Sewer Fund |
| S-15 | Sewer Main Replacement, Various Locations | - | - | - | - | $250,000 | $250,000 | Sewer Fund |
| S-3 | Sewer Main Replacement, Various Locations | $250,000 | - | - | - | - | $250,000 | Sewer Fund |
| S-4 | WWTP Aeration System Upgrade | $700,000 | - | - | - | - | $700,000 | Sewer DIF & Sewer Fund |
| S-6 | Replace Chain Scrapers | $30,000 | $820,000 | - | - | - | $850,000 | Sewer Fund |
| S-8 | Install Screw Press | $110,000 | $1,190,000 | - | - | - | $1,300,000 | Sewer Fund |
| | **Total Sewer Capital Projects** | **$21,023,700** | **$2,010,000** | **$127,000** | **$540,000** | **$587,500** | **$24,288,200** | |

Source: City of Chowchilla Capital Improvement Plan 2026 through 2030
1 - High Speed Rail will fund $7M. Remaining $15M will be paid with SWRCB grant.

### 3.3.5 Sewer Reserves

As of July 1, 2024, the sewer utility had operating fund reserves of approximately $4.86 million. The sewer utility's operating reserve target is 25% of annual operating expenses plus one year's annual debt service payment. 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. Moreover, funding can be drawn from reserves to supplement rate revenues lost during extraordinary circumstances, such as a drought. 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.

### 3.3.6 Sewer Cash Flow Projection – No Rate Increase

Table 22 summarizes the revenues and expenses based on the 2025/26 budget in addition to the reserve fund balances if the City does not implement any rate increases. Without rate increases, the cash flow shows that the City will miss debt service coverage (line 54) by 2027/28, and the operating reserve fund (line 58) will be drawn down by 2029/30.

**Table 22: Sewer Cash Flow Projection – No Rate Increases**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Projected | | | | |
|---|---|---|---|---|---|---|
| | | **2025/26** | **2026/27** | **2027/28** | **2028/29** | **2029/30** |
| 1 | Rate Increase Effective | July 1, 2025 | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 |
| 2 | **Annual Rate Increase** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |
| 3 | Growth Rate | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 4 | | | | | | |
| 5 | **Beginning Operating Fund Balance [1]** | 4,863,418 | $4,136,277 | $2,299,342 | $2,162,013 | $1,527,128 |
| 6 | | | | | | |
| 7 | **REVENUES** | | | | | |
| 8 | **Operating Revenues** | | | | | |
| 9 | Sewer Service Charges | 2,011,000 | 2,031,000 | 2,051,000 | 2,072,000 | 2,093,000 |
| 10 | Sewer Debt Service Charges | 88,000 | 88,000 | 88,000 | 88,000 | 88,000 |
| 11 | Fairmead Sewer Service Charges [2] | 0 | 0 | 67,000 | 67,000 | 67,000 |
| 12 | Fines and Penalties | 50,000 | 51,500 | 53,000 | 54,600 | 56,200 |
| 13 | Sewer Connection Fees | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 14 | Investment Earnings | 112,787 | 41,400 | 23,000 | 21,600 | 15,300 |
| 15 | Other Revenues | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| 16 | Total Operating Revenues | 2,278,787 | 2,228,900 | 2,299,000 | 2,320,200 | 2,336,500 |
| 17 | | | | | | |
| 18 | **Non-Operating Revenues** | | | | | |
| 19 | Misc Reimbursement | 4,933,700 | 5,000 | 5,000 | 5,000 | 5,000 |
| 20 | CREB Subsidy Revenue | 81,927 | 80,000 | 80,000 | 80,000 | 80,000 |
| 21 | Transfers In | 499,804 | 0 | 0 | 0 | 0 |
| 22 | Grant for Fairmead Consolidation [3] | 15,000,000 | 0 | 0 | 0 | 0 |
| 23 | Total Non-Operating Revenues | 20,515,431 | 85,000 | 85,000 | 85,000 | 85,000 |
| 24 | | | | | | |
| 25 | **TOTAL REVENUES** | **22,794,218** | **2,313,900** | **2,384,000** | **2,405,200** | **2,421,500** |
| 26 | | | | | | |
| 27 | **EXPENSES** | | | | | |
| 28 | **Operating Expenses** | | | | | |
| 29 | Salaries & Benefits | 451,726 | 558,800 | 592,300 | 627,800 | 665,500 |
| 30 | Operations | 609,384 | 644,800 | 683,900 | 727,200 | 775,200 |
| 31 | Overhead Allocation | 439,474 | 452,700 | 466,300 | 480,300 | 494,700 |
| 32 | Fairmead O&M [4] | 0 | 0 | 164,000 | 168,900 | 174,000 |
| 33 | Total Operations | 1,500,584 | 1,656,300 | 1,906,500 | 2,004,200 | 2,109,400 |
| 34 | | | | | | |
| 35 | **Net Operating Revenue** | 778,203 | 572,600 | 392,500 | 316,000 | 227,100 |
| 36 | | | | | | |
| 37 | **Debt Service** | | | | | |
| 38 | 2017 Bonds | 187,638 | 174,731 | 178,026 | 186,081 | 188,687 |
| 39 | Total Debt Service | 187,638 | 174,731 | 178,026 | 186,081 | 188,687 |
| 40 | | | | | | |
| 41 | **Capital Outlay** | | | | | |
| 42 | Sewer CIP [5] | 950,000 | 2,010,000 | 127,000 | 540,000 | 587,500 |
| 43 | Fairmead Sewer Consolidation | 19,933,700 | 0 | 0 | 0 | 0 |
| 44 | Vehicles, Machinery & Equip | 250,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| 45 | Fleet Program | 9,633 | 10,000 | 10,000 | 10,000 | 10,000 |
| 46 | Infrastructure | 450,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| 47 | Construction in Progress | 140,000 | 0 | 0 | 0 | 0 |
| 48 | Total Capital Expenses | 21,733,333 | 2,220,000 | 337,000 | 750,000 | 797,500 |
| 49 | | | | | | |
| 50 | **Transfers Out** | 99,804 | 99,804 | 99,804 | 99,804 | 99,804 |
| 51 | | | | | | |
| 52 | **TOTAL EXPENSES** | **23,521,359** | **4,150,835** | **2,521,330** | **3,040,085** | **3,195,391** |
| 53 | | | | | | |
| 54 | **Coverage Ratio (1.25) [6]** | 4.15 | 3.28 | 2.20 | 1.70 | 1.20 |
| 55 | | | | | | |
| 56 | **Net Total Revenues** | (727,141) | (1,836,935) | (137,330) | (634,885) | (773,891) |
| 57 | | | | | | |
| 58 | **Ending Operating Fund Balance** | 4,136,277 | 2,299,342 | 2,162,013 | 1,527,128 | 753,238 |
| 59 | | | | | | |
| 60 | **Target (25% of O&M + Debt Service) [7]** | 562,800 | 588,800 | 654,700 | 687,100 | 716,000 |
| 61 | Target Met? | YES | YES | YES | YES | YES |
| 62 | | | | | | |

1 - Trial Balance Account Summary Date Range: 07/01/2023 - 06/30/2024
2 - Assumes Fairmead will begin paying their separate rate in 2027/28
3 - Assumes Fairmead Consolidation will be fully funded with grants
4 - Source: MD-33 Fairmead Proposition 218 Rate Study, July 2020
5 - Capital projects for 2025/26 split between Sewer CIP and Construction in Progress categories
6 - Net Operating Revenues / 2017 Bonds Debt Service
7 - Target is 25% of O&M per City Administrative Policy and Procedure Manual + Annual debt service

### 3.3.7 Adopted Sewer Rate Increases

During the rate study, the City Council was presented with multiple sewer rate scenarios based on whether to include an additional staff member as well as varying options for capital funding. At the June 24, 2025 Proposition 218 hearing, L&T presented a lower rate option that recommended 3.0% annual rate increase for years 2 through 5 (2026/27 through 2029/30) whereas the Proposition 218 notice included 4.0% rate increases for years 2 through 5. The City Council elected to proceed with the lower rate increases and adopted the following rate adjustments:

**Table 23: Annual Sewer Rate Increases**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Fiscal Year | Annual Sewer Rate Increase |
|---|---|---|
| 1 | **2025/26** | **4.0%** |
| 2 | **2026/27** | **3.0%** |
| 3 | **2027/28** | **3.0%** |
| 4 | **2028/29** | **3.0%** |
| 5 | **2029/30** | **3.0%** |

### 3.3.8 Sewer Cash Flow Projection

Over the five-year rate study period, the sewer rate increases are proposed to meet the following objectives, in order of importance:

1) Fund operating expenses
2) Fund debt service obligations
3) Meet or exceed the debt service coverage requirement of 1.25 times the annual debt service payment
4) Fund capital costs
5) The ending operating fund balance should meet or exceed the target of 25% of operating expenses plus on year's annual debt service payment

The cash flow projection with the adopted rate adjustments is shown on Table 24. The projections are based on the proposed 2025/26 budget and incorporate the latest information available at the time of this study. The first revenue adjustment is proposed to take effect on July 1, 2025. Subsequent water rate increases thereafter are proposed to be effective on July 1 of each year through 2029. Key assumptions include:

- **Cash Reserves**
  - As of July 1, 2025, the projected beginning cash fund balance for the Sewer Fund is $4,853,418.
  - The sewer reserve fund target is 25% of Annual O&M Expenses + One Year's Annual Debt Service Payment

- **Revenues**
  - Total budgeted Sewer Fund Revenues for 2025/26 are $22.9 million. This includes $20 million in grant funding for the Fairmead Annexation Projects.
  - *Sewer Service Charges* for 2025/26 are estimated at $2 million
  - *Fairmead Sewer Service Charges* are projected at $67,000 annually beginning in 2027/28. The rates are based on the MD-33 Fairmead Proposition 218 Rate Study, July 2020.
  - *Sewer Debt Service Charges* are estimated at $88,000 for 2025/26 and are not anticipated to change over the next five years
  - *Fines and Penalties* are estimated at $50,000 for 2025/26 and are not projected to increase.
  - *Sewer Connection Fees* are budgeted at $5,000 for 2025/26 and are not projected to increase.
  - *Investment Earnings* are projected at 1.0% of the cash fund balance each year.
  - *CREB Subsidy* is budgeted at $81,927 for 2025/26 and is not anticipated to change over the next five years.
  - *Other Revenues* are estimated at $12,000 for 2025/26 and are not anticipated to change over the next five years.

- **Expenses**
  - Total budgeted operating expenses for 2025/26 is $1.5 million (does not include capital, debt service, or depreciation).
  - Salaries & Benefits are increased by 6.0% per year beginning in 2025/26.
  - Projections include a new sewer employee in 2026/27 at an estimated cost of $80,000/year
  - Energy is increased by 15.0% each year beginning in 2025/26.
  - All other expenses are increased by 3.0% each year.
  - Total Fairmead O&M costs are $164,000 based on the MD-33 Fairmead Proposition 218 Rate Study, July 2020 beginning in 2027/28.
  - Depreciation is not included as an operating expense.

- **Capital Expenses**
  - The Five-Year (2025/26 through 2028/29) CIP includes a total of $24.3 million in projects.
  - The total cost of the Fairmead Consolidation project is $20 million, accounting for 82.1% of the total CIP. The entire project will be grant funded.
  - The remaining $4.4 million in projects will be cash-funded with sewer revenues. Projects include Sewer Main Replacements, Digester Rehabilitation, Other Aeration System Upgrades, and installing a Screw Press.
  - Additional capital costs not included in the CIP include:
    - $100,000 each year to fund annual depreciation
    - $50,000 each year to find pipeline replacements
    - $50,000 each year for Vehicles, Machinery, & Equipment replacements
    - $10,000 each year for the Fleet Program

**Table 24: Sewer Utility Cash Flow Projection**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Projected | | | | |
|---|---|---|---|---|---|---|
| | | **2025/26** | **2026/27** | **2027/28** | **2028/29** | **2029/30** |
| 1 | Rate Increase Effective | July 1, 2025 | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 |
| 2 | **Annual Rate Increase** | **4.0%** | **3.0%** | **3.0%** | **3.0%** | **3.0%** |
| 3 | Growth Rate | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 4 | | | | | | |
| 5 | **Beginning Operating Fund Balance [1]** | 4,863,418 | $4,217,277 | $2,526,142 | $2,604,113 | $2,258,628 |
| 6 | | | | | | |
| 7 | **REVENUES** | | | | | |
| 8 | **Operating Revenues** | | | | | |
| 9 | Sewer Service Charges | 2,092,000 | 2,176,000 | 2,264,000 | 2,355,000 | 2,450,000 |
| 10 | Sewer Debt Service Charges | 88,000 | 88,000 | 88,000 | 88,000 | 88,000 |
| 11 | Fairmead Sewer Service Charges [2] | 0 | 0 | 67,000 | 69,000 | 71,000 |
| 12 | Fines and Penalties | 50,000 | 51,500 | 53,000 | 54,600 | 56,200 |
| 13 | Sewer Connection Fees | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 14 | Investment Earnings | 112,787 | 42,200 | 25,300 | 26,000 | 22,600 |
| 15 | Other Revenues | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| 16 | Total Operating Revenues | 2,359,787 | 2,374,700 | 2,514,300 | 2,609,600 | 2,704,800 |
| 17 | | | | | | |
| 18 | **Non-Operating Revenues** | | | | | |
| 19 | Misc Reimbursement | 4,933,700 | 5,000 | 5,000 | 5,000 | 5,000 |
| 20 | CREB Subsidy Revenue | 81,927 | 80,000 | 80,000 | 80,000 | 80,000 |
| 21 | Transfers In | 499,804 | 0 | 0 | 0 | 0 |
| 22 | Grant for Fairmead Consolidation [3] | 15,000,000 | 0 | 0 | 0 | 0 |
| 23 | Total Non-Operating Revenues | 20,515,431 | 85,000 | 85,000 | 85,000 | 85,000 |
| 24 | | | | | | |
| 25 | **TOTAL REVENUES** | **22,875,218** | **2,459,700** | **2,599,300** | **2,694,600** | **2,789,800** |
| 26 | | | | | | |
| 27 | **EXPENSES** | | | | | |
| 28 | **Operating Expenses** | | | | | |
| 29 | Salaries & Benefits | 451,726 | 558,800 | 592,300 | 627,800 | 665,500 |
| 30 | Operations | 609,384 | 644,800 | 683,900 | 727,200 | 775,200 |
| 31 | Overhead Allocation | 439,474 | 452,700 | 466,300 | 480,300 | 494,700 |
| 32 | Fairmead O&M [4] | 0 | 0 | 164,000 | 168,900 | 174,000 |
| 33 | Total Operations | 1,500,584 | 1,656,300 | 1,906,500 | 2,004,200 | 2,109,400 |
| 34 | | | | | | |
| 35 | **Net Operating Revenue** | 859,203 | 718,400 | 607,800 | 605,400 | 595,400 |
| 36 | | | | | | |
| 37 | **Debt Service** | | | | | |
| 38 | 2017 Bonds | 187,638 | 174,731 | 178,026 | 186,081 | 188,687 |
| 39 | Total Debt Service | 187,638 | 174,731 | 178,026 | 186,081 | 188,687 |
| 40 | | | | | | |
| 41 | **Capital Outlay** | | | | | |
| 42 | Sewer CIP [5] | 950,000 | 2,010,000 | 127,000 | 540,000 | 587,500 |
| 43 | Fairmead Sewer Consolidation | 19,933,700 | 0 | 0 | 0 | 0 |
| 44 | Vehicles, Machinery & Equip | 250,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| 45 | Fleet Program | 9,633 | 10,000 | 10,000 | 10,000 | 10,000 |
| 46 | Infrastructure | 450,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| 47 | Construction in Progress | 140,000 | 0 | 0 | 0 | 0 |
| 48 | Total Capital Expenses | 21,733,333 | 2,220,000 | 337,000 | 750,000 | 797,500 |
| 49 | | | | | | |
| 50 | **Transfers Out** | 99,804 | 99,804 | 99,804 | 99,804 | 99,804 |
| 51 | | | | | | |
| 52 | **TOTAL EXPENSES** | **23,521,359** | **4,150,835** | **2,521,330** | **3,040,085** | **3,195,391** |
| 53 | | | | | | |
| 54 | **Coverage Ratio (1.25) [6]** | 4.58 | 4.11 | 3.41 | 3.25 | 3.16 |
| 55 | | | | | | |
| 56 | **Net Total Revenues** | (646,141) | (1,691,135) | 77,971 | (345,485) | (405,591) |
| 57 | | | | | | |
| 58 | **Ending Operating Fund Balance** | 4,217,277 | 2,526,142 | 2,604,113 | 2,258,628 | 1,853,038 |
| 59 | | | | | | |
| 60 | **Target (25% of O&M + Debt Service) [7]** | 562,800 | 588,800 | 654,700 | 687,100 | 716,000 |
| 61 | Target Met? | YES | YES | YES | YES | YES |
| 62 | | | | | | |

1 - Trial Balance Account Summary Date Range: 07/01/2023 - 06/30/2024
2 - Assumes Fairmead will begin paying their separate rate in 2027/28
3 - Assumes Fairmead Consolidation will be fully funded with grants
4 - Source: MD-33 Fairmead Proposition 218 Rate Study, July 2020
5 - Capital projects for 2025/26 split between Sewer CIP and Construction in Progress categories
6 - Net Operating Revenues / 2017 Bonds Debt Service
7 - Target is 25% of O&M per City Administrative Policy and Procedure Manual + Annual debt service

## 3.4 Sewer Cost Allocation

Proposition 218 requires that agencies providing "property-related services" (including sewer service) set rates and charges that are based on the cost of providing those services. The revenue requirements detailed in the previous section determine the amount of revenue to be recovered from sewer rates. The cost of service allocation determines how revenues will be recovered from customers based on their estimated impact on the sewer system.

### 3.4.1 Overview of Methodology

The determination of the sewer flows, sewer loadings, and the revenue requirements of the sewer 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 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 typically equate to increased treatment costs. The total revenue requirement shown in the sewer cash flow projection is the net cost of providing service and is allocated to the flow, BOD and TSS parameters. These allocations are then used as the basis to develop unit rates for the sewer parameters and to assign costs to each customer class in proportion to the sewer services rendered.

### 3.4.2 Sewer Cost Allocation Results

Table 25 includes the cost allocation analysis in which all sewer expenses are allocated to flow, BOD, and TSS with 2024/25 serving as the base year. The assignments are based on industry standards and input from the City.

**Table 25: Sewer Cost Allocation**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Expenses | Budget 2024/25 | Flow | BOD | TSS |
|---|---|---|---|---|
| **Operating Expenses** | | | | |
| Salaries & Benefits | $435,155 | 60.0% | 20.0% | 20.0% |
| Operations & Maintenance | | | | |
| Energy | $140,000 | 80.0% | 10.0% | 10.0% |
| System Repairs | $100,000 | 100.0% | 0.0% | 0.0% |
| Liability Insurance | $48,210 | 80.0% | 10.0% | 10.0% |
| Mandated Costs/Fees | $66,000 | 60.0% | 20.0% | 20.0% |
| Other Operations | $286,350 | 60.0% | 20.0% | 20.0% |
| Subtotal O&M | $1,075,715 | $723,071 | $176,322 | $176,322 |
| | | | | |
| Overhead Allocation | | | | |
| Overhead Allocation GF | $290,809 | 80.0% | 10.0% | 10.0% |
| Overhead Allocation Streets | $91,069 | 100.0% | 0.0% | 0.0% |
| Overhead Allocation Fleet | $10,534 | 100.0% | 0.0% | 0.0% |
| Overhead Allocation IT | $25,639 | 80.0% | 10.0% | 10.0% |
| Subtotal Overhead Allocation | $418,051 | $354,761 | $31,645 | $31,645 |
| | | | | |
| Debt Service | $181,851 | 60.0% | 20.0% | 20.0% |
| (5-year Avg) | | $109,111 | $36,370 | $36,370 |
| | | | | |
| Capital Projects | $4,984,112 | 60.0% | 20.0% | 20.0% |
| (5-year Avg) | | $2,990,467 | $996,822 | $996,822 |
| | | | | |
| **Total Sewer Expenses** | **$6,659,729** | **$4,177,410** | **$1,241,159** | **$1,241,159** |
| | | | | |
| **Total Cost Allocation** | | ***62.7%*** | ***18.6%*** | ***18.6%*** |

## 3.5 Sewer Rate Design

The cost of service analysis calculated the revenue requirements for the cost parameters of flow, BOD, and TSS. The next step is rate design which determines how those revenue requirements are collected from each class. The City would like to maintain its current wastewater rate structure. The current sewer rate structure includes a fixed charge for all residential sewer customers. Non-residential customers classes are billed a volume charge based on metered water use that varies based on sewer strength.

Because a residential customer's peak usage does not directly affect sewer discharge, a fixed sewer rate is appropriate for the residential class. The fixed rate provides revenue stability for the City and reflects the fact that the majority of the sewer fund's costs are fixed.

By contrast, the majority of non-residential water consumption is for business needs and has a direct relationship to the amount of water discharged. Moreover, the strength characteristics vary significantly between different types of businesses (i.e., an office versus a restaurant). Thus, a volume charge per unit of water used is an appropriate rate structure for non-residential customers.

### 3.5.1 Flow Analysis

Water consumption is used as an approximation for sewer flow because effluent is not metered. Estimates of sewer flow are based on 2023 and 2024 winter water usage for residential customers and 2023/24 consumption for non-residential customers.

For residential, average winter water consumption is commonly used as a proxy for sewer flow. During the winter, it is assumed that the majority of metered water use is discharged into the sewer and is not used for outdoor irrigation. Based on average winter water consumption in 2023 and 2024, monthly single family residential flow is 8.8 hcf. Average monthly flow for multi-family customers is 6.7 hcf.

To account for water used for outdoor irrigation that is not discharged to the wastewater system, it is assumed that 20% of commercial demand is for irrigable needs and is therefore not included in the total flow calculation. Total effluent is estimated at roughly 563,000 hcf as summarized in Table 26. Residential customers account for approximately 80 percent of all effluent generated. Commercial customers represent the remaining 20 percent.

**Table 26: Sewer Flow Analysis**
**City of Chowchilla**
**2025 Utilities Rate Study**

| **Residential** | **# of Dwellings** | | **Monthly Flow [1]** | | | **Total Annual Flow (hcf)** | **% of Total** |
|---|---|---|---|---|---|---|---|
| Single Family | 3,600 | X | 8.8 | X | 12 | 380,160 | 67.5% |
| Multi-Family | 871 | X | 6.7 | X | 12 | 70,028 | 12.4% |
| Subtotal Residential | 4,471 | | | | | 450,188 | 79.9% |
| **Commercial** | **# of Accounts** | | | | | **Total Annual Flow (hcf)** | **% of Total** |
| Group 1: Extra-low Strength | 62 | | | | | 21,674 | 3.8% |
| Group 2: Low Strength | 85 | | | | | 71,556 | 12.7% |
| Group 3: Medium Strength | 10 | | | | | 13,580 | 2.4% |
| Group 4: High Strength | 13 | | | | | 6,291 | 1.1% |
| Total Commercial | 170 | | | | | 113,101 | 20.1% |
| **Total** | **4,641** | | | | | **563,289** | 100.0% |

1 - Average winter water consumption estimated from 2023 and 2024 consumption data

### 3.5.2 Sewer Loading Estimates

Table 27 summarizes the proposed flow and strength characteristics by customer class. Total flow is based on 2023/24 consumption as detailed on Table 26. The recommended loadings are not proposed to be adjusted from current and are based on guidelines from the State Water Resources Control Council (SWRCB) Revenue Program and standards utilized by other water agencies.

**Table 27: Sewer Loading Estimates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Customer Class | Flow (hcf) | Wastewater Strength (mg/l) | | Wastewater Loadings (lbs) | |
|---|---|---|---|---|---|
| | | BOD | TSS | BOD | TSS |
| Single Family | 380,160 | 250 | 200 | 592,890 | 474,312 |
| Multi Family | 70,028 | 225 | 180 | 109,215 | 87,372 |
| Group 1: Extra-low Strength | 21,674 | 130 | 100 | 17,577 | 13,521 |
| Group 2: Low Strength | 71,556 | 200 | 160 | 89,278 | 71,422 |
| Group 3: Medium Strength | 13,580 | 250 | 200 | 21,179 | 16,943 |
| Group 4: High Strength | 6,291 | 800 | 800 | 31,396 | 31,396 |
| Total | 563,289 | | | 861,535 | 694,967 |

### 3.5.3 Unit Cost Allocation

The 2025/26 revenue requirement from Table 24 is divided by the appropriate billing units from Table 27 to derive a unit cost for flow, BOD and TSS as detailed in Table 28.

**Table 28: Sewer Rate Unit Cost Derivation**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Flow | BOD | TSS | Total |
|---|---|---|---|---|
| Cost Allocation % | 62.7% | 18.6% | 18.6% | 100.0% |
| 2025/26 Total Rev. Requirement | $1,312,237 | $389,882 | $389,882 | $2,092,000 |
| Billing Units | 563,289 hcf | 861,535 lbs | 694,967 lbs | |
| **Unit Cost** | **$2.33** $/hcf | **$0.45** $/lb | **$0.56** $/lb | |

Table 29 summarizes the rate calculation by customer class. For residential customers, the unit cost for flow is multiplied by the monthly flow from Table 26 and added to the unit costs for BOD and TSS. The volume charge for commercial customers is the sum of the flow, BOD and TSS unit costs multiplied by their respective loadings.

**Table 29: Sewer Rate Calculation by Class**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Flow (hcf) | BOD (lbs) | TSS (lbs) | Total |
|---|---|---|---|---|
| **Unit Cost** | **$2.33** | **$0.45** | **$0.56** | |
| **RESIDENTIAL *(Per dwelling unit)*** | | | | |
| **Single Family** | | | | |
| Billing Units | 8.8 | 250 | 200 | |
| Sewer Rate | $20.50 | $6.18 | $6.15 | $32.83 |
| **Multi-Family/Mobile Home** | | | | |
| Billing Units | 6.7 | 250 | 200 | |
| Sewer Rate | $15.61 | $4.70 | $4.68 | $24.99 |
| **COMMERCIAL *(Rate per hcf)*** | | | | |
| **Group 1: Extra-low Strength** | | | | |
| Billing Units | - | 130 | 100 | |
| Sewer Rate | $2.33 | $0.36 | $0.35 | $3.04 |
| **Group 2: Low Strength** | | | | |
| Billing Units | - | 200 | 160 | |
| Sewer Rate | $2.33 | $0.56 | $0.56 | $3.45 |
| **Group 3: Medium Strength** | | | | |
| Billing Units | - | 250 | 200 | |
| Sewer Rate | $2.33 | $0.70 | $0.70 | $3.73 |
| **Group 4: High Strength** | | | | |
| Billing Units | - | 800 | 800 | |
| Sewer Rate | $2.33 | $2.25 | $2.79 | $7.37 |

### 3.5.4 Debt Service Charges

The Debt Service Charges will remain the same through 2029/30. For residential customers, the charge is a fixed monthly fee charged. For non-residential customers, the charge is a volume rate based on actual use.

## 3.6 Proposed 5-Year Schedule of Sewer Rates

The five-year proposed rate plan is shown on Table 30. As described, the proposed 2025/26 rates have been derived based on an updated cost of service analysis. Therefore, the actual bill impacts to each customer for the first year will vary based on their monthly water use. The projected rates for the subsequent years are calculated as the previous year's rate multiplied by the proposed annual rate increase percentage shown in the cash flow projection.

**Table 30: Proposed Monthly Sewer Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

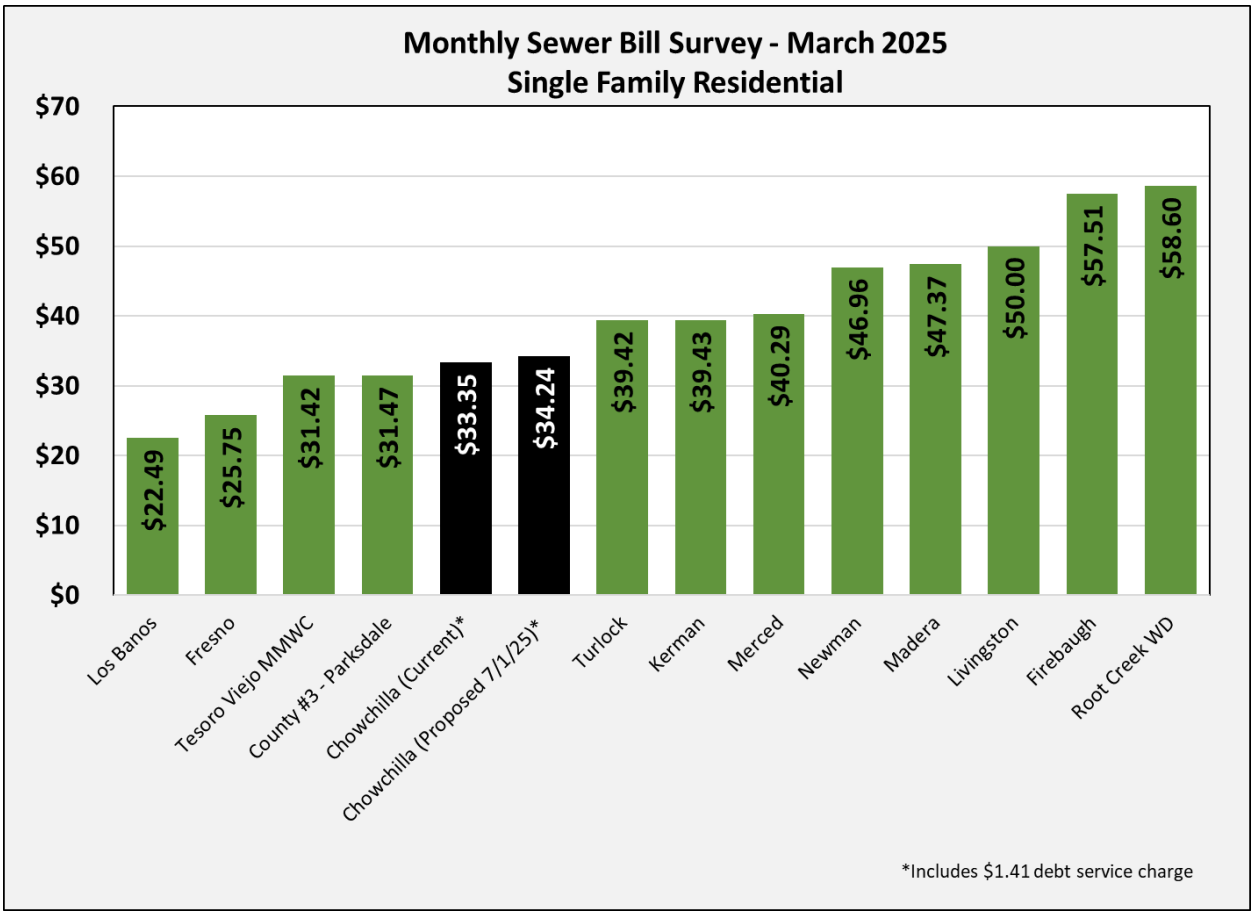
| PROPOSED MONTHLY SEWER RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| **SEWER RATES** | | | | | | |
| **Residential *(Per Dwelling Unit)*** | | | | | | |
| Single Family | $31.94 | $32.83 | $33.81 | $34.82 | $35.86 | $36.94 |
| Multi-Family/Mobile Homes | $23.57 | $24.99 | $25.74 | $26.51 | $27.31 | $28.13 |
| **Commercial Metered *(Per hcf)* [1]** | | | | | | |
| Group 1: Extra-low Strength | $2.98 | $3.04 | $3.13 | $3.22 | $3.32 | $3.42 |
| Group 2: Low Strength | $3.34 | $3.45 | $3.55 | $3.66 | $3.77 | $3.88 |
| Group 3: Medium Strength | $3.59 | $3.73 | $3.84 | $3.96 | $4.08 | $4.20 |
| Group 4: High Strength | $6.80 | $7.37 | $7.59 | $7.82 | $8.05 | $8.29 |
| **DEBT SERVICE CHARGES *(No increase to current charges)*** | | | | | | |
| **Residential *(Per Dwelling Unit)*** | | | | | | |
| Single Family | $1.41 | $1.41 | $1.41 | $1.41 | $1.41 | $1.41 |
| Multi-Family/Mobile Homes | $1.05 | $1.05 | $1.05 | $1.05 | $1.05 | $1.05 |
| **Commercial *(Per hcf)*** | | | | | | |
| Group 1: Extra-low Strength | $0.09 | $0.09 | $0.09 | $0.09 | $0.09 | $0.09 |
| Group 2: Low Strength | $0.11 | $0.11 | $0.11 | $0.11 | $0.11 | $0.11 |
| Group 3: Medium Strength | $0.11 | $0.11 | $0.11 | $0.11 | $0.11 | $0.11 |
| Group 4: High Strength | $0.31 | $0.31 | $0.31 | $0.31 | $0.31 | $0.31 |

[1] Based on 80% of monthly consumption. One hundred cubic feet (hcf) = 748 gallons
Group 1 includes schools. Group 2 includes general commercial and churches. Group 3 includes hospitals.
Group 4 includes restaurants.

## 3.7 Sewer Rate Survey

Figure 3 compares the City's current rates to those of other regional agencies. The City's sewer rates are expected to remain in this range as many other regional agencies are also facing financial pressures to raise rates in upcoming years.

**Figure 4: Single Family Residential Monthly Sewer Bill Survey**



# SECTION 4: SOLID WASTE RATE STUDY

The City contracts with Mid Valley Disposal to provide weekly solid waste collection to approximately 3,800 residential customers and 280 commercial customers. Mid Valley Disposal is a local, privately held recycling and waste management company that provides garbage collection services to 31 local jurisdictions in the Central Valley. Solid waste rates are set by Mid Valley Disposal, and the City adds a percentage to recover associated overhead costs. The last contract amendment with Mid Valley Disposal was in 2021 which extended the terms of agreement through July 1, 2031.

## 4.1 Current Solid Waste Rates

Table 31 shows the current residential solid waste rates. Each residential property is billed a flat rate through their monthly utility bill for standard services which includes three 96-gallon toters (Refuse, Recycles, and Green Waste). Table 32 throughTable 34 show the current commercial solid waste rates. Commercial accounts are billed based on the size of the bin and the number of times picked up each week. The rate structure is set by Mid Valley Disposal.

Per the contract with Mid Valley Disposal, the solid waste rates will be increased by the annual change in the Consumer Price Index (CPI) each year and will not exceed 5.0% each year. The 2020 rate study recommended 19.0% increases for 2 years, followed by 3.0% annual rate increases through 2024/25. Prior to the last study, the City had not increased solid rates to fully fund overhead costs in over 10 years, resulting in an operating deficit.

**Table 31: Current Residential Solid Waste Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| RESIDENTIAL SOLID WASTE RATES | |
|---|---|
| Residential (per set) [1] | $34.63 |
| Residential Extra Toter (each) | $19.28 |
| Locking Lid for Bin (each) | $24.91 |

1 - Set includes three 96-gallon toters for Refuse, Recycles, and Green Waste

**Table 32: Current Commercial Trash Solid Waste Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| COMMERCIAL SOLID WASTE RATES | |
|---|---|
| **COMMERCIAL TRASH** | |
| **1 yard bin** | |
| 1x per week | $67.63 |
| 2x per week | $135.19 |
| 3x per week | $206.95 |
| 4x per week | $269.06 |
| 5x per week | $334.86 |
| 6x per week | $397.63 |
| **2 yard bin** | |
| 1x per week | $109.21 |
| 2x per week | $210.31 |
| 3x per week | $308.86 |
| 4x per week | $415.45 |
| 5x per week | $523.29 |
| 6x per week | $625.80 |
| **3 yard bin** | |
| 1x per week | $139.81 |
| 2x per week | $275.57 |
| 3x per week | $393.19 |
| 4x per week | $529.87 |
| 5x per week | $666.41 |
| 6x per week | $797.54 |
| **4 yard bin** | |
| 1x per week | $170.41 |
| 2x per week | $336.84 |
| 3x per week | $480.66 |
| 4x per week | $648.34 |
| 5x per week | $813.50 |
| 6x per week | $978.60 |
| **6 yard bin** | |
| 1x per week | $225.99 |
| 2x per week | $424.46 |
| 3x per week | $603.65 |
| 4x per week | $806.85 |
| 5x per week | $1,007.55 |
| 6x per week | $1,208.13 |

**Table 33: Current Commercial Recycle and Organics Solid Waste Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| COMMERCIAL SOLID WASTE RATES continued | |
|---|---|
| **COMMERCIAL RECYCLE** | |
| **96 Gallon** | |
| 1x per week | $12.73 |
| 2x per week | $22.92 |
| 3x per week | $33.11 |
| **2 yard bin** | |
| 1x per week | $39.47 |
| 2x per week | $71.05 |
| 3x per week | $102.64 |
| **3 yard bin** | |
| 1x per week | $50.29 |
| 2x per week | $90.54 |
| 3x per week | $130.78 |
| **4 yard bin** | |
| 1x per week | $62.39 |
| 2x per week | $112.30 |
| 3x per week | $162.21 |
| **6 yard bin** | |
| 1x per week | $85.95 |
| 2x per week | $154.71 |
| 3x per week | $223.48 |
| **COMMERCIAL ORGANIC** | |
| **96 Gallon** | |
| 1x per week | $19.10 |
| 2x per week | $28.02 |
| 3x per week | $36.92 |
| **2 yard bin** | |
| 1x per week | $67.10 |
| 2x per week | $120.80 |
| 3x per week | $174.47 |
| **3 yard bin** | |
| 1x per week | $85.51 |
| 2x per week | $153.91 |
| 3x per week | $222.32 |

**Table 34: Current Commercial Roll Off and Miscellaneous Solid Waste Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| COMMERCIAL SOLID WASTE RATES continued | |
|---|---|
| **ROLL OFF (DROP BOX) SERVICE** | |
| **20 Yard Container** | |
| Delivery | $30.79 |
| Service Charge Per Load | $193.69 |
| Rent (per day) | $12.32 |
| **30 Yard Container** | |
| Delivery | $43.10 |
| Service Charge Per Load | $225.97 |
| Rent (per day) | $12.32 |
| **40 Yard Container** | |
| Delivery | $55.41 |
| Service Charge Per Load | $271.16 |
| Rent (per day) | $12.32 |
| **Additional Per Ton Disposal** | |
| Municipal Solid Waste | $55.41 |
| Recyclables | $67.73 |
| Organics | $43.10 |
| **3-Yard Rent-A-Bin Service** | |
| Delivery and Removal | $153.91 |
| Additional Service | $61.56 |
| **Bulky Item Pick-Up** | $43.11 |
| **MISCELLANEOUS FEES** | |
| Enclosure Access | $13.23 |
| Push/Pull Charge | $27.71 |
| Extra Pick-up per Cubic Yard | |
| Municipal Solid Waste | $28.14 |
| Recyclables | $15.70 |
| Organics | $22.65 |

## 4.2 Solid Waste Financial Plan

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. The cost of service includes annual operating expenses, debt service payments, capital projects, repairs and replacements, and the accumulation of appropriate reserves. The solid waste utility cost of service was developed based on the 2025/26 budget and reserve recommendations based on industry standard practice. Over the five-year rate study period, rate increases are needed so that the Solid Waste Fund can continue to pay for operating costs and to maintain reasonable reserves.

### 4.2.1 History of Net Revenues

Total revenues for the Solid Waste Fund include Refuse Collection Charges, Locking Lids, State Recycling Grant Revenue, investment earnings, and miscellaneous penalties as detailed on Table 35. Solid waste expenses include Disposal Service, Contract Services, Locking Lid Fees, Other Operations and Overhead Allocations. Table 35 shows a three-year history of solid waste revenues and expenses since 2021/22 and also includes the 2024/25 budget. As shown, the Solid Waste Fund has been doing well and covering annual expenses. Based on the 2024/25 budget, the Solid Waste Fund will have positive net revenues of approximately $35,700.

**Table 35: Solid Waste Net Revenues**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Actual | | | Budget |
|---|---|---|---|---|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| **REVENUES** | | | | |
| Refuse Collection Charges | $2,069,396 | $2,308,210 | $2,380,849 | $2,450,377 |
| Locking Lid Revenues | $12,579 | $0 | $22,128 | $22,002 |
| Intergovernmental (State Grant) | $25,453 | $5,047 | $5,075 | $5,000 |
| Fines and Penalties | $8,371 | $51,006 | $44,865 | $50,000 |
| Other Revenues | $838 | $13,216 | $30,550 | $14,775 |
| **Total Revenues** | **$2,116,637** | **$2,377,479** | **$2,483,467** | **$2,542,154** |
| **EXPENSES** | | | | |
| Disposal Services | $1,294,380 | $1,555,949 | $1,733,030 | $1,898,511 |
| Operations and Maintenance | $36,188 | $82,568 | $64,101 | $107,650 |
| Overhead Allocations | $461,700 | $457,946 | $460,420 | $500,254 |
| Transfers Out | $0 | $5,278 | $0 | $0 |
| **Total Expenditures** | **$1,792,268** | **$2,101,741** | **$2,257,551** | **$2,506,415** |
| **TOTAL NET REVENUES** | $324,369 | $275,738 | $225,916 | $35,739 |

Source: Fiscal Year 2024-2025 Budget

### 4.2.2 Projected Expenses

The following section details the total cost of service for the Solid Waste Fund based on the 2025/26 adopted budget and capital improvement plan.

#### 4.2.2.1 Operating Expenses

Operating and maintenance expenses are projected at $2.46 million for 2025/26 as detailed on Table 36. Disposal service through Mid Valley Disposal is the largest expense for the utility, representing over 76.0% of total expenditures. Since 2015/16, disposal service expenses have increased nearly 153% as shown on Figure 5. The City has no control over these costs which are determined by Mid Valley Disposal. Other operating costs include the Overhead Allocation which is set by the City. For this study, the cost for Disposal Services, Contract Services, and Locking Lid Fees are escalated by 5.0% each year to account for cost increases from Mid Valley Disposal. Overhead Allocation expenses are escalated by 3.0% each year.

**Figure 5: Historical Disposal Service Costs**

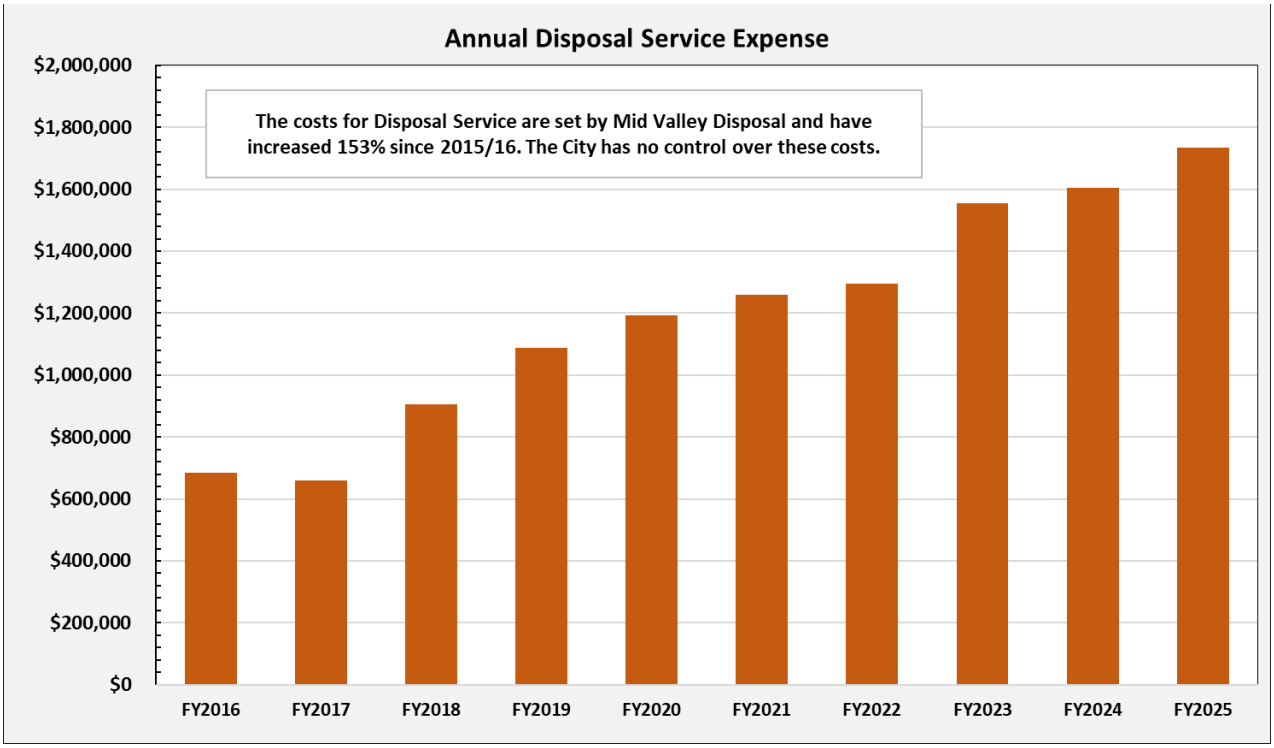



**Table 36: Solid Waste Operating Expenses**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Budget | Escalation | Projected | | | |
|---|---|---|---|---|---|---|
| | 2025/26 | Factor | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **Operating Expenses** | | | | | | |
| Operations & Maintenance | | | | | | |
| Disposal Service | 1,866,761 | 5.0% | 1,960,100 | 2,058,100 | 2,161,000 | 2,269,100 |
| Contract Services | 50,000 | 5.0% | 52,500 | 55,100 | 57,900 | 60,800 |
| Locking Lid Fee | 23,000 | 5.0% | 24,200 | 25,400 | 26,700 | 28,000 |
| Other Operations | 36,050 | 5.0% | 37,900 | 39,800 | 41,800 | 43,900 |
| Subtotal O&M | 1,975,811 | | 2,074,700 | 2,178,400 | 2,287,400 | 2,401,800 |
| Overhead Allocation | 482,052 | 3.0% | 496,500 | 511,000 | 526,000 | 542,000 |
| **Total Operating Expenses** | **2,457,863** | | **2,571,200** | **2,689,400** | **2,813,400** | **2,943,800** |
| *Annual Percent Change* | | | *4.6%* | *4.6%* | *4.6%* | *4.6%* |

### 4.2.3 Solid Waste Debt Service

The Solid Waste Utility does not currently have any outstanding debt obligations.

### 4.2.4 Solid Waste Capital Improvement Plan

The utility does not have a capital improvement plan because the City does not have to replace any solid waste assets. Mid-Valley Disposal is responsible for any needed infrastructure projects.

### 4.2.5 Solid Waste Reserves

At the beginning of 2025/26, the Solid Waste Utility had operating fund reserves of $914,213. Without rate increases, the operating reserve fund will be drawn down by the end of 2028/29. Adequate fund reserves protect the City when faced with unforeseen financial challenges such as emergency expenses and revenue deficits. Based on staff recommendation, the solid waste utility's operating reserve target is 25% of annual operating expenses.

### 4.2.6 Solid Waste Cash Flow Projection with No Rate Increase

Table 37 summarizes the revenues and expenses based on the 2025/26 budget in addition to the reserve fund balances if the City does not implement any rate increases. Without rate increases, the cash flow shows that the Solid Waste Fund will be in an operating deficit at the end of 2027/28 (line 24) and will not be meeting its reserve fund target at the end of 2029/30 (line 26).

**Table 37: Solid Waste Cash Flow Projection – No Rate Increases**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Projected | | | | |
|---|---|---|---|---|---|---|
| | | **2025/26** | **2026/27** | **2027/28** | **2028/29** | **2029/30** |
| 1 | Rate Increase Effective | July 1, 2025 | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 |
| 2 | **Annual Rate Increase** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |
| 3 | Growth Rate | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 4 | | | | | | |
| 5 | **Beginning Cash Fund Balance** | $914,213 | $1,018,288 | $1,019,788 | $929,588 | $741,088 |
| 6 | | | | | | |
| 7 | **REVENUES** | | | | | |
| 8 | Refuse Collection Charges | 2,475,000 | 2,500,000 | 2,525,000 | 2,550,000 | 2,576,000 |
| 9 | Investment Earnings | 26,224 | 10,200 | 10,200 | 9,300 | 7,400 |
| 10 | State Recycling Grant Revenue | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 11 | Penalties | 50,000 | 51,500 | 53,000 | 54,600 | 56,200 |
| 12 | Other Revenues | 5,714 | 6,000 | 6,000 | 6,000 | 6,000 |
| 13 | **TOTAL REVENUES** | 2,561,938 | 2,572,700 | 2,599,200 | 2,624,900 | 2,650,600 |
| 14 | | | | | | |
| 15 | **EXPENSES** | | | | | |
| 16 | Disposal Service | 1,866,761 | 1,960,100 | 2,058,100 | 2,161,000 | 2,269,100 |
| 17 | Contract Services | 50,000 | 52,500 | 55,100 | 57,900 | 60,800 |
| 18 | Locking Lid Fee | 23,000 | 24,200 | 25,400 | 26,700 | 28,000 |
| 19 | Other Operations | 36,050 | 37,900 | 39,800 | 41,800 | 43,900 |
| 20 | Overhead Allocation | 482,052 | 496,500 | 511,000 | 526,000 | 542,000 |
| 21 | **TOTAL EXPENSES** | 2,457,863 | 2,571,200 | 2,689,400 | 2,813,400 | 2,943,800 |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | **NET REVENUES** | 104,075 | 1,500 | (90,200) | (188,500) | (293,200) |
| 25 | | | | | | |
| 26 | **Ending Fund Balance** | 1,018,288 | 1,019,788 | 929,588 | 741,088 | 447,888 |
| 27 | | | | | | |
| 28 | **Target (25% of O&M)** | 614,500 | 642,800 | 672,400 | 703,400 | 736,000 |
| 29 | Target Met? | YES | YES | YES | YES | NO |
| 30 | | | | | | |

### 4.2.7 Adopted Solid Waste Rate Increases

During the rate study, the City Council was presented with multiple solid waste rate scenarios based on varying levels of operating cost inflation. At the June 24, 2025 Proposition 218 hearing, L&T presented a lower rate option that recommended 2.0% annual rate increase for years 2 through 5 (2026/27 through 2029/30) whereas the Proposition 218 notice included 4.0% rate increases for years 2 through 5. The City Council elected to proceed with the lower rate increases and adopted the following rate adjustments:

**Table 38: Solid Waste Rate Increases**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Fiscal Year | Annual Sewer Rate Increase |
|---|---|---|
| 1 | **2025/26** | **4.0%** |
| 2 | **2026/27** | **2.0%** |
| 3 | **2027/28** | **2.0%** |
| 4 | **2028/29** | **2.0%** |
| 5 | **2029/30** | **2.0%** |

### 4.2.8 Solid Waste Cash Flow Projection

Over the five-year rate study period, the solid waste rate increases are proposed to meet the following objectives, in order of importance:

1) Fund operating expenses
2) Maintain cash reserves above the operating fund balance target

The cash flow projection with the adopted rate adjustments is shown on Table 39. The projections are based on the proposed 2025/26 budget and incorporate the latest information available at the time of this study. The first revenue adjustment is proposed to take effect on July 1, 2025. Subsequent water rate increases thereafter are proposed to be effective on July 1 of each year through 2029. Key assumptions include:

- **Cash Reserves**
  - As of July 1, 2025, the projected beginning cash fund balance for the Solid Waste Fund is $914,213.
  - The operating reserve fund target is 25% of Annual O&M Expenses.

- **Revenues**
  - Total budgeted Solid Waste Revenues for 2025/26 are $2.67 million
  - *Refuse Collection Charges* for 2025/26 are budgeted at $2.57 million.
  - *Locking Lid Revenues* are estimated at $22,000 per year and are not anticipated to change over the next five years.
  - *State Recycling Grant Revenues* are estimated at $5,000 each year and are not projected to increase.

- *Penalties* are budgeted at $50,000 for 2025/26 and are not projected to increase.
- *Investment Earnings* are projected at 1.0% of the cash fund balance each year.
- *Other Revenues* are budgeted at $5,000 for 2025/26 and are not projected to increase over the next five years. *Other Revenues* include *Unrealized Gain/Loss* and *Collection Proceeds.*
- Growth is estimated at 1.0% each year. No major changes in the customer base are expected through 2029/30.

- **Expenses**
  - Total budgeted operating expenses for 2025/26 is $2.5 million.
  - *Disposal Service* is increased by 5.0% each year beginning in 2025/26.
  - *Contract Services* & *Locking Lid Fees* are escalated by 5.0% each year beginning in 2025/26.
  - All other expenses are escalated by 3.0% each year.
  - Depreciation is not included as an operating expense.
  - The Solid Waste Fund does not have any capital projects.
  - The Solid Waste Fund has no outstanding debt obligations.

**Table 39: Cash Flow Projection – Solid Waste Scenario 1: 4.0% Annual Rate Increases**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Projected | | | | |
|---|---|---|---|---|---|---|
| | | **2025/26** | **2026/27** | **2027/28** | **2028/29** | **2029/30** |
| 1 | Rate Increase Effective | July 1, 2025 | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 |
| 2 | **Annual Rate Increase** | **4.0%** | **2.0%** | **2.0%** | **2.0%** | **2.0%** |
| 3 | Growth Rate | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 4 | | | | | | |
| 5 | **Beginning Cash Fund Balance** | $914,213 | $1,117,288 | $1,271,788 | $1,391,088 | $1,472,188 |
| 6 | | | | | | |
| 7 | **REVENUES** | | | | | |
| 8 | Refuse Collection Charges | 2,574,000 | 2,652,000 | 2,732,000 | 2,815,000 | 2,900,000 |
| 9 | Investment Earnings | 26,224 | 11,200 | 12,700 | 13,900 | 14,700 |
| 10 | State Recycling Grant Revenue | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 11 | Penalties | 50,000 | 51,500 | 53,000 | 54,600 | 56,200 |
| 12 | Other Revenues | 5,714 | 6,000 | 6,000 | 6,000 | 6,000 |
| 13 | **TOTAL REVENUES** | 2,660,938 | 2,725,700 | 2,808,700 | 2,894,500 | 2,981,900 |
| 14 | | | | | | |
| 15 | **EXPENSES** | | | | | |
| 16 | Disposal Service | 1,866,761 | 1,960,100 | 2,058,100 | 2,161,000 | 2,269,100 |
| 17 | Contract Services | 50,000 | 52,500 | 55,100 | 57,900 | 60,800 |
| 18 | Locking Lid Fee | 23,000 | 24,200 | 25,400 | 26,700 | 28,000 |
| 19 | Other Operations | 36,050 | 37,900 | 39,800 | 41,800 | 43,900 |
| 20 | Overhead Allocation | 482,052 | 496,500 | 511,000 | 526,000 | 542,000 |
| 21 | **TOTAL EXPENSES** | 2,457,863 | 2,571,200 | 2,689,400 | 2,813,400 | 2,943,800 |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | **NET REVENUES** | 203,075 | 154,500 | 119,300 | 81,100 | 38,100 |
| 25 | | | | | | |
| 26 | **Ending Fund Balance** | 1,117,288 | 1,271,788 | 1,391,088 | 1,472,188 | 1,510,288 |
| 27 | | | | | | |
| 28 | **Target (25% of O&M)** | 614,500 | 642,800 | 672,400 | 703,400 | 736,000 |
| 29 | Target Met? | YES | YES | YES | YES | YES |
| 30 | | | | | | |

## 4.3 Solid Waste Rate Design

For over 15 years, the rate structure has been determined by Mid Valley Disposal in accordance with the collection services agreement. Therefore, this study does not recommend making any changes to the current solid waste rate structure.

## 4.4 Proposed 5-Year Schedule of Solid Waste Rates

The five-year rate plan for the residential solid waste rates for Solid Waste Scenario 1 are shown on Table 40. The five-year proposed commercial solid waste rates are shown on Table 41 throughTable 43. The projected rates for the solid waste utility have been calculated based on the overall rate revenue requirements shown on the cash flow projection from Table 39.

**Table 40: Proposed Residential Solid Waste Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| PROPOSED MONTHLY RESIDENTIAL SOLID WASTE RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **RESIDENTIAL** | | | | | | |
| Residential (per set) (1) | $34.63 | $36.02 | $36.74 | $37.47 | $38.22 | $38.98 |
| Residential Extra Toter (each) | $19.28 | $20.05 | $20.45 | $20.86 | $21.28 | $21.71 |
| Locking Lid for Bin (each) | $24.91 | $25.91 | $26.43 | $26.96 | $27.50 | $28.05 |

[1] Set includes three 96-gallon totters for Refuse, Recycles, and Green Waste

**Table 41: Proposed Commercial Trash Solid Waste Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| PROPOSED MONTHLY COMMERCIAL SOLID WASTE RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **COMMERCIAL TRASH** | | | | | | |
| **1 yard bin** | | | | | | |
| 1x per week | $67.63 | $70.34 | $71.75 | $73.19 | $74.65 | $76.14 |
| 2x per week | $135.19 | $140.60 | $143.41 | $146.28 | $149.21 | $152.19 |
| 3x per week | $206.95 | $215.23 | $219.53 | $223.92 | $228.40 | $232.97 |
| 4x per week | $269.06 | $279.82 | $285.42 | $291.13 | $296.95 | $302.89 |
| 5x per week | $334.86 | $348.25 | $355.22 | $362.32 | $369.57 | $376.96 |
| 6x per week | $397.63 | $413.54 | $421.81 | $430.25 | $438.86 | $447.64 |
| **2 yard bin** | | | | | | |
| 1x per week | $109.21 | $113.58 | $115.85 | $118.17 | $120.53 | $122.94 |
| 2x per week | $210.31 | $218.72 | $223.09 | $227.55 | $232.10 | $236.74 |
| 3x per week | $308.86 | $321.21 | $327.63 | $334.18 | $340.86 | $347.68 |
| 4x per week | $415.45 | $432.07 | $440.71 | $449.52 | $458.51 | $467.68 |
| 5x per week | $523.29 | $544.22 | $555.10 | $566.20 | $577.52 | $589.07 |
| 6x per week | $625.80 | $650.83 | $663.85 | $677.13 | $690.67 | $704.48 |
| **3 yard bin** | | | | | | |
| 1x per week | $139.81 | $145.40 | $148.31 | $151.28 | $154.31 | $157.40 |
| 2x per week | $275.57 | $286.59 | $292.32 | $298.17 | $304.13 | $310.21 |
| 3x per week | $393.19 | $408.92 | $417.10 | $425.44 | $433.95 | $442.63 |
| 4x per week | $529.87 | $551.06 | $562.08 | $573.32 | $584.79 | $596.49 |
| 5x per week | $666.41 | $693.07 | $706.93 | $721.07 | $735.49 | $750.20 |
| 6x per week | $797.54 | $829.44 | $846.03 | $862.95 | $880.21 | $897.81 |
| **4 yard bin** | | | | | | |
| 1x per week | $170.41 | $177.23 | $180.77 | $184.39 | $188.08 | $191.84 |
| 2x per week | $336.84 | $350.31 | $357.32 | $364.47 | $371.76 | $379.20 |
| 3x per week | $480.66 | $499.89 | $509.89 | $520.09 | $530.49 | $541.10 |
| 4x per week | $648.34 | $674.27 | $687.76 | $701.52 | $715.55 | $729.86 |
| 5x per week | $813.50 | $846.04 | $862.96 | $880.22 | $897.82 | $915.78 |
| 6x per week | $978.60 | $1,017.74 | $1,038.09 | $1,058.85 | $1,080.03 | $1,101.63 |
| **5 yard bin** | | | | | | |
| 1x per week | $201.09 | $209.13 | $213.31 | $217.58 | $221.93 | $226.37 |
| 2x per week | $381.47 | $396.73 | $404.66 | $412.75 | $421.01 | $429.43 |
| 3x per week | $539.23 | $560.80 | $572.02 | $583.46 | $595.13 | $607.03 |
| 4x per week | $720.96 | $749.80 | $764.80 | $780.10 | $795.70 | $811.61 |
| 5x per week | $900.03 | $936.03 | $954.75 | $973.85 | $993.33 | $1,013.20 |
| 6x per week | $1,079.10 | $1,122.26 | $1,144.71 | $1,167.60 | $1,190.95 | $1,214.77 |
| **6 yard bin** | | | | | | |
| 1x per week | $225.99 | $235.03 | $239.73 | $244.52 | $249.41 | $254.40 |
| 2x per week | $424.46 | $441.44 | $450.27 | $459.28 | $468.47 | $477.84 |
| 3x per week | $603.65 | $627.80 | $640.36 | $653.17 | $666.23 | $679.55 |
| 4x per week | $806.85 | $839.12 | $855.90 | $873.02 | $890.48 | $908.29 |
| 5x per week | $1,007.55 | $1,047.85 | $1,068.81 | $1,090.19 | $1,111.99 | $1,134.23 |
| 6x per week | $1,208.13 | $1,256.46 | $1,281.59 | $1,307.22 | $1,333.36 | $1,360.03 |

**Table 42: Proposed Commercial Organic & Recycle Solid Waste Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| PROPOSED MONTHLY COMMERCIAL SOLID WASTE RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **COMMERCIAL RECYCLE** | | | | | | |
| **96 Gallon** | | | | | | |
| 1x per week | $12.73 | $13.24 | $13.50 | $13.77 | $14.05 | $14.33 |
| 2x per week | $22.92 | $23.84 | $24.32 | $24.81 | $25.31 | $25.82 |
| 3x per week | $33.11 | $34.43 | $35.12 | $35.82 | $36.54 | $37.27 |
| **2 yard bin** | | | | | | |
| 1x per week | $39.47 | $41.05 | $41.87 | $42.71 | $43.56 | $44.43 |
| 2x per week | $71.05 | $73.89 | $75.37 | $76.88 | $78.42 | $79.99 |
| 3x per week | $102.64 | $106.75 | $108.89 | $111.07 | $113.29 | $115.56 |
| **3 yard bin** | | | | | | |
| 1x per week | $50.29 | $52.30 | $53.35 | $54.42 | $55.51 | $56.62 |
| 2x per week | $90.54 | $94.16 | $96.04 | $97.96 | $99.92 | $101.92 |
| 3x per week | $130.78 | $136.01 | $138.73 | $141.50 | $144.33 | $147.22 |
| **4 yard bin** | | | | | | |
| 1x per week | $62.39 | $64.89 | $66.19 | $67.51 | $68.86 | $70.24 |
| 2x per week | $112.30 | $116.79 | $119.13 | $121.51 | $123.94 | $126.42 |
| 3x per week | $162.21 | $168.70 | $172.07 | $175.51 | $179.02 | $182.60 |
| **6 yard bin** | | | | | | |
| 1x per week | $85.95 | $89.39 | $91.18 | $93.00 | $94.86 | $96.76 |
| 2x per week | $154.71 | $160.90 | $164.12 | $167.40 | $170.75 | $174.17 |
| 3x per week | $223.48 | $232.42 | $237.07 | $241.81 | $246.65 | $251.58 |
| **COMMERCIAL ORGANIC** | | | | | | |
| **96 Gallon** | | | | | | |
| 1x per week | $19.10 | $19.86 | $20.26 | $20.67 | $21.08 | $21.50 |
| 2x per week | $28.02 | $29.14 | $29.72 | $30.31 | $30.92 | $31.54 |
| 3x per week | $36.92 | $38.40 | $39.17 | $39.95 | $40.75 | $41.57 |
| **2 yard bin** | | | | | | |
| 1x per week | $67.10 | $69.78 | $71.18 | $72.60 | $74.05 | $75.53 |
| 2x per week | $120.80 | $125.63 | $128.14 | $130.70 | $133.31 | $135.98 |
| 3x per week | $174.47 | $181.45 | $185.08 | $188.78 | $192.56 | $196.41 |

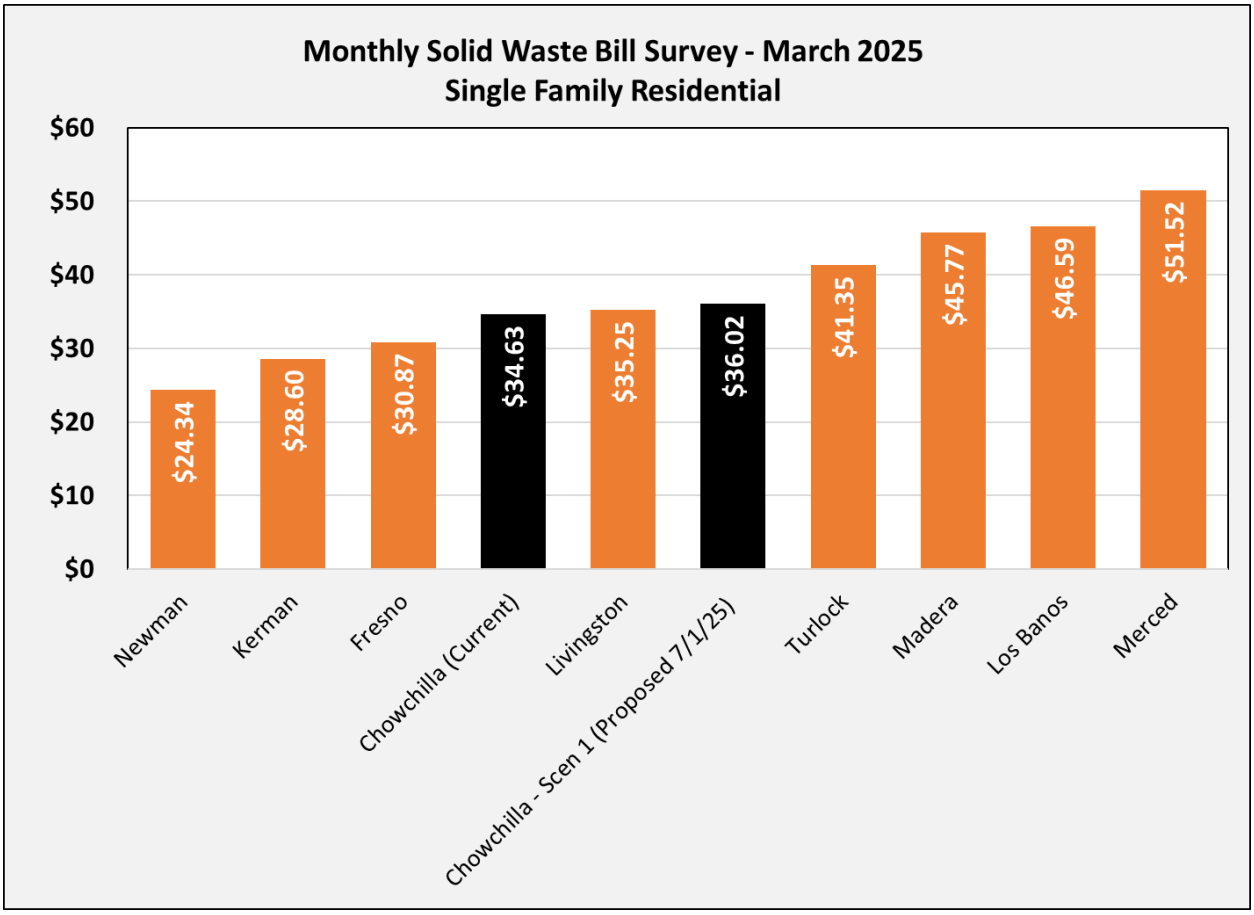
**Table 43: Proposed Commercial Roll Off and Miscellaneous Solid Waste Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| PROPOSED MONTHLY COMMERCIAL SOLID WASTE RATES | | | | | | |
|---|---|---|---|---|---|---|
| | Current Rates | Proposed | | | | |
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| | *Annual Increase* | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **ROLL OFF (DROP BOX) SERVICE** | | | | | | |
| **20 Yard Container** | | | | | | |
| Delivery | $30.79 | $32.02 | $32.66 | $33.31 | $33.98 | $34.66 |
| Service Charge Per Load | $193.69 | $201.44 | $205.47 | $209.58 | $213.77 | $218.05 |
| Rent (per day) | $12.32 | $12.81 | $13.07 | $13.33 | $13.60 | $13.87 |
| **30 Yard Container** | | | | | | |
| Delivery | $43.10 | $44.82 | $45.72 | $46.63 | $47.56 | $48.51 |
| Service Charge Per Load | $225.97 | $235.01 | $239.71 | $244.50 | $249.39 | $254.38 |
| Rent (per day) | $12.32 | $12.81 | $13.07 | $13.33 | $13.60 | $13.87 |
| **40 Yard Container** | | | | | | |
| Delivery | $55.41 | $57.63 | $58.78 | $59.96 | $61.16 | $62.38 |
| Service Charge Per Load | $271.16 | $282.01 | $287.65 | $293.40 | $299.27 | $305.26 |
| Rent (per day) | $12.32 | $12.81 | $13.07 | $13.33 | $13.60 | $13.87 |
| **Additional Per Ton Disposal** | | | | | | |
| Municipal Solid Waste | $55.41 | $57.63 | $58.78 | $59.96 | $61.16 | $62.38 |
| Recyclables | $67.73 | $70.44 | $71.85 | $73.29 | $74.76 | $76.26 |
| Organics | $43.10 | $44.82 | $45.72 | $46.63 | $47.56 | $48.51 |
| **3-Yard Rent-A-Bin Service** | | | | | | |
| Delivery and Removal | $153.91 | $160.07 | $163.27 | $166.54 | $169.87 | $173.27 |
| Additional Service | $61.56 | $64.02 | $65.30 | $66.61 | $67.94 | $69.30 |
| **Bulky Item Pick-Up** | $43.11 | $44.83 | $45.73 | $46.64 | $47.57 | $48.52 |
| **MISCELLANEOUS FEES** | | | | | | |
| Enclosure Access | $13.23 | $13.76 | $14.04 | $14.32 | $14.61 | $14.90 |
| Push/Pull Charge | $27.71 | $28.82 | $29.40 | $29.99 | $30.59 | $31.20 |
| Extra Pick-up per Cubic Yard | | | | | | |
| Municipal Solid Waste | $28.14 | $29.27 | $29.86 | $30.46 | $31.07 | $31.69 |
| Recyclables | $15.70 | $16.33 | $16.66 | $16.99 | $17.33 | $17.68 |
| Organics | $22.65 | $23.56 | $24.03 | $24.51 | $25.00 | $25.50 |

## 4.5 Solid Waste Survey

The figure below compares the City's current and proposed monthly residential solid waste bills with the bills of other local agencies. Both the current and proposed monthly residential solid waste bill are in the mid-range of surveyed agencies.

**Figure 6: Single Family Residential Monthly Solid Waste Bill Survey**



# SECTION 5: STORM DRAIN STUDY

Stormwater is a term used to describe water that originates during precipitation events. Stormwater that cannot soak into the ground becomes "runoff." The function of the City's storm drainage system is to collect runoff during wet weather events to prevent flooding. When precipitation falls on undeveloped soil and vegetation, it is largely absorbed into the ground and slowly runs off. However, when land is developed and covered by impervious surfaces such as rooftops, buildings, and pavement, it prevents that land from absorbing stormwater. Stormwater then runs off at a much faster rate, which can cause flooding or issues in local streams and bodies of water.

Storm drain fees are intended to fund capital improvement programs, operations and maintenance, clean water programs to mitigate the pollutants in stormwater, and other environmental services related to stormwater. Ongoing maintenance of storm drain pipes is important in reducing risks of flooding and sink holes in local neighborhoods.

## 5.1 Proposition 218 for Storm Drain Rates

Proposition 218 requires two primary steps for municipalities to adopt property-related fees. First, agencies must hold a public hearing at which property owners may lodge a protest. If the agency does not receive a majority protest at the public hearing, then the agency can proceed with the second step of mailing a ballot vote to all property owners, in which a simple majority is needed to adopt the rates. Alternatively, the ballot vote can be mailed to all registered voters but would need a two-thirds majority for approval.

Proposition 218 established that that a "property-related fee" is a charge imposed upon a parcel "as an incident of property ownership." Water, sewer, and refuse charges are all considered property-related fees but are exempt from the second step of a mailed ballot proceeding. However, storm drain charges were not explicitly exempted which meant that storm drain rate increases needed to comply with the supplementary ballot.

In 2017, the State passed Senate Bill (SB) 231 which seemingly clarified the definition of "sewer" in Proposition 218 to include both sanitary and storm sewer, thereby exempting storm drain rates from the additional ballot requirement. Yet, proponents of Proposition 218 have continued to threaten litigation against any agencies that move forward without a ballot vote. Proposition 218, effectively, froze storm drain fees at their existing rates, and essentially hindered municipalities from establishing new dedicated stormwater rates.

The Storm Drain Utility has healthy reserves and has historically fully covered its operating expenses each year. Due to the significant cost of the additional ballot voting requirement and because the City's Storm Drain Fund is in good financial shape, this study does not recommend any increases to the storm drain rates at this time. The City is planning to apply for a Community Development Block Grant (CDBG)

for the Kings Avenue project ($2.3 million) when the application period opens in Fall 2025. If the City does not receive grant funding, the City can re-evaluate the need to increase storm drain rates as needed. The results of the Storm Drain Rate Study are provided herein so the City has a record of the results should the City choose to revisit proceeding with a balloted storm drain rate in the future.

## 5.2 Current Storm Drain Rates

Table 44 shows the current monthly storm drain rates that were adopted in the 1990s and have not been increased in over two decades. The rates include two components – 1) Capital Charges and 2) Operation & Maintenance Charges.

1. **Capital Charge**
   All customers, residential and non-residential, are charged the same flat charge of $2.61 per account. The capital charge is intended to fund storm drain infrastructure projects and currently generates around $126,000 each year.

2. **Operations and Maintenance (O&M) Charge**
   Customers are levied a separate fee to fund operating costs based on customer type and property square footage. Residents of Greenhills Estates are charged a monthly flat fee of $2.20 per property. The City currently collects approximately $96,000 per year in storm drain O&M charges.

**Table 44: Current Storm Drain Rates**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Fee | Amount | Type |
|---|---|---|
| **CAPITAL** | | |
| Storm Drain Capital [1] | $2.61 | Flat Rate |
| **OPERATIONS & MAINTENANCE** | | |
| Vacant Lots/Land | $0.00009167 | per Square Foot |
| Schools/Hospitals | $0.00015833 | per Square Foot |
| Residential Low | $0.00017500 | per Square Foot |
| Residential Medium | $0.00018333 | per Square Foot |
| Multi-Family | $0.00021666 | per Square Foot |
| Commercial | $0.00025000 | per Square Foot |
| Industrial | $0.00027500 | per Square Foot |
| Storm Drain II [2] | $2.20000000 | per home |

1 - Per account

2 - Greenhills only

## 5.3 Storm Drain System Overview

### 5.3.1 Storm Drain System

The City maintains the storm drain system, drainage ditches, reservoirs, pump stations and other facilities to provide control and disposal of storm water runoff. The system is maintained and operated through a storm runoff plan and program that is in compliance with State and Federal regulations. The City has dealt with long standing issues with flooding and inadequate drainage in the City's historic core for many years.

### 5.3.2 Storm Drain Customers

Table 45 summarizes the current number of storm drain accounts, the total square footage billed by customer classification, and total annual revenues by customer classification. Total projected service charge revenues for 2024/25 are about $217,000.

**Table 45: Current Storm Drain Accounts & Annual Revenues**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Fee | Number of Accounts | Total Square Footage (sq.ft.) | Total Annual Revenue |
|---|---|---|---|
| **CAPITAL** | | | |
| Storm Drain Capital | 3,807 | - | $119,235 |
| **OPERATIONS & MAINTENANCE** | | | |
| Vacant Lots/Land | 40 | 952,432 | $1,048 |
| Schools/Hospitals | 8 | 1,864,370 | $3,542 |
| Residential Low | 6 | 724,737 | $1,522 |
| Residential Medium | 2,683 | 20,991,196 | $46,180 |
| Multi-Family | 137 | 2,427,710 | $6,312 |
| Commercial | 154 | 5,665,072 | $16,995 |
| Industrial | 1 | 566,280 | $1,869 |
| Storm Drain II | 778 | 4,651,641 | $20,539 |
| Total | 3,807 | 37,843,438 | $98,007 |
| **TOTAL STORM DRAIN RATE REVENUES** | | | **$217,242** |

## 5.4 Storm Drain Financial Plan

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. The cost of service includes annual operating expenses, capital projects, repairs and replacements, and the accumulation of appropriate reserves. The storm drain cost of service is based on the 2024/25 adopted budget, the 2024/25 through 2028/29 capital improvement plan, and reserve recommendations based on industry standard practice.

### 5.4.1 Historical Storm Drain Revenues and Expenses

Based on historical budget figures, the Storm Drain Fund has been doing well and covering annual expenses.

**Table 46: Storm Drain Net Revenues**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Actual | | | Budget |
|---|---|---|---|---|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| **Revenues** | | | | |
| Storm Drain O&M | $93,109 | $96,610 | $97,422 | $96,000 |
| Storm Drain Capital Replacement | $117,335 | $126,473 | $125,826 | $126,000 |
| Intergovernmental (Grants) | $0 | $254,000 | $1,515,816 | $3,036,562 |
| Fines and Penalties | $1,042 | $5,112 | $4,444 | $5,000 |
| Investment Earnings | $5,200 | $4,737 | $68,483 | $34,551 |
| Other Revenues | $116 | $141 | $13,910 | $0 |
| Transfers In | $40,297 | $3,420,332 | $105,398 | $131,900 |
| **Total Revenues** | **$257,099** | **$3,907,405** | **$1,931,300** | **$3,430,013** |
| **Expenditures** | | | | |
| Salaries and Benefits | ($12,535) | $76,969 | $39,639 | $41,402 |
| Operations and Maintenance | $3,610 | $13,641 | $25,292 | $47,661 |
| Capital Outlay | $0 | $0 | $1,674,242 | $3,222,673 |
| Overhead Allocations | $38,158 | $46,808 | $91,796 | $40,988 |
| Transfers Out | $0 | $2,213,109 | $0 | $5,500 |
| **Total Expenditures** | **$29,233** | **$2,350,527** | **$1,830,969** | **$3,358,224** |
| **Total Net Revenues** | $227,866 | $1,556,878 | $100,331 | $71,789 |

Source: Fiscal Year 2024-2025 Budget

### 5.4.2 Storm Drain Revenues

Total projected 2024/25 revenue for the storm drain utility is approximately $3.4 million, including a $3 million Prop 1 grant to fund capital projects. This grant is a one-time funding source. The Capital Charge generates roughly $126,000 each year, while revenues from the O&M charges generate approximately $96,000, as shown on Table 45. Other revenues include Investment Earnings and Fines and Penalties.

### 5.4.3 Storm Drain Operating & Maintenance Expenses

Total operating and maintenance expenses are projected at approximately $130,000 for 2024/25. Operating costs include Salaries & Benefits, Operations and Maintenance, and the City's Overhead Allocation. For future projections, Salaries and Benefits are escalated by 10.0% each year, and all other expenses are escalated by 3.0% annually. The City is also planning to hire one new Storm Drain employee in 2025/26. Total salary and benefits for the new employee is estimated at $30,000/year. Beginning in 2025/26, $20,000 is included for future Groundwater Management Plan projects. The projection of estimated future operating expenses is included below in Table 47.

**Table 47: Storm Drain Operating Expenses**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Budget | Escalation | Projected | | | | |
|---|---|---|---|---|---|---|---|
| | 2024/25 | Factor | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **Operating Expenses** | | | | | | | |
| Salaries & Benefits | 41,402 | 10% | 74,400 | 81,800 | 90,000 | 99,000 | 108,900 |
| Operations & Maintenance | | | | | | | |
| Contract Services | 32,000 | 3% | 33,000 | 34,000 | 35,000 | 36,100 | 37,200 |
| Other Operations | 15,661 | 3% | 16,100 | 16,600 | 17,100 | 17,600 | 18,100 |
| Groundwater Management Plan | 0 | 3% | 20,000 | 20,600 | 21,200 | 21,800 | 22,500 |
| Subtotal O&M | 47,661 | | 69,100 | 71,200 | 73,300 | 75,500 | 77,800 |
| Overhead Allocation | 40,988 | 3% | 42,200 | 43,500 | 45,000 | 46,000 | 47,000 |
| **Total Operating Expenses** | **130,051** | | **185,700** | **196,500** | **208,300** | **220,500** | **233,700** |
| *% Change* | | | *42.8%* | *5.8%* | *6.0%* | *5.9%* | *6.0%* |

1 - Includes one new Storm Drain employee in 2025/26. Total salary & benefits for new employee is estimated at $30,000/year.

### 5.4.4 Storm Drain Debt Service

The storm drain utility does not currently have any outstanding debt obligations.

### 5.4.5 Storm Drain Capital Improvement Plan

Table 48 summarizes the storm drain capital improvement plan for the next five years totaling $5.87 million based on escalated costs. The projects include replacing storm drains on Kings Avenue and Sonoma Avenue as well as the Truman Pond Refiguration. The Sonoma Avenue project is paid for with a Prop 1 grant in 2024/25. The City anticipates funding the Kings Avenue project with a Community Development Block Grant (CDBG) when the application period opens in Fall 2025. The Truman Pond Refiguration project will be cash funded with storm drain fee revenues.

**Table 48: Storm Drain Capital Improvement Plan**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Project # | Project | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total | Funding Source |
|---|---|---|---|---|---|---|---|---|
| SD-2 | Kings Ave Storm Drain Improvement | $131,900 | $2,330,000 | - | - | - | $2,461,900 | CDBG Grant |
| SD-3 | Sonoma Ave Storm Drain Improvement | $3,036,562 | - | - | - | - | $3,036,562 | Prop 1 Grant |
| SD-5 | Truman Pond Refiguration | $41,211 | $200,000 | - | - | - | $241,211 | Storm Fund |
| | **Total Storm Drain Capital Projects** | **$3,209,673** | **$2,530,000** | **$0** | **$0** | **$0** | **$5,739,673** | |
| **ESCALATED PROJECT COSTS** | | | | | | | | |
| | Cost Escalation (5% annually) | 100.0% | 105.0% | 110.3% | 115.8% | 121.6% | | |
| | **Total Storm Projects - Escalated Costs** | **$3,209,673** | **$2,656,500** | **$0** | **$0** | **$0** | **$5,866,173** | |

Source: City of Chowchilla Capital Improvement Plan '24/'25 thru '28/'29

### 5.4.6 Storm Drain Reserves

As of the beginning of 2024/25, the Storm Drain Utility had operating fund reserves of approximately $2.07 million. The operating reserve target is 25% of annual operating expenses. 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.

### 5.4.7 Storm Drain Cash Flow Projection with No Rate Increase

Table 49 summarizes the revenues and expenses in addition to the projected reserve fund balances if the City does not implement any rate increases. The cash flow shows that the Storm Drain Fund is doing well and covering annual expenses. The City will not need any rate increases unless it does not receive grant funding for the Kings Avenue project.

**Table 49: Storm Drain Cash Flow – No Rate Increases**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Budget | Projected | | | | |
|---|---|---|---|---|---|---|---|
| | | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| 1 | Rate Increase Effective | | Sep 1, 2025 | Jul 1, 2026 | Jul 1, 2027 | Jul 1, 2028 | Jul 1, 2029 |
| 2 | **Annual Rate Increase** | | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |
| 3 | Growth Rate | | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 4 | | | | | | | |
| 5 | **Beginning Operating Fund Balance [1]** | $2,068,593 | $2,153,382 | $1,886,182 | $1,935,582 | $1,975,682 | $2,006,082 |
| 6 | | | | | | | |
| 7 | **REVENUES** | | | | | | |
| 8 | **Operating Expenses** | | | | | | |
| 9 | *Charges for Service* | | | | | | |
| 10 | Storm Drain O&M | 96,000 | 97,000 | 98,000 | 99,000 | 100,000 | 101,000 |
| 11 | Storm Drain Capital Replacement | 126,000 | 127,000 | 128,000 | 129,000 | 130,000 | 131,000 |
| 12 | Subtotal Charges for Service | 222,000 | 224,000 | 226,000 | 228,000 | 230,000 | 232,000 |
| 13 | Fines and Penalties | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 14 | Investment Earnings | 34,551 | 21,500 | 18,900 | 19,400 | 19,800 | 20,100 |
| 15 | Total Operating Revenues | 261,551 | 250,500 | 249,900 | 252,400 | 254,800 | 257,100 |
| 16 | | | | | | | |
| 17 | **Non-Operating Revenues** | | | | | | |
| 18 | Intergovernmental (Grants) [2] | 3,036,562 | 2,330,000 | 0 | 0 | 0 | 0 |
| 19 | Transfers In | 131,900 | 0 | 0 | 0 | 0 | 0 |
| 20 | Total Non-Operating Revenues | 3,168,462 | 2,330,000 | 0 | 0 | 0 | 0 |
| 21 | | | | | | | |
| 22 | **TOTAL REVENUES** | **3,430,013** | **2,580,500** | **249,900** | **252,400** | **254,800** | **257,100** |
| 23 | | | | | | | |
| 24 | **EXPENSES** | | | | | | |
| 25 | **Operating Expenses** | | | | | | |
| 26 | Salaries & Benefits | 41,402 | 74,400 | 81,800 | 90,000 | 99,000 | 108,900 |
| 27 | Operations | 47,661 | 49,100 | 49,100 | 50,600 | 52,100 | 53,700 |
| 28 | Groundwater Management Plan | 0 | 20,000 | 20,600 | 21,200 | 21,800 | 22,500 |
| 29 | Overhead Allocation | 40,988 | 42,200 | 43,500 | 45,000 | 46,000 | 47,000 |
| 30 | Total Operations | 130,051 | 185,700 | 195,000 | 206,800 | 218,900 | 232,100 |
| 31 | | | | | | | |
| 32 | **Net Operating Revenue** | 131,500 | 64,800 | 54,900 | 45,600 | 35,900 | 25,000 |
| 33 | | | | | | | |
| 34 | **Capital Outlay** | | | | | | |
| 35 | Storm Drain CIP | 3,209,673 | 2,656,500 | 0 | 0 | 0 | 50,000 |
| 36 | Total Capital Expenses | 3,209,673 | 2,656,500 | 0 | 0 | 0 | 50,000 |
| 37 | | | | | | | |
| 38 | **Transfers Out** | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 |
| 39 | | | | | | | |
| 40 | **TOTAL EXPENSES** | **3,345,224** | **2,847,700** | **200,500** | **212,300** | **224,400** | **287,600** |
| 41 | | | | | | | |
| 42 | **Net Total Revenues** | 84,789 | (267,200) | 49,400 | 40,100 | 30,400 | (30,500) |
| 43 | | | | | | | |
| 44 | **Ending Operating Fund Balance** | 2,153,382 | 1,886,182 | 1,935,582 | 1,975,682 | 2,006,082 | 1,975,582 |
| 45 | | | | | | | |
| 46 | **Target (25% of O&M)** | 32,500 | 46,400 | 48,800 | 51,700 | 54,700 | 58,000 |
| 47 | Target Met? | YES | YES | YES | YES | YES | YES |
| 48 | | | | | | | |

1 - Trial Balance Account Summary Date Range: 07/01/2023 - 06/30/2024
2 - Assumes Kings Ave Storm Drain Improvement will be entirely grant funded with a CDBG grant

### 5.4.8 Storm Drain Rate Options

To ensure the storm drain utility maintains its financial health, L&T developed two storm drain rate options based on whether the City receives the $2.3 million CDBG grant for the Kings Avenue Storm Drain CIP project. Over the five-year rate study period, rate increases are proposed to meet the following objectives, in order of importance:

1) Fund operating costs
2) Fund capital costs
3) The ending operating fund balance should meet or exceed the target of 25% of operating expenses.

Table 38 below summarizes the projected revenue adjustments for each storm drain rate option. The City is planning to apply for grant funding for the Kings Avenue project described in Section 5.4.5 when the CDBG grant application period opens in Fall 2025. In the past, the City has been successful with grant applications for similar projects. If the City does not receive grant funding, the City can reevaluate the need to increase storm drain rates at a later date and proceed with Scenario 2 or a revised storm drain rate scenario.

**Table 50: Storm Drain Rate Option Comparison**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Proposed Annual Storm Drain Rate Increases | | | | | |
|---|---|---|---|---|---|
| | **2025/26** | **2026/27** | **2027/28** | **2028/29** | **2029/30** |
| **Scenario 1: Includes $2.3M Grant** | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| **Scenario 2: No Grant** | 28.0% | 4.0% | 4.0% | 4.0% | 4.0% |

The cash flow projections incorporate the latest information available. Key assumptions include:

- **Revenues**
  - The first revenue adjustment is proposed to take effect on July 1, 2025. Rate increases thereafter are proposed to be effective on July 1 of each year through 2029.
  - Growth is estimated at 1.0% each year. No major changes in the customer base are expected through 2029/30.
  - *Storm Drain O&M Revenues* for 2024/25 are estimated at $96,000.
  - *Storm Drain Capital Replacement Revenues* for 2024/25 are estimated at $126,000.
  - *Fines and Penalties* are estimated at $5,000 for 2024/25 and are not projected to increase.
  - *Investment Earnings* are projected at 1.0% of the cash fund balance each year.
  - *Transfers In* are budgeted at $131,900 for 2024/25.

- **Expenses**
  - *Salaries & Benefits* are escalated by 10.0% each year.
  - All other operating costs are projected to escalate at the annual rate of 3.0%.
  - Projections include a new Storm Drain employee beginning in 2025/26 at an estimated cost of $30,000/year.
  - Projections include $20,000 per year beginning in 2025/26 for Groundwater Management Plan.

### 5.4.9 Storm Drain Scenario 1 – Cash Flow Projection

Storm Drain Scenario 1 includes $2.3 million in grant funding for the Kings Avenue project described in Section 5.4.5. Table 51 shows the cash flow projection for Scenario 1.

**Table 51: Cash Flow Projection – Storm Drain Scenario 1: Includes $2.3M Grant**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Budget | Projected | | | | |
|---|---|---|---|---|---|---|---|
| | | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| 1 | Rate Increase Effective | | Sep 1, 2025 | Jul 1, 2026 | Jul 1, 2027 | Jul 1, 2028 | Jul 1, 2029 |
| 2 | **Annual Rate Increase** | | **3.0%** | **3.0%** | **3.0%** | **3.0%** | **3.0%** |
| 3 | Growth Rate | | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 4 | | | | | | | |
| 5 | **Beginning Operating Fund Balance [1]** | $2,068,593 | $2,153,382 | $1,891,182 | $1,952,582 | $2,011,782 | $2,069,482 |
| 6 | | | | | | | |
| 7 | **REVENUES** | | | | | | |
| 8 | **Operating Expenses** | | | | | | |
| 9 | *Charges for Service* | | | | | | |
| 10 | Storm Drain O&M | 96,000 | 99,000 | 103,000 | 107,000 | 111,000 | 115,000 |
| 11 | Storm Drain Capital Replacement | 126,000 | 130,000 | 135,000 | 140,000 | 146,000 | 152,000 |
| 12 | Subtotal Charges for Service | 222,000 | 229,000 | 238,000 | 247,000 | 257,000 | 267,000 |
| 13 | Fines and Penalties | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 14 | Investment Earnings | 34,551 | 21,500 | 18,900 | 19,500 | 20,100 | 20,700 |
| 15 | Total Operating Revenues | 261,551 | 255,500 | 261,900 | 271,500 | 282,100 | 292,700 |
| 16 | | | | | | | |
| 17 | **Non-Operating Revenues** | | | | | | |
| 18 | Intergovernmental (Grants) [2] | 3,036,562 | 2,330,000 | 0 | 0 | 0 | 0 |
| 19 | Transfers In | 131,900 | 0 | 0 | 0 | 0 | 0 |
| 20 | Total Non-Operating Revenues | 3,168,462 | 2,330,000 | 0 | 0 | 0 | 0 |
| 21 | | | | | | | |
| 22 | **TOTAL REVENUES** | **3,430,013** | **2,585,500** | **261,900** | **271,500** | **282,100** | **292,700** |
| 23 | | | | | | | |
| 24 | **EXPENSES** | | | | | | |
| 25 | **Operating Expenses** | | | | | | |
| 26 | Salaries & Benefits | 41,402 | 74,400 | 81,800 | 90,000 | 99,000 | 108,900 |
| 27 | Operations | 47,661 | 49,100 | 49,100 | 50,600 | 52,100 | 53,700 |
| 28 | Groundwater Management Plan | 0 | 20,000 | 20,600 | 21,200 | 21,800 | 22,500 |
| 29 | Overhead Allocation | 40,988 | 42,200 | 43,500 | 45,000 | 46,000 | 47,000 |
| 30 | Total Operations | 130,051 | 185,700 | 195,000 | 206,800 | 218,900 | 232,100 |
| 31 | | | | | | | |
| 32 | **Net Operating Revenue** | 131,500 | 69,800 | 66,900 | 64,700 | 63,200 | 60,600 |
| 33 | | | | | | | |
| 34 | **Capital Outlay** | | | | | | |
| 35 | Storm Drain CIP | 3,209,673 | 2,656,500 | 0 | 0 | 0 | 50,000 |
| 36 | Total Capital Expenses | 3,209,673 | 2,656,500 | 0 | 0 | 0 | 50,000 |
| 37 | | | | | | | |
| 38 | **Transfers Out** | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 |
| 39 | | | | | | | |
| 40 | **TOTAL EXPENSES** | **3,345,224** | **2,847,700** | **200,500** | **212,300** | **224,400** | **287,600** |
| 41 | | | | | | | |
| 42 | **Net Total Revenues** | 84,789 | (262,200) | 61,400 | 59,200 | 57,700 | 5,100 |
| 43 | | | | | | | |
| 44 | **Ending Operating Fund Balance** | 2,153,382 | 1,891,182 | 1,952,582 | 2,011,782 | 2,069,482 | 2,074,582 |
| 45 | | | | | | | |
| 46 | **Target (25% of O&M)** | 32,500 | 46,400 | 48,800 | 51,700 | 54,700 | 58,000 |
| 47 | Target Met? | YES | YES | YES | YES | YES | YES |
| 48 | | | | | | | |

1 - Trial Balance Account Summary Date Range: 07/01/2023 - 06/30/2024
2 - Assumes Kings Ave Storm Drain Improvement will be entirely grant funded with a CDBG grant

### 5.4.10 Storm Drain Scenario 2 – Cash Flow Projection

The Storm Drain Scenario 2 cash flow projection included below as Table 52 shows the projected revenues, expenses, and proposed rate increases that would be needed if the City does not receive CDBG funding for the Kings Avenue storm drain project. In the past, the City has been successful securing grants for similar projects. The projection in Table 52 represents a worst case scenario including proposed annual rate increases if the City would need to fund the entire storm drain CIP with cash. If the City does not receive grant funding, it is recommended that the City reevaluate the need to initiate a storm drain balloting process to adopt rate increases.

**Table 52: Cash Flow Projection – Storm Drain Scenario 2: No Grant**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | Budget | Projected | | | | |
|---|---|---|---|---|---|---|---|
| | | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| 1 | Rate Increase Effective | | Sep 1, 2025 | Jul 1, 2026 | Jul 1, 2027 | Jul 1, 2028 | Jul 1, 2029 |
| 2 | **Annual Rate Increase** | | **28.0%** | **4.0%** | **4.0%** | **4.0%** | **4.0%** |
| 3 | Growth Rate | | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| 4 | | | | | | | |
| 5 | **Beginning Operating Fund Balance [1]** | $2,068,593 | $2,153,382 | $108,182 | $203,782 | $302,482 | $406,082 |
| 6 | | | | | | | |
| 7 | **REVENUES** | | | | | | |
| 8 | **Operating Expenses** | | | | | | |
| 9 | *Charges for Service* | | | | | | |
| 10 | Storm Drain O&M | 96,000 | 119,000 | 125,000 | 131,000 | 138,000 | 145,000 |
| 11 | Storm Drain Capital Replacement | 126,000 | 157,000 | 165,000 | 173,000 | 182,000 | 191,000 |
| 12 | Subtotal Charges for Service | 222,000 | 276,000 | 290,000 | 304,000 | 320,000 | 336,000 |
| 13 | Fines and Penalties | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 14 | Investment Earnings | 34,551 | 21,500 | 1,100 | 2,000 | 3,000 | 4,100 |
| 15 | Total Operating Revenues | 261,551 | 302,500 | 296,100 | 311,000 | 328,000 | 345,100 |
| 16 | | | | | | | |
| 17 | **Non-Operating Revenues** | | | | | | |
| 18 | Intergovernmental (Grants) [2] | 3,036,562 | 0 | 0 | 0 | 0 | 0 |
| 19 | Transfers In | 131,900 | 500,000 | 0 | 0 | 0 | 0 |
| 20 | Total Non-Operating Revenues | 3,168,462 | 500,000 | 0 | 0 | 0 | 0 |
| 21 | | | | | | | |
| 22 | **TOTAL REVENUES** | **3,430,013** | **802,500** | **296,100** | **311,000** | **328,000** | **345,100** |
| 23 | | | | | | | |
| 24 | **EXPENSES** | | | | | | |
| 25 | **Operating Expenses** | | | | | | |
| 26 | Salaries & Benefits | 41,402 | 74,400 | 81,800 | 90,000 | 99,000 | 108,900 |
| 27 | Operations | 47,661 | 49,100 | 49,100 | 50,600 | 52,100 | 53,700 |
| 28 | Groundwater Management Plan | 0 | 20,000 | 20,600 | 21,200 | 21,800 | 22,500 |
| 29 | Overhead Allocation | 40,988 | 42,200 | 43,500 | 45,000 | 46,000 | 47,000 |
| 30 | Total Operations | 130,051 | 185,700 | 195,000 | 206,800 | 218,900 | 232,100 |
| 31 | | | | | | | |
| 32 | **Net Operating Revenue** | 131,500 | 116,800 | 101,100 | 104,200 | 109,100 | 113,000 |
| 33 | | | | | | | |
| 34 | **Capital Outlay** | | | | | | |
| 35 | Storm Drain CIP | 3,209,673 | 2,656,500 | 0 | 0 | 0 | 50,000 |
| 36 | Total Capital Expenses | 3,209,673 | 2,656,500 | 0 | 0 | 0 | 50,000 |
| 37 | | | | | | | |
| 38 | **Transfers Out** | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 |
| 39 | | | | | | | |
| 40 | **TOTAL EXPENSES** | **3,345,224** | **2,847,700** | **200,500** | **212,300** | **224,400** | **287,600** |
| 41 | | | | | | | |
| 42 | **Net Total Revenues** | 84,789 | (2,045,200) | 95,600 | 98,700 | 103,600 | 57,500 |
| 43 | | | | | | | |
| 44 | **Ending Operating Fund Balance** | 2,153,382 | 108,182 | 203,782 | 302,482 | 406,082 | 463,582 |
| 45 | | | | | | | |
| 46 | **Target (25% of O&M)** | 32,500 | 46,400 | 48,800 | 51,700 | 54,700 | 58,000 |
| 47 | Target Met? | YES | YES | YES | YES | YES | YES |
| 48 | | | | | | | |

1 - Trial Balance Account Summary Date Range: 07/01/2023 - 06/30/2024
2 - Assumes Kings Ave Storm Drain Improvement will be entirely cash funded with fund reserves

## 5.5 Storm Drain Cost of Service Analysis

Proposition 218 requires that municipalities providing "property-related services" (including storm drain service) set rates and charges that are based on the cost of providing those services. The revenue requirements detailed in the previous section determine the amount of revenue to be recovered from the storm drain rates. In this section, the cost of service allocation develops an equitable means of allocating utility costs among its customers based on their estimated runoff burden to the storm drain system.

The primary storm drain service provided by the City is the collection, conveyance, and management of stormwater runoff from parcels. All parcels that contribute runoff into the City's system, either directly or indirectly, take stormwater service from the City. Impervious area is commonly used as a proxy to estimate the stormwater runoff contributed by each parcel. Impervious surfaces are surfaces such as rooftops, paved driveways, and walkways that allow little or no stormwater to permeate into the ground. Estimated impervious area can be used to establish an adequate storm drain fee proportionate to the revenue needed to manage the runoff received from parcels.

### 5.5.1 Storm Drain Rate Structures

Rate structures for storm drain rates may include a flat fee, tiered charges based on water use, charges based on land area or parcel size, and impervious area measurements by parcel. The fee structures listed are in increasing order of accuracy and level of effort. The flat fee approach is considered the minimum approach and least precise. Comparatively, the most accurate method is to measure the impervious area of all properties which also requires the most effort.

The simplest approach would be the *Flat Rate* structure in which all customers are charged the same rate regardless of customer type or property size. The current storm drain Capital Charge is a flat rate charged to each account.

Another approach to levy storm drain fees is to measure the impervious surface area of each lot. Measuring impervious area is conducted using aerial photography and geographic information systems (GIS). For residential properties, a representative sampling is sufficient to determine an average for a typical single family parcel. Unlike residential parcels, non-residential parcels differ widely in size and characteristics which makes sampling impractical and therefore all non-residential properties would likely need to be surveyed.

As described, this method is time-consuming because it requires a comprehensive survey of all parcels using GIS and aerial photography. For a simplified alternative, runoff coefficients can be used to estimate stormwater runoff by land use classification. Calculating runoff uses the Rational Method in stormwater planning based on the equation $Q = CIA$. The *runoff volume (Q)* from a parcel equals the *runoff coefficient (C)* multiplied by the standard *rainfall intensity (I)* across the *drainage area (A)*. This concept can be used to estimate the relative load from a single parcel by multiplying the total area of the lot type by the runoff coefficient.

The advantage of the *Impervious Area* approach is that the charge will reflect each parcel's actual stormwater runoff. The disadvantages are: a) a full survey of all City parcels is needed, b) the City's billing system will need to be updated to reflect each parcel's individual rate, and c) the impacts to customers will vary widely depending on customer type and lot size.

When the City decides to pursue increases for the storm drain utility, the project team will determine whether the storm drain rates should be calculated using actual impervious area measurements via GIS. For this analysis, L&T uses standard runoff coefficients to estimate impervious area as detailed on the following tables.

Table 53 provides an estimate of impervious area within the city. Parcels within the City are divided into the following land use categories: residential low, residential medium, multi-family, commercial, industrial, vacant, schools/hospitals, and storm drain II for Greenhills. A runoff coefficient is applied to the total acreage of each land use category to estimate the total land area that is impervious. The runoff coefficients were developed from a survey of California agencies including the Fresno Metropolitan Flood Control District and Root Creek Water District.

**Table 53: Estimate of Impervious Area**
**City of Chowchilla**
**2025 Utilities Rate Study**

| Service Type | Estimated Square Feet | Runoff Coefficient [1] | Total Impervious Area | % of Total Impervious Area |
|---|---|---|---|---|
| Residential Low | 724,737 | 0.40 | 289,895 | 1.4% |
| Residential Medium | 20,991,196 | 0.50 | 10,495,598 | 51.8% |
| Multi-Family | 2,427,710 | 0.65 | 1,578,012 | 7.8% |
| Commercial | 5,665,072 | 0.80 | 4,532,058 | 22.3% |
| Industrial | 566,280 | 0.70 | 396,396 | 2.0% |
| Vacant | 952,432 | 0.35 | 333,351 | 1.6% |
| Schools/Hospitals | 1,864,370 | 0.30 | 559,311 | 2.8% |
| Storm Drain II | 4,651,641 | 0.45 | 2,093,238 | 10.3% |
| Total | 37,118,701 | | 20,277,859 | 100.0% |

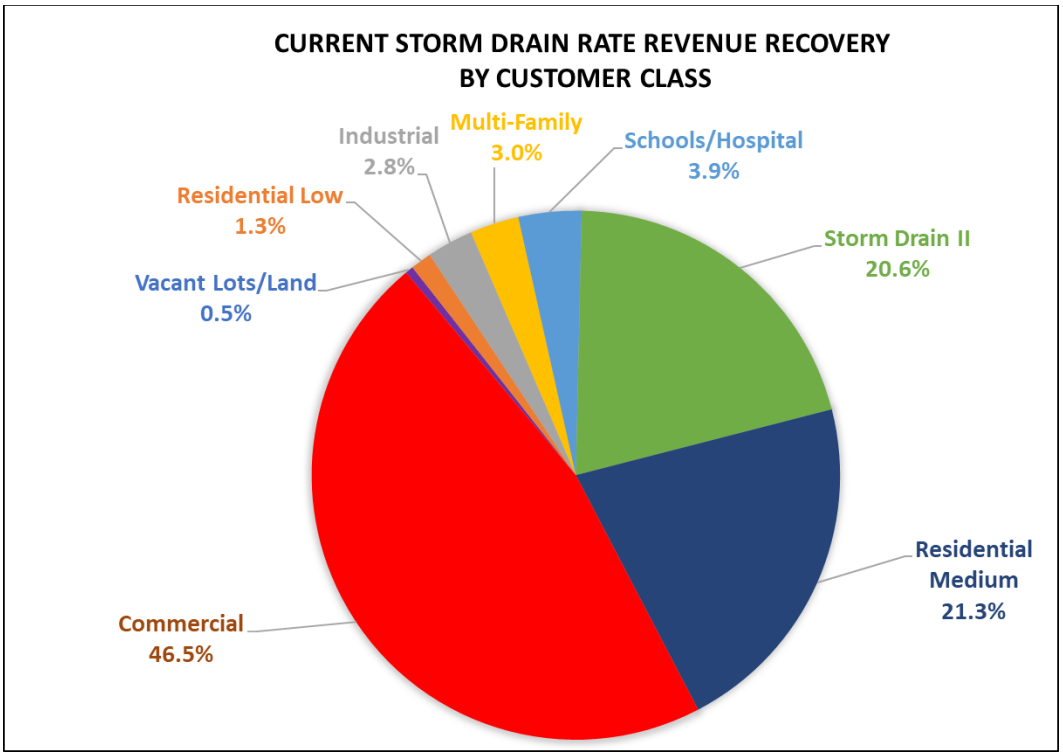
1 - Estimate based on a survey of California storm drain agencies

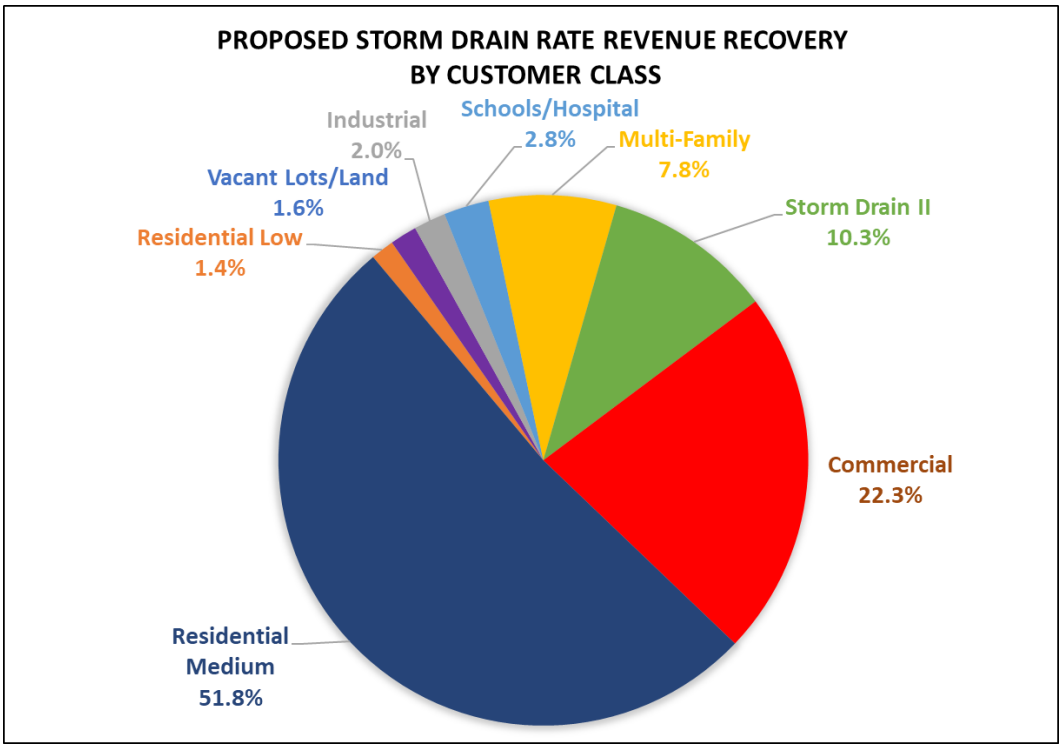
Parcels that meet any of the following conditions are not proposed to be charged storm drain fees:

1) Parcels that solely comprise a street or roadway (either publicly or privately owned) and are considered to be part of the stormwater conveyance system.
2) Parcels comprised of an area which is part of the City's storm drain system.
3) Parcels that do not receive service.
4) Parcels which detain all runoff on site.

Based on the cost of service analysis, the revenue recovery by customer class is proposed to be updated so that each customer class is paying their share of costs per the total percentage of impervious area as shown in Table 53. Figure 7 below compares the current revenue allocation with the proposed allocation. Under the proposed rates, commercial customers will pay less in total revenue with costs shifted to residential customers based on their proportional share of the City's total impervious area.

**Figure 7: Current vs. Proposed Storm Drain Revenue Recovery**



## 5.6 Storm Drain Rate Design

The rate derivation for the storm drain fee for each of the scenarios is detailed in the following sections 5.6.1 and 5.6.2.

To calculate the proposed O&M charge, the total annual O&M revenue requirement from the cash flow for each scenario is allocated between each customer class by multiplying the revenue requirement by the percentage of total impervious area in each (Table 53). Each revenue requirement is then divided by the total square footage in each customer class (also from Table 53) to derive a fee per square foot for each customer class.

To calculate the proposed capital charge, the total annual capital charge revenue requirement from the cash flow for each scenario is divided evenly between the projected number of accounts in each year of the five-year rate study period to derive a flat fee per account.

### 5.6.1 Storm Drain Rate Derivation – Scenario 1

As shown in the Scenario 1 cash flow projection (Table 51), it is proposed that annual rate revenues increase by 3.0% each year. Table 54 below allocates the total annual revenue requirement for 2025/26 to each customer class and Table 55 derives the O&M rate for each customer class.

It should be noted that the current storm drain O&M rate for Storm Drain II (Greenhills) is charged on a per home rather than per square footage basis. It is proposed that the rate be updated to a rate per square foot to be more consistent with the City's other customer classes.

**Table 54: Storm Drain O&M Rate Revenue Requirement Allocation – Scenario 1**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | 2025/26 |
|---|---|---|
| **Total Storm Drain Operating & Maintenance Revenue Requirement [1]** | | $100,000 |
| **Customer Class Allocation** | **% of Total Impervious Area** | |
| Residential Low | 1.4% | $1,430 |
| Residential Medium | 51.8% | $51,759 |
| Multi-Family | 7.8% | $7,782 |
| Commercial | 22.3% | $22,350 |
| Industrial | 2.0% | $1,955 |
| Vacant | 1.6% | $1,644 |
| Schools/Hospitals | 2.8% | $2,758 |
| Storm Drain II | 10.3% | $10,323 |
| Total | 100.0% | $100,000 |

[1] Scenario 1 Cash Flow, Line 8

**Table 55: Storm Drain O&M Rate Derivation by Customer Class – Scenario 1**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | 2025/26 |
|---|---|
| **Rate Calculation for Residential Low** | |
| Total Revenue Requirement | $1,430 |
| Total Square Feet Residential Low | 724,737 |
| Monthly Single Family Residential Rate (per square foot) | $0.0001644 |
| **Rate Calculation for Residential Medium** | |
| Total Revenue Requirement | $51,759 |
| Total Square Feet Residential Medium | 20,991,196 |
| Monthly Single Family Residential Rate (per square foot) | $0.0002055 |
| **Rate Calculation for Multi-Family** | |
| Total Revenue Requirement | $7,782 |
| Total Square Feet Multi-Family | 2,427,710 |
| Monthly Multi-Family Residential Rate (per square foot) | $0.0002671 |
| **Rate Calculation for Commercial** | |
| Total Revenue Requirement | $22,350 |
| Total Square Feet Commercial | 5,665,072 |
| Monthly Commercial Rate (per square foot) | $0.0003288 |
| **Rate Calculation for Industrial** | |
| Total Revenue Requirement | $1,955 |
| Total Square Feet Industrial | 566,280 |
| Monthly Industrial Rate (per square foot) | $0.0002877 |
| **Rate Calculation for Vacant** | |
| Total Revenue Requirement | $1,644 |
| Total Square Feet Vacant | 952,432 |
| Monthly Vacant Rate (per square foot) | $0.0001438 |
| **Rate Calculation for Schools/Hospitals** | |
| Total Revenue Requirement | $2,758 |
| Total Square Feet Schools/Hospitals | 1,864,370 |
| Monthly Schools/Hospitals (per square foot) | $0.0001233 |
| **Rate Calculation for Storm Drain II** | |
| Total Revenue Requirement | $10,323 |
| Total Square Feet Storm Drain II | 4,651,641 |
| Monthly Storm Drain II (per square foot) | $0.0001849 |

The rate derivation for the proposed capital charge per account for 2025/26 through 2029/30 is provided in Table 56.

**Table 56: Storm Drain Capital Charge Derivation – Scenario 1**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Current | Proposed | | | | |
|---|---|---|---|---|---|---|
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **CAPITAL CHARGE** | | | | | | |
| Annual Revenue Requirement [1] | | $131,000 | $136,000 | $141,000 | $147,000 | $153,000 |
| Total No. of Accounts | | 3,807 | 3,845 | 3,884 | 3,922 | 3,962 |
| Annual Charge | | $34.41 | $35.37 | $36.31 | $37.48 | $38.62 |
| **Monthly Storm Drain Capital Charge** | $2.61 | $2.87 | $2.95 | $3.03 | $3.12 | $3.22 |
| *Annual Change* | | *9.9%* | *2.8%* | *2.6%* | *3.2%* | *3.1%* |

[1] Scenario 1 Cash Flow, Line 9

### 5.6.2 Storm Drain Rate Derivation – Scenario 2

The proposed rates for Scenario 2 are derived in the same manner as the proposed rates for Scenario 1. However, the proposed annual revenue requirements are different for Scenario 2, reflecting the City's need for additional cash to fund CIP projects should grant funding not be available. Table 57, Table 58, and Table 59 derive the O&M revenue requirements, proposed 2025/26 storm drain O&M rates, and proposed storm drain capital charges, respectively.

**Table 57: Storm Drain O&M Rate Derivation – Scenario 2**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | | 2025/26 |
|---|---|---|
| **Total Storm Drain Operating & Maintenance Revenue Requirement [1]** | | $124,000 |
| **Customer Class Allocation** | **% of Total Impervious Area** | |
| Residential Low | 1.4% | $1,773 |
| Residential Medium | 51.8% | $64,181 |
| Multi-Family | 7.8% | $9,650 |
| Commercial | 22.3% | $27,714 |
| Industrial | 2.0% | $2,424 |
| Vacant | 1.6% | $2,038 |
| Schools/Hospitals | 2.8% | $3,420 |
| Storm Drain II | 10.3% | $12,800 |
| Total | 100.0% | $124,000 |

[1] Scenario 2 Cash Flow, Line 8

**Table 58: Storm Drain O&M Rate Derivation by Customer Class – Scenario 2**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | 2025/26 |
|---|---|
| **Rate Calculation for Residential Low** | |
| Total Revenue Requirement | $1,773 |
| Total Square Feet Residential Low | 724,737 |
| Monthly Single Family Residential Rate (per square foot) | $0.0002038 |
| **Rate Calculation for Residential Medium** | |
| Total Revenue Requirement | $64,181 |
| Total Square Feet Residential Medium | 20,991,196 |
| Monthly Single Family Residential Rate (per square foot) | $0.0002548 |
| **Rate Calculation for Multi-Family** | |
| Total Revenue Requirement | $9,650 |
| Total Square Feet Multi-Family | 2,427,710 |
| Monthly Multi-Family Residential Rate (per square foot) | $0.0003312 |
| **Rate Calculation for Commercial** | |
| Total Revenue Requirement | $27,714 |
| Total Square Feet Commercial | 5,665,072 |
| Monthly Commercial Rate (per square foot) | $0.0003288 |
| **Rate Calculation for Industrial** | |
| Total Revenue Requirement | $2,424 |
| Total Square Feet Industrial | 566,280 |
| Monthly Industrial Rate (per square foot) | $0.0002877 |
| **Rate Calculation for Vacant** | |
| Total Revenue Requirement | $2,038 |
| Total Square Feet Vacant | 952,432 |
| Monthly Vacant Rate (per square foot) | $0.0001438 |
| **Rate Calculation for Schools/Hospitals** | |
| Total Revenue Requirement | $3,420 |
| Total Square Feet Schools/Hospitals | 1,864,370 |
| Monthly Schools/Hospitals (per square foot) | $0.0001529 |
| **Rate Calculation for Storm Drain II** | |
| Total Revenue Requirement | $12,800 |
| Total Square Feet Storm Drain II | 4,651,641 |
| Monthly Storm Drain II (per square foot) | $0.0002293 |

**Table 59: Storm Drain Capital Charge Derivation – Scenario 2**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Current | Proposed | | | | |
|---|---|---|---|---|---|---|
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **CAPITAL CHARGE** | | | | | | |
| Annual Revenue Requirement [1] | | $163,000 | $171,000 | $180,000 | $189,000 | $199,000 |
| Total No. of Accounts | | 3,807 | 3,845 | 3,884 | 3,922 | 3,962 |
| Annual Charge | | $42.82 | $44.47 | $46.35 | $48.19 | $50.23 |
| **Monthly Storm Drain Capital Charge** | $2.61 | $3.57 | $3.71 | $3.86 | $4.02 | $4.19 |
| *Annual Change* | | *36.7%* | *3.9%* | *4.2%* | *4.0%* | *4.2%* |

[1] Scenario 2 Cash Flow, Line 9

## 5.7 Proposed 5-Year Schedule of Storm Drain Rates

The five-year rate plans for Scenario 1 and Scenario 2 are shown in Table 60 and Table 61. The projected O&M rates for the years beyond 2025/26 are calculated by multiplying the 2025/26 rates for each customer class by the proposed rate increase for each year from the cash flow projection.

**Table 60: Proposed Storm Drain Rates – Scenario 1**
**City of Chowchilla**
**2025 Utilities Rate Study**

| PROPOSED STORM DRAIN RATES - SCENARIO 1: $2.3M GRANT | | | | | | |
|---|---|---|---|---|---|---|
| | | Proposed | | | | |
| Fee | Current | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **CAPITAL CHARGE (per account)** | | | | | | |
| Storm Drain Capital [1] | $2.61 | $2.87 | $2.95 | $3.03 | $3.12 | $3.22 |
| **OPERATIONS & MAINTENANCE CHARGE (per square foot)** | | | | | | |
| Residential Low | $0.0001750 | $0.0001627 | $0.0001676 | $0.0001726 | $0.0001778 | $0.0001832 |
| Residential Medium | $0.0001833 | $0.0002034 | $0.0002095 | $0.0002158 | $0.0002223 | $0.0002290 |
| Multi-Family | $0.0002167 | $0.0002645 | $0.0002724 | $0.0002806 | $0.0002890 | $0.0002976 |
| Commercial | $0.0002500 | $0.0003255 | $0.0003352 | $0.0003453 | $0.0003557 | $0.0003663 |
| Industrial | $0.0002750 | $0.0002848 | $0.0002933 | $0.0003021 | $0.0003112 | $0.0003205 |
| Vacant Lots/Land | $0.0000917 | $0.0001424 | $0.0001467 | $0.0001511 | $0.0001556 | $0.0001603 |
| Schools/Hospitals | $0.0001583 | $0.0001221 | $0.0001257 | $0.0001295 | $0.0001334 | $0.0001374 |
| Storm Drain II (Greenhills) [1] | $2.2000000 | $0.0001831 | $0.0001886 | $0.0001942 | $0.0002001 | $0.0002061 |

1 - Current charge for Greenhills is per account. Proposed charge is based on square footage.

**Table 61: Proposed Storm Drain Rates – Scenario 2**
**City of Chowchilla**
**2025 Utilities Rate Study**

| PROPOSED STORM DRAIN RATES - SCENARIO 1: $2.3M GRANT | | | | | | |
|---|---|---|---|---|---|---|
| | | Proposed | | | | |
| Fee | Current | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **CAPITAL CHARGE (per account)** | | | | | | |
| Storm Drain Capital [1] | $2.61 | $3.57 | $3.71 | $3.86 | $4.02 | $4.19 |
| **OPERATIONS & MAINTENANCE CHARGE (per square foot)** | | | | | | |
| Residential Low | $0.0001750 | $0.0002038 | $0.0002120 | $0.0002205 | $0.0002293 | $0.0002385 |
| Residential Medium | $0.0001833 | $0.0002548 | $0.0002650 | $0.0002756 | $0.0002866 | $0.0002981 |
| Multi-Family | $0.0002167 | $0.0003312 | $0.0003445 | $0.0003583 | $0.0003726 | $0.0003875 |
| Commercial | $0.0002500 | $0.0004077 | $0.0004240 | $0.0004409 | $0.0004586 | $0.0004769 |
| Industrial | $0.0002750 | $0.0003567 | $0.0003710 | $0.0003858 | $0.0004013 | $0.0004173 |
| Vacant Lots/Land | $0.0000917 | $0.0001784 | $0.0001855 | $0.0001929 | $0.0002006 | $0.0002087 |
| Schools/Hospitals | $0.0001583 | $0.0001529 | $0.0001590 | $0.0001654 | $0.0001720 | $0.0001788 |
| Storm Drain II (Greenhills) [1] | $2.2000000 | $0.0002293 | $0.0002385 | $0.0002480 | $0.0002579 | $0.0002683 |

1 - Current charge for Greenhills is per account. Proposed charge is based on square footage.

## 5.8 Storm Drain Bill Impacts

The following tables illustrate the impacts of the proposed rates for a typical single family residential lot using the City's average lot size of 7,800 square feet (SF) and a sample commercial parcel with a lot size of 10,000 SF. Table 62 shows the sample bill impacts for Scenario 1 and Table 63 shows the sample bill impacts for Scenario 2. Actual bill impacts will vary for each customer depending on customer classification and lot size.

**Table 62: Storm Drain Monthly Bill Impacts – Scenario 1**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Current | Proposed | | | | |
|---|---|---|---|---|---|---|
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **RESIDENTIAL MEDIUM - 7,800 SF (AVERAGE LOT SIZE)** | | | | | | |
| Operations & Maintenance Charge | $1.43 | $1.59 | $1.63 | $1.68 | $1.73 | $1.79 |
| Capital Charge | $2.61 | $2.87 | $2.95 | $3.03 | $3.12 | $3.22 |
| **Total Monthly Storm Drain Bill** | **$4.04** | **$4.45** | **$4.58** | **$4.71** | **$4.86** | **$5.00** |
| *$ Change* | | *$0.41* | *$0.13* | *$0.13* | *$0.15* | *$0.15* |
| *% Change* | | *10.3%* | *2.9%* | *2.8%* | *3.1%* | *3.0%* |
| **COMMERCIAL - 10,000 SF** | | | | | | |
| Operations & Maintenance Charge | $2.50 | $3.25 | $3.35 | $3.45 | $3.56 | $3.66 |
| Capital Charge | $2.61 | $2.87 | $2.95 | $3.03 | $3.12 | $3.22 |
| **Total Monthly Storm Drain Bill** | **$5.11** | **$6.12** | **$6.30** | **$6.48** | **$6.68** | **$6.88** |
| *$ Change* | | *$1.01* | *$0.18* | *$0.18* | *$0.20* | *$0.20* |
| *% Change* | | *19.8%* | *2.9%* | *2.8%* | *3.1%* | *3.0%* |

**Table 63: Storm Drain Monthly Bill Impacts – Scenario 2**
**City of Chowchilla**
**2025 Utilities Rate Study**

| | Current | Proposed | | | | |
|---|---|---|---|---|---|---|
| | | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
| **RESIDENTIAL MEDIUM - 7,800 SF (AVERAGE LOT SIZE)** | | | | | | |
| Operations & Maintenance Charge | $1.43 | $1.99 | $2.07 | $2.15 | $2.24 | $2.32 |
| Capital Charge | $2.61 | $3.57 | $3.71 | $3.86 | $4.02 | $4.19 |
| **Total Monthly Storm Drain Bill** | **$4.04** | **$5.56** | **$5.77** | **$6.01** | **$6.25** | **$6.51** |
| *$ Change* | | *$1.52* | *$0.22* | *$0.24* | *$0.24* | *$0.26* |
| *% Change* | | *37.5%* | *3.9%* | *4.1%* | *4.0%* | *4.2%* |
| **COMMERCIAL - 10,000 SF** | | | | | | |
| Operations & Maintenance Charge | $2.50 | $4.08 | $4.24 | $4.41 | $4.59 | $4.77 |
| Capital Charge | $2.61 | $3.57 | $3.71 | $3.86 | $4.02 | $4.19 |
| **Total Monthly Storm Drain Bill** | **$5.11** | **$7.64** | **$7.95** | **$8.27** | **$8.60** | **$8.96** |
| *$ Change* | | *$2.53* | *$0.30* | *$0.33* | *$0.33* | *$0.35* |
| *% Change* | | *49.6%* | *3.9%* | *4.1%* | *4.0%* | *4.1%* |

## 5.9 Storm Drain Rate Issues

Prior to implementation, the City will need to consider the following issues:

- **Proposition 218 Ballot Vote**
  Absent any changes to storm drain legislation, the City is advised to pursue the additional mailed ballot proceeding for any proposed storm drain rate increases. Although SB 231 clarified the definition of "sewer" in Proposition 218 to include both sanitary and storm sewer, thus exempting storm drain rates from the additional ballot requirement, proponents of Proposition 218 have continued to threaten litigation against any agencies that move forward without a ballot vote.

- **Update Projections**
  The storm drain cash flow projections will need to be updated to reflect the most current financial information before the City proceeds with rate implementation. In particular, the financing approach to pay for the infrastructure projects in the storm drain capital improvement plan will need to be updated to reflect whether the City will fund projects with cash funding, grant funding, debt financing, or a combination of all three. If the City does not obtain grant funding for major projects, the City will likely need to adopt rate increases.

- **Rate Structure**
  The current fee structure includes both a flat fee and a charge based on square footage. To comply with Proposition 218, it is recommended that the City apportion costs based on estimated runoff area which is commonly used as a proxy for the capacity each parcel requires in the storm drain system. As demonstrated in the rates calculated in this report, industry standards for runoff coefficients can be used to estimate runoff, or the City could elect to complete a GIS and aerial survey in the future to determine the actual impervious area for all parcels within the City.