



Water Rate Study

CITY OF MANTECA
ADMINISTRATION CENTER

Rate Study Process

- Financial Plan: How much revenue is needed overall?
- Rate Design: What is the best way to recover that revenue from different types of customers?





Financial Plan: Process

- Revenue
 - Rate Revenue
 - Misc. Revenue
 - Growth
- Financial Policies
 - Reserve Targets
 - Debt Coverage
- Expenses
 - O&M
 - Capital



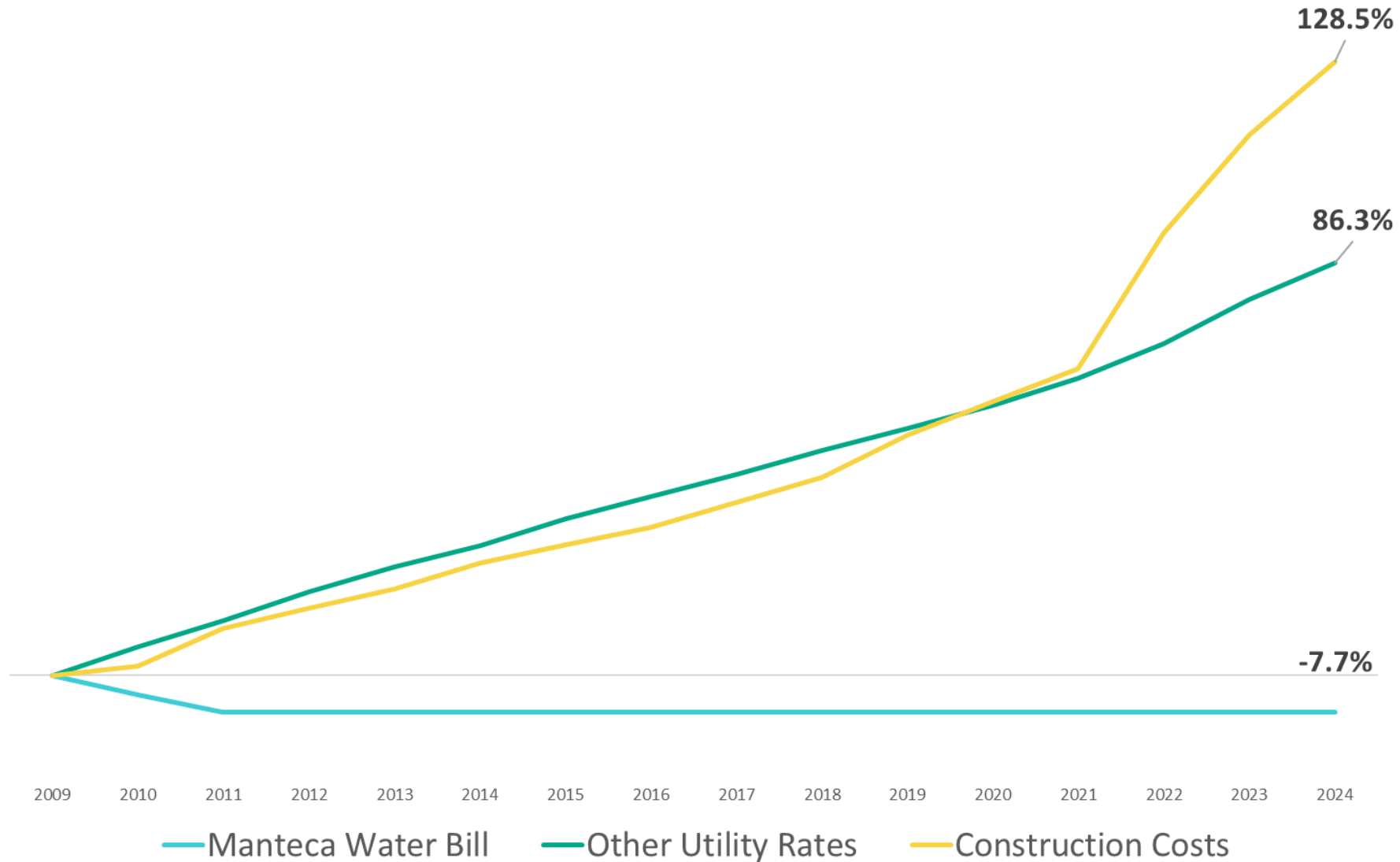


Financial Plan: Current Condition

- Utility rate revenue is \$13 million per year.
- Basic operating expenses are \$19 million per year.
- Cash balance at the beginning of the fiscal year was \$6.4 million.



Financial Plan: Rate History





Financial Plan: Operating Expenses

1. The forecast of system operating expenses is based on prior year budgets.
 - I. Staff reviewed future needs to determine the FY 2026 expense forecast.
 - II. Estimated inflation factors applied to future years – average of 4.5% per year.
2. Forecast includes projection of new employees needed as the utility grows.
3. Water purchases from South San Joaquin Irrigation District (SSJID) account for about 25% of City O&M.
4. Includes debt service of approximately \$1.1 million per year through 2034 for the Series 2012 bonds.





Financial Plan: Capital Expenditures

1. Source of Supply Renovations
 - Well 29 and Well 30
2. New Utilities Building
3. Pipeline Repair and Maintenance
 - About \$5.7 million through 2029
4. Miscellaneous Upgrades and Improvements
 - Vehicles, water meters, storage tanks, etc
 - Approximately \$10 million through 2029



Financial Plan: Recommendations

1. The City should adjust rates in May 2025 to collect an additional \$1.1 million through the end of the fiscal year.
2. The City should implement additional rate adjustments July 1, 2026 and each year thereafter.
 - Cumulatively, these adjustments would increase annual revenue to \$25 million in FY 2029.
3. The water utility operating fund should borrow \$10 million from the water capacity fee fund in FY 2025 and \$5 million in FY 2026.





Rate Design: Process

Overall Objective: Align costs with users based on demand.

Key Topics:

1. Monthly Fixed Charge
2. Volumetric Rate Structure



Rate Design: Current Rates

- **Fixed Charge**

- \$17.15 per month for customers with the smallest meter size
- Customers with larger meters pay a higher charge

- **Volumetric Charges**

- Inclining block structure
- Higher water use costs more per unit of water
- Different tier breakpoints for larger meter sizes

Monthly Fixed Charge

3/4"	\$ 17.15
1"	26.50
1 1/2"	49.65
2"	77.55
3"	142.70
4"	235.80
6"	468.20
8"	747.25

Volume Charge (per hcf)

Tier 1 (1-20 hcf)	\$ 1.03
Tier 2 (21-300 hcf)	1.35
Tier 3 (>300 hcf)	2.72



Rate Design: Recommendations

1. Revise fixed charges to align with current cost structure.

- All charges will increase, but by different amounts.
- In general, charges for larger meters will increase more than charges for small meters.

2. The City should adopt a uniform rate structure.

- Each unit of water costs the same.
- Rates for lower water use will increase the most. Rates for water currently in Tier 3 will decline.



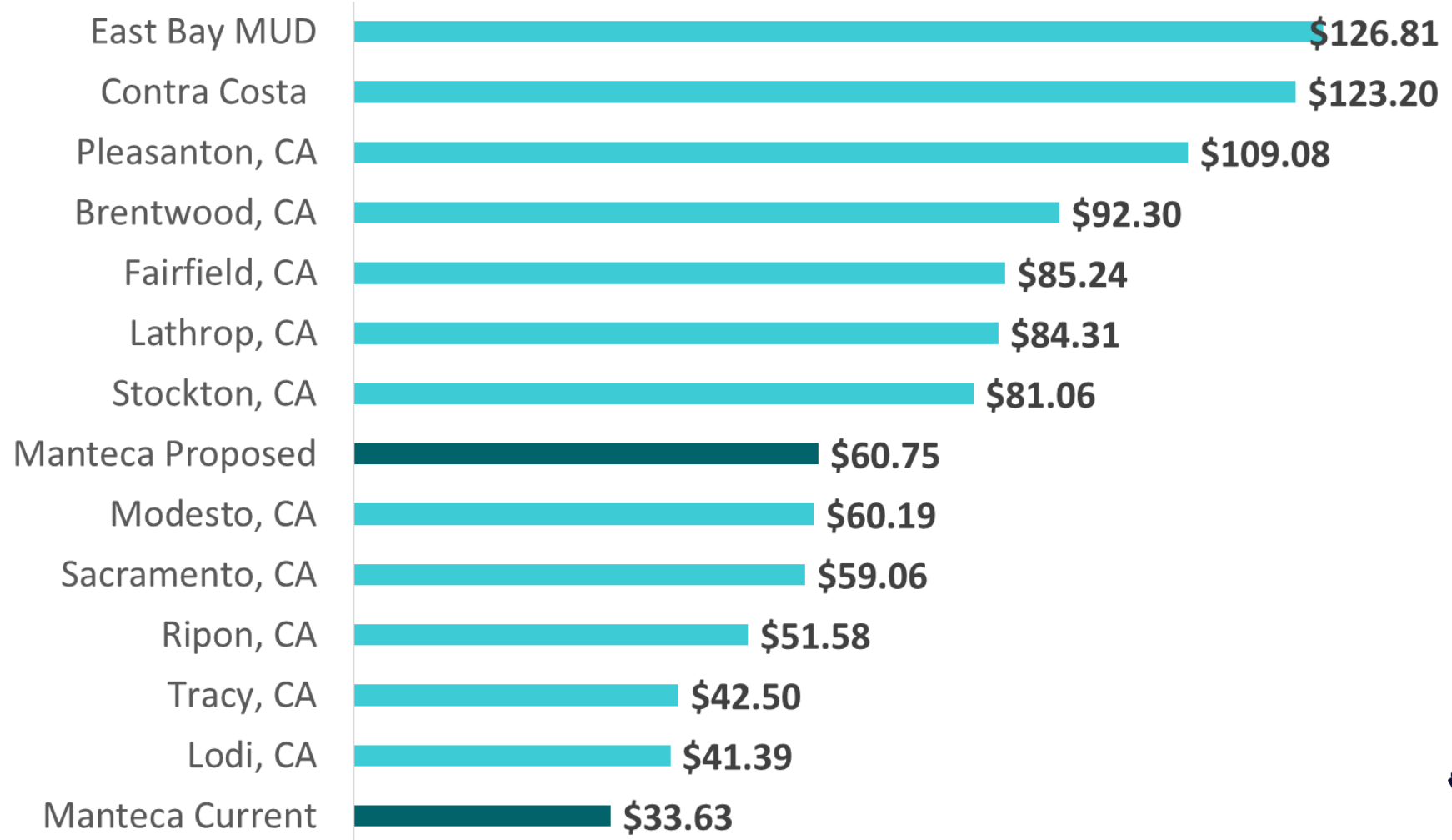
Rate Schedule

Line	Description	FY 2024 <i>Current</i>	FY 2025 <i>Proposed</i>	FY 2026 <i>Proposed</i>	FY 2027 <i>Proposed</i>	FY 2028 <i>Proposed</i>	FY 2029 <i>Proposed</i>
1	Effective Date		May 15, 2025		July 1, 2026	July 1, 2027	July 1, 2028
	Monthly Fixed Charge						
2	3/4"	\$ 17.15	\$ 21.23	\$ 21.23	\$ 27.60	\$ 32.57	\$ 34.53
3	1"	26.50	30.95	30.95	40.24	47.49	50.34
4	1 1/2"	49.65	55.26	55.26	71.84	84.78	89.87
5	2"	77.55	84.43	84.43	109.76	129.52	137.30
6	3"	142.70	176.79	176.79	229.83	271.20	287.48
7	4"	235.80	312.91	312.91	406.79	480.02	508.83
8	6"	468.20	784.46	784.46	1,019.80	1,203.37	1,275.58
9	8"	747.25	1,367.81	1,367.81	1,778.16	2,098.23	2,224.13
	Volume Charge (per hcf)						
10	All Volume	N/A	\$ 2.47	\$ 2.47	\$ 3.22	\$ 3.80	\$ 4.03
11	Tier 1 (1-20 hcf)	\$ 1.03	N/A	N/A	N/A	N/A	N/A
12	Tier 2 (21-300 hcf)	1.35	N/A	N/A	N/A	N/A	N/A
13	Tier 3 (>300 hcf)	2.72	N/A	N/A	N/A	N/A	N/A



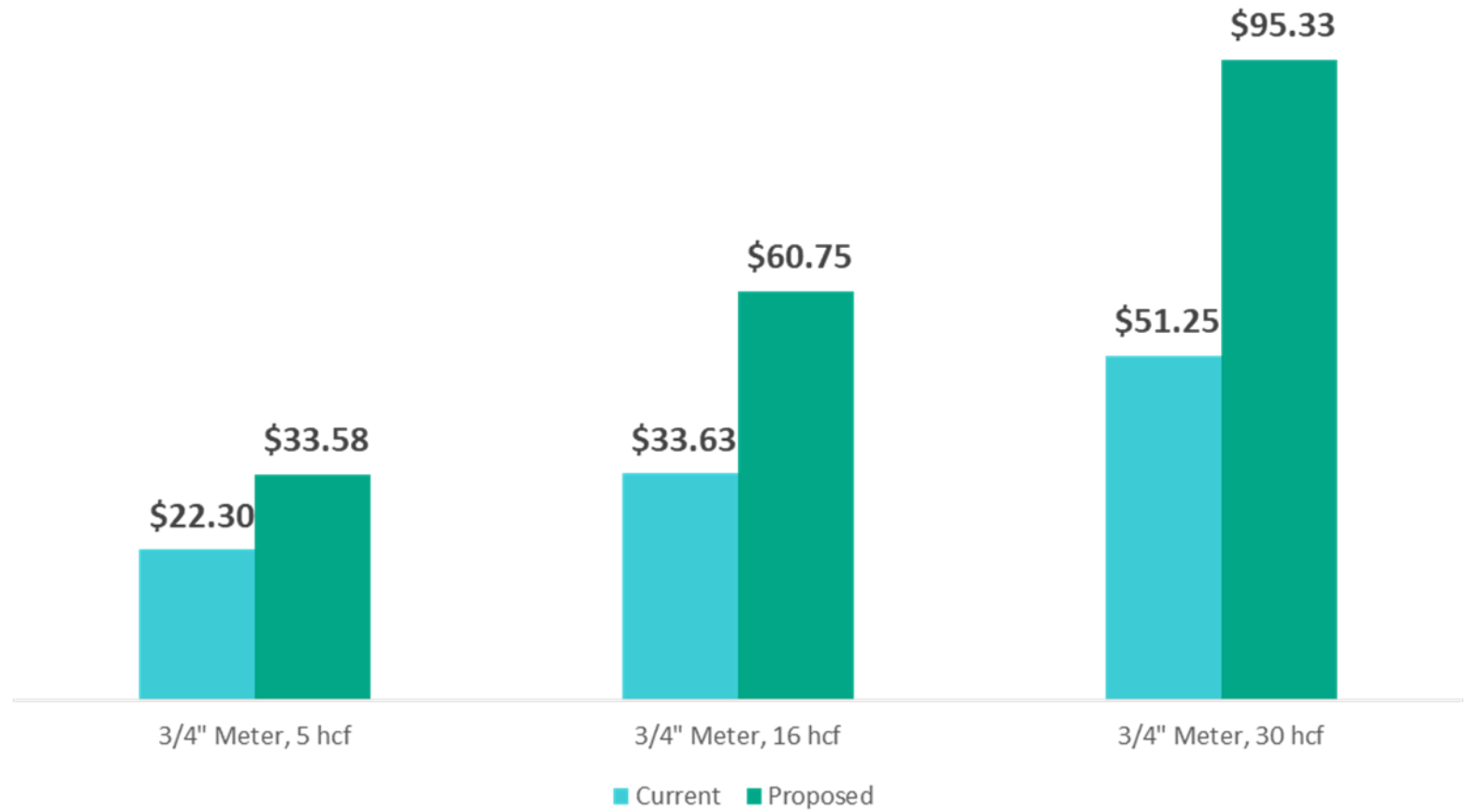
Bill Impacts: Comparison to Other Communities

- Monthly cost for a residential customer with a 3/4" meter using 16 hcf per month.





Bill Impacts: Residential





Bill Impacts: Commercial





THANK YOU!

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