



## CITY HALL

CITY OF ANGELS PO Box 667, 200 Monte Verda St. Suite B, Angels Camp, CA 95222 P: (209) 736-2181

**DATE:** June 3, 2025  
**TO:** City Council  
**FROM:** Michelle Gonzalez, Finance Director  
**RE:** **DISCUSSION AND DIRECTION ON PROPOSED WATER, WASTEWATER, AND UTICA RATE INCREASES**

### **RECOMMENDATION:**

Staff recommends that the City Council discuss and provide direction on proposed utility rate adjustments to take effect on June 21, 2025. City Staff would like to propose a 2% increase to water rates, a 1% increase to wastewater rates, and a 3% increase to the Utica pass-through rate.

### **BACKGROUND:**

The City recently completed a Water and Wastewater Rate Study in collaboration with its rate consultant. The study evaluated current revenues, operational costs, and projected capital improvement needs over a five-year planning horizon. The consultant recommended the following rate adjustments for Fiscal Year 2025-26:

- 3% increase to water rates
- 2% increase to wastewater rates
- 6.22% increase to the Utica pass-through rate

These recommendations were based on projected operating expenses, inflationary trends, and planned capital investments.

### **DISCUSSION:**

Upon review of the rate study, current FY 2025-26 budget estimates, and the updated five-year Capital Improvement Plan (CIP), staff has conducted an internal analysis and recommends a more modest rate adjustment than proposed in the consultant's initial recommendation. Key considerations include:



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- **Budget Alignment:** The current projections for FY 2025-26 show utility revenues are expected to meet or slightly exceed expenses under a rate structure with a 2% water increase and 1% wastewater increase. This is slightly below the 5% system-wide increase projected in the rate study, but in line with actual spending needs.

		Budget FY 2025/26					
	Est 6/30/2025	Revenue	Expense	CIP	Total Expense	Reserve Usage	Reserve Balance
Wastewater	3,519,659	3,261,551	2,229,950	1,975,000	4,204,950	(943,399)	9,558,723
Water	2,015,638	2,064,196	1,246,150	2,090,000	3,336,150	(1,271,954)	5,184,399

- **Capital Improvement Planning:** Several projects initially planned for the five-year period have been shifted to years 6–10, with the hope of securing grant funding. As a result, the capital spending in the five-year window is expected to be less than originally forecasted in the study.

CIP			
Water	Annual Cost	Total Cost	Year
Auto Meter Readers	1,000,000	1,750,000	2, 3
WTP-2 Transmission Main Replacement	1,090,000	2,180,000	2, 3
WDP-1 Mark Twain Road	340,000	680,000	3, 4
WTM-2 M.G. Rd Transmission Main Upgrade	1,150,000	2,300,000	4, 5
		<b>6,910,000</b>	
Wastewater	Annual Cost	Total Cost	Year
WWCS-1 & 2 Booster Way/Vallecito/East Angels	1,975,000	2,000,000	2, 3
WWCS-3 Main St Sewer Replacement	700,000	700,000	3
WWCS-4 Murphys Grade Rd Sewer Rehab	760,000	760,000	4
I&I Projects	300,000	300,000	5
		<b>3,760,000</b>	



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- **Utica Pass-Through Rate:** Staff recommends a 3% increase rather than the 6.22% recommended by the consultant. The City's current reserve for the Utica component is approximately \$576,000, which can be partially drawn down over the five-year period to support the reduced rate increase. This approach allows for flexibility to re-evaluate in year 5 whether a higher contribution will be needed, particularly in light of potential cost impacts related to the FERC exemption. Under this plan, approximately \$158,052 of the reserve will be used, leaving a healthy remaining balance of \$418,067, just under one year's typical contribution.

Utica Reserves 576,119

Year of Rate Study	1	2	3	4	5
Fiscal Year	25/26	26/27	27/28	28/29	29/30
Estimated Revenue	419,731.21	431,956.39	457,303.26	482,650.14	507,997.01
Contribution	407,000.00	447,700.00	492,470.00	541,717.00	568,803.00
Rate 5/8 Meter	14.33	14.76	15.68	16.65	17.69
Recommended per Prop 218	14.78	15.70	16.67	17.71	18.60
Difference in Contribution	12,731.21	(15,743.61)	(35,166.74)	(59,066.86)	(60,805.99)
Difference in Rate 5/8 Meter	(0.45)	(0.94)	(0.99)	(1.06)	(0.91)

- **Customer Impacts and Economic Conditions:** The recommended moderate increases aim to balance infrastructure needs with customer affordability, especially given current economic uncertainties and inflationary pressures affecting household budgets. The more conservative rate adjustments also provide flexibility in the event of rising material costs due to tariffs or market volatility. Current CPI San Francisco April 2025 1.3%



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### **FINANCIAL IMPACT:**

The proposed rate increases are expected to provide sufficient revenue to cover operating costs, debt service, and capital needs for FY 2025-26, while maintaining healthy fund balances. The use of reserves in Water and Wastewater were planned for Capital Projects and the Utica pass-through component will be monitored and evaluated annually to ensure long-term sustainability.

### **CONCLUSION**

Staff believes that the recommended rate adjustments strike a prudent balance between maintaining fiscal responsibility and minimizing impacts on ratepayers. Staff requests Council discussion and direction to proceed with preparing the proposed rate changes to take effect on June 21, 2025. Customers will be notified immediately of the proposed rate changes.

### **ATTACHMENTS:**

- Resolution No. 25-31



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