



March 11, 2026

WATER AND SEWER RATE STUDY DISCUSSION CITY OF COACHELLA

PRESENTATION TO THE CITY COUNCIL



COACHELLA
WATER AUTHORITY &
SANITARY DISTRICT
SERVICE. VALUE. QUALITY.

NewGen
Strategies & Solutions

AGENDA

- Limitations of Presentation Material
- Executive Summary
- Rate Study Background, Process, and Guiding Principles
- Water and Sewer Operating Fund Forecasts
 - Current FY 2026 Expenses and Revenues
 - Initial “Worst Case” Expense Forecasts
 - Initial “Worst Case” Rate Impacts
- Initial Analysis of Impact Fee Cash Flow and Reserves
- Study Timeline
- Community Outreach

LIMITATIONS OF PRESENTATION MATERIAL

- All data, assumptions, figures, and tables in this presentation should be considered **draft for purposes of discussion**.
- Key data inputs and refinements of assumptions and/or estimations will have material impact on the study's recommendations, and therefore the final study results may differ from what is shown in this presentation.

EXECUTIVE SUMMARY

Water System

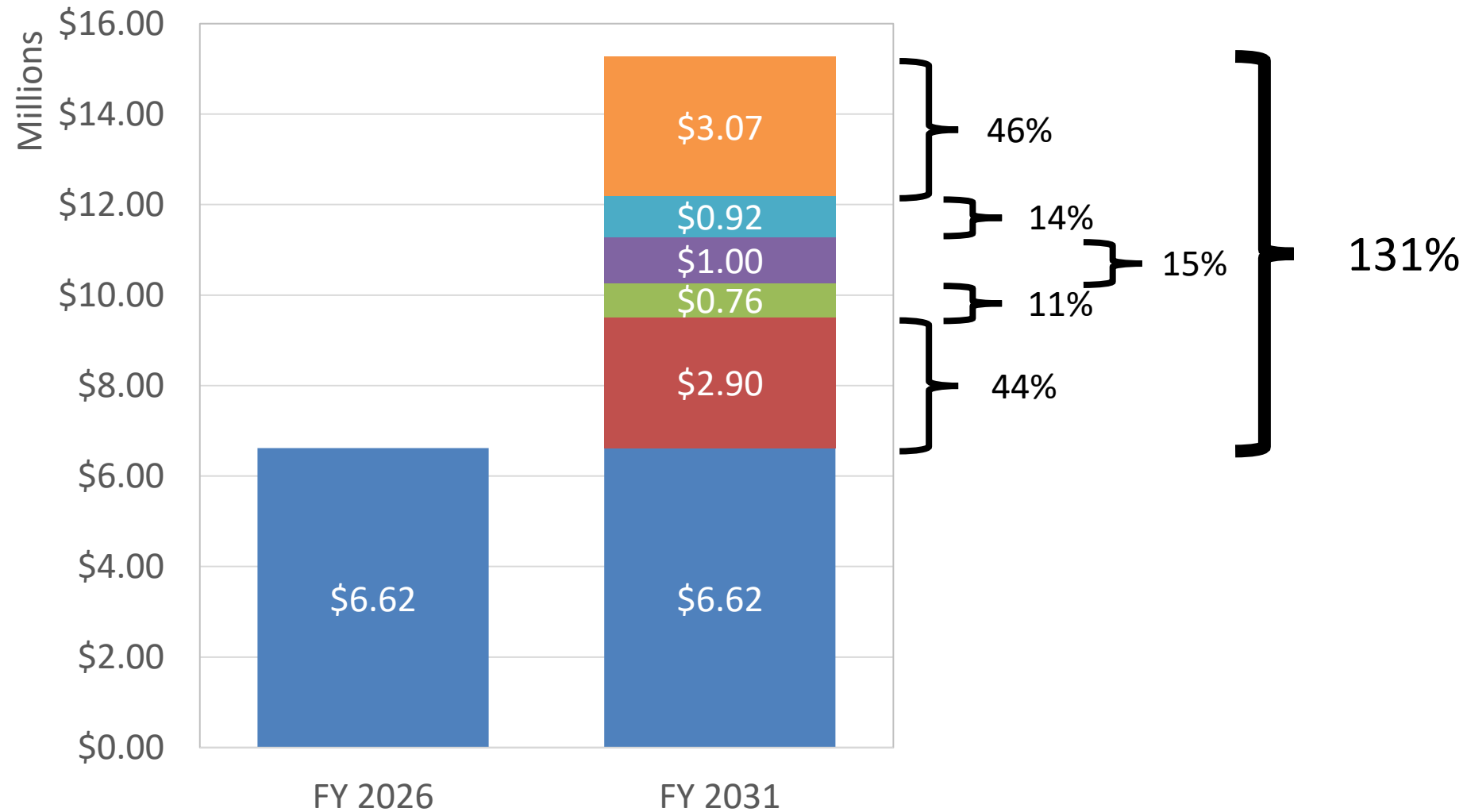
- Estimated operating cash flow deficit of \$1.6 million in FY 2026 and \$3.1 million in FY 2027 absent rate increases.
- Need to increase rate revenue by approximately 131% to fund future operations, capital investment needs, and Chromium-6 regulatory requirements.
 - “Worst Case” self-funding of Chrome-6 capital.
- Impact Fees do not reflect full cost recovery of growth-related capital costs.
 - Water Impact Fee reserves **are** sufficient to fund near-term expansion projects.

Sewer System

- Estimated operating cash flow surplus of \$656,000 in FY 2026 and \$12,000 in FY 2027 absent rate increases.
- Need to increase rate revenue by approximately 35% to fund future operations and capital investment needs.
- Sewer Impact Fees do not reflect full cost recovery of growth-related capital costs.
 - Sewer Impact Fee reserves **are not** sufficient to fund near-term expansion projects.
 - Operating reserves will support near-term expansion projects and will then be repaid.

WHAT IS DRIVING THE NEED TO INCREASE RATES?

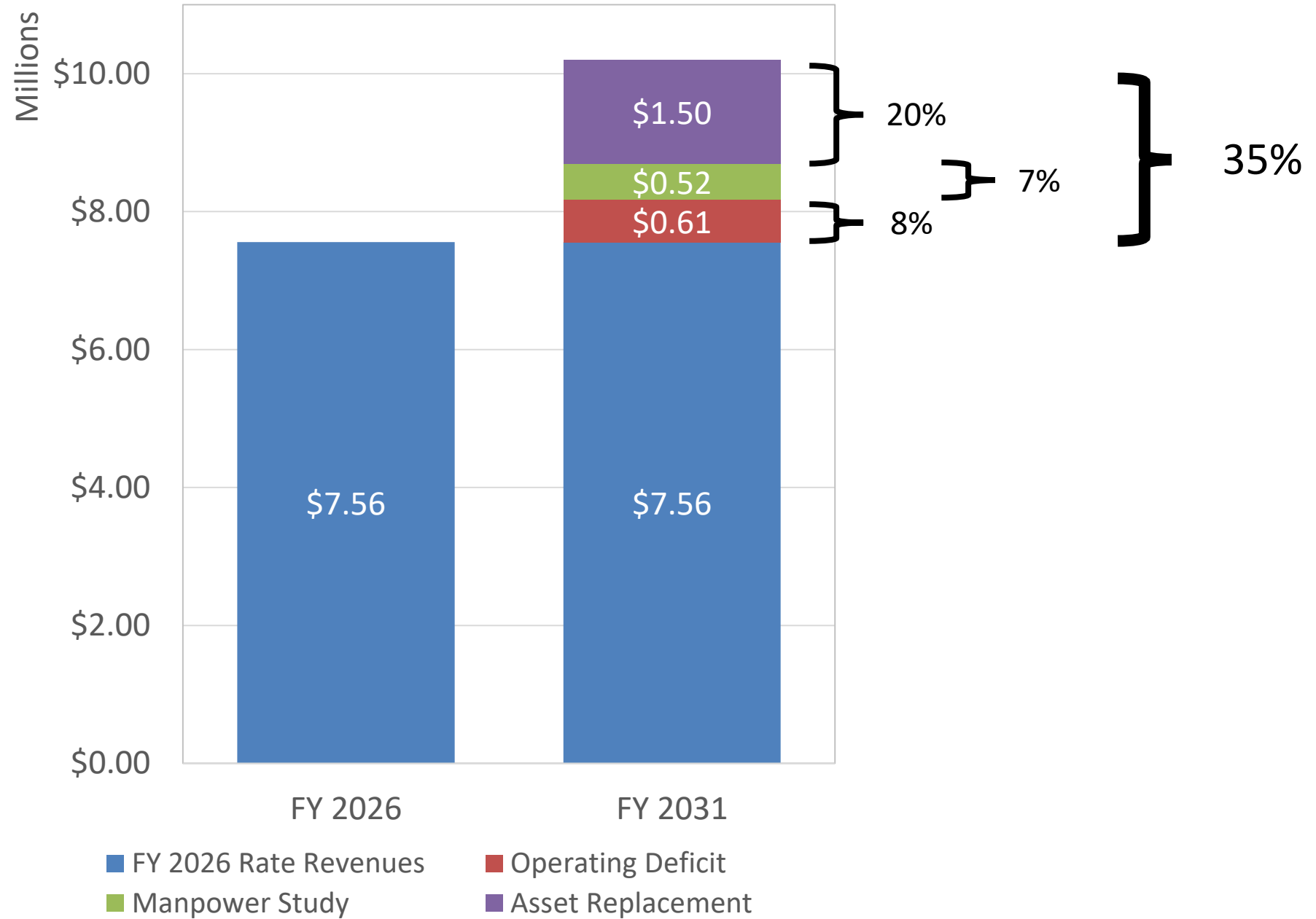
Water Rate Revenue Required – FY 2026 and FY 2031



- FY 2026 Rate Revenues
- Operating Deficit
- Manpower Study
- Asset Replacement
- Chromium-6 O&M
- Chromium-6 Debt Service

WHAT IS DRIVING THE NEED TO INCREASE RATES?

Sewer Rate Revenue Required – FY 2026 and FY 2031

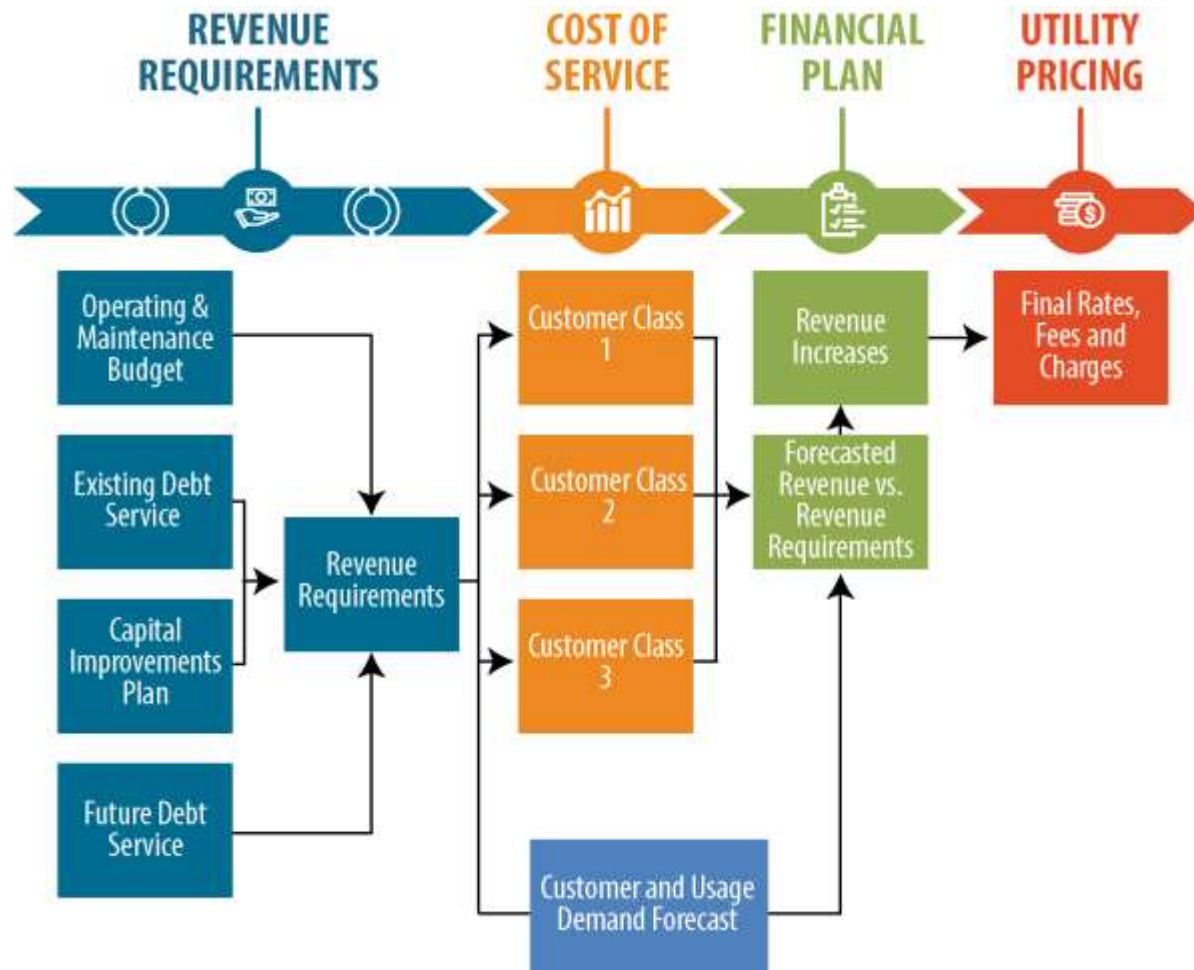


STUDY BACKGROUND, PROCESS, AND GUIDING PRINCIPLES

WATER AND SEWER RATE STUDY BACKGROUND

- The Coachella Water Authority and Sanitary District provide treated water distribution, sanitary sewer collection, and wastewater treatment services to over 9,000 customer connections.
- The last water rate increase was in 2015 based on a 2010 COS Study and the last sewer rate increase was in 2021 based on a 2017 COS Study.
- The City engaged NewGen to conduct Water and Sewer Rate and Impact Fee study. Key items in the Scope of Work include:
 - Evaluate future water and sanitary sewer revenue needs given expected future operating, capital, and regulatory conditions.
 - Recommend five-year water and sewer rate schedules to ensure safe, reliable, and environmentally sustainable water and sanitary sewer service.
 - Develop Impact Fees to ensure new development pays an appropriate share of growth-related capital costs.

COST OF SERVICE STUDY PROCESS



- **Revenue Requirements:**
Development of the full cost of providing water and sewer service.
- **Cost of Service:**
Allocation of revenue requirements to customer classes based on service demands.
- **Financial Plan:**
Development of a financial plan to fund each system's revenue requirements over time.
- **Utility Pricing:**
Rates designed to satisfy Cost of Service results and policy objectives.

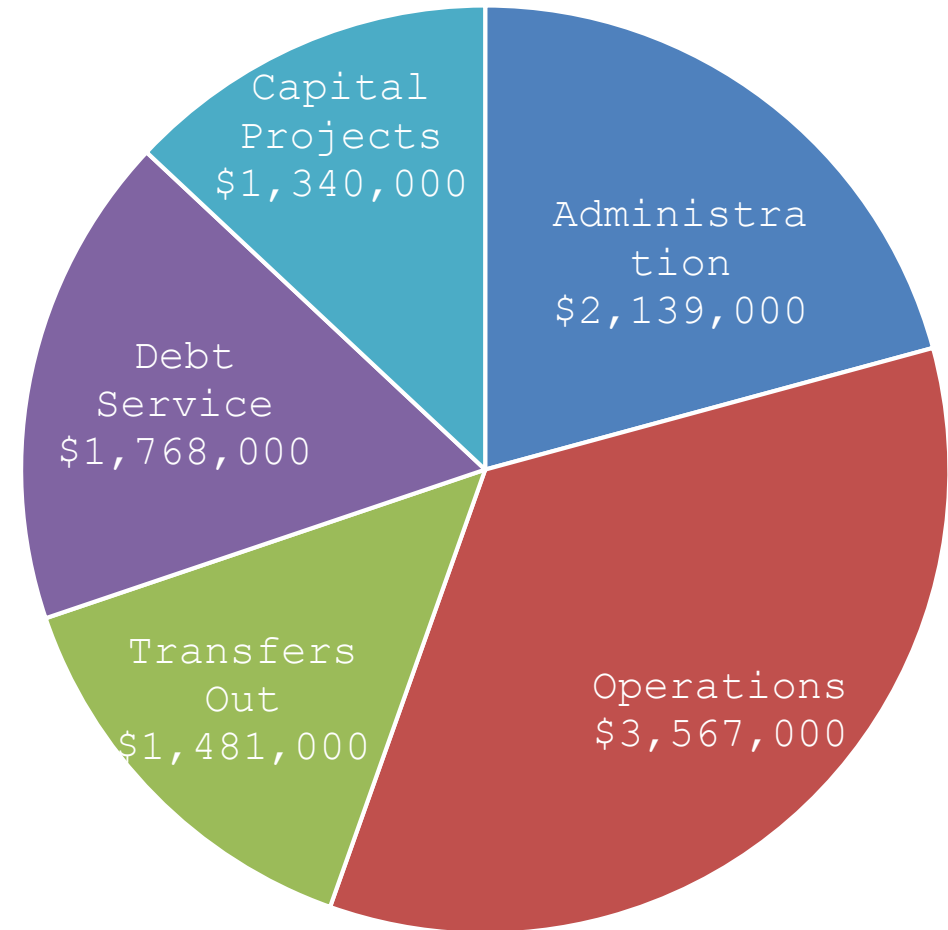
STUDY GUIDING PRINCIPLES

- **Cost Causation and Fairness**
 - Rates are based on the actual cost of providing service, with costs allocated to customer classes in proportion to their demand on the systems.
- **Legal and Regulatory Defensibility**
 - Legally defensible rates for both utilities that comply with Proposition 218.
- **Financial Sustainability and Stability**
 - Rates are designed to maintain adequate revenues over time, support reserve and debt coverage requirements, fund ongoing operations and capital needs, and avoid short-term fixes that create long-term risk.
- **Transparency and Understandability**
 - Data, assumptions, methodologies, and results are clearly documented and presented in a way that is understandable to staff, elected officials, and the public.

WATER

BASELINE WATER REVENUE REQUIREMENT (FY 2026)

- “Baseline” revenue requirement to meet current operating conditions.
- FY 2026 Capital Projects 100% grant Funded.
- Total Revenue needed from rates = \$8,284,000.
 - Total expenses less grant funded capital and non-rate revenues.
- FY 2026 Estimated Rate Revenue = \$6,620,000.



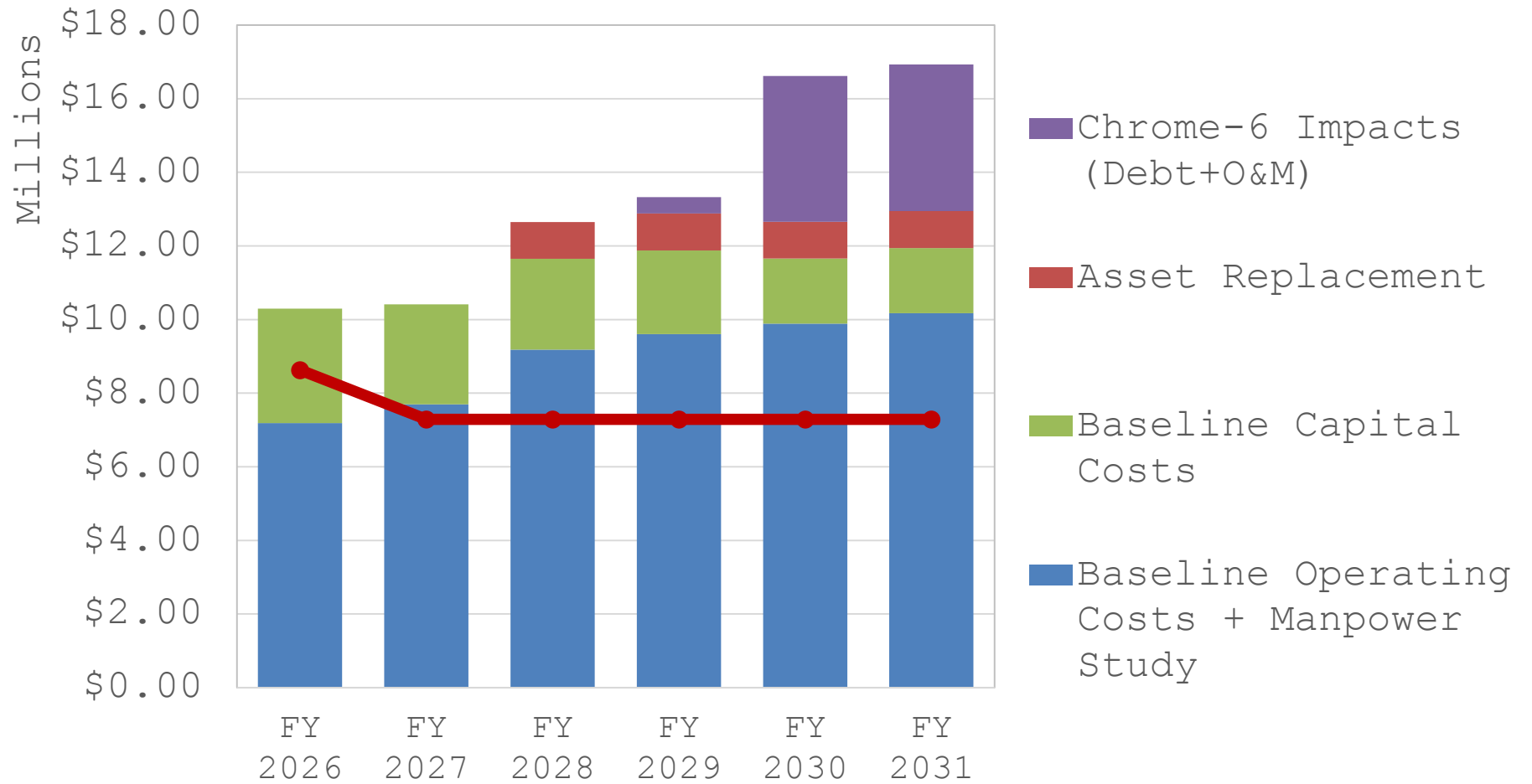
KEY ELEMENTS OF FUTURE WATER SYSTEM COSTS

- Increased operating costs (labor, benefits, materials, utilities, etc.) due to general economic inflation.
- Additional operator positions based on recently completed Manpower Study.
 - Total 6.5 new Full Time Equivalents.
- Building foundation for rehabilitation and replacement of existing system.
 - Funding depreciation of existing assets.
- Additional capital and operating costs related to the regulatory mandate to add Chromium-6 treatment to seven wells.

CHROMIUM-6 REGULATORY MANDATE

- In 2024, the State Water Resources Control Board adopted a new Maximum Contaminant Level (MCL) of 10 parts per billion (ppb) for Hexavalent Chromium (Chromium-6) in drinking water.
- The City's compliance deadline is July 3, 2031 (100% construction).
- City engaged Corona Environmental Consulting, LLC and Water Works Engineers, LLC to develop costs of complying with the new MCL. A Draft Preliminary Design report was delivered in December 2025.
- Operating Cost Impacts = \$900,000 per year
 - Additional manpower related to Chrome-6 improvements
 - Additional chemicals and electricity to run Chrome-6 treatment facilities
- Capital Cost Impacts = \$3,066,000 per year
 - Assumes 100% City financing of Chrome-6 improvements totaling \$49.1 million
 - **City is actively pursuing a Drinking Water State Revolving Fund (DWSRF) grant to fund 100% of the Chromium-6 improvements.**

WORST CASE EXPENSE VS. REVENUE FORECAST - WATER



- Decrease in FY 2027 revenue due to decrease in grant funded capital projects.
- Asset Replacement + Baseline Capital Costs = \$2.0 million per year in capital re-investment.
- Chromium-6 Capital: \$49.1 Million financed at 4.0% for 30 years.
- Revenue line assumes no water rate increases.

WORST CASE SCENARIO RATE FORECASTS

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DISCUSSION ONLY**

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Overall Revenue Increase	0.0%	0.0%	65.9%	6.2%	28.2%	2.1%
Fixed Charge Increase	-	-	134.9%	6.2%	28.2%	2.1%
Volumetric Charge Increase	-	-	37.4%	6.2%	28.2%	2.1%

Monthly Meter Charges						
3/4"	\$13.80	\$13.80	\$30.90	\$32.80	\$42.06	\$42.95
1"	\$19.32	\$19.32	\$50.71	\$53.83	\$69.02	\$70.48
1 1/12"	\$24.84	\$24.84	\$100.23	\$106.40	\$136.42	\$139.31
2"	\$40.02	\$40.02	\$159.65	\$169.48	\$217.30	\$221.90
3"	\$151.82	\$151.82	\$298.30	\$316.67	\$406.02	\$414.62
4"	\$193.22	\$193.22	\$496.38	\$526.95	\$675.62	\$689.93
6"	\$289.83	\$289.83	\$991.57	\$1,052.64	\$1,349.62	\$1,378.22
8"	\$400.24	\$400.24	\$1,585.80	\$1,683.47	\$2,158.42	\$2,204.16

Volumetric Rate per HCF						
Tier 1 (0 – 41 HCF)	\$1.50	\$1.50	\$2.06	\$2.19	\$2.81	\$2.87
Tier 2 (Over 41 HCF)	\$1.65	\$1.65	\$2.27	\$2.41	\$3.09	\$3.15

WATER OPERATING CASH FLOW AND FUND BALANCE FORECAST

(Thousands)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenues (Recommended Rates)	\$8,629	\$7,289	\$11,649	\$12,326	\$15,614	\$15,931
Total Expenses	\$10,294	\$10,416	\$11,649	\$12,326	\$15,614	\$15,931
Contribution to Reserves	\$0	\$0	\$1,000	\$1,000	\$1,000	\$1,000
Water Fund Cash Flow	(\$1,665)	(\$3,127)	\$1,000	\$1,000	\$1,000	\$1,000
Beginning Year Water Fund Balance	\$3,857	\$3,532	\$405	\$1,405	\$2,405	\$3,405
Net Cash Flow	(\$1,665)	(\$3,127)	\$1,000	\$1,000	\$1,000	\$1,000
End of Year Water Fund Balance	\$2,192	\$405	\$1,405	\$2,405	\$3,405	\$4,405
Minimum Recommended Fund Balance	\$1,790	\$1,915	\$2,282	\$2,497	\$2,675	\$2,752
Over / (Under) Minimum	\$402	(\$1,510)	(\$877)	(\$92)	\$730	\$1,653
Debt Service Coverage Ratio	0.74x	0.47x	2.13x	2.04x	1.29x	1.30x

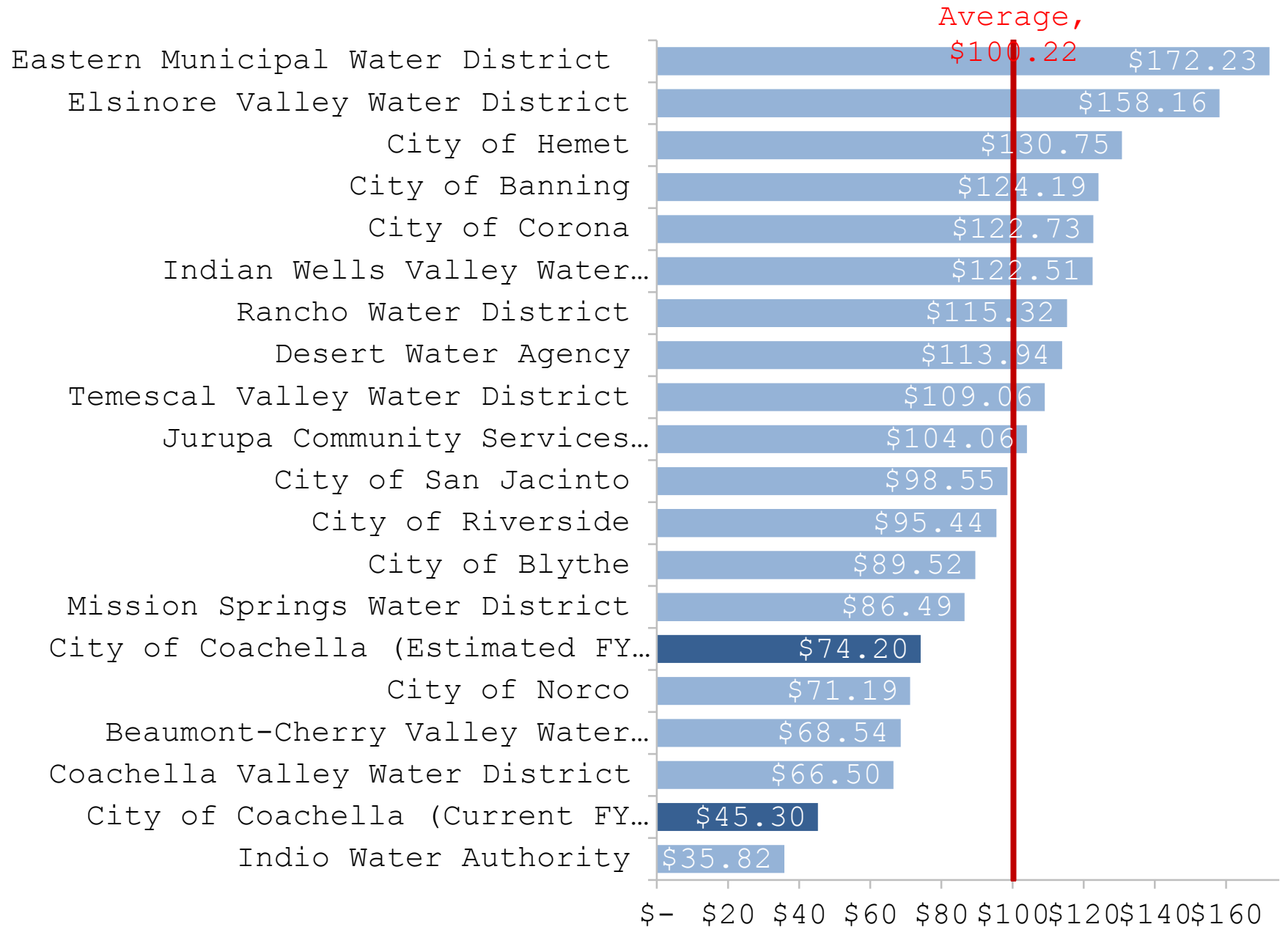
- Assumes adoption of rates shown previously.

CUSTOMER BILL COMPARISON NOTES

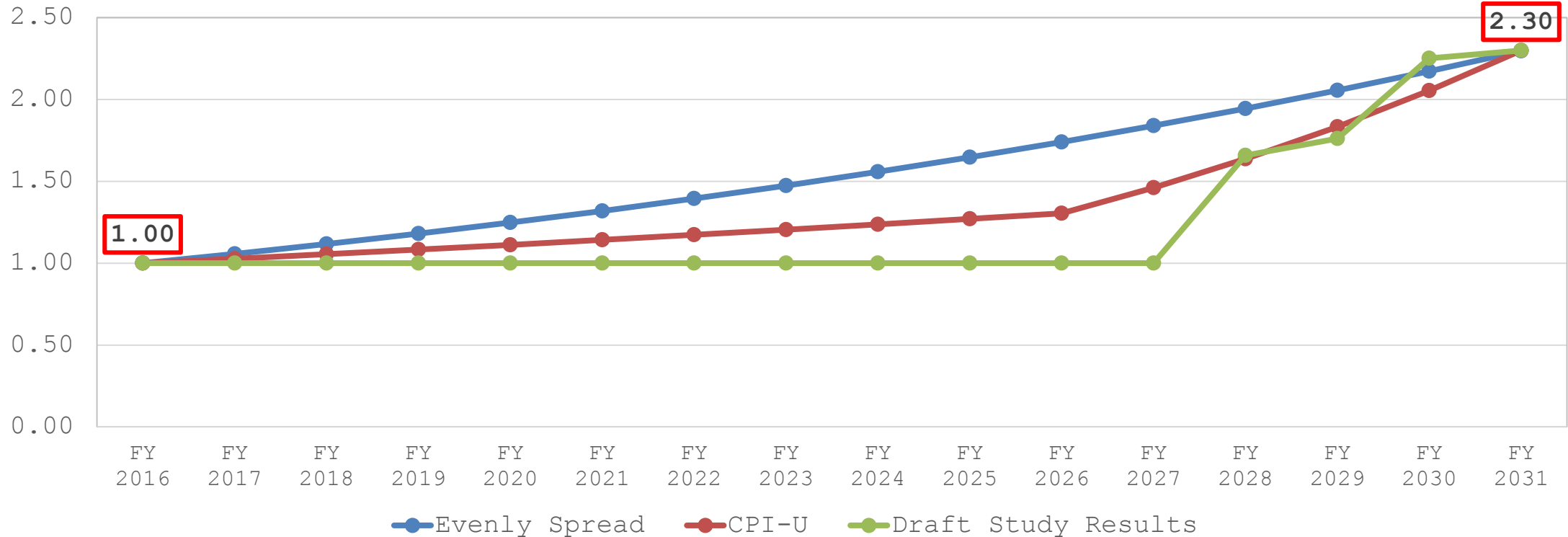
- The City's average Single-Family Residential (SFR) customer has a 3/4" meter and uses 21 Hundred Cubic Feet (HFC) of water per month (about 15,700 gallons).
- NewGen developed bill comparisons for this average City SFR customer as if they were in other regional service areas.
- In some cases, NewGen needed to make assumptions to account for different rate structures.
 - Indoor Use / Outdoor Use / Excessive Use water budgets
- The following comparison is for informational purposes only and does not influence our recommendations for the City's rates.

AVERAGE SFR MONTHLY BILL COMPARISON (3/4" METER, 21 HCF)

Note: Sample bills reflect currently available information on rate forecasts through FY 2028.



HISTORICAL WATER RATE INCREASE SCENARIOS (FY 2016 = 1.00)

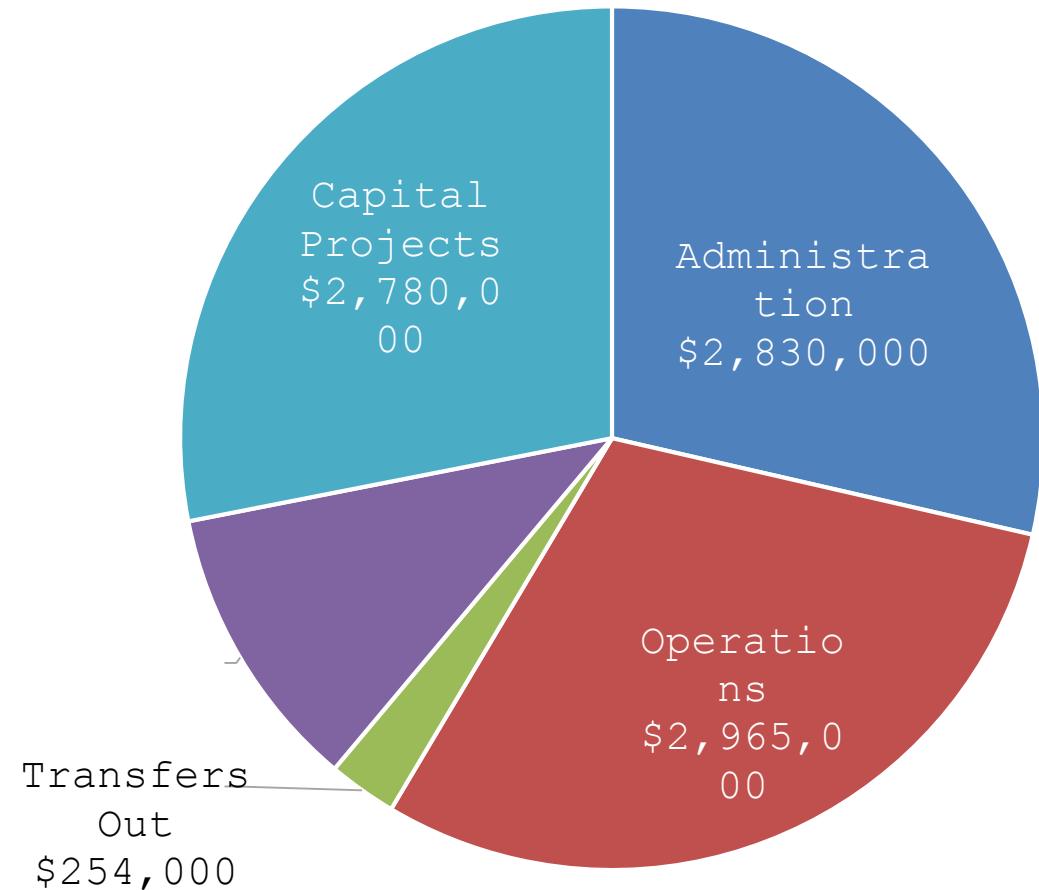


	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Evenly Spread	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
CPI-U	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	12.0%	12.0%	12.0%	12.0%	12.0%
Draft Study Results	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	65.9%	6.2%	27.9%	2.1%

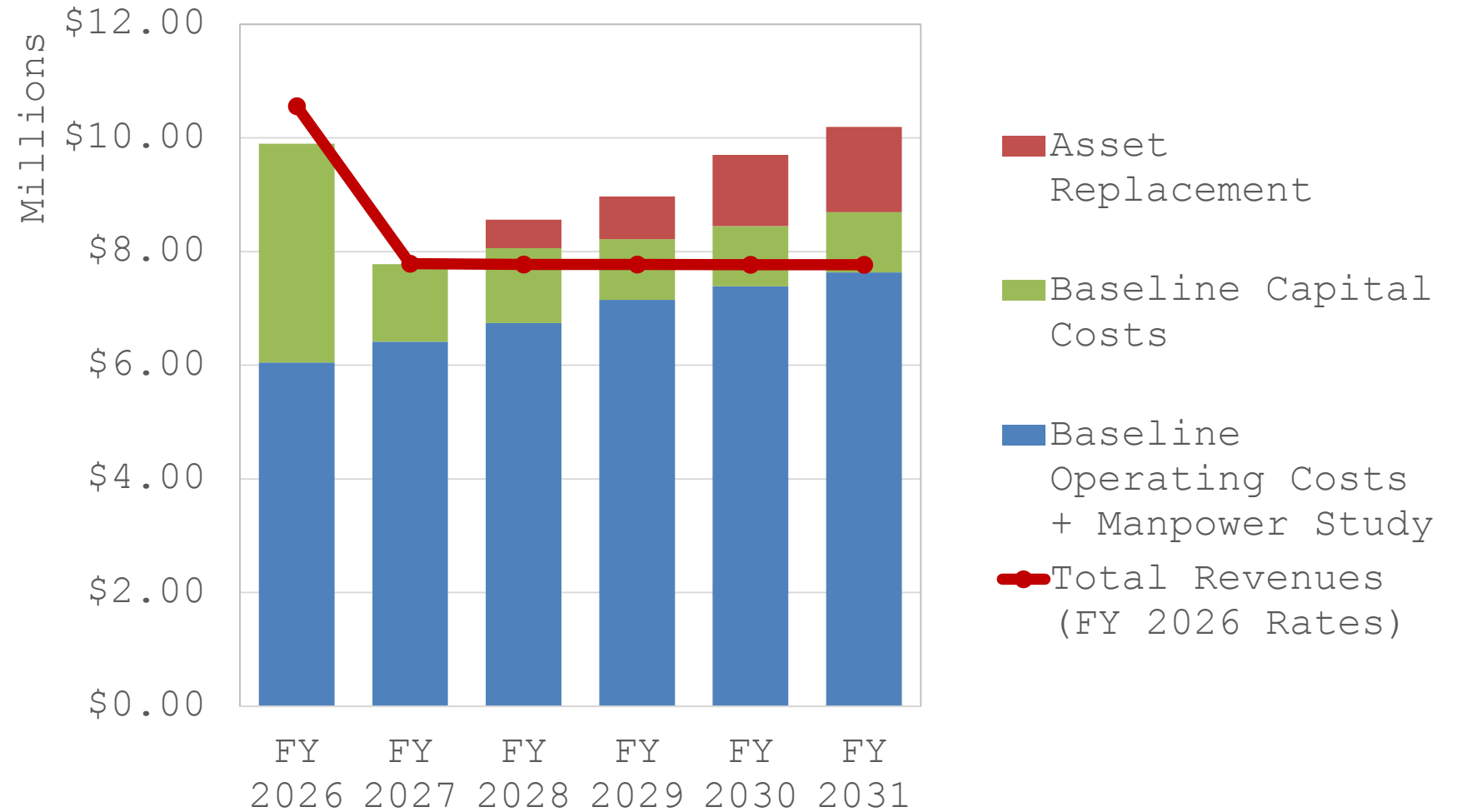
SEWER

BASELINE SEWER REVENUE REQUIREMENT (FY 2026)

- “Base” revenue requirement to meet current operating conditions.
- FY 2026 Capital Projects 100% grant Funded.
- Total Revenue needed from rates = \$6,901,000.
 - Total expenses less grant funded capital and non-rate revenues.
- FY 2026 Estimated Rate Revenue = \$7,560,000.



PRELIMINARY EXPENSE VS. REVENUE FORECAST - SEWER



- Decrease in FY 2027 revenues is the result of removal of one-time grant revenues in FY 2026.
- Asset Replacement spending phased-in to \$1.5 million by FY 2031.

WORST CASE SCENARIO RATE FORECASTS

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DISCUSSION ONLY

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Overall Rate Revenue Increase		0.0%	10.4%	4.8%	8.4%	5.2%
SFR Monthly Fixed Fee	\$49.74	\$49.74	\$54.93	\$57.79	\$62.68	\$65.93
Commercial/MFR/Mobile						
3/4"	\$24.08	\$24.08	\$27.01	\$28.91	\$31.38	\$33.01
1"	\$40.11	\$40.11	\$45.02	\$48.18	\$52.30	\$55.02
1 1/2"	\$80.24	\$80.24	\$90.04	\$96.36	\$104.61	\$110.03
2"	\$128.39	\$128.39	\$144.07	\$154.17	\$167.37	\$176.05
3"	\$256.76	\$256.76	\$270.12	\$289.07	\$313.82	\$330.09
4"	\$401.19	\$401.19	\$450.21	\$481.78	\$523.03	\$550.15
6"	\$802.36	\$802.36	\$900.41	\$963.56	\$1,046.05	\$1,100.31
8"	\$1,283.78	\$1,283.78	\$1,440.66	\$1,541.69	\$1,673.68	\$1,760.49
Volumetric Rate per HCF						
Multi-Family/Mobile Units	\$3.55	\$3.55	\$3.86	\$4.00	\$4.33	\$4.55
Commercial Low	\$3.09	\$3.09	\$3.08	\$3.19	\$3.45	\$3.63
Commercial Medium	\$4.00	\$4.00	\$4.71	\$4.87	\$5.28	\$5.55
Commercial High	\$8.90	\$8.90	\$12.37	\$12.79	\$13.86	\$14.58
Institutional	\$3.04	\$3.04	\$3.00	\$3.10	\$3.36	\$3.54

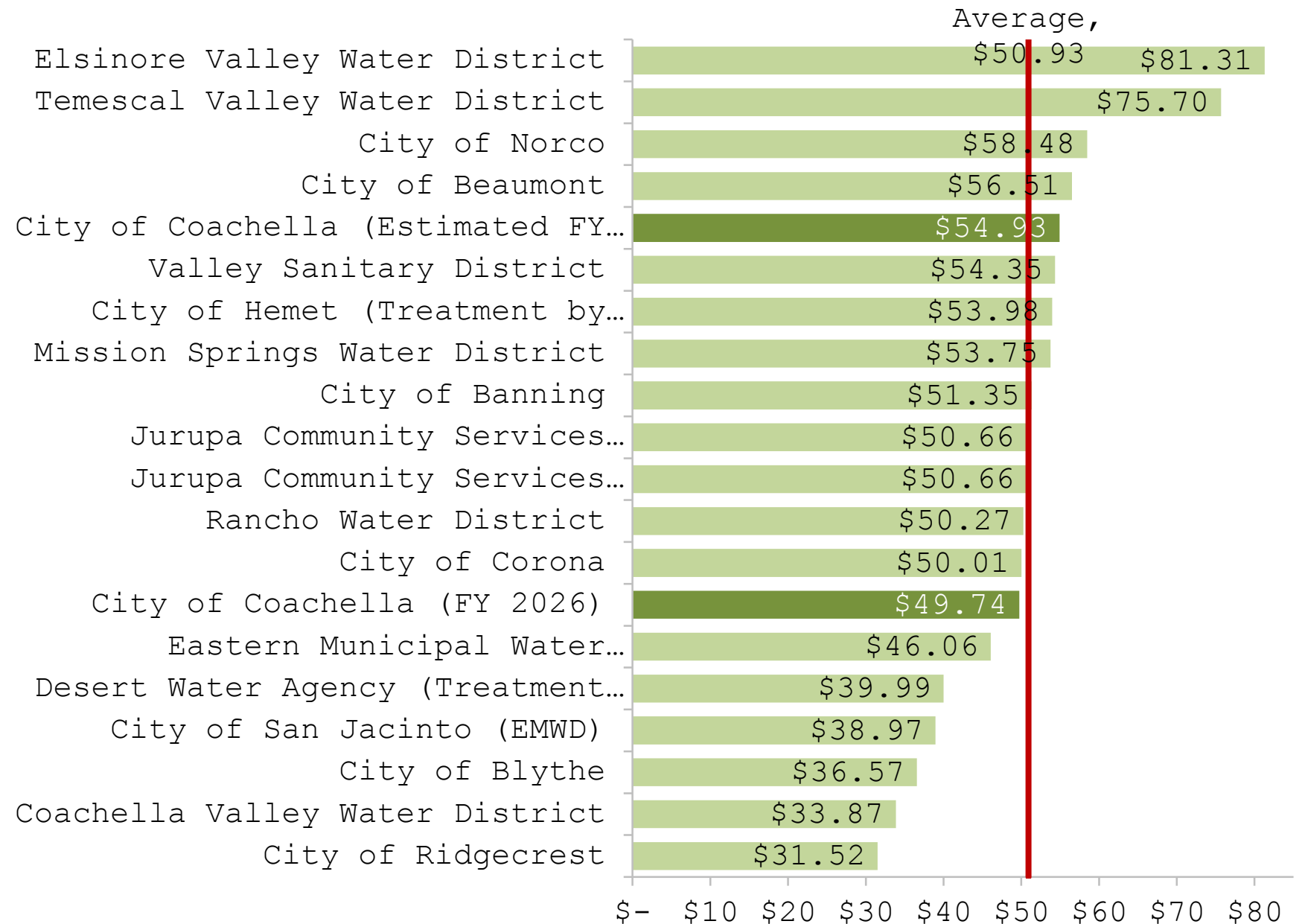
SEWER OPERATING CASH FLOW AND FUND BALANCE FORECAST

(Thousands)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenues (Recommended Rates)	\$10,557	\$7,790	\$8,560	\$8,967	\$9,699	\$10,193
Total Expenses	(\$9,898)	(\$7,778)	(\$8,562)	(\$8,967)	(\$9,699)	(\$10,193)
Transfer (to) / from Impact Fees	(\$1,107)	(\$4,738)	\$691	(\$1,817)	\$806	\$806
Sewer Fund Cash Flow	(\$448)	(\$4,726)	\$689	(\$1,817)	\$806	\$806
Beginning Year Water Fund Balance	\$8,750	\$8,300	\$3,573	\$4,264	\$2,447	\$3,252
Net Cash Flow	(\$448)	(\$4,726)	\$689	(\$1,817)	\$806	\$806
End of Year Sewer Fund Balance	\$8,302	\$3,574	\$4,262	\$2,447	\$3,253	\$4,058
Minimum Recommended Fund Balance	\$1,496	\$1,585	\$1,790	\$1,953	\$2,134	\$2,256
Over / (Under) Minimum	\$6,806	\$1,989	\$2,472	\$494	\$1,119	\$1,802
Debt Service Coverage Ratio	2.49x	2.20x	2.17x	1.97x	2.01x	2.05x

- Assumes adoption of rates shown previously.

BILL COMPARISON: AVERAGE SFR

Note: Sample bills reflect currently available information on rate forecasts through FY 2028.



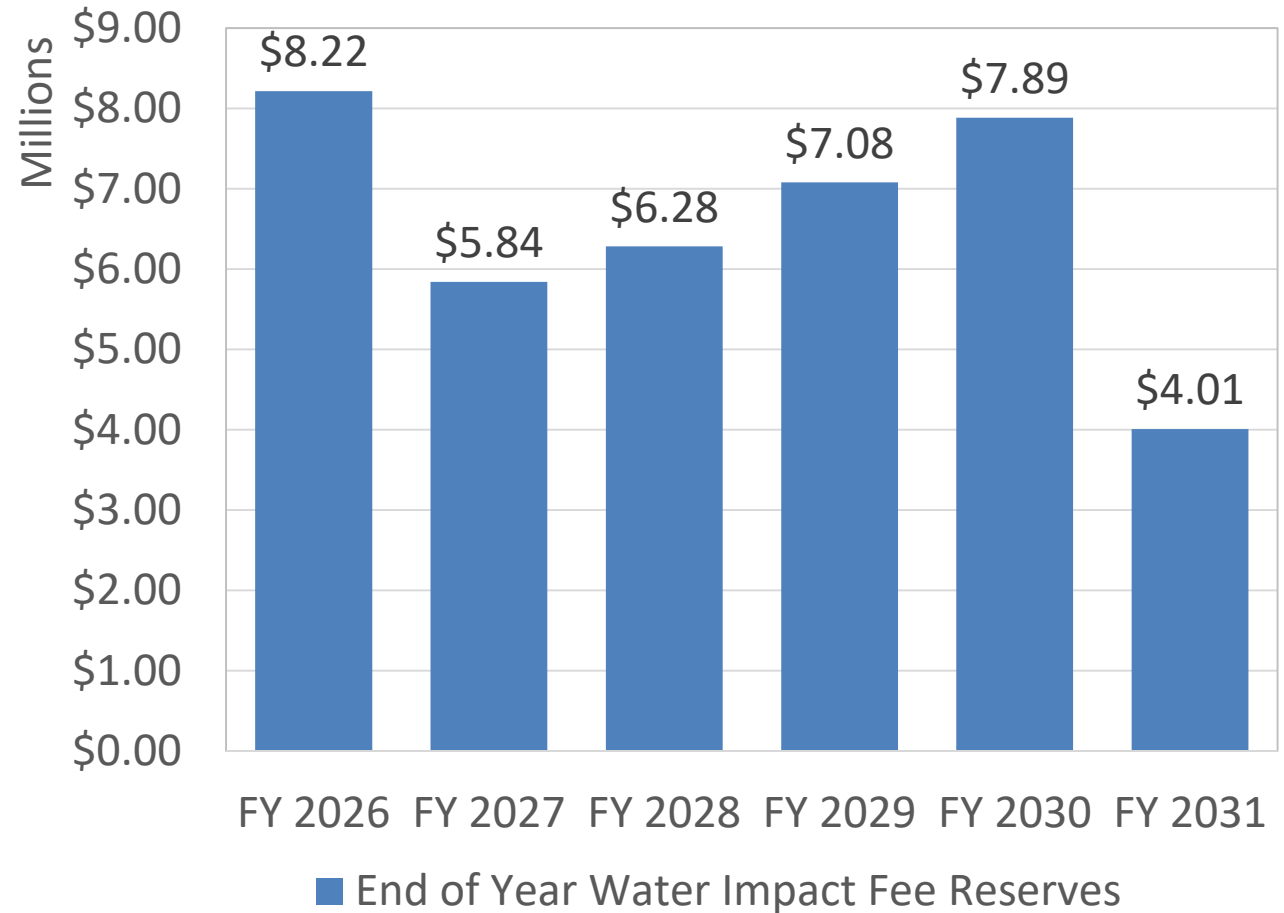
IMPACT FEES

IMPACT FEES BACKGROUND

- California's Mitigation Fee Act requires agencies to demonstrate a clear nexus and reasonable relationship between new development, the facilities funded, and the fee amount.
 - Must not exceed the reasonable cost of providing the service attributable to new development.
- Impact Fee Calculation Requires:
 - Determination of future capacity needs of new development.
 - Identification of growth-related capital improvement costs.
 - Allocation of proportionate share attributable to new development.

WATER IMPACT FEE RESERVES FORECAST

- Estimated \$15.65 million in Impact Fee funds available FY 2026 – FY 2031:
 - \$10.80 million in reserves
 - \$4.85 million in revenues
- Future water expansion CIP: \$11.64 million.
- Estimated reserves remaining in FY 2031= \$4.01 million



SEWER IMPACT FEE RESERVES FORECAST

- Sewer Impact Fee reserves have been depleted as of the end of FY 2025.
- Sewer growth-related projects will be funded with transfers from the Sewer Operating Fund and re-paid as Sewer Impact Fees are recovered.
- Sewer Impact Fee reserves will not be retained until full repayment to the Operating Fund.

Five-Year Forecast	FY 2026 – FY 2031
Transfers in from Operating Reserves	\$7,662,706
Repayments to Operating Reserves	(\$2,303,021)
Remaining Balance Owed	\$5,359,685

STUDY TIMELINE AND OUTREACH PLAN

STUDY TIMELINE

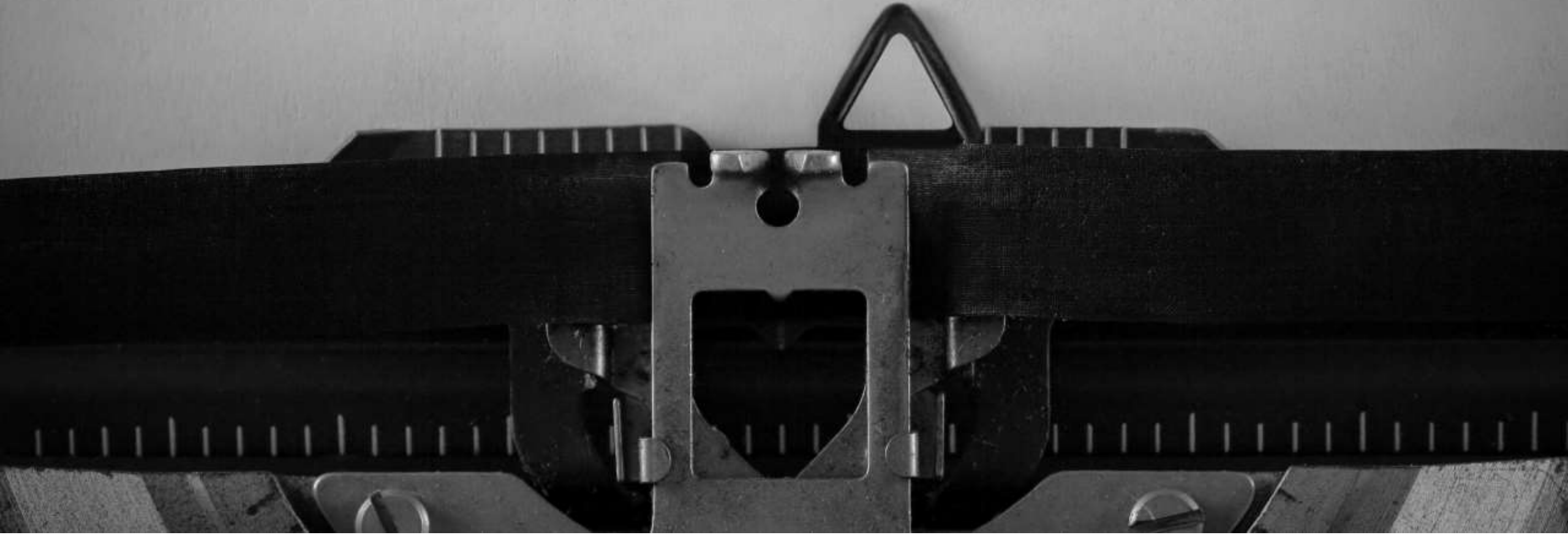
- Rates must be adopted prior to submission of DWSRF Application Financial Package (July 2027)
- Study's recommendations predicated on "worst case" full self-financing of Chromium-6 improvements (i.e., no DWSRF grant)
- Estimated Rate Study Timeline
 - Draft Report: December 2026
 - Final Report: January 2027
 - Approve Mailing of Prop 218 Notices: January 2027
 - Public Hearing and Rate Adoption: April/May 2027
 - Water and Sewer Rates Effective July 1, 2027

COMMUNITY OUTREACH

- City plans to retain a public relations firm before the end of the fiscal year to support the communication of the need to increase water and sewer rates.
- Anticipated outreach plan implementation 4th Quarter 2026 or 1st Quarter 2027 based on Council feedback.



Any Questions?



THANK YOU

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