



STAFF REPORT
4/8/2026

TO: Honorable Mayor and City Council Members

FROM: Cástulo Estrada, Utilities Director

SUBJECT: Comprehensive Water and Wastewater Rate Study Update – Proposed Prop 218 Schedule

STAFF RECOMMENDATION:

Staff will present three (3) Prop 2018 schedule options and recommends approval of option #2.

BACKGROUND:

The City of Coachella owns and operates the Utility System providing potable water service and wastewater service to the residents, businesses and industries within the City and its service areas. The cost of water and wastewater service is recovered through water and wastewater rates. The last Water Utility Revenue Rate Analysis (rate study) was finalized in 2009. In March of 2010, Ordinance No. 1016 adopted new rates commencing May 1, 2010.

Operational and maintenance costs increase every year due to a number of factors including the cost of materials, inflation, increase in staff, and increase in infrastructure inventory. The City is also facing new challenges which include the need for more staff to maintain and operate the system as was concluded in the recent Manpower Study. Recently, the State Water Resources Control Board adopted a new Maximum Contaminant Level (MCL) for Hexavalent Chromium which is naturally occurring in the groundwater of the Coachella Valley. All groundwater wells operated by the City for the production of drinking water are impacted by this new MCL and require the addition of treatment facilities to remove the Hexavalent Chromium below the 10 mg/l MCL.

As part of the chromium-6 compliance plan, which requires the City to implement treatment by August 2031, it is critical that a new rate study be performed to ensure there are enough revenues to meet anticipated expenses. The updated preliminary cost for the treatment is estimated to be \$50 - \$54 million. Operational and maintenance cost will also increase with the new added treatment technology.

Similarly, the last Wastewater Rate Study was finalized in November of 2017. The last sewer rate increase was adopted on 7/1/2021.

Similar to water operations, sanitation also experiences increases in operational and maintenance costs every year due to a number of factors including the cost of materials, inflation, increase in staff, and increase in infrastructure inventory. The City is also facing new challenges which include the need for more staff to maintain and operate the system as was concluded in the recent Manpower Study. Other challenges include ensuring enough revenues are collected to cover existing debt obligations, and covenant ratios.

DISCUSSION/ANALYSIS:

On January 22, 2025, City council authorized the City Manager to execute a professional services agreement with Newgen Strategies & Solutions to conduct a comprehensive water and wastewater rate study.

City staff and Newgen Strategies & Solutions have developed potential rate increase structures for water and sewer service and have presented the findings to Council at the regular meeting of March 11, 2026.

Staff is seeking direction on the Proposition 218 schedule which will include the following components:

- Public Outreach During a Four (4) Month Period
- Council Approval of the Cost of Service Study and Authorizing of the Prop 218 Notice Mailing
- Deadline for Objections to Proposed Rates
- Public Hearing Date Adopting New Rates
- Rate Increases Effective Date

FISCAL IMPACT:

NA

ATTACHMENTS

Water and Sewer Rate Study Update 04-08-2026