



City of Needles, California Request for Commission Action

☐ CITY COUNCIL ☒ BOARD OF PUBLIC UTILITIES ☒ Regular ☐ Special

Meeting Date: September 2, 2025

Title: Accept the Comprehensive Water and Wastewater Cost of Service Ratemaking Study dated August 2025

Background: In October 2024 the Board of Public Utilities and Council awarded Raftelis to complete the 2025-2030 Comprehensive Electric, Water, and Wastewater Utility Cost of Service Ratemaking Study. An Ad Hoc Committee was created to work with staff to Complete the study. The Committee, staff and Raftelis have met on several occasions to review fiscal policies, financial models, and rate scenarios for each of the three utilities.

During July and August 2025 the Board of Public Utilities reviewed and provided comments to the proposed financial plans and rates for Water and Wastewater utilities.

Raftelis conducted a status quo cash flow analysis to evaluate whether existing water and wastewater rates can adequately fund the City's projected expenses over the five-year period. Raftelis projects that with no rate increases over the five-year study period, the City will draw down reserves below the existing policy and below a zero balance by the end of FY 2028.

The proposed revenue adjustments were determined to provide financial sufficiency (including a financial reserve) for the City while minimizing impacts to rate payers.

Table 1: Proposed Water Revenue Adjustments

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Effective Date	October 1, 2025	October 1, 2026	October 1, 2027	October 1, 2028	October 1, 2029
Revenue Adjustment	3.0%	3.0%	3.0%	3.0%	3.0%

Table 2: Proposed Wastewater Revenue Adjustments

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Effective Date	October 1, 2025	October 1, 2026	October 1, 2027	October 1, 2028	October 1, 2029
Revenue Adjustment	6.0%	6.0%	6.0%	6.0%	6.0%

Key factors influencing the need for proposed revenue adjustments include:

Planned capital expenditures: CIP projects scheduled over the next five years total about \$6.9 million (M) for water and \$1.4 M for wastewater. Key infrastructure projects include the construction of a 1.5 million-gallon water reservoir, pipeline, main, and fire hydrant replacements, upsizing pumps and sewer lines, rehabbing manholes, and other treatment, transmission, storage, and distribution improvements.

Inflationary pressure: The City's operating environment is not immune to the effects of inflation. The price of materials, chemicals, construction, professional services, energy, and other costs have increased at a historic pace over the last several years. The financial plan assumes continued pressure on both operating and capital costs, albeit at historic rates of change.

Staff are requesting the Board of Public Utilities to accept the final Comprehensive Water and Wastewater Cost of Service Report and recommend acceptance to the Needles Public Utility Authority and initiate the Prop 218 45-day public comment to adopt the proposed water and wastewater rates for five (5) years.

Fiscal Impact: Increase in the cost to provide water and wastewater services.

Environmental Impact: None

Recommended Action: Accept the Comprehensive Water and Wastewater Cost of Service Ratemaking Study dated August 2025

Submitted By: Rainie Torrance, Utility Manager

City Manager Approval: Patrick J Martinez

Date: 8/26/2025

Other Department Approval (when required): _____

Date: _____