

City of Needles

Water & Wastewater Rate Study Results

September 8, 2025



Needles Rate Study Goals and Objectives



Minimize Customer Impacts

So customers pay only what is necessary and to maintain affordable service



Financial Sufficiency

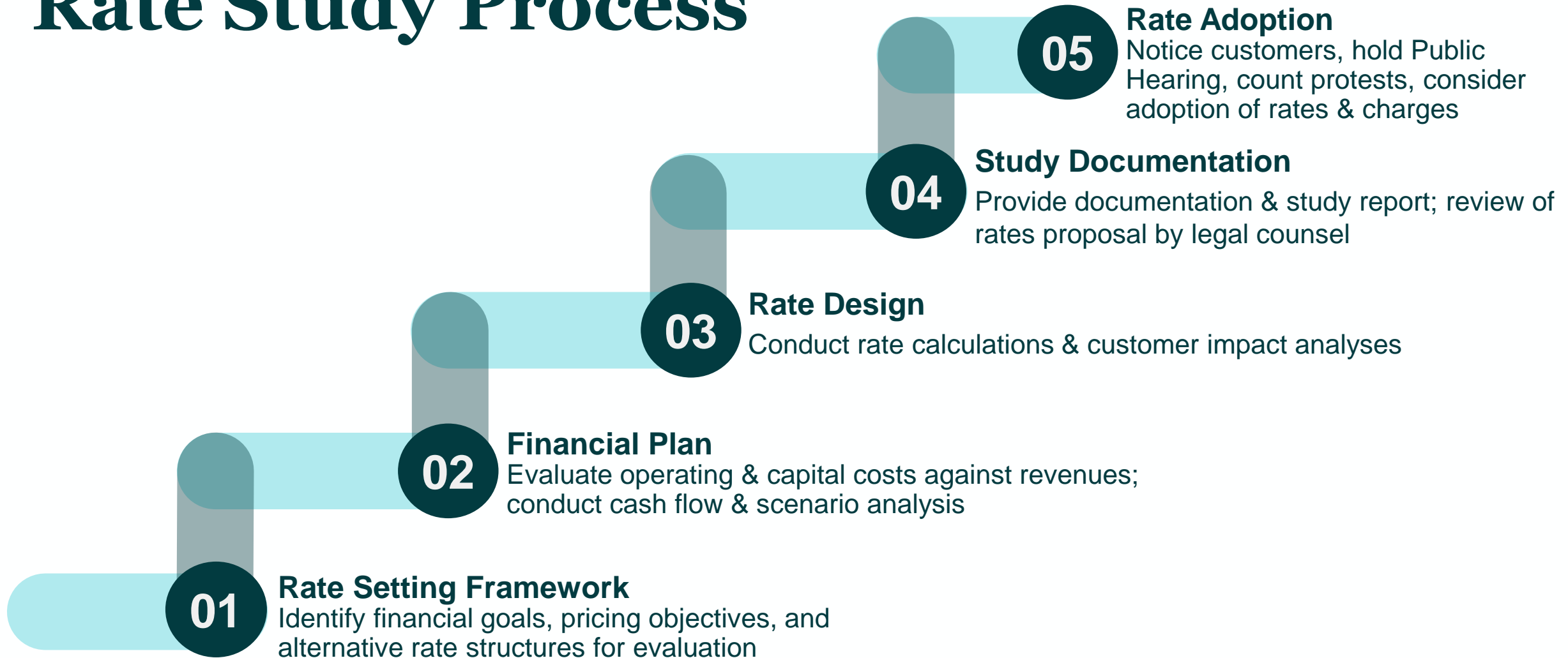
To ensure sustainable and self-sufficient water and wastewater funds



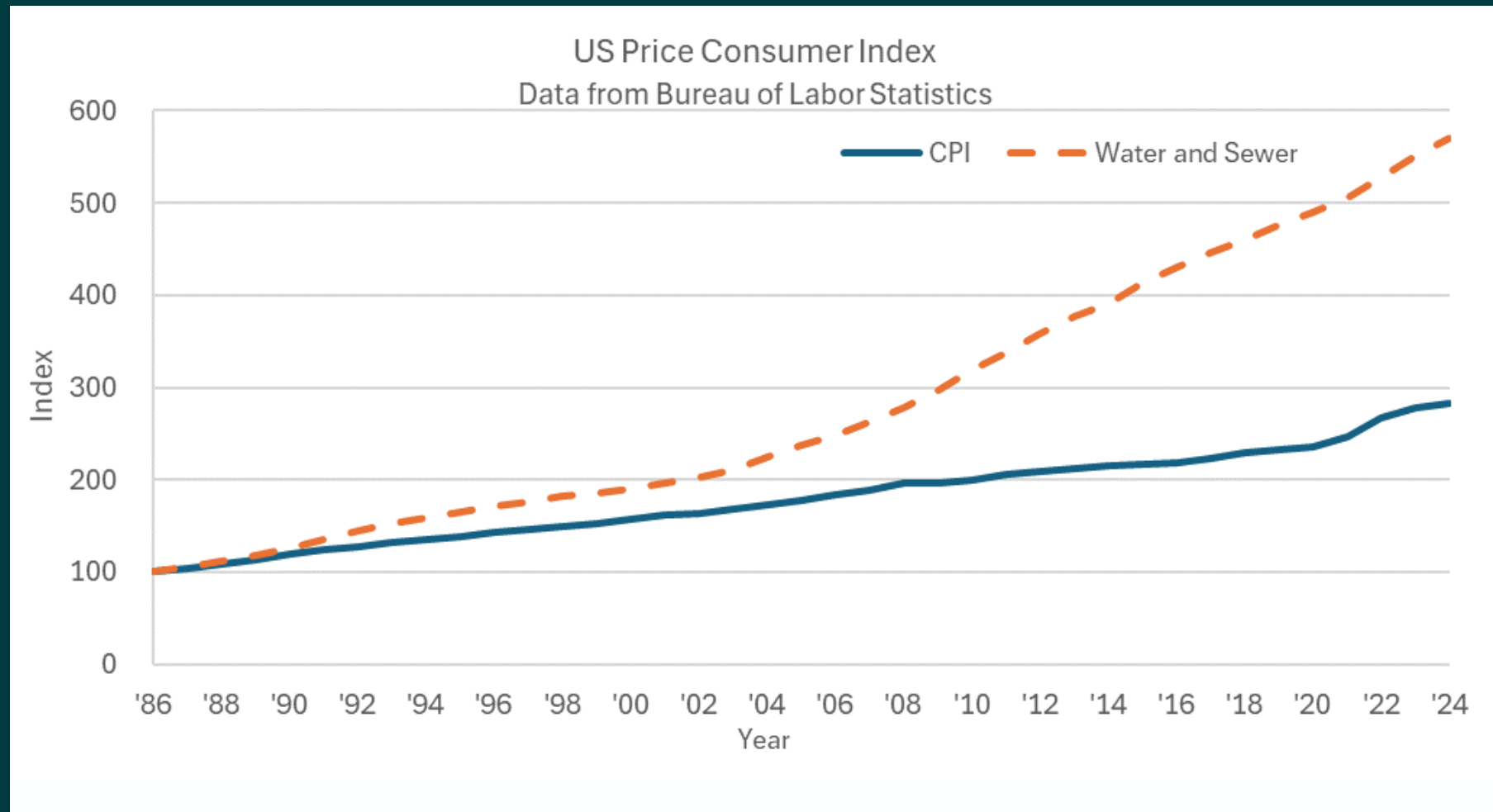
Cost-of-Service Nexus

Develop a nexus between the proposed rates and the cost to provide service to each customer class

Rate Study Process

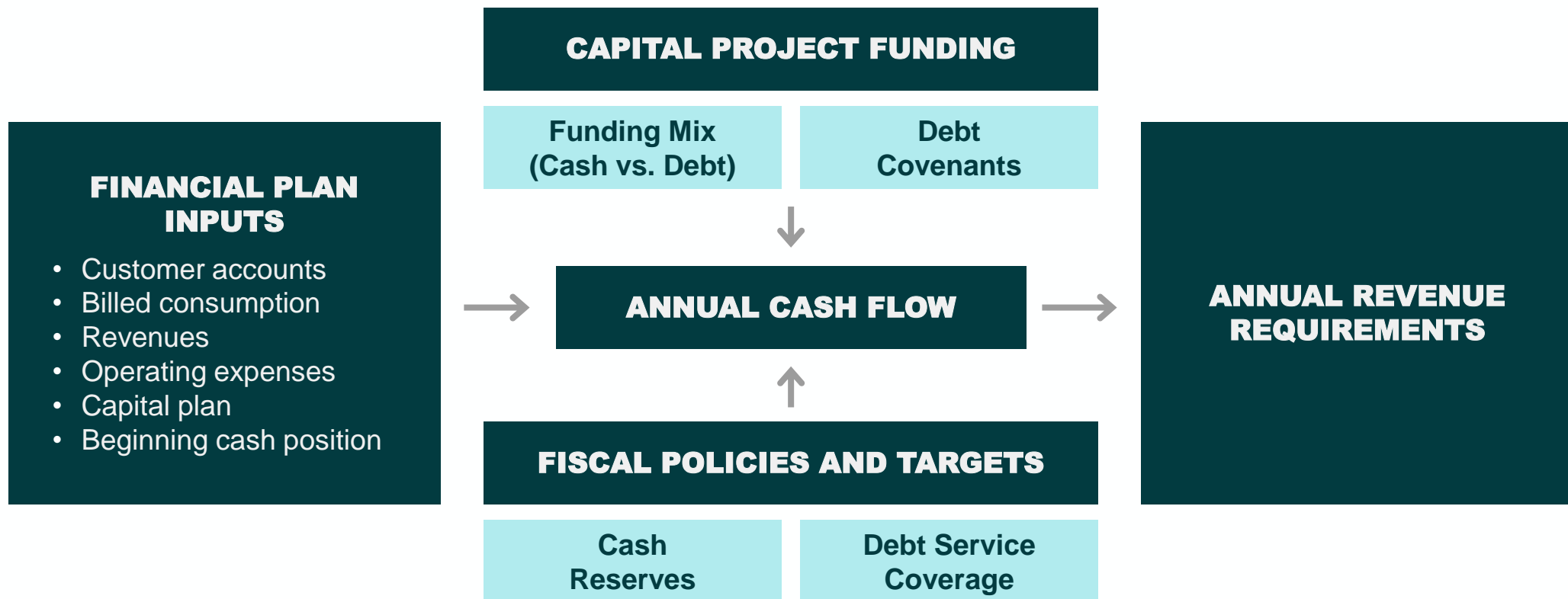


Utility Costs Continue to Increase Faster than General Inflation



Financial Planning & Rate Projections

FINANCIAL PLAN ELEMENTS



Financial Plan Results Detail

Water Results:

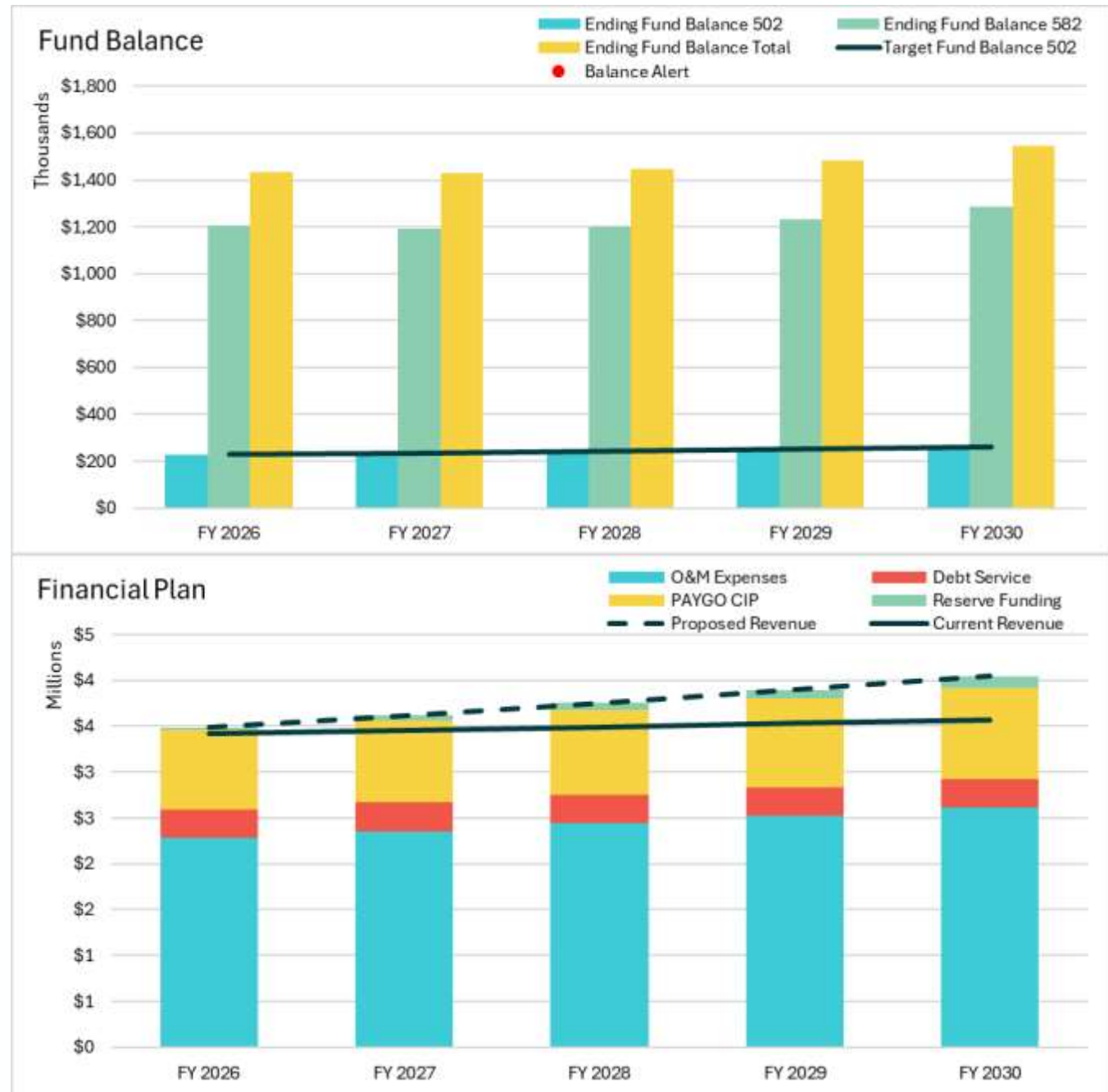
- All CIP cash funded
 - 100% of planned CIP all 5 years
- Revenue Increases Required:
 - 3.0% all 5 years
- Total Fund 502 and 582 balance ranges from \$1.4 to \$1.6 million through FY 2030

Wastewater Results:

- All CIP cash funded
 - 25% of planned CIP year 1 and 2
 - 50% of planned CIP year 3
 - 75% of planned CIP year 4
 - 100% of planned CIP years 5
- Revenue Increases Required:
 - 6.0% revenue increases FY 2026 – FY 2030
- Projected cash balance low point of \$170 thousand in FY 2026, just above \$250 thousand by FY 2030

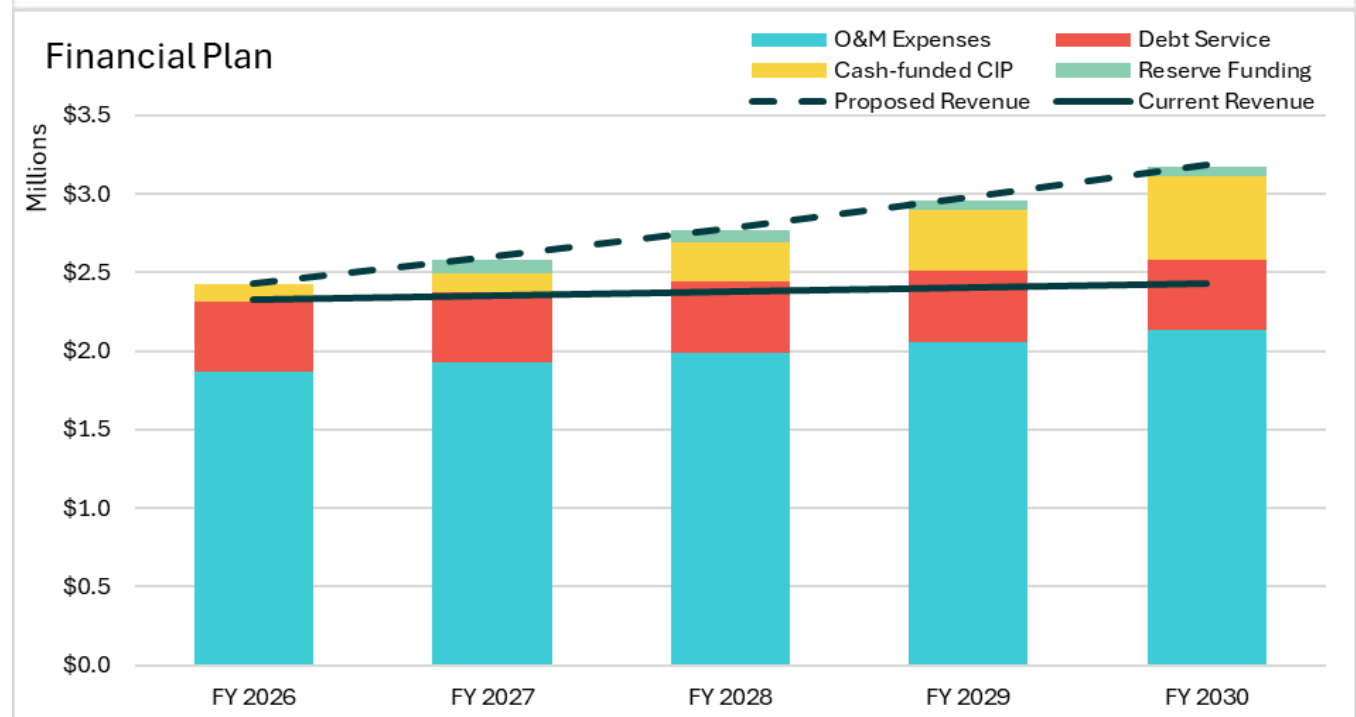
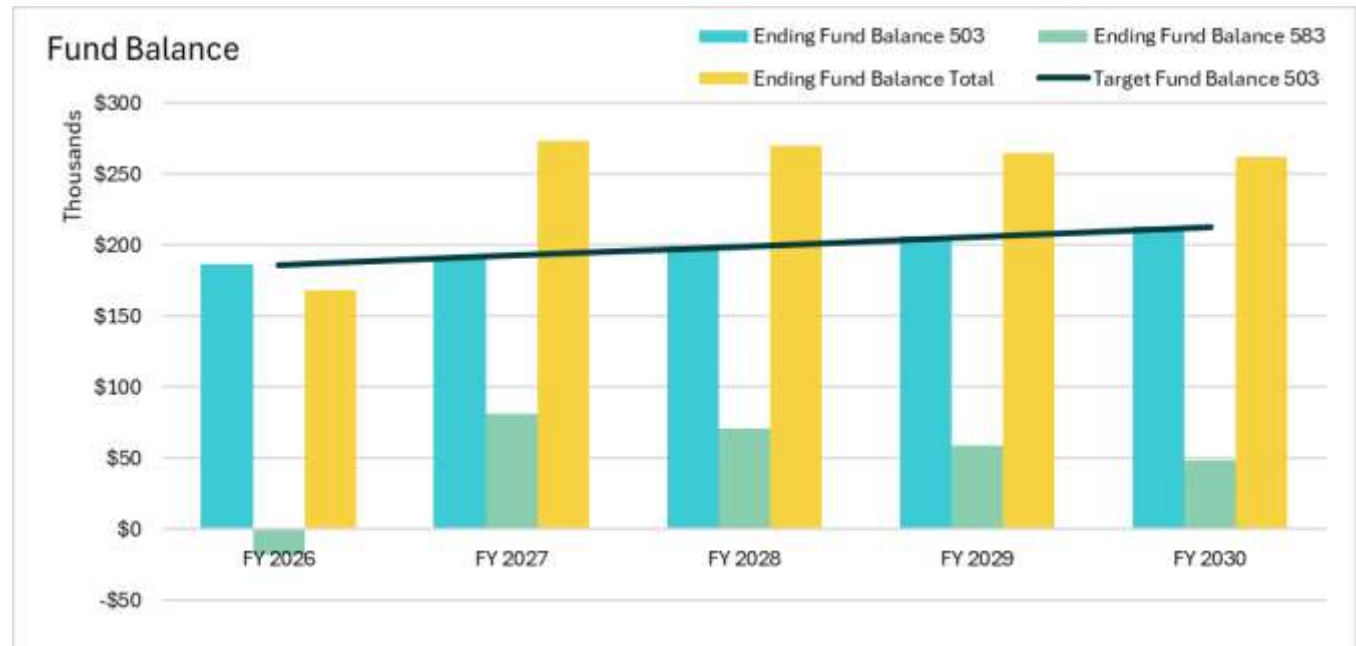
Water Results

Fiscal Year	Rate Increase	CIP to Spend
2026	3.0%	100%
2027	3.0%	100%
2028	3.0%	100%
2029	3.0%	100%
2030	3.0%	100%



Wastewater Results

Fiscal Year	Rate Increase	CIP to Spend
2026	6.0%	25%
2027	6.0%	25%
2028	6.0%	50%
2029	6.0%	75%
2030	6.0%	100%



Defining Cost of Service (COS)

- An objective approach to fairly recover costs across user classes based on their specific requirements
 - Examples: demand patterns, level of service, meter capacity, etc.,
- Allows for the matching of rates and charges to the costs incurred to serve customers
- Cost of service is an industry best practice and is required in California to align with Proposition 218

Proposed Water Rates

Meter Charges	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
5/8" & 3/4"	\$48.86	\$48.78	\$50.25	\$51.76	\$53.32	\$54.92
1"	\$79.10	\$75.75	\$78.03	\$80.38	\$82.80	\$85.29
1 1/2"	\$177.30	\$143.17	\$147.47	\$151.90	\$156.46	\$161.16
2"	\$225.36	\$224.07	\$230.80	\$237.73	\$244.87	\$252.22
3"	\$611.58	\$439.82	\$453.02	\$466.62	\$480.62	\$495.04
4"	\$801.89	\$682.54	\$703.02	\$724.12	\$745.85	\$768.23
6"	\$1,437.60	\$1,356.76	\$1,397.47	\$1,439.40	\$1,482.59	\$1,527.07
8"	\$2,259.31	\$2,165.82	\$2,230.80	\$2,297.73	\$2,366.67	\$2,437.68
10"	\$1,977.70	\$5,671.75	\$5,841.91	\$6,017.17	\$6,197.69	\$6,383.63

Variable Rate	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
All Classes	\$3.07	\$3.37	\$3.48	\$3.59	\$3.70	\$3.82

Proposed Wastewater Rates

Flat Rate	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
All Customers (\$/EDU)	\$52.85	\$56.03	\$59.40	\$62.97	\$66.75	\$70.76

Water FY 2026 Bill Impacts

Bill Impacts, 5/8" & 3/4" Meter	Low	Average	High
Monthly Usage (hcf)	10	15	25
Current Bill	\$79.56	\$94.91	\$125.61
Proposed Bill	\$82.48	\$99.33	\$133.03
Difference (\$)	\$2.92	\$4.42	\$7.42
Difference (%)	3.7%	4.7%	5.9%

Wastewater FY 2026 Bill Impacts

Bill Impacts	Residential	Hotel	Gen. Com.	Food Est.
# of Units	1	45	1	58
Current Bill	\$52.85	\$1,664.78	\$87.20	\$551.75
Proposed Bill	\$56.03	\$1,764.95	\$92.45	\$584.95
Difference (\$)	\$3.18	\$100.17	\$5.25	\$33.20
Difference (%)	6.0%	6.0%	6.0%	6.0%



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**END OF DECK –
BACK POCKET
SLIDES FOLLOW**



Financial Assumptions

Escalators Affecting Revenues



Account Growth:
1.2%



**Water Demand
Factor: 0%**



**Non-Rate Revenue
Inflation: 2.0%**



**Reserve Interest
Rates: 1.5%**

Financial Assumptions

Escalators Affecting Expenses



General: 3%



Salary: 2.5%



**Health
Insurance: 10%**



**Retirement:
1.5%**



**Other Benefits:
7%**



**Fuel, Utilities,
Chemicals: 4%**



**Contract
Services: 3%**



Capital: 3.5%

Water Status Quo Pro Forma – Fund 502

Cash Flow	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Beginning Balance - Fund 502	\$891,681	\$220,224	\$227,765	\$235,640	\$243,867	\$252,469
Sources of Funds						
Rate Revenue	\$3,005,226	\$3,036,511	\$3,068,580	\$3,100,851	\$3,133,324	\$3,166,001
Miscellaneous Revenue	\$85,476	\$85,679	\$85,886	\$86,097	\$86,313	\$86,532
Interest Income	\$0	\$7,311	\$7,076	\$6,820	\$6,544	\$6,245
Total - Sources of Funds	\$3,090,701	\$3,129,501	\$3,161,541	\$3,193,768	\$3,226,181	\$3,258,778
Uses of Funds						
O&M Expenses	\$2,202,235	\$2,277,652	\$2,356,396	\$2,438,669	\$2,524,687	\$2,614,684
Debt Service	\$310,159	\$310,159	\$310,159	\$310,159	\$310,160	\$310,160
Total - Uses of Funds	\$2,512,394	\$2,587,811	\$2,666,555	\$2,748,828	\$2,834,846	\$2,924,844
Ending Balance Subtotal – Pre Transfer	\$1,469,988	\$761,914	\$722,751	\$680,580	\$635,202	\$586,403
Ending Balance Total – Post Transfer	\$220,224	\$227,765	\$235,640	\$243,867	\$252,469	\$261,468
Reserve Target						
Operating Reserve	\$220,224	\$227,765	\$235,640	\$243,867	\$252,469	\$261,468

Water Status Quo Pro Forma – Fund 582

Cash Flow	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Beginning Balance - Fund 582	\$614,073	\$1,241,665	\$1,137,448	\$957,611	\$697,160	\$350,801
Sources of Funds						
Revenue	\$280,395	\$285,685	\$291,080	\$296,584	\$302,197	\$307,923
Interest Income	\$0	\$10,107	\$8,824	\$6,944	\$4,427	\$1,231
Transfer from 502	\$1,249,764	\$534,148	\$487,112	\$436,713	\$382,733	\$324,934
Total - Sources of Funds	\$1,530,159	\$829,940	\$787,016	\$740,241	\$689,357	\$634,089
Uses of Funds						
O&M Expenses	\$62,724	\$64,919	\$67,191	\$69,543	\$71,977	\$74,496
Rate Funded CIP	\$839,843	\$869,238	\$899,661	\$931,149	\$963,739	\$997,470
Total - Uses of Funds	\$902,567	\$934,157	\$966,852	\$1,000,692	\$1,035,716	\$1,071,967
Ending Balance - Fund 582	\$1,241,665	\$1,137,448	\$957,611	\$697,160	\$350,801	-\$87,077

Wastewater Status Quo Pro Forma – Fund 503

Cash Flow	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Beginning Balance - Fund 503	\$936,801	\$180,342	\$158,595	\$98,054	-\$4,108	-\$150,431
Sources of Funds						
Rate Revenue	\$2,237,334	\$2,276,144	\$2,300,243	\$2,324,977	\$2,349,711	\$2,374,445
Miscellaneous Revenue	\$12,475	\$12,631	\$12,789	\$12,951	\$13,115	\$13,284
Interest Income	\$0	\$2,523	\$1,911	\$699	\$0	\$0
Total - Sources of Funds	\$2,249,809	\$2,291,298	\$2,314,943	\$2,338,627	\$2,362,826	\$2,387,728
Uses of Funds						
O&M Expenses	\$1,803,424	\$1,863,170	\$1,925,608	\$1,990,914	\$2,059,275	\$2,130,897
Debt Service	\$449,875	\$449,875	\$449,876	\$449,875	\$449,875	\$449,875
Total - Uses of Funds	\$2,253,300	\$2,313,045	\$2,375,484	\$2,440,789	\$2,509,150	\$2,580,771
Ending Balance Subtotal – Pre Transfer	\$933,311	\$158,595	\$98,054	-\$4,108	-\$150,431	-\$343,474
Ending Balance Total – Post Transfer	\$180,342	\$158,595	\$98,054	-\$4,108	-\$150,431	-\$343,474
Reserve Target						
Operating Reserve	\$180,342	\$186,317	\$192,561	\$199,091	\$205,928	\$213,090
Excess Reserves for Transfer	\$752,968	\$0	\$0	\$0	\$0	\$0

Wastewater Status Quo Pro Forma – Fund 583

Cash Flow	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Beginning Balance - Fund 583	\$120,369	\$322,766	-\$210,830	-\$367,153	-\$480,851	-\$498,930
Sources of Funds						
Revenues	\$35,676	\$35,676	\$35,676	\$35,676	\$35,676	\$35,676
Transfer from 503	\$752,968	\$0	\$0	\$0	\$0	\$0
Interest Income	\$0	\$3,236	\$0	\$0	\$0	\$0
Total - Sources of Funds	\$788,644	\$38,912	\$35,676	\$35,676	\$35,676	\$35,676
Uses of Funds						
O&M Expenses	\$16,715	\$17,300	\$17,906	\$18,533	\$19,181	\$19,853
Rate Funded CIP	\$449,163	\$232,442	\$384,923	\$497,995	\$515,424	\$533,464
Total - Uses of Funds	\$465,878	\$249,742	\$402,829	\$516,527	\$534,606	\$553,317
Ending Balance	\$322,766	-\$210,830	-\$367,153	-\$480,851	-\$498,930	-\$517,641