



# City of Needles, California Request for City Council Action

CITY COUNCIL    NPUA

Regular    Special

**Meeting Date:** November 12, 2025

**Title:** Public hearing notice to consider all evidence and testimony for or against a proposed increase in water rates for water services

**Background:** The Needles Public Utility Authority (NPUA) / Board of Public Utilities (BPU) last completed a Cost of Service Study for the water utility in 2019 and adopted proposed rates in 2020. Per the NPUA/BPU, a water utility rate study shall be initiated every five (5) years.

In mid-2024, the NPUA/BPU initiated a rate review beginning with a Cost of Service Study and hired a third party to complete the review. The NPUA and BPU established an ad hoc committee. The purpose of the Cost of Service study is to determine the cost of providing the water service overall and to develop a rate structure to allocate to each customer class so that the proposed rate structure is aligned with those costs. The State Constitution requires that the NPUA cannot charge more than the actual cost of providing water service.

The study included evaluation of several multi-year planning scenarios through interactive work sessions with City staff and the ad hoc rate committee. The analysis evaluated the required rate revenue based on various operation and capital improvement plans, bond issuance, and financial policy alternatives. This process provided a comprehensive understanding of the potential implications of numerous financial management and planning decisions.

Staff provided a comprehensive Capital Improvement Plan that includes water supply, pipe replacement, and system expansion projects. Water supply projects include a new well and reservoir to provide needed source redundancy in the City's water supply infrastructure. The pipeline and system replacement projects prioritize the infrastructure with great deficiencies.

The result was a financial plan that uses the most current data to develop a multi-year projection, meeting the need for important system investments and key financial performance objectives while minimizing rate adjustments to the extent possible. The final Water Cost of Service study was adopted by the BPU and NPUA in early September and initiated the process required by the California Constitution (Proposition 218, 1998).

Public notice was issued (mailed) on September 19, 2025, identifying the amount of the existing and proposed rates, the basis upon which the proposed rates were calculated, and the reason for the proposed rate increase, and setting a time and place for a public hearing for the BPU and NPUA/City Council. Additionally, staff conducted three (3) community meetings and met with individuals at which ratepayers could receive comprehensive information and determine the proposed rate impact on them and their property, and fully understand the water utility and its funding needs.

**Fiscal Impact:** 3% Increase in revenues to provide the cost of service.

**Environmental Impact:** None.

**Recommended Action:** Waive the reading and adopt NPUA Resolution 11-12-2025-NPUA and City Council Resolution 2025-47, approving rates for water service effective February 1, 2026, and rescinding all prior resolutions relating to the establishment of water rates.

**Submitted By:** Rainie Torrance, Utility Manager

**City Manager Approval:** Rainie Torrance Acting City Manager

Date: 11/6/2025

**Other Department Approval (when required):** \_\_\_\_\_

Date: \_\_\_\_\_