# City of Westmorland

# REPORT TO City Council

**MEETING DATE:** January 7, 2025

**FROM:** Laura Bryant, Manager

**SUBJECT:** Discussion and Action to Direct Staff to Administer the Proposition 218 Process for Water and Sewer Rates and Set a Public Hearing Date for April 1, 2026.

**ISSUE:** Shall City Council Direct Staff to Administer the Proposition 218 Process for Water and Sewer Rates.

**GENERAL MANAGER'S RECOMMENDATION:**

1. It is recommended that the City Council direct staff to administer the Proposition 218 majority protest process and send out notice of the proposed increased water and sewer rates to all property owners with water and/or sewer service connections.
2. Set a Public Hearing on April 1, 2026 for the City Council's consideration of the proposed rate schedules.

**FISCAL IMPACT**: The cost for this purpose is included in the contract services agreement with LT Municipal Services Consultants.

**CONCLUSION:**

The City is proposing to increase water and sewer rates due to increasing costs of service and costs associated with compliance with State and Federal regulations.

Increasing the rates must comply with Proposition 218, which requires certain procedures to be followed with regard to "property-related" fee increases imposed by government agencies. This attached report and PowerPoint presentation provides the proposed rate increases and identifies the procedures to implement the new rates.

In order to move the rate adjustments forward to meet the requirements of the State Water Board and to secure the Expedited Drinking Water Grant to make mandated improvements to the water plant and to be eligible to apply for grants to make improvements at the sewer plant, it is in the best interest of the city to:

1. Authorize staff to administer the Proposition 218 majority protest process and send out notice of the proposed increased water and sewer rates to all property owners with water and/or sewer service connections.
2. Set a Public Hearing on April 1, 2026 for the City Council's consideration of the proposed rate schedules.

Respectfully Submitted,

Laura Bryant, Manager

Attachments: PowerPoint Presentation; Water and Sewer Rate Study; Prop 218 Notice

LT MUNICIPAL CONSULTANTS

# Water and Sewer Rate Study

## City of Westmorland

**Draft Report**

**January 7, 2026**

909 Marina Village Parkway #135 ▪ Alameda, CA 94501 ▪ (510) 545-3182 ▪ www.LTmuniconsultants.com

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# SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

## 1.1 Background

The City of Westmorland (City) is a small residential community located in the north end of the Imperial Valley in Imperial County in Southeastern California. The City is situated along Highway 78, about 12 miles south of the Salton Sea. The City owns and operates water and wastewater (sewer) treatment plants, providing service to a population of approximately 2,200 residents through about 540 active service connections. The provision of water and sewer service is funded through monthly rates paid by customers. The current rates for each system were last adjusted in 2022 based on a water and wastewater rate study that was conducted in 2019. The City secured significant grant funding of $11 million for water treatment upgrades and this rate study was conducted in compliance with funding program requirements.

The goal of this rate study is to determine an updated water and sewer rate plan that covers the City's cost of service for the next five years, spanning fiscal year (FY) 2027 through FY2031. In June 2024, the City Council adopted a five-year Capital Improvement Plan (CIP) which determined a schedule of critical capital projects for each system. Additionally, the City finalized a Master Plan for each system late that year. The City has been successful in securing grants for major infrastructure improvements identified in the CIP such as upgrading the water treatment plant. However, rate increases are needed to cover funding gaps where grants are not available. Additionally, it is anticipated that the City will take on a low-cost loan in about five years to conduct critical improvements to the wastewater treatment plant.

A second goal of this rate study is to transition residential water service customers to metered water rates beginning in FY2028. Currently, residences are unmetered, and customers are billed fixed monthly rates that do not vary based on the amount of water consumed. As part of the grant-funded improvements to the water treatment plant, water meters and a meter reading system will be installed at no cost to ratepayers. It is anticipated that the City will be fully metered by August 2026. Concurrently with meter installations, the City will begin to provide residents with information about their water usage and how that water usage will be used to calculate customer bills in the following year. Beginning July 1, 2027, customers are proposed to be transitioned to a metered structure with both fixed and volumetric components.

The City's sewer rate structure is also proposed to be adjusted to better align with industry best practices, improve customer understanding, and to improve billing efficiency. The current rate structure assigns equivalent dwelling units (EDUs) to each residence or business. The number of EDUs is then multiplied by the current rate per EDU to calculate customer bills. It is difficult for commercial customers to understand how they are assigned EDUs and how the number of EDUs reflects water usage or sewer flows.

## 1.2 Requirements of Proposition 218

The implementation of public agency utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the "Right to Vote on Taxes Act" which is codified as Articles XIIIC and XIIID of the California Constitution. The City must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The City must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fees, the basis upon which they were calculated, the reason for the fees, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.

2. **Public Hearing** – The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.

3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to water and sewer rates and charges, including:

1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the "cost of service".

2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.

3. **Proportional Cost Recovery** – The amount of the fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of service attributable to that parcel.

4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.

5. **General Government Services** – No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water and sewer service are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

## 1.3 Rate Study Process

The following is a brief description of the rate study process:

- **Revenue Requirement** – Revenue requirements are analyzed via a cash flow projection based on the best information currently available such as historical operating results, budgets, audits, and input from City staff. The cash flow serves as a roadmap for funding future operating costs and capital expenditures while maintaining long-term fiscal stability, all of which is calculated in this study to produce rates that will be necessary to recover only the actual cost of the water and sewer service per parcel under these proposed rates.

- **Cost of Service Allocation** - The cost of service process builds on the revenue requirement analysis and assigns water costs based on estimated usage. Sewer costs are allocated based on customer service costs and estimated sewer flows.

- **Rate Design** - Rate design involves developing a rate structure that fairly recovers costs from customers but does not exceed the proportional cost of the service attributable to each parcel. Final rate recommendations are designed to fund the City's short- and long-term costs of providing service and fairly allocate costs to all customers.

The rates developed in this report are based on the best available information gathered from City budgets, audits, and input from staff. The proposed rates are based on the reasonable cost of providing service and do not exceed the proportional cost of the service attributable to each parcel.

## 1.4 Proposed Rates

Current and proposed water and sewer rates are provided in Table 1 and Table 2, respectively. If adopted by City Council, rate adjustments are proposed to take effect each July 1 beginning 2026 to 2030. For the first rate increase on July 1, 2026, the water rate structure is proposed to remain the same. The only change is a 3% increase in the rates.

The City intends to install residential water meters and will provide customers with consumption data throughout 2026. Commercial customers are already metered. Residential water meters will be grant funded at no cost to the residents. Beginning July 1, 2027, the City will transition to a metered water rate structure for all customers. Commercial customers are proposed to be charged a fixed fee based on meter size. Residential customers are charged a base fee that is billed per dwelling unit. The base fee is proposed to include an allotment of water usage which varies by customer class as shown in Table 1. Any usage above each customer's base allotment is proposed to be billed an excessive use rate charged per thousand gallons of metered water use. For single family residential customers, the proposed allotment to be included in the base fee is 15 thousand gallons.

For sewer service, most customers are proposed to continue to be billed fixed charges for service. Single family residential and commercial customers will be billed the same fixed charge per dwelling unit or per business. However, it is proposed that new customer classes be created for multifamily residential customers and for schools. Multifamily residential customers are still proposed to be billed per dwelling unit, but at a lower rate to reflect their lower average usage of the sewer system in comparison to single family customers. Schools are proposed to be billed a fixed rate per student. A new flow fee is proposed for commercial customers which will be a volumetric charge billed per thousand gallons (based on metered water usage) for all indoor usage above 6,000 gallons.

Under the proposed July 1, 2026 water rates, the single family water bill will increase from $77.87 to $82.08, a 3% increase. Under the proposed July 1, 2026 sewer rates, the single family sewer bill will increase from $43.03 to $44.00, a 2% increase. Figure 1 provides a survey comparing the City's current and proposed single family residential water bill with other local agencies. Figure 2 provides a similar survey for sewer bills and Figure 3 provides a survey comparing combined water and sewer bills with other agencies. It should be noted that the agencies listed vary in size, complexity, and treatment standards. It is also likely that many of these agencies will implement water and sewer rate increases over the next five years.

**Table 1: Current and Proposed Monthly Water Rates**

| CURRENT | | PROPOSED | | | | | |
|---|---|---|---|---|---|---|---|
| | | FY2027 | | | FY2028 | FY2029 | FY2030 | FY2031 |
| **All Customers** | **Base Fee** | July 1, 2026 | **Customer Class** | **Water Included in Base Fee (1,000 gal)** | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| | | *+3%* | | | | *+7.25%* | *+7.25%* | *+7.25%* |
| | | | Multifamily | 8 | $53.38 | $57.25 | $61.40 | $65.85 |
| Rate per EDU | $75.60 | $77.87 | Single Family | 15 | $82.08 | $88.03 | $94.41 | $101.25 |
| | | | Commercial Meter Size | | | | | |
| | | | 3/4" | 15 | $82.08 | $88.03 | $94.41 | $101.25 |
| | | | 1" | 25 | $136.80 | $146.72 | $157.36 | $168.77 |
| | | | 1 1/2" | 50 | $273.60 | $293.44 | $314.71 | $337.53 |
| | | | 2" | 80 | $437.76 | $469.50 | $503.54 | $540.05 |
| | | | 3" | 160 | $875.52 | $939.00 | $1,007.08 | $1,080.09 |
| **Excessive Use Rate ($/1,000 gallons)** | | | **Excessive Use Rate ($/1,000 gallons)** | | | | | |
| Rate for use over 16,000 per Non-residential EDU | $4.65 | $4.79 | Rate for use over the amounts shown above for all customers | | $4.10 | $4.40 | $4.72 | $5.06 |

EDU – equivalent dwelling unit. Non-residential customers are currently assigned EDUs based on their estimated water consumption and land use.

**Table 2: Current and Proposed Monthly Residential Sewer Rates**

| CURRENT | | PROPOSED | | | | |
|---|---|---|---|---|---|---|
| | | | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
| All Customers | Base Fee | Customer Class | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| | | | | *+9.0%* | *+13.0%* | *+13.5%* | *+13.5%* |
| | | Multifamily Total Fee | $34.66 | $37.77 | $42.68 | $48.44 | $54.98 |
| Rate per EDU | $43.03 | Single Family Total Fee | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| | | School per Student | $1.35 | $1.47 | $1.66 | $1.88 | $2.13 |
| | | | | | | | |
| | | Commercial Base Fee | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| | | Commercial Flow* | $5.47 | $5.96 | $6.73 | $7.64 | $8.67 |
| | | (*over the first 6,000 gallons of metered water use) | | | | | |

EDU – equivalent dwelling unit. Non-residential customers are currently assigned EDUs based on their estimated sewer flows, pollutant strength, and land use.

**Figure 1: Monthly Water Bill Survey**

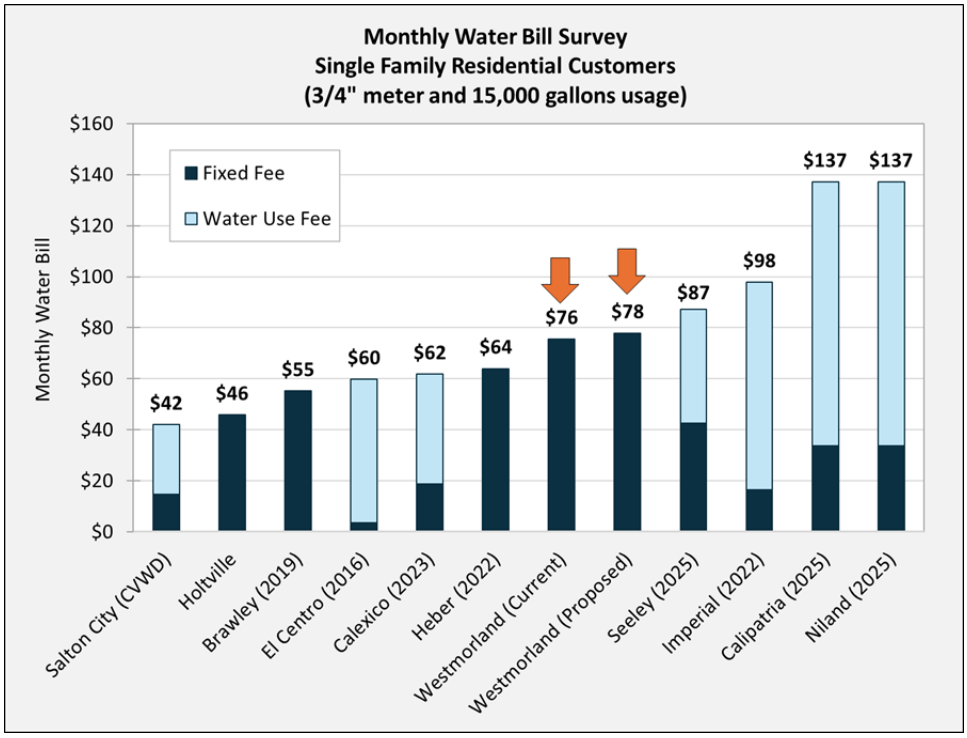



**Figure 2: Monthly Sewer Bill Survey**

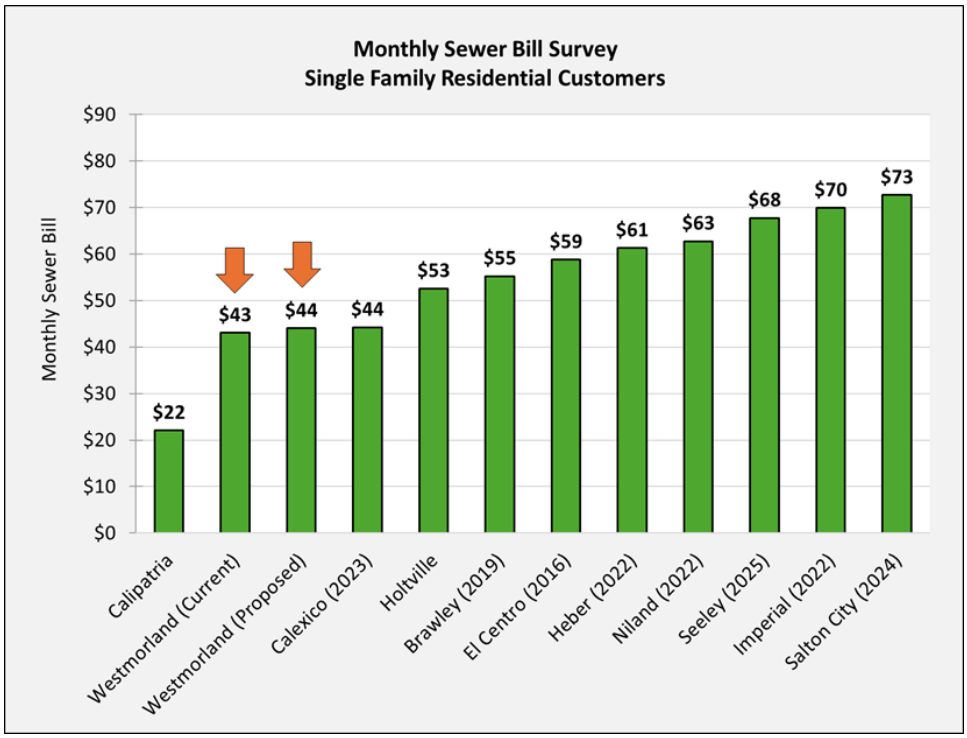
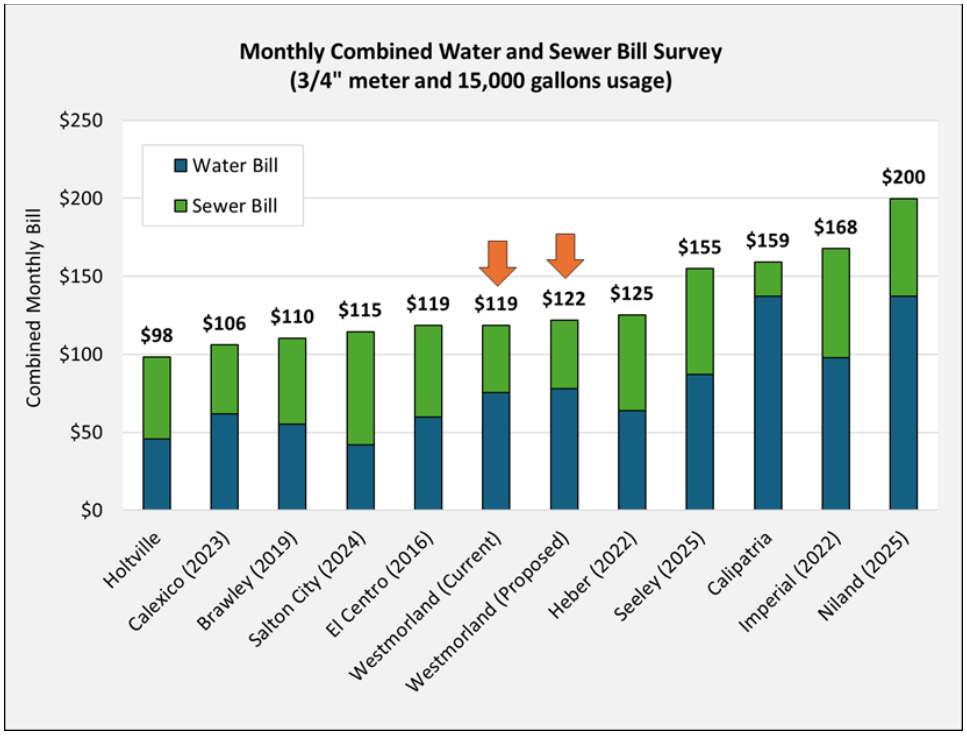


**Figure 3: Combined Monthly Water & Sewer Bill Survey**



# SECTION 2: CUSTOMER BASE AND CURRENT RATE REVENUES

The City of Westmorland provides water and sewer service to about 540 active service connections. This section provides an overview of the City's current water and sewer rates, customer base, and current rate revenues.

## 2.1 Current Rates

In 2019, the City Council (Council) adopted a five-year series of annual rate increases pursuant to Proposition 218 requirements. However, due to the global pandemic, the Council subsequently chose not to increase the rates until 2022 at which time the current rates were put in place. The current rates went into effect on October 1, 2022.

Most customers are billed unmetered, fixed rates for both water and sewer service based on the assignment of equivalent dwelling units (EDUs). Non-residential customers are metered and are billed an additional charge for metered water usage in excess of 16,000 gallons per EDU. The current monthly rates per EDU as well as the designated EDU assignments for each land use type are provided in Table 3 for water service and Table 4 for sewer service.

**Table 3: Current Monthly Water Rates and EDU Assignments**

| Current Monthly Water Rate per EDU |
|---|
| $75.60 |

| Non-Residential Excessive Use Fee ($/1,000 gal above 16,000 gal) |
|---|
| $4.65 |

| Water Equivalent Dwelling Units | | |
|---|---|---|
| **Land Use** | **Water EDUs** | **Billing Unit** |
| Residential Dwelling Units | 1.00 | per dwelling unit |
| Grocery / Liquor Store / Retail | 0.24 | per 1,000 sq. ft |
| Truck Stops / Cafes / Restaurants | 0.73 | per 1,000 sq. ft |
| Motels | 0.30 | per room |
| Bars & Pool Halls | 0.85 | per 1,000 sq. ft |
| Laundromats | 0.85 | per washer |
| Light Industrial | 0.31 | per 1,000 sq. ft |
| Warehouse | 0.05 | per 1,000 sq. ft |
| Service Stations | 1.04 | per station |
| Schools | 0.33 | per 1,000 sq. ft |
| Churches / Public Halls | 0.12 | per 1,000 sq. ft |
| Public Facilities | 0.29 | per 1,000 sq. ft |
| Bulk Water Sales | 1.00 | per 16,000 gallons |

**Table 4: Current Monthly Sewer Rate and EDU Assignments**

| Current Monthly Sewer Rate per EDU |
|---|
| $43.03 |

| Wastewater Equivalent Dwelling Units | | |
|---|---|---|
| **Land Use** | **Wastewater EDUs** | **Billing Unit** |
| Residential Dwelling Units | 1.00 | per dwelling unit |
| Grocery / Liquor Store / Retail | 0.39 | per 1,000 sq. ft |
| Truck Stops / Cafes / Restaurants | 1.18 | per 1,000 sq. ft |
| Motels | 0.49 | per room |
| Bars & Pool Halls | 1.38 | per 1,000 sq. ft |
| Laundromats | 1.36 | per washer |
| Light Industrial | 0.50 | per 1,000 sq. ft |
| Warehouse | 0.08 | per 1,000 sq. ft |
| Service Stations | 1.87 | per station |
| Schools | 0.43 | per 1,000 sq. ft |
| Churches / Public Halls | 0.19 | per 1,000 sq. ft |
| Public Facilities | 0.39 | per 1,000 sq. ft |
| Bulk Water Sales | 1.38 | per 16,000 gallons |

## 2.2 Water Rate Revenues

The current number of accounts, EDUs, and estimated annual revenues for the water system are provided in Table 5. The City currently collects about $700,000 in water rate revenues per year. Most of this revenue comes from fixed charges billed to residential customers, which account for 88% of annual revenues. Fixed charges billed to non-residential customers account for about 10% of annual revenues. The remaining 2% of annual revenues are collected from the excessive use fee billed to non-residential customers. According to the most recent billing data available, about 19% of total annual non-residential water usage was billed the excessive use fee for use above 16 thousand gallons per month.

**Table 5: Current Water Rates and Revenues**

| Residential | Accounts | Dwelling Units | EDUs | Annual Rate Revenue | % of Total |
|---|---|---|---|---|---|
| Single Family | 503 | 503 | 503.00 | $456,322 | 65.4% |
| Apartments | 3 | 141 | 141.00 | $127,915 | 18.3% |
| Metered Apartments (0.55 EDUs) | 3 | 23 | 12.65 | $11,476 | 1.6% |
| Senior Housing | 1 | 15 | 15.00 | $13,608 | 2.0% |
| ADUs | 0 | 5 | 5.00 | $4,536 | 0.7% |
| Total Residential | 510 | 687 | 676.65 | $613,857 | 88.0% |
| | | | | | |
| Non-residential | Each | | | | |
| Auto service | 5 | | 5.40 | $4,899 | 0.7% |
| Gas station | 4 | | 15.39 | $13,964 | 2.0% |
| Gas station/market | 1 | | 2.33 | $2,114 | 0.3% |
| Homes on industrial parcel | 1 | | 2.00 | $1,814 | 0.3% |
| Landscape | 3 | | 4.33 | $3,928 | 0.6% |
| Market | 1 | | 1.50 | $1,361 | 0.2% |
| Motel | 1 | | 8.00 | $7,258 | 1.0% |
| Office | 5 | | 5.20 | $4,717 | 0.7% |
| Production | 1 | | 14.27 | $12,946 | 1.9% |
| Restaurant | 0 | | 3.59 | $3,255 | 0.5% |
| Retail | 5 | | 7.70 | $6,985 | 1.0% |
| School | 2 | | 3.93 | $3,565 | 0.5% |
| Warehouse | 4 | | 5.50 | $4,990 | 0.7% |
| Total Non-residential | 33 | | 79.14 | $71,796 | 10.3% |
| | | | | | |
| **Total Fixed Charges ($75.60/EDU)** | **543** | | **755.79** | **$685,653** | **98.3%** |
| | | | | | |
| | | | **1,000 gallons** | | |
| Non-residential Water Use | | | | | |
| Usage in Base Allotment | | | 10,995 | $0 | 0.0% |
| Billed Excessive Use ($4.65/1,000 gal) | | | 2,500 | $11,623 | 1.7% |
| **Total Water Use** | | | | **$11,623** | 1.7% |
| | | | | | |
| **TOTAL WATER RATE REVENUE** | | | | **$697,276** | **100.0%** |

## 2.3 Sewer Rate Revenues

The current number of accounts, EDUs, and estimated annual revenues for the sewer system are provided in Table 6. The City currently collects about $391,000 in sewer rate revenues annually from the monthly fixed charge which is billed per EDU to all customer classes. There are about 760 total EDUs in the City's service area. Over 90% of EDUs are residential, consisting primarily of about 500 single family dwelling units and 140 apartments.

**Table 6: Current Sewer Rates and Revenues**

| Residential | Accounts | Dwelling Units | EDUs | Annual Rate Revenue | % of Total |
|---|---|---|---|---|---|
| Single Family | 503 | 503 | 503.00 | $259,729 | 66.4% |
| Apartments | 3 | 141 | 141.00 | $72,807 | 18.6% |
| Metered Apartments (0.88 EDUs) | 3 | 23 | 20.24 | $10,451 | 2.7% |
| Senior Housing | 1 | 15 | 15.00 | $7,745 | 2.0% |
| Accessory Dwelling Units (ADU) | 0 | 5 | 5.00 | $2,582 | 0.7% |
| Total Residential | 510 | 687 | 684.24 | $353,314 | 90.3% |
| | | | | | |
| Non-residential | Each | | | | |
| Auto service | 5 | | 6.30 | $3,253 | 0.8% |
| Gas station | 4 | | 24.17 | $12,480 | 3.2% |
| Gas station/market | 1 | | 3.82 | $1,972 | 0.5% |
| Homes on industrial parcel | 1 | | 2.00 | $1,033 | 0.3% |
| Landscape | 3 | | 0.00 | $0 | 0.0% |
| Market | 1 | | 1.00 | $516 | 0.1% |
| Motel | 1 | | 6.54 | $3,377 | 0.9% |
| Office | 5 | | 6.20 | $3,201 | 0.8% |
| Production | 1 | | 0.00 | $0 | 0.0% |
| Restaurant | 1 | | 3.55 | $1,833 | 0.5% |
| Retail | 5 | | 9.19 | $4,745 | 1.2% |
| School | 2 | | 8.58 | $4,430 | 1.1% |
| Warehouse | 4 | | 2.30 | $1,188 | 0.3% |
| Total Non-residential | 34 | | 73.65 | $38,030 | 9.7% |
| | | | | | |
| **Total Fixed Charges ($43.03/EDU)** | **544** | | **757.89** | **$391,344** | **100.0%** |

# SECTION 3: WATER COST OF SERVICE

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. This section provides an analysis of water system revenues and expenses to determine the total cost of service to be recovered via water rates. The cost of service is expressed in a cash flow table that illustrates revenue increases needed to keep up with expenses and maintain financial health. Over the five-year rate study period, rate increases are proposed so that the City can pay for operating costs, fund capital improvements, and maintain reasonable reserves, all of which are calculated in this study to produce rates that will be necessary to recover only the actual cost of the water service per parcel under these proposed water rates. The water utility's cost of service was developed based the FY2026 budget, the City's capital improvement plan, and input from staff.

## 3.1 Water System Overview

The primary water source throughout Imperial County is the Colorado River. The City purchases the entirety of its untreated water supply from Imperial Irrigation District (IID) and does not have an alternative water supply source. Purchased water is conveyed to the City through IID's canal system which includes the All-American canal, the Westmorland canal, and others. After water is purchased, the City is responsible for treating the raw water supply and distributing it to customers in a safe and dependable manner. Water quality is closely monitored by several State of California regulatory agencies to guarantee compliance with Federal and State mandates.

The City owns and operates a water treatment plant that provides service for the entire City. Current peak demand is 1.2 million gallons per day (MGD), or about 60% of the treatment plant's capacity of 2.0 MGD. Treated water is pumped to the distribution system through 2 operating pumps, although typically only one pump is operational at a time. The distribution system consists of about 10 miles of pipelines, ranging from 2 to 12 inches in diameter. Any surplus treated water is stored in either of the City's 2 above ground reservoirs which together have a combined capacity of about 1 million gallons. The City also maintains sedimentation facilities for raw water storage in case of short-term interruptions in supply from IID.

## 3.2 Revenues

The City's revenues consist of water service charges, interest earnings, water connection fees, water turn on fees, late fee income, and miscellaneous income. Total projected water system revenues are about $729,000 for fiscal year (FY) 2026. Water service charge revenues are projected to total $697,000 as shown in Table 5. Connection fees, turn on fees, and late fees are projected to total about $12,000. The City is projected to earn about $10,000 in interest income, and other miscellaneous revenue sources are projected to generate about $10,000 for the Water Fund. A series of five annual rate increases are proposed to go into effect beginning on July 1, 2026 to fund the costs described below.

## 3.3 Expenses

### 3.3.1 Operating Costs

Operating costs include salaries, benefits, professional services, equipment & maintenance, testing services, supplies, utilities, chemicals, and miscellaneous costs. In FY2026, the City expects to incur about $615,900 in expenses to operate and maintain the water system. Operating costs over the course of the rate study period are projected in Table 7 based on the FY2025/26 Budget and projected escalation factors for each year thereafter.

The escalation factors applied in Table 7 were determined based on projected inflation and input from City staff. Salaries and benefits are projected to increase by 5.0% per year to account for cost of living increases and health care cost increases. Utilities are expected to increase by 8.0% each year, except for FY2028 when they are expected to increase by 40.0% due to the completion of water treatment plant improvements. Testing services are also expected to increase above and beyond estimated inflation by about 26.0% in FY2028 due to the treatment plant improvements. All other operating costs are projected to increase by 3% per year to account for estimated inflation.

**Table 7: Water Operating Expense Projection**

| | Projected | | | | | | |
|---|---|---|---|---|---|---|---|
| | **FY2026** | **Escalation** | **FY2027** | **FY2028** | **FY2029** | **FY2030** | **FY2030** |
| Salaries & Benefits | $305,500 | 5.0% | $320,800 | $336,800 | $353,600 | $371,300 | $389,900 |
| Professional Services | $14,500 | 3.0% | $14,900 | $15,300 | $15,800 | $16,300 | $16,800 |
| Equipment & Maintenance | $65,000 | 3.0% | $67,000 | $69,000 | $71,100 | $73,200 | $75,400 |
| Testing Services [1] | $17,000 | 3.0% | $17,500 | $22,000 | $22,700 | $23,400 | $24,100 |
| Supplies and Miscellaneous | $28,400 | 3.0% | $29,300 | $30,200 | $31,100 | $32,000 | $33,000 |
| Utilities [2] | $70,500 | 8.0% | $76,100 | $106,500 | $115,000 | $124,200 | $134,100 |
| Chemicals | $115,000 | 3.0% | $118,500 | $126,000 | $129,800 | $133,700 | $137,700 |
| Total Operating Expenses | $615,900 | | $644,100 | $705,800 | $739,100 | $774,100 | $811,000 |

1 - +26% in FY2028 due to water treatment plant improvements

2 - +40% in FY2028 due to water treatment plant improvements

### 3.3.2 Capital Improvements

Concurrent with conducting this rate study, City staff analyzed the water system's condition and needs over the next five years. The City adopted a formal capital improvement plan in June 2025 which identified critical improvements that are needed for the water system, the majority of which will be grant-funded. The City has been successful in securing grants for major system improvements including upgrading the water treatment plant and installing water meters and a meter reading system. By securing grants, City staff have significantly reduced the amount of capital improvement funding needed from rate revenues, thus mitigating rate impacts.

The remaining improvements and equipment replacements that are not anticipated to be funded through grants have been identified and included in the water cash flow, Table 8. In the current year, FY2026, it is expected that the City will incur a cost overrun of $250,000 on current construction. Over the next five years, it is expected that the City will need to fund about $440,000 in additional capital costs through rate revenues. This total will be made up of $200,000 for pump replacements, $165,000 for vehicle replacements, and $75,000 for equipment needs.

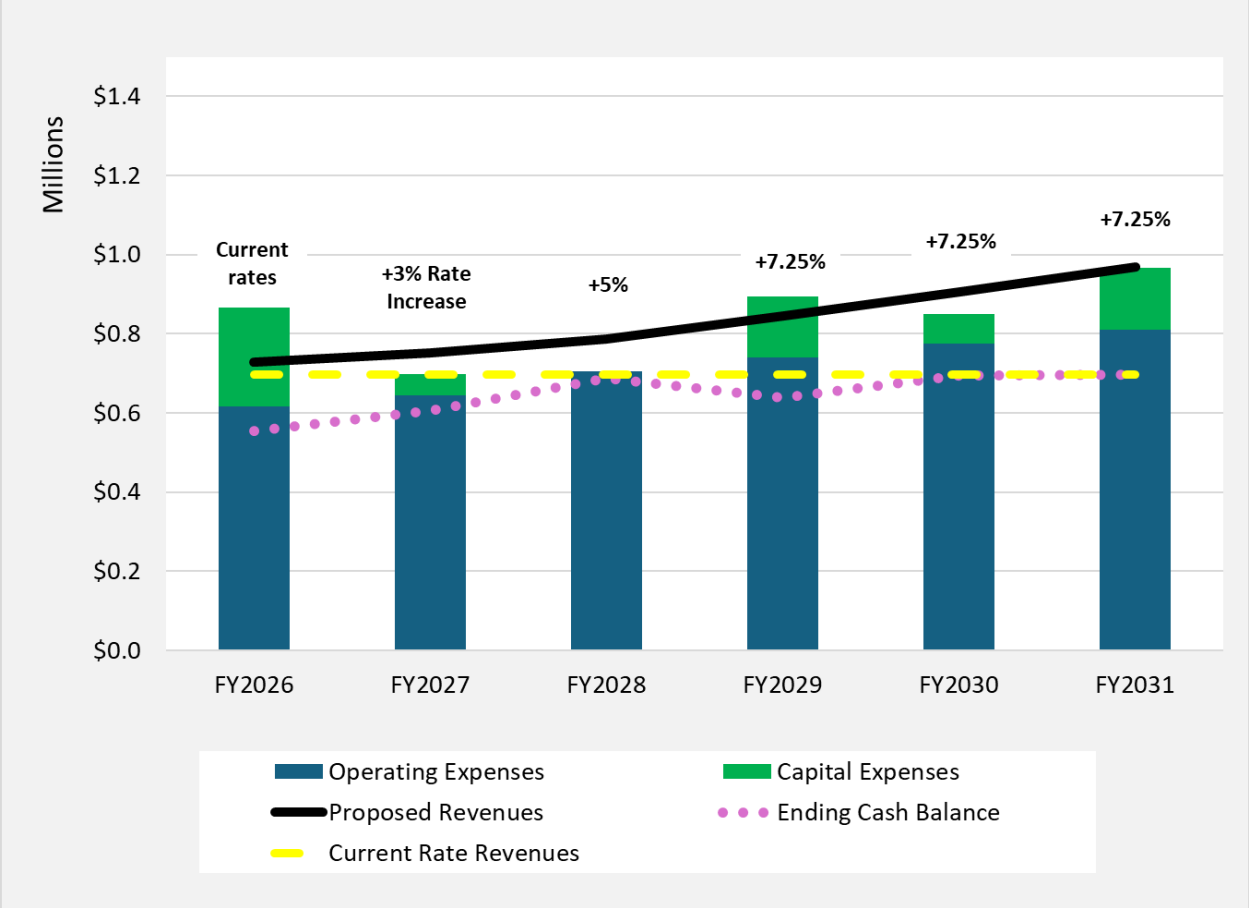
## 3.4 Reserves

As of July 1, 2025, the Water Fund's cash reserve balance was about $690,000. It is recommended that the Water Fund maintain a target balance equal to at least 50% of operating costs based on industry common practice. Based on this calculation, the recommended fund target for FY2026 is about $308,000. The City's current reserves therefore exceed the target, and it is projected that the City will exceed the target reserve balance during all five years of the rate study period. Adequate fund reserves protect the City when faced with unforeseen financial challenges such as emergency expenses and revenue deficits. Fund reserves are a critical tool that will allow the City to maintain its financial health and positive credit ratings, especially during emergencies.

## 3.5 Cash Flow Projection

Figure 4 and Table 8 provide the five-year cash flow spanning from FY2026 to FY2031. Over the five-year rate study period, water rate increases are proposed to fund operating costs, capital costs, and maintain reserves. Rate increases are proposed to take effect each July 1 from 2026 through 2030. The proposed rates and rate design are described in more detail in the following section.

**Figure 4: Water Cash Flow Chart**




Not every customer will receive exactly the % increases in rates shown above due to rate structure changes and individual water usage patterns.

**Table 8: Water Cash Flow Projection**

| | Budget | PROJECTED | | | | |
|---|---|---|---|---|---|---|
| | FY2026 | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
| **Rate Increase %** | **0.0%** | **3.00%** | **5.00%** | **7.25%** | **7.25%** | **7.25%** |
| Rate Increase Effective Date | | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| **Beginning Fund Balance** | $690,200 | $553,600 | $605,300 | $687,400 | $637,700 | $693,400 |
| **REVENUES** | | | | | | |
| Water Service Charges | 697,300 | 718,200 | 754,100 | 808,800 | 867,400 | 930,300 |
| Water Connection Fees | 1,000 | 1,000 | 1,100 | 1,200 | 1,300 | 1,400 |
| Water Turn on Fees | 1,000 | 1,000 | 1,100 | 1,200 | 1,300 | 1,400 |
| Late Fee Income | 10,000 | 10,300 | 10,800 | 11,600 | 12,400 | 13,300 |
| Other Revenue | 10,000 | 10,300 | 10,800 | 11,600 | 12,400 | 13,300 |
| Interest Earned | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Subtotal Operations Revenue | 729,300 | 750,800 | 787,900 | 844,400 | 904,800 | 969,700 |
| **EXPENSES** | | | | | | |
| *Operating Expenses* | | | | | | |
| Salaries & Benefits | 305,500 | 320,800 | 336,800 | 353,600 | 371,300 | 389,900 |
| Professional Services | 14,500 | 14,900 | 15,300 | 15,800 | 16,300 | 16,800 |
| Equipment & Maintenance | 65,000 | 67,000 | 69,000 | 71,100 | 73,200 | 75,400 |
| Testing Services | 17,000 | 17,500 | 22,000 | 22,700 | 23,400 | 24,100 |
| Supplies and Miscellaneous | 28,400 | 29,300 | 30,200 | 31,100 | 32,000 | 33,000 |
| Utilities | 70,500 | 76,100 | 106,500 | 115,000 | 124,200 | 134,100 |
| Chemicals | 115,000 | 118,500 | 126,000 | 129,800 | 133,700 | 137,700 |
| Subtotal Operational Expenses | 615,900 | 644,100 | 705,800 | 739,100 | 774,100 | 811,000 |
| **Net Operating Revenues** | 113,400 | 106,700 | 82,100 | 105,300 | 130,700 | 158,700 |
| *Non-Operating Expenses* | | | | | | |
| Cost Overrun on current construction | 250,000 | 0 | 0 | 0 | 0 | 0 |
| Pumps | 0 | 0 | 0 | 100,000 | 0 | 100,000 |
| Vehicle Replacement | 0 | 55,000 | 0 | 55,000 | 0 | 55,000 |
| Equipment | 0 | 0 | 0 | 0 | 75,000 | 0 |
| Subtotal Non-Operating | 250,000 | 55,000 | 0 | 155,000 | 75,000 | 155,000 |
| **Total Expenses** | 865,900 | 699,100 | 705,800 | 894,100 | 849,100 | 966,000 |
| Total Net Revenues | (136,600) | 51,700 | 82,100 | (49,700) | 55,700 | 3,700 |
| **Ending Fund Balance** | $553,600 | $605,300 | $687,400 | $637,700 | $693,400 | $697,100 |
| Target Reserve Balance [1] | 308,000 | 322,100 | 352,900 | 369,600 | 387,100 | 405,500 |
| Target Met? | Yes | Yes | Yes | Yes | Yes | Yes |

1 – Target equal to 6 months of operating expenses.

# SECTION 4: WATER COST ALLOCATION & RATE DESIGN

The prior section determined the total cost of providing water service to customers. This section takes the total annual cost of service developed in the prior section and assigns costs to various customer classes based on their use of the water system.

## 4.1 Proposed Water Rate Structure

The City's service area is primarily unmetered, with the exception of non-residential customers. However, water meters and a water meter reading system will be installed at all residences throughout the next year at no cost to ratepayers. The installations will be funded through the City's Expedited Drinking Water Grant (EDWG) which also provides funding for improvements to the water treatment plant. It is anticipated that the City will be fully metered by August 2026. Concurrently with meter installations, the City will begin to provide customers with information about their current water usage and how that water usage will be used to calculate rates in the following year. Beginning July 1, 2027, customers are proposed to be transitioned to a metered structure with both fixed and volumetric components.

It is also proposed that customers be subdivided into multiple different customer classes after metering occurs. Currently, all customer classes pay the same fixed rate per EDU. Multifamily residential customers are proposed to be billed a lower total base fee than single family residential customers on account of their lower estimated water use and lower proposed water base allotment. Commercial customers are proposed to be billed based on their meter size with the 3/4" meter size equal to the single family base fee.

## 4.2 Methodology

The American Water Works Association (AWWA) recommends methods to classify costs among various customers. Using the Base-Extra Capacity Method as recommended by the AWWA, water operating expenses are allocated to the following categories: (a) Base, (b) Extra, (c) Meters & Services, and (d) Customer Service. The Base and Extra categories are intended to recover the costs to deliver water to customers, while the Customer Service and Meters & Services categories are intended to recover expenses related to maintaining infrastructure in the system to supply water at all times under the proposed water service rates derived in this study. A summary of the cost allocation categories is provided below:

- *Base:* Base costs include the expenses related to providing water under average ("base") demand conditions.

- *Extra:* The extra category includes costs related to providing water above the system average demand (i.e., related to peak, "extra" usage).

- *Meters & Services:* These include costs related to maintaining infrastructure and operating capacity to provide service at any time under the proposed water service fee rates in this study.

- C*ustomer Service:* This category contains costs associated with serving customers, such as billing and answering customer inquiries.

## 4.3 Proposed Water Cost Allocation

The cost allocation determines the percentage of annual revenue to be collected from each proposed rate component (consisting of the meter fee and the volume rate) based on the actual costs attributable to each. Table 9 allocates the City's FY2028 operating expenses based on how the City incurs each cost to fairly recover costs based on how customers use the system. FY2028 was selected as the test year for the cost allocation because the meter fee and volume rate will not be implemented until July 1, 2027. During FY2027, rates are proposed to be billed according to the same structure as current.
It is proposed that the AWWA recommended cost categories of *Base* and *Extra* be combined as the proposed volume rate is a single tier applied to all levels of use. The new volume rate is proposed to recover costs for utilities, chemicals, equipment & maintenance, supplies & miscellaneous, testing, and 50% of salaries & benefits. The portion of costs allocated to the volume rate is intended to consist of costs which vary depending on the amount of water consumed by customers.

The meter fee is proposed to be made up of the AWWA recommended cost categories of *Meters & Services* and *Customer Service*. It is proposed to recover the remaining 50% of salaries & benefits in addition to professional services costs. The meter fee category is proposed to recover the City's fixed operating and maintenance costs that are incurred to provide service to all customers regardless of the amount of water they use. In total, the new volume rate is proposed to recover 74% of costs and the meter fee is proposed to recover 26% of costs.

**Table 9: Water Expense Projection and Cost Allocation**

| | Projected | | | | | | |
|---|---|---|---|---|---|---|---|
| | **FY2026** | **Escalation** | **FY2027** | **FY2028** | **FY2029** | **FY2030** | **FY2030** |
| Salaries & Benefits | $305,500 | 5.0% | $320,800 | $336,800 | $353,600 | $371,300 | $389,900 |
| Professional Services | $14,500 | 3.0% | $14,900 | $15,300 | $15,800 | $16,300 | $16,800 |
| Equipment & Maintenance | $65,000 | 3.0% | $67,000 | $69,000 | $71,100 | $73,200 | $75,400 |
| Testing Services [1] | $17,000 | 3.0% | $17,500 | $22,000 | $22,700 | $23,400 | $24,100 |
| Supplies and Miscellaneous | $28,400 | 3.0% | $29,300 | $30,200 | $31,100 | $32,000 | $33,000 |
| Utilities [2] | $70,500 | 8.0% | $76,100 | $106,500 | $115,000 | $124,200 | $134,100 |
| Chemicals | $115,000 | 3.0% | $118,500 | $126,000 | $129,800 | $133,700 | $137,700 |
| Total Operating Expenses | $615,900 | | $644,100 | $705,800 | $739,100 | $774,100 | $811,000 |

| | | |
|---|---|---|
| **Cost Allocation** | | |
| Volume Rate | | |
| Utilities | $106,500 | |
| Chemicals | $126,000 | |
| Equipment & Maintenance | $69,000 | |
| Supplies and Miscellaneous | $30,200 | |
| Testing | $22,000 | |
| Staffing - 50% | $168,400 | |
| Total Volume | $522,100 | **74.0%** |
| | | |
| Meter Fee | | |
| All Other O&M Costs | $183,700 | **26.0%** |
| | | |
| Total O&M | $705,800 | |

1 - +25% in FY2028 due to water treatment plant improvements

2 - +40% in FY2028 due to water treatment plant improvements

## 4.4 Unit Cost Calculation

The meter fee is proposed to be recovered based on the meter equivalent capacity ratio for each meter size. The AWWA recommends using meter equivalents to assign demand-related costs to larger meter sizes. The ratio at which the meter charge increases is typically a function of either meter investment (estimated cost) or the meter's safe operating capacity. Larger meters have the ability to place a greater demand on the water system and are therefore charged based on that potential demand. For example, based on the AWWA meter capacity ratios, a customer that has a 2" meter has 5.33 times the capacity equivalency of a customer with a 3/4" meter (a 2" meter has a safe operating capacity of 160 gallons per minute (gpm) compared to a 3/4" meter with 30 gpm capacity). A summary of the City's meters and meter equivalents is provided in Table 10. The City has 722 customers (meters and dwelling units) and about 795 meter equivalents.

The new volume rate is proposed to be recovered per thousand gallons of metered water usage. As a first step in rate design, the water usage of residential and commercial customers is estimated, see Table 10. Multifamily customers are projected to use 8 thousand gallons of water per month. Single family residential customers are projected to use 16 thousand gallons of water per month, and it is proposed that the single family allotment include 15 thousand gallons. Commercial 3/4" meter customers are proposed to have the same base tier allotments as single family residential customers. For each meter size above 3/4", the proposed base tier allotment was determined by multiplying the 3/4" allotment of 15 thousand gallons by the appropriate meter capacity ratio and rounding to the nearest whole number. For example, the 2" meter has a capacity ratio of 5.33, which rounds to 80 thousand gallons when multiplied by 15. Estimated commercial excessive water usage is based on recent meter reads. The annual commercial excess usage is estimated at 2,580,000 gallons under the new allotment of 15,000 gallons per meter equivalent. This is approximately equal to the current excess usage of 2,500,000 gallons (see Table 5).

**Table 10: Water Billing Units**

| Meter Size | # of Meters | Operating Capacity (gpm) | Ratio to 3/4" | Total Equivalents |
|---|---|---|---|---|
| Multifamily | 184 | 30 | 1.00 | 184.00 |
| Single Family | 503 | 30 | 1.00 | 503.00 |
| Commercial | | | | |
| 3/4" | 18 | 30 | 1.00 | 18.00 |
| 1" | 5 | 50 | 1.67 | 8.33 |
| 1 1/2" | 2 | 100 | 3.33 | 6.67 |
| 2" | 6 | 160 | 5.33 | 32.00 |
| 3" | 4 | 320 | 10.67 | 42.67 |
| | 722 | | | 794.67 |

| Water Consumption | # of Meters | Base Tier (1,000 gals per Month) | Annual Use in Base | Monthly Avg Excessive Use | Annual Excessive Use | Annual Total Use (Base + Excess) |
|---|---|---|---|---|---|---|
| Multifamily | 184 | 8 | 17,664 | 0.0 | 0 | 17,664 |
| Single Family | 503 | 15 | 90,540 | 1.0 | 6,036 | 96,576 |
| Commercial | | | | | | |
| 3/4" | 18 | 15 | 3,240 | 10.0 | 2,160 | 5,400 |
| 1" | 5 | 25 | 1,500 | 5.0 | 300 | 1,800 |
| 1 1/2" | 2 | 50 | 1,200 | 5.0 | 120 | 1,320 |
| 2" | 6 | 80 | 5,760 | 0.0 | 0 | 5,760 |
| 3" | 4 | 160 | 7,680 | 0.0 | 0 | 7,680 |
| | 722 | | 127,584 | | 8,616 | 136,200 |

Gpm - gallons per minute

Table 11 provides the calculation of the volume rate and fixed fee components using the number of AWWA meter equivalents and estimated total annual water usage from Table 10. The total FY2028 water service charge revenue requirement of $754,100 is taken from the cash flow projection (Table 8) and is allocated 74.0% to the volume rate and 26.0% to the meter fees based on the proposed cost allocation (Table 9). To calculate the total volume rate per thousand gallons, the volume rate revenue requirement is divided by the projected total water consumption. To calculate the base meter fee, the fixed rate revenue requirement is divided by the total number of water meter equivalents.

**Table 11: FY2028 Water Unit Cost Calculation**

| | | |
|---|---|---|
| Volume Rate Revenues | $557,829 | 74.0% |
| Fixed Rate Revenues | $196,271 | 26.0% |
| Total | $754,100 | 100.0% |
| | | |
| Volume Rate Revenue | $557,829 | |
| Usage (1,000 gal) | 136,200 | |
| Rate per 1,000 gal | $4.10 | |
| | | |
| Fixed Rate Revenues | $196,271 | |
| Meter Equivalents | 794.67 | |
| Rate per Equiv per month | $20.58 | |

## 4.5 Base Fee Calculation

The rate derivation for the proposed monthly base fees for FY2028 is shown in Table 12. To account for the water allotment for each customer class, the proposed allotment included in the base tier for each customer class is multiplied by the volume rate derived in Table 11 to calculate the usage cost included in the base fee. Next, the meter fees are calculated by multiplying the fixed rate per meter equivalent per month from Table 11 by the meter equivalent ratios from Table 10 to calculate the fixed fee for each meter size. The total proposed base fee is the sum of the usage cost included in the base fee plus the fixed fee for each meter size. For single family customers, the usage cost of $61.50 is added to the fixed fee of $20.58 to generate the total proposed base fee of $82.08.

**Table 12: FY2028 Water Base Fee Calculation**

| Water Consumption | Base Tier (1,000 gals per Month) | | Rate per 1,000 gal | | Usage Cost in Base Fee |
|---|---|---|---|---|---|
| Multifamily | 8 | x | $4.10 | = | $32.80 |
| Single Family | 15 | x | $4.10 | = | $61.50 |
| Commercial | | | | | |
| 3/4" | 15 | x | $4.10 | = | $61.50 |
| 1" | 25 | x | $4.10 | = | $102.50 |
| 1 1/2" | 50 | x | $4.10 | = | $205.00 |
| 2" | 80 | x | $4.10 | = | $328.00 |
| 3" | 160 | x | $4.10 | = | $656.00 |

| Meter Fee | Meter Equivalent | | Fee per Equivalent | | Fixed Cost in Base Fee |
|---|---|---|---|---|---|
| Multifamily | 1.0 | x | $20.58 | = | $20.58 |
| Single Family | 1.0 | x | $20.58 | = | $20.58 |
| Commercial | | | | | |
| 3/4" | 1.0 | x | $20.58 | = | $20.58 |
| 1" | 1.7 | x | $20.58 | = | $34.30 |
| 1 1/2" | 3.3 | x | $20.58 | = | $68.60 |
| 2" | 5.3 | x | $20.58 | = | $109.76 |
| 3" | 10.7 | x | $20.58 | = | $219.52 |

| Total Base Charge | | Usage Cost | | Fixed Cost | | Total Base Fee |
|---|---|---|---|---|---|---|
| Multifamily | per dwelling | $32.80 | + | $20.58 | = | $53.38 |
| Single Family | per dwelling | $61.50 | + | $20.58 | = | $82.08 |
| Commercial | | | | | | |
| 3/4" | per meter | $61.50 | + | $20.58 | = | $82.08 |
| 1" | per meter | $102.50 | + | $34.30 | = | $136.80 |
| 1 1/2" | per meter | $205.00 | + | $68.60 | = | $273.60 |
| 2" | per meter | $328.00 | + | $109.76 | = | $437.76 |
| 3" | per meter | $656.00 | + | $219.52 | = | $875.52 |

## 4.6 Proposed Water Rates

The proposed five-year water rate plan is provided in Table 13. All customers are proposed to be charged according to the proposed rate schedule shown. For any additional connections built out in the City, the rates for water service in Table 13 will also apply to them. As described in the previous sections of this report, the rates have been calculated in this study to produce rates that will be necessary to recover only the actual cost of the water service per parcel under the proposed water rates.

The first rate change is proposed to take effect on July 1, 2026 at the beginning of FY2027. In FY2027, no rate structure adjustments are proposed, and customers will be billed according to the current rate structure plus the proposed 3.0% rate increase. In FY2028, the metered rate structure is proposed to be implemented as described above. FY2029 through FY2031, the metered rates are proposed to be escalated each year by the rate increase percentages proposed in the cash flow projection (Table 8).

**Table 13: Proposed Monthly Water Rates**

| CURRENT | | PROPOSED | | | | | |
|---|---|---|---|---|---|---|---|
| | | FY2027 | | | FY2028 | FY2029 | FY2030 | FY2031 |
| All Customers | Base Fee | July 1, 2026 | Customer Class | Water Included in Base Fee (1,000 gal) | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| | | *+3%* | | | | *+7.25%* | *+7.25%* | *+7.25%* |
| | | | Multifamily | 8 | $53.38 | $57.25 | $61.40 | $65.85 |
| Rate per EDU | $75.60 | $77.87 | Single Family | 15 | $82.08 | $88.03 | $94.41 | $101.25 |
| | | | Commercial Meter Size | | | | | |
| | | | 3/4" | 15 | $82.08 | $88.03 | $94.41 | $101.25 |
| | | | 1" | 25 | $136.80 | $146.72 | $157.36 | $168.77 |
| | | | 1 1/2" | 50 | $273.60 | $293.44 | $314.71 | $337.53 |
| | | | 2" | 80 | $437.76 | $469.50 | $503.54 | $540.05 |
| | | | 3" | 160 | $875.52 | $939.00 | $1,007.08 | $1,080.09 |
| **Excessive Use Rate ($/1,000 gallons)** | | | **Excessive Use Rate ($/1,000 gallons)** | | | | | |
| Rate for use over 16,000 per Non-residential EDU | $4.65 | $4.79 | Rate for use over the amounts shown above for all customers | | $4.10 | $4.40 | $4.72 | $5.06 |

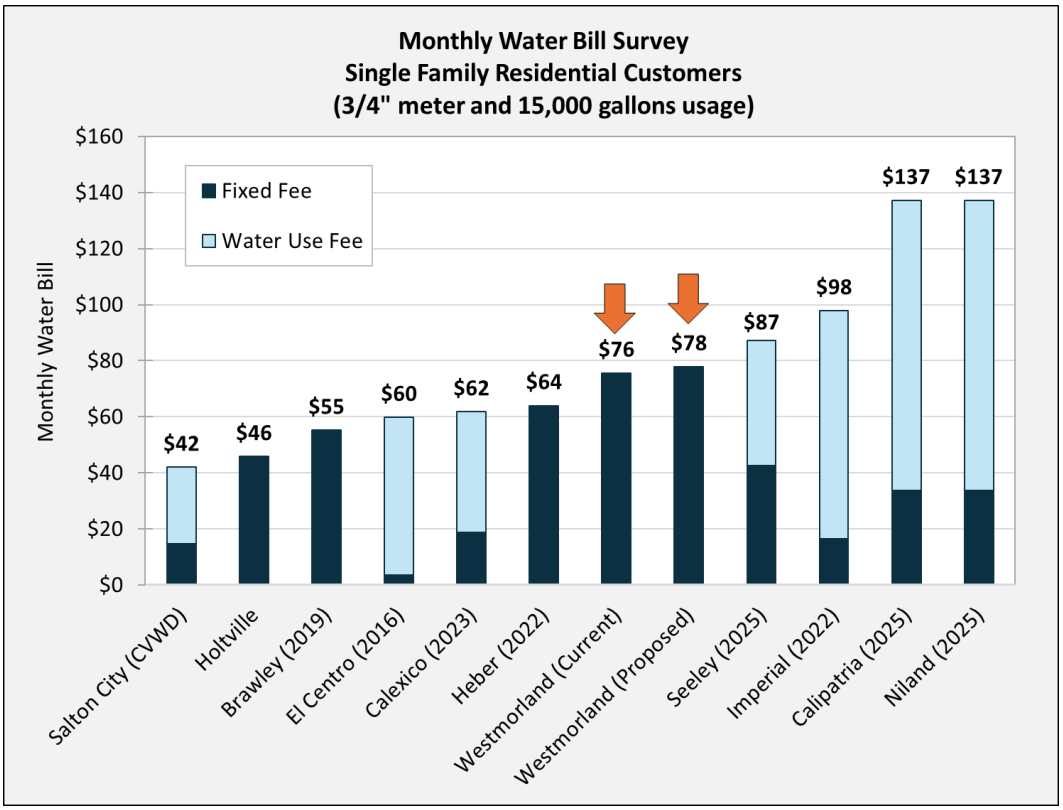
EDU – equivalent dwelling unit. Non-residential customers are currently assigned EDUs based on their estimated water consumption and land use.

## 4.7 Water Bill Impacts

For a single family residential customer, the City's bill is proposed to increase from a fixed fee of $75.60 per month to a fixed fee of $77.87, an increase of $2.27 or 3.0%.

**Figure 5** compares the City's current and proposed July 1, 2026 monthly single family residential water bill with those of surrounding agencies. The City's current water rate is in the mid-range of the surveyed agencies and will not change in the ranking following the proposed rate increase. For a single family residential customer, the City's bill is proposed to increase from a fixed fee of $75.60 per month to a fixed fee of $77.87, an increase of $2.27 or 3.0%.

**Figure 5: Monthly Water Bill Survey**




For comparison purposes, Table 14 on the following page summarizes the amount of water usage included in the base fee of each surveyed agency. Only Brawley, Heber, and Holtville include a water allotment in their base fees. The City of Westmorland currently has a 16 thousand gallon water allotment for non-residential customers and unmetered rates for all residential customers. July 1, 2027, a base allotment of 15 thousand gallons is proposed to be implemented for single family residential customers. Following this rate change, the impact to each customer will depend on individual water use characteristics and bills may vary on a monthly basis depending on water consumption. Customers with

metered water usage above 15 thousand gallons will be subject to the proposed volume rates for excessive water use.

**Table 14: Base Allotment of Comparable Agencies**

| Agency | Water usage included in base allotment (gallons) |
|---|---|
| Brawley | 15,000 |
| Calexico | 0 |
| Calipatria/Niland (Golden State) | 0 |
| El Centro | 0 |
| Heber | 15,000 |
| Holtville | 15,000 |
| Imperial | 0 |
| Salton City | 0 |
| Seeley | 0 |
| Westmorland (Current) | 16,000 |

# SECTION 5: SEWER COST OF SERVICE

Following the same process as the analysis of the water system's cost of service, the sewer utility's cost of service is developed in this section based on the FY2026 budget, the City's capital improvement plan, and input from staff to produce rates that will be necessary to recover only the actual cost of the sewer service per parcel.

## 5.1 Sewer System Overview

The City owns and operates a sewer collection, treatment, and disposal system whose purpose is to collect, treat, and dispose of residential and commercial wastewater in an environmentally safe manner. This process is closely monitored by several State of California regulatory agencies to guarantee compliance with Federal and State mandates.

The City's wastewater collection system consists of approximately 7 miles of pipelines of various sizes ranging from 4 inches to 12 inches in diameter. Once collected, wastewater flows are gravity-fed to the treatment system. The City's treatment process is an oxidation ditch-type process which consists of a headworks structure, an influent pumping station and flow meter, an oxidation ditch, 2 clarifiers, chlorine contact chambers, and dechlorination operations. Treatment occurs at the City's wastewater treatment plant (WWTP) located about half a mile northwest of the City's service area. The WWTP has a treatment capacity of 0.5 MGD and average dry weather flow is currently 0.25 MGD, or about 50% of capacity. Following disinfection, secondary treated wastewater is discharged from the WWTP. Sludge is dried on-site and final disposal of biosolids occurs off-site at the Imperial County Landfill.

## 5.2 Revenues

The City's Sewer Fund revenues consist of sewer service charges, interest earnings, late fee income, interest income, and other revenue and refunds. Total projected sewer system revenues are about $416,300 for FY2026. Revenues collected from sewer service charges comprise the majority of revenues at about 94%. The sewer utility is expected to operate at a deficit of $19,100 this fiscal year. A series of annual rate revenue increases are proposed to go into effect each July 1 from 2026 through 2030 to fund the costs described below. To be conservative, late fees, interest income, and other revenues are projected to remain the same over the five-year study period.

## 5.3 Expenses

### 5.3.1 Operating Costs

Operating costs include salaries & benefits, professional services, equipment & maintenance, testing services, supplies, utilities, chemicals, and miscellaneous costs. In FY2026, the City expects to incur about $435,000 in expenses to operate and maintain the sewer system. Consequently, current revenues of about $416,000 are not covering operating expenses, resulting in a projected deficit of about $19,000 this fiscal year. Operating costs over the course of the rate study period are projected in Table 15 on the following page based on the FY2026 Budget.

Escalation factors used to estimate operating costs for FY2027 through FY2031 were determined based on projected inflation and input from City staff. Similar cost increases are expected for the Sewer Fund as the Water Fund. Salaries & benefits are projected to increase by 5.0% per year to account for cost of living increases and health care cost increases. Utilities are expected to increase by 8.0% each year. All other operating costs are projected to increase by 3.0% per year. An additional increase of $4,000 above the inflationary increase of 3.0% is expected for equipment & maintenance in FY2027 because the City anticipates a new cost for manhole inspections.

**Table 15: Sewer Operating Cost Projection**

| | Projected | | | | | | |
|---|---|---|---|---|---|---|---|
| | **FY2026** | **Escalation** | **FY2027** | **FY2028** | **FY2029** | **FY2030** | **FY2031** |
| Salaries & Benefits | $250,200 | 5.0% | $262,700 | $275,800 | $289,600 | $304,100 | $319,300 |
| Professional Services | $15,000 | 3.0% | $15,500 | $16,000 | $16,500 | $17,000 | $17,500 |
| Equipment & Maintenance [1] | $32,000 | 3.0% | $37,000 | $38,100 | $39,200 | $40,400 | $41,600 |
| Testing Services | $25,000 | 3.0% | $25,800 | $26,600 | $27,400 | $28,200 | $29,000 |
| Offices Supplies | $35,200 | 3.0% | $36,300 | $37,400 | $38,500 | $39,700 | $40,900 |
| Utilities | $38,000 | 8.0% | $41,000 | $44,300 | $47,800 | $51,600 | $55,700 |
| Chemicals | $40,000 | 3.0% | $41,200 | $42,400 | $43,700 | $45,000 | $46,400 |
| Total Operating Expenses | $435,400 | | $459,500 | $480,600 | $502,700 | $526,000 | $550,400 |

1 - +$4,000 in FY2027 for expected additional cost of manhole inspections

### 5.3.2 Sewer Non-Operating Expenses

Concurrent with conducting this rate study, City staff analyzed the sewer system's condition and needs over the next five years. All sewer infrastructure improvements which must be funded through rate revenues are included in the sewer cash flow projection, see Table 16. Over the next five years, it is estimated that the City will need to replace $75,000 of equipment in FY2028 and again in FY2030.

### 5.3.3 New Debt Service

The City adopted a formal capital improvement plan in June 2024 to identify major projects that will be needed for the sewer system in the future. The most significant project identified is updating the WWTP. It is anticipated that the City will begin conducting WWTP improvements in 5 to 6 years. To conduct these improvements, it is estimated that the City will secure a 0% interest loan for $4 million of project costs to be repaid over 40 years, resulting in a new expense of about $100,000 in annual debt service beginning in FY2031.

Most forms of public agency debt require that the issuer maintain a coverage ratio of 1.2 times or greater. This is calculated as net revenues (not including grant funding) divided by the total annual debt service cost. Debt coverage is one factor that lenders take into consideration when determining the credit rating of issuers. In FY2031, it is projected that the City will have sufficient debt coverage of 1.27.

By maintaining a sufficient coverage ratio, the City should have a streamlined debt issuance process in the future.

## 5.4 Reserves

The Sewer Fund's cash reserve balance at the start of FY2026 was about $928,400. Similar to the Water Fund, it is recommended that the Sewer Fund maintain a balance equal to 50% of operations and maintenance costs. Once the City takes on new debt, it is proposed that the target reserve balance increase to include the cost of one annual debt payment. The recommended fund target for FY2026 is about $217,700, meaning existing reserves well exceed the target. Over the next five years, it is projected that the Sewer Fund will maintain a strong reserve balance and conclude FY2031 with about $856,300 in cash reserves.

## 5.5 Cash Flow Projection

Figure 6 and Table 16 provide the five-year cash flow spanning from FY2026 to FY2031. Over the five-year rate study period, annual rate revenue increases are proposed to fund operating costs, equipment replacements, future debt service, and maintain reserves. Rate increases are proposed to take effect each July 1 from 2026 through 2030. The proposed rates and rate design are described in more detail in the following section.

**Figure 6: Sewer Cash Flow Chart**

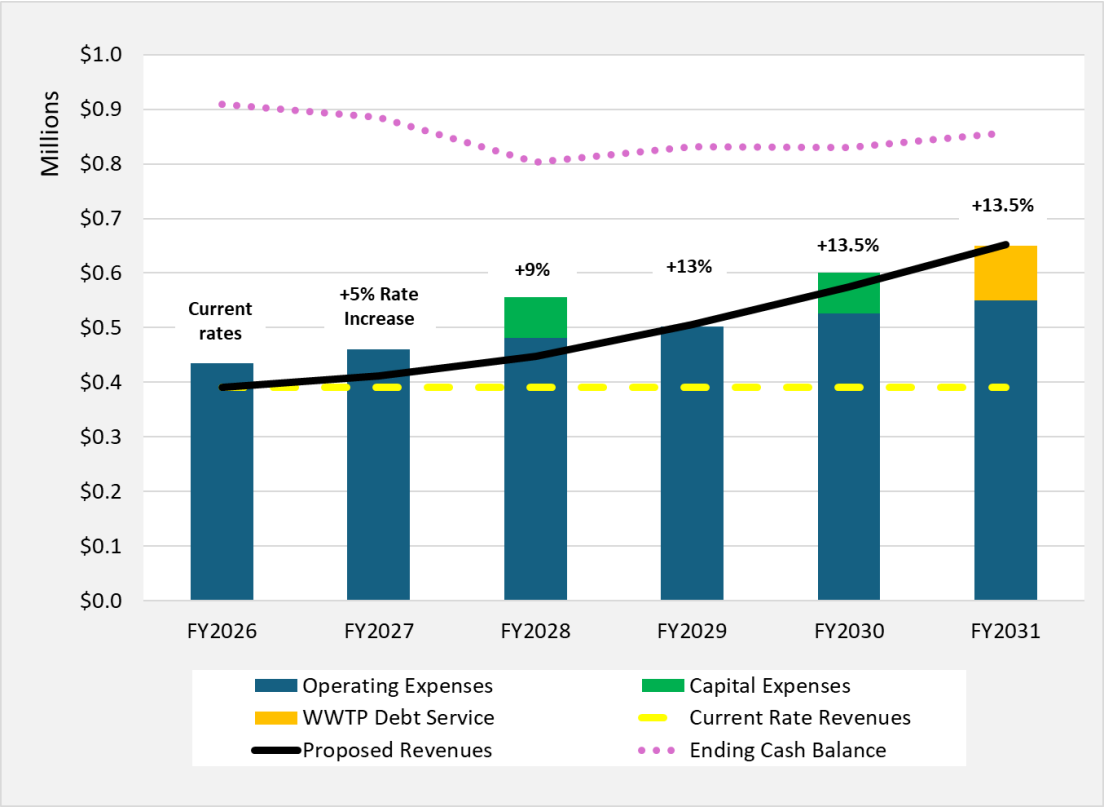


**Table 16: Sewer Cash Flow Projection**

| | Budget | PROJECTED | | | | |
|---|---|---|---|---|---|---|
| | FY2026 | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
| **Rate Increase %** | | **5.00%** | **9.00%** | **13.00%** | **13.50%** | **13.50%** |
| Rate Increase Effective Date | | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| **Beginning Fund Balance** | $928,400 | $909,300 | $885,700 | $803,000 | $831,400 | $829,800 |
| **REVENUES** | | | | | | |
| Sewer Service Charges | 391,300 | 410,900 | 447,900 | 506,100 | 574,400 | 651,900 |
| Other Revenue and Refunds | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Late Fee Income | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Interest Earned | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 |
| Subtotal Operations Revenue | 416,300 | 435,900 | 472,900 | 531,100 | 599,400 | 676,900 |
| **EXPENSES** | | | | | | |
| *Operating Expenses* | | | | | | |
| Salaries & Benefits | 250,200 | 262,700 | 275,800 | 289,600 | 304,100 | 319,300 |
| Professional Services | 15,000 | 15,500 | 16,000 | 16,500 | 17,000 | 17,500 |
| Equipment & Maintenance | 32,000 | 37,000 | 38,100 | 39,200 | 40,400 | 41,600 |
| Testing Services | 25,000 | 25,800 | 26,600 | 27,400 | 28,200 | 29,000 |
| Offices Supplies | 35,200 | 36,300 | 37,400 | 38,500 | 39,700 | 40,900 |
| Utilities | 38,000 | 41,000 | 44,300 | 47,800 | 51,600 | 55,700 |
| Chemicals | 40,000 | 41,200 | 42,400 | 43,700 | 45,000 | 46,400 |
| Subtotal Operating Expenses | 435,400 | 459,500 | 480,600 | 502,700 | 526,000 | 550,400 |
| **Net Operating Revenues** | (19,100) | (23,600) | (7,700) | 28,400 | 73,400 | 126,500 |
| *Non-Operating Expenses* | | | | | | |
| Equipment Replacement | 0 | 0 | 75,000 | 0 | 75,000 | 0 |
| New Loan Debt Service (WWTP) | 0 | 0 | 0 | 0 | 0 | 100,000 |
| Subtotal Non-Operating | 0 | 0 | 75,000 | 0 | 75,000 | 100,000 |
| **Total Expenses** | 435,400 | 459,500 | 555,600 | 502,700 | 601,000 | 650,400 |
| Total Net Revenues | (19,100) | (23,600) | (82,700) | 28,400 | (1,600) | 26,500 |
| **Ending Fund Balance** | **$909,300** | **$885,700** | **$803,000** | **$831,400** | **$829,800** | **$856,300** |
| Target Reserve Balance | 217,700 | 229,800 | 240,300 | 251,400 | 263,000 | 375,200 |
| Target Met? | Yes | Yes | Yes | Yes | Yes | Yes |
| Debt Service Coverage [1] | | | | | | 1.27 |

1 - Debt service coverage is net operating revenues / total debt service; target is > 1.2

# SECTION 6: SEWER COST ALLOCATION & RATE DESIGN

The prior section determined the total cost of providing sewer service to customers. In this section, the cost of service is allocated to rates to fairly recover costs based on how customers use the system, and in any event not to exceed the proportional cost of the sewer service attributable to each parcel.

## 6.1 Proposed Sewer Rate Structure

The sewer rate structure is proposed to be updated to be more proportional to how customers use the sewer system. For residential customers, the rates are proposed to continue to be billed as a fixed monthly charge. However, the proposed rate structure includes a new category for multifamily customers to reflect the lower estimated flows discharged by multifamily residential customers compared to single family residential customers. Updates are also proposed to the commercial rate structure to add a flow fee that will be billed to any usage above the first 6 thousand gallons of metered water usage per month. The proposed commercial base fee is the same as the single family base fee and includes the base level of flow equal to the estimated average flow for single family residential customers. Schools are proposed to be billed a fixed rate per student.

## 6.2 Methodology

The revenue requirements of the Sewer Fund and the determination of the sewer flows of the wastewater utility provide the basis for performing the cost of service analysis. The concept of proportionate allocation to each customer class indicates that allocations should take into consideration the quantity of effluent a customer contributes in addition to the strength of that sewer effluent. The total revenue requirement shown in the sewer cash flow projection is the net cost of providing service and is allocated to the flow and customer service parameters. These allocations are then used as the basis to develop unit rates for the sewer parameters and to assign costs to each customer class in proportion to the sewer services rendered.

## 6.3 Proposed Sewer Cost Allocation

Using the projected operating expenses for FY2027 as the base year, sewer costs are allocated to the following categories: (1) *Customer Service* and (2) *Flow*. *Customer Service* costs represent the fixed expenditures of the utility that do not vary significantly with the amount of wastewater discharged into the sewer system, including office supplies and 10% of salaries & benefits and professional services. All other operating expenses are categorized as *Flow* costs which are more closely associated with operations, maintenance, and infrastructure that vary with the total quantity of wastewater collected. Table 17 provides the proposed cost allocation. The budgeted expenses were allocated to each category based on how the City incurs each cost. The overall proposed allocation is 14.0% to customer service and 86.0% to flow.

**Table 17: Sewer Expense Projection and Cost Allocation**

| | Projected | | | | | | |
|---|---|---|---|---|---|---|---|
| | **FY2026** | **Escalation** | **FY2027** | **FY2028** | **FY2029** | **FY2030** | **FY2031** |
| Salaries & Benefits | $250,200 | 5.0% | $262,700 | $275,800 | $289,600 | $304,100 | $319,300 |
| Professional Services | $15,000 | 3.0% | $15,500 | $16,000 | $16,500 | $17,000 | $17,500 |
| Equipment & Maintenance | $32,000 | 3.0% | $37,000 | $38,100 | $39,200 | $40,400 | $41,600 |
| Testing Services | $25,000 | 3.0% | $25,800 | $26,600 | $27,400 | $28,200 | $29,000 |
| Offices Supplies | $35,200 | 3.0% | $36,300 | $37,400 | $38,500 | $39,700 | $40,900 |
| Utilities | $38,000 | 8.0% | $41,000 | $44,300 | $47,800 | $51,600 | $55,700 |
| Chemicals | $40,000 | 3.0% | $41,200 | $42,400 | $43,700 | $45,000 | $46,400 |
| Total Operating Expenses | $435,400 | | $459,500 | $480,600 | $502,700 | $526,000 | $550,400 |
| | | | | | | | |
| **Cost Allocation** | | | | | | | |
| Customer Service | | | | | | | |
| Offices Supplies | | | $36,300 | | | | |
| Salaries & Benefits (10%) | | | $26,270 | | | | |
| Professional Services (10%) | | | $1,550 | | | | |
| Total Customer Service | | | $64,120 | **14.0%** | | | |
| | | | | | | | |
| Flow | | | | | | | |
| All Other Expenses | | | $395,380 | **86.0%** | | | |
| | | | | | | | |
| Total O&M | | | $459,500 | **100.0%** | | | |

## 6.4 Sewer Rate Design

As noted in the cost allocation, sewer rates are determined based on customer service costs as well as the amount of wastewater flow flushed into the sewer system. The cost allocation determined the revenue requirements for the cost parameters of customer service and flow. The next step is rate design which determines how those revenue requirements are collected from each proposed customer class based on their estimated impact on the sewer system. Unit costs for customer service and flow are derived in Table 18. The total revenue requirement to be collected from rates from the cash flow projection (Table 16) is divided between each category according to the percentages derived in the cost allocation (Table 17). The revenue requirement for each category is then divided by the number of billing units for each to calculate a unit charge.

Customer service costs are allocated based on the total number of sewer dwelling units (for residential customers) or accounts (for commercial customers). Flow costs are allocated based on the total estimated annual flow in thousand gallons. The average residential sewer flow is estimated as 200 gallons per day (gpd) for a single family home. Total flows for multifamily dwelling units are estimated as 150 gpd and flow per student at schools are estimated as 7 gpd based on industry standard estimates. Commercial flows are estimated based on the City's most recent water usage data multiplied by a discharge factor of 88%. Winter water usage is about 88% of average monthly water usage for commercial customers. It is assumed that winter period use reflects only indoor water usage that flows

into the sewer and does not include other consumption such as irrigation or car washing that does not flow into the sewer.

**Table 18: FY2027 Sewer Unit Cost Calculation**

| Customer Class | Dwelling Units | Average Daily Flow (gpd) | Annual Flow (gallons) |
|---|---|---|---|
| Multifamily | 184 | 150 | 9,936,000 |
| Single Family | 503 | 200 | 36,216,000 |
| School per student | 295 | 7 | 753,725 |
| Commercial | | | 9,891,144 |
| | | | 56,796,869 |
| | | | |
| Customer Service | $57,338 | 14.0% | |
| Flow | $353,562 | 86.0% | |
| FY2027 Revenue Requirement | $410,900 | 100.0% | |
| | | | |
| Customer Service | $57,338 | | |
| # of Dwellings/Accounts | 722 | | |
| Rate per Dwelling or Account per month | $6.62 | | |
| | | | |
| Flow | $353,562 | Commercial Flow Rate | |
| 1,000 Gallons of Annual Flow | 56,797 | (88% Discharge Factor) | |
| $/1,000 gallons | $6.23 | $5.47 | |

Gpd – gallons per day

It is proposed that customer service costs be recovered through a fixed portion of the monthly bill that is applied to all customer classes. For residential customers, a monthly flow charge is estimated based on estimated monthly flows and added to the customer service charge portion of the bill to calculate a proposed fixed monthly charge, see Table 19.

Currently, each residential dwelling unit is assigned the same sewer rate regardless of whether it is a single family or multifamily dwelling unit. It is proposed that the residential customer class be subdivided, with single family residential and multifamily residential being split into two separate residential customer classes. The proposed fixed fee per dwelling unit for multifamily customers will be lower, reflecting lower estimated sewer flows for multifamily customers in comparison to single family customers. The single family flow cost is calculated based on 6 thousand gallons of flow per month, while the multifamily flow cost is calculated based on 4.5 thousand gallons of flow per month.

**Table 19: FY2027 Sewer Residential Rate Calculation**

| | 1,000 Gallons per Month | | Rate per Gallon | | Flow Cost | | Customer Service Charge | Total Monthly Sewer Charge |
|---|---|---|---|---|---|---|---|---|
| Multifamily | 4.5 | x | $6.23 | = | $28.04 | + | $6.62 | $34.66 |
| Single Family | 6.0 | x | $6.23 | = | $37.38 | + | $6.62 | $44.00 |

For commercial customers, the base fee is proposed to be the same as the single family residential base fee. For residential customers, fixed sewer charges provide revenue stability, are easy for customers to understand, and are straightforward to bill. Moreover, residential customers are a relatively homogeneous group, and peak water usage by residential customers tends not to affect sewer discharge because it occurs in summer months for irrigation needs. By contrast, commercial sewer flow varies widely based on the type and size of business. Thus, including a volumetric component per unit of water used is an appropriate rate structure for commercial customers.

For each commercial customer, the monthly base fee includes the customer service fee and the flow cost for 6 thousand gallons of monthly flow. It is proposed that any additional discharge of sewer flow above 6 thousand gallons per month be billed the commercial flow rate derived in Table 18 multiplied by the month metered water use of each customer. It is recommended that customers with large irrigation water usage install a dedicated irrigation meter to ensure that no irrigation water usage is billed the sewer flow rate.

Schools are proposed to be charged a fixed rate per student. The school sewer rate includes the customer service fee and the estimated flow and number of students from Table 18.

Current and proposed monthly sewer rates are provided in Table 20 on the following page. It is proposed that the new rate structure go into effect July 1, 2026, with subsequent increases each July 1 through 2030. In the first year, the percentage change for each customer does not align with the overall percentage increase shown in the cash flow projection (Table 16) due to the proposed rate structure changes. Beginning in FY2028, the annual change to each customer's monthly rate will match what is shown in the cash flow projection. If additional connections are built out in the City, then the increased rates for the sewer service fees calculated in this study will also apply to them.

**Table 20: Proposed Monthly Sewer Rates**

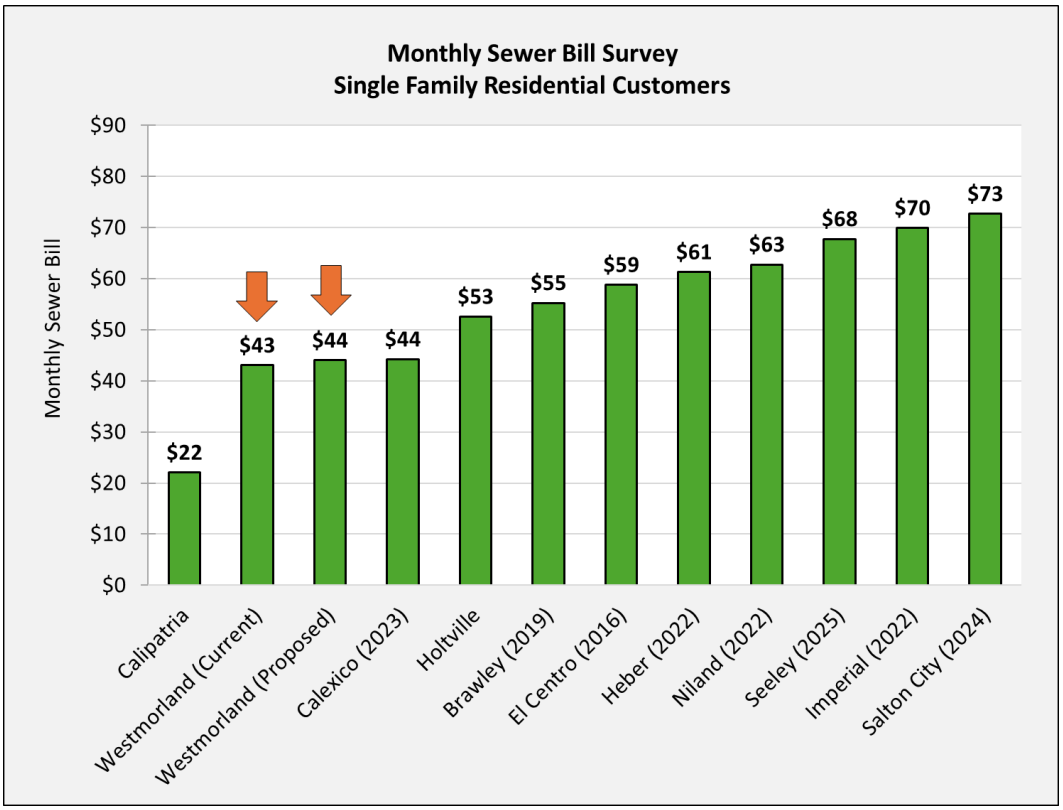
| CURRENT | | PROPOSED | | | | |
|---|---|---|---|---|---|---|
| | | | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
| All Customers | Base Fee | Customer Class | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| | | | | *+9.0%* | *+13.0%* | *+13.5%* | *+13.5%* |
| | | Multifamily Total Fee | $34.66 | $37.77 | $42.68 | $48.44 | $54.98 |
| Rate per EDU | $43.03 | Single Family Total Fee | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| | | School per Student | $1.35 | $1.47 | $1.66 | $1.88 | $2.13 |
| | | Commercial Base Fee | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| | | Commercial Flow* | $5.47 | $5.96 | $6.73 | $7.64 | $8.67 |
| | | (*over the first 6,000 gallons of metered water use) | | | | | |

EDU – equivalent dwelling unit. Non-residential customers are currently assigned EDUs based on their estimated sewer flows, pollutant strength, and land use.

## 6.5 Sewer Bill Impacts

Figure 7 compares the City's current and proposed July 1, 2026 monthly single family residential sewer bill with those of surrounding agencies. The City's current sewer rate is at the low end of the surveyed agencies and will not change in the ranking following the proposed rate increase. For a single family residential customer, the City's bill is proposed to increase from a fixed fee of $43.03 per month to a fixed fee of $44.00, an increase of $0.97 or about 2.0%.

**Figure 7: Monthly Sewer Bill Survey**

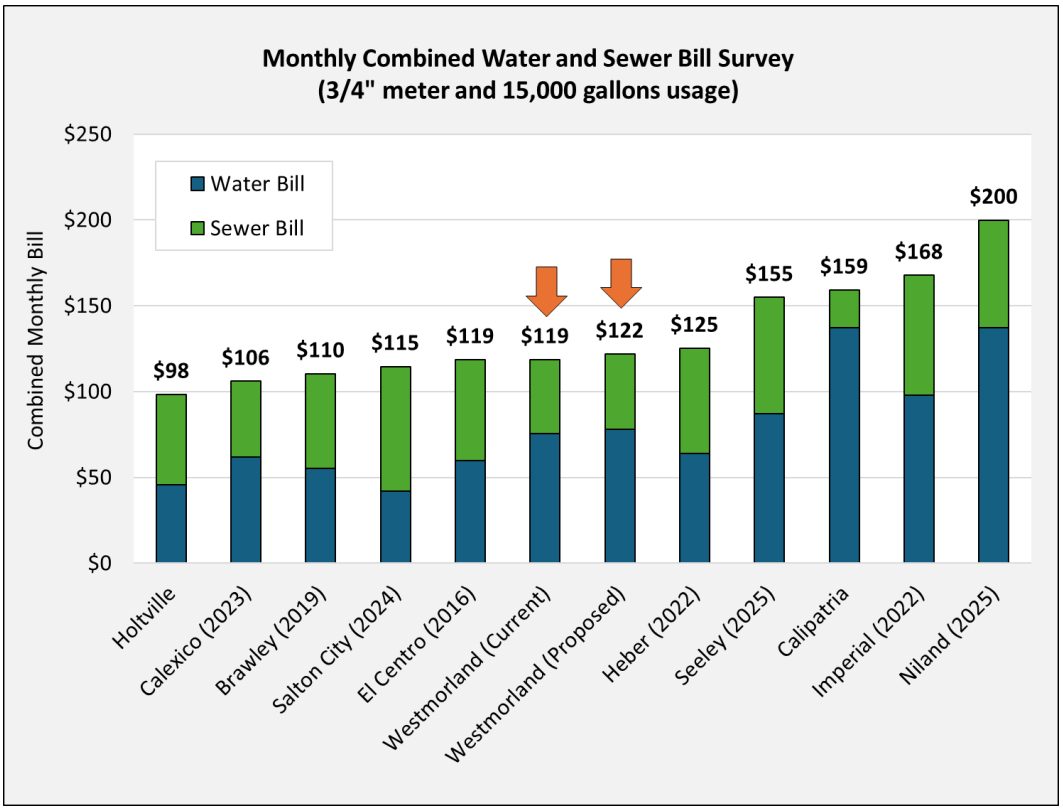


## 6.6 Combined Bill Impacts

### 6.6.1 Single Family Residential Bill Survey

Figure 8 provides a survey comparing the current and proposed combined monthly water and sewer bill for a single family residential customer with other local agencies. The City's combined utility bill for the typical single family customer is proposed to increase from $118.63 to $121.87 on July 1, 2026. The current combined bill is in the mid-range of those charged by other local agencies, and the City's bill will not change in the ranking after the proposed rate increases.

**Figure 8: Monthly Combined Water and Sewer Bill Survey**




### 6.6.2 Five-Year Bill Impacts for Residential Customers

Table 21 shows the combined monthly water and sewer bill impacts of the proposed five-year rate plan for single family and multifamily residential customers. Under the proposed rates, the new rates for multifamily customers will be implemented in FY2027 for sewer service and FY2028 for water service.

**Table 21: Proposed Combined Residential Bill Impacts**

| | CURRENT | PROPOSED | | | | |
|---|---|---|---|---|---|---|
| | | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
| **Single Family Residential Bill** | | | | | | |
| Water | $75.60 | $77.87 | $82.08 | $88.03 | $94.41 | $101.25 |
| Sewer | $43.03 | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| Total Bill | $118.63 | $121.87 | $130.04 | $142.22 | $155.92 | $171.06 |
| | | 3% | 7% | 9% | 10% | 10% |
| | | $3.24 | $8.17 | $12.18 | $13.70 | $15.14 |
| **Multifamily Residential Bill** | | | | | | |
| Water | $75.60 | $77.87 | $53.38 | $57.25 | $61.40 | $65.85 |
| Sewer | $43.03 | $34.66 | $37.77 | $42.68 | $48.44 | $54.98 |
| Total Bill | $118.63 | $112.52 | $91.15 | $99.93 | $109.84 | $120.83 |
| | | -5% | -19% | 10% | 10% | 10% |
| | | ($6.11) | ($21.37) | $8.78 | $9.91 | $10.99 |

City of Westmorland
355 South Center Street
Westmorland, CA 92281
(760) 344-3411

**Name**
**Address**
**City, State ZIP**

# NOTICE OF PUBLIC HEARING ON PROPOSED ADJUSTMENTS TO WATER AND SEWER RATES

**Wednesday, April 1, 2026 at 6:00 pm**
**in the Council Chambers at 355 South Center St, Westmorland, CA 92281**

You are receiving this notice as owner of property or ratepayer receiving water and/or sewer service from the City of Westmorland (City). The City Council will hold a public hearing on April 1, 2026 to hear public input and to consider and potentially approve water and sewer (wastewater) rate changes for the next five years.

***Background***

The City of Westmorland provides water and sewer service to about 540 service connections including single family residences, apartments, businesses, and schools throughout the City. The City's Water and Sewer Funds are self-supported from rate revenues and do not receive tax revenues to fund their operations. Rates were last increased November 1, 2024.

Since then, the City has been very successful in pursuing grant funding for water system improvements. Westmorland will receive over $11 million for treatment upgrades and the installation of water meters. As part of the funding process, the City was required to conduct a rate study to ensure that it has funds available for operations and maintenance costs that are not covered by the grant. The proposed rates are based on a comprehensive cost of service study that calculates water and sewer rates over the next five years, beginning July 1, 2026. The proposed rates do not exceed the proportional cost of the service attributable to each parcel. Rate structure adjustments are also proposed to better align with industry standard practices, improve customer understanding, and implement metered water rates. The study upon which the rates are based is available for review on the City's website.

***Why are rate increases needed?***

Rate increases are needed for both the water and sewer utilities to fund operating and maintenance expenses, infrastructure improvements that will not be funded by grants, and to maintain emergency reserves. For example, the City plans to spend about $440,000 over the next five years to purchase new water pumps, vehicles, and other equipment.

Current sewer rate revenues are no longer sufficient to cover operating expenses, and the Sewer Fund is expected to draw down reserves this year to cover costs. Rate increases are needed to cover these expenses as well as replace about $150,000 of equipment over the next five years. It is also anticipated that the City will take on a low-cost loan in about five years to conduct critical improvements to the wastewater treatment plant, resulting in a new expense of about $100,000 in annual debt service.

***Current Billing Method***

The City is largely unmetered and residential customers are billed flat (fixed) rates for water and sewer service. The current rate structure assigns a number of equivalent dwelling units (EDUs) to each residence or business. The number of EDUs is then multiplied by the current rate to calculate customer fixed charges. Commercial customers are metered and are billed an excessive use rate for any water use above 16 thousand gallons per EDU per month. Table 1 provides the number of EDUs assigned to each customer class for water and sewer service. Each single family home or residential dwelling unit is assigned 1 EDU. Commercial customers are typically assigned multiple EDUs to reflect their higher use of the systems in comparison to one residential dwelling unit. If you have questions about your customer class or current assignment of EDUs, please contact the City.

**Table 1: Current EDU Assignments**

| Land Use | Water EDUs | Sewer EDUs | Billing Unit |
|---|---|---|---|
| Residential Dwelling Units | 1.00 | 1.00 | per dwelling unit |
| Grocery / Liquor Store / Retail | 0.24 | 0.39 | per 1,000 sq. ft |
| Truck Stops / Cafes / Restaurants | 0.73 | 1.18 | per 1,000 sq. ft |
| Motels | 0.30 | 0.49 | per room |
| Bars & Pool Halls | 0.85 | 1.38 | per 1,000 sq. ft |
| Laundromats | 0.85 | 1.36 | per washer |
| Light Industrial | 0.31 | 0.50 | per 1,000 sq. ft |
| Warehouse | 0.05 | 0.08 | per 1,000 sq. ft |
| Service Stations | 1.04 | 1.87 | per station |
| Schools | 0.33 | 0.43 | per 1,000 sq. ft |
| Churches / Public Halls | 0.12 | 0.19 | per 1,000 sq. ft |
| Public Facilities | 0.29 | 0.39 | per 1,000 sq. ft |
| Bulk Water Sales | 1.00 | 1.38 | per 16,000 gallons |

EDU – equivalent dwelling unit

***Proposed Water Rate Structure Changes***

The first water rate change beginning July 1, 2026 is proposed to be an inflationary adjustment to the current rates. The number of EDUs assigned to each customer is not proposed to change. Beginning August 2026 and into 2027, the City will install residential water meters and provide usage data to customers. Beginning July 1, 2027, a new, fully metered rate structure is proposed to go into effect. This change will modernize the rate structure, better align with industry standard practices, and recover costs in a manner that is more proportional to how customers use the utilities.

Commercial customers are proposed to be charged a fixed fee based on meter size. Residential customers are proposed to be charged a base fee that is billed per dwelling unit. The base fee is proposed to include

an allotment of water usage which varies by customer class as shown in Table 2. Any usage above each customer's base allotment is proposed to be billed an excessive use rate charged per thousand gallons of metered water use. For single family residential customers, the proposed allotment included in the base fee is 15 thousand gallons per month. For multifamily residential customers, the proposed usage allotment included in the base fee is 8 thousand gallons per month per dwelling unit.

***Proposed Sewer Rate Structure Changes***

For sewer service, most customers are proposed to continue to be billed fixed charges for service. Single family residential and commercial customers will be billed the same fixed charge per dwelling unit or per business. However, it is proposed that new customer classes be created for multifamily residential customers and for schools. Multifamily residential customers are still proposed to be billed per dwelling unit, but at a lower rate to reflect their lower average usage of the sewer system in comparison to single family customers. Schools are proposed to be billed a fixed rate per student. A new flow fee is proposed for commercial customers which will be a volumetric charge billed per thousand gallons (based on metered water usage) for all indoor usage above 6,000 gallons. It is recommended that customers with large irrigation water usage install a dedicated irrigation meter to ensure that no irrigation water usage is billed the sewer flow rate.

***Proposed Monthly Rates***

Table 2 and Table 3 list the current and proposed water and sewer rates, respectively. If adopted, new rates would go into effect July 1 of each year from 2026 to 2030. The bill impacts to each customer will vary based on customer class and water usage. For a single family residential customer, the current monthly water bill is $75.60 (1 EDU) and the proposed July 1, 2026 water bill is $77.87, an increase of $2.27. The current monthly sewer bill is $43.03 (1 EDU) and the proposed July 1, 2026 single family bill is $44.00, an increase of $0.97. If you would like additional information on how the proposed changes in water and sewer rates will affect your monthly bill, please contact the City at (760) 344-3411.

***Senior Discount***

Beginning July 1, 2026, the City will offer a discount of 10% off the total water and sewer utility bill for seniors aged 65 or older. To qualify for the discount, the utility billing account must be in the senior's name (not a family member) and the service address must be a single family home. The account holder must provide proof of age. To apply for the program, please contact the City at (760) 344-3411.

**How do I file a protest or participate in the public hearing?**

Proposition 218 provides that "Property Related Fees" such as the water and sewer rates the City is proposing to adjust are subject to a "majority protest" process. Any property owner or ratepayer may submit a written protest of the proposed rates; provided, however, that only one protest will be counted per property. If protests are filed on behalf of a majority of the properties subject to the rates, the City cannot adopt the proposed rates. Please see page 5 of this notice for a detailed description of how to submit a written protest to the proposed rates.

**Table 2: Current and Proposed Monthly Water Rates**

| CURRENT | | PROPOSED | | | | | |
|---|---|---|---|---|---|---|---|
| | | FY2027 | | | FY2028 | FY2029 | FY2030 | FY2031 |
| **All Customers** | **Base Fee** | July 1, 2026 | **Customer Class** | **Water Included in Base Fee (1,000 gal)** | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| | | *+3%* | | | | *+7.25%* | *+7.25%* | *+7.25%* |
| | | | Multifamily (per dwelling unit) | 8 | $53.38 | $57.25 | $61.40 | $65.85 |
| Rate per EDU | $75.60 | $77.87 | Single Family (per dwelling unit) | 15 | $82.08 | $88.03 | $94.41 | $101.25 |
| | | | Commercial Meter Size | | | | | |
| | | | 3/4" | 15 | $82.08 | $88.03 | $94.41 | $101.25 |
| | | | 1" | 25 | $136.80 | $146.72 | $157.36 | $168.77 |
| | | | 1 1/2" | 50 | $273.60 | $293.44 | $314.71 | $337.53 |
| | | | 2" | 80 | $437.76 | $469.50 | $503.54 | $540.05 |
| | | | 3" | 160 | $875.52 | $939.00 | $1,007.08 | $1,080.09 |
| **Excessive Use Rate ($/1,000 gallons)** Rate for use over 16,000 per Non-residential EDU | $4.65 | $4.79 | **Excessive Use Rate ($/1,000 gallons)** Rate for use over the amounts shown above for all customers | | $4.10 | $4.40 | $4.72 | $5.06 |

**Table 3: Current and Proposed Monthly Sewer Rates**

| CURRENT | | PROPOSED | | | | |
|---|---|---|---|---|---|---|
| | | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
| **All Customers** | **Base Fee** | **Customer Class** | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| | | | | *+9.0%* | *+13.0%* | *+13.5%* | *+13.5%* |
| | | Multifamily Total Fee | $34.66 | $37.77 | $42.68 | $48.44 | $54.98 |
| Rate per EDU | $43.03 | Single Family Total Fee | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| | | School per Student | $1.35 | $1.47 | $1.66 | $1.88 | $2.13 |
| | | Commercial Base Fee | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| | | Commercial Flow* | $5.47 | $5.96 | $6.73 | $7.64 | $8.67 |
| | | (*over the first 6,000 gallons of metered water use) | | | | | |

EDU – equivalent dwelling unit. Non-residential customers are currently assigned EDUs based on their estimated water consumption or sewer flow and land use. Residential customers are assigned 1 EDU per dwelling unit.

**How to Participate**

The proposed rate increases are governed by section 6 of Article XIII D of the California Constitution (Proposition 218), Government Code sections 53751 et seq. and 53759 et seq., and related laws. Property owners subject to the proposed rates and ratepayers may participate in this ratemaking in a variety of ways. More information and the Rate Study Report are on the City's website at https://www.cityofwestmorland.net/ or you can call (760) 344-3411.

The City will hold a public hearing on April 1, 2026, to receive public comment, including any written protests to the proposed rates. Any property owner or ratepayer may submit one written protest per parcel. Immediately following the close of the public hearing on April 1, 2026, protests will be counted and validated. If valid protests are submitted for a majority (50% plus 1) of the parcels subject to the proposed rate increases, the City Council will not adopt the rates.

**Every written protest MUST include ALL of the following to be counted:**

1. A statement that it is a protest against the proposed water rates, sewer rates, or both;
2. Name of the property owner or customer who is submitting the protest;
3. Identification of the assessor's parcel number or street address (service address) of the property for which the protest is made; and
4. An original signature of the record owner or customer who is submitting the protest.

Written protests may be submitted by:

1. Mail to: Prop 218 Protest, 355 South Center St, Westmorland, CA 92281; or
2. In-person delivery during normal business hours at 355 South Center St, Westmorland, CA 92281; or
3. In-person delivery at the Public Hearing, before the end of the Public Hearing.

**Regardless of how the written protest is submitted, it must be received by the City before the end of the public hearing to be held on April 1, 2026, beginning at 6:00 p.m. at 355 South Center Street (City Council chambers), Westmorland, CA 92281.** (Postmark dates will not be accepted.) To ensure protests are genuine, they will not be accepted by e-mail or other electronic means. Please identify on the front of the envelope for any written protest, whether mailed or submitted in person to the City, that the enclosed protest is for the Proposition 218 Protest. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest, but the Council welcomes all public input.

At the end of the public hearing, written protests will be counted in public view. Only one written protest per parcel in the City's service area (i.e. address/assessor parcel number) will be counted. If valid written protests are not submitted for a majority (50% plus 1) of the properties subject to the fees, the Council may adopt the proposed rates. The first rate change, if approved, will take effect on or after July 1, 2026.

**Pursuant to California Government Code 53759, a 120-day statute of limitations applies to any legal challenge to a new, increased, or extended fee adopted by the City Council pursuant to this notice. If you challenge this proposal in court, you may be limited to raising only those issues you, or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City Clerk at, or prior to, the public hearing.**

LT MUNICIPAL CONSULTANTS

# Water and Sewer Rate Study

## City of Westmorland

January 7, 2026


# Background

- The City of Westmorland currently provides water and sewer service to about 544 customers
- The City last conducted a water and sewer rate study in 2019
  - In 2023 and 2024 rates were increased as a catch up of two years of postponed rates
  - Customers are currently billed per equivalent dwelling unit
  - Commercial customers are metered and billed an excessive water usage rate
- This rate update is a 5-year plan with new rates proposed to go into effect each July 1 from 2026 through 2030 (no increase in 2025)
- This rate study will transition residential customers from fixed to metered water rates beginning July 1, 2027
- New proposed rates for multifamily customers
- New proposed 10% senior discount

# Legal Requirements: Proposition 218

- Governs how water and sewer service charges can be calculated and adopted
  - Rates can be adopted over a maximum 5-year period with a single study
  - Rates must be based on the reasonable cost of providing service
  - Rates must proportionally recover costs based on how customers take service
- Procedural requirements for adopting rate adjustments: mail a notice of hearing and conduct hearing at least 45 days later
- Ratepayers can block the increase with a 50% protest

# WATER ENTERPRISE

# Current Monthly Water Rates

| Current Water Monthly Rate per EDU |
|---|
| $75.60 |

| Water Equivalent Dwelling Units | | |
|---|---|---|
| Land Use | Water EDUs | Billing Unit |
| Residential Dwelling Units | 1.00 | per dwelling unit |
| Grocery / Liquor Store / Retail | 0.24 | per 1,000 sq. ft |
| Truck Stops / Cafes / Restaurants | 0.73 | per 1,000 sq. ft |
| Motels | 0.30 | per room |
| Bars & Pool Halls | 0.85 | per 1,000 sq. ft |
| Laundromats | 0.85 | per washer |
| Light Industrial | 0.31 | per 1,000 sq. ft |
| Warehouse | 0.05 | per 1,000 sq. ft |
| Service Stations | 1.04 | per station |
| Schools | 0.33 | per 1,000 sq. ft |
| Churches / Public Halls | 0.12 | per 1,000 sq. ft |
| Public Facilities | 0.29 | per 1,000 sq. ft |
| Bulk Water Sales | 1.00 | per 16,000 gallons |

1 EDU = equivalent dwelling unit

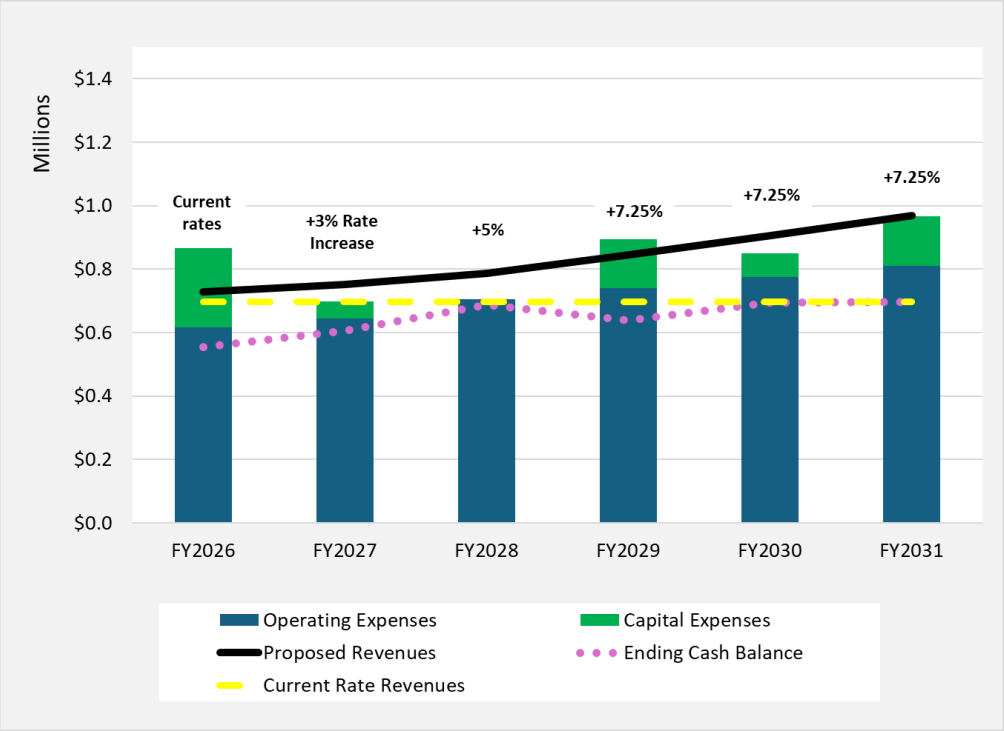
= 16,000 gallons per month for non-residential customers

Unlimited water use for residential customers

# Current Water System Financial Standing

- Current reserves of about **$690,000**
- Current revenues of about **$730,000** are covering expenses of about **$616,000** resulting in net positive revenues of about **$114,000**.
- City has secured large grants for water filter replacements, main replacements, and the water treatment plant upgrade
- However, the City must fund other needed infrastructure improvements totaling $690,000 over 5 years
  - Cost overrun on existing construction projects ($250,000)
  - Pumps ($200,000)
  - Vehicles ($165,000)
  - Other equipment ($75,000)

# Water Financial Projection

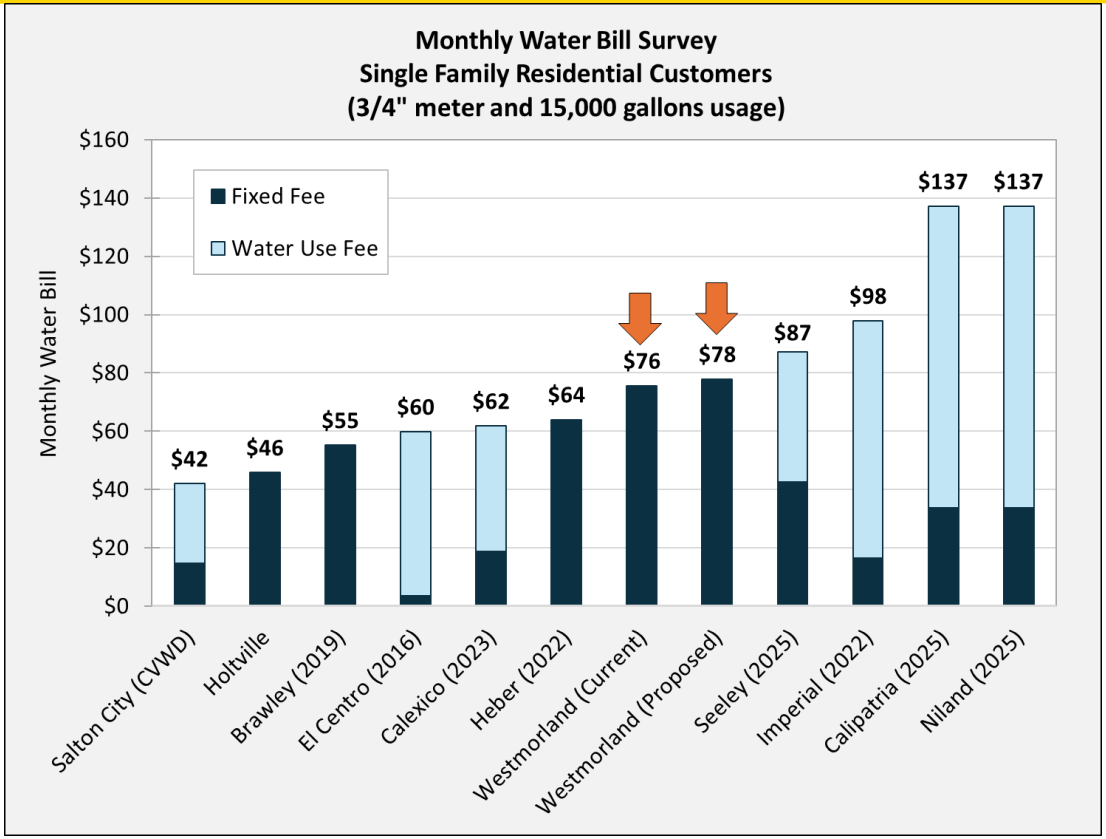



Average revenue increases shown above. Not every customer will receive exactly the % increase shown due to rate structure changes.

# Proposed Monthly Water Rates

| All Customers | CURRENT Base Fee | FY2027 July 1, 2026 | Customer Class | Water Included in Base Fee (1,000 gal) | FY2028 July 1, 2027 | FY2029 July 1, 2028 | FY2030 July 1, 2029 | FY2031 July 1, 2030 |
|---|---|---|---|---|---|---|---|---|
| | | *+3%* | | | | *+7.25%* | *+7.25%* | *+7.25%* |
| | | | Multifamily | 8 | $53.38 | $57.25 | $61.40 | $65.85 |
| Rate per EDU | $75.60 | $77.87 | Single Family | 15 | $82.08 | $88.03 | $94.41 | $101.25 |
| | | | Commercial Meter Size | | | | | |
| | | | 3/4" | 15 | $82.08 | $88.03 | $94.41 | $101.25 |
| | | | 1" | 25 | $136.80 | $146.72 | $157.36 | $168.77 |
| | | | 1 1/2" | 50 | $273.60 | $293.44 | $314.71 | $337.53 |
| | | | 2" | 80 | $437.76 | $469.50 | $503.54 | $540.05 |
| | | | 3" | 160 | $875.52 | $939.00 | $1,007.08 | $1,080.09 |
| **Excessive Use Rate ($/1,000 gallons)** | | | **Excessive Use Rate ($/1,000 gallons)** | | | | | |
| Rate for use over 16,000 per Non-residential EDU | $4.65 | $4.79 | Rate for use over the amounts shown above for all customers | | $4.10 | $4.40 | $4.72 | $5.06 |

# Water Survey




# SEWER ENTERPRISE

# Current Monthly Sewer Rates

| Current Monthly Sewer Rates per EDU |
|---|
| $43.03 |

| Wastewater Equivalent Dwelling Units | | |
|---|---|---|
| Land Use | Wastewater EDUs | Billing Unit |
| Residential Dwelling Units | 1.00 | per dwelling unit |
| Grocery / Liquor Store / Retail | 0.39 | per 1,000 sq. ft |
| Truck Stops / Cafes / Restaurants | 1.18 | per 1,000 sq. ft |
| Motels | 0.49 | per room |
| Bars & Pool Halls | 1.38 | per 1,000 sq. ft |
| Laundromats | 1.36 | per washer |
| Light Industrial | 0.50 | per 1,000 sq. ft |
| Warehouse | 0.08 | per 1,000 sq. ft |
| Service Stations | 1.87 | per station |
| Schools | 0.43 | per 1,000 sq. ft |
| Churches / Public Halls | 0.19 | per 1,000 sq. ft |
| Public Facilities | 0.39 | per 1,000 sq. ft |
| Bulk Water Sales | 1.38 | per 16,000 gallons |

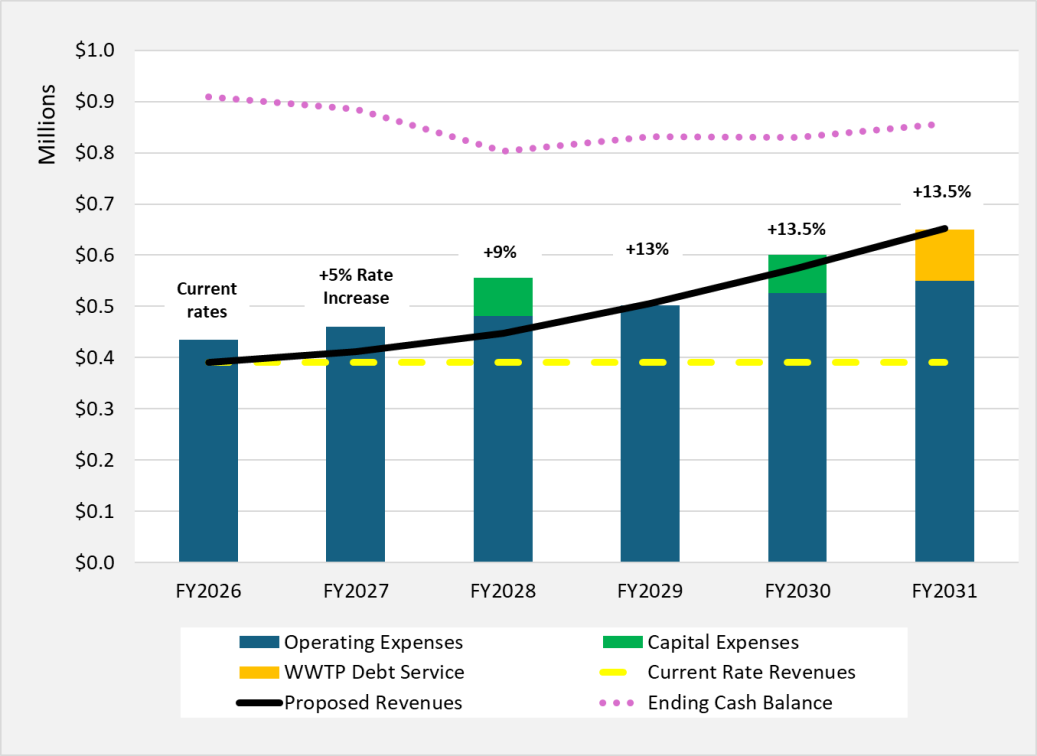
1 EDU = equivalent dwelling unit

= 16,000 gallons of sewer flow per month for non-residential customers

# Current Sewer System Financial Standing

- Current reserves of about **$930,000**
- Current revenues of about **$416,000** are NOT covering expenses of about **$435,000** resulting in deficit of about **$19,000**.
- The City intends to fund $150,000 of equipment costs.
- It is anticipated that the City will conduct improvements to the wastewater treatment plant in 5 to 6 years. It is estimated that the City would receive a 0% interest loan for $4M of project costs over 40 years resulting in about $100,000 annual debt service.

# Sewer Financial Projection



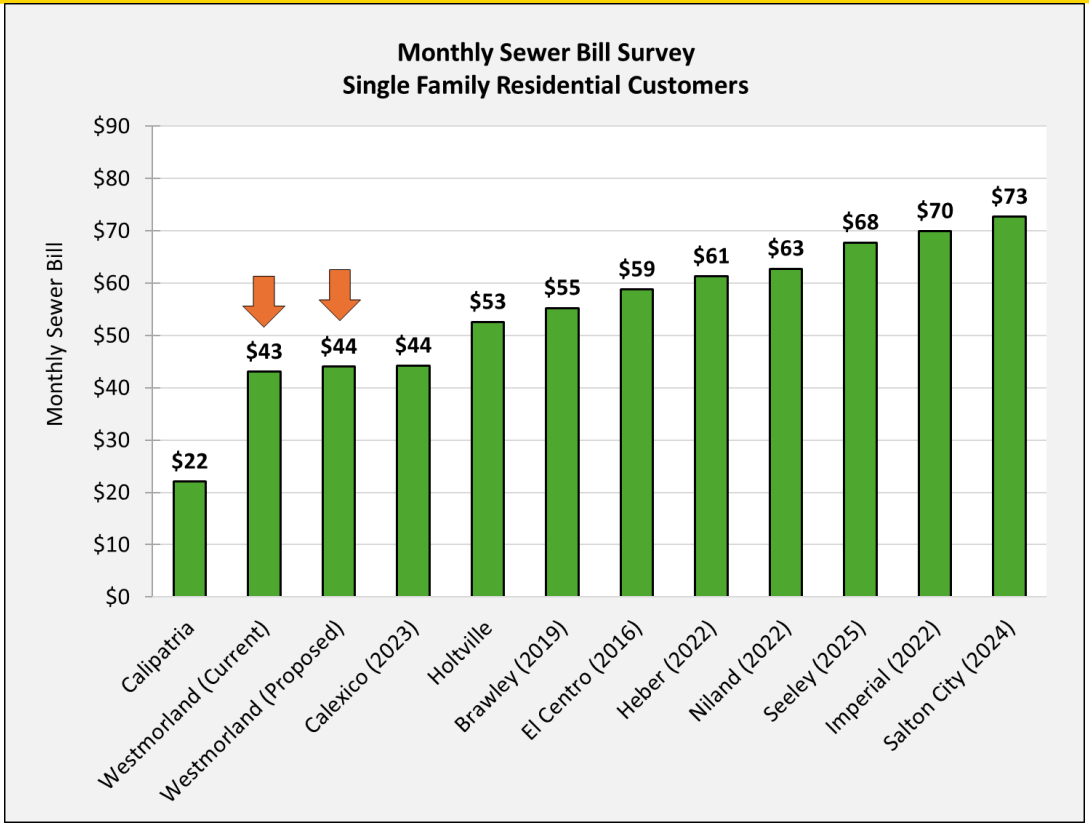

Average revenue increases shown above. Not every customer will receive exactly the % increase shown due to rate structure changes.

# Proposed Monthly Sewer Rates

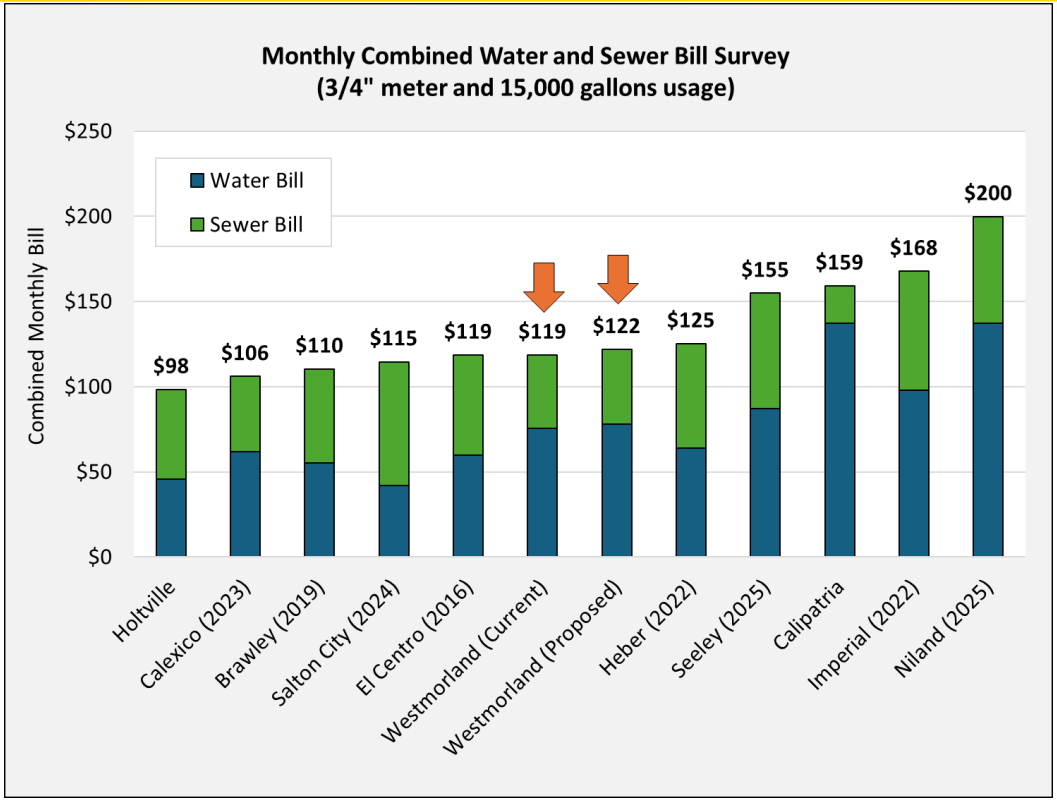
Multifamily Fee is based on 4,500 gallons of flow per dwelling unit
Single Family Fee is based on 6,000 gallons of flow per dwelling unit
School Fee per student is based on 7 gallons per day of flow per student

| CURRENT | | PROPOSED | | | | |
|---|---|---|---|---|---|---|
| | | | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
| All Customers | Base Fee | Effective Date | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| | | | | *+9.0%* | *+13.0%* | *+13.5%* | *+13.5%* |
| | | Multifamily Total Fee | $34.66 | $37.77 | $42.68 | $48.44 | $54.98 |
| Rate per EDU | $43.03 | Single Family Total Fee | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| | | School per Student | $1.35 | $1.47 | $1.66 | $1.88 | $2.13 |
| | | Commercial Base Fee | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| | | Commercial Flow* | $5.47 | $5.96 | $6.73 | $7.64 | $8.67 |
| | | (*over the first 6,000 gallons of metered water use) | | | | | |

# Sewer Survey



# Water & Sewer Survey



# Single Family Water & Sewer Bill Impacts

| Current | | Proposed FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
|---|---|---|---|---|---|---|
| Effective Date | | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| Water | $75.60 | $77.87 | $82.08 | $88.03 | $94.41 | $101.25 |
| Sewer | $43.03 | $44.00 | $47.96 | $54.19 | $61.51 | $69.81 |
| Total Bill | $118.63 | $121.87 | $130.04 | $142.22 | $155.92 | $171.06 |
| Increase | | 3% | 7% | 9% | 10% | 10% |
| $ Increase | | $3.24 | $8.17 | $12.18 | $13.70 | $15.14 |

# MultiFamily Water & Sewer Bill Impacts

| Current | | Proposed FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
|---|---|---|---|---|---|---|
| Effective Date | | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| Water | $75.60 | $77.87 | $53.38 | $57.25 | $61.40 | $65.85 |
| Sewer | $43.03 | $34.66 | $37.77 | $42.68 | $48.44 | $54.98 |
| Total Bill | $118.63 | $112.52 | $91.15 | $99.93 | $109.84 | $120.83 |
| Increase | | -5% | -19% | 10% | 10% | 10% |
| $ Increase | | ($6.11) | ($21.37) | $8.78 | $9.91 | $10.99 |

# Senior Discount

- 10% discount on the total water + sewer bill
- City estimates about 80 senior single family homes
- Total cost over 5 years under the proposed rates: $69,235

| | Proposed | | | | |
|---|---|---|---|---|---|
| | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 |
| Effective Date | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 |
| Water | $7.79 | $8.21 | $8.80 | $9.44 | $10.13 |
| Sewer | $4.40 | $4.80 | $5.42 | $6.15 | $6.98 |
| Total Discount | $12.19 | $13.01 | $14.22 | $15.59 | $17.11 |
| Total Cost | $11,702 | $12,490 | $13,651 | $14,966 | $16,426 |

# Tentative Schedule

- January 7, 2026: Present final rates to City Council; Initiate Proposition 218 process
- February 13, 2026: Mail Proposition 218 notice of public hearing (47 days in advance)
- April 1, 2026: Proposition 218 Hearing