



CITY OF FONTANA

Wastewater Rate Study

REPORT / April 16, 2026



April 16, 2026

Ms. Gia Kim
Public Works Director
City of Fontana
16860 Valencia Avenue
Fontana, CA 92335

Subject: Wastewater Rate Study Report

Dear Ms. Kim:

Raftelis is pleased to provide this Wastewater Rate Study Report (Report) for the City of Fontana (City) to develop a financial plan to help the City meet its annual expenses and provide fiscal stability, as well as to establish wastewater rates that are equitable and consistent with the cost of providing service.

The major objectives of the study include the following:

- Develop a financial plan for the wastewater enterprise to ensure financial sufficiency, meet operation and maintenance (O&M) costs, ensure sufficient funding for capital improvement needs, and improve the financial health of the enterprise
- Recommend sound and sufficient reserve funds
- Review current rate structures for the wastewater enterprise
- Recommend a five-year schedule of wastewater rates consistent with regulatory standards

The report summarizes the key findings and recommendations for the financial plan of the wastewater utility and the development of the updated wastewater rates.

It has been a pleasure working with you, Ms. Kim, and the City staff, and we thank you for the support provided throughout this study.

Sincerely,



Angie Flores
Vice President



John Wright
Principal Consultant



Nicholas Kennedy
Consultant

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1. Executive Summary

1.1. Background

In 2026, the City of Fontana (City) engaged Raftelis to conduct a Wastewater Rate Study (Study) to develop a ten-year financial plan, and a five-year rate schedule for the wastewater utility that are equitable and in compliance with Proposition 218.

This executive summary describes the rate study process, methodology, and recommendations for the City's wastewater rates. The City wishes to establish fair and equitable rates that:

- Meet the City's wastewater enterprise fiscal needs for operation and maintenance (O&M) costs, capital improvement costs, reserve goals, and ensure the financial health of each enterprise, and
- Prepare a five-year schedule of wastewater rates consistent with the cost of providing service.

The City of Fontana covers roughly 52 square miles in San Bernardino County and has a population of approximately 220,000. The City provides sewer collection services to a mixture of residential, commercial, and industrial sewer customers. The City also provides collection services to unincorporated and outside city customers. Collected sewage is conveyed to either the Inland Empire Utilities Agency (IEUA) regional wastewater reclamation facilities or the City of Rialto for wastewater treatment.

Existing sewer facilities include approximately 474 miles of sewer lines, 9 lift stations, 2 inverted siphons, roughly 45,000 service connections, and 5 regional discharge outlets. The collection pipes are mainly constructed of Vitrified Clay Pipe (VCP), with the remaining pipes constructed using Ductile Iron Pipe (DIP) and Polyvinyl Chloride (PVC).

1.2. Process

Raftelis developed a wastewater financial plan for the City. The financial plan considers the total revenue adjustments needed to meet capital improvement costs, operational expenses, debt service, and reserve policies during the five-year rate-setting period. After developing the financial plans, Raftelis conducted cost-of-service analyses to determine wastewater rates.

The current wastewater rate structure consists of a City sewer collection charge per equivalent dwelling unit (EDU), and an Inland Empire Utilities Agency (IEUA) Sewer Treatment charge or Rialto Sewer treatment charge per EDU, depending on who provides wastewater treatment. For this rate study, Raftelis is making rate recommendations for the City collection charge only. The differential charges for areas outside the City boundaries have been removed, since staff does not forecast additional O&M activities outside the City limits. The City also currently charges a capital deficit recovery charge, which is a component of the total City collection charge. Raftelis recommends restructuring this charge to be included in a single City collection charge. Raftelis is proposing a uniform City collection charge for all sewer customers.

1.3. Proposed Wastewater Financial Plan

Raftelis modeled a status quo financial plan to evaluate whether current wastewater rates can adequately fund the City's collection system expenses over the study period (FY 2027 – FY 2036). Using city-provided revenues, O&M expenses, debt service, and capital improvement costs, Raftelis determined that, with no rate

increases over the study period, the City will fail to meet its reserve target in each year of the study period and fully deplete its reserves by FY 2028. Under current rates, the City cannot fully fund its operating expenses, underscoring the need for revenue adjustments now to mitigate larger adjustments in the future and to ensure long-term sustainability for the wastewater enterprise.

Table 1-1 shows the proposed maximum possible revenue adjustments for the wastewater enterprise and the resulting monthly \$/EDU bill change. These percentages reflect the increase from the current FY 2026 revenue generated by the total City collection charge of \$12.63. The increases in

Table 1-1: Proposed Wastewater Revenue Adjustments

Effective Date	Revenue Adjustment	Monthly Bill Change
July 1, 2026	15%	\$1.92
July 1, 2027	10%	\$1.46
July 1, 2028	10%	\$1.60
July 1, 2029	10%	\$1.76
July 1, 2030	10%	\$1.94

Figure 1-1 shows the proposed five-year wastewater enterprise financial plan graphically. Status quo revenue is shown by the solid line. Projected revenue is shown by the dashed line. Annual expenditures are shown in the columns. The green bars below the X-axis show reserves are drawn down year to year to fund capital and O&M costs. Revenue from current rates is not enough to cover annual O&M costs and capital improvement costs. Therefore, revenue adjustments are required to generate sufficient revenue to cover these costs over the study period. The transfers out columns in dark blue reflect transfers to the general fund, fund 702 (Sewer Capital Projects), and fund 703 (Sewer Replacement) to pay for existing debt service, O&M costs, and capital projects.

Figure 1-1: Proposed Wastewater Financial Plan

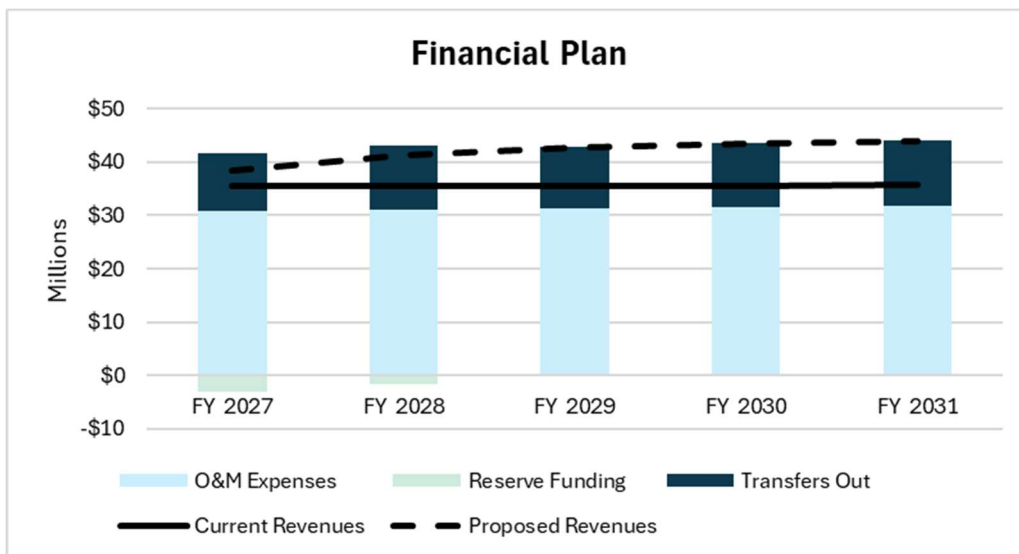


Figure 1-2 shows projected ending fund balances over the study period relative to the City’s reserve target of 60 days of O&M costs. As shown by the black line, the reserve target is met in each year of the rate setting

period. While the reserves may exceed the reserve target in the first year, it is still necessary to have rate increases to ensure that the rate revenue will cover the operating and capital expenses in the following years.

Figure 1-2: Projected Wastewater Fund Ending Balance

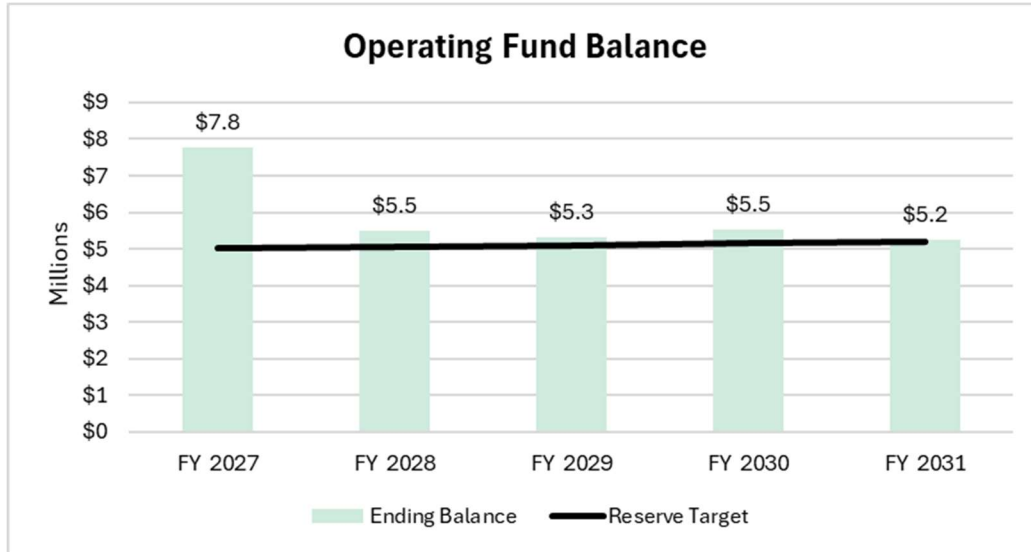
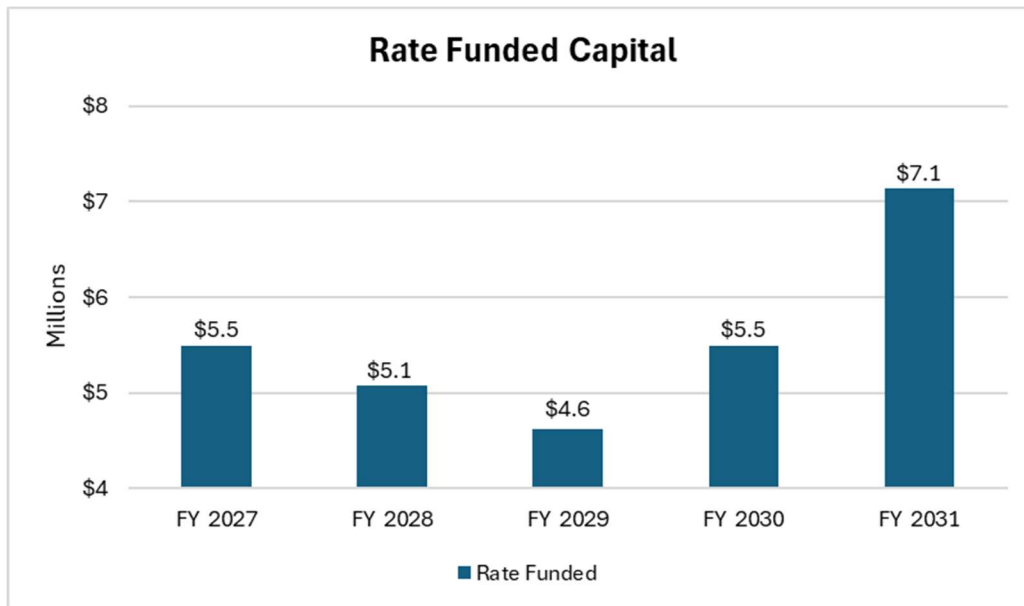


Figure 1-3 shows the proposed capital financing plan for the wastewater utility over the rate-setting period. The proposed financial plan assumes that all capital projects will be funded through rate revenue, with no plans to issue debt.

Figure 1-3: Wastewater Capital Financing Plan



1.4. Proposed Wastewater Rates

Table 1-2 shows the proposed five-year schedule of wastewater rates. Rates for FY 2027 are the result of the calculation shown in Table 5-2. Rates for all future years are equal to the prior year’s rates multiplied by the revenue adjustment. All numbers are rounded up to the nearest cent to ensure adequate revenue recovery.

This rate study only proposes changes to the City collection charge. Wastewater customers are also charged a per-EDU rate based on IEUA or the City of Rialto's wastewater rate schedule. This charge will be passed through to the City customers each year. The table below shows the City's rate for FY 2027 through FY 2031, IEUA treatment rates for FY 2027, and the City of Rialto treatment rates for the duration of the rate-setting period. Subsequent year IEUA treatment rates will be passed through to customers when IEUA updates them.

The IEUA treatment charge is effective on July 1 of each fiscal year, and the Rialto treatment charge is effective on January 1 of each fiscal year. In the table below, the Rialto treatment charge shown for each year is the charge for the first half of the fiscal year, and the rate listed for the following year is what is in effect for the second half of the fiscal year. The Rialto treatment rates are only adopted through the first half of FY 2031. Once the second half of the fiscal year has a rate adopted by the City of Rialto, it will be passed through to customers. Extra Territorial customers receive an additional charge from IEUA. The rate for FY 2027 has yet to be adopted. Once adopted, this rate will be passed through to customers. All customer classes shown receive wastewater treatment from IEUA unless labeled as Rialto.

Table 1-2: Proposed Five-Year Wastewater Rate Schedule

Wastewater Rate(\$/EDU)	Current	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Regular						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$27.02	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$39.65	\$44.00	Total Charge Dependent on the Pass-Through			
Apartments						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$18.91	\$20.62	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$31.54	\$35.17	Total Charge Dependent on the Pass-Through			
Industrial*						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$27.02	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$39.65	\$44.00	Total Charge Dependent on the Pass-Through			
Commercial*						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$27.02	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$39.65	\$44.00	Total Charge Dependent on the Pass-Through			
Outside City						
City Collection Charge	\$18.95	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$40.53	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$59.48	\$44.00	Total Charge Dependent on the Pass-Through			
Apartments Outside City						
City Collection Charge	\$18.95	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$28.37	\$20.62	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$47.32	\$35.17	Total Charge Dependent on the Pass-Through			
Outside City Industrial*						
City Collection Charge	\$18.95	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$40.53	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$59.48	\$44.00	Total Charge Dependent on the Pass-Through			
Outside City Commercial*						
City Collection Charge	\$18.95	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$40.53	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$59.48	\$44.00	Total Charge Dependent on the Pass-Through			
Extra Territorial						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$50.55	\$52.98	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Extra Territorial Charge	\$23.53	Pass-Through	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$63.18	Total Charge Dependent on the Pass-Through				
Extra Territorial Apartments						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$42.44	\$44.15	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Extra Territorial Charge	\$23.53	Pass-Through	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$55.07	Total Charge Dependent on the Pass-Through				
Rialto						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge**	\$89.90	\$89.90	\$92.61	\$95.39	\$98.26	\$101.21
Total Charge	\$102.53	\$104.45	\$108.62	\$113.00	\$117.63	\$122.52
Rialto Commercial*						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge**	\$89.90	\$89.90	\$92.61	\$95.39	\$98.26	\$101.21
Total Charge	\$102.53	\$104.45	\$108.62	\$113.00	\$117.63	\$122.52

*Commercial and Industrial customers that participate in the City's pre-treatment program may receive additional charges.

** Rialto treatment charges are effective January 1st of each year. All other rates are effective July 1.

Figure 1-4 shows a bill comparison for current and FY 2027 proposed City charges for a wastewater EDU.

Figure 1-4: Wastewater EDU Bill Impact

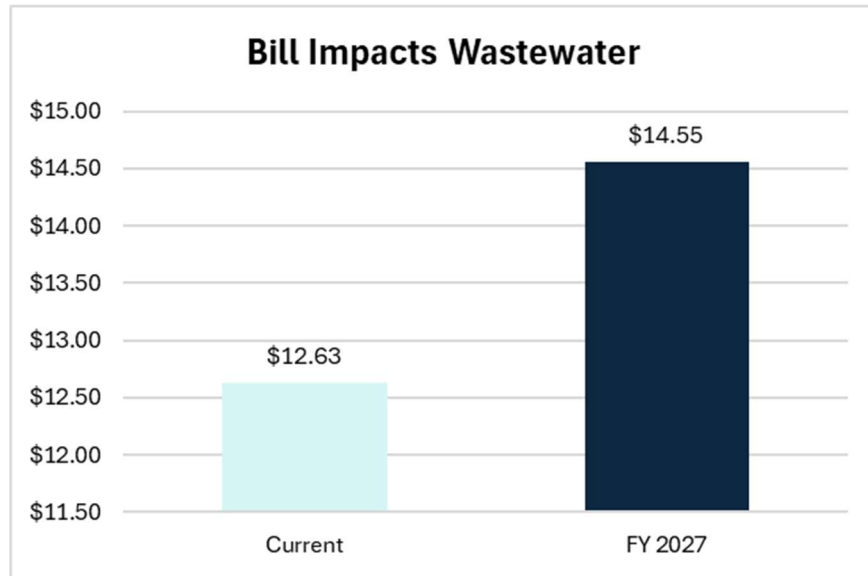
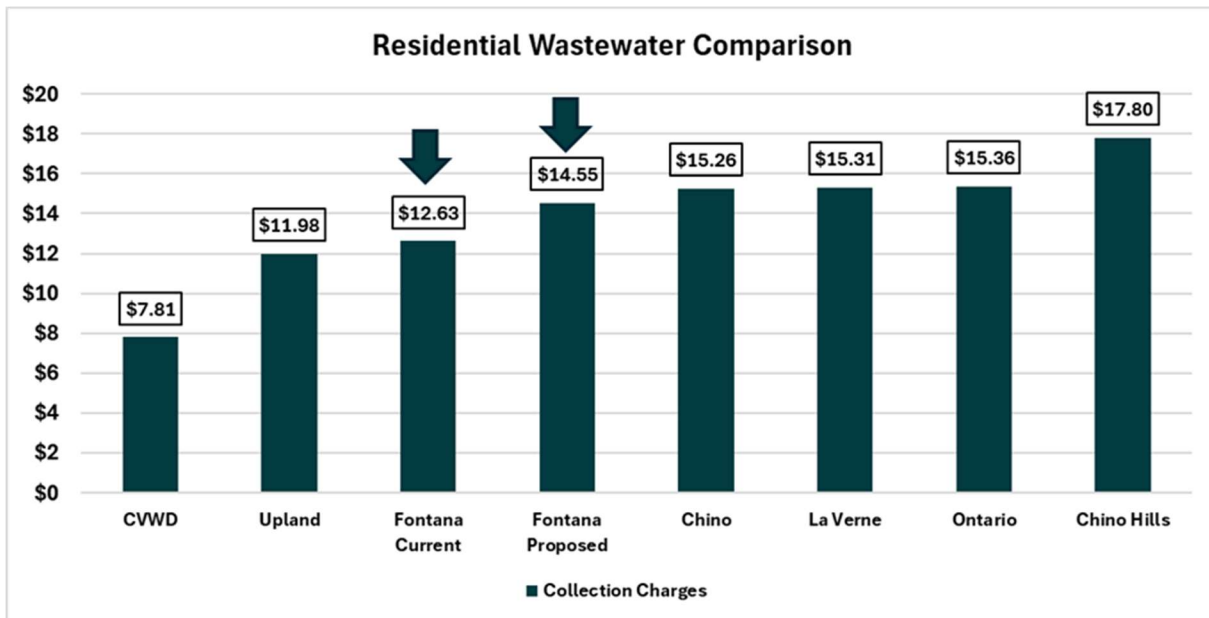


Figure 1-5 shows a rate survey comparing collection charges for the City’s current and proposed FY 2027 monthly bill to neighboring agencies for a single family residence. Treatment costs are not included in this figure.

Figure 1-5: Neighboring Agency Rate Survey



2. Rate Setting Methodology

This study was conducted using industry-standard principles outlined by the Water Environment Federation (WEF) publication, Manual of Practice No. 27, Financing and Charges for Wastewater Systems. The process and approach Raftelis utilized in the study to determine wastewater rates are informed by the City's policy objectives, the current wastewater system and rates, and the legal requirements in California (namely, Proposition 218). The resulting financial plans and rate design process follows the steps outlined below to determine proposed rates that fulfill the City's objectives, meet industry standards, and align with relevant regulations.

1. **Financial Plan - Projections:** The first step is to develop a multi-year financial plan that projects the City's revenues, expenses, capital project financing, annual debt service, and reserve funding. The financial plan is used to determine the revenue adjustment, enabling the City to recover sufficient revenues to fund expenses and reserves.
2. **Financial Plan - Revenue Requirement Determination:** After completing the financial plan, the rate-making process begins by determining the revenue requirement for the test year, also known as the rate-setting year. The test year for this study is FY 2027. The revenue requirement should sufficiently fund the City's operating costs, annual debt service (including coverage requirements), capital improvement costs, and reserve funding as projected based on the annual budget estimates.
3. **Rate Design:** After determining the revenue requirement, the project team designs and calculates rates. Rates do more than simply recover costs; within the legal framework and industry standards, properly designed rates should support the City's policy objectives. Rates also serve as a public information tool, communicating these policy objectives to customers. This process also includes a rate impact analysis and sample customer bill impacts.
4. **Administrative Record Preparation and Rate Adoption:** The final step in a rate study is to develop the administrative record (report) in conjunction with the rate adoption process. This report serves as the administrative record for this study. The administrative record documents the study results and presents the methodologies, rationale, justifications, and calculations used to determine the proposed rates. A thorough and methodological administrative record serves two important functions: maintaining defensibility in a stringent legal environment and communicating the rationale for revenue adjustments and proposed rates to customers and key stakeholders.

Values shown in report tables and figures are rounded to the specified number of digits. Therefore, any manual reproduction of the calculations shown may not match the precise results displayed in the report.

3. Key Inputs and Assumptions

The key assumptions outlined in this section of the report represent the global assumptions used in the Study to project the number of customer accounts, revenues, and expenses for future years. City staff provided data on customer accounts, usage, and actual revenues and expenses for FY 2025. City staff also provided budgeted revenues and expenses for FY 2026 and FY 2027. The remaining years of the study were projected based on this information and the key assumptions shown in this section.

3.1. Current Wastewater Rates

Table 3-1 shows the current wastewater rate schedule. All customer accounts are charged a fixed charge per EDU. All customers receive city collection charges and receive treatment from either IEUA of the City of Rialto. The current City collection charge consists of two components. A \$10.78 collection charge and a \$1.85 capital deficit recovery charge.

Table 3-1: Current Wastewater Rate Structure

Wastewater Rate(\$/EDU)	Current
Regular	
City Collection Charge	\$12.63
Treatment Charge	\$27.02
Total Charge	\$39.65
Apartments	
City Collection Charge	\$12.63
Treatment Charge	\$18.91
Total Charge	\$31.54
Industrial*	
City Collection Charge	\$12.63
Treatment Charge	\$27.02
Total Charge	\$39.65
Commercial*	
City Collection Charge	\$12.63
Treatment Charge	\$27.02
Total Charge	\$39.65
Outside City	
City Collection Charge	\$18.95
Treatment Charge	\$40.53
Total Charge	\$59.48
Apartments Outside City	
City Collection Charge	\$18.95
Treatment Charge	\$28.37
Total Charge	\$47.32
Outside City Industrial*	
City Collection Charge	\$18.95
Treatment Charge	\$40.53
Total Charge	\$59.48
Outside City Commercial*	
City Collection Charge	\$18.95
Treatment Charge	\$40.53
Total Charge	\$59.48
Extra Territorial	
City Collection Charge	\$12.63
Treatment Charge	\$27.02
Extra Territorial Charge	\$23.53
Total Charge	\$63.18
Extra Territorial Apartments	
City Collection Charge	\$12.63
Treatment Charge	\$18.91
Extra Territorial Charge	\$23.53
Total Charge	\$55.07
Rialto	
City Collection Charge	\$12.63
Treatment Charge**	\$89.90
Total Charge	\$102.53
Rialto Commercial*	
City Collection Charge	\$12.63
Treatment Charge**	\$89.90
Total Charge	\$102.53

* Commercial and Industrial customers that participate in the City’s pre-treatment program may receive additional charges.

** Rialto treatment charges are effective January 1st of each year. All other rates are effective July 1.

3.2. Projected Service Connections

3.2.1. Wastewater EDUs

Table 3-2 shows the current and projected wastewater equivalent dwelling units. The City provided Raftelis with the number of dwelling units for FY 2025. Raftelis is assuming 0% growth over the study period as shown below.

Table 3-2: Projected Wastewater Dwelling Units

Number of EDUs	Current	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
City Customers	65,015	65,015	65,015	65,015	65,015	65,015

3.3. Wastewater Financial Plan Assumptions

Table 3-3 shows the expense inflation factors which are used to project future operating and capital project expenses for the study period. These factors were determined with input from City staff and reference industry-standard escalations under current market conditions. The inflation factors shown were applied in each year of the study period to project expenses in FY 2028 and beyond.

Table 3-3: Expense Inflation Factors

Detail	FY 2028	FY 2029	FY 2030	FY 2031
General	3%	3%	3%	3%
Salary	4%	4%	4%	4%
Benefits	4%	4%	4%	4%
Utilities	3%	3%	3%	3%
Capital	4%	4%	4%	4%

4. Wastewater Financial Plan

This section of the report details the wastewater enterprise's long-term financial plan, based on the projected revenues, expenses, debt service, and capital improvement costs. Raftelis modeled the financial plan under the status quo (no revenue adjustments) and with proposed revenue adjustments to ensure the financial sustainability of the wastewater utility. The results of the wastewater financial plan are the proposed rates for five years based on the proposed revenue adjustments.

4.1. Current Rate Revenue

The City's revenues consist of rate revenues, interest earnings on cash reserves, and other miscellaneous revenues. The rate revenue projection shown below assumes that current FY 2026 rates are in effect throughout the study period. This status quo scenario provides a baseline from which Raftelis evaluates the need for revenue adjustments.

4.1.1. Wastewater Rate Revenues at Current Rates

Raftelis projected wastewater rate revenues from the City's monthly charge per EDU for the study period based on current wastewater rates and the projected number of equivalent dwelling units (EDUs).

The City collects monthly collection charges from its customers based on the number of EDUs. Table 4-1 shows the projected rate revenues the City will collect under current rates for the rate-setting period.

Table 4-1: Projected Rate Revenues Under Current Wastewater Rates

Wastewater Rate Revenue	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
City Collection Charges	\$9,851,120	\$9,851,120	\$9,851,120	\$9,851,120	\$9,851,120

4.1.2. Other Revenues

Table 4-2 shows the projected miscellaneous revenues for the wastewater enterprise, assuming no revenue adjustments.

Table 4-2: Projected Other Wastewater Enterprise Revenues, Status Quo

Miscellaneous Revenue	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
IEUA Revenue	\$24,257,468	\$24,257,468	\$24,257,468	\$24,257,468	\$24,257,468
Rialto Revenue	\$1,650,564	\$1,700,320	\$1,751,360	\$1,804,054	\$1,858,216
Penalty - General	\$37,640	\$38,016	\$38,397	\$38,781	\$39,168
City Pre-Treatment Prog	\$655,989	\$655,989	\$655,989	\$655,989	\$655,989
Penalties	\$60,000	\$60,600	\$61,206	\$61,818	\$62,436
Sewer Permits	\$20,000	\$20,200	\$20,402	\$20,606	\$20,812
Interest Earnings	\$124,023	\$56,063	\$0	\$0	\$0
Total Miscellaneous Revenue	\$26,807,710	\$26,790,683	\$26,786,851	\$26,840,745	\$26,896,120

4.2. Annual Expenses – Wastewater

The City's annual expenses include O&M expenses, and capital expenses. This section discusses the expenses in detail.

4.2.1. Total Operations and Maintenance Budget

The City provided Raftelis with its actual expenses for FY 2025 and the budget for FY 2026 and FY 2027. To project the City's O&M expenses, Raftelis used the escalation factors shown in Table 3-3. Table 4-3 shows a summary of the budgeted and projected O&M.

Table 4-3: Summary of Projected Wastewater Operations and Maintenance Expenses

Detail	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
IT Enterprise Support	\$366,580	\$381,243	\$396,493	\$412,353	\$428,847
Sewer Billing	\$424,130	\$440,640	\$457,797	\$475,626	\$494,154
DS Admin Finance	\$182,290	\$189,582	\$197,165	\$205,051	\$213,254
DS Adm-Technology	\$10,480	\$10,899	\$11,335	\$11,789	\$12,260
DS Adm-PT & Sewer Pro					
IEUA Expenses	\$24,257,468	\$24,257,468	\$24,257,468	\$24,257,468	\$24,257,468
Rialto Expenses	\$1,650,564	\$1,700,320	\$1,751,360	\$1,804,054	\$1,858,216
Other	\$755,370	\$780,676	\$806,847	\$833,912	\$861,905
Sewer Lift Station	\$817,370	\$846,267	\$876,205	\$907,224	\$939,362
Sewer Laterals	\$436,160	\$452,319	\$469,086	\$486,483	\$504,535
Sewer Maintenance	\$1,713,840	\$1,775,518	\$1,839,457	\$1,905,741	\$1,974,458
Total O&M Expenses	\$30,614,252	\$30,834,932	\$31,063,213	\$31,299,702	\$31,544,459

4.2.2. Transfers

Aside from the O&M expenses shown above, the operating fund transfers money to the general fund, fund 703 (Sewer Replacement) and fund 702 (Sewer Capital Projects) to pay for sewer related O&M costs, capital projects, and debt service.

Table 4-4: Transfers

Detail	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Transfers Out General Fund	\$2,385,330	\$2,456,890	\$2,530,597	\$2,606,514	\$2,684,710
Transfers Out Fund 703 (CIP)	\$1,316,940	\$2,121,445	\$2,086,526	\$2,397,256	\$2,911,392
Transfers Out Fund 703 (Capital Reserve)	\$1,440,780	\$1,440,780	\$1,440,780	\$1,440,780	\$1,440,780
Transfers Out Fund 702 (Debt)	\$984,819	\$984,818	\$213,177	\$0	\$0
Transfers Out Fund 702 (CIP)	\$4,076,436	\$3,768,439	\$3,429,279	\$4,075,944	\$5,298,727
Total Transfers	\$10,204,305	\$10,772,371	\$9,700,359	\$10,520,494	\$12,335,608

4.2.3. Capital Improvement Plan

Table 4-5 shows the City's capital improvement plan for wastewater capital projects through FY 2031. All projects are planned to be cash funded. The plan averages roughly \$5.5 million a year over the rate-setting period.

Table 4-5: Projected Wastewater Capital Improvement Projects

Detail	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Rate Funded CIP	\$5,492,891	\$5,077,873	\$4,620,864	\$5,492,227	\$7,139,895

4.2.4. Existing and Proposed Debt Service

The City currently has outstanding debt for the wastewater utility. The existing debt is from State Water Resource Control Board (SWRCB) loan agreements for sewer trunk, lift station, and force main capital projects. The last year of payments occurs in FY 2029. Raftelis is not proposing any new debt issuances in the financial plan.

Table 4-6: Debt Service Schedule

Detail	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Existing Debt Service	\$984,819	\$984,818	\$213,177	\$0	\$0

4.3. Reserve Targets

Raftelis is recommending that the City establish a wastewater enterprise reserve target. The recommended reserve policy is described below.

Operating Reserve – The Operating Reserve is used primarily to meet ongoing cash flow requirements. Raftelis is recommending that the City’s reserve target be set at 60 days of O&M expenses.

4.4. Proposed Financial Plan and Revenue Adjustments

The proposed revenue adjustments are necessary to ensure adequate revenue to fund the wastewater enterprises' operating expenses. The first revenue adjustment is effective on July 1, 2026, with each following year effective on July 1. The proposed revenue adjustments would allow the City to cover its O&M costs, debt service, and capital improvement costs. Table 4-7 shows the proposed maximum possible wastewater revenue adjustments for the five-year rate-setting period and the resulting monthly \$/EDU bill change. In order for the City to cover its costs and meet the reserve target, revenue adjustments are needed to ensure that rate revenues cover operating expenses over the next five years.

Table 4-7: Proposed Wastewater Revenue Adjustments

Effective Date	Revenue Adjustment	Monthly Bill Change
July 1, 2026	15%	\$1.92
July 1, 2027	10%	\$1.46
July 1, 2028	10%	\$1.60
July 1, 2029	10%	\$1.76
July 1, 2030	10%	\$1.94

Table 4-8 shows the wastewater cashflow for the study period, taking into account the revenue adjustments shown above in Table 4-7. Line 1 shows the projected wastewater rate-revenue under existing City collection rate. Line 9 shows the total rate-revenue including the proposed revenue adjustments. Line 19 shows total wastewater fund revenue including miscellaneous revenues and interest. Line 35 shows total O&M expenses. Lines 38-42 detail transfers to pay O&M costs, debt service, and rate funded capital for each year. The transfer for debt service shown in line 41 is existing debt. The financial plan does not assume any future debt. Line 45 shows the net cash flow, which is the total revenue (Line 21) minus total O&M expenses and transfers (Lines 35 and 43). As shown, each year of the rate-setting period except FY 2030 results in a negative cashflow. This is the result of reserves being drawn upon to minimize customer bill impacts.

Table 4-8: Wastewater Cashflow

Line	Detail			FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Revenue Under Existing Rates (City Charges)			\$9,851,120	\$9,851,120	\$9,851,120	\$9,851,120	\$9,851,120
2	Revenue Adjustments							
3		Month	Adjustment					
4	FY 2027	July	15%	\$1,499,897	\$1,499,897	\$1,499,897	\$1,499,897	\$1,499,897
5	FY 2028	July	10%		\$1,135,102	\$1,135,102	\$1,135,102	\$1,135,102
6	FY 2029	July	10%			\$1,248,612	\$1,248,612	\$1,248,612
7	FY 2030	July	10%				\$1,373,473	\$1,373,473
8	FY 2031	July	10%					\$1,510,820
9	Total City Charges Rate Revenue			\$11,351,018	\$12,486,120	\$13,734,732	\$15,108,205	\$16,619,025
10								
11	Other Miscellaneous Revenue							
12	IEUA Revenue			\$24,257,468	\$24,257,468	\$24,257,468	\$24,257,468	\$24,257,468
13	Rialto Revenue			\$1,650,564	\$1,700,320	\$1,751,360	\$1,804,054	\$1,858,216
14	Penalty – General			\$37,640	\$38,016	\$38,397	\$38,781	\$39,168
15	City Pre-Treatment Prog			\$655,989	\$655,989	\$655,989	\$655,989	\$655,989
16	Penalties			\$60,000	\$60,600	\$61,206	\$61,818	\$62,436
17	Sewer Permits			\$20,000	\$20,200	\$20,402	\$20,606	\$20,812
18	Interest Earnings			\$135,272	\$98,492	\$80,225	\$80,549	\$79,955
19	Total Other Miscellaneous Revenue			\$26,816,933	\$26,831,085	\$26,865,047	\$26,919,264	\$26,974,044
20								
21	Total Revenue			\$38,167,950	\$39,317,205	\$40,599,778	\$42,027,468	\$43,593,070
22								
23	O&M Expenses							
24	IT Enterprise Support			\$366,580	\$381,243	\$396,493	\$412,353	\$428,847
25	Sewer Billing			\$424,130	\$440,640	\$457,797	\$475,626	\$494,154
26	DS Admin Finance			\$182,290	\$189,582	\$197,165	\$205,051	\$213,254
27	DS Adm-Technology			\$10,480	\$10,899	\$11,335	\$11,789	\$12,260
28	DS Adm-PT & Sewer Pro							
29	IEUA Expenses			\$24,257,468	\$24,257,468	\$24,257,468	\$24,257,468	\$24,257,468
30	Rialto Expenses			\$1,650,564	\$1,700,320	\$1,751,360	\$1,804,054	\$1,858,216
31	Other			\$755,370	\$780,676	\$806,847	\$833,912	\$861,905
32	Sewer Lift Station			\$817,370	\$846,267	\$876,205	\$907,224	\$939,362
33	Sewer Laterals			\$436,160	\$452,319	\$469,086	\$486,483	\$504,535
34	Sewer Maintenance			\$1,713,840	\$1,775,518	\$1,839,457	\$1,905,741	\$1,974,458
35	Total O&M Expenses			\$30,614,252	\$30,834,932	\$31,063,213	\$31,299,702	\$31,544,459
36								
37	Transfers							
38	Transfers Out General Fund			\$2,385,330	\$2,456,890	\$2,530,597	\$2,606,514	\$2,684,710
39	Transfers Out Fund 703 (CIP)			\$1,316,940	\$2,121,445	\$2,086,526	\$2,397,256	\$2,911,392
40	Transfers Out Fund 703 (Capital Reserve)			\$1,440,780	\$1,440,780	\$1,440,780	\$1,440,780	\$1,440,780
41	Transfers Out Fund 702 (Debt)			\$984,819	\$984,818	\$213,177	\$0	\$0
42	Transfers Out Fund 702 (CIP)			\$4,076,436	\$3,768,439	\$3,429,279	\$4,075,944	\$5,298,727
43	Total Transfers			\$10,204,305	\$10,772,371	\$9,700,359	\$10,520,494	\$12,335,608
44								
45	Net Cash Flow			(\$2,650,607)	(\$2,290,098)	(\$163,793)	\$207,273	(\$286,998)

Figure 4-1 shows the proposed five-year financial plan for the wastewater enterprise. Status quo revenue is shown by the solid line. Projected revenue is shown by the dashed line. Annual expenditures are shown by the columns. The green bars below the X-axis show reserves are drawn down year to year to fund O&M and capital improvement costs. Revenue from current rates is not enough to cover annual costs. Therefore, revenue adjustments are required to generate sufficient revenue to cover these costs over the study period.

Figure 4-1: Proposed Wastewater Financial Plan

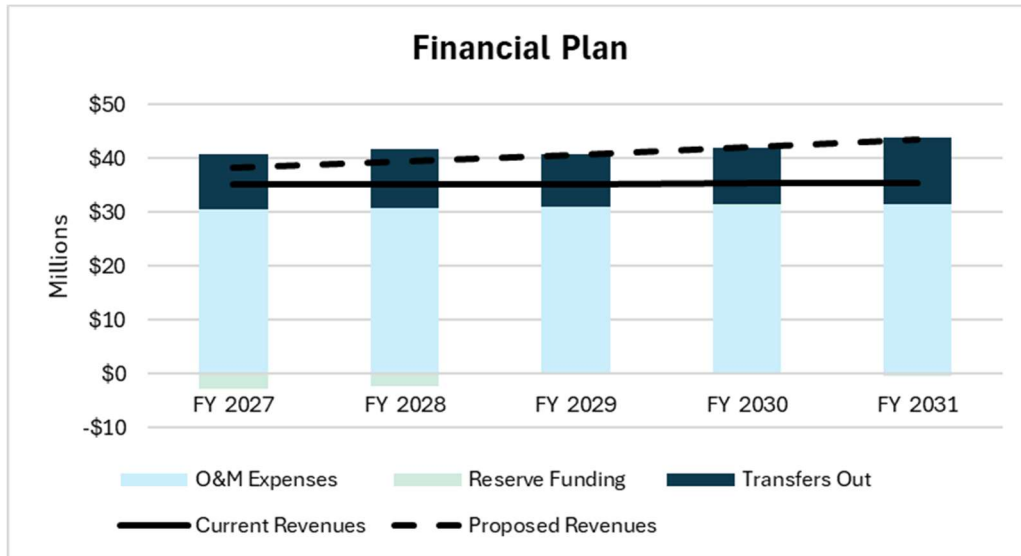


Figure 4-2 shows the projected wastewater capital improvement plan for the study period. The City does not plan to issue debt to pay for future capital projects.

Figure 4-2: Projected Wastewater Capital Plan and Funding Sources

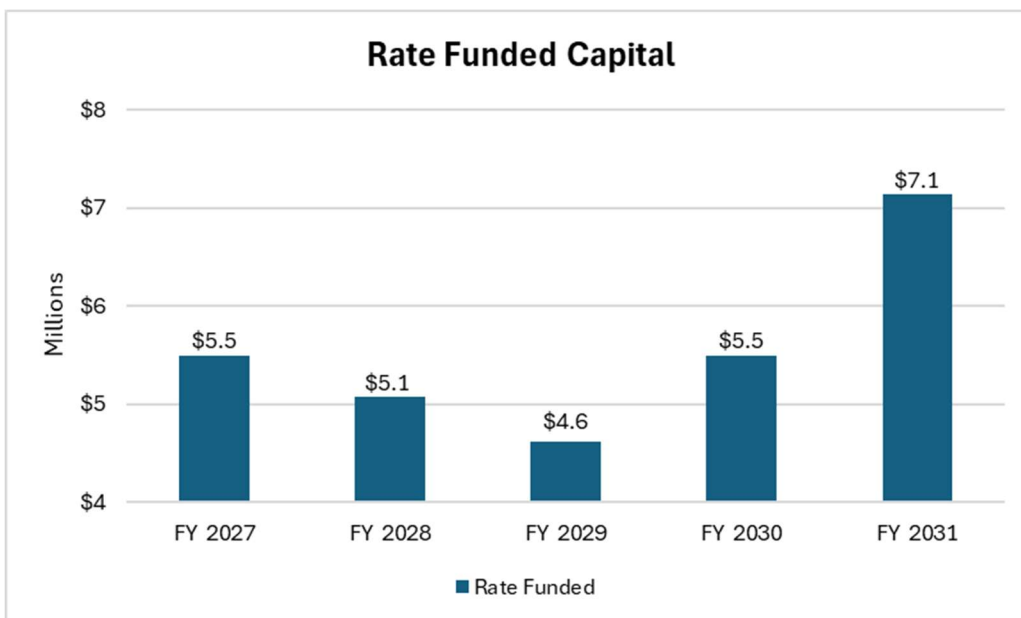
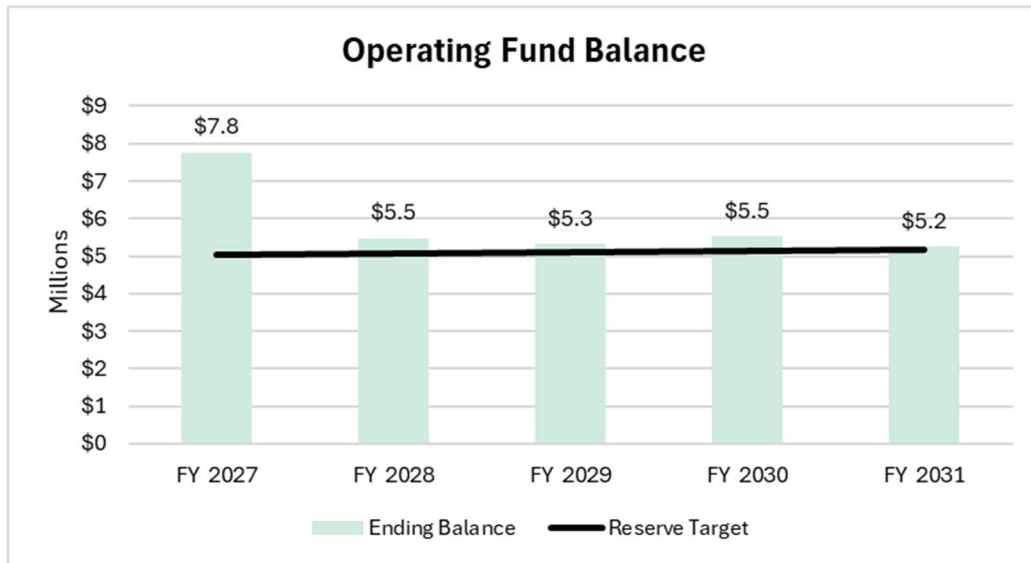


Figure 4-3 shows the projected wastewater enterprise ending balance for each year of the study period. The black line represents the operating reserve target of 60 days of operating expenses. The green bars represent the ending fund balance for each year of the study period. The balances are being drawn down to fund the capital projects.

Figure 4-3: Projected Wastewater Fund Ending Balance



5. Wastewater Rate Derivation

5.1. Changes to Rate Structure

The City currently charges a rate differential to outside city customers for the collection services provided. Raftelis is recommending that this rate differential be eliminated. Under the proposed rates, the City collection charge will be uniform for all customers. The City also currently charges two rates for collection services, a City collection charge, and a capital deficit recovery charge. Raftelis recommends restructuring the capital deficit recovery charge to be included in a single City collection charge.

5.2. Revenue Requirement Determination

The first step of designing rates is to determine the revenue requirement for the test year, or rate-setting year. The test year of this study is FY 2027. Since Raftelis is only recommending rates for the City Collection charge, the revenue requirement is simply the amount to be collected from City charges to cover O&M costs, capital improvement costs, debt service, and interfund transfers, while meeting the operating reserve target of 60 days of O&M costs. The amount shown is equal to the FY 2027 value in line 9 of Table 4-8.

Table 5-1: Wastewater Revenue Requirement

Revenue Requirement	FY 2027
Total Revenue to be Recovered from Rates	\$11,351,018

5.3. Derivation of Units of Service

5.3.1. Unit Costs of Service

Raftelis calculated the cost per EDU for the City collection charge by taking the revenue requirement shown above and dividing by the number of EDUs receiving sewer collection services from the City (Table 3-2). By doing this, an annual rate is calculated for all customers receiving City collection services. This value is divided by 12 to arrive at a monthly rate.

Table 5-2: Units of Service, FY 2027

Detail	FY 2027
Revenue Requirement	\$11,351,018
Number of EDUs	65,015
City Collection Annual Rate	\$174.59
City Collection Monthly Rate	\$14.55

6. Wastewater Rates

6.1. Wastewater Test Year Rate Derivation

Raftelis calculated updated wastewater rates for FY 2027. The revenue requirement is divided by the number of EDUs receiving City collection charges to determine the monthly charge per EDU, as shown above in Table 5-2. The total rate is shown in the last line of the FY 2027 column. This is the proposed City collection charge that will be applied to all customers.

Table 6-1 shows the test year, FY 2027 service charges for wastewater customers on a per-EDU basis. The table shows the proposed City collection charge and the treatment charge for each customer class. Every class receives wastewater treatment from IEUA unless the class is labeled as a Rialto customer. The treatment charges are rates set by either IEUA or the City of Rialto and are passed through to customers. Extra Territorial customers receive an additional charge from IEUA. The rate for FY 2027 has yet to be adopted. Once adopted, this rate will be passed through to extra territorial customers.

Table 6-1: Sewer Services Charge (\$/EDU)

Wastewater Rate (\$/EDU)	FY 2027
Regular	
City Collection Charge	\$14.55
Treatment Charge	\$29.45
Total Charge	\$44.00
Apartments	
City Collection Charge	\$14.55
Treatment Charge	\$20.62
Total Charge	\$35.17
Industrial*	
City Collection Charge	\$14.55
Treatment Charge	\$29.45
Total Charge	\$44.00
Commercial*	
City Collection Charge	\$14.55
Treatment Charge	\$29.45
Total Charge	\$44.00
Outside City	
City Collection Charge	\$14.55
Treatment Charge	\$29.45
Total Charge	\$44.00
Apartments Outside City	
City Collection Charge	\$14.55
Treatment Charge	\$20.62
Total Charge	\$35.17
Outside City Industrial*	
City Collection Charge	\$14.55
Treatment Charge	\$29.45
Total Charge	\$44.00
Outside City Commercial*	
City Collection Charge	\$14.55
Treatment Charge	\$29.45
Total Charge	\$44.00
Extra Territorial	
City Collection Charge	\$14.55
Treatment Charge	\$29.45
Extra Territorial Charge	Pass-Through
Total Charge	Total Charge Dependent on the Pass-Through
Extra Territorial Apartments	
City Collection Charge	\$14.55
Treatment Charge	\$20.62
Extra Territorial Charge	Pass-Through
Total Charge	Total Charge Dependent on the Pass-Through
Rialto	
City Collection Charge	\$14.55
Treatment Charge**	\$89.90
Total Charge	\$104.45
Rialto Commercial*	
City Collection Charge	\$14.55
Treatment Charge**	\$89.90
Total Charge	\$104.45

* Commercial and Industrial customers that participate in the City’s pre-treatment program may receive additional charges.

**Rialto treatment charges are effective January 1st of each year. All other rates are effective July 1.

6.2. Proposed Five-Year Wastewater Rate Schedule

Table 6-2 shows the proposed 5-year wastewater rate schedule. FY 2027 rates reflect the calculation shown in Table 5-2. Rates for future years equal the FY 2027 rates multiplied by the revenue adjustment for the given year. Rates are rounded up to the nearest cent. Wastewater customers also pay a monthly fee to either IEUA or the City of Rialto for treatment. This rate is passed through each year, based on the cost to treat the wastewater.

The IEUA FY 2027 charge is effective July 1, 2026. The City of Rialto implements its rates on a calendar year basis, meaning customers receiving wastewater treatment from them have a different rate for the first (July-Dec) and second half (Jan-June) of the fiscal year. In the table below, the Rialto treatment charge shown for each year is the charge for the first half of the fiscal year, and the rate listed for the following year is what is in effect for the second half of the fiscal year. The Rialto treatment rates are only adopted through the first half of FY 2031. Once the second half of the fiscal year has a rate adopted by the City of Rialto, it will be passed through to customers. Extra Territorial customers receive an additional charge from IEUA. The rate for FY 2027 has yet to be adopted. Once adopted, this rate will be passed through to extra territorial customers.

Table 6-2: Proposed 5-Year Wastewater Rate Schedule

Wastewater Rate(\$/EDU)	Current	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Regular						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$27.02	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$39.65	\$44.00	Total Charge Dependent on the Pass-Through			
Apartments						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$18.91	\$20.62	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$31.54	\$35.17	Total Charge Dependent on the Pass-Through			
Industrial*						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$27.02	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$39.65	\$44.00	Total Charge Dependent on the Pass-Through			
Commercial*						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$27.02	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$39.65	\$44.00	Total Charge Dependent on the Pass-Through			
Outside City						
City Collection Charge	\$18.95	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$40.53	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$59.48	\$44.00	Total Charge Dependent on the Pass-Through			
Apartments Outside City						
City Collection Charge	\$18.95	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$28.37	\$20.62	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$47.32	\$35.17	Total Charge Dependent on the Pass-Through			
Outside City Industrial*						
City Collection Charge	\$18.95	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$40.53	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$59.48	\$44.00	Total Charge Dependent on the Pass-Through			
Outside City Commercial*						
City Collection Charge	\$18.95	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$40.53	\$29.45	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$59.48	\$44.00	Total Charge Dependent on the Pass-Through			
Extra Territorial						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$50.55	\$52.98	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Extra Territorial Charge	\$23.53	Pass-Through	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$63.18	Total Charge Dependent on the Pass-Through				
Extra Territorial Apartments						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge	\$42.44	\$44.15	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Extra Territorial Charge	\$23.53	Pass-Through	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Total Charge	\$55.07	Total Charge Dependent on the Pass-Through				
Rialto						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge**	\$89.90	\$89.90	\$92.61	\$95.39	\$98.26	\$101.21
Total Charge	\$102.53	\$104.45	\$108.62	\$113.00	\$117.63	\$122.52
Rialto Commercial*						
City Collection Charge	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31
Treatment Charge**	\$89.90	\$89.90	\$92.61	\$95.39	\$98.26	\$101.21
Total Charge	\$102.53	\$104.45	\$108.62	\$113.00	\$117.63	\$122.52

* Commercial and Industrial customers that participate in the City's pre-treatment program may receive additional charges.

** Rialto treatment charges are effective January 1st of each year. All other rates are effective July 1.

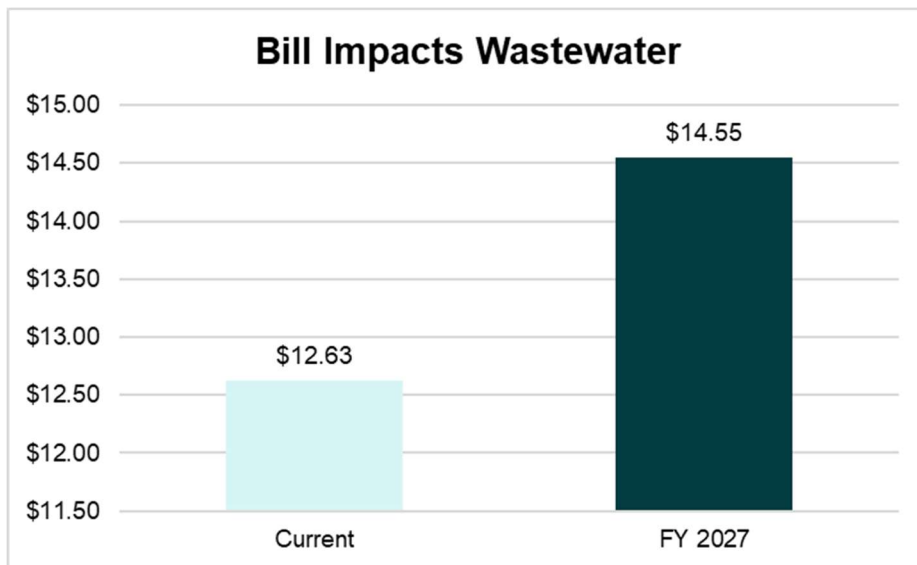
7. Customer Impact Analysis & Neighboring Agency Comparison

7.1. Customer Bill Impacts

7.1.1. Wastewater

Figure 7-1: shows the monthly bill impact per EDU, comparing the City collection rate a customer is currently charged with the proposed FY 2027 City collection rate.

Figure 7-1: Wastewater Monthly EDU Charge Bill Impact



7.2. Neighboring Agency Comparison

7.2.1. Wastewater

Figure 7-2 shows a comparison to neighboring wastewater agencies for a single-family residential monthly bill. These comparisons are for one EDU.

Figure 7-2: Neighboring Wastewater Comparison, Single Family

