



City of Fontana Sewer Rate Study

Authorization of Proposition 218 Notice

April 28, 2026



Agenda

- Sewer rate study project scope
- Overview of the rate study process
- Recommended sewer utility financial plan
- Proposed sewer rates
- Comparison to adjacent utilities

Project Scope



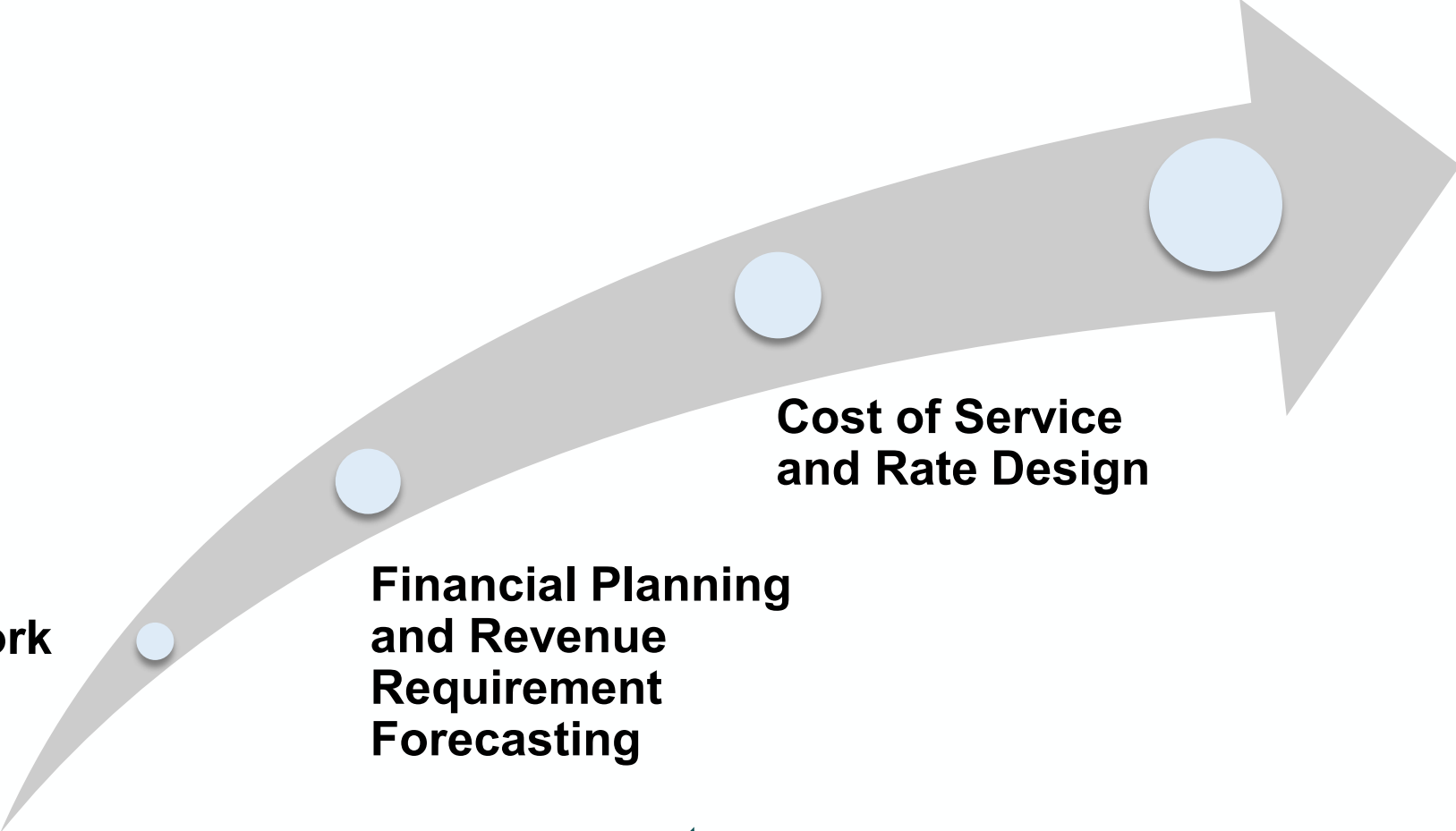
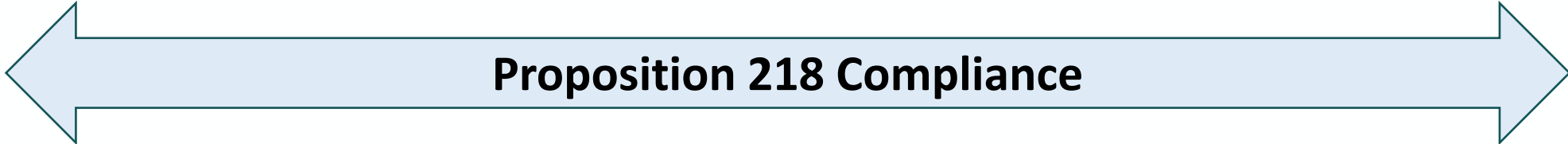
Project Scope

- Sewer utility financial plan for FY 2027 - FY 2031
- Proposed rates for FY 2027 - FY 2031
- Rate benchmarking to adjacent utilities
- Proposition 218 notice assistance
- Assistance at public meetings
- Financial modeling tool

Rate Study Process

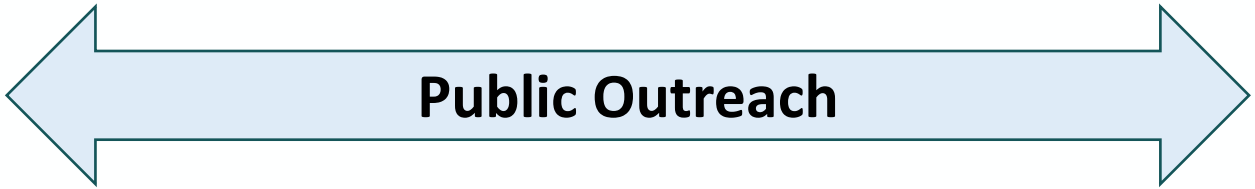


Rate Study Process



Rate Adoption Process

New Rates Effective on July 1st



Rate Study Process

Financial Planning: Long-Term Utility Revenue Sufficiency

- *How much rate revenue is required each year?*



Cost-of-Service: Equitable Allocation of Costs

- *What costs should be allocated to each customer class?*



Rate Design: Equitable Recovery of Costs

- *What rates should each customer class pay?*

Proposition 218 (Non-Legal)

- Rate revenues cannot exceed costs
- Rate revenues must be used for utility service
- Rates must be proportional to the costs incurred to provide utility service
- Utility service must be available
- 45-day notice period before formal rate adoption

Financial Planning



Bridging the Funding Gap

Revenues at Current Rates

Less: Projected Costs

- Operating Costs
- PAYGO CIP
- Debt Service
- Cash Reserve Target
- Debt Service Coverage Target

Funding Gap



**Optimal Financing
Strategy**

**Annual Revenue
Requirement**

Recommended Rate Revenue Adjustments

Effective Date	% Increase	\$ Increase
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

Key Financial Plan Elements

- **Capital Improvement Expenditures**

- No External Debt Financing – All CIP paid by cash from rate revenues

Projected Capital Improvement Program Expenditures					
FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
\$5,492,891	\$5,077,873	\$4,620,864	\$5,492,227	\$7,139,895	\$27,823,751

Key Financial Plan Elements

- **Operations and Maintenance Expenses**

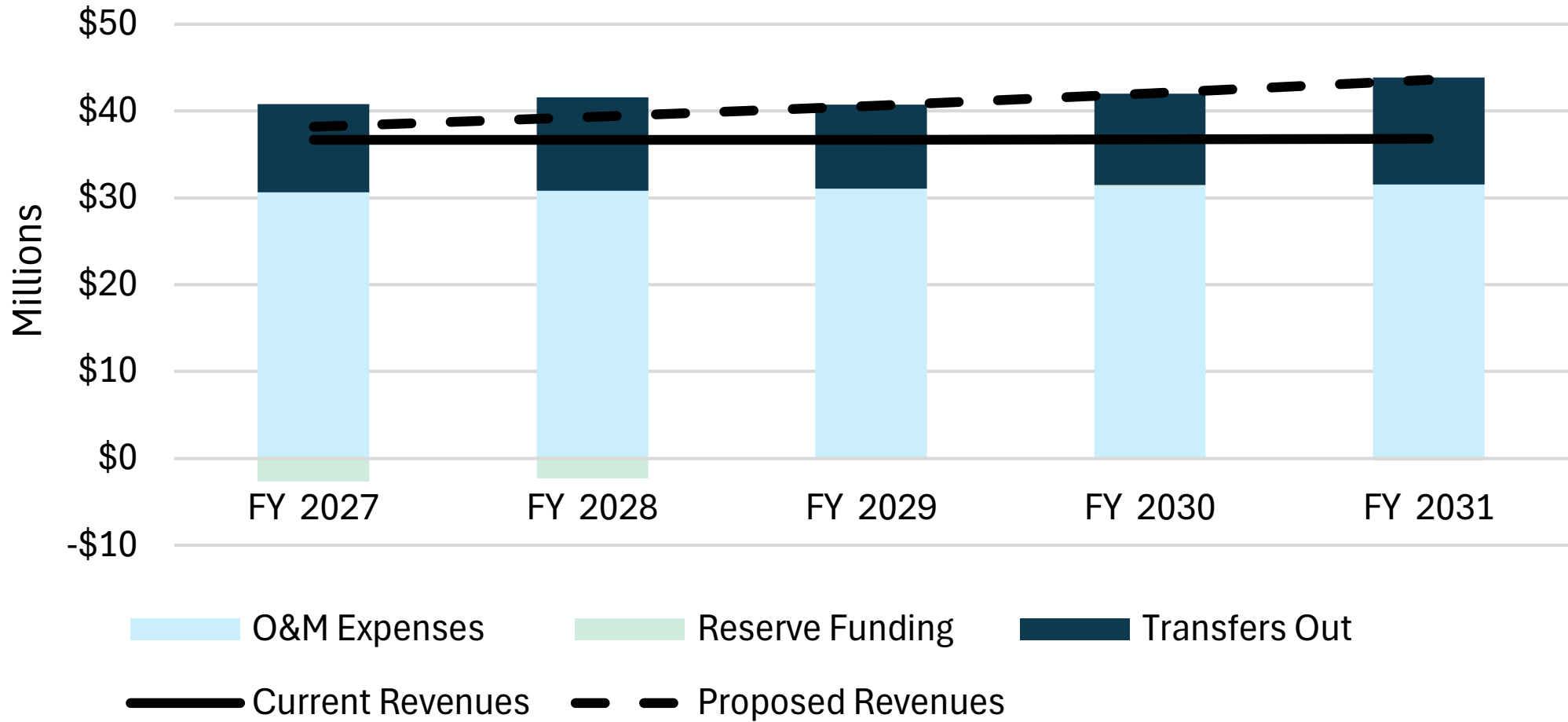
- 85% of O&M is for IEUA and Rialto treatment services

Projected O&M					
Description	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Wholesale Treatment	\$25.9	\$26.0	\$26.0	\$26.1	\$26.1
Total O&M	\$30.6	\$30.8	\$31.1	\$31.3	\$31.5
% Wholesale Treatment	85%	84%	84%	83%	83%

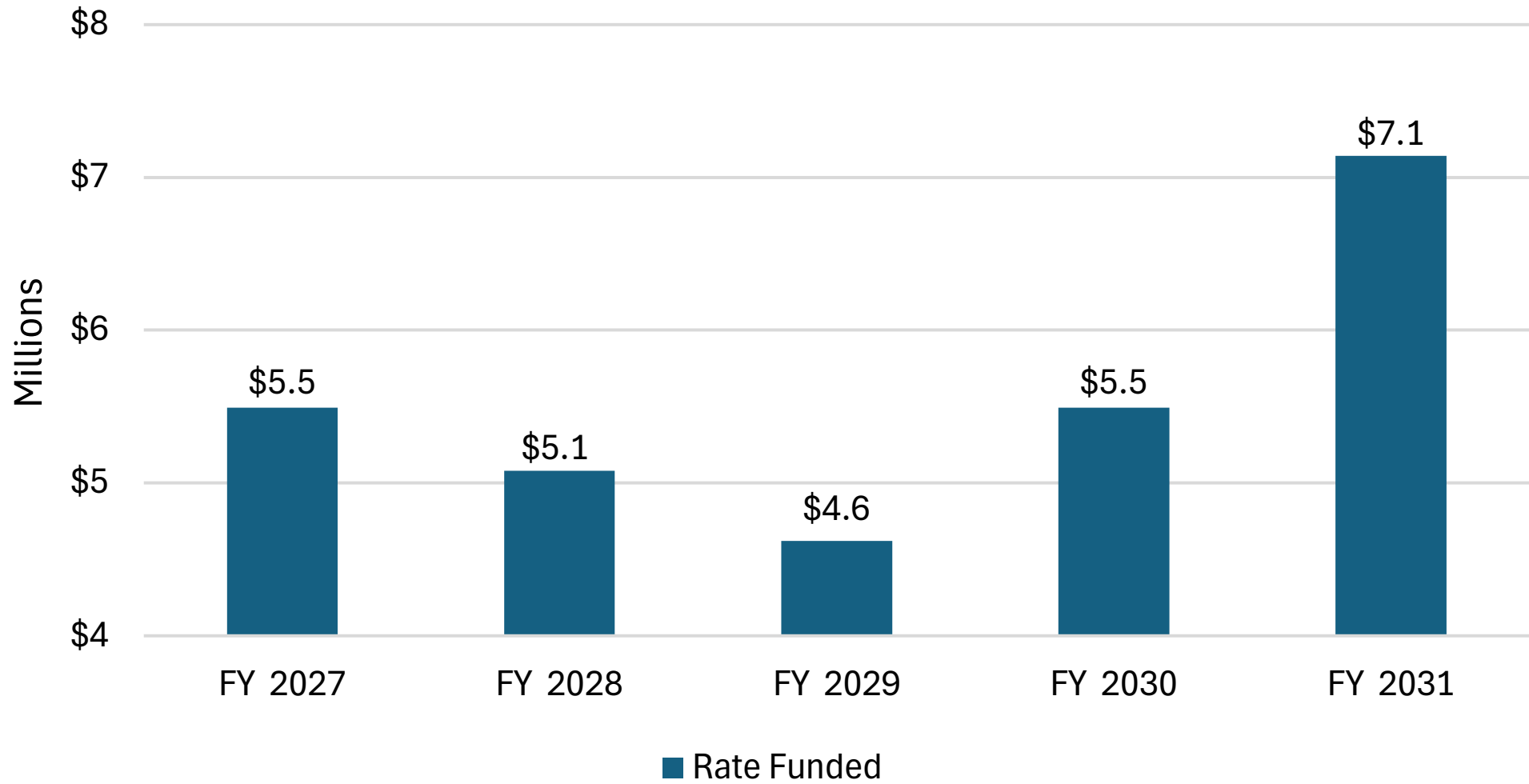
Operating Fund Financial Plan

Description	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Annual Rate Revenue % Increase	15%	10%	10%	10%	10%
Revenue from Existing Rates	\$9.9	\$9.9	\$9.9	\$9.9	\$9.9
Revenue from Rate Increases	<u>\$1.5</u>	<u>\$2.6</u>	<u>\$3.9</u>	<u>\$5.3</u>	<u>\$6.8</u>
Total Rate Revenues	\$11.4	\$12.5	\$13.7	\$15.1	\$16.6
Non-Rate Revenues	<u>\$26.8</u>	<u>\$26.8</u>	<u>\$26.9</u>	<u>\$26.9</u>	<u>\$27.0</u>
Total Revenues	\$38.2	\$39.3	\$40.6	\$42.0	\$43.6
O&M Expenses	\$30.6	\$30.8	\$31.1	\$31.3	\$31.5
Transfers to Other Funds	<u>\$10.2</u>	<u>\$10.8</u>	<u>\$9.7</u>	<u>\$10.5</u>	<u>\$12.3</u>
Total Expenditures	\$40.8	\$41.6	\$40.8	\$41.8	\$43.9
Net Cash Flow	(\$2.7)	(\$2.3)	(\$0.2)	\$0.2	(\$0.3)
Ending Operating Reserves	\$7.8	\$5.5	\$5.3	\$5.5	\$5.2
Target Reserves (60 Days of O&M)	<u>\$5.0</u>	<u>\$5.1</u>	<u>\$5.1</u>	<u>\$5.1</u>	<u>\$5.2</u>
Variance from Target	\$2.7	\$0.4	\$0.2	\$0.4	\$0.0

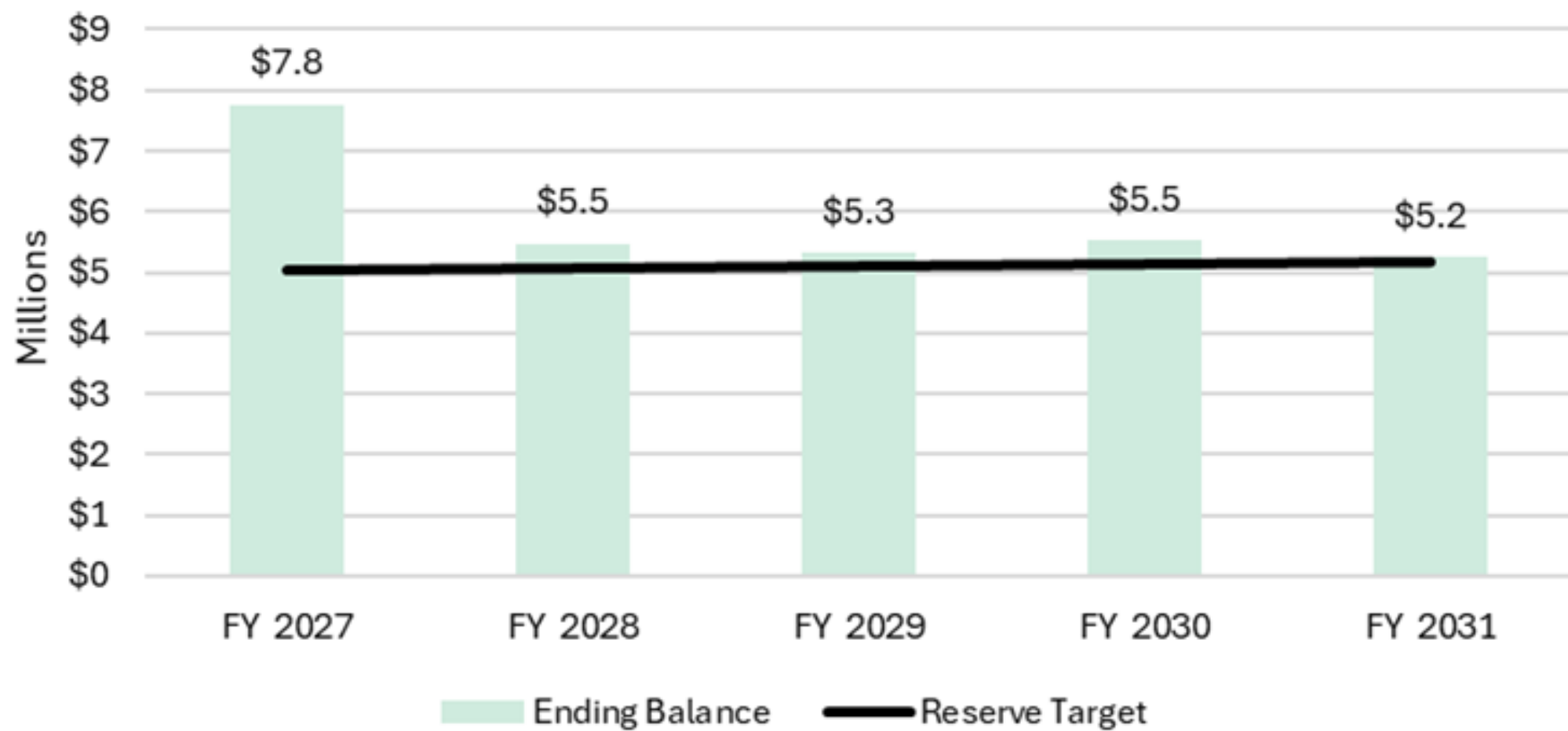
Operating Fund Financial Plan



Rate Funded Capital Improvements



Operating Fund Balance



Cost-of-Service and Rate Design



Sewer Collection vs. Sewer Treatment

Sewer Collection (City of Fontana)

- The City operates a sewer collection and conveyance system
- The City does not provide wastewater treatment service
- City customers pay a monthly \$/EDU rate

Sewer Treatment (IEUA and Rialto)

- Wastewater treatment is provided by IEUA and Rialto
- IEUA and Rialto treatment rates vary by customer type
- Fontana has **no control** over IEUA or Rialto treatment rates

Cost-of-Service Concepts

- Customers should pay rates proportional to costs incurred to meet their unique demand characteristics
- Differences in sewer rates are defined by the strength of customer sanitary discharges which increase wastewater treatment costs

Fontana and Cost-of-Service

- Fontana does not provide wastewater treatment services – it merely transports sanitary sewer flows to IEUA or Rialto
 - Regardless of their strength loadings, there is no difference in the costs incurred by the City to transport the sanitary flows from different types of customers
 - There is no need for unique rates

Calculation of the Proposed FY 2027 Sewer Rate (Applies to All Customers)

Line	Description	Amount
1	Required Revenue from Rates from Financial Plan	\$11,351,018
2	Number of EDUs on Served by the City	65,015
3	Annual Collection and Conveyance \$/EDU (Line 1/Line 2)	\$174.59
4	Monthly Collection and Conveyance \$/EDU	\$14.55
5		
6	Current Monthly Collection and Conveyance \$/EDU	\$12.63
7	\$ Difference	\$1.92
8	% Difference	15%

Proposed FY 2027 – FY 2031 Sewer Rates (Applies to All Customers)

	Current	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Monthly Collection and Conveyance \$/EDU	\$12.63	\$14.55	\$16.01	\$17.61	\$19.37	\$21.31

Presentation of Rates on the Proposition 218 Notice

- The City includes IEUA and Rialto wastewater treatment services on customer bills
- The amounts collected from customers for the wastewater treatment charges are passed-through to IEUA and Rialto
- IEUA and Rialto wastewater treatment rates must be included in the City's Proposition 218 notice

Summary of Rates for Proposition 218

Notice (1 of 2)

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			
Commercial and 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			
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			

Summary of Rates for Proposition 218

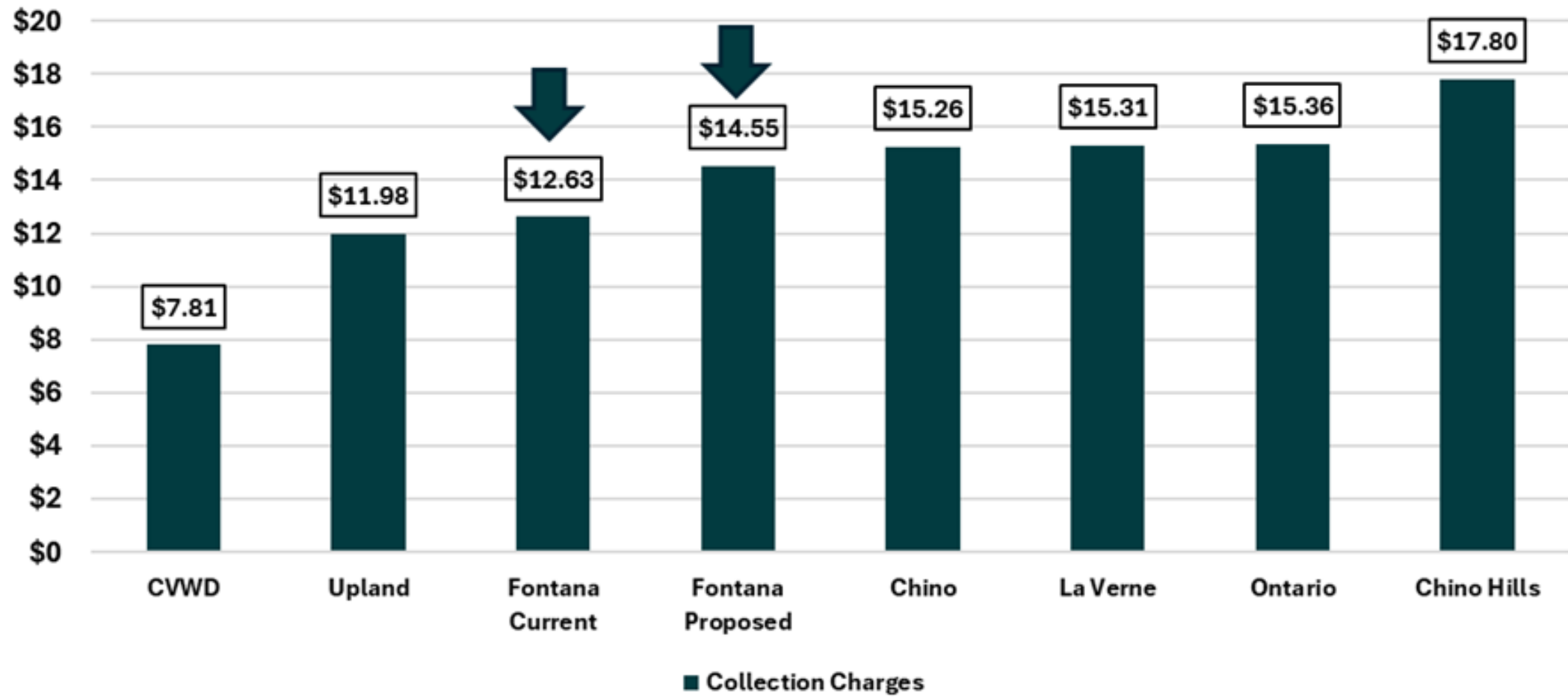
Notice (2 of 2)

Wastewater Rate(\$/EDU)	Current	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Outside City Commercial and 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			
Extra Territorial						
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
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	\$18.91	\$20.62	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

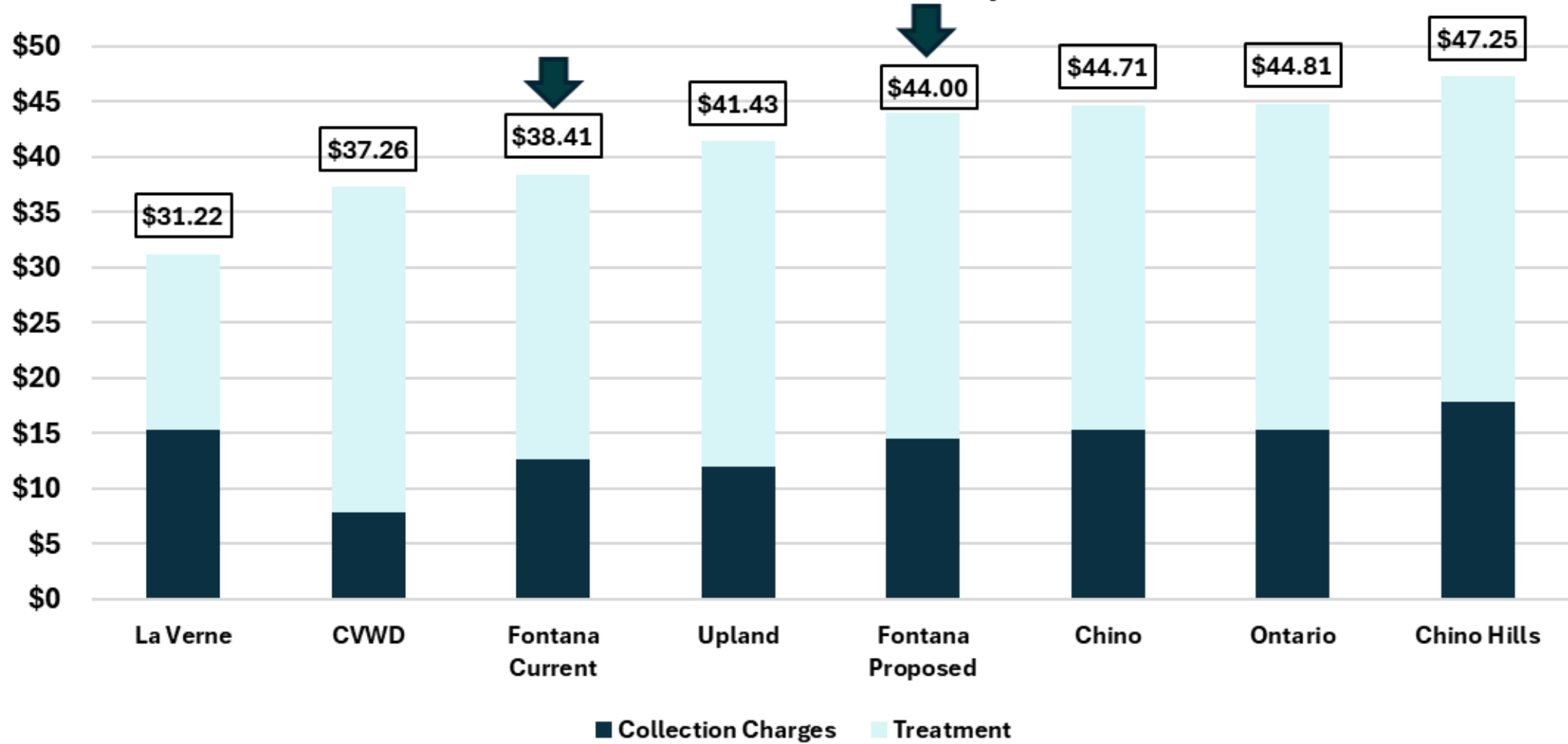
Comparison to Adjacent Communities



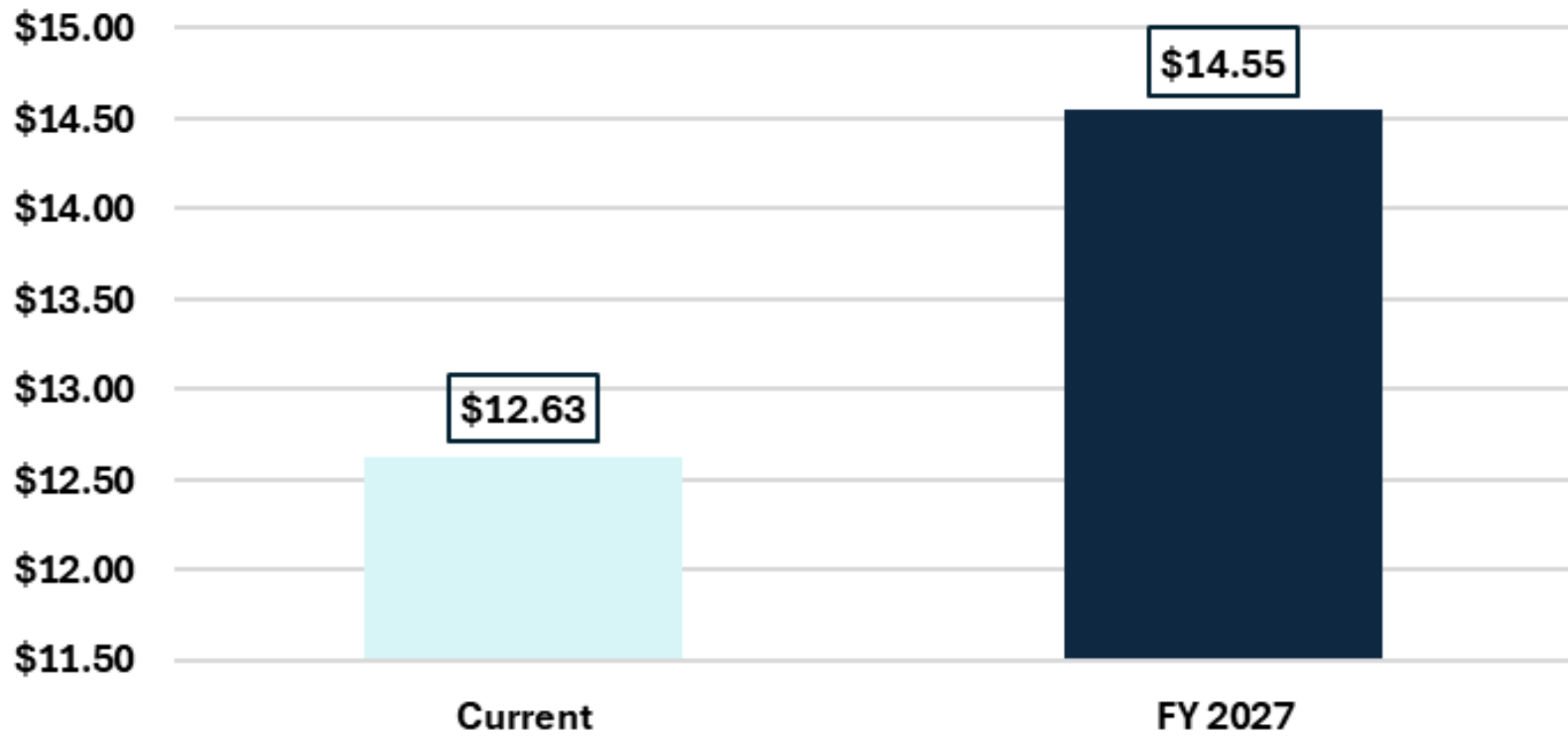
Residential Wastewater Comparison



Residential Wastewater Comparison



Bill Impacts Wastewater City Collection Charge





Thank you!

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