



LT MUNICIPAL
CONSULTANTS

Water and Sewer Rate Study

Heber Public Utility District

July 16, 2026





Background

- The District last completed a rate study in 2017 and last raised rates July 1, 2021
- Rate increases are needed to keep up with inflation and fund improvements that likely won't be covered by grants
- This rate study proposes new rates with the first increase going into effect October 1, 2026, and subsequent increases each July 1 from 2027-2030
- This presentation reflects input from the 6/18 Board meeting



Board Request #1 from 6/18 Meeting

- Survey of local agencies comparing what percent of water and sewer operating costs are related to salaries & benefits

Water

Agency	Seeley	El Centro	Westmorland	Heber	Calexico
Salaries & Benefits	\$212,653	\$3,234,384	\$305,500	\$788,600	\$3,975,756
Total Operations	\$696,249	\$8,105,033	\$615,900	\$1,498,000	\$7,026,435
% of Total	31%	40%	50%	53%	57%

Sewer

Agency	Seeley	El Centro	Salton City	Calexico	Heber	Westmorland
Salaries & Benefits	\$257,059	\$3,575,734	\$1,429,495	\$2,460,163	\$680,300	\$250,200
Total Operations	\$582,291	\$7,779,754	\$3,038,713	\$4,956,180	\$1,250,300	\$435,400
% of Total	44%	46%	47%	50%	54%	57%



Board Request #2 from 6/18 Meeting

- Analysis of historical operating costs to inform future projections
- Operating expenses from FY2020/21 – FY2024/25 were taken from the District's financial audits
- FY2025/26 expenses were taken from the District's budget

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Average Increase
Water Operating Expenses % Increase	\$1,173,434	\$1,107,983 -6%	\$1,361,226 23%	\$1,402,542 3%	\$1,342,994 -4%	\$1,498,000 12%	5.52%
Sewer Operating Expenses % Increase	\$1,002,433	\$936,158 -7%	\$1,144,777 22%	\$1,179,606 3%	\$1,246,537 6%	\$1,250,300 0%	4.94%



Board Request #3 from 6/18 Meeting

Senior discount program

- Legal to fund the program from non-rate revenues such as the cell phone tower lease: \$11,200 for water discounts and \$11,200 for sewer discounts
- Estimated 173 seniors will participate based on trash service discounts
- Proposed discount: \$5 per month water bill discount and \$5 per month sewer bill discount



Board Request #4 from 6/18 Meeting

Explain the need for rate-funded capital improvements and the consequences of not conducting them

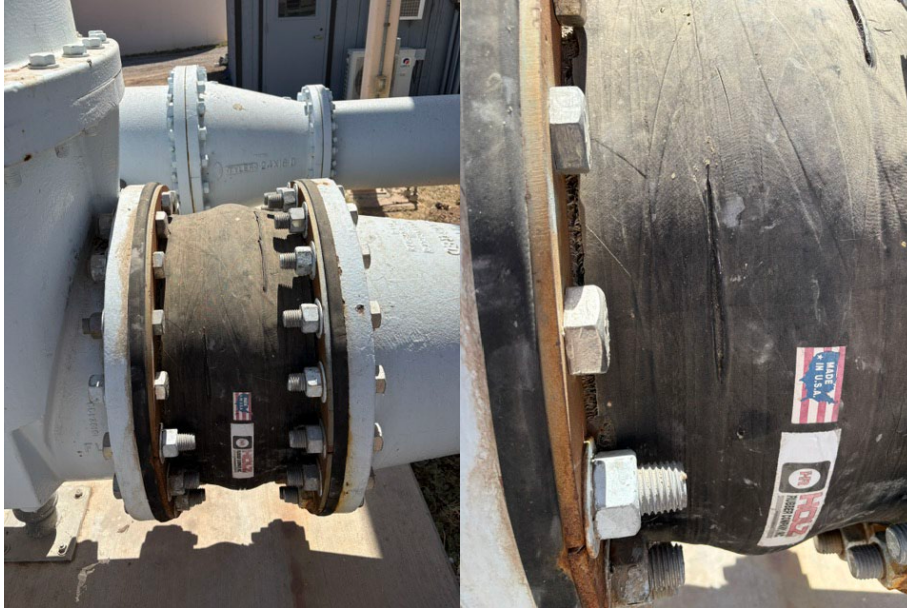
Grant funded projects are omitted from the tables below

Water Projects	Cost	Description
Replace 100 ft of Inlet & Outlet and Distribution Pump	\$380,000	Urgent project. Pipe sleeve is expanding and will burst if not replaced. Will result in a service outage.
Raw Water Pond No. 2	\$1,197,000	Replacement of the deteriorated liner with concrete. The District is currently losing water via percolation in the deteriorated pond that could be sold to customers.

Sewer Projects	Cost	Description
Manhole Rehabilitation	\$120,000	Repair of five manholes that are severely degraded. This is a deferred maintenance project.



Water Capital Improvement Examples



Inlet & Outlet Distribution Pump – Pipe sleeve has been expanding and will burst if not replaced



Raw Water Pond no. 2 – lining has deteriorated and the District is losing water to percolation



Sewer Capital Improvement Examples



Shop & Storage Building Repairs



These projects are proposed to be grant funded

Electrical components at WWTP fail frequently due to H₂S corrosion



Example of H₂S corrosion at WWTP raw sewage inlet



Board Request #5 from 6/18 Meeting

- Updated water rate scenarios:
 - **Option A:** Minor updates to option presented on 6/18; +5% operating cost increases
 - **Option B:** Flat salary & benefits except for contractual obligations. All other operating costs +5%. Keep reserves at the board policy level (not more) -> reserves spent down from about \$2.7M to \$1.3M on capital projects
- Not applicable/not feasible water rate scenarios:
 - ~~**Option C:** Analyze historical operating expense increases. Use average of past 5 years of increases to project growth over the rate study period. Historical average is about +5% annually (same as Option A).~~
 - ~~**Option D:** \$5/month water bill increase. Not feasible. Revenues would not cover the operating costs + debt service~~
- Original sewer rate proposal was slightly updated to about +\$5/month to reflect updates to interest earnings and the senior discount



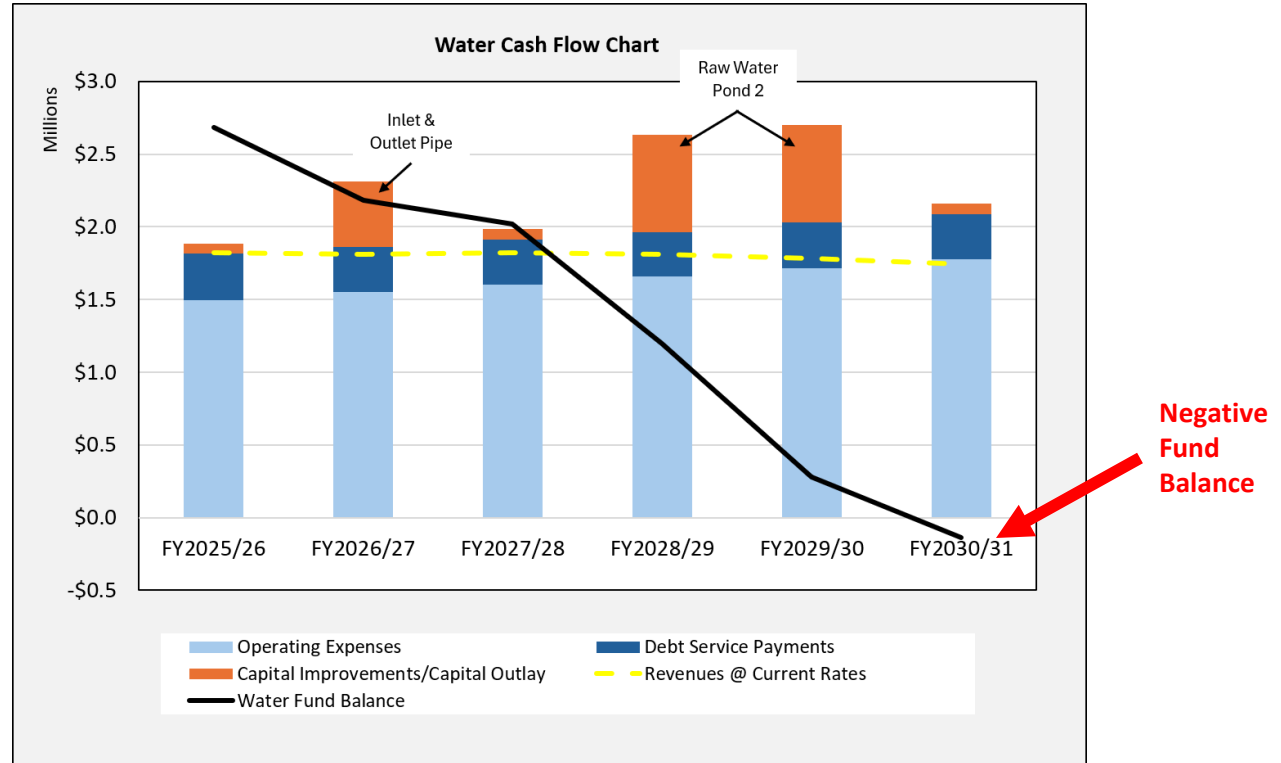
Board Request #5 Continued

Financial Variable	Water Rate Option A (higher rate option)	Water Rate Option B (lower rate option)
Wage increases	5% annual increases	Increases only for contractual obligations
All non-wage expenses	5% annual increases	5% annual increases
Capital improvement projects	\$1.58M of cash-funded projects	\$1.58M of cash-funded projects
Project funding	About \$450,000 funded from reserves AND about \$1,130,000 funded from rate revenues	About \$1,400,000 funded from reserves AND about \$180,000 funded from rate revenues
Estimated fund balance June 30, 2031 (end of 5th year)	\$2,230,000 (approximately equal to current reserves)	\$1,280,000 (approximately equal to Board approved target)



Board Request #6 from 6/18 Meeting

- Consequences of no rate increase under the Alternative Option
- Cash flow with flat salary & benefits except for contractual obligations
- Loss of interest earnings as fund balance is expended
- Water Fund becomes negative (bankrupt over 5 years)





WATER ENTERPRISE



Current Monthly Water Rates

Fixed meter fees

Charge Description	Allotment (Gal)	Monthly Rate
<u>Single Family Residential</u>		
1" Meter or less	15,000	\$62.08
<u>All Other In-District Customers</u>		
1" Meter or less	15,000	\$70.94
2" Meter	40,000	\$221.31
3" Meter	60,000	\$465.81
4" Meter	75,000	\$816.49
<u>Service Outside District</u>		
1" Meter or less	15,000	\$80.09
2" Meter	30,000	\$186.80
6" Meter	85,000	\$1,037.80

+ Volumetric Charge

Customer Type	\$/1,000 gallons
Inside District	\$4.03
Outside District	\$4.78



Current Water System Financial Standing

- Current reserves of about **\$2.7M**
- In FY2025/26, net positive operating revenues of about **\$6,000** (revenues are meeting operating expenses and debt payments)
- The District must fund needed infrastructure improvements via rates totaling \$1.6 million over the next 5 years. Projects include:
 - Raw Water Pond no. 2 replacement of deteriorated liner (\$1,197,000)
 - Replace inlet & outlet distribution pump (\$380,000)
- Larger projects such as repairing and relocating water lines in the courts (\$3.4M) and installing ACP pipeline (\$1.2M) are expected to be grant funded



Water Rate Design

- Rate design changes are proposed to comply with Proposition 218, industry best practices, and recent court cases
- Proposed changes:
 - One schedule of meter fees for all customers. Similar customers must have similar rates
 - Eliminate the base allotment included in the meter fees. All usage will be billed the volumetric charge
 - Eliminate out-of-District charges. These customers will be billed the same as in-District customers.



Proposed Monthly Water Rates (Opt A)

Meter Size	Base Usage Included	Current Rate	Oct 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030
			No gallons included				
In-District			varies	+12%	+10%	+10%	+7%
Single Family	15,000	\$62.08	\$46.75	\$52.36	\$57.60	\$63.36	\$67.80
1" Meter or less	15,000	\$70.94	\$46.75	\$52.36	\$57.60	\$63.36	\$67.80
2" Meter/Hydrants	40,000	\$221.31	\$136.44	\$152.81	\$168.09	\$184.90	\$197.84
3" Meter	60,000	\$465.81	\$266.91	\$298.94	\$328.83	\$361.71	\$387.03
4" Meter	75,000	\$816.49	\$413.68	\$463.32	\$509.65	\$560.62	\$599.86
6" Meter	85,000	\$1,037.80	\$821.38	\$919.95	\$1,011.95	\$1,113.15	\$1,191.07
Volumetric Rate (\$/1,000 gallons)		Above Base Usage	All usage (no usage provided in base rate)				
In-District		\$4.03	\$3.09	\$3.46	\$3.81	\$4.19	\$4.48
Out-of-District		\$4.78	\$3.09	\$3.46	\$3.81	\$4.19	\$4.48



Proposed Monthly Water Rates (Opt B)

Meter Size	Base Usage Included	Current Rate	Oct 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030
			No gallons included				
In-District			varies	+6%	+6%	+6%	+6%
Single Family	15,000	\$62.08	\$44.07	\$46.71	\$49.51	\$52.48	\$55.63
1" Meter or less	15,000	\$70.94	\$44.07	\$46.71	\$49.51	\$52.48	\$55.63
2" Meter/Hydrants	40,000	\$221.31	\$128.11	\$135.80	\$143.95	\$152.59	\$161.75
3" Meter	60,000	\$465.81	\$250.35	\$265.37	\$281.29	\$298.17	\$316.06
4" Meter	75,000	\$816.49	\$387.87	\$411.14	\$435.81	\$461.96	\$489.68
6" Meter	85,000	\$1,037.80	\$769.87	\$816.06	\$865.02	\$916.92	\$971.94
Volumetric Rate (\$/1,000 gallons)		Above Base Usage	All usage (no usage provided in base rate)				
In-District		\$4.03	\$3.06	\$3.24	\$3.43	\$3.64	\$3.86
Out-of-District		\$4.78	\$3.06	\$3.24	\$3.43	\$3.64	\$3.86



Avg Water Bill Comparison

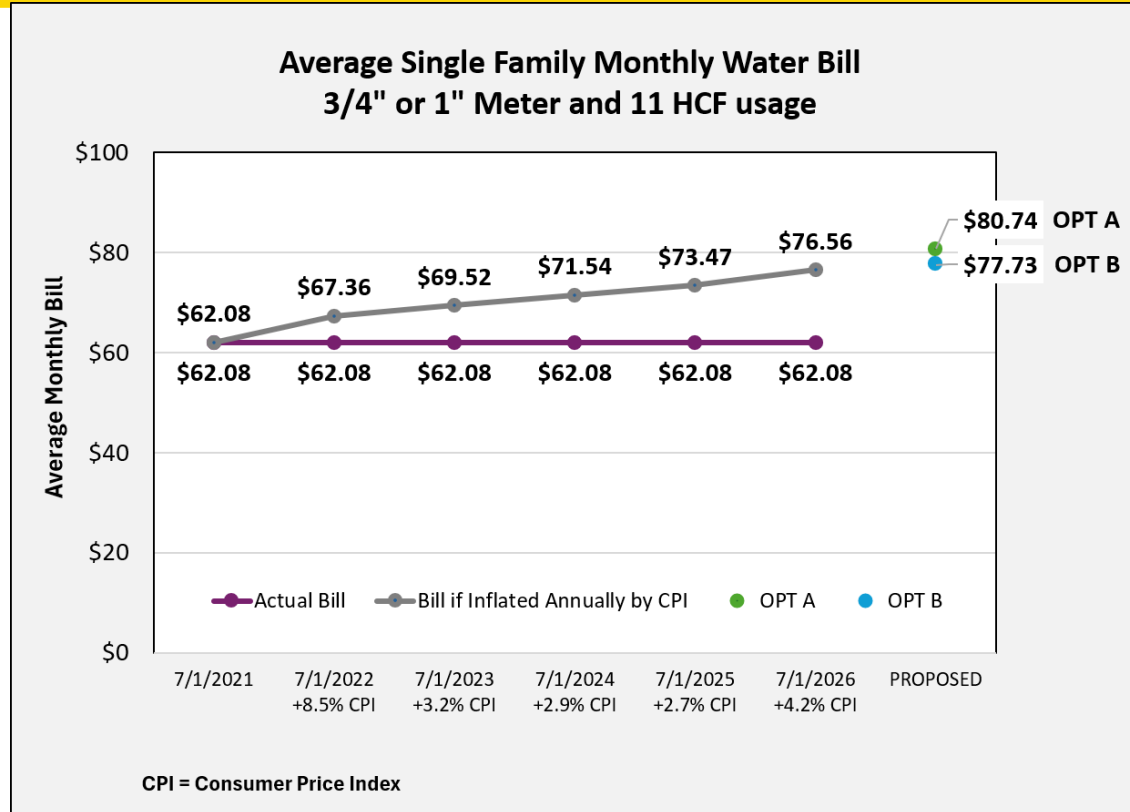
HPUD Average User:

Single Family Residential Customer (1" meter) with 11,000 gallons of water use

	Current	PROPOSED MONTHLY WATER BILL				
		Oct 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030
OPTION A						
Single Family Residence <i>\$ increase</i>	\$62.08	\$80.74 <i>\$18.66</i>	\$90.42 <i>\$9.68</i>	\$99.51 <i>\$9.09</i>	\$109.45 <i>\$9.94</i>	\$117.08 <i>\$7.63</i>
OPTION B						
Single Family Residence <i>% Change</i>	\$62.08	\$77.73 <i>\$15.65</i>	\$82.35 <i>\$4.62</i>	\$87.24 <i>\$4.89</i>	\$92.52 <i>\$5.28</i>	\$98.09 <i>\$5.57</i>

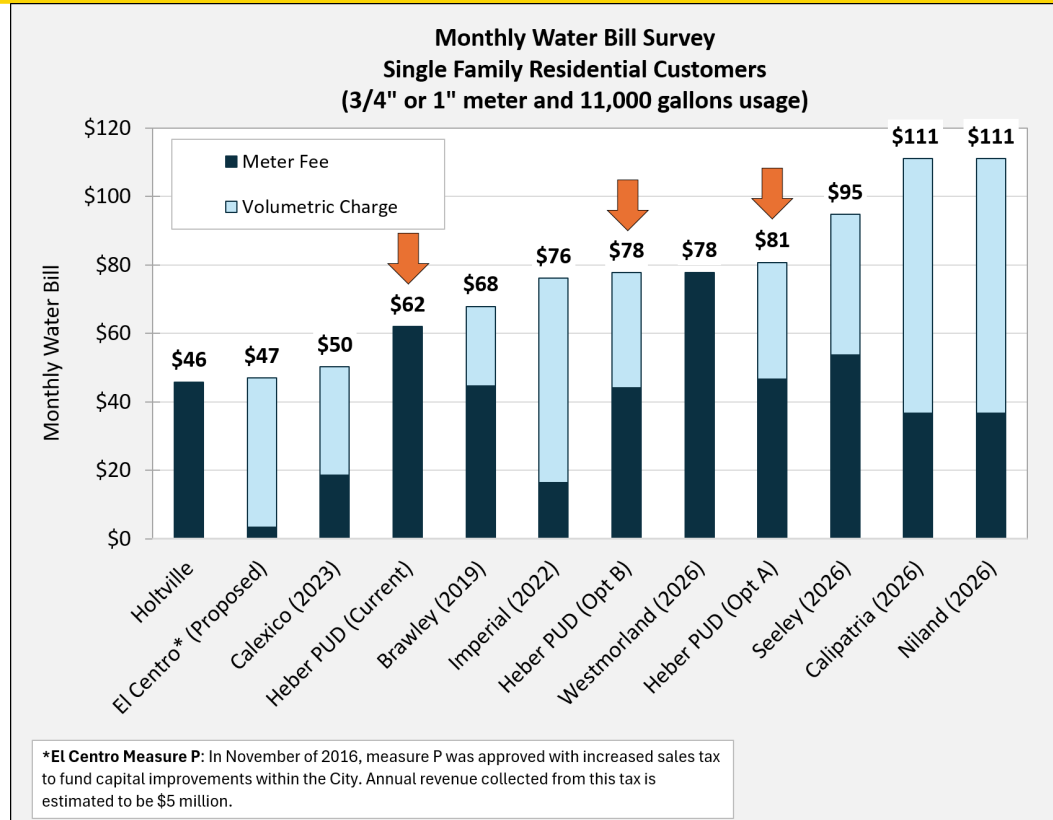


Avg Water Bill Compared w/Inflation





Water Bill Survey





Single Family Water Bill Impacts

OPTION A

OPTION B

Gallons Used	Current Monthly Bill	Proposed Total Monthly Bill		Proposed Total Monthly Bill		% of Cumulative Bills
		Oct 1, 2026	\$ Change	Oct 1, 2026	\$ Change	
1,000	\$62.08	\$49.84	-\$12.24	\$47.13	-\$14.95	1%
2,000	\$62.08	\$52.93	-\$9.15	\$50.19	-\$11.89	4%
Very efficient - 3,000	\$62.08	\$56.02	-\$6.06	\$53.25	-\$8.83	7%
4,000	\$62.08	\$59.11	-\$2.97	\$56.31	-\$5.77	12%
5,000	\$62.08	\$62.20	\$0.12	\$59.37	-\$2.71	18%
6,000	\$62.08	\$65.29	\$3.21	\$62.43	\$0.35	24%
7,000	\$62.08	\$68.38	\$6.30	\$65.49	\$3.41	31%
Avg winter use - 8,000	\$62.08	\$71.47	\$9.39	\$68.55	\$6.47	38%
9,000	\$62.08	\$74.56	\$12.48	\$71.61	\$9.53	46%
10,000	\$62.08	\$77.65	\$15.57	\$74.67	\$12.59	52%
HPUD avg user - 11,000	\$62.08	\$80.74	\$18.66	\$77.73	\$15.65	58%
12,000	\$62.08	\$83.83	\$21.75	\$80.79	\$18.71	64%
13,000	\$62.08	\$86.92	\$24.84	\$83.85	\$21.77	69%
14,000	\$62.08	\$90.01	\$27.93	\$86.91	\$24.83	74%
Avg summer use - 15,000	\$62.08	\$93.10	\$31.02	\$89.97	\$27.89	78%



SEWER ENTERPRISE



Current Monthly Sewer Rates

Fixed fees

Customer Type	Monthly Rate
<u>Residential Customers</u>	per connection
4" Connection	\$61.28
6" Connection	\$133.44
<u>Multifamily</u>	per dwelling unit
Per Dwelling Unit	\$62.76
<u>Commercial, Industrial, and Public</u>	per connection
4" Connection	\$56.22
6" Connection	\$123.69
8" Connection	\$224.88

+ Flow Rates

Volumetric Charge	\$/1,000 gallons
Commercial, Industrial, and Public	\$0.65



Current Sewer System Financial Standing

- Current reserves of about **\$1.7M**
- This year, positive net revenues of about **\$12,400** (revenues are meeting operating expenses and debt payments)
- The District has identified \$9.5M of capital improvements over the next five years, of which \$9.4M is expected to be grant funded:
 - Shop and storage building (\$1,200,000)
 - Upgrades to WWTP (\$8,200,000)
- The 5 Manhole Rehabilitation project (\$120,000) is expected to be rate funded
- Main driver of the sewer rate increase is meeting debt coverage



Proposed Residential Sewer Rates

- Proposed rates are based on customer type NOT lateral connection size
- The single family rate is based on average winter water use of about 8,000 gallons per month as an estimate of sewer flow
- The multi family rate is based on average winter water use of about 7,000 gallons per month as an estimate of sewer flow

Customer Type	Current	Oct 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030
Single Family 4"	\$61.28	\$66.24	\$69.55	\$73.03	\$76.68	\$80.51
Single Family 6"	\$133.44	\$66.24	\$69.55	\$73.03	\$76.68	\$80.51
Multi Family	\$62.76	\$55.62	\$58.40	\$61.32	\$64.39	\$67.61



Avg Sewer Bill Over 5 Years

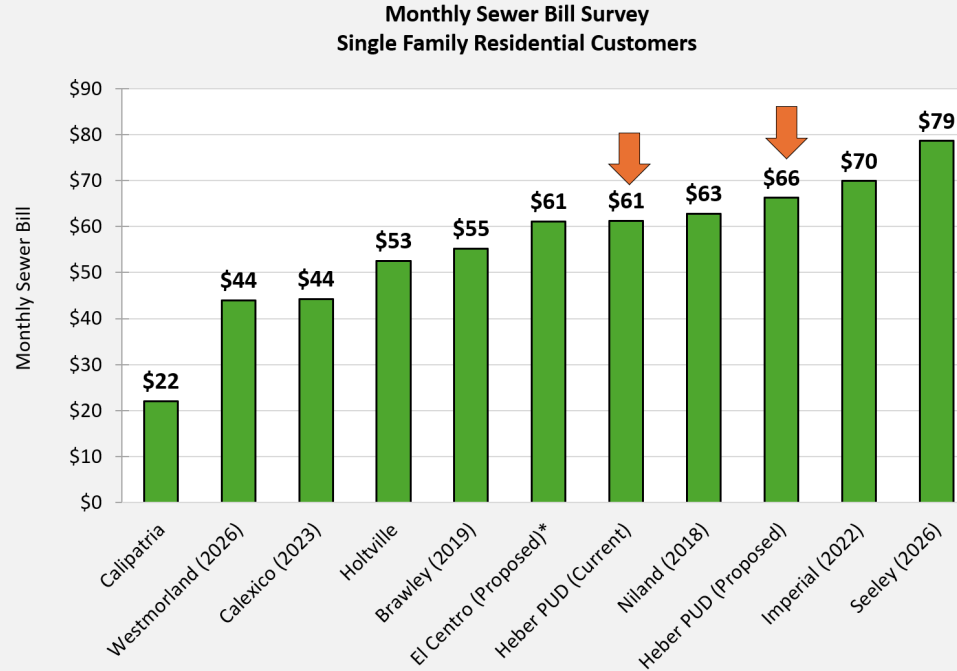
Single Family Residential Customer

	Current		Proposed			
		Oct 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030
Single Family Residential	\$61.28	\$66.24	\$69.55	\$73.03	\$76.68	\$80.51
\$ Change		\$4.96	\$3.31	\$3.48	\$3.65	\$3.83





Sewer Survey



***El Centro Measure P:** In November of 2016, measure P was approved with increased sales tax to fund capital improvements within the City. Annual revenue collected from this tax is estimated to be \$5 million.



Non-Residential Sewer Rate Design

- Non-residential customers are proposed to be divided between low, medium, and high strength pollutant categories
 - Low = retail, offices, post office, churches
 - Medium/domestic = community center, healthcare, auto shops, beauty salons
 - High = event center, construction company, cement company, restaurants, bakeries
- Updated fixed charge including first 8,000 gallons of monthly flow (same as single family residential)
- Plus excessive flow rate over first 8,000 gallons per month
- Schools are proposed to be billed per student based on 5 gallons of flow per student per day



Proposed Non-Residential Sewer Rates

Customer Type	Current	Oct 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030
Non-Residential (Fixed Monthly Rate)		Includes first 8,000 gallons of flow				
Low Strength	4": \$56.22	\$59.72	\$62.71	\$65.85	\$69.14	\$72.60
Medium/Domestic Strength	6": \$123.69	\$66.24	\$69.55	\$73.03	\$76.68	\$80.51
High Strength	8": \$224.88	\$79.28	\$83.24	\$87.40	\$91.77	\$96.36
Schools (per student)		\$1.03	\$1.08	\$1.13	\$1.19	\$1.25
Non-Residential (Additional Flow Rate) \$/1,000 gallons		Flow above first 8,000 gallons				
Low Strength	\$0.65	\$7.34	\$7.71	\$8.10	\$8.51	\$8.94
Medium/Domestic Strength	\$0.65	\$8.12	\$8.53	\$8.96	\$9.41	\$9.88
High Strength	\$0.65	\$9.68	\$10.16	\$10.67	\$11.20	\$11.76



Single Family Water & Sewer Bill Impacts

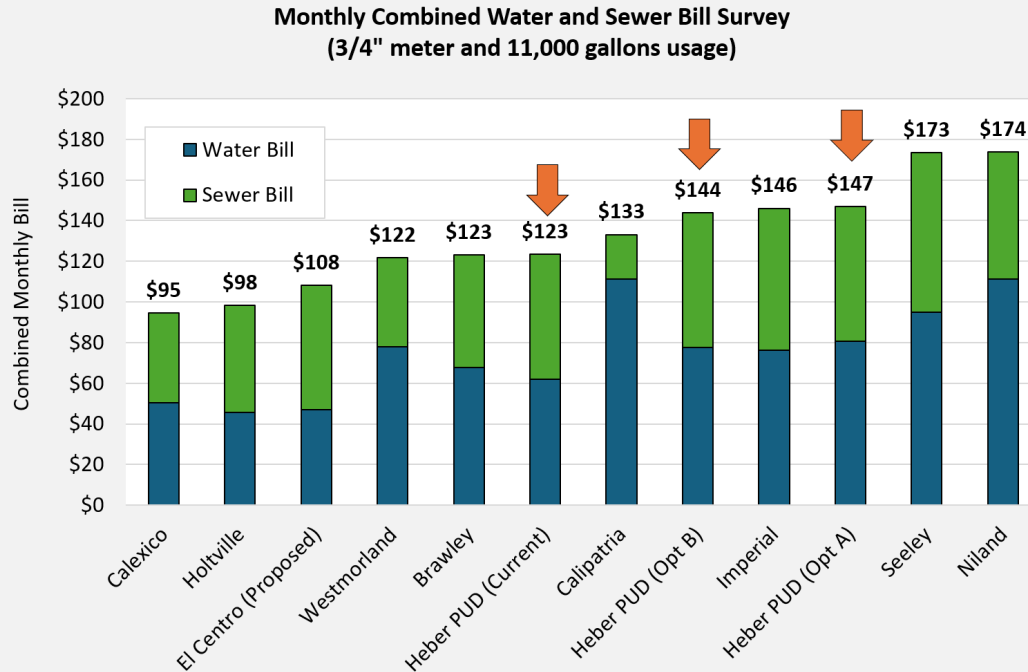
Single family residential customer with a 1" meter and 11,000 gallons monthly water use

Current		Proposed OPTION A				
		Oct 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030
<u>Single Family Residential</u>						
Water Bill (Opt A)	\$62.08	\$80.74	\$90.42	\$99.51	\$109.45	\$117.08
<u>Sewer Bill</u>	<u>\$61.28</u>	<u>\$66.24</u>	<u>\$69.55</u>	<u>\$73.03</u>	<u>\$76.68</u>	<u>\$80.51</u>
Total Bill	\$123.36	\$146.98	\$159.97	\$172.54	\$186.13	\$197.59
\$ Change		\$23.62	\$12.99	\$12.57	\$13.59	\$11.46

Current		Proposed OPTION B				
		Oct 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030
<u>Single Family Residential</u>						
Water Bill (Opt B)	\$62.08	\$77.73	\$82.35	\$87.24	\$92.52	\$98.09
<u>Sewer Bill</u>	<u>\$61.28</u>	<u>\$66.24</u>	<u>\$69.55</u>	<u>\$73.03</u>	<u>\$76.68</u>	<u>\$80.51</u>
Total Bill	\$123.36	\$143.97	\$151.90	\$160.27	\$169.20	\$178.60
\$ Change		\$20.61	\$7.93	\$8.37	\$8.93	\$9.40



Water & Sewer Survey



***El Centro Measure P:** In November of 2016, measure P was approved with increased sales tax to fund capital improvements within the City. Annual revenue collected from this tax is estimated to be \$5 million.



Tentative Schedule

- July 16: Present final rate proposal to the Board of Directors; initiate Proposition 218 process
- July 31: Mail Proposition 218 notices
- August 20: Customer Outreach meeting
- September 17: Proposition 218 Public Hearing to adopt the rates
- October 1: First rate increase goes into effect

