

City of Hercules

Sewer Utility Financial Overview

May 28, 2024

Willdan Financial Services

- Chris Fisher, Vice President
- Michael Cronan, Project Manager



Financial Overview Objectives

- Development of a 5-year financial plan
- Funding current and future operations, capital
- Debt repayment, compliance with bond covenants
- Maintaining adequate reserves for operations and capital
- Equitable, cost-based rate structure
- Proposition 218 compliance

Factors Driving Financial Plan

- Rising operating costs (equipment, supplies, treatment, etc.)
- Rising personnel costs (labor, benefits, pensions, etc.)
- Rate study includes the addition of a Sewer & Stormwater Supervisor
- Meeting debt service coverage to maintain compliance with debt covenants
- Increasing operating and capital costs at the Pinole-Hercules Water Pollution Control Plant
- Funding ongoing sewer collection capital projects
- Have not increased rates since 2014
- Starting rate adjustments in FYE 2026 through FYE 2030

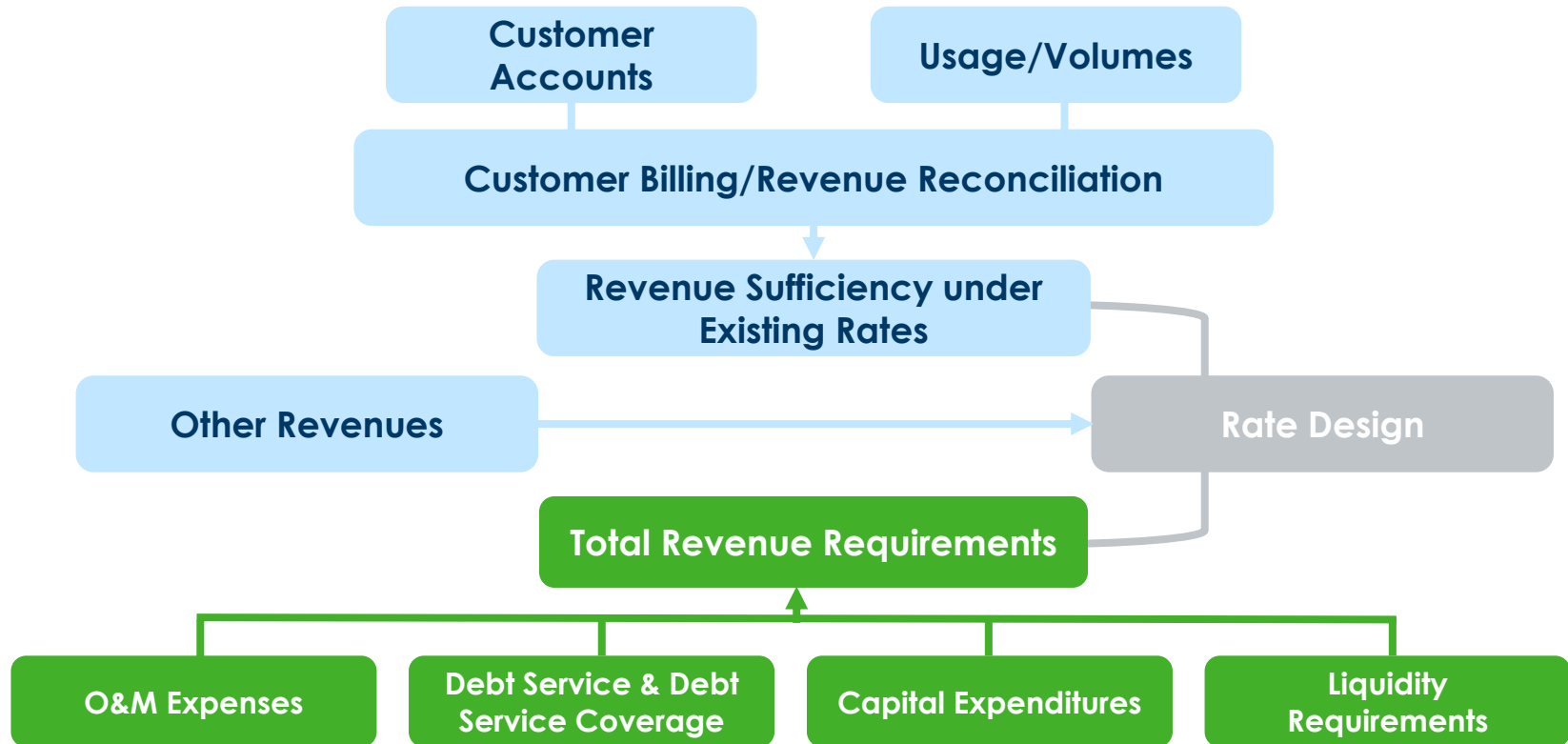


City of Hercules
Sewer Rate Study

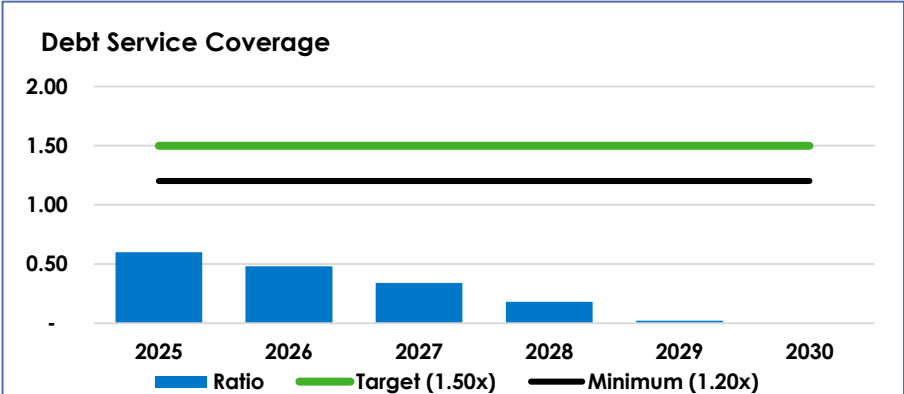
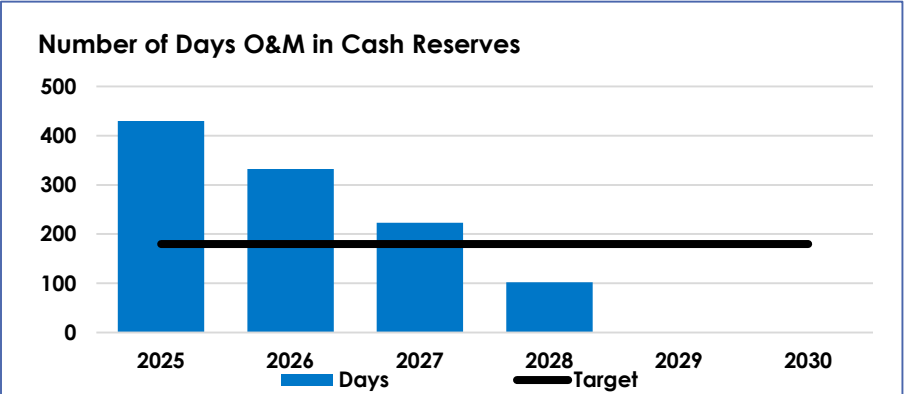
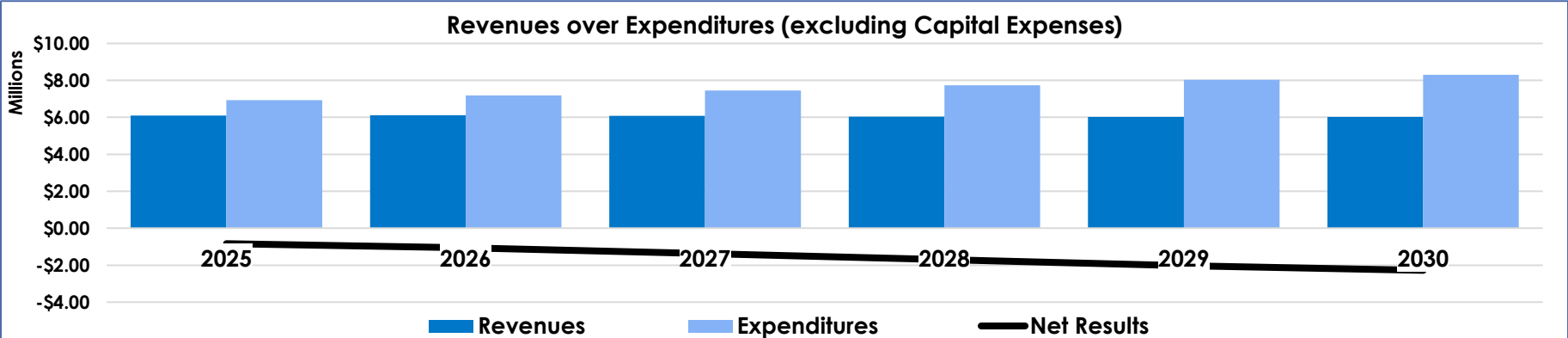
Methodology & Projections



General Rate Study Methodology



Status Quo Projections



Capital Improvement Program

Description	Funding Source	Projected for Fiscal Year Ending June 30,						
		2024	2025	2026	2027	2028	2029	2030
Sewer System Improvements								
Sycamore Ave (Lower Trunk Main)	Cash	\$ 12,000,000	\$ 1,100,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sycamore Ave (Upper Truck Main)	Cash	100,000	0	0	0	0	0	0
Sewer Manholes in Business Park	Cash	32,000	0	0	0	0	0	0
Sewer Manholes in Business Park	Cash	0	0	0	0	0	0	0
Promenade Lift Station	Cash	0	0	100,000	867,000	0	0	0
Repair/ Replace Sewer Lines under SR-4 & Along Willow Ave	Cash	0	0	100,000	230,000	800,000	0	0
Total Sewer System Improvements		\$12,132,000	\$ 1,100,000	\$ 200,000	\$ 1,097,000	\$ 800,000	\$ 0	\$ 0
Hercules Share of Pinole WW Plant								
As-Built WWTP Drawings	Cash	\$ 0	\$ 12,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Boiler Rehabilitation	Cash	0	22,500	0	0	0	0	0
Centrifuge Feed Pump Replacement	Cash	0	25,000	0	0	0	0	0
Digester Feed Pump Replacement	Cash	0	37,500	0	0	0	0	0
Energy Recovery Building and Admin Roof	Cash	0	40,000	0	0	0	0	0
Misc. Plant Improvements	Cash	0	37,500	0	0	0	0	0
SCADA System Upgrade	Cash	0	22,500	0	0	0	0	0
SS2002 Water Pollution Control Plant Lab Remodel	Cash	0	50,000	0	0	0	0	0
SS2101 Second Clarifier - Center Column Rehabilitation	Cash	0	212,500	0	0	0	0	0
SS2102 Air Release Valve Replacement	Cash	0	25,000	0	0	0	0	0
SS2203 Effluent Outfall Project Design	Cash	0	75,000	500,000	1,000,000	0	0	0
Effluent Pipe Coating - Rodeo Creek Crossing	Cash	0	15,000	0	0	0	0	0
Spare Influent Pump	Cash	0	50,000	0	0	0	0	0
Chlorine Contact Basin - Coating	Cash	0	0	100,000	0	0	0	0
Energy Recovery System Replacement	Cash	0	0	0	0	100,000	650,000	0
Aeration Basin - Coating	Cash	0	0	0	150,000	0	0	0
Water Pollution Control Plant Boiler Replacement	Cash	0	0	0	330,000	0	0	0
Water Pollution Control Plant Centrifuge Replacement	Cash	0	0	0	0	495,000	0	0
Total Hercules Share Of Pinole WW Plant Improvements		\$ 0	\$ 625,000	\$ 600,000	\$ 1,480,000	\$ 595,000	\$ 650,000	\$ -
Total Sewer Projects		\$12,132,000	\$ 1,725,000	\$ 800,000	\$ 2,577,000	\$ 1,395,000	\$ 650,000	\$ -





- 5-year annual rate path
- 5-year annual bill path
- Comparison with neighboring utilities – annual bills
- Projected financial metrics & operating results over the 5-year financial plan including rate adjustments



5-Year Financial Plan

5-Year Annual Rate Path

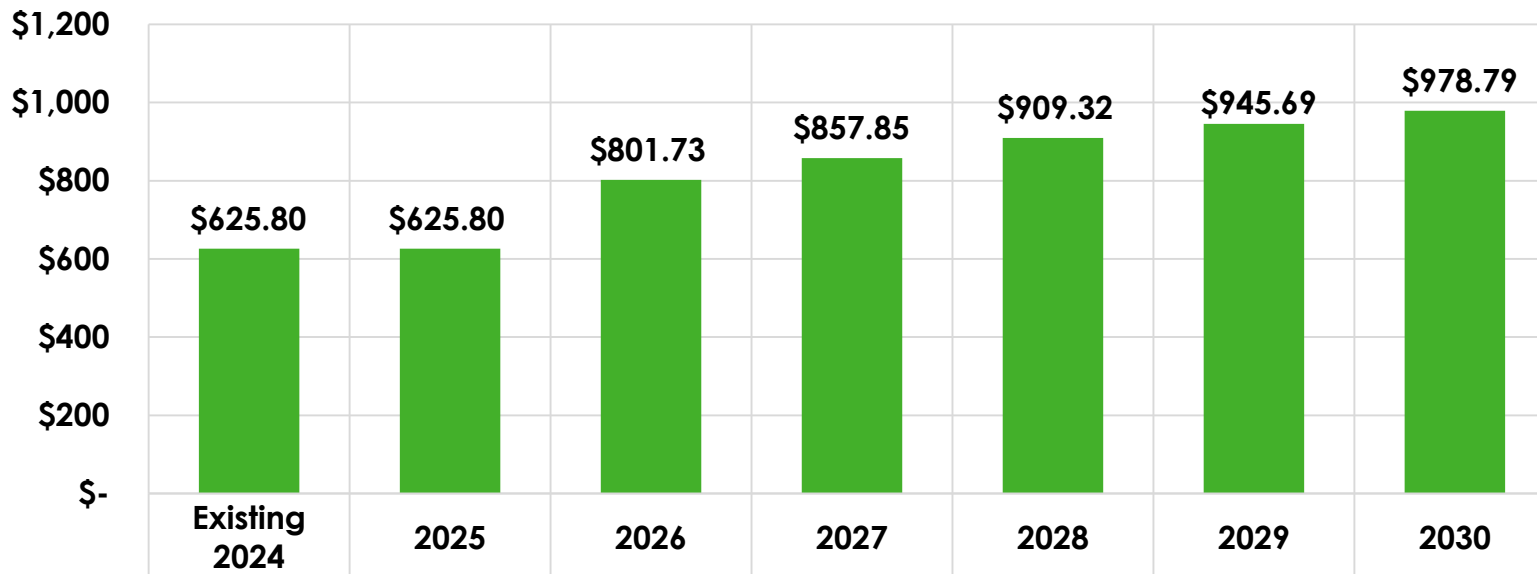
Description	Existing Rates	Projected for Fiscal Year Ending June 30,					
		2025	2026	2027	2028	2029	2030
Minimum Base Charge:							
Single-Family Residence ^[1]	\$ 625.80	\$ 625.80	\$ 801.73	\$ 857.85	\$ 909.32	\$ 945.69	\$ 978.79
Multi-Family Residence (per Dwelling Unit) ^[1]	\$ 625.80	\$ 625.80	\$ 693.79	\$ 742.36	\$ 786.90	\$ 818.38	\$ 847.02
Senior Living (per Dwelling Unit) ^{[1] [2]}	\$ 427.16	\$ 427.16	\$ 569.65	\$ 609.53	\$ 646.10	\$ 671.94	\$ 695.46
Non-Residential Metered (per Business)	\$ 120.00	\$ 120.00	\$ 349.84	\$ 374.32	\$ 396.78	\$ 412.65	\$ 427.10
Volumetric Rates Per 100 Cubic Feet - Non-Residential Metered:							
All Flow	\$ 3.87	\$ 3.87	\$ 6.93	\$ 7.41	\$ 7.86	\$ 8.17	\$ 8.46

Notes:

[1] All residential customers only pay a flat fee per dwelling unit, regardless of usage.

[2] Apartments are currently charged the existing "Senior Living" flat fee per dwelling unit only, regardless of usage. Under the proposed rates, starting in FYE 2026, apartments will pay the "Multi-Family Residence" flat fee per dwelling unit only, regardless of usage.

5-Year Annual Bill Path



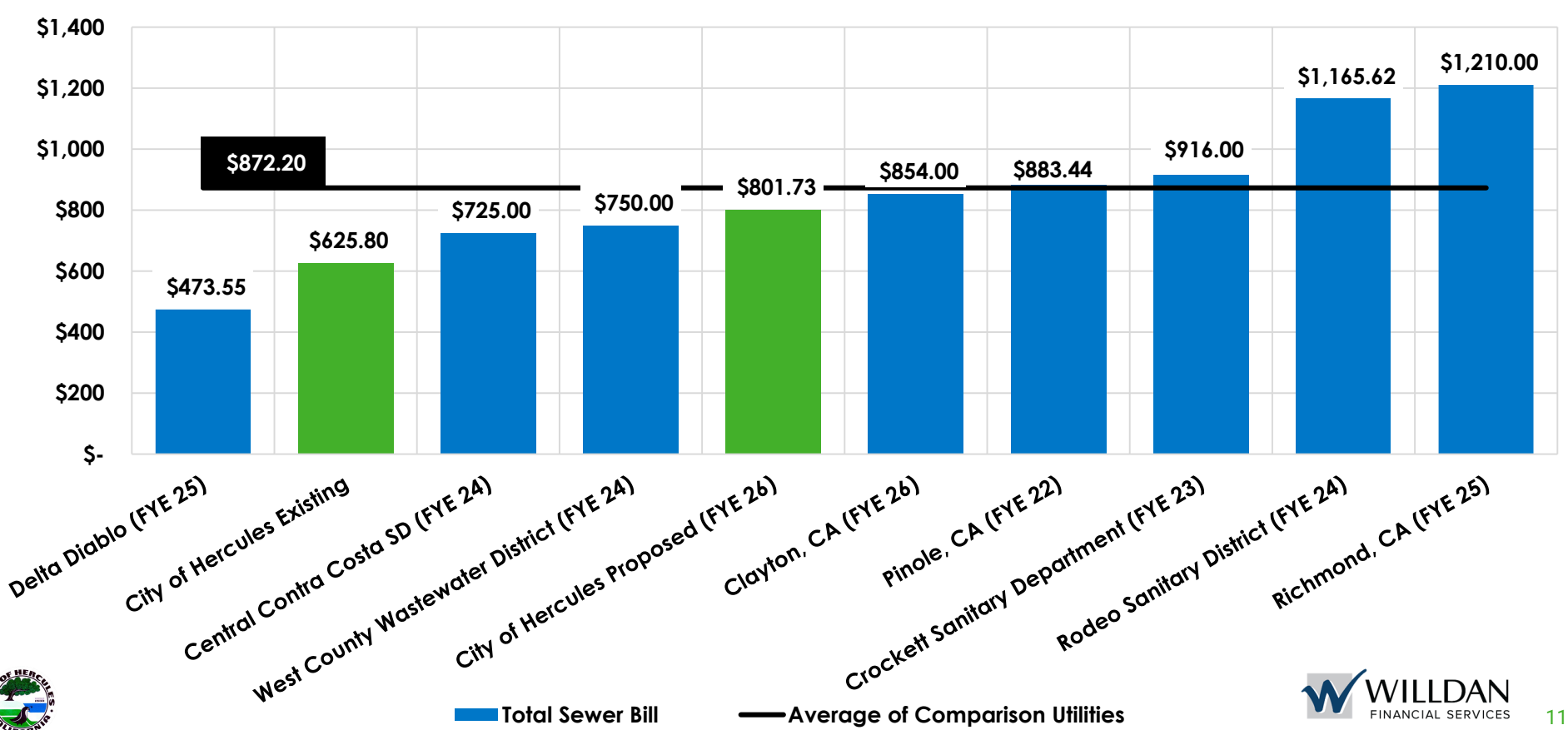
■ Annual Sewer Bill	\$625.80	\$625.80	\$801.73	\$857.85	\$909.32	\$945.69	\$978.79
Difference (\$)		\$-	\$175.93	\$56.12	\$51.47	\$36.37	\$33.10
Difference (%)		0.00%	28.11%	7.00%	6.00%	4.00%	3.50%
Annual CPI (as of April 2024)		3.77%	3.77%	3.77%	3.77%	3.77%	3.77%



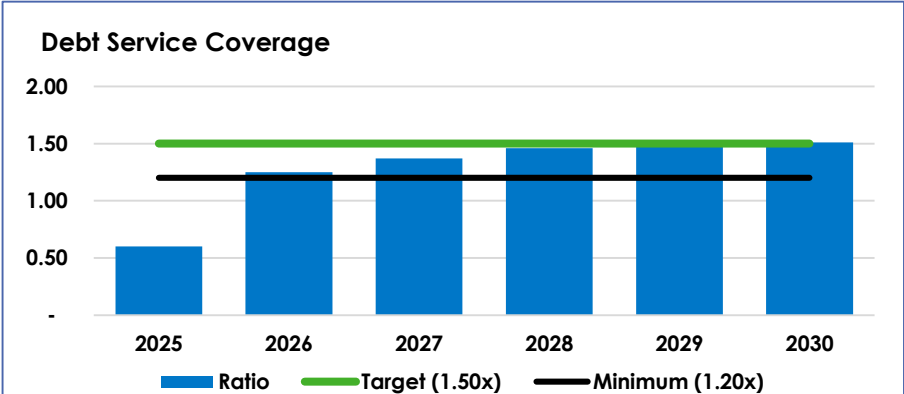
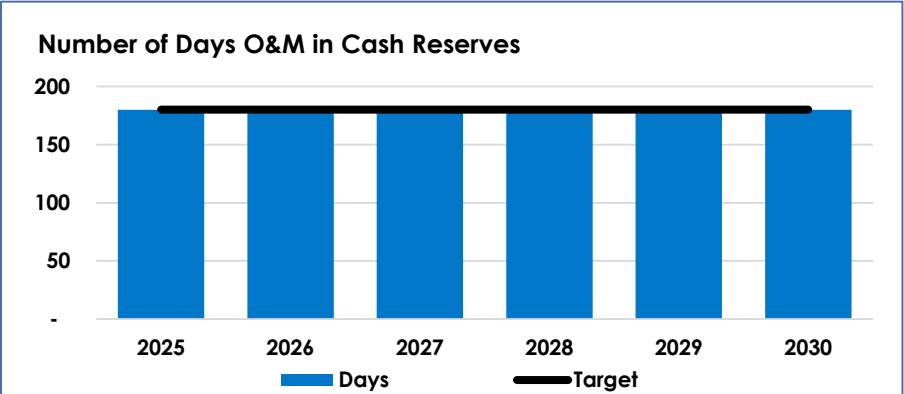
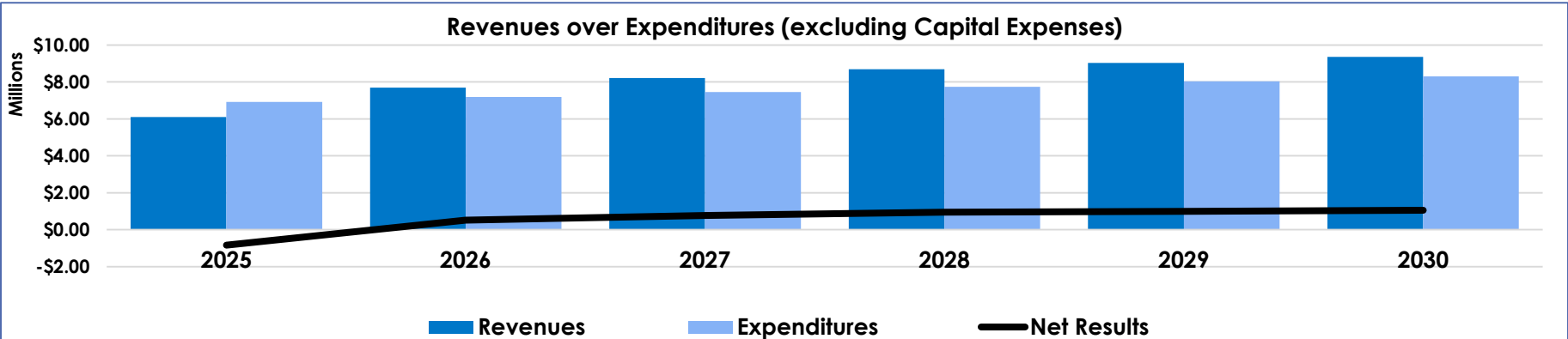
■ Annual Sewer Bill






Annual Neighboring Utility Comparison



Adjusted Financial Metrics





City of Hercules
Sewer Rate Study

QUESTIONS

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