

City of Hercules

Sewer Utility Rate Study

May 27, 2025

Willdan Financial Services

- Chris Fisher, Vice President
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Rate Study Goals & Objectives

- Evaluate current financial condition of sewer utility
- Develop 5-year financial plan – provide funding for current and future operations, capital needs
- Debt repayment, compliance with bond covenants
- Maintain adequate reserves for operations, capital, and debt service
- Provide recommendations to improve and maintain financial health and stability of sewer utility over next five years
- Develop equitable, cost-based rate structure
- Ensure proposition 218 compliance – COS and procedures

Factors Driving Financial Plan

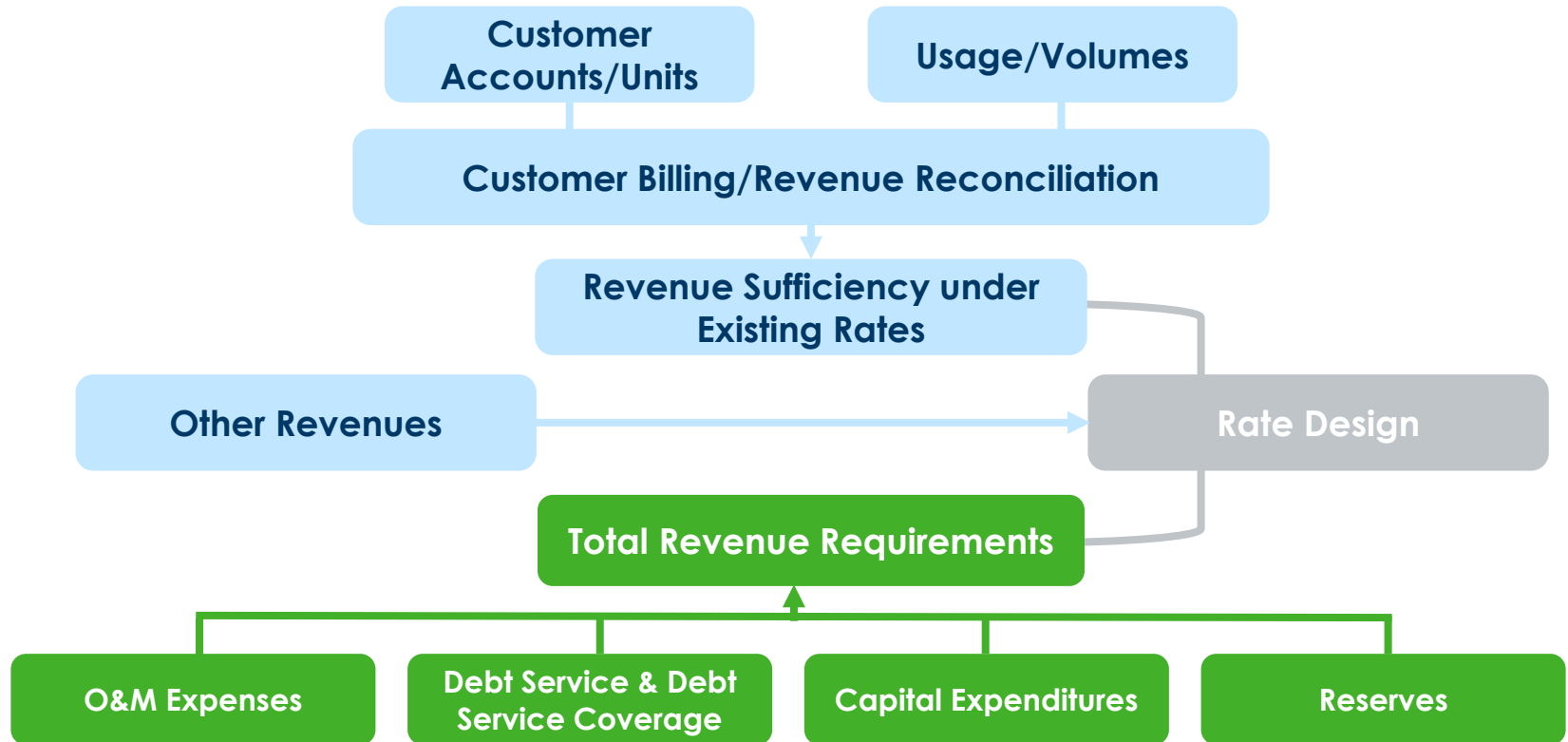
- Rising operating costs (equipment, supplies, treatment, etc.)
- Rising personnel costs (labor, benefits, pensions, etc.)
- Financial plan includes addition of a Sewer & Stormwater Supervisor
- Debt service coverage to maintain compliance with debt covenants
- Increasing operating and capital costs at the Pinole-Hercules Water Pollution Control Plant
- Funding ongoing sewer collection capital projects
- Have not increased rates since 2014

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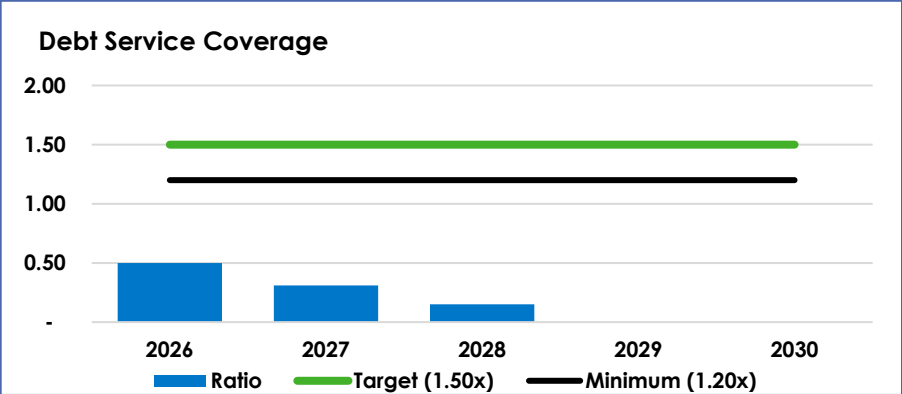
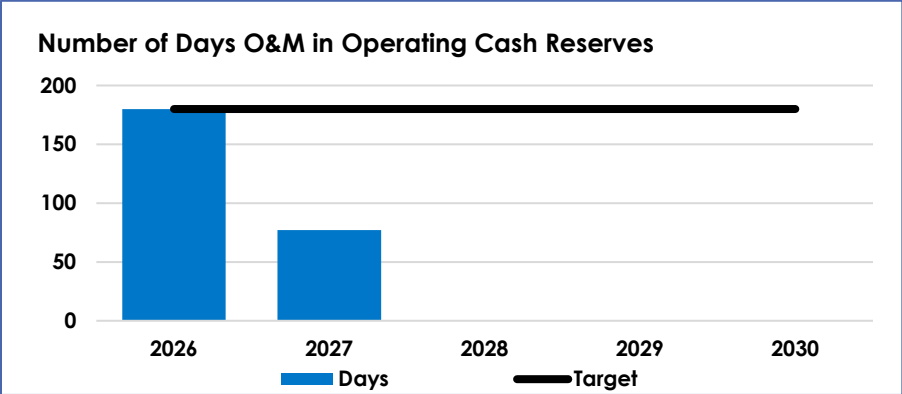
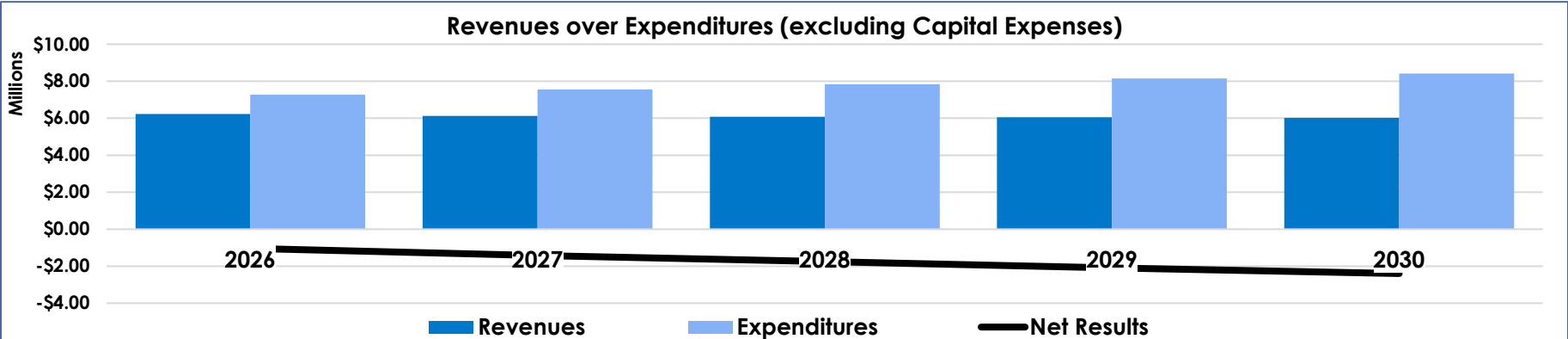
Methodology & Projections



General Rate Study Methodology



Status Quo Projections



Capital Improvement Program

Description	Projected for Fiscal Year Ending June 30, (\$1,000s)					
	2025	2026	2027	2028	2029	2030
Sewer System Improvements						
Sycamore Ave (Lower Trunk Main)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sycamore Trunk Sewer Overflow Line Project	202,263	1,000,000	0	0	0	0
Sewer Manholes in Business Park	0	0	0	0	0	0
Sewer Manholes in Business Park	0	0	0	0	0	0
Promenade Lift Station	0	185,000	1,170,450	0	0	0
Repair/ Replace Sewer Lines under SR-4 & Along Willow Ave	0	200,000	100,000	1,080,000	0	0
Total Sewer System Improvements	\$ 202,263	\$ 1,385,000	\$ 1,270,450	\$ 1,080,000	\$ -	\$ 0
Hercules Share of Pinole WW Plant						
As-Built WWTP Drawings	\$ 12,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Boiler Rehabilitation	22,500	0	0	0	0	0
Centrifuge Feed Pump Replacement	25,000	0	0	0	0	0
Digester Feed Pump Replacement	37,500	0	0	0	0	0
Energy Recovery Building and Admin Roof	40,000	0	0	0	0	0
Misc. Plant Improvements	37,500	0	0	0	0	0
SCADA System Upgrade	22,500	0	0	0	0	0
SS2002 Water Pollution Control Plant Lab Remodel	50,000	0	0	0	0	0
SS2101 Second Clarifier - Center Column Rehabilitation	212,500	0	0	0	0	0
SS2102 Air Release Valve Replacement	25,000	0	0	0	0	0
SS2203 Effluent Outfall Project Design	75,000	500,000	1,000,000	0	0	0
Effluent Pipe Coating - Rodeo Creek Crossing	15,000	0	0	0	0	0
Spare Influent Pump	50,000	0	0	0	0	0
Chlorine Contact Basin - Coating	0	100,000	0	0	0	0
Energy Recovery System Replacement	0	0	0	100,000	650,000	0
Aeration Basin - Coating	0	0	150,000	0	0	0
Water Pollution Control Plant Boiler Replacement	0	0	330,000	0	0	0
Water Pollution Control Plant Centrifuge Replacement	0	0	0	495,000	0	0
Total Hercules Share Of Pinole WW Plant Improvements	\$ 625,000	\$ 600,000	\$ 1,480,000	\$ 595,000	\$ 650,000	\$ -
Total Sewer Projects	\$ 827,263	\$ 1,985,000	\$ 2,750,450	\$ 1,675,000	\$ 650,000	\$ -



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

5-Year Financial Plan

5-Year Annual Rate Path

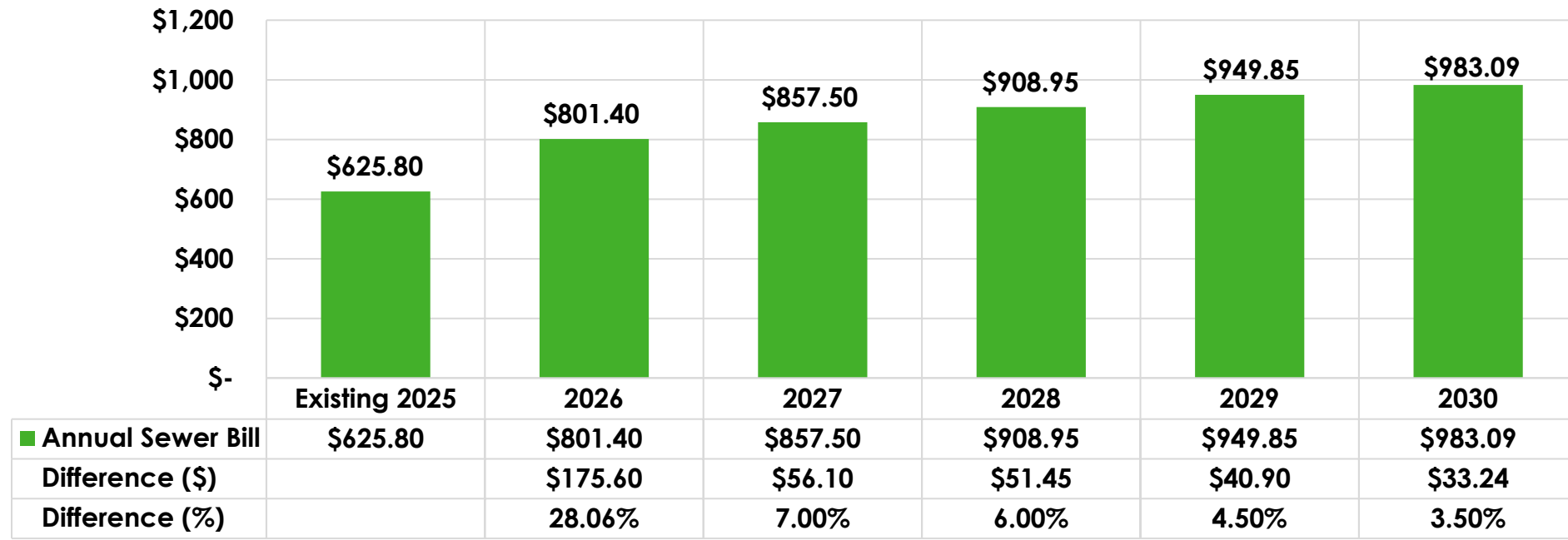
Description	Existing Rates	Projected for Fiscal Year Ending June 30,				
		2026	2027	2028	2029	2030
Minimum Fixed Charge:						
Single-Family Residence ^[1]	\$ 625.80	\$ 801.40	\$ 857.50	\$ 908.95	\$ 949.85	\$ 983.09
Multi-Family Residence (per Dwelling Unit) ^[1]	\$ 625.80	\$ 690.23	\$ 738.55	\$ 782.86	\$ 818.09	\$ 846.72
Senior Living (per Dwelling Unit) ^{[1] [2]}	\$ 427.16	\$ 562.37	\$ 601.74	\$ 637.84	\$ 666.54	\$ 689.87
Non-Residential Metered (per Business)	\$ 120.00	\$ 335.97	\$ 359.49	\$ 381.06	\$ 398.21	\$ 412.14
Volumetric Rates Per 100 Cubic Feet - Non-Residential Metered:						
All Flow	\$ 3.87	\$ 7.13	\$ 7.63	\$ 8.08	\$ 8.45	\$ 8.74

Notes:

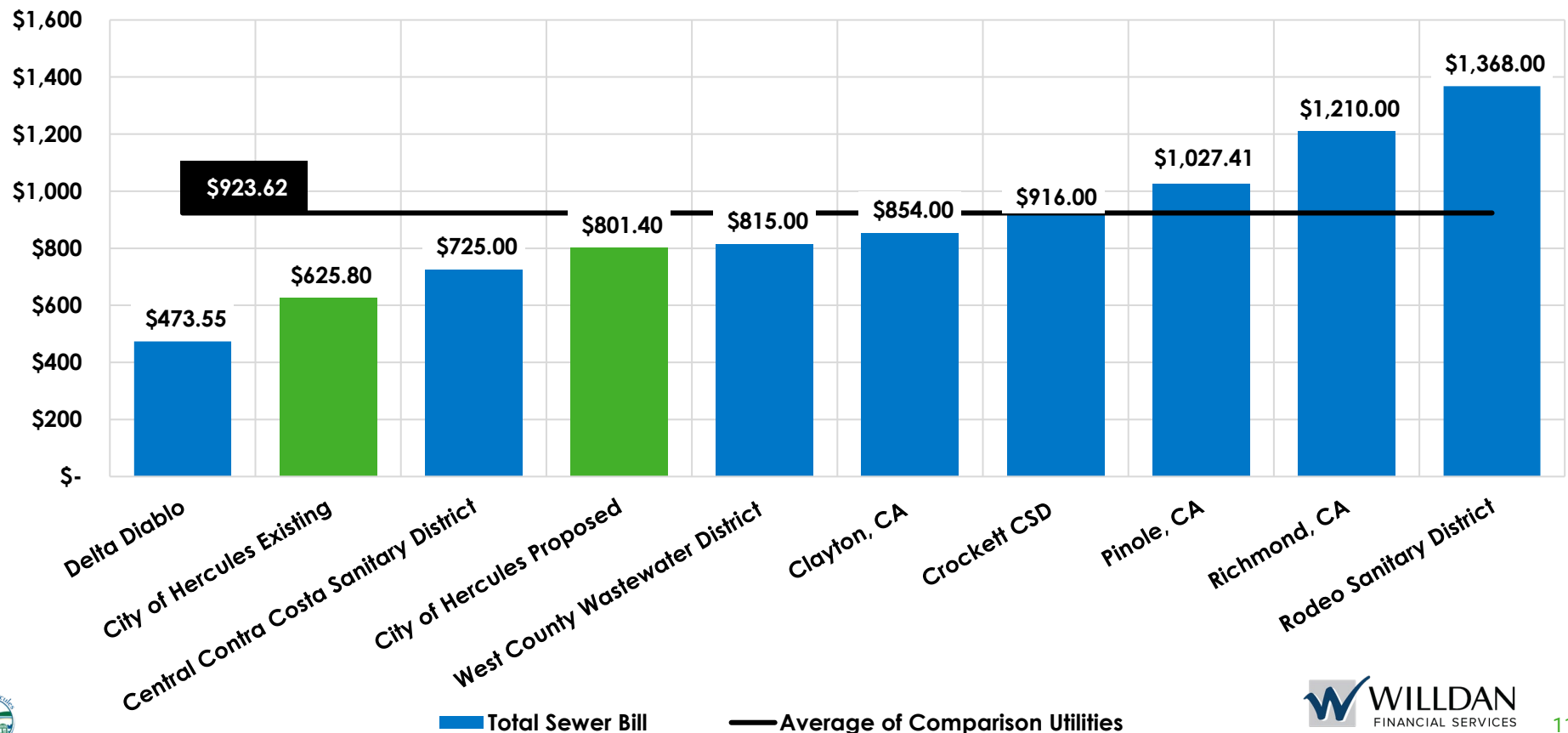
[1] All residential customers only pay a flat fee per dwelling unit, regardless of usage.

[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.

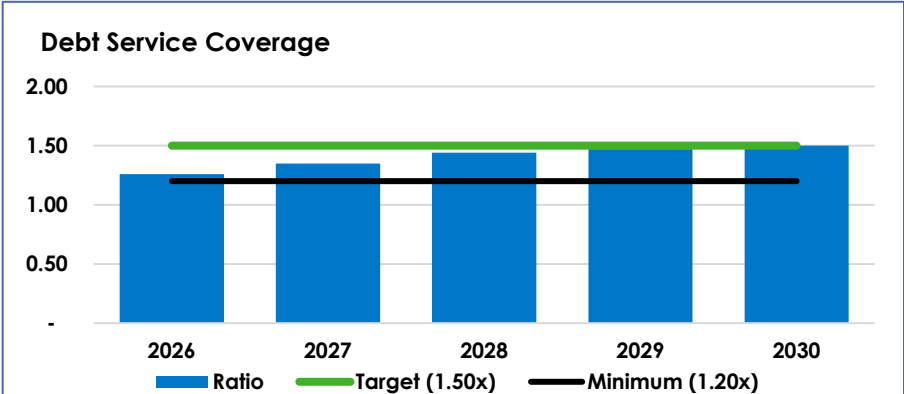
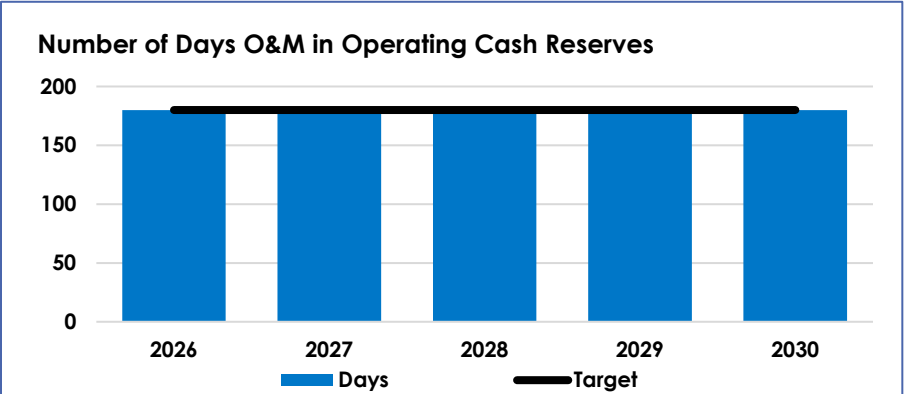
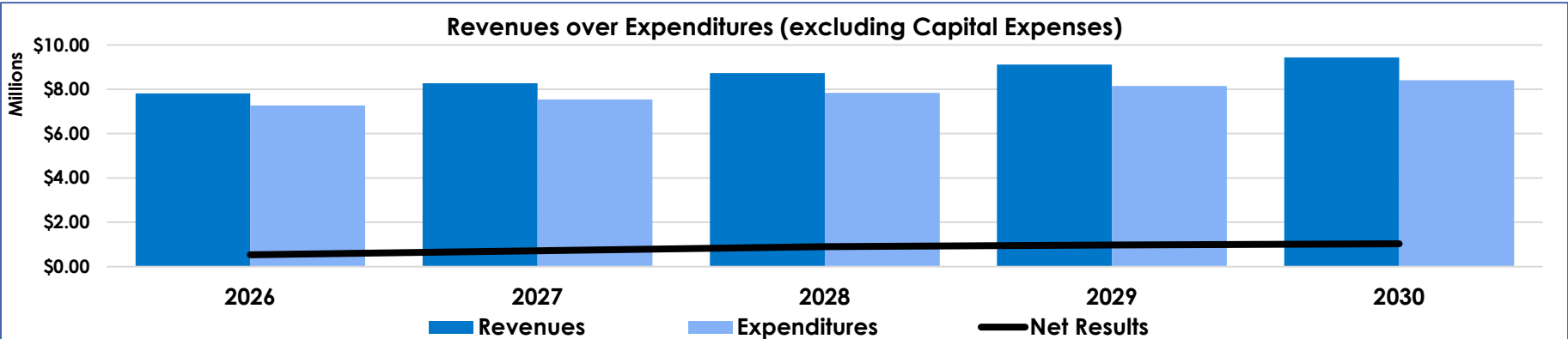
5-Year Annual Bill Path



Annual Neighboring Utility Comparison



Adjusted Financial Metrics



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Sewer Utility Rate Study

NEXT STEPS





- **May 27** – First City Council meeting regarding rate study
 - Present rate study results and recommendations
 - Set Prop 218 public hearing date for July 22
 - Approve mailing of public hearing notices
- **June 6** – Deadline to mail out Proposition 218 Notices
- **July 22** – Conduct Public Hearing
 - Receive testimony/comments
 - Tabulate written protests
 - Council discussion and consideration
 - Adopt and implement updated rates - effective 7/1/2025

Next Steps



City of Hercules
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QUESTIONS



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