



NOTICE OF PUBLIC HEARING REGARDING PROPOSED CHANGES TO ANNUAL SEWER RATES

Hearing Date & Time: July 22, 2025, 7:00 PM
Hearing Location: Hercules City Council Chambers
111 Civic Drive, Hercules, California 94547

Why are you receiving this notice?

The City of Hercules (City) is mailing this notice to you because you are a sewer customer, or record owner of property that receives sewer service. This notice is provided pursuant to California Constitution Article XIIIID (also known as "Proposition 218"), which requires the City to notify property owners and customers of proposed changes to property-related fees such as those for sewer service. This notice describes proposed changes to the rates for this service and provides information about a public hearing to be held on July 22, 2025, at 7:00 p.m., at the Hercules City Council Chambers, 111 Civic Drive, Hercules, CA 94547. If adopted, the proposed rates for sewer service will be in effect for the 2025-2026 Fiscal Year, which begins on July 1, 2025.

What do the sewer rates fund?

The City of Hercules provides wastewater collection and treatment services for residential, multi-family, and non-residential customers, and is committed to providing high quality, reliable service at the lowest possible rates. The service area includes 8,300 parcels served through 7,000 laterals, which encompasses a population of approximately 26,000 residents. The City's wastewater collection system serves the area within the City limits and collects and conveys an average dry weather flow of approximately 1.7 million gallons per day (MGD) of wastewater. The City's collection system consists of gravity sewer mains, force mains, manholes and lift stations, most of which were constructed after 1970.

Wastewater generated by the City is conveyed to and treated by the Pinole-Hercules Water Pollution Control Plant (WPCP), located southwest of the City limits in the City of Pinole. The treatment plant can handle a daily flow of 4.06 million gallons and averages a daily flow of 3.50 million gallons. The plant's activated sludge process removes approximately 97% of the waste from the water, which is then disinfected and discharged safely into the deep waters of San Pablo Bay. The system is built exclusively for sanitary waste and operates 24/7 to protect public health and the environment. While Hercules and Pinole share the WPCP, The City of Pinole handles the daily operations, and The City of Hercules reimburses Pinole for its respective share of WPCP operating and maintenance costs. All capital costs associated with the WPCP are split 50/50 between the City and The City of Pinole.

The Wastewater Department is funded by annual sewer fees charged to customers and must recover all its operating costs through these fees. This fee for wastewater service is reflected in your annual Contra Costa County property tax statement and pays for system operations and maintenance, personnel, electricity, fuel, chemicals, capital projects, debt repayment, administration, ongoing repair and replacement of aging and worn system components throughout the wastewater system, as well as costs related to prudent long-term operational or financial management of the utility, such as maintaining adequate fund reserves and planning for contingencies. These charges are the primary source of revenue to operate and maintain the sewer collection and treatment systems and are used solely for this purpose.

The proposed annual rates are based on a comprehensive utility rate study and financial plan completed by an independent consultant. The rate structure was designed so that revenues derived from the proposed rates do not exceed the amount of revenue required for the City to provide the sewer collection and treatment services, nor will the revenue from the sewer rates be used for any purposes other than those for which they are imposed. The amount of the proposed rates imposed on any parcel or person as an incidence of their property ownership will not exceed the proportional cost of the service attributable to such parcel; and no rate will be imposed for service unless that service is actually used by, or immediately available to, the property owner or customer in question. The draft rate study prepared by the consultant is available for review with the City Clerk.

Why are the sewer rate changes needed?

The utility rate study and financial plan determined that the City's current annual sewer rates are not sufficient to meet rising costs associated with system operations, inspections, and maintenance. These costs increase over time and include administrative support for operations, repair and replacement of aging system components, maintenance of designated reserves, and capital facilities projects to upgrade and modernize collection and treatment facilities. It is important to note that while these costs have increased each year, sewer rates have not increased since 2014.

These revenues will ensure continued quality uninterrupted sewer service, minimize occurrence of sanitary sewer overflows, and maintain the critical infrastructure that makes up a well-functioning wastewater system that is prepared for the future, and which ensures the health and safety of the community.

How the annual sewer rates are determined and how they work

To develop sewer rates that generate sufficient revenue to meet the fiscal and policy objectives of the City, a determination of the annual revenue requirement from sewer rates was completed. As previously mentioned, the revenue requirement includes projected expenditures for operations, maintenance, inspections, repair and replacement of aging system components, equipment, debt repayment, and planned capital projects.

The revenue requirement also includes designated reserves. Maintaining appropriate reserve funds is critical to the ability of the City to serve its customers, manage cash flow fluctuations and respond to unforeseen events and costs. The reserves, like all elements of the sewer charges, may only be used to fund costs associated with the sewer system.

The revenue requirements were compared to the total sources of available funds under existing rates during each year of the forecast period to determine the adequacy of projected revenues to meet those requirements. Where a shortage of revenue was found, a series of revenue adjustments were calculated, which if implemented, will provide sufficient revenue to meet those needs.

The City has established sewer charges that are submitted to the Contra Costa County Auditor-Controller for inclusion on the annual secured property tax bill for property owners in the City. The rates charged for sewer service are approved by the City Council. These rates charged for sewer service are approved by the City Council and are not subject to administrative review or approval by any other local or state agency. The City has historically adjusted rates, as necessary, to provide for recovery of financial obligations including operating expenses, debt service, capital expenditures, and any other expenses and transfers.

Proposed annual sewer charges are based on costs included in the revenue requirements and applied to various types of customers and properties based on their proportionate share of costs. Annual sewer rates consist of 1) a separate flat rate for different types of residential customers that is applied per dwelling unit regardless of their water usage, 2) a fixed fee for commercial/non-residential customers that designates the minimum amount they will pay by account, regardless of usage, and 3) a commercial/non-residential volumetric rate component per 100 cubic feet, based on metered water usage, that recovers the costs of treatment and disposal of wastewater.

New annual sewer rates

In order to provide necessary funding for the sewer system, the City is proposing to implement new annual sewer rates as a series of annual adjustments starting on July 1, 2025, and each July 1 thereafter until July 2029. The following table summarizes the maximum proposed sewer rates.

Proposed Annual Sewer Rates

July 1, 2025 – July 1, 2029

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.

Impact on your sewer bill

Per the proposed rates, the annual sewer charge for fiscal year FY 25-26 for a single-family residential customer would increase from the current \$625.80 per year (equivalent to \$52.15 per month) to \$801.40 per year (equivalent to \$66.78 per month).

How do you file a protest or participate in the public hearing?

The City will consider the new sewer rates at a Public Hearing on Tuesday, July 22, 2025, at 7:00 p.m. at the Hercules City Council Chambers, 111 Civic Drive, Hercules, CA 94547. You are invited to present oral or written testimony at the Public Hearing. ***Any owner or customer of record of a parcel subject to the proposed rates may submit a written protest against the proposed rate revisions.*** If written protests are filed for a majority of the affected parcels, the proposed rate revisions may not be adopted. ***If you do not object to the proposed rate revisions to fund the operation, maintenance, and capital improvements for City sewer services, you do not need to take any action.***

Written protests must include the following: a statement indicating that the identified property owner or customer of record is in opposition to the proposed sewer rate changes; the street address or Assessor's Parcel Number (APN) for the parcel(s) with respect to which the protest is made; and the name and signature of the owner or customer.

Written protests must be mailed, or hand delivered, to the City Clerk at 111 Civic Drive, Hercules, CA 94547, and must be received by 4:00 p.m. on July 22, 2025, or hand delivered to the City Clerk at the Public Hearing on July 22, 2025 before the conclusion of the Public Hearing. Protests submitted via e-mail or other electronic means will not be accepted. For any written protest, whether mailed or submitted in person to the City Clerk, please identify on the front of the envelope that the enclosed protest is for the Public Hearing on the Proposed Rate Changes – Sewer Rates.

The City Council will hear and consider written and oral protests and comments of all interested persons to the proposed rate changes at the Public Hearing. Oral comments or protests at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. While both property owners and customers of record may submit written protests, only one protest will be counted for each parcel. Upon the conclusion of the Public Hearing, if written protests, as outlined above, are not presented by a majority of property owners or customers of record, the City Council will be authorized to adopt the proposed rates. If adopted, the rates for sewer service will take effect beginning **July 1, 2025**.

In accordance with Government Code section 53759, there is a 120-day statute of limitations for challenging any new, increased, or extended fee or charge, commencing from the later of the effective date of the new rates or of the date of the final passage, adoption, or approval of the resolution adopting the new rates.