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# City of Shasta Lake

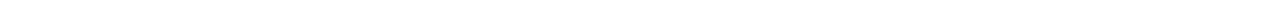
## 2025 Wastewater Rate Study Final Report – September 2025

Prepared by: Wastewater Resources Economics, LLC



**Water Resources  
Economics**

PROMOTING THE VALUE AND  
PRICE OF WATER SERVICE



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September 4, 2025

Jessaca Lugo  
City Manager  
City of Shasta Lake  
4477 Main Street  
Shasta Lake, CA 96019

**Subject: City of Shasta Lake Wastewater Rate Study Report**

Dear Ms. Lugo,

Water Resources Economics, LLC (WRE) is pleased to submit this 2025 Wastewater Rate Study Report to the City of Shasta Lake (City). This report documents the results and recommendations of the City's wastewater rate study. The goal of the study was to develop a five-year schedule of wastewater rates that will sufficiently fund the City's wastewater system expenses, allow the City to meet its financial goals within the study period, and comply with cost-of-service principles.

This study utilized industry-standard rate-setting methodology and incorporates guidance provided by the City Council. Our project team has a proven track record of developing fair and equitable wastewater rates for numerous public agencies in California over the past 25 years. We are confident in our ability to develop sound wastewater rates that satisfy the requirements of Proposition 218.

It has been a pleasure assisting the City with this engagement, and we appreciate the support provided by yourself, the City Council, and other City staff during this study.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sanjay Gaur'.

Sanjay Gaur  
President

A handwritten signature in black ink, appearing to read 'Hannah Phan'.

Hannah Phan  
Principal Consultant

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## TABLE OF CONTENTS

<b>1. Executive Summary</b>	<b>1</b>
1.1 System Overview	1
1.2 Rate Study Overview	1
1.3 Legal Requirements	1
1.4 Rate-Setting Methodology	1
1.5 Additional Information and Disclaimers	2
1.6 Current Wastewater Rates	2
1.7 Financial Plan	3
1.8 Proposed Wastewater Rates	4
<b>2. Financial Plan</b>	<b>6</b>
2.1 Financial Plan Methodology	6
2.2 Revenues	6
2.3 Operating Expenses	8
2.4 Debt Service	10
2.5 Capital Improvement Plan	11
2.6 Financial Policies	12
2.7 No Revenue Adjustment Financial Plan	13
2.8 Proposed Financial Plan	18
<b>3. Wastewater Rates</b>	<b>24</b>
3.1 Rate Design Methodology	24
3.2 Proposed Changes to Rate Structure	24
3.3 Revenue Requirement	24
3.4 Unit Cost Calculation	25
3.5 Proposed Monthly Service Charge	26
3.6 Proposed Wastewater Rate Schedule	26
3.7 Customer Impacts	27

## LIST OF TABLES

Table 1-1: Current Wastewater Rates	3
Table 1-2: Proposed Financial Plan Scenario	4
Table 1-3: Proposed 5-year Wastewater Rate Schedule	5
Table 2-1: Current Wastewater Rates	7
Table 2-2: Projected Customer Accounts/Units	7
Table 2-3: Calculated Rate Revenues at Current Rates	7
Table 2-4: Revenue Summary	8
Table 2-5: Operating Expenses Escalation Factors	8
Table 2-6: Operating Expenses	9
Table 2-7: Existing and Proposed Debt Service	11

## City of Shasta Lake 2025 Wastewater Rate Study

Table 2-8: Capital Improvement Projects .....	11
Table 2-9: Capital Financing Plan.....	12
Table 2-10: No Revenue Adjustment Financial Plan Scenario.....	13
Table 2-11: Projected Cash Flows (No Revenue Adjustment Financial Plan).....	14
Table 2-12: Projected Fund Balances (No Revenue Adjustment Financial Plan) .....	15
Table 2-13: Forecasted Financial Performance (No Revenue Adjustment Financial Plan) .....	16
Table 2-14: Proposed Financial Plan Scenario.....	18
Table 2-15: Projected Cash Flows (Proposed Financial Plan) .....	19
Table 2-16: Projected Fund Balances (Proposed Financial Plan) .....	20
Table 2-17: Forecasted Financial Performance (Proposed Financial Plan) .....	21
Table 3-1: FY 2025 Revenue Requirement .....	25
Table 3-2: Customer Units Comparison.....	25
Table 3-3: Unit Cost Calculation .....	26
Table 3-4: Proposed Monthly Service Charge after Adjustment.....	26
Table 3-5: Proposed Revenue Adjustments .....	26
Table 3-6: Proposed 5-year Wastewater Rate Schedule.....	27
Table 3-7: Proposed Customer Impacts .....	27

## LIST OF FIGURES

Figure 2-1: Revenue Requirements vs. Revenues (No Revenue Adjustment Financial Plan) .....	17
Figure 2-2: Projected Debt Coverage (No Revenue Adjustment Financial Plan) .....	17
Figure 2-3: Projected Fund Balances (No Revenue Adjustment Financial Plan) .....	18
Figure 2-4: Revenue Requirements vs. Revenues (Proposed Financial Plan) .....	22
Figure 2-5: Projected Debt Coverage (Proposed Financial Plan).....	22
Figure 2-6: Projected Fund Balances (Proposed Financial Plan) .....	23

# 1. EXECUTIVE SUMMARY

## 1.1 SYSTEM OVERVIEW

The City of Shasta Lake (City) provides wastewater service to approximately 3,800 residential and non-residential accounts and is governed by a five-member City Council elected by the public. The wastewater system, which is owned and operated by the City, consists of a wastewater treatment plant with a capacity of 1.3 million gallons per day (MGD), six lift stations, and approximately 58 miles of collection pipelines.

## 1.2 RATE STUDY OVERVIEW

Public retail wastewater agencies in California typically conduct a cost-of-service study every five years to ensure that customers are appropriately charged for wastewater service and to reestablish the cost-of-service nexus that is required by Proposition 218. The City has engaged Water Resources Economics, LLC (WRE) to conduct a comprehensive wastewater rate study, with the following objectives:

- Develop a five-year wastewater rate schedule for Fiscal Year (FY) 2026 through FY 2030
- Conduct a cost-of-service analysis based on the most recent data and customer characteristics
- Evaluate a five-year financial plan scenario to meet financial targets for FY 2026 to FY 2030

## 1.3 LEGAL REQUIREMENTS

Legal considerations relating to retail wastewater rates in California focus heavily on Proposition 218, which was enacted in 1996 and is now reflected in Article XIII C and Article XIII D of the California Constitution. Proposition 218 states that “property related fees and charges” (which include retail wastewater rates) may not exceed the proportional cost of providing the service to the customer and may not be used for any purpose other than providing said service. The practical implication is that public retail wastewater agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide wastewater service and the rates charged to customers. The primary means by which retail wastewater agencies address this requirement is by conducting a “cost-of-service analysis.”

Proposition 218 also affects the rate adoption process by requiring agencies to hold a public hearing to adopt rates. The agency must mail public hearing notices to all customers no fewer than 45 days prior to the public hearing. The public hearing notices must clearly show all proposed rate changes, provide information on the public hearing date/time/location, and provide instructions on how customers may protest the proposed rate changes. If a majority of customers submit a protest, the proposed rate changes cannot be adopted.

## 1.4 RATE-SETTING METHODOLOGY

This study was conducted using industry-standard methodology and includes the following steps:

## City of Shasta Lake 2025 Wastewater Rate Study

1. **Financial Plan:** Annual revenues and expenses are projected over the rate-setting period to determine the magnitude of rate increases needed to maintain financial sufficiency. Financial policies, such as reserve targets, are also evaluated and updated if necessary.
2. **Cost-of-Service Analysis:** Costs are allocated to customers in proportion to use of and burden on the wastewater system. The overall goal is to establish a robust nexus between the costs incurred by an agency and the rates charged to customers, as required by Proposition 218.
3. **Rate Design:** The existing rate structure is evaluated, and potential changes are identified. A multi-year proposed rate schedule is then calculated directly from the results of the financial plan and cost-of-service analysis.
4. **Rate Study Documentation:** A rate study report is developed to document the proposed rate development process. This provides transparency and enhances compliance with Proposition 218 requirements. This document serves as the report for this rate study.

### 1.5 ADDITIONAL INFORMATION AND DISCLAIMERS

This report summarizes the data, analyses, processes, and results of the City's wastewater rate study. Some important information to keep in mind when reading the report includes the following:

- All study projections are based on the best available data as of May 2025.
- All table values are rounded to the nearest digit shown unless stated otherwise. However, all calculations are based on precise values. Attempting to manually recreate the calculations described in this report from the values displayed in tables may therefore produce slightly different results.
- All current and proposed rates and charges in this report are shown on a monthly basis.

### 1.6 CURRENT WASTEWATER RATES

The City's current wastewater rate structure includes a fixed monthly service charge based on customer class. Residential customer charges are based on a per unit basis. Commercial and industrial customers are based on a Single Family Equivalency Connection (SFEC) basis that is determined based on 90% of winter water consumption between January and March for non-residential customers and 90% of water consumption for industrial customers, per the City's rate ordinance. **Table 1-1** shows the current wastewater rates as of July 1, 2025.

**Table 1-1: Current Wastewater Rates<sup>1</sup>**

Line		As of 7/1/25
1	<b>Monthly Charges</b>	
2	Residential	\$80.76
3	Residential - Lifeline	\$64.61
4	Efficiency Dwelling	\$46.03
5	Multi-Family Dwelling	\$68.65
6	Non-Residential (per SFEC)	\$80.76
7	Industrial (per SFEC)	\$80.76

## 1.7 FINANCIAL PLAN

WRE worked closely with City staff and the City Council to determine the financial plan scenario that best suits the City’s needs. The results and recommendations of the wastewater rate study are driven by the City’s financial performance, input from City staff, and feedback and direction from the City Council.

### FACTORS AFFECTING FINANCIAL PERFORMANCE

The wastewater system’s financial performance is driven by the ability of the current wastewater rates to meet the City’s funding needs. To maintain financial sufficiency, wastewater rates must fully fund operations and maintenance (O&M) costs, capital improvement plan (CIP) expenditures, and any relevant financial policies, which typically include target reserve balances and debt coverage.

The key factors affecting financial performance include:

- **Substantial capital investment needs over the next five years:** The cost of planned capital projects over the next five years (FY 2026 through FY 2030) is approximately \$13.7 million. Key projects include the Force Main project (\$7.35 million) and the Summit City Septic and Zinc Mitigation projects (total \$3.68 million). The City is seeking grant funding for 50% of the Force Main project and 100% grant funding for the Summit City Septic and Zinc Mitigation projects. The grants will significantly reduce the revenue adjustments needs for the next five years.
- **Reserve policy targets:** The City’s current reserve policy includes targets for operating and capital improvement needs. The reserve policy in place allows the City to maintain cash on hand to meet short-term cash flow requirements, to cover unexpected repairs, and to execute CIP projects. WRE proposes that the City revise its reserve policy to be more in line with its operations and risks as well as industry standards.

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<sup>1</sup> SFEC = Single Family Equivalency Connection Charge

1 SFEC = 170 gpd of wastewater flow

Lifeline rate is 80% of residential

Efficiency dwelling is based on 57% of residential

Multi-family is based on 85% of residential

Non-Residential rate is based on 90% of average monthly winter consumption between Jan-Mar

Industrial rate is based on 90% of average water use

**PROPOSED REVENUE ADJUSTMENTS AND DEBT ISSUANCES**

Overall annual increases in wastewater rate revenues resulting from rate increases are referred to as “revenue adjustments.” WRE worked with the City Council and City staff to determine the most appropriate financial plan scenario, which is shown in **Table 1-2**. The proposed financial plan scenario includes five years of revenue adjustments, which are required to maintain financial sufficiency and resiliency, and one short-term loan in FY 2027 to fund \$3.6 million worth of CIP projects.

**Table 1-2: Proposed Financial Plan Scenario**

Line	Fiscal Year	Revenue Adjustments	Short-term Loan
1	FY 2026	5.0%	\$0
2	FY 2027	5.0%	\$3,600,000
3	FY 2028	5.0%	\$0
4	FY 2029	5.0%	\$0
5	FY 2030	5.0%	\$0

Under this proposed financial plan, the City will meet its reserve targets and meet coverage requirements for all years of the planning period.

**1.8 PROPOSED WASTEWATER RATES**

WRE worked closely with the City Council and City staff to determine the most appropriate wastewater rate structure that meets the City’s needs.

**PROPOSED RATE STRUCTURE CHANGES**

The main objective of the rate study was to conduct a comprehensive cost-of-service analysis while maintaining as much of the current wastewater rate structure as possible to minimize customer impacts. The City’s current wastewater rate structure includes a monthly service charge based on customer class.

After examining current customer classification and discussion with City staff regarding customer usage patterns, WRE recommends the following changes:

- Remove the Efficiency Unit customer class as there are no customers currently that fall under that category.
- Combine all residential customers, which currently includes single family, multi-family, and mobile homes, and accessory dwelling units (ADU) into a single residential class. All residential customers will now qualify for the lifeline rates.
- Modify the current non-residential and industrial wastewater calculation from 90% of water usage to 100% of water usage.

**PROPOSED FIVE-YEAR WASTEWATER RATE SCHEDULE**

The proposed five-year wastewater rate schedule in this section is based on the proposed rate structure and methodology changes, the updated cost-of-service analysis, and the proposed revenue adjustments. The rate schedule shows the proposed wastewater rates to be implemented in January 2026 through January 2030. **Table 1-3** shows the current and proposed monthly wastewater service charges. Residential lifeline rates are 80% of the residential rates and will be funded through General Fund monies.

**Table 1-3: Proposed 5-year Wastewater Rate Schedule<sup>2</sup>**

Line	Customer Class	As of 7/1/25	Effective 1/1/26	Effective 1/1/27	Effective 1/1/28	Effective 1/1/29	Effective 1/1/30
1	Residential	\$80.76	\$81.31	\$85.38	\$89.65	\$94.14	\$98.85
2	Residential - Lifeline	\$64.61	\$65.05	\$68.31	\$71.73	\$75.32	\$79.09
3	Multi-Family Dwelling	\$68.65	\$81.31	\$85.38	\$89.65	\$94.14	\$98.85
4	Non-Residential (per SFEC)	\$80.76	\$81.31	\$85.38	\$89.65	\$94.14	\$98.85
5	Industrial (per SFEC)	\$80.76	\$81.31	\$85.38	\$89.65	\$94.14	\$98.85

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<sup>2</sup> SFEC = Single Family Equivalency Connection Charge

1 SFEC = 170 gpd of wastewater flow

Lifeline rate is 80% of residential

Non-Residential rate is based on 100% of average monthly winter consumption between Jan-Mar

Industrial rate is based on 100% of average water use

## 2. FINANCIAL PLAN

### 2.1 FINANCIAL PLAN METHODOLOGY

The purpose of a financial plan is to project revenues, expenses, cash flows, reserve balances, and debt coverage over a multi-year period to assess financial sufficiency and performance and to determine the amount of required rate revenue. For this study, the planning period is from FY 2026 through FY 2030; data for FY 2025 and FY 2026 are shown when needed to represent actual or budgeted data inputs. The key steps in developing a financial plan for a wastewater enterprise are below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the planning period. Rate revenues are projected based on current rates to establish baseline revenues from which the need for additional rate increases can be evaluated.
- **Expense projections:** Annual expenses are projected over the study period, including O&M expenses, debt service, and CIP costs. CIP funding options (grants, debt, etc.) are evaluated.
- **Financial policy evaluation:** Key financial policies include debt coverage requirements and reserve targets. Debt coverage requirements are typically explicitly stated in official agreements on outstanding debt issuances. Reserve targets are typically set by an agency's elected officials and may need to be periodically evaluated and updated.
- **Status quo financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases (this scenario is called the "status quo"). Projected reserve balances and debt coverage are then compared to the agency's financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate the need for rate increases.
- **Proposed financial plan projections:** The magnitude and timing of annual proposed revenue increases over the study period are evaluated and determined based on the agency's financial policies, financial performance, and policy objectives. Proposed rate increases (referred to as "revenue adjustments") should generate sufficient revenue to recover the agency's expenses, maintain adequate reserves, and meet all debt coverage requirements. The proposed financial plan determines the total annual rate revenue requirement over the study period.

### 2.2 REVENUES

#### CURRENT WASTEWATER RATES

The City's current wastewater rate structure includes a fixed monthly service charge based on customer class. Residential customer charges are based on a per unit basis. Non-residential and industrial customers are based on a Single Family Equivalency Connection (SFEC) basis that is determined based on 90% of winter water consumption between January and March for non-residential customers and 90% of water consumption for industrial customers, per the City's rate ordinance. **Table 2-1** shows the current wastewater rates as of July 1, 2025.

**Table 2-1: Current Wastewater Rates**

Line	As of 7/1/25	
1	<b>Monthly Charges</b>	
2	Residential	\$80.76
3	Residential - Lifeline	\$64.61
4	Efficiency Dwelling	\$46.03
5	Multi-Family Dwelling	\$68.65
6	Non-Residential (per SFEC)	\$80.76
7	Industrial (per SFEC)	\$80.76

**CUSTOMER ACCOUNTS AND USAGE**

This section details the customer accounts for all years of the study, which are referred to as the units of service. Units of service represent the quantity of billing units that are subject to the City’s wastewater rates and charges.

**Table 2-2** shows the projected number of SFEC for the study period. City staff provided actual data for FY 2025; this study assumes no growth in customer accounts and units throughout the planning period.

**Table 2-2: Projected Customer Accounts/Units**

Line	Customer Class	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Residential	2,998	2,998	2,998	2,998	2,998	2,998
2	Residential - Lifeline	306	306	306	306	306	306
3	Efficiency Dwelling	0	0	0	0	0	0
4	Multi-Family Dwelling	340	340	340	340	340	340
5	Non-Residential (per SFEC)	348	348	348	348	348	348
6	Industrial (per SFEC)	107	107	107	107	107	107
7	<b>Total Customer Units</b>	<b>4,099</b>	<b>4,099</b>	<b>4,099</b>	<b>4,099</b>	<b>4,099</b>	<b>4,099</b>

**REVENUES FROM CURRENT RATES**

**Table 2-3** shows the calculated wastewater rate revenues for the study period based on the current effective wastewater rates (**Table 2-1**) and the projected customer accounts/unit (**Table 2-2**).

**Table 2-3: Calculated Rate Revenues at Current Rates**

Line	Calculated Rate Revenues	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Residential	\$2,905,422	\$2,905,422	\$2,905,422	\$2,905,422	\$2,905,422	\$2,905,422
2	Residential - Lifeline	\$237,248	\$237,248	\$237,248	\$237,248	\$237,248	\$237,248
3	Efficiency Dwelling	\$0	\$0	\$0	\$0	\$0	\$0
4	Multi-Family Dwelling	\$280,092	\$280,092	\$280,092	\$280,092	\$280,092	\$280,092

## City of Shasta Lake 2025 Wastewater Rate Study

5	Non-Residential (per SFEC)	\$337,254	\$337,254	\$337,254	\$337,254	\$337,254	\$337,254
6	Industrial (per SFEC)	\$103,696	\$103,696	\$103,696	\$103,696	\$103,696	\$103,696
7	<b>Total – Rate Revenue</b>	<b>\$3,863,711</b>	<b>\$3,863,711</b>	<b>\$3,863,711</b>	<b>\$3,863,711</b>	<b>\$3,863,711</b>	<b>\$3,863,711</b>

### REVENUE SUMMARY

**Table 2-4** shows the summary of projected revenues for the study period. City staff provided the budgeted revenues for FY 2025 and FY 2026; all other years are projected based on the relevant assumptions or calculations. Sales-Utility Services, or wastewater rate revenue, (Line 1) are from Line 7 of **Table 2-3**. Interest on Investments (Line 5) is calculated based on ending fund balances and a 3% interest rate for FY 2027 through FY 2030.

**Table 2-4: Revenue Summary**

Line	Revenues	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Sales-Utility Services	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711
2	Sales-Reclaimed Water	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
3	Wastewater - Liftstation Surcharge	\$0	\$0	\$0	\$0	\$0	\$0
4	Service Connection Fee	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
5	Interest on Investments	\$6,000	\$6,000	\$111,722	\$93,978	\$79,031	\$65,394
6	Transfers In	\$0	\$0	\$0	\$0	\$0	\$0
7	Miscellaneous Revenue	\$0	\$0	\$0	\$0	\$0	\$0
8	<b>Total - Revenues</b>	<b>\$3,877,211</b>	<b>\$3,877,211</b>	<b>\$3,982,933</b>	<b>\$3,965,189</b>	<b>\$3,950,242</b>	<b>\$3,936,605</b>

## 2.3 OPERATING EXPENSES

WRE worked with City staff to determine the most appropriate escalation factors for various operating expense categories in the City’s budget. **Table 2-5** shows the expense escalation factors used to inflate O&M expenses in FY 2026 through FY 2030.

**Table 2-5: Operating Expenses Escalation Factors**

Line	Expense Escalation	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	General	3.0%	3.0%	3.0%	3.0%	3.0%
2	Salaries	3.0%	3.0%	3.0%	3.0%	3.0%
3	Benefits	10.0%	10.0%	10.0%	10.0%	10.0%
4	Chemicals	5.0%	5.0%	5.0%	5.0%	5.0%
5	Utilities	4.0%	4.0%	4.0%	4.0%	4.0%
6	Capital	5.0%	5.0%	5.0%	5.0%	5.0%
7	General (High)	5.0%	5.0%	5.0%	5.0%	5.0%
8	Non-Inflated	0.0%	0.0%	0.0%	0.0%	0.0%
9	Non-Recurring	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%

## City of Shasta Lake 2025 Wastewater Rate Study

**Table 2-6** shows the summary of O&M expenses for the study period. City staff provided the budgeted O&M expenses for FY 2025 and FY 2026. The budgeted values are escalated each year based on the escalation factors in **Table 2-5**.

**Table 2-6: Operating Expenses**

Line	Operating Expenses	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Wastewater Administration</b>						
2	Permits & Fees	\$5,000	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
3	Insurance-General	\$55,670	\$61,237	\$64,299	\$67,514	\$70,889	\$74,434
4	Administration Fee Allocation	\$524,167	\$550,375	\$566,886	\$583,893	\$601,410	\$619,452
5	Motor Pool	\$41,751	\$41,751	\$43,004	\$44,294	\$45,622	\$46,991
6	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
7	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
8	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
9	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
10	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
11	<b>Subtotal - Wastewater Administration</b>	<b>\$626,588</b>	<b>\$658,363</b>	<b>\$679,339</b>	<b>\$701,005</b>	<b>\$723,385</b>	<b>\$746,505</b>
12							
13	<b>Distribution/Collection</b>						
14	Office Supplies	\$1,000	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
15	Permits & Fees	\$5,000	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
16	Utilities	\$95,000	\$95,000	\$98,800	\$102,752	\$106,862	\$111,137
17	Maint., Collect Syst.	\$10,000	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
18	Lift Station Maint	\$35,000	\$35,000	\$36,050	\$37,132	\$38,245	\$39,393
19	Telephone	\$2,000	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251
20	Generator Maintenance	\$15,500	\$13,000	\$13,390	\$13,792	\$14,205	\$14,632
21	Alarms	\$3,600	\$3,600	\$3,708	\$3,819	\$3,934	\$4,052
22	Travel, Meetings, Dues	\$2,500	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814
23	Training	\$4,000	\$4,000	\$4,120	\$4,244	\$4,371	\$4,502
24	Maintenance Agreements	\$10,000	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
25	Services - Consulting	\$20,000	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
26	Labor Allocation	\$704,716	\$704,716	\$725,857	\$747,633	\$770,062	\$793,164
27	Small Tools & Equipment	\$5,000	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
28	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
29	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
30	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
31	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
32	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
33	<b>Subtotal - Distribution/Collection</b>	<b>\$913,316</b>	<b>\$910,816</b>	<b>\$939,090</b>	<b>\$968,251</b>	<b>\$998,326</b>	<b>\$1,029,345</b>
34							
35	<b>Treatment/Resource</b>						
36	Salaries-Regular	\$442,455	\$428,588	\$441,446	\$454,689	\$468,330	\$482,380
37	Overtime Payroll	\$0	\$0	\$0	\$0	\$0	\$0
38	Ins.-Health	\$305,269	\$309,152	\$340,067	\$374,074	\$411,481	\$452,629

## City of Shasta Lake 2025 Wastewater Rate Study

39	Ins.-Dental	\$0	\$0	\$0	\$0	\$0	\$0
40	Ins.-Vision	\$0	\$0	\$0	\$0	\$0	\$0
41	Ins.-Disability	\$0	\$0	\$0	\$0	\$0	\$0
42	Retirement	\$0	\$0	\$0	\$0	\$0	\$0
43	Medicare	\$0	\$0	\$0	\$0	\$0	\$0
44	Unemployment Tax	\$0	\$0	\$0	\$0	\$0	\$0
45	General Operating Supplies	\$2,500	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814
46	Janitorial Supplies	\$1,000	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
47	Chemicals	\$10,000	\$10,000	\$10,500	\$11,025	\$11,576	\$12,155
48	Permits & Fees	\$25,000	\$25,000	\$25,750	\$26,523	\$27,318	\$28,138
49	Lab Supplies	\$15,000	\$15,000	\$15,450	\$15,914	\$16,391	\$16,883
50	General Maintenance	\$10,000	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
51	Utilities	\$325,000	\$325,000	\$338,000	\$351,520	\$365,581	\$380,204
52	Discharge Permit Compliance	\$50,000	\$50,000	\$51,500	\$53,045	\$54,636	\$56,275
53	Lab Testing	\$55,000	\$55,000	\$56,650	\$58,350	\$60,100	\$61,903
54	Building Maintenance	\$1,000	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
55	Telephone	\$2,000	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251
56	Generator Maintenance	\$5,500	\$4,500	\$4,635	\$4,774	\$4,917	\$5,065
57	Services - Janitorial	\$3,000	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377
58	Alarms	\$3,000	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377
59	Equipment Repair Maint	\$200,000	\$200,000	\$206,000	\$212,180	\$218,545	\$225,102
60	Site Clean-Up	\$20,000	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
61	Travel, Meetings, Dues	\$3,500	\$3,500	\$3,605	\$3,713	\$3,825	\$3,939
62	Computer Services & Repair	\$45,000	\$45,000	\$46,350	\$47,741	\$49,173	\$50,648
63	Safety	\$2,000	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251
64	Services - Consulting	\$30,000	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765
65	Services-Miscellaneous	\$5,000	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
66	Labor Allocation	\$3,498	\$3,498	\$3,603	\$3,711	\$3,822	\$3,937
67	Small Tools & Equipment	\$1,000	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
68	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
69	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
70	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
71	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
72	Placeholder	\$0	\$0	\$0	\$0	\$0	\$0
73	<b>Subtotal - Treatment/Resource</b>	<b>\$1,565,722</b>	<b>\$1,554,738</b>	<b>\$1,626,471</b>	<b>\$1,702,660</b>	<b>\$1,783,660</b>	<b>\$1,869,861</b>
74							
75	<b>Total - Operating Expenses</b>	<b>\$3,105,626</b>	<b>\$3,123,917</b>	<b>\$3,244,900</b>	<b>\$3,371,916</b>	<b>\$3,505,372</b>	<b>\$3,645,710</b>

## 2.4 DEBT SERVICE

### EXISTING AND PROPOSED DEBT SERVICE

**Table 2-7** shows the City's annual debt service for the study period. The City has existing debt service payments on a 2017 State Revolving Fund (SRF) loan of approximately \$628,000 each year. The proposed financial plan scenario also includes a new short-term loan FY 2027 of \$3,600,000 (assuming a 4% interest rate and a 10-year term).

**Table 2-7: Existing and Proposed Debt Service**

Line	Debt Service	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Existing Debt Service</b>						
2	SRF Loan - Principal	\$404,882	\$411,765	\$418,765	\$425,884	\$433,124	\$440,487
3	SRF Loan - Interest	\$222,704	\$215,821	\$208,821	\$201,702	\$194,462	\$187,099
4	<b>Subtotal</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$627,586</b>
5							
6	<b>Proposed Debt Service</b>						
7	Proposed FY 2027 Loan	\$0	\$0	\$443,847	\$443,847	\$443,847	\$443,847
8	<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$443,847</b>	<b>\$443,847</b>	<b>\$443,847</b>	<b>\$443,847</b>
9							
10	<b>Total - Debt Service</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$1,071,433</b>	<b>\$1,071,433</b>	<b>\$1,071,433</b>	<b>\$1,071,433</b>

## 2.5 CAPITAL IMPROVEMENT PLAN

### CAPITAL IMPROVEMENT PROJECTS

Table 2-8 shows the City’s six-year CIP; project costs are inflated by 5% per year starting in FY 2027.

**Table 2-8: Capital Improvement Projects**

Line	Capital Improvement Projects	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Wastewater Rate Study	\$50,000	\$0	\$0	\$0	\$0	\$0
2	Infiltration & Inflow Study	\$75,000	\$0	\$0	\$0	\$0	\$0
3	LS3 & LS5 Force Main	\$0	\$0	\$7,350,000	\$0	\$0	\$0
4	WWTP Shade Structure for Filter/UV	\$100,000	\$0	\$210,000	\$0	\$0	\$0
5	WWTP Bar Screen Rehabilitation	\$30,000	\$0	\$0	\$0	\$0	\$0
6	WWTP HVAC Replacement	\$40,000	\$0	\$0	\$0	\$0	\$0
7	Wastewater Collection System Cleaning & CCTV Phase 1	\$550,000	\$0	\$0	\$0	\$0	\$0
8	Wastewater Collection System Cleaning & CCTV Phase 2	\$0	\$450,000	\$0	\$0	\$0	\$0
9	Water Effects Ration - Translator Study	\$150,000	\$0	\$0	\$0	\$0	\$0
10	WWTP Scum Trough Mixers	\$0	\$75,000	\$0	\$0	\$0	\$0
11	Wastewater Master Plan update (2026-2036)	\$0	\$200,000	\$0	\$0	\$0	\$0
12	Summit City Septic to Sewer Design & Environmental	\$0	\$0	\$2,100,000	\$0	\$0	\$0
13	Zinc Mitigation Design	\$0	\$0	\$1,575,000	\$0	\$0	\$0
14	Lift Station 2 - Rehabilitation	\$0	\$0	\$0	\$551,250	\$0	\$0
15	Wastewater Improvements 2028 (Project TBD)	\$0	\$0	\$0	\$0	\$578,813	\$607,753
16	<b>Total - Capital Projects (Inflated)</b>	<b>\$995,000</b>	<b>\$725,000</b>	<b>\$11,235,000</b>	<b>\$551,250</b>	<b>\$578,813</b>	<b>\$607,753</b>

**CAPITAL FINANCING PLAN**

**Table 2-9** shows the capital financing plan. The City is seeking grant funding for 50% of the Force Main project (Line 3 in **Table 2-8**) and 100% grant funding for the Summit City Septic and Zinc Mitigation projects (Lines 12 and 13 in **Table 2-8**). The total projected grant funding is \$7 million for the three projects in FY 2027 (Line 1). The proposed short-term loan will fund \$3.6 million in capital projects in FY 2027 (Line 2). All other project costs will be funded by wastewater rates or reserves (Line 3).

**Table 2-9: Capital Financing Plan**

Line	Capital Financing Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Grant Funded CIP	\$0	\$0	\$7,000,000	\$0	\$0	\$0
2	Debt Funded CIP	\$0	\$0	\$3,600,000	\$0	\$0	\$0
3	Rate Funded CIP	\$995,000	\$725,000	\$635,000	\$551,250	\$578,813	\$607,753
4	<b>Total - Capital Financing Plan</b>	<b>\$995,000</b>	<b>\$725,000</b>	<b>\$11,235,000</b>	<b>\$551,250</b>	<b>\$578,813</b>	<b>\$607,753</b>

**2.6 FINANCIAL POLICIES**

**RESERVE POLICY**

The City’s current reserve policy maintains cash on hand to meet short-term cash imbalances, to execute CIP projects, and to cover unexpected repairs.

The City currently has an adopted reserve policy that consists of the following components:

- Operating Reserve Target: 5% of annual operating expenses
- Capital Projects Reserve Target: \$500,000

WRE proposes several revisions to the City’s current reserve policy to be more in line with the City’s operation and risk profile as well as industry standards.

- Operating Reserve Target: 25% of annual operating expenses
- Capital Reserve Target: 50% of five-year average rate-funded CIP costs
- Emergency Reserve Target: Net replacement cost of a major asset (\$100,000)

The reserve target for the study period ranges from approximately \$1.2 to \$1.3 million in the City’s reserve funds.

**DEBT COVERAGE REQUIREMENT**

The City’s current debt coverage requirement is 110% of annual debt service. To meet coverage requirements, net revenues (revenues less operating expenses) must be 110% or more of annual debt service. This requirement excludes the proposed short-term loan of \$3.6 million.

## 2.7 NO REVENUE ADJUSTMENT FINANCIAL PLAN

### NO REVENUE ADJUSTMENT FINANCIAL PLAN SCENARIO

**Table 2-10** shows the no revenue adjustment financial plan scenario, which assumes no revenue adjustments and no short-term loan. This scenario is used to evaluate the ability of the current wastewater rates to meet the City’s financial targets and to determine the need for revenue adjustments.

**Table 2-10: No Revenue Adjustment Financial Plan Scenario**

Line	Fiscal Year	Revenue Adjustments	Effective Month	Short-term Loan
1	FY 2026	0.0%	January	\$0
2	FY 2027	0.0%	January	\$0
3	FY 2028	0.0%	January	\$0
4	FY 2029	0.0%	January	\$0
5	FY 2030	0.0%	January	\$0

### NO REVENUE ADJUSTMENT CASH FLOW PROJECTIONS

**Table 2-11** shows the cash flow projections for the no revenue adjustment financial plan. Revenues<sup>3</sup> (Lines 1-7) are from **Table 2-4**. Operating expenses (Lines 9-13) are from **Table 2-6**. Net operating revenue (Line 15) is equal to the difference between total revenues (Line 7) and total expenses (Line 13). Debt service (Lines 17-20) is from **Table 2-7**. Rate funded CIP (Line 23) is the total capital projects from **Table 2-9**. The status quo scenario assumes no new debt; all CIP is expected to be either grant or rate funded. Net cash flow (Line 26) is equal to the net operating revenue (Line 15) less debt service (Line 20) and rate funded CIP (Line 23). Loan proceeds and debt funded CIP are not included in the cash flow projections.

The net operating revenue in this scenario is positive for all years, meaning that the City’s current revenues are sufficient to fund its operating expenses. However, the net cash flow in the status quo scenario is negative for all years, meaning that the City’s current revenues are not sufficient to fund its debt service and annual CIP.

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<sup>3</sup> Interest income (Line 6) is different in the status quo financial plan scenario because it is based on projected fund balances. The status quo scenario results in lower fund balances; therefore, the City has less interest income. **Table 2-4** shows the interest income for the proposed financial plan scenario.

City of Shasta Lake 2025 Wastewater Rate Study

Table 2-11: Projected Cash Flows (No Revenue Adjustment Financial Plan)

Line	Cash Flow Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711
3	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
4	Service Connection Fee	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
5	All Other Revenues	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
6	Interest Income	\$6,000	\$6,000	\$57,019	\$0	\$0	\$0
7	<b>Subtotal - Revenues</b>	<b>\$3,877,211</b>	<b>\$3,877,211</b>	<b>\$3,928,231</b>	<b>\$3,871,211</b>	<b>\$3,871,211</b>	<b>\$3,871,211</b>
8							
9	<b>Operating Expenses</b>						
10	Wastewater Administration	\$626,588	\$658,363	\$679,339	\$701,005	\$723,385	\$746,505
11	Distribution/Collection	\$913,316	\$910,816	\$939,090	\$968,251	\$998,326	\$1,029,345
12	Treatment/Resource	\$1,565,722	\$1,554,738	\$1,626,471	\$1,702,660	\$1,783,660	\$1,869,861
13	<b>Subtotal - Operating Expenses</b>	<b>\$3,105,626</b>	<b>\$3,123,917</b>	<b>\$3,244,900</b>	<b>\$3,371,916</b>	<b>\$3,505,372</b>	<b>\$3,645,710</b>
14							
15	<b>Net Revenue</b>	<b>\$771,585</b>	<b>\$753,294</b>	<b>\$683,331</b>	<b>\$499,296</b>	<b>\$365,840</b>	<b>\$225,501</b>
16							
17	<b>Debt Service</b>						
18	Existing Debt	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586
19	Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0
20	<b>Subtotal - Debt Service</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$627,586</b>
21							
22	<b>Capital Projects</b>						
23	Rate Funded CIP	\$995,000	\$725,000	\$4,235,000	\$551,250	\$578,813	\$607,753
24	<b>Subtotal - Capital Projects</b>	<b>\$995,000</b>	<b>\$725,000</b>	<b>\$4,235,000</b>	<b>\$551,250</b>	<b>\$578,813</b>	<b>\$607,753</b>
25							
26	<b>Net Cash Flow</b>	<b>(\$851,000)</b>	<b>(\$599,291)</b>	<b>(\$4,179,255)</b>	<b>(\$679,540)</b>	<b>(\$840,559)</b>	<b>(\$1,009,838)</b>

## City of Shasta Lake 2025 Wastewater Rate Study

### NO REVENUE ADJUSTMENT FUND BALANCE PROJECTIONS

**Table 2-12** shows the fund balance projections for the no revenue adjustment financial plan. Based on the sources (revenues) and uses (operating expenses, debt service, and CIP) of funds, the City’s fund balances will be negative by the end of FY 2027. At the end of the study period, the City’s fund balances will be approximately negative \$3.3 million in FY 2030, from a starting balance of \$4.6 million in FY 2024. This represents a net loss of \$7.9 million in six years.

**Table 2-12: Projected Fund Balances (No Revenue Adjustment Financial Plan)**

Line	Fund Balance Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Combined Beginning Fund Balance</b>	<b>\$4,584,127</b>	<b>\$3,870,623</b>	<b>\$3,391,199</b>	<b>(\$788,056)</b>	<b>(\$1,467,596)</b>	<b>(\$2,308,155)</b>
2							
3	<b>Sources of Funds</b>						
4	Rate Revenues	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711
5	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
6	Non-Rate Revenues	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
7	Grant Proceeds	\$0	\$0	\$7,000,000	\$0	\$0	\$0
8	Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
11	Calculated Interest Income	\$143,496	\$125,867	\$57,019	\$0	\$0	\$0
12	<b>Subtotal - Sources of Funds</b>	<b>\$4,014,708</b>	<b>\$3,997,078</b>	<b>\$10,928,231</b>	<b>\$3,871,211</b>	<b>\$3,871,211</b>	<b>\$3,871,211</b>
13							
14	<b>Uses of Funds</b>						
15	Operating Expenses	\$3,105,626	\$3,123,917	\$3,244,900	\$3,371,916	\$3,505,372	\$3,645,710
16	Debt Service	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586
17	Grant Funded CIP	\$0	\$0	\$7,000,000	\$0	\$0	\$0
18	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
19	Rate Funded CIP	\$995,000	\$725,000	\$4,235,000	\$551,250	\$578,813	\$607,753
20	<b>Subtotal - Uses of Funds</b>	<b>\$4,728,212</b>	<b>\$4,476,503</b>	<b>\$15,107,486</b>	<b>\$4,550,751</b>	<b>\$4,711,770</b>	<b>\$4,881,049</b>
21							
22	<b>Ending Balances</b>	<b>\$3,870,623</b>	<b>\$3,391,199</b>	<b>(\$788,056)</b>	<b>(\$1,467,596)</b>	<b>(\$2,308,155)</b>	<b>(\$3,317,993)</b>
23							
24	Debt Reserve - CWSRF Loan	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586

**NO REVENUE ADJUSTMENT FINANCIAL PERFORMANCE**

The City’s financial performance is evaluated based on the reserve targets and debt coverage requirements, as shown in **Table 2-13**. Under the status quo financial plan, the City will not meet its reserve targets from FY 2027 to FY 2030. The City will not be able to meet its debt coverage requirements in FY 2027 through 2030 without any revenue adjustments. Fund balances and debt coverage requirements are the City’s constraining factors during the study period.

**Table 2-13: Forecasted Financial Performance (No Revenue Adjustment Financial Plan)**

Line	Financial Performance	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Existing Reserve Targets</b>						
2	Operating Reserve Target	\$155,281	\$156,196	\$162,245	\$168,596	\$175,269	\$182,286
3	Capital Projects Reserve Target	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
4	Combined Reserve Target	\$655,281	\$656,196	\$662,245	\$668,596	\$675,269	\$682,286
5	Combined Reserves	\$3,870,623	\$3,391,199	(\$788,056)	(\$1,467,596)	(\$2,308,155)	(\$3,317,993)
6	Meets Target?	Yes	Yes	No	No	No	No
7							
8	<b>Recommended Reserve Targets</b>						
9	Operating Reserve Target	\$776,407	\$780,979	\$811,225	\$842,979	\$876,343	\$911,428
10	Capital Projects Reserve Target	\$708,506	\$669,782	\$669,782	\$669,782	\$669,782	\$669,782
11	Emergency Reserve Target	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
12	Combined Reserve Target	\$1,584,913	\$1,550,761	\$1,581,007	\$1,612,760	\$1,646,124	\$1,681,209
13	Combined Reserves	\$3,870,623	\$3,391,199	(\$788,056)	(\$1,467,596)	(\$2,308,155)	(\$3,317,993)
14	Meets Target?	Yes	Yes	No	No	No	No
15							
16	<b>Debt Coverage Target</b>						
17	Required Debt Coverage	110%	110%	110%	110%	110%	110%
18	Calculated Debt Coverage	123%	120%	109%	80%	58%	36%
19	Meets Target?	Yes	Yes	No	No	No	No

**Figure 2-1** shows the comparison of revenues and the revenue requirement for the no revenue adjustment scenario. The stacked bars represent the revenue requirements, or costs: dark blue for O&M expenses, green for debt service, and light blue for rate funded CIP. The City will not be adding to its reserves (grey bars) in this scenario. The current revenue, shown as a solid line, is lower than the revenue requirements, meaning that revenues are insufficient to fund necessary costs.

Figure 2-1: Revenue Requirements vs. Revenues (No Revenue Adjustment Financial Plan)

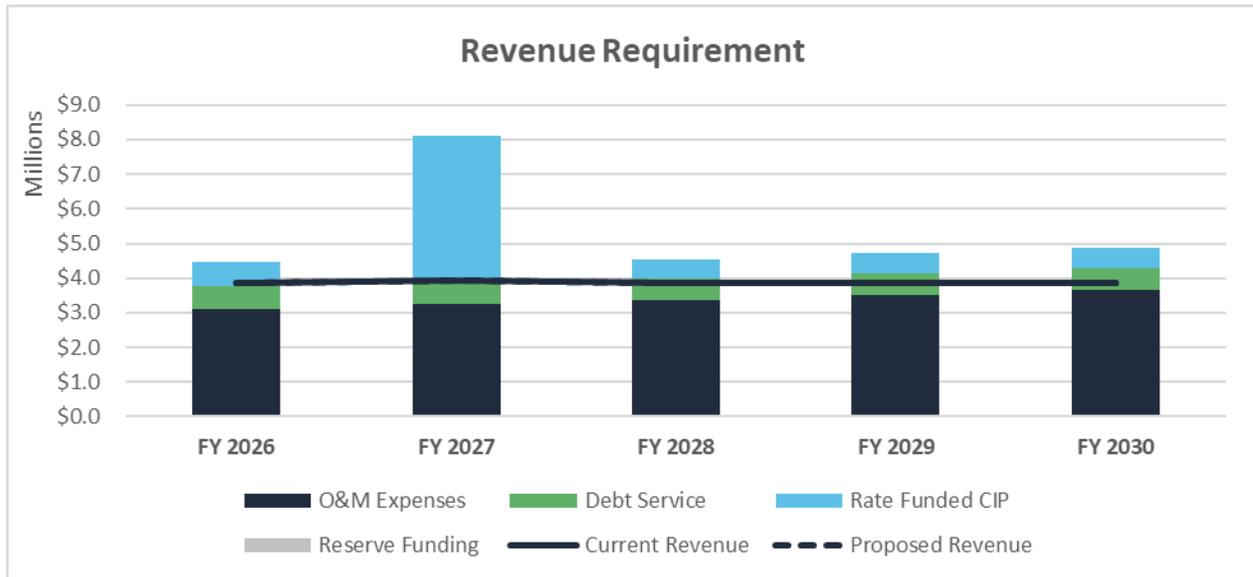


Figure 2-2 shows the debt coverage projections in the status quo financial plan. The required debt coverage (dashed line) is equal to 110%. The City will not meet its debt coverage requirements starting in FY 2027 in this scenario.

Figure 2-2: Projected Debt Coverage (No Revenue Adjustment Financial Plan)

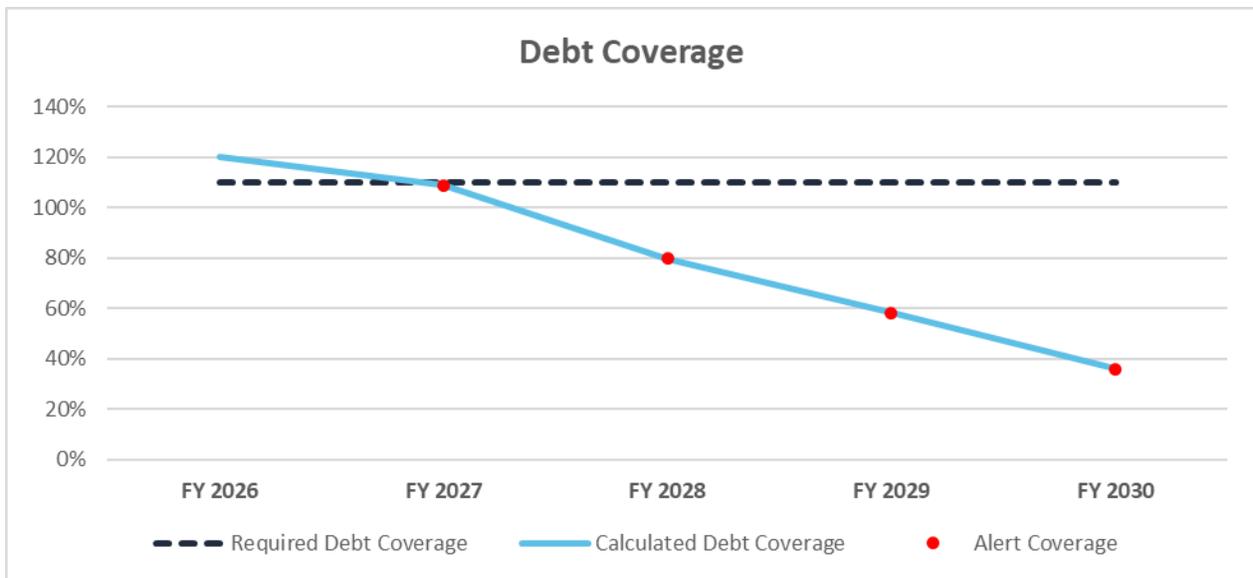
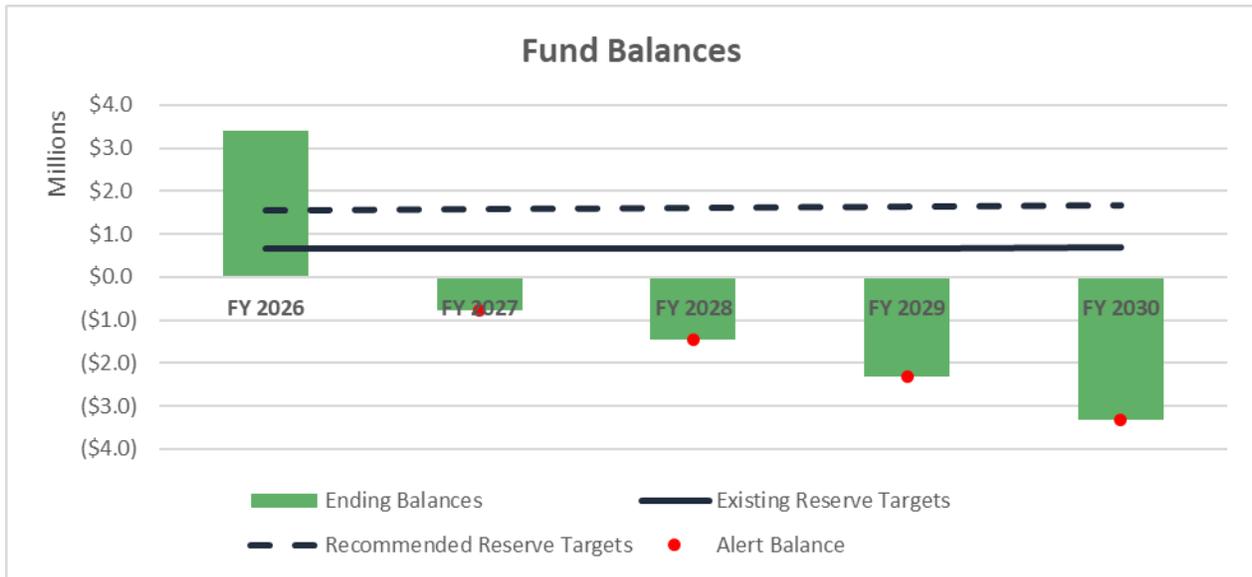


Figure 2-3 shows the fund balance projections in the status quo financial plan. The City's ending balance (green bars) will not meet either the current or proposed reserve targets (solid and dashed lines, respectively) from FY 2027 through FY 2030. The City's fund balances will be negative by FY 2027.

Figure 2-3: Projected Fund Balances (No Revenue Adjustment Financial Plan)



## 2.8 PROPOSED FINANCIAL PLAN

### PROPOSED FINANCIAL PLAN SCENARIO

The proposed financial plan includes five years of revenue adjustments and a short-term loan in FY 2027, shown in **Table 2-14**. These adjustments are needed to maintain the City’s financial sufficiency and were developed based on direction from the City’s City Council.

Table 2-14: Proposed Financial Plan Scenario

Line	Fiscal Year	Revenue Adjustments	Effective Month	Short-term Loan
1	FY 2026	5.0%	January	\$0
2	FY 2027	5.0%	January	\$3,600,000
3	FY 2028	5.0%	January	\$0
4	FY 2029	5.0%	January	\$0
5	FY 2030	5.0%	January	\$0

### PROPOSED CASH FLOW PROJECTIONS

**Table 2-15** shows the cash flow projections for the proposed financial plan. Revenues (Lines 1-7) are from **Table 2-4**. Operating expenses (Lines 9-13) are from **Table 2-6**. Net operating revenue (Line 15) is equal to the difference between total revenues (Line 7) and total expenses (Line 13). Debt service (Lines 17-20) is from **Table 2-7**. Rate funded CIP (Line 23) is the total capital projects from **Table 2-9**. The status quo scenario assumes no new debt; all CIP is expected to be either grant or rate funded. Net cash flow (Line 26) is equal to the net operating revenue (Line 15) less debt service (Line 20) and rate funded CIP (Line 23). Loan proceeds and debt funded CIP are not included in the cash flow projections.

City of Shasta Lake 2025 Wastewater Rate Study

Table 2-15: Projected Cash Flows (Proposed Financial Plan)

Line	Cash Flow Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711
3	Revenue Adjustments	\$0	\$96,593	\$294,608	\$502,524	\$720,836	\$950,063
4	Service Connection Fee	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
5	All Other Revenues	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
6	Interest Income	\$6,000	\$6,000	\$111,722	\$93,978	\$79,031	\$65,394
7	<b>Subtotal - Revenues</b>	<b>\$3,877,211</b>	<b>\$3,973,804</b>	<b>\$4,277,541</b>	<b>\$4,467,713</b>	<b>\$4,671,078</b>	<b>\$4,886,668</b>
8							
9	<b>Operating Expenses</b>						
10	Wastewater Administration	\$626,588	\$658,363	\$679,339	\$701,005	\$723,385	\$746,505
11	Distribution/Collection	\$913,316	\$910,816	\$939,090	\$968,251	\$998,326	\$1,029,345
12	Treatment/Resource	\$1,565,722	\$1,554,738	\$1,626,471	\$1,702,660	\$1,783,660	\$1,869,861
13	<b>Subtotal - Operating Expenses</b>	<b>\$3,105,626</b>	<b>\$3,123,917</b>	<b>\$3,244,900</b>	<b>\$3,371,916</b>	<b>\$3,505,372</b>	<b>\$3,645,710</b>
14							
15	<b>Net Revenue</b>	<b>\$771,585</b>	<b>\$849,887</b>	<b>\$1,032,641</b>	<b>\$1,095,798</b>	<b>\$1,165,706</b>	<b>\$1,240,958</b>
16							
17	<b>Debt Service</b>						
18	Existing Debt	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586
19	Proposed Debt	\$0	\$0	\$443,847	\$443,847	\$443,847	\$443,847
20	<b>Subtotal - Debt Service</b>	<b>\$627,586</b>	<b>\$627,586</b>	<b>\$1,071,433</b>	<b>\$1,071,433</b>	<b>\$1,071,433</b>	<b>\$1,071,433</b>
21							
22	<b>Capital Projects</b>						
23	Rate Funded CIP	\$995,000	\$725,000	\$635,000	\$551,250	\$578,813	\$607,753
24	<b>Subtotal - Capital Projects</b>	<b>\$995,000</b>	<b>\$725,000</b>	<b>\$635,000</b>	<b>\$551,250</b>	<b>\$578,813</b>	<b>\$607,753</b>
25							
26	<b>Net Cash Flow</b>	<b>(\$851,000)</b>	<b>(\$502,699)</b>	<b>(\$673,792)</b>	<b>(\$526,885)</b>	<b>(\$484,539)</b>	<b>(\$438,228)</b>

City of Shasta Lake 2025 Wastewater Rate Study

**PROPOSED FUND BALANCE PROJECTIONS**

**Table 2-16** shows the fund balance projections for the proposed financial plan. Based on the sources (revenues, revenue adjustments, debt proceeds) and uses (operating expenses, debt service, and CIP) of funds, the City’s fund balances will be approximately \$1.37 million at the end of the study in FY 2030.

**Table 2-16: Projected Fund Balances (Proposed Financial Plan)**

Line	Fund Balance Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Combined Beginning Fund Balance</b>	<b>\$4,584,127</b>	<b>\$3,870,623</b>	<b>\$3,489,240</b>	<b>\$2,815,449</b>	<b>\$2,288,563</b>	<b>\$1,804,024</b>
2							
3	<b>Sources of Funds</b>						
4	Rate Revenues	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711	\$3,863,711
5	Revenue Adjustments	\$0	\$96,593	\$294,608	\$502,524	\$720,836	\$950,063
6	Non-Rate Revenues	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
7	Grant Proceeds	\$0	\$0	\$7,000,000	\$0	\$0	\$0
8	Debt Proceeds	\$0	\$0	\$3,600,000	\$0	\$0	\$0
11	Calculated Interest Income	\$143,496	\$127,316	\$111,722	\$93,978	\$79,031	\$65,394
12	<b>Subtotal - Sources of Funds</b>	<b>\$4,014,708</b>	<b>\$4,095,120</b>	<b>\$14,877,541</b>	<b>\$4,467,713</b>	<b>\$4,671,078</b>	<b>\$4,886,668</b>
13							
14	<b>Uses of Funds</b>						
15	Operating Expenses	\$3,105,626	\$3,123,917	\$3,244,900	\$3,371,916	\$3,505,372	\$3,645,710
16	Debt Service	\$627,586	\$627,586	\$1,071,433	\$1,071,433	\$1,071,433	\$1,071,433
17	Grant Funded CIP	\$0	\$0	\$7,000,000	\$0	\$0	\$0
18	Debt Funded CIP	\$0	\$0	\$3,600,000	\$0	\$0	\$0
19	Rate Funded CIP	\$995,000	\$725,000	\$635,000	\$551,250	\$578,813	\$607,753
20	<b>Subtotal - Uses of Funds</b>	<b>\$4,728,212</b>	<b>\$4,476,503</b>	<b>\$15,551,333</b>	<b>\$4,994,599</b>	<b>\$5,155,617</b>	<b>\$5,324,896</b>
21							
22	<b>Ending Balances</b>	<b>\$3,870,623</b>	<b>\$3,489,240</b>	<b>\$2,815,449</b>	<b>\$2,288,563</b>	<b>\$1,804,024</b>	<b>\$1,365,796</b>
23							
24	Debt Reserve - CWSRF Loan	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586	\$627,586

**PROPOSED FINANCIAL PERFORMANCE**

**Table 2-17** shows the forecasted financial performance for the proposed financial plan. Under this plan, the City will meet both its current and proposed reserve targets in all year of the planning period. The City will also be able to meet its debt coverage requirements in all years with the proposed revenue adjustments.

**Table 2-17: Forecasted Financial Performance (Proposed Financial Plan)**

Line	Financial Performance	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Existing Reserve Targets</b>						
2	Operating Reserve Target	\$155,281	\$156,196	\$162,245	\$168,596	\$175,269	\$182,286
3	Capital Projects Reserve Target	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
4	Combined Reserve Target	\$655,281	\$656,196	\$662,245	\$668,596	\$675,269	\$682,286
5	Combined Reserves	\$3,870,623	\$3,489,240	\$2,815,449	\$2,288,563	\$1,804,024	\$1,365,796
6	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes
7							
8	<b>Recommended Reserve Targets</b>						
9	Operating Reserve Target	\$776,407	\$780,979	\$811,225	\$842,979	\$876,343	\$911,428
10	Capital Projects Reserve Target	\$348,506	\$309,782	\$309,782	\$309,782	\$309,782	\$309,782
11	Emergency Reserve Target	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
12	Combined Reserve Target	\$1,224,913	\$1,190,761	\$1,221,007	\$1,252,760	\$1,286,124	\$1,321,209
13	Combined Reserves	\$3,870,623	\$3,489,240	\$2,815,449	\$2,288,563	\$1,804,024	\$1,365,796
14	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes
15							
16	<b>Debt Coverage Target</b>						
17	Required Debt Coverage	110%	110%	110%	110%	110%	110%
18	Calculated Debt Coverage	123%	135%	165%	175%	186%	198%
19	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes

**Figure 2-4** shows the comparison of revenues and the revenue requirement for the proposed scenario. The stacked bars represent the revenue requirements, or costs. The current revenue, shown as a solid line, is lower than the operating revenue requirements (O&M and debt service). The proposed revenue, shown as a dotted line, is greater than the operating revenue requirements, meaning that the City’s revenues can sufficiently fund its operating expenses. Capital expenses will be funded via the short-term loan.

Figure 2-4: Revenue Requirements vs. Revenues (Proposed Financial Plan)

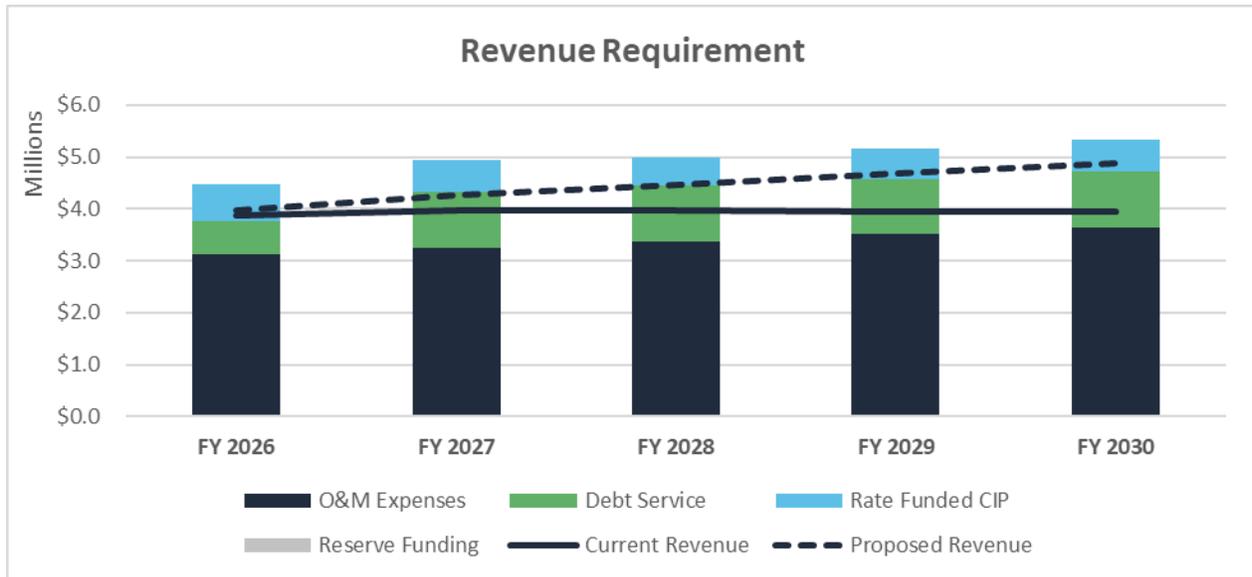


Figure 2-5 shows the debt coverage projections in the proposed financial plan. The required debt coverage (dashed line) is equal to 110%. The City is expected to meet its debt coverage requirements for all years of this scenario.

Figure 2-5: Projected Debt Coverage (Proposed Financial Plan)

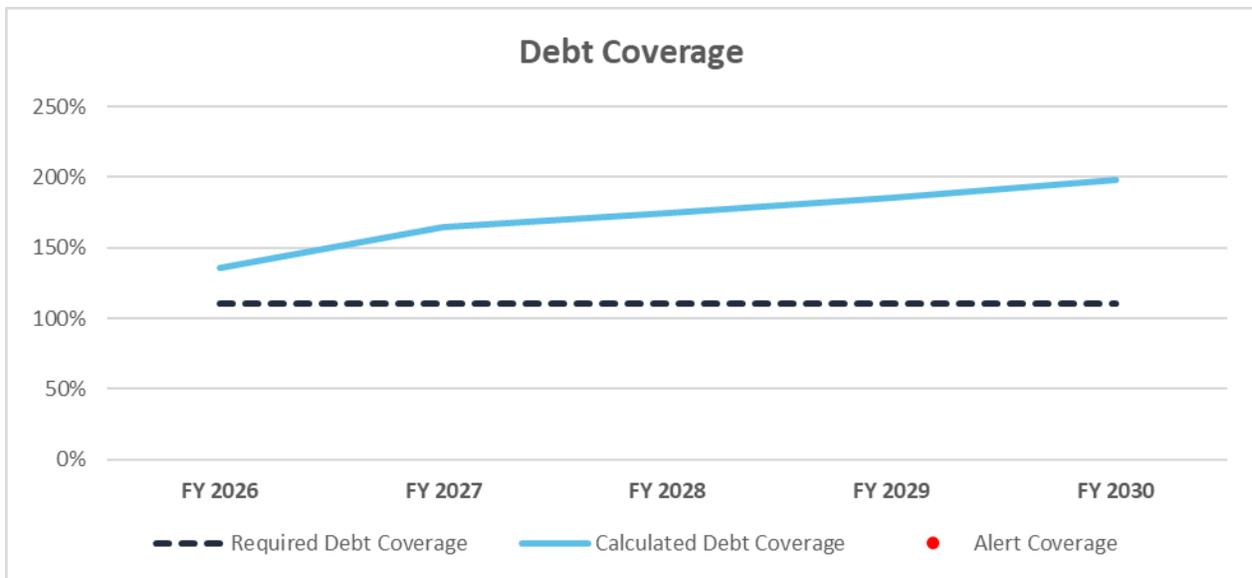
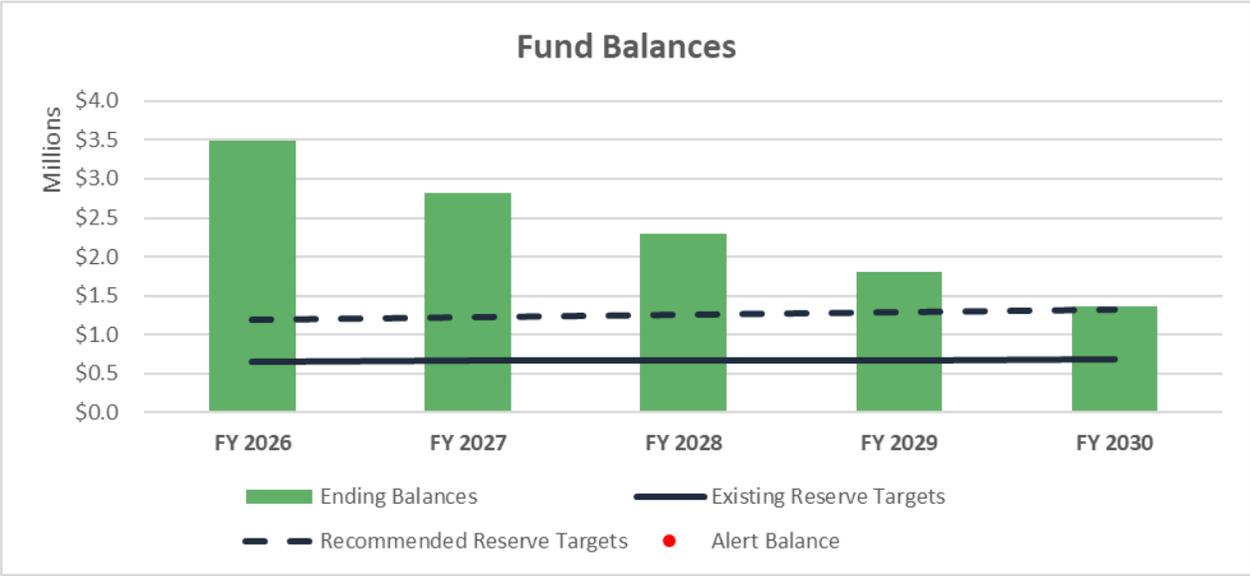


Figure 2-6 shows the fund balance projections in the proposed financial plan. The City’s ending balance (green bars) will meet both the current and proposed reserve targets (solid and dashed lines, respectively) in all five years of the study period.

Figure 2-6: Projected Fund Balances (Proposed Financial Plan)



### 3. WASTEWATER RATES

#### 3.1 RATE DESIGN METHODOLOGY

A five-year proposed wastewater rate schedule was developed based on the results of the proposed financial plan and cost-of-service analysis. The key steps in developing the proposed rate schedule are outlined below:

- **Rate structure evaluation:** The existing rate structure is evaluated, and any proposed changes are identified. Proposed rate structure changes are typically intended to address specific policy objectives or to allocate costs based on the cost-of-service analysis.
- **Test year rate development:** Rates are calculated for the proposed rate structure for the cost-of-service test year (FY 2025). Rate calculations directly incorporate the unit costs developed in the cost-of-service analysis. The test year rates are revenue neutral, then are increased based on the proposed financial plan revenue adjustments.
- **Five-year rate schedule development:** Proposed rates for the five-year period are calculated by increasing the cost-of-service rates by the proposed annual revenue adjustment percentages from the proposed financial plan.

#### 3.2 PROPOSED CHANGES TO RATE STRUCTURE

The main objective of the rate study was to conduct a comprehensive cost-of-service analysis while maintaining as much of the current wastewater rate structure as possible to minimize customer impacts. The City's current wastewater rate structure includes a monthly service charge based on customer class.

After examining current customer classification and discussion with City staff regarding customer usage patterns, WRE recommends the following changes:

- Remove the Efficiency Unit customer class as there are no customers currently that fall under that category.
- Combine all residential customers, which currently includes single family, multi-family, and mobile homes, and accessory dwelling units (ADU) into a single residential class. All residential customers will now qualify for the lifeline rates.
- Modify the current non-residential and industrial wastewater calculation from 90% of water usage to 100% of water usage.

#### 3.3 REVENUE REQUIREMENT

The total rate revenue requirement for the test year, FY 2025, is based on the financial plan projections (**Table 2-15**) and is allocated between the Operating, Capital and Revenue Offset, as shown in **Table 3-1**. The Operating revenue requirement consists of operating expenses (Line 2). The Capital revenue requirement includes debt service (Line 3), rate funded CIP (Line 4) and adjustments for cash from reserves (Line 14; from **Table 2-15**, Line 26). The Revenue Offset includes service

## City of Shasta Lake 2025 Wastewater Rate Study

connection fee, all other revenues, and interest income (Lines 8-10). The total revenue requirement (Line 17) is equal to the amount of rate revenue collected in FY 2025 (Table 2-15, Line 2).

**Table 3-1: FY 2025 Revenue Requirement**

Line	FY 2025 Revenue Requirement	Operating	Capital	Rev. Offset	Total
1	<b>Revenue Requirements</b>				
2	Operating Expenses	\$3,105,626			\$3,105,626
3	Debt Service		\$627,586		\$627,586
4	Rate Funded CIP		\$995,000		\$995,000
5	<b>Subtotal</b>	<b>\$3,105,626</b>	<b>\$1,622,586</b>	<b>\$0</b>	<b>\$4,728,212</b>
6					
7	<b>Revenue Offsets</b>				
8	Service Connection Fee			(\$1,500)	(\$1,500)
9	All Other Revenues			(\$6,000)	(\$6,000)
10	Interest Income			(\$6,000)	(\$6,000)
11	<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$13,500)</b>	<b>(\$13,500)</b>
12					
13	<b>Adjustments</b>				
14	Cash to/(from) Reserves		(\$851,000)		(\$851,000)
15	<b>Subtotal</b>	<b>\$0</b>	<b>(\$851,000)</b>	<b>\$0</b>	<b>(\$851,000)</b>
16					
17	<b>Total - Revenue Requirement</b>	<b>\$3,105,626</b>	<b>\$771,585</b>	<b>(\$13,500)</b>	<b>\$3,863,711</b>

### 3.4 UNIT COST CALCULATION

Given the proposed changes to the wastewater rate structure, WRE needed to recalculate the single family equivalency connection (SFEC) in the system to account for the changes outlined in Section 3.2. Table 3-2 shows the number of SFEC under the current and proposed wastewater rate structure.

**Table 3-2: Customer Units Comparison**

Line	Customer Class	Current SFEC	Proposed SFEC
1	Residential	3,532	3,682
2	Non-Residential	348	351
3	Industrial	107	125
4	<b>Total SFEC</b>	<b>3,987</b>	<b>4,158</b>

Table 3-3 shows the unit cost calculation per SFEC for FY 2025. The cost per SFEC is determined by dividing the total proposed SFEC (Table 3-2) by the total revenue requirement (Table 4-1) and by 12 billing periods per year.

**Table 3-3: Unit Cost Calculation**

Line		FY 2025
1	Total Revenue Requirement	\$3,863,711
2	Total SFEC	4,158
3	Cost per SFEC per billing period	\$77.44

### 3.5 PROPOSED MONTHLY SERVICE CHARGE

**Table 3-4** shows the proposed daily service charge for FY 2026 based on the revenue neutral rate (**Table 3-3**, Line 3) adjusted by the proposed revenue adjustment of 5% in the first year (**Table 2-14**) and rounded up to the nearest cent.

**Table 3-4: Proposed Monthly Service Charge after Adjustment**

Line	Customer Class	Revenue Neutral Rate	FY 2026 Rate	Current Rate	Difference (\$)	Difference (%)
1	Residential	\$77.44	\$81.31	\$80.76	\$0.55	1%
2	Residential - Lifeline	\$61.95	\$65.05	\$64.61	\$0.44	1%
3	Multi-Family Dwelling	\$77.44	\$81.31	\$68.65	\$12.66	18%
4	Non-Residential	\$77.44	\$81.31	\$80.76	\$0.55	1%
5	Industrial	\$77.44	\$81.31	\$80.76	\$0.55	1%

### 3.6 PROPOSED WASTEWATER RATE SCHEDULE

#### PROPOSED FIVE-YEAR REVENUE ADJUSTMENTS

**Table 3-5** shows the revenue adjustments for the five-year period and their effective date based on the proposed financial plan (**Table 2-14**).

**Table 3-5: Proposed Revenue Adjustments**

Line	Fiscal Year	Revenue Adjustments	Effective Date
1	FY 2026	5.0%	1/1/2026
2	FY 2027	5.0%	1/1/2027
3	FY 2028	5.0%	1/1/2028
4	FY 2029	5.0%	1/1/2029
5	FY 2030	5.0%	1/1/2030

#### PROPOSED FIVE-YEAR WASTEWATER RATE SCHEDULE

The proposed five-year wastewater rate schedule is based on the proposed rate structure changes, the cost-of-service analysis, and the proposed revenue adjustments (**Table 3-5**) in the five-year period. The proposed rates for FY 2026 through FY 2030 were calculated by increasing the FY 2025 rates by the revenue adjustments, rounded up to the nearest cent. **Table 3-6** shows the current and

## City of Shasta Lake 2025 Wastewater Rate Study

proposed monthly wastewater service charges. Residential lifeline rates are 80% of the residential rates and will be funded through General Fund monies.

**Table 3-6: Proposed 5-year Wastewater Rate Schedule<sup>4</sup>**

Line	Customer Class	As of 7/1/25	Effective 1/1/26	Effective 1/1/27	Effective 1/1/28	Effective 1/1/29	Effective 1/1/30
1	Residential	\$80.76	\$81.31	\$85.38	\$89.65	\$94.14	\$98.85
2	Residential - Lifeline	\$64.61	\$65.05	\$68.31	\$71.73	\$75.32	\$79.09
3	Multi-Family Dwelling	\$68.65	\$81.31	\$85.38	\$89.65	\$94.14	\$98.85
4	Non-Residential (per SFEC)	\$80.76	\$81.31	\$85.38	\$89.65	\$94.14	\$98.85
5	Industrial (per SFEC)	\$80.76	\$81.31	\$85.38	\$89.65	\$94.14	\$98.85

### 3.7 CUSTOMER IMPACTS

**Table 3-7** shows the proposed monthly bill impacts for different customer classes within the City's service area. Single family customers will see an increase of \$0.55 per month starting on 1/1/26.

**Table 3-7: Proposed Customer Impacts**

Line	Customer Class	Current Bill	Proposed Bill	\$ Difference	% Difference
1	Residential	\$80.76	\$81.31	\$0.55	1%
2	Residential - Lifeline	\$64.61	\$65.05	\$0.44	1%
3	Multi-Family Dwelling	\$68.65	\$81.31	\$12.66	18%
4	Non-Residential	\$80.76	\$81.31	\$0.55	1%
5	Industrial	\$80.76	\$81.31	\$0.55	1%

<sup>4</sup> SFEC = Single Family Equivalency Connection Charge

1 SFEC = 170 gpd of wastewater flow

Lifeline rate is 80% of residential

Non-Residential rate is based on 100% of average monthly winter consumption between Jan-Mar

Industrial rate is based on 100% of average water use

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