STAFF REPORT
HOLLISTER CITY COUNCIL
MEETING DATE: October 20, 2025
REPORT # Public Works-2025-50

AGENDA ITEM: WATER RATE STUDY PRESENTATION

DEPARTMENT: Public Works
DEPARTMENT HEAD: William Via, Public Works Director
STAFF CONTACT: William Via, Public Works Director

RECOMMENDED ACTION: Receive the presentation and provide direction to staff.

DISCUSSION: Raftelis Financial Consultants, Inc. (RFC) is in the process of completing a study of the City's water rates. The study recommends a phased increase in water rates and charges over the next 5-year period beginning on or about January 1, 2026. The proposed water rates are necessary to meet the cost of operation and maintenance of the City's water enterprise program, and to provide adequate revenue to finance Capital Improvement Projects.

The last rate study was completed in 2013 with the last rate increase taking effect on January 1, 2019. Since that time, the cost of operating the water system and delivering potable water to the City's customers has increased and the revenue collected is not keeping pace with the expenses.

The presentation will briefly discuss the process, the financial position of the Water Enterprise Fund, the proposed rates, the next steps in the process, and will include a comparison of the City's current rates and proposed rates with other surrounding jurisdictions.

FISCAL IMPACT: Neutral. The proposed rate increase is sufficient to address increased costs to the City's water enterprise program.

PREVIOUS COUNCIL OR COMMISSION ACTION: Last rate study and rate adoption on August 19, 2013, Resolution No. 2013-122.

CEQA: This activity is not a project pursuant to California Environmental Quality Act Statute Section 21065 and Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or a reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:
None

City of Hollister

Water Rate Study

Financial Plan and Rate Presentation

October 20th, 2025

RAFTELIS

Agenda

- Introduction
- Why rate increases needed
- Water
  - Assumptions
  - Financial Plan Alternatives
  - Bill Impacts

What is a Rate Study?

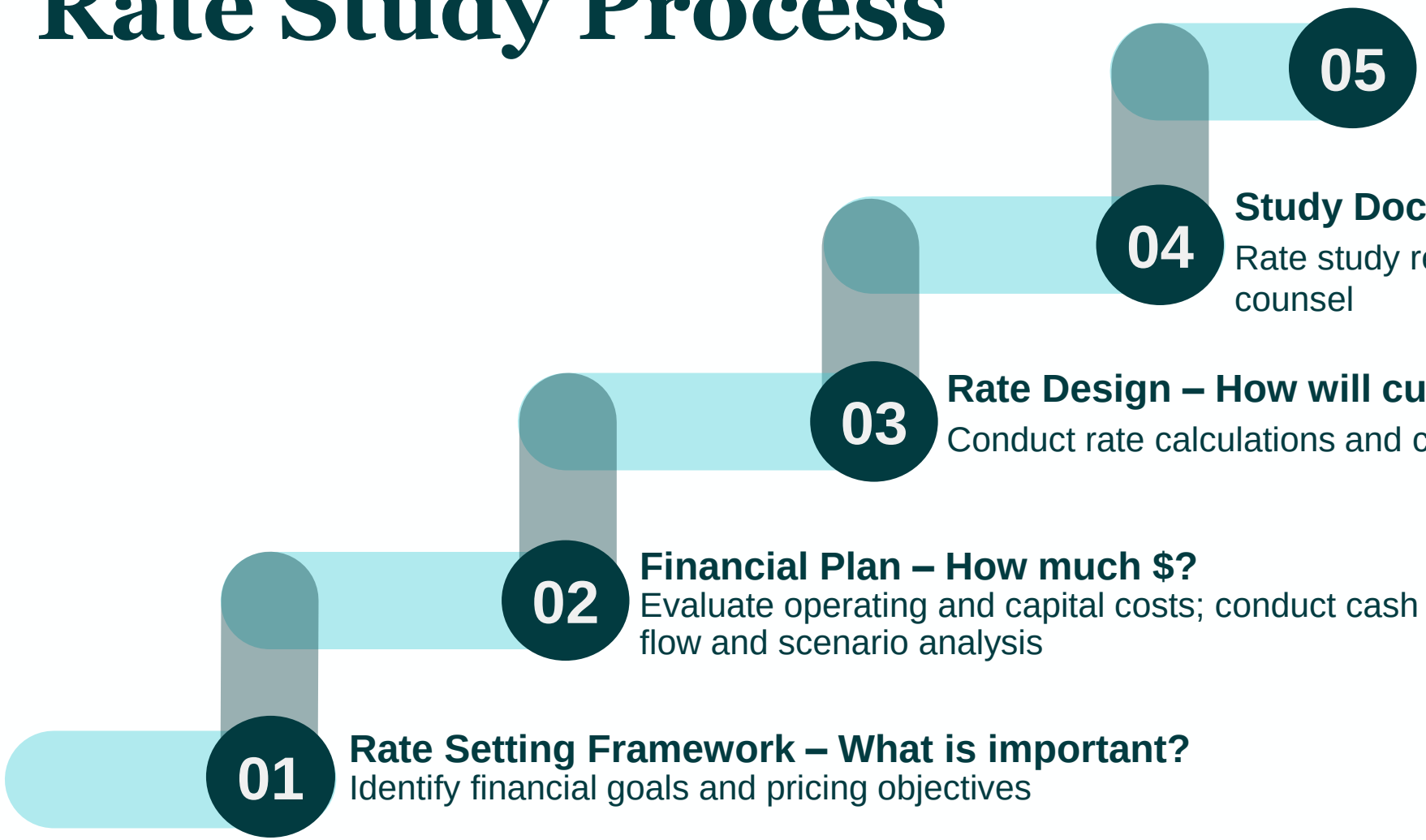
A financial planning and rate setting process that considers:

Community Objectives:
Conservation, Affordability
Fairness & Equity
Rate and Revenue Stability

Promotes Utility Financial Viability by Recovering Costs:
O&M
Capital
Reserves
Debt Service

Legally Defensible

Rate Study Process



05 Rate Adoption
Notice customers, host Public Hearing, collect and count protests, consider adoption of rates / charges

04 Study Documentation
Rate study report; review of rates by legal counsel

03 Rate Design – How will customers pay?
Conduct rate calculations and customer impact analyses

02 Financial Plan – How much $?
Evaluate operating and capital costs; conduct cash flow and scenario analysis

01 Rate Setting Framework – What is important?
Identify financial goals and pricing objectives

Stakeholder Engagement
(start early and often)

Why Would the City do a Water Rate Study?

- **Rates must keep up with the City's costs to operate the utilities**
- Utility service is not like other government services (Police, Fire, Libraries, Parks) that are funded by tax dollars from the General Fund
- The water utilities are primarily funded by customer rate revenue
  - It's a non-profit business
- By law (Proposition 218), rates must be based on the cost to serve water

Water and Sewer Utilities Are Not Covering Expenses

Why Rate Increases are Needed:

An Increase is long overdue: City has not raised rates/charges since 2018!

Deficit: Water fund is currently operating at a deficit

Lowest charges: It has the lowest water rates/charge out of 8 surrounding agencies

Inflation: Post Covid-19 inflation reached highest rate since 1981 and has impacted operational and capital project costs

Inflation up 25% since 2018 (Bureau of Labor Statistics Data)

Rain: FY 2023 and 2024 were wet years; selling 12% less water than in 2021 while most of your costs are fixed

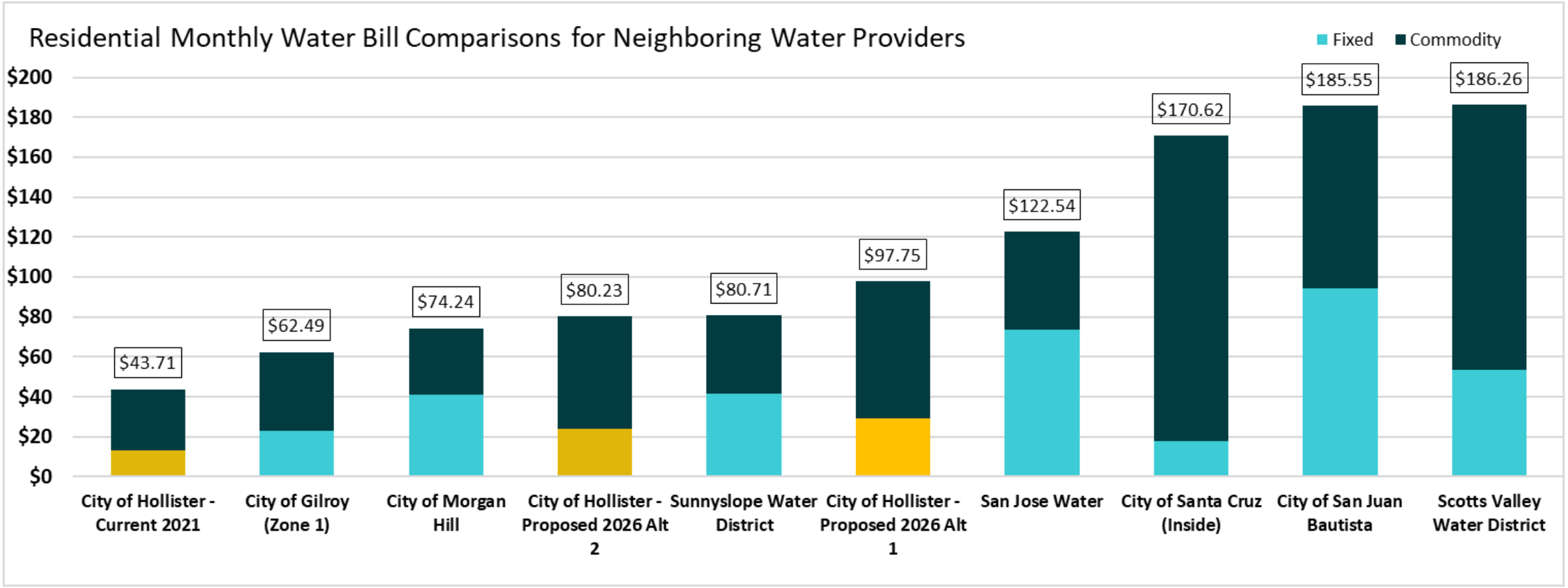
Wholesale Water Costs:

Urban JPA costs up 48% since 2018

SBCWD groundwater costs up 175% since 2018

Aging Infrastructure / Deferred Maintenance

Water Rate Survey



Water & Sewer Compared to Other Goods

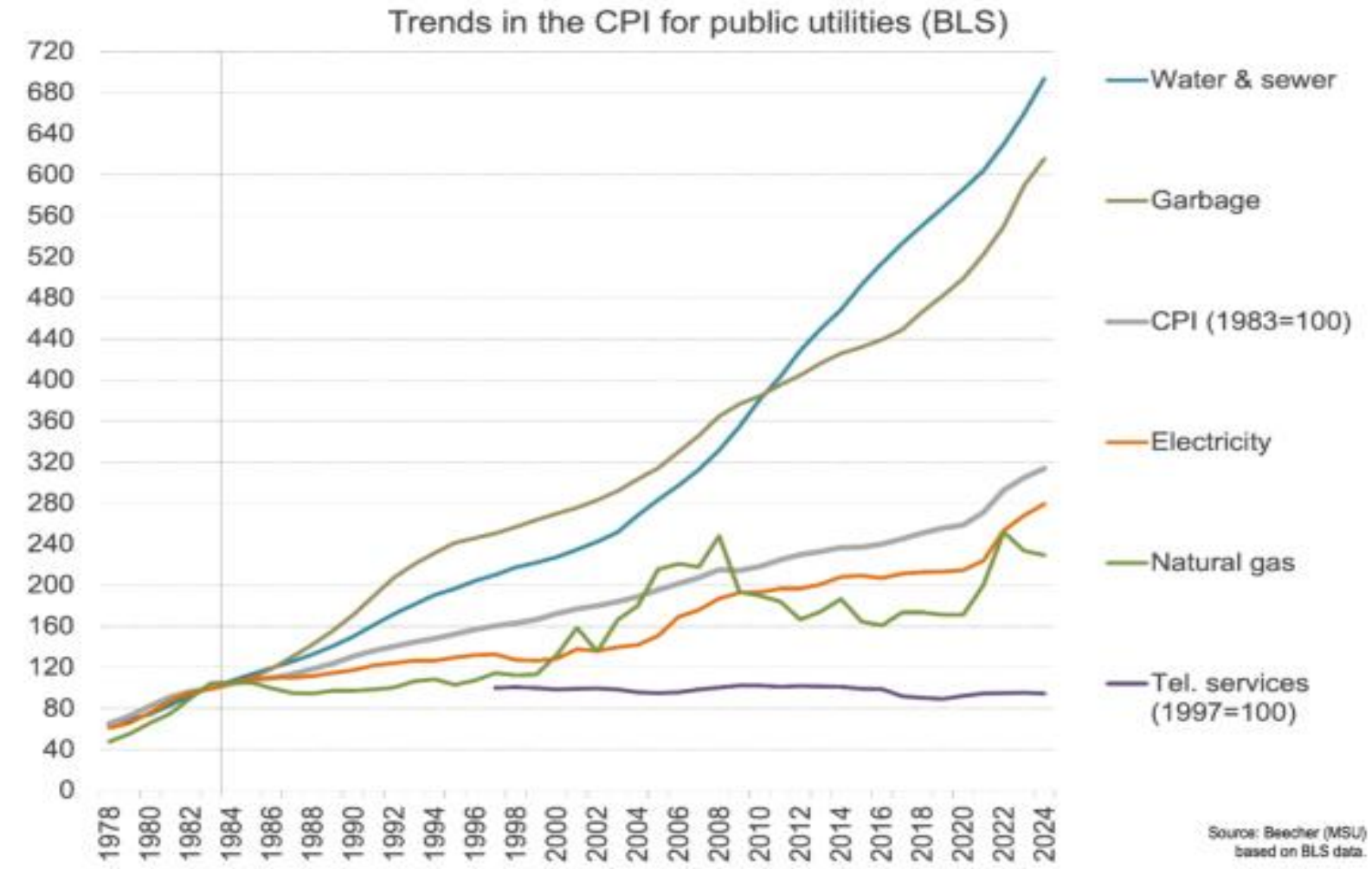


Figure 1. CPI Trends for Public Utilities in the US.
The y-axis is a unitless index. The summary data is from the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor. Data does not reflect actual utility rates. Data in parentheses identifies the year at which the utility price equaled 100 percent of CPI.
Source: Beecher 2025.

Proposition 218 Requirements – Paraphrased

Cannot collect more than what you need

Revenue must be used to cover the costs for which the charge was imposed

Must send a written notice to customers no less than 45 days before a public hearing

The fee may not exceed the proportional cost to serve the parcel

The charge must be for a service that is actually used or immediately available

Water

Assumptions / Reserve Targets

Reserve	Target	Approximate $ Value over Study Period
Operating	20% of O&M Expenses	$2.2M
Capital	2% of Asset Value	$2M
Total		**$4.2M**

O&M Expenses

Expenses Summary	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Expenses by Category						
Personnel	$2,495,056	$2,628,097	$2,725,879	$2,827,542	$2,933,249	$3,043,171
Services and Supplies	$1,816,957	$1,675,072	$1,743,589	$1,814,914	$1,889,163	$1,966,457
Contractual	$645,435	$664,608	$691,192	$718,840	$747,594	$777,497
Water Supply Costs	$5,330,000	$5,070,000	$5,472,800	$5,907,712	$6,377,300	$6,884,335
Minor Capital	$375,200	$52,300	$54,392	$56,024	$57,704	$59,436
Unfunded Accrued Liability	$343,071	$323,973	$336,932	$350,409	$364,426	$379,003
Other Expenses	$346,340	$350,000	$364,000	$378,560	$393,702	$409,450
Total Expenses	**$11,352,059**	**$10,764,050**	**$11,388,784**	**$12,054,001**	**$12,763,139**	**$13,519,349**

Financial Plan Alternatives

- Revenue increases do not exactly equate to customer bill impacts

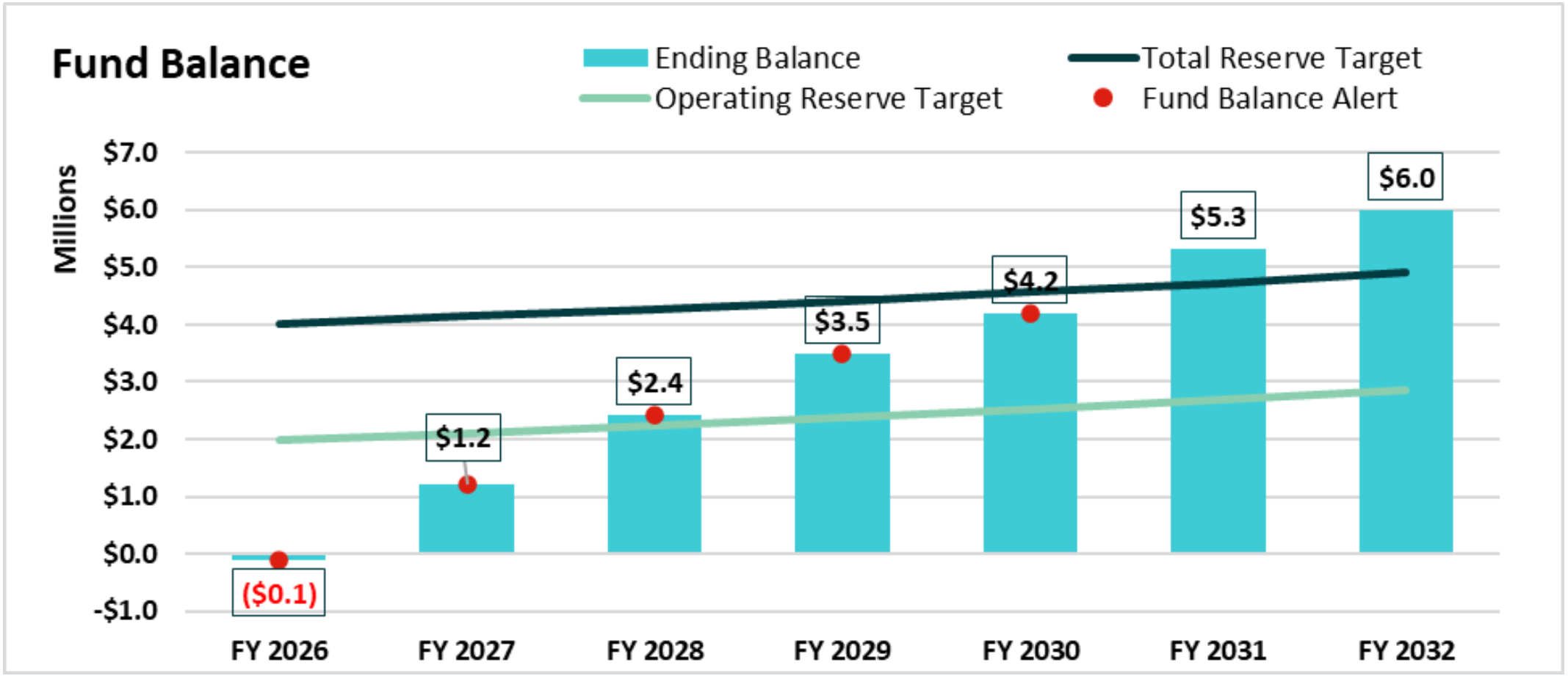
Alternative		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Revenue Increase	95%	17%	3%	3%	2%
	Capital Execution	60%	60%	60%	60%	60%
	Loan	$9M				
2	Revenue Increase	60%	40%	2%	2%	2%
	Capital Execution	15%	15%	20%	65%	75%
	Loan	$7M				

Capital Improvement Projects

Capital - Inflated	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Total
Alternative 1	$0	$1,840,601	$1,840,601	$1,840,601	$1,840,601	$7,362,404
Alternative 2	$0	$460,150	$460,150	$613,534	$1,993,984	$3,527,818

Alternative 1

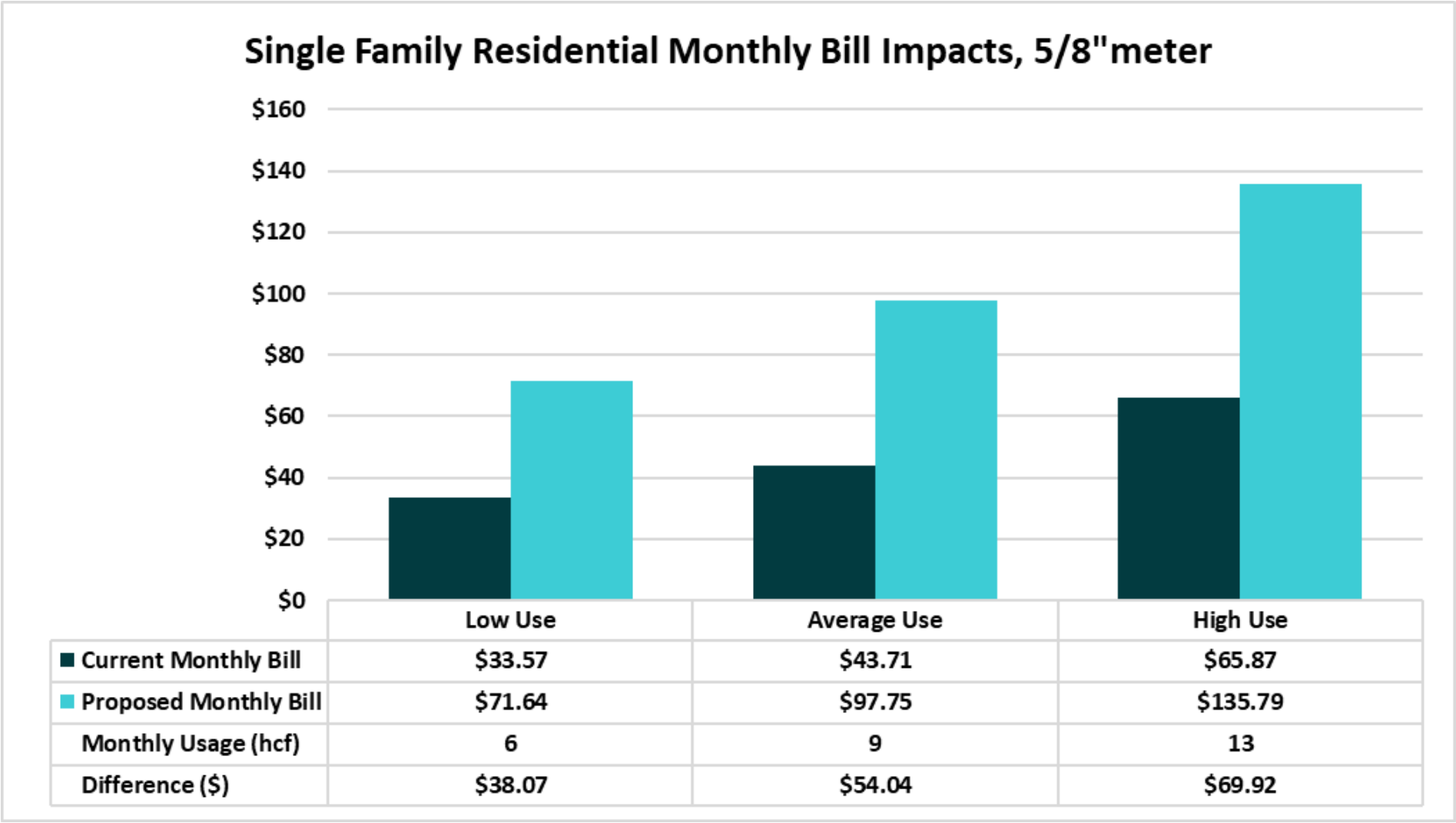
Alternative 1 – Projected Reserve Balances



Rate Derivation

- The City gets groundwater from San Benito County Water District and surface water from the Hollister Urban Area JPA
- Groundwater is less expensive
- City aims to use less ground water due to water quality concerns
- This especially increases the tier 1 rate because it is based on the cost of groundwater
- Therefore, revenue increases are not the same as single family residential bill impacts

First Year Bill Impacts



	Low Use	Average Use	High Use
Current Monthly Bill	$33.57	$43.71	$65.87
Proposed Monthly Bill	$71.64	$97.75	$135.79
Monthly Usage (hcf)	6	9	13
Difference ($)	$38.07	$54.04	$69.92

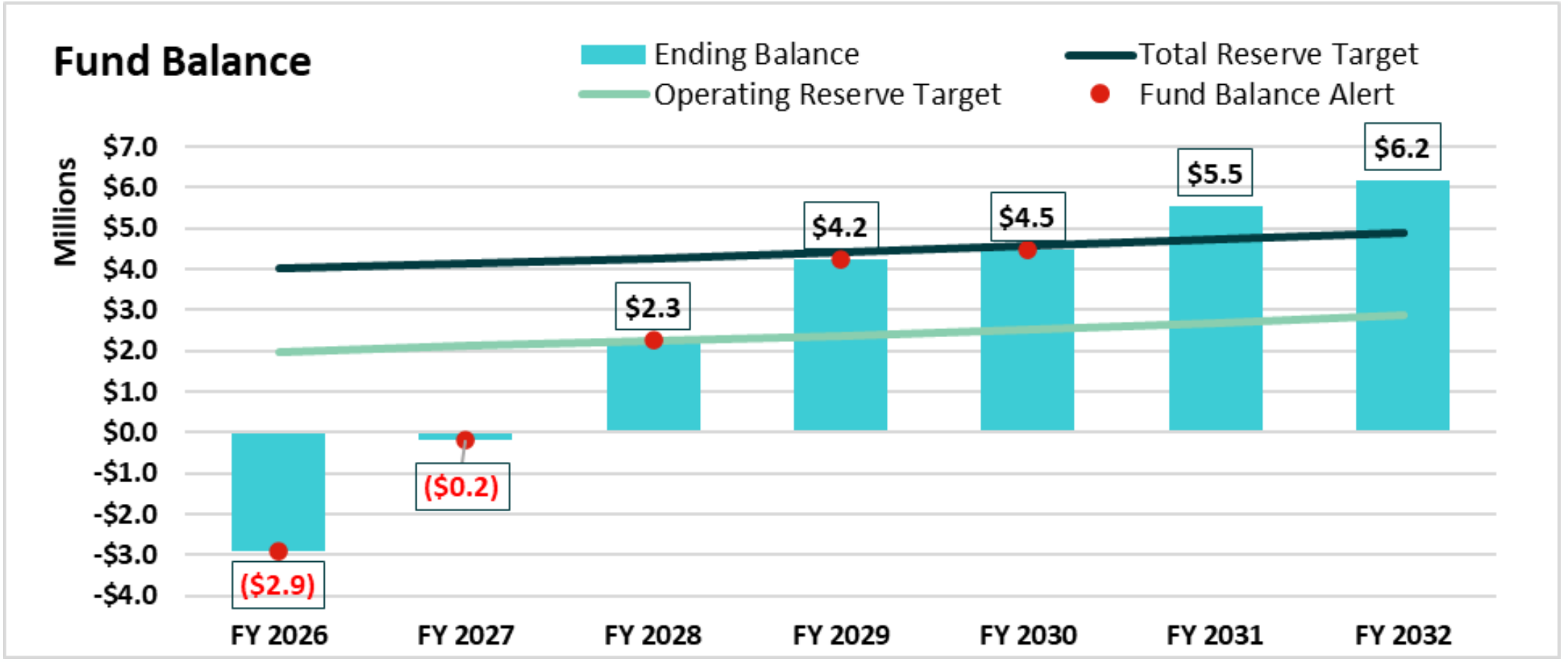
Alternative 1 Five Year Rates

Line No.	Monthly Fixed Charges	Current	Proposed FY 2026	Proposed FY 2027	Proposed FY 2028	Proposed FY 2029	Proposed FY 2030
1	5/8"	$13.29	$29.10	$34.05	$35.07	$36.12	$36.84
2	3/4"	$13.29	$29.10	$34.05	$35.07	$36.12	$36.84
3	1"	$28.16	$45.50	$53.24	$54.84	$56.49	$57.62
4	1 1/2"	$52.68	$86.49	$101.19	$104.23	$107.36	$109.51
5	2"	$78.95	$135.68	$158.75	$163.51	$168.42	$171.79
6	3"	$155.53	$291.46	$341.01	$351.24	$361.78	$369.02
7	4"	$232.13	$521.02	$609.59	$627.88	$646.72	$659.65
8	6"	$461.93	$1,316.30	$1,540.07	$1,586.27	$1,633.86	$1,666.54
9	8"	$713.61	$2,300.14	$2,691.16	$2,771.89	$2,855.05	$2,912.15

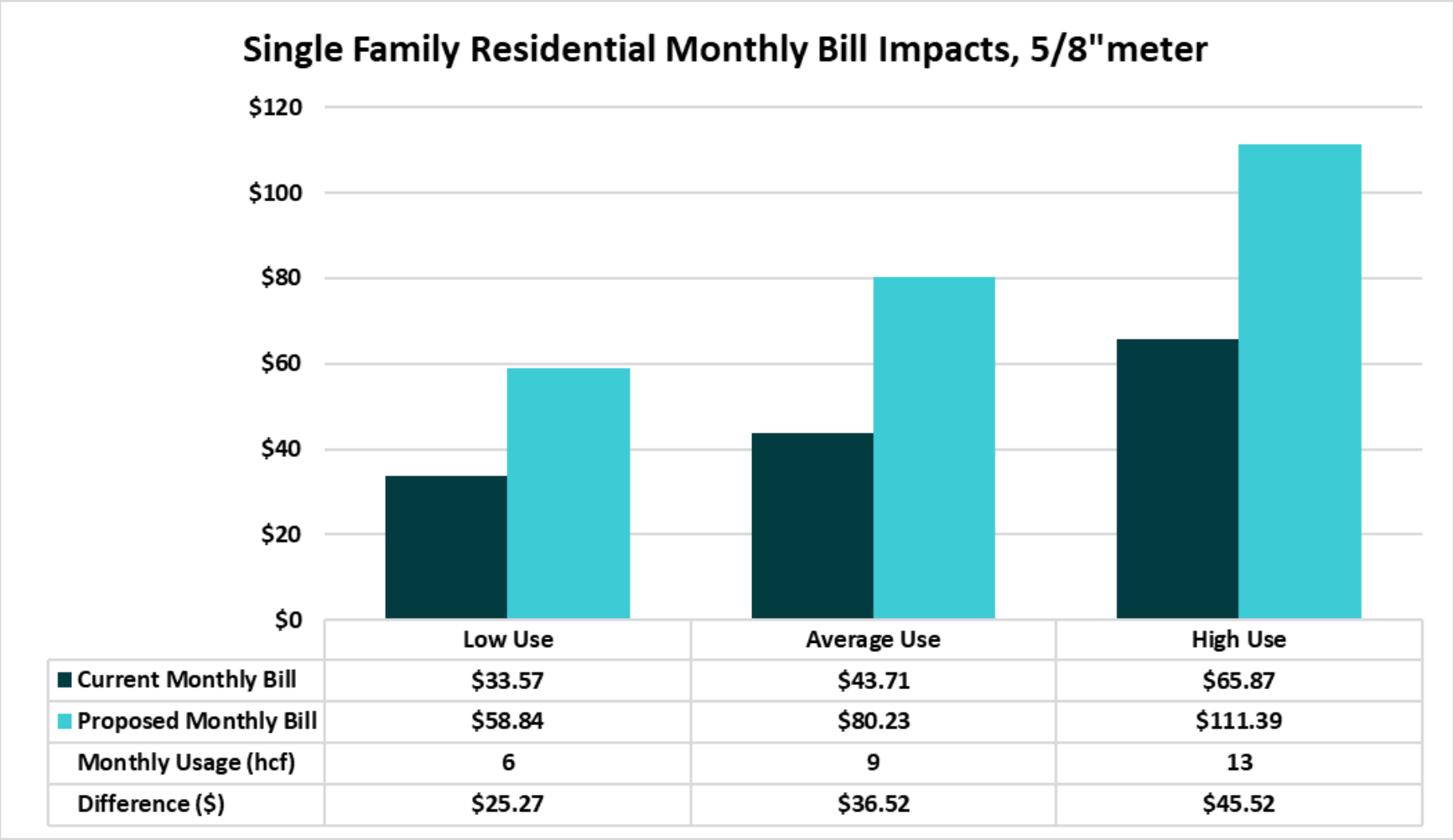
Line No.	Commodity Charges	Current	Proposed FY 2026	Proposed FY 2027	Proposed FY 2028	Proposed FY 2029	Proposed FY 2030
1	**Single Family Residential**						
2	Tier 1	$3.38	$7.09	$8.30	$8.55	$8.81	$8.99
3	Tier 2	$5.54	$9.51	$11.13	$11.46	$11.80	$12.04
4	Tier 3	$6.34	$10.80	$12.64	$13.02	$13.41	$13.68
5	**Multi-Family/Industrial**	$4.39	$8.23	$9.63	$9.92	$10.22	$10.42
6	**Commercial**	$4.39	$8.04	$9.41	$9.69	$9.98	$10.18
7	**Landscape**	$4.39	$9.05	$10.59	$10.91	$11.24	$11.46

Alternative 2

Alternative 2 – Projected Reserve Balances



First Year Bill Impacts



	Low Use	Average Use	High Use
Current Monthly Bill	$33.57	$43.71	$65.87
Proposed Monthly Bill	$58.84	$80.23	$111.39
Monthly Usage (hcf)	6	9	13
Difference ($)	$25.27	$36.52	$45.52

Alternative 2 Five Year Rates

Line No.	Monthly Fixed Charges	Current	Proposed FY 2026	Proposed FY 2027	Proposed FY 2028	Proposed FY 2029	Proposed FY 2030
1	5/8"	$13.29	$23.98	$33.33	$34.00	$34.68	$35.37
2	3/4"	$13.29	$23.98	$33.33	$34.00	$34.68	$35.37
3	1"	$28.16	$37.52	$52.15	$53.19	$54.25	$55.34
4	1 1/2"	$52.68	$71.37	$99.20	$101.18	$103.20	$105.26
5	2"	$78.95	$111.98	$155.65	$158.76	$161.94	$165.18
6	3"	$155.53	$240.61	$334.45	$341.14	$347.96	$354.92
7	4"	$232.13	$430.17	$597.94	$609.90	$622.10	$634.54
8	6"	$461.93	$1,086.85	$1,510.72	$1,540.93	$1,571.75	$1,603.19
9	8"	$713.61	$1,899.23	$2,639.93	$2,692.73	$2,746.58	$2,801.51

Line No.	Commodity Charges	Current	Proposed FY 2026	Proposed FY 2027	Proposed FY 2028	Proposed FY 2029	Proposed FY 2030
1	**Single Family Residential**						
2	Tier 1	$3.38	$5.81	$8.08	$8.24	$8.40	$8.57
3	Tier 2	$5.54	$7.79	$10.83	$11.05	$11.27	$11.50
4	Tier 3	$6.34	$8.85	$12.30	$12.55	$12.80	$13.06
5	**Multi-Family/Industrial**	$4.39	$6.74	$9.37	$9.56	$9.75	$9.95
6	**Commercial**	$4.39	$6.58	$9.15	$9.33	$9.52	$9.71
7	**Landscape**	$4.39	$7.42	$10.31	$10.52	$10.73	$10.94

RAFTELIS

Thank you

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