



## City of Isleton

# Wastewater Rate Study - Five Year Financial Plan

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## Glossary of Acronyms and Abbreviations

RCAC – Rural Community Assistance Corporation

EPA – Environmental Protection Agency

City – City of Isleton, California

Staff – Staff members of the City of Isleton, California

MHI – Median Household Income

FYE – Fiscal Year Ending

O&M – Operations and Maintenance

CIP – Capital Improvement Plan

CWSRF – Clean Water State Revolving Fund

USDA – United States Department of Agriculture

FEMA – Federal Emergency Management

## Executive Summary

The Rural Community Assistance Corporation (RCAC) received funding from the Environmental Protection Agency (EPA) to develop a long-term financial plan and rate study for the City of Isleton’s wastewater enterprise fund. The EPA provides funding for technical assistance projects such as this one because of the City’s status as a disadvantaged community.

Revenues from the City’s wastewater enterprise are primarily derived from charges for services. The City is obliged to establish rates and charges that are adequate to fund the cost of providing services, which includes costs for operations and maintenance, debt service, any capital improvements needed to keep the City’s utility infrastructure in a safe and reliable operating condition, and sufficient reserves. A rate study intends to evaluate all costs and recommend rate revenue requirements over the next five years and establish a rate structure that is fair and equitable to all customers, as well as aligns with any applicable laws.

The City has not raised rates since July 1, 2012. Current rates are not adequate to fund operating costs or make current debt payments, and the wastewater enterprise is facing several million dollars in necessary and emergency capital improvements. Because detailed customer records were not available at the time of this study, RCAC focused rate recommendations on the overall financial sustainability of the sewer enterprise given its severe operating deficit, and did not make specific recommendations on changes to the City’s current rate structure. The recommended rates address the City’s current operating deficit and make minimal contributions to reserves, as well as funding \$300,000 in capital improvement expenses over 5 years. Rates were lowered from the full cost of service in this financial plan to prioritize customer affordability.

RCAC recommends that the City evaluate their rate structure, including the current commercial multiplier and outside city rates in a revised rate study once revenues are sufficient to resolve the operating deficit and the City is in a stable financial position.

A schedule of current and proposed rates is shown in **Table ES-1**.

**Table ES-1: Current and Proposed Bimonthly Wastewater Rate Schedule**

<b>Rate Increase (No Structure Change)</b>						
	<b>Current</b>	<b>9/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>	<b>7/1/2028</b>	<b>7/1/2029</b>
<b>Fixed Monthly Rates</b>						
Single Family Inside City	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
Single Family Outside City	\$79.00	\$101.91	\$126.37	\$131.42	\$136.68	\$142.15
Multi Family Inside City	\$58.00	\$74.82	\$92.78	\$96.49	\$100.35	\$104.36
Multi Family Outside City	\$64.00	\$82.56	\$102.37	\$106.47	\$110.73	\$115.16
Commercial Inside City	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
Commercial Outside City	\$79.00	\$101.91	\$126.37	\$131.42	\$136.68	\$142.15
<b>Affordability</b>	<b>0.7%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.3%</b>

# Introduction

## Rural Community Assistance Corporation

Founded in 1978, RCAC provides training, technical, and financial resources, and advocacy so rural communities can achieve their goals and visions. Since 1978, our dedicated staff and active board, coupled with our key values: leadership, collaboration, commitment, quality, and integrity, have helped effect positive change in rural communities across the West.

RCAC's work includes environmental infrastructure (water, wastewater, and solid waste facilities), affordable housing development, economic and leadership development, and community development finance. These services are available to communities with populations of fewer than 50,000, other nonprofit groups, tribal organizations, farmworkers, colonias and other specific populations. Headquartered in West Sacramento, California, RCAC's employees serve rural communities in 13 western states and the Pacific islands.

## Purpose of this study

An accurate and useful rate analysis not only identifies the total annual revenue required by a utility to conduct its normal day-to-day operations, but it also anticipates and plans for future operating and capital needs. Furthermore, the analysis attempts to determine whether the projected revenue under existing rates will satisfy those needs. The primary objective of this process is to ensure that the utility has the ability to obtain sufficient funds to develop, construct, operate, maintain, and manage its wastewater system on a continuing basis, in full compliance with federal, state, and local requirements.

## Governing body responsibilities

Governing body responsibilities for the system operation include maintaining sufficient revenue and reserves to provide for ongoing maintenance for the foreseeable future. The ultimate responsibility of the governing body is to ensure preserved public health and compliance with environmental regulations.

## Guiding principles in a rate study

### Sustainable

Wastewater rates should cover the costs to the wastewater utility to allow it to provide wastewater services for the foreseeable future and prepare for system repair and replacement. This will allow the system to continue to support safe and healthy drinking water and sustainable wastewater treatment and disposal practices for future generations.

## Fair

Wastewater rates should be fair to all rate payers. The utility should not charge more for wastewater than the cost to provide the water. However, the costs should include operations, maintenance, reserves, and all other costs related to the treatment and distribution of wastewater now and in the foreseeable future. Therefore, the proposed rates are based on the wastewater utility budget, needed capital repair and replacement, and historic customer data.

## Justifiable

Rates should be easily justifiable. When determining rate recommendations, RCAC considers if the proposed rates are necessary and justifiable, given the true costs of operating the system safely.

**Because detailed customer records were not available at the time of this study, RCAC focused rate recommendations on the overall financial sustainability of the sewer enterprise and did not make specific recommendations on changes to the City's current rate structure.**

## Meets State or Funder Specific Requirements

The City of Isleton's wastewater system is not under funder requirements for reserves and rates. However, the governing body is obligated by its responsibilities to provide for sufficient reserves and long-term sustainability. Some California requirements, however, do apply to wastewater rate setting.

## Proposition 218

California approved Proposition 218 in 1996 requiring agencies to adopt property fees and charges in accordance with a defined public process found in article XIII D or by associated court decision. Water and wastewater rates are user fees under the definition and must meet the following requirements:

- Revenues derived from the fee or charge must not exceed the funds required to provide the property-related service.
- Revenue from the fee or charge must not be used for any purpose other than that for which the fee or charge is imposed.
- No fee or charge may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available to the public in substantially the same manner as it is to property owners.
- The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel.
- The fee or charge may not be imposed for service, unless the service is used by, or immediately available to, the owner of the property in question.

Written notice should be given to both the record owners and customers within the area subject to the fee or charge. The notice shall include the following:

- The formula or schedule of charges by which the property owner or customer can easily calculate their own potential charge.
- The basis upon which the amount of the proposed fee or charge is to be imposed on each parcel. An explanation of the costs which the proposed fee will cover and how the costs are allocated among property owners.
- Date, time, and location of a public hearing on the rate adjustment. The public hearing must occur 45 or more days after the mailing of the notice.
- A statement that there is a 120-day statute of limitations for challenging any new, increased, or extended fee or charge.

California's Proposition 218 provides that a customer of the City or owner of record of a parcel or parcels subject to the proposed rate increases may submit a protest against any or all of the proposed rate increases by filing a written protest with the City at or before the time the public hearing has concluded. Only one protest per parcel is counted. If written protests are filed by a majority of the affected parcels, the proposed rate increases will not be imposed.

The Proposition 218 notice, which was prepared for the City of Isleton in accordance with all above requirements and sent to all ratepayers in advance of the public hearing can be found following this report in **Appendix B**.

## Statute of Limitations

Pursuant to California Government Code 53759, there is a 120-day statute of limitations for challenging any new, increased, or extended fees. This statute of limitations applies to the wastewater rates proposed in this rate study and is included in the Proposition 218 Notice.

## California Government Code § 53756

California Government Code 53756 permits local agencies to adopt utility rates for a period not exceeding five years, provided that any increases—whether inflationary or otherwise—are based on a clearly defined formula. These adjustments must not exceed the actual cost of providing the service, aligning with the principles of Proposition 218.

## Disclaimer

*The findings, recommendations and conclusions contained in this rate analysis are based on financial information provided to RCAC by City of Isleton staff. Although reasonable care was taken to ensure the reliability of this information, no warranty is expressed or implied as to the correctness, accuracy or completeness of the information contained herein. Any action taken on the basis of such findings, recommendations or conclusions is undertaken at the discretion of the City. In no event will RCAC or its partners, employees or agents be liable for any decision made or action taken in reliance on the information contained in this analysis.*

# Wastewater System Overview

## City of Isleton

### Community

The City of Isleton was incorporated in 1923 within Sacramento County, California. It is located on Andrus Island amid the Sacramento-San Joaquin River Delta, on the eastern edge of the Rio Vista Gas Field. The City has a population of 794 according to the 2020 US Census and a median household income of \$59,250 (data.census.gov, 2023).

The City’s public works department provides a variety of services to its residents, including parks, street maintenance, and the operation and maintenance of a wastewater system.

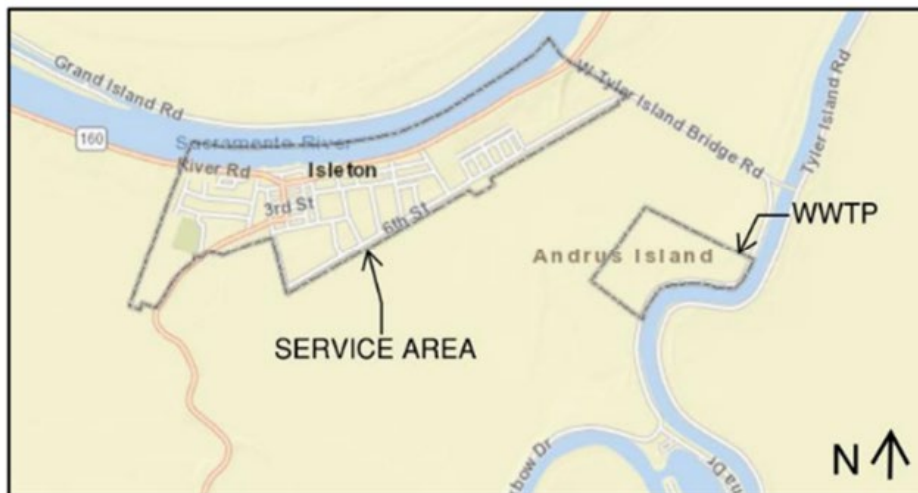
### Wastewater System

The City of Isleton’s sewer system is responsible for collecting, treating, and disposing of wastewater from residential, commercial, and industrial sources. The system includes approximately 21,107 feet of gravity sewer mains and 81 manholes, primarily flowing from North to South and then East to West. The city owns and maintains all wastewater facilities, including the Wastewater Treatment Facility (WWTF), which processes wastewater from the collection system. The system currently serves 472 wastewater customers both inside and outside the City limits, equivalent to 673 residential dwelling units.

### System Boundary and Map

The City provides sewer service to residents within City limits and accepts septage from nearby Oxbow Marina. The sewer service area can be seen in **Figure 1**.

Figure 1: Wastewater System Boundary Map



## Isleton Wastewater Rate Study Objectives

RCAC held a kick off meeting with the City of Isleton on February 29, 2024 to discuss staff's goals and objectives for the rate study. We discussed the objectives described in this report section titled Guiding Principles in a Rate Study. The City's primary objective for our study is to raise rates toward a financially sustainable wastewater enterprise, considering the City's dire financial status, current revenue deficit, and large capital improvement projects on the horizon. RCAC developed this study with that objective while also keeping in mind customer affordability. Our methodology is described in the sections following.

## Information Received

RCAC submitted a data request list to the City of Isleton following the kickoff meeting, which included:

- Current wastewater rate schedule and any supporting documents
- Past 3 years of actual revenues and expenditures (Fiscal Year Ending 2023-2025)
- Past 3 years of historical budgets (FYE 2024- 2026)
- Debt payment schedules for any current debt
- Detailed customer data including customer class and any demand data available
- Current capital improvement project estimates and desired completion dates
- Any planned grant funding applications or future financing

While the City was able to send their current rate resolution, there was some confusion regarding the source for the City's rate multiplier for commercial classes, described in the next section. The City also did not have detailed customer information for their commercial classes, so any changes to the rate structure would require the City to conduct a survey of business types and uses within its service area. Given the goals and objectives of the rate study (the City's dire financial position), RCAC elected to assess the City's overall revenue requirement and recommend overall percentage increases for the next five years while recommending that Staff reevaluate their rate structure as soon as staff time allows.

RCAC was unable to acquire complete and accurate financial data for recent years, as the City has faced significant staffing shortages and turnover. While the City has adopted budgets in the past, they were not comprehensive or an accurate reflection of costs. The last complete year of actual expenses available to RCAC was FYE 2022-23, from which RCAC used to base projections for the five-year financial plan FY 2025-2029. Projections were based on Staff estimates of current costs, and escalated using the 20-year average change in CPI where detailed cost data was not available.

The City provided RCAC with detailed project estimates, current debt schedules, and grant funding status to inform the rate study.

## Current Wastewater Rates

The City currently charges for wastewater service using a flat bi-monthly rate structure by customer class, including Residential, Multi Family, and Commercial classes. Customers outside the city are charged 10% more than customers inside city via a multiplier. Commercial users are charged according to a schedule of multipliers related to the strength of wastewater generated from different types of businesses. Current wastewater rates are shown on **Table 1**.

**Table 1: Current Wastewater Rates**

<b>Current Bimonthly Rate Schedule, Established March 1, 2012</b>			
<b>Charge</b>	<b>Rate</b>	<b>per</b>	<b>Unit</b>
Single Family Inside City	\$72.00	account	flat charge
Single Family Outside City	\$79.00	account	flat charge
Multi Family Inside City	\$58.00	dwelling unit	flat charge
Multi Family Outside City	\$64.00	dwelling unit	flat charge
Commercial Inside City	\$72.00	x multiplier*	flat charge
Commercial Outside City	\$79.00	x multiplier*	flat charge

**Notes**  
 source: Resolution no. 2012-03  
 A Resolution of the City Council of the City of Isleton Increasing Sewer Rates

## Current Wastewater Revenues

RCAC used past billing data records to estimate the current multipliers for each customer. This was used to calculate current wastewater revenues as shown in **Table 2**.

**Table 2: Current Wastewater Rate Revenues**

<b>Current Customers &amp; Estimated Annual Revenue</b>				
<b>Customer Class</b>	<b># Customers</b>	<b>Mutiplier / # Dwelling Units</b>	<b>Current Monthly Rate</b>	<b>Total Annual Revenue</b>
Single Family Inside City	259	252	\$72.00	\$217,830
Single Family Outside City	99	100	\$79.00	\$94,879
Multi Family Inside City	45	175	\$58.00	\$121,592
Multi Family Outside City	0	0	\$64.00	\$0
Commercial Inside City	66	120	\$72.00	\$103,336
Commercial Outside City	3	26	\$79.00	\$25,028
<b>Total</b>	<b>472</b>	<b>673</b>		<b>\$562,665</b>

The City currently collects about \$563,000 in revenues each year from current wastewater rates, not including accounts receivable.

## Current Operating Expenses

As described above, the City does not have current and accurate financial records for recent fiscal years. The last year of complete actual expenses made available to RCAC is FY 2021-22 and FY 2022-23, which RCAC used as the basis for projections in the five year financial plan FY 2025-29. Projections were based on Staff estimates of current costs, and escalated using the 20-year average change in CPI where current cost data was not available.

The City’s current operating expenses are summarized in **Table 3**.

**Table 3: Current Wastewater Operating Expenses**

Operations and Maintenance Expense Projection						
	Actual	Projection				
	2022-23	2024-25	2025-26	2026-27	2027-28	2028-29
All O&M	(projected change in cpi)	8.0%	4.0%	4.0%	4.0%	4.0%
Total Staffing	\$197,231	\$213,009	\$221,530	\$230,391	\$239,607	\$249,191
Total Professional Services	\$42,073	\$45,439	\$47,256	\$49,146	\$51,112	\$53,157
Total Equipment Maint & Repair	\$80,821	\$87,287	\$100,110	\$135,795	\$141,226	\$146,875
Total Utilities & Supplies	\$13,447	\$14,523	\$15,104	\$15,708	\$16,337	\$16,990
Total Other	\$169,829	\$83,303	\$86,635	\$90,100	\$93,705	\$97,453
<b>O&amp;M TOTAL</b>	<b>\$503,401</b>	<b>\$443,561</b>	<b>\$470,635</b>	<b>\$521,141</b>	<b>\$541,987</b>	<b>\$563,666</b>

▼ Roughly 4% per year compounded over two years to reach 2024-25 projected costs.

These expenditures do not include Debt Service or Capital Improvement Plan expenditures.

## Debt Service

The City currently has two debt issuances, a USDA loan and a 2019 Taxable Refunding Bond. A schedule of payments over the next five years is on Table 4.

**Table 4: Current Debt Service Schedule**

Current Debt Service Projection							
	Budget		Projection				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
<b>Current Debt Service</b>							
USDA Loan	\$47,843	\$47,843	\$61,577	\$61,629	\$61,628	\$61,672	\$61,658
2019 Taxable Refunding Bond	\$145,878	\$145,878	\$146,363	\$143,363	\$145,238	\$146,863	\$148,238
<b>TOTAL DEBT SERVICE</b>	<b>\$193,721</b>	<b>\$193,721</b>	<b>\$207,939</b>	<b>\$204,992</b>	<b>\$206,865</b>	<b>\$208,535</b>	<b>\$209,896</b>

## Reserve Fund Balance

The City is in dire financial position and does not currently have any wastewater funds in reserves.

## Five-Year Financial Plan

RCAC input the data described in the above sections, including revenues, operating and maintenance costs, current debt, capital improvement costs, and fund balance requirements into a five year cash-flow projection in order to calculate the revenue required to fund all wastewater system costs. We used several parameters to calculate the revenue requirement, including minimum reserve fund targets and minimum debt service coverage as described below.

### Reserve Fund Targets

While the City does not have any current reserve funding, California state guidelines and good financial management practices dictate that wastewater systems should establish the following minimum reserves.

- **Operating Reserve:** The purpose of this reserve is to cover any instance where costs are higher than anticipated, or revenues fall short of expenses in a given year. This reserve should be a minimum of 90 days, or 3 months, of the total O&M budget. RCAC recommends that this reserve be set at a minimum of \$125,850, or one quarter of the 2024-25 O&M budget.
- **Capital Improvement Plan (CIP) Reserve:** The purpose of this reserve is to save for regular replacement of capital assets as they approach their useful life. Rather than a capital improvement reserve, the City of Isleton has outlined specific projects in their Capital Improvement Plan which are described below.
- **Emergency Reserve:** The purpose of this reserve is to save for a major equipment break. There are two common methodologies for calculating this minimum reserve: the value of your single most expensive asset or 1-3% of the system's current asset value. In Isleton's case, RCAC recommends that the City strive to hold at least \$177, 415 in reserves each year, or 2% of their current asset value escalated to current dollars.

With future rate increases, the City should also incorporate the following minimum reserve requirement:

- **Debt Reserve:** At a minimum, the City should hold at least 1 year of total debt payments in reserve. Currently, the City's debt payments amount to \$193,721.

While not specifically outlined as debt reserves, the total minimum fund balance projection in **Table 5** is greater than one year of debt payments and can be used to meet any related loan or bond terms if desired.

Because costs are projected to increase each year, so too should minimum fund balance projections. This is illustrated in Table 5, which shows a 4% increase in the proposed minimum per year.

**Table 5: Minimum Fund Balance Projection**

Target	Budget					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Operating Fund Target						
3 months annual O&M	\$94,809	\$125,850	\$110,890	\$117,659	\$130,285	\$135,497
Capital Reserve Fund Target						
2% current asset value	\$170,591	\$177,415	\$184,512	\$191,892	\$199,568	\$207,550
<b>Total Fund Balance Target</b>	<b>\$265,401</b>	<b>\$303,265</b>	<b>\$295,402</b>	<b>\$309,551</b>	<b>\$329,853</b>	<b>\$343,047</b>

## Capital Improvement Plan Funding

The City has significant capital improvement needs as outlined in Table 6.

**Table 6: Minimum Fund Balance Projection**

Project	2024 Replacement Cost <sup>1</sup>	Projection - Cash Funded				
		2024-25	2025-26	2026-27	2027-28	2028-29
<b>Immediate Replacement Needs<sup>2</sup></b>						
WWTP San Sewer Upgrade	\$7,000,000	\$0	\$0	\$0	\$0	\$0
Emergency Manhole Repair	\$394,662	\$0	\$0	\$0	\$0	\$0
Sludge Removal	\$300,000	\$0	\$0	\$0	\$0	\$0
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<b>\$7,694,662</b>	<b>\$0</b>	<b>\$0</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$100,000</b>

The City faces \$7,694,662 in immediate capital project needs, which would be a significant investment from current ratepayers on top of the current operating deficit. The City is currently in the application process for a Clean Water State Revolving Fund (CWSRF), United States Department of Agriculture (USDA) Rural Development and Federal Emergency Management (FEMA) grants but will need audited financial statements before these applications can be completed. In the meantime, RCAC suggests that the City begin to collect a minimal amount of CIP funding from ratepayers, as ratepayer affordability allows. The proposed five year financial plan has a total of \$150,000 in CIP funding which will begin to be collected in FY 2026-27.

## Debt Service Coverage

A debt service coverage requirement is part of the terms of issuance for some kinds of financing, and in general is good practice for management of debt. The debt service coverage equation is shown below.

$$\frac{\text{total revenues} - \text{operating expenses}}{\text{total debt service payment}} \geq 1.25$$

The City has two debt issuances, a USDA loan and a refunding bond. Given their current operating deficit, the City’s debt coverage is 0.82 as of FY 2024–25. In other words, they are currently unable to

make full payments on their debt. In the five year cash flow projection, RCAC targeted rate increases for debt service coverage of at least 1.25.

## Five Year Wastewater Cash Flow Projection

RCAC developed a 5-year cash flow projection to calculate rate revenue requirements over the next 5 years, with the following summarized objectives:

- Fund all operations and maintenance costs
- Make full debt service payments (coverage at least 1.25)
- Maintain a minimum fund balance
- Fund capital improvements
- Maintain ratepayer affordability of less than 3% of median household income over all 5 years

The City of Isleton’s cash flow projection is shown below in Table 7.

**Table 7: Five Year Cash Flow Projection**

Category	Budget 2023-24	Projection 2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Rate Increase Adoption Date	7/1/2023	7/1/2024	9/1/2025	7/1/2026	7/1/2027	7/1/2028	7/2/2028
Effective Months	12	12	10	12	12	12	12
% Rate Revenue Increase	0%	0.0%	29.0%	24.0%	4.0%	4.0%	4.0%
Residential Bill, Current Rate Structure	\$72.00	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
<b>BEGINNING FUND BALANCE</b>	<b>\$0</b>	<b>\$34,665</b>	<b>\$0</b>	<b>\$20,068</b>	<b>\$143,974</b>	<b>\$281,162</b>	<b>\$382,444</b>
<b>REVENUE</b>							
O&M Charge	\$562,665	\$562,665	\$698,642	\$900,039	\$936,040	\$973,482	\$1,012,421
Total Operating Revenue	\$562,665	\$562,665	\$698,642	\$900,039	\$936,040	\$973,482	\$1,012,421
Non-Operating Revenue	\$169,122	\$0	\$0	\$0	\$0	\$0	\$0
General Fund Contribution		\$39,952	\$0	\$0	\$0	\$0	\$0
<b>TOTAL REVENUE</b>	<b>\$731,787</b>	<b>\$602,617</b>	<b>\$698,642</b>	<b>\$900,039</b>	<b>\$936,040</b>	<b>\$973,482</b>	<b>\$1,012,421</b>
<b>EXPENSE</b>							
Total Operating Expense	\$503,401	\$443,561	\$470,635	\$521,141	\$541,987	\$563,666	\$586,213
Total Debt Service	\$193,721	\$193,721	\$207,939	\$204,992	\$206,865	\$208,535	\$209,896
Total Annual CIP		\$0	\$0	\$50,000	\$50,000	\$100,000	\$100,000
<b>TOTAL EXPENSE</b>	<b>\$697,122</b>	<b>\$637,282</b>	<b>\$678,574</b>	<b>\$776,132</b>	<b>\$798,852</b>	<b>\$872,200</b>	<b>\$896,108</b>
<b>NET REVENUES</b>	<b>\$34,665</b>	<b>-\$34,665</b>	<b>\$20,068</b>	<b>\$123,906</b>	<b>\$137,189</b>	<b>\$101,281</b>	<b>\$116,313</b>
<b>ENDING FUND BALANCE</b>	<b>\$34,665</b>	<b>\$0</b>	<b>\$20,068</b>	<b>\$143,974</b>	<b>\$281,162</b>	<b>\$382,444</b>	<b>\$498,757</b>
# Months O&M in Reserves	1 months	0 months	1 months	3 months	6 months	8 months	10 months
Debt Service Coverage ( $\geq 1.25x$ )	1.18	0.82	1.10	1.85	1.90	1.97	2.03
Fund Balance Target	\$265,401	\$303,265	\$295,402	\$309,551	\$329,853	\$343,047	\$356,769
% Above/Below Target	13%	0%	7%	47%	85%	1.11	1.40

The proposed rate revenue increases are front-loaded in the first two years with a proposed 29% increase effective September 1, 2025 and a 24% increase effective July 1, 2026 to address the City's current operating deficit as quickly as possible. Rates are proposed to increase July 1<sup>st</sup> of each year in line with the City's fiscal year.

In the outer years, RCAC recommends that the City continue to keep up with inflationary cost increases at 4% per year at a minimum. In 2027, when the current deficit is resolved, the City should revisit this rate study to consider increasing rates further and evaluate the wastewater rate structure as described below. Note that any rate increases beyond what is proposed herein will be subject to new Proposition 218 proceedings.

## Proposed Wastewater Rate Schedule

The revenue requirements developed in the cash flow were used to recommend wastewater rates over the next 5 years.

## Methodology and Disclaimer

Because detailed customer records were not available at the time of this study, RCAC focused rate recommendations on the overall financial sustainability of the sewer enterprise and did not make specific recommendations on changes to the City’s current rate structure. The City will need to re-evaluate the commercial and outside city multipliers in their rate structure to ensure that they are reflective of current costs. Given current staffing shortages at the City and the dire need for wastewater revenue increases, RCAC recommends simply increasing the current rates according to the proposed rate revenue increases as shown below. Once the deficit is resolved, the City may wish to revisit the wastewater rate structure with a new rate study.

## Proposed Wastewater Rate Schedule

The proposed wastewater rate schedule is shown in Table 8 below.

**Table 8: Proposed Rate Schedule**

<b>Rate Increase (No Structure Change)</b>						
	<b>Current</b>	<b>9/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>	<b>7/1/2028</b>	<b>7/1/2029</b>
<b>Fixed Monthly Rates</b>						
Single Family Inside City	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
Single Family Outside City	\$79.00	\$101.91	\$126.37	\$131.42	\$136.68	\$142.15
Multi Family Inside City	\$58.00	\$74.82	\$92.78	\$96.49	\$100.35	\$104.36
Multi Family Outside City	\$64.00	\$82.56	\$102.37	\$106.47	\$110.73	\$115.16
Commercial Inside City	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
Commercial Outside City	\$79.00	\$101.91	\$126.37	\$131.42	\$136.68	\$142.15
<b>Affordability</b>	<b>0.7%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.3%</b>

**Affordability Index** = average annual residential bill for wastewater / annual MHI

Based on the City’s median household income, the rates will stay below 3% of MHI for the five years of this rate study.

## Conclusion and Recommendations

This rate study report presents a comprehensive review of the City’s sewer revenue requirements and rate structures. The City will need regular annual rate increases to keep up with cost inflation and sustain their wastewater system. While RCAC did not evaluate the current wastewater rate structure, the proposed rate revenues are based on the cost of service and are intended to fund operating costs and build back reserves.

The City mailed the proposed rate schedule to all ratepayers in a Proposition 218 notice in accordance with all requirements and held a public hearing on August 26, 2025 at the City Council

Chambers. The City received minimal protests and successfully passed the 5-year rate schedule at the hearing.

RCAC recommends that the City:

- Publish this rate study online so that the terms of California Government Code 53759 can be met, establishing a 120-day statute of limitations on the proposed rates.
- Continue to follow the proposed 5-year rate schedule at a minimum, raising rates July 1 of each year.
- Continue to apply for grant funding and complete recent audited financial statements to meet the eligibility requirements for these grants and pursue the funding necessary for the City's capital improvements.
- Evaluate the current wastewater rate structure as soon as staff time allows, including commercial multiplier and outside city rates, to ensure that they align with the current cost of service
- Also consider increasing rates in FY 2027 as affordability allows to fund additional capital improvements, and establish reserves sufficient to meet minimum operating, CIP, emergency and debt reserves.
- Notice any further rate increases, hold a public hearing, and tally written protests before adopting new rates. Any further rate increases must be proposed as part of a new Prop 218 process.
- Review and update this rate study at least every five years, or concurrent with any major changes to the wastewater system

RCAC would like to thank the City of Isleton for their participation in this study, and the EPA for its generous funding for this project. RCAC has enjoyed working with these project partners. Please do not hesitate to contact RCAC with any questions or if further assistance is needed,

[Contact Us - RCAC](#)

# Appendix A. Rate Study Calculation Tables



# City of Isleton Wastewater Rate Study

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Prepared by:

**Rural Community Assistance Corporation**  
Mila Kulikov, Small Utility Project Manager II  
Abigail Seaman, Utility Finance Consultant III



**Draft Calculation Tables**

June 2025

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Table 1  
City of Isleton

**Current Monthly Wastewater Rates**

*Established March 1, 2012*

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**Current Bimonthly Rate Schedule, Established March 1, 2012**

<b>Charge</b>	<b>Rate</b>	<b>per</b>	<b>Unit</b>
Single Family Inside City	\$72.00	<i>account</i>	<i>flat charge</i>
Single Family Outside City	\$79.00	<i>account</i>	<i>flat charge</i>
Multi Family Inside City	\$58.00	<i>dwelling unit</i>	<i>flat charge</i>
Multi Family Outside City	\$64.00	<i>dwelling unit</i>	<i>flat charge</i>
Commercial Inside City	\$72.00	<i>x multiplier*</i>	<i>flat charge</i>
Commercial Outside City	\$79.00	<i>x multiplier*</i>	<i>flat charge</i>

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**Notes**

*source: Resolution no. 2012-03*

*A Resolution of the City Council of the City of Isleton Increasing Sewer Rates*

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Table 2  
City of Isleton

**Current Wastewater Service Customer Base**

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**Current Customers & Estimated Annual Revenue**

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<b>Customer Class</b>	<b># Customers</b>	<b>Mutiplier / # Dwelling Units</b>	<b>Current Monthly Rate</b>	<b>Total Annual Revenue</b>
Single Family Inside City	259	252	\$72.00	\$217,830
Single Family Outside City	99	100	\$79.00	\$94,879
Multi Family Inside City	45	175	\$58.00	\$121,592
Multi Family Outside City	0	0	\$64.00	\$0
Commercial Inside City	66	120	\$72.00	\$103,336
Commercial Outside City	3	26	\$79.00	\$25,028
<b>Total</b>	<b>472</b>	<b>673</b>		<b>\$562,665</b>

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**Notes**

*source: Sewer Customers by Class 2023.xls*

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Table 3  
City of Isleton

**Revenue Projection**

*from 2022-23 Budget and historical data provided by Staff*

<i>Cost Projection Estimates</i>		2024-25	2025-26	2026-27	2027-28	2028-29
Total Rate Revenues	<i>(anticipated growth in customer base)</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Revenues	<i>(anticipated increases to other fees)</i>	3.0%	3.0%	3.0%	3.0%	3.0%
<b>TOTAL NON-OPERATING REVENUES</b>	<i>(conservative earning on savings)</i>	0.5%	0.5%	0.5%	0.5%	0.5%

No.	Revenue	Actuals					
		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
		\$562,665	\$562,665	\$562,665	\$562,665	\$562,665	\$562,665
	Total Rate Revenues	\$562,665	\$562,665	\$562,665	\$562,665	\$562,665	\$562,665
	Total Other Revenues	\$0	\$0	\$0	\$0	\$0	\$0
	<b>TOTAL OPERATING REVENUES</b>	\$562,665	\$562,665	\$562,665	\$562,665	\$562,665	\$562,665
	Grant Revenues	\$169,122	\$0	\$0	\$0	\$0	\$0
	<b>TOTAL NON-OPERATING REVENUES</b>	\$169,122	\$0	\$0	\$0	\$0	\$0
	<b>TOTAL REVENUES</b>	<b>\$731,787</b>	<b>\$562,665</b>	<b>\$562,665</b>	<b>\$562,665</b>	<b>\$562,665</b>	<b>\$562,665</b>
				0.000%	0.000%	0.000%	0.000%

Table 4  
City of Isleton

**Operations and Maintenance Expense Projection**  
*from 2023-24 Budget provided by Staff*

**Operations and Maintenance Expense Projection**

		Actual	Projection				
		2022-23	2024-25	2025-26	2026-27	2027-28	2028-29
All O&M	<i>(projected change in cpi)</i>		8.0%	4.0%	4.0%	4.0%	4.0%

Total Staffing	\$197,231	\$213,009	\$221,530	\$230,391	\$239,607	\$249,191
Total Professional Services	\$42,073	\$45,439	\$47,256	\$49,146	\$51,112	\$53,157
Total Equipment Maint & Repair	\$80,821	\$87,287	\$100,110	\$135,795	\$141,226	\$146,875
Total Utilities & Supplies	\$13,447	\$14,523	\$15,104	\$15,708	\$16,337	\$16,990
Total Other	\$169,829	\$83,303	\$86,635	\$90,100	\$93,705	\$97,453
<b>O&amp;M TOTAL</b>	<b>\$503,401</b>	<b>\$443,561</b>	<b>\$470,635</b>	<b>\$521,141</b>	<b>\$541,987</b>	<b>\$563,666</b>
% increase from 2023-24 Budget		-11.9%	6.1%	10.7%	4.0%	4.0%

*Does not include Debt Service or Capital Improvement Plan Expenditures*

Table 5  
City of Isleton

5-Year Capital Improvement / Capital Replacement Plan

Wastewater System Assets	Total Purchase Cost	Avg. Useful Life Remaining	2024 Replacement Cost <sup>1</sup>
<b>TOTAL SYSTEM ASSETS</b>	<b>\$8,529,566</b>		<b>\$8,529,566</b>
<i>Capital Reserve Target 2%</i>			<i>\$170,591</i>

Project	2024 Replacement Cost <sup>1</sup>	Projection - Cash Funded				
		2024-25	2025-26	2026-27	2027-28	2028-29
<b>Immediate Replacement Needs<sup>2</sup></b>						
WWTP San Sewer Upgrade	\$7,000,000	\$0	\$0	\$0	\$0	\$0
Emergency Manhole Repair	\$394,662	\$0	\$0	\$0	\$0	\$0
Sludge Removal	\$300,000	\$0	\$0	\$0	\$0	\$0
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<b>\$7,694,662</b>	<b>\$0</b>	<b>\$0</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$100,000</b>

**Notes**

1 - Replacement Cost determined using change in Producer Price Index value from purchase date to present

2 - Immediate replacement needs identified in City of Isleton CIP. All projects will be grant funded.

Source:

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Table 6  
City of Isleton

**Debt Service Projection**

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**Current Debt Service Projection**

	Budget	Projection					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
<b>Current Debt Service</b>							
USDA Loan	\$47,843	\$47,843	\$61,577	\$61,629	\$61,628	\$61,672	\$61,658
2019 Taxable Refunding Bond	\$145,878	\$145,878	\$146,363	\$143,363	\$145,238	\$146,863	\$148,238
<b>TOTAL DEBT SERVICE</b>	<b>\$193,721</b>	<b>\$193,721</b>	<b>\$207,939</b>	<b>\$204,992</b>	<b>\$206,865</b>	<b>\$208,535</b>	<b>\$209,896</b>

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**Notes**

*Assumed low interest CIP loan conservatively at 4% annual interest rate paid back in 20 years*

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Table 8  
City of Isleton

**Cash Fund Balance & Proposed Reserve Targets**

*Source: 2023-24 Budget provided by District Staff*

No Fund	Beginning Balance FY 2023-24
Operations - Checking	\$0
Capital - Savings	
<b>Total Current Reserve Fund</b>	<b>\$0</b>

**Recommended Fund Balance Target**

Target	Budget					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Operating Fund Target						
3 months annual O&M	\$94,809	\$125,850	\$110,890	\$117,659	\$130,285	\$135,497
Capital Reserve Fund Target						
2% current asset value	\$170,591	\$177,415	\$184,512	\$191,892	\$199,568	\$207,550
<b>Total Fund Balance Target</b>	<b>\$265,401</b>	<b>\$303,265</b>	<b>\$295,402</b>	<b>\$309,551</b>	<b>\$329,853</b>	<b>\$343,047</b>

Table 9  
City of Isleton  
**Summary Cash Flow Projection**  
Version 1  
\$300k CIP Contribution

Category	Budget	Projection					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Rate Increase Adoption Date	7/1/2023	7/1/2024	9/1/2025	7/1/2026	7/1/2027	7/1/2028	7/2/2028
Effective Months	12	12	10	12	12	12	12
% Rate Revenue Increase	0%	0.0%	29.0%	24.0%	4.0%	4.0%	4.0%
Residential Bill, Current Rate Structure	\$72.00	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
<b>BEGINNING FUND BALANCE</b>	<b>\$0</b>	<b>\$34,665</b>	<b>\$0</b>	<b>\$20,068</b>	<b>\$143,974</b>	<b>\$281,162</b>	<b>\$382,444</b>
<b>REVENUE</b>							
O&M Charge	\$562,665	\$562,665	\$698,642	\$900,039	\$936,040	\$973,482	\$1,012,421
Total Operating Revenue	\$562,665	\$562,665	\$698,642	\$900,039	\$936,040	\$973,482	\$1,012,421
Non-Operating Revenue	\$169,122	\$0	\$0	\$0	\$0	\$0	\$0
General Fund Contribution		\$39,952	\$0	\$0	\$0	\$0	\$0
<b>TOTAL REVENUE</b>	<b>\$731,787</b>	<b>\$602,617</b>	<b>\$698,642</b>	<b>\$900,039</b>	<b>\$936,040</b>	<b>\$973,482</b>	<b>\$1,012,421</b>
<b>EXPENSE</b>							
Total Operating Expense	\$503,401	\$443,561	\$470,635	\$521,141	\$541,987	\$563,666	\$586,213
Total Debt Service	\$193,721	\$193,721	\$207,939	\$204,992	\$206,865	\$208,535	\$209,896
Total Annual CIP		\$0	\$0	\$50,000	\$50,000	\$100,000	\$100,000
<b>TOTAL EXPENSE</b>	<b>\$697,122</b>	<b>\$637,282</b>	<b>\$678,574</b>	<b>\$776,132</b>	<b>\$798,852</b>	<b>\$872,200</b>	<b>\$896,108</b>
NET REVENUES	\$34,665	-\$34,665	\$20,068	\$123,906	\$137,189	\$101,281	\$116,313
<b>ENDING FUND BALANCE</b>	<b>\$34,665</b>	<b>\$0</b>	<b>\$20,068</b>	<b>\$143,974</b>	<b>\$281,162</b>	<b>\$382,444</b>	<b>\$498,757</b>
# Months O&M in Reserves	1 months	0 months	1 months	3 months	6 months	8 months	10 months
Debt Service Coverage (≥ 1.25x)	1.18	0.82	1.10	1.85	1.90	1.97	2.03
Fund Balance Target	\$265,401	\$303,265	\$295,402	\$309,551	\$329,853	\$343,047	\$356,769
% Above/Below Target	○ 13% ○	○ 0% ○	○ 7% ◐	◑ 47% ◑	● 85% ●	● 1.11 ●	● 1.40 ●

Table 10  
 City of Isleton

**Proposed Wastewater Rate Increase Recommendations**

*Projected from Cash Flow Table 9*

**Rate Increase (No Structure Change)**

	<b>Current</b>	<b>9/1/2025</b>	<b>7/1/2026</b>	<b>7/1/2027</b>	<b>7/1/2028</b>	<b>7/1/2029</b>
<b>Fixed Monthly Rates</b>						
Single Family Inside City	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
Single Family Outside City	\$79.00	\$101.91	\$126.37	\$131.42	\$136.68	\$142.15
Multi Family Inside City	\$58.00	\$74.82	\$92.78	\$96.49	\$100.35	\$104.36
Multi Family Outside City	\$64.00	\$82.56	\$102.37	\$106.47	\$110.73	\$115.16
Commercial Inside City	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
Commercial Outside City	\$79.00	\$101.91	\$126.37	\$131.42	\$136.68	\$142.15
<b>Affordability</b>	<b>0.7%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.3%</b>

**\* Updated from August Draft to include 2023 MHI of \$59,250**

# Appendix B. Proposition 218 Notice



**CITY OF ISLETON**  
 101 2<sup>nd</sup> Street  
 Isleton, CA 95641

**PROPOSITION 218 NOTIFICATION  
 NOTICE OF PUBLIC HEARING ON TREATED SEWER RATE INCREASES**

This notice is intended to inform you that the City of Isleton (City) will hold a public hearing regarding the proposed sewer rate increases for properties receiving wastewater services from the City. The new rates will be considered by Isleton City Council on Tuesday August 26 2025, at 6:30pm at 101 2<sup>nd</sup> Street at the Council’s meeting chambers.

**BASIS FOR THE PROPOSED RATES**

Isleton provides wastewater services to approximately 470 residential and commercial properties. The wastewater utility is intended to be financially self-sufficient with funding for operating and capital expenses derived primarily from wastewater sales. Currently expenditures far exceed revenues and the City is facing financial crisis. A financial plan for the wastewater fund was conducted by an independent consultant at no cost to the City which details the operations and maintenance costs as well as capital improvement needs for the utility over the next 5 years. The study outlines the necessary rate adjustments needed to allow the City to keep pace with rising costs and to fund improvements. For further information regarding the rates and analysis, please refer to the Wastewater Financial Plan Report which is available for review at the City Office and at [www.cityofisleton.com](http://www.cityofisleton.com). For any questions, call (916) 777-7770.

**PROPOSED 5-YEAR SCHEDULE OF PROPOSED WASTEWATER RATES**

The City currently charges all wastewater customers a fixed monthly fixed charge based on proximity to the city and type of use. The City’s current rate structure was not examined in this financial plan and will be revisited in the near future. The proposed rates aim to recover all operations and maintenance costs as well as make some capital repairs. The proposed wastewater rates will be effective September 1, 2025 and July 1 of each following year through 2029.

	<u>Current</u>	<u>9/1/2025</u>	<u>7/1/2026</u>	<u>7/1/2027</u>	<u>7/1/2028</u>	<u>7/1/2029</u>
<b>Fixed Monthly Rates</b>						
Single Family Inside City	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
Single Family Outside City	\$79.00	\$101.91	\$126.37	\$131.42	\$136.68	\$142.15
Multi Family Inside City	\$58.00	\$74.82	\$92.78	\$96.49	\$100.35	\$104.36
Multi Family Outside City	\$64.00	\$82.56	\$102.37	\$106.47	\$110.73	\$115.16
Commercial Inside City	\$72.00	\$92.88	\$115.17	\$119.78	\$124.57	\$129.55
Commercial Outside City	\$79.00	\$101.91	\$126.37	\$131.42	\$136.68	\$142.15

**NOTIFICATION OF A PUBLIC HEARING ON PROPOSED RATE INCREASES**

Article XIIIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act requires local government to notify property owners and/or rate payers of proposed wastewater rate increases. The City will hold a Public Hearing on **Tuesday August 26, 2025, at 6:30 p.m., at 101 2<sup>nd</sup> St in Isleton, CA at the Council’s meeting chambers.** At the time of the public hearing, the City Council will hear and consider all protests and objections concerning these matters and will consider and may adopt the increased rates.

To oppose the proposed wastewater rate increases, property owners or tenants may submit written protests prior to the close of the public hearing either by mail to PO Box 716 Isleton, CA 95641 or in person at City Hall or at the public hearing. Written protests must be signed and include identification of the property involved in the protest by assessor parcel number or address. If written protests against the rate adjustments are submitted by more than 50% of the affected properties, the proposed rate adjustments will not be adopted. Only one protest per property will be counted. Pursuant to Government Code section 53759(d), there is a 120-day statute of limitations for challenging the proposed wastewater rates.