



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Elizabeth Gibbs, City Manager

PREPARED BY: Art Vela, Director of Public Works

MEETING DATE: August 25, 2026

SUBJECT: Consideration of Resolution 2026-02UA, Approving a Professional Services Agreement with Water Resources Economics, LLC, in the Amount of \$108,805 for Preparation of the City's 2027 Water and Wastewater Rate Study

STAFF RECOMMENDATION:

Adopt Resolution 2026-02UA

BACKGROUND:

On November 8, 2022, the City Council held a public hearing in accordance with Proposition 218 and adopted Ordinance No. 1587, establishing new water and wastewater rates based on the approved 2022 Water and Wastewater Rate Study. The adopted rate schedule included annual adjustments beginning January 1, 2023, with the final adjustment taking effect January 1, 2027.

Periodic comprehensive rate reviews are a utility-industry best practice. These reviews allow the City to evaluate the current financial condition of each utility and update financial forecasts for current and anticipated costs. The objective is to ensure rate revenues are sufficient to support operations and maintenance, water purchases, wastewater treatment, debt service, capital improvements, regulatory compliance, reserves, and other utility obligations.

This practice is also reflected in the City's proposed updated Budgetary and Fiscal Policies, which will require a comprehensive review of utility rates at least once every five years.

On June 17, 2026, Public Works and Purchasing staff issued a Request for Proposals (RFP) through the City's OpenGov procurement platform. Proposals were due July 20, 2026, and the City received five proposals.

An evaluation committee reviewed and scored the proposals based on qualifications, pricing, experience, professional references, and approach/methodology. The final rankings were as follows:

1. Water Resources Economics, LLC
2. Black and Veatch Corporation
3. Willdan Financial Services
4. Robert D. Niehaus, Inc.
5. Tangibl Group

Based on the committee's evaluation, WRE was ranked as the most qualified firm for the project. WRE

proposed to complete the required scope of work for \$108,805.

Scope of Work

- Project management and data review, including budgets, audited financial statements, existing rates, customer billing data, reserve and debt policies, capital improvement plans, master plans, and operating assumptions.
- Development of a financial model with a minimum five-year rate implementation period, a minimum ten-year forecast, alternative rate and capital-funding scenarios.
- Preparation of water and wastewater cost-of-service analyses and legally defensible rate designs that comply with Proposition 218, recover the cost of service, support financial stability, and evaluate customer bill impacts and affordability.
- Evaluation of major utility cost drivers, including Chromium 6 compliance, water conservation and drought conditions, aging infrastructure, wastewater treatment plant improvements, debt financing and reserve requirements.

JUSTIFICATION:

Approval of the proposed agreement is recommended because the current five-year rate schedule concludes with the January 1, 2027 adjustment, and sufficient lead time is needed to complete the financial and cost-of-service analyses, evaluate significant capital and regulatory requirements, conduct public outreach, and complete the Proposition 218 process.

The study will provide a transparent and legally defensible basis for setting rates and a long-term financial plan to help ensure the Water and Wastewater enterprises can fund ongoing operations, maintain appropriate reserves and debt coverage, and address infrastructure and regulatory obligations.

WRE received the highest overall ranking through the City's competitive RFP process; therefore, the proposed agreement represents the best value to the City based on the combined evaluation of qualifications, experience, approach, references, and price.

Staff's recommendation to approve Resolution 2026-02UA, supports the City Strategic Plan, Strategic Initiative 2c. Complete Wastewater Treatment Plan & Recycled Water Upgrades which recognizes the need to address the project's budget shortfalls by evaluating the utility rate structure.

FISCAL IMPACT:

The proposed agreement will be funded by the Water and Wastewater Operations Funds (Funds 660 and 680), allocated as follows:

Water Operations Fund Account 660-6300-471.33-11:	\$65,283
Wastewater Operations Fund Account 680-8000-454.33-11:	<u>\$43,522</u>
	\$108,805

The required appropriations will be included in the Proposed Fiscal Year 2026/2027 Operating Budget.

There is no impact on the General Fund for this item.

ATTACHMENTS:

1. [Resolution 2026-02 UA.docx](#)
2. [WRE_Proposal_for_Banning_FINAL.pdf](#)
3. [WRE_Price_Proposal_for_Banning_FINAL.pdf](#)
4. [Contract No. C01285 - Water Resource Economics LLC - Waster & WW Rate Study.docx](#)