



Agenda Item: 11.B
Date of Meeting: December 8, 2025
Department: Public Works

STAFF REPORT

To: City Council
From: Nora Gamino
Subject: **Final Water and Sewer Rate Design and Proposition 218 Authorization**
Prepared On: December 2, 2025
Attachments: Water & Sewer Rate Structure Presentation
Bishop Prop 218 Notice DRAFT

Background/History:

The City of Bishop provides water and sewer services to approximately 1,200 connections. The last comprehensive rate study was completed in 2018, with rates adopted through 2024. Those rates are expiring, and new rates must be adopted beginning in 2026 to ensure the continued financial stability of both utilities.

On August 25 and September 22, 2025, the City Council received presentations introducing rate-setting concepts, draft capital improvement plans (CIPs), and potential rate structure designs. On October 27, 2025, Council adopted the 2025–2030 Water and Sewer CIPs.

The adopted plans are foundational to the rate study, identifying the projects and funding needs that must be supported through future rate revenues. In developing the CIPs, staff intentionally reduced the scope of near-term water capital projects, particularly large-scale main replacements, to moderate the financial burden on customers. Instead, the water plan now emphasizes smaller, recurring line replacement projects and loan/grant-supported system upgrades.

Analysis/Discussion:

Since the October adoption of the CIPs, the City's consultant has updated the financial model and developed new rate options that reflect the revised capital funding plans and financing assumptions.

The City had initially planned to pursue a USDA loan for the West Line Water Main Replacement Project; however, that option is no longer viable. To proceed with the project this fiscal year, the City proposes to instead fund the remaining costs through an interfund loan from the General Fund to the Water Fund. The loan amount is estimated at \$1.5 million, to be repaid over five or ten years at an interest rate comparable to recent municipal borrowing rates (approximately 3.375%).

The updated rate model evaluates scenarios with and without future debt financing for both the water and sewer funds. These options demonstrate how borrowing versus cash-funding affects near-term rate impacts, reserve balances, and the utilities' long-term financial health.

For the Water Fund, the updated five-year CIP includes approximately \$2.3 million in rate-funded projects, with loan proceeds covering the remainder of near-term improvements. For the Sewer Fund, the plan assumes a mix of cash and debt funding to support \$2.7 million in capital work, primarily collection system rehabilitation and planning for the future BAWA treatment facility.

Tonight's presentation provides Council with final proposed rate design options for both utilities, reflecting these revised financial assumptions. Council approval of the Proposition 218 notice will finalize the proposed rates for public review.

Staff also seeks direction on whether to host an informational public meeting prior to the Proposition 218 hearing and on development of loan terms between the General Fund and Water Fund to replace the USDA financing.

Economic Impacts:

There are no immediate fiscal impacts from tonight's actions. However, Council decisions regarding rate design, financing, and outreach will affect future rate revenues and the long-term financial stability of both utility funds.

Budget Impacts:

There are no immediate budget impacts. Costs for the rate study are included in the current fiscal year budget.

Legal Review:

City Attorney Pucci has reviewed this item and finds that the recommended action complies with the law.

Recommended Action:

City Council consideration to:

1. Approve the preferred rate design option combination so the final Rate Study Report can be published with the Proposition 218 notice. Staff recommends Water Option B and Sewer Option A.
2. Provide direction to staff on whether to host a public outreach meeting prior to the Proposition 218 hearing.
3. Direct staff to develop proposed terms for an interfund loan from the General Fund to the Water Fund to finance the West Line Water Main Replacement Project.

Approved By: Ethan Aukee 12/3/2025

Approved By: Robin Picken 12/3/2025

Approved By: Dean Pucci 12/3/2025

Approved By: Pam Foster 12/3/2025