

CITY OF TULELAKE

Consolidated Utility Rate Study

Solid Waste · Water · Wastewater

Proposition 218 Rate Proceeding · FY 2026-27 through FY 2030-31

APPROVED BY COUNCIL

April 21, 2026

April 21, 2026

Honorable Mayor and Members of the City Council
City of Tulelake
591 Main Street, Tulelake, CA 96134

Subject: 2026 Consolidated Utility Rate Study — Solid Waste, Water, and Wastewater

We are pleased to present this Consolidated Utility Rate Study for the City of Tulelake. This report presents the findings and recommendations of a comprehensive cost-of-service and rate design analysis for the City's three utility enterprises: Solid Waste, Water, and Wastewater.

The study was prepared in response to the City's need to establish rates that: (1) recover the full cost of providing utility services to customers; (2) comply with Proposition 218 requirements for utility rate increases; and (3) establish a transparent, multi-year rate framework that reduces the need for large single-year adjustments in future years.

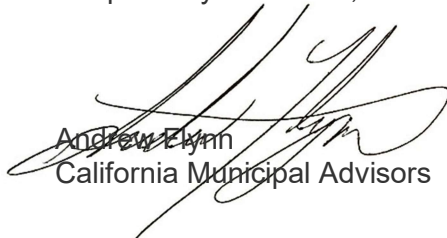
Key findings include:

- » Solid Waste rates have not been formally adjusted since the June 20, 2019 resolution and are currently insufficient to recover the projected FY 2026-27 operating budget. A 21.0% increase for residential customers (G1) is proposed for Year 1 (FY 2026-27), with FY 2025-26 serving as a bridge year under existing rates.
- » Water rates require a 24.3% increase in the base service charge and a 28.6% increase in the volumetric usage charge, reflecting significant increases in chemical costs, electricity, and a major capital improvement project.
- » Wastewater rates require a 21.1% increase for standard residential customers (S1), driven by rising O&M costs, license and permit increases, and capital facility needs.
- » A 3% annual escalator is recommended for Years 2 through 5 (FY 2027-28 through FY 2030-31) for all three utilities to maintain financial sufficiency without requiring future large adjustments.

This study is ready for Proposition 218 notice preparation. Staff recommends scheduling the public hearing and back-calculating the 45-day mailing deadline.

We appreciate the opportunity to assist the City of Tulelake with this important financial planning effort.

Respectfully submitted,


Andrew Flynn
California Municipal Advisors

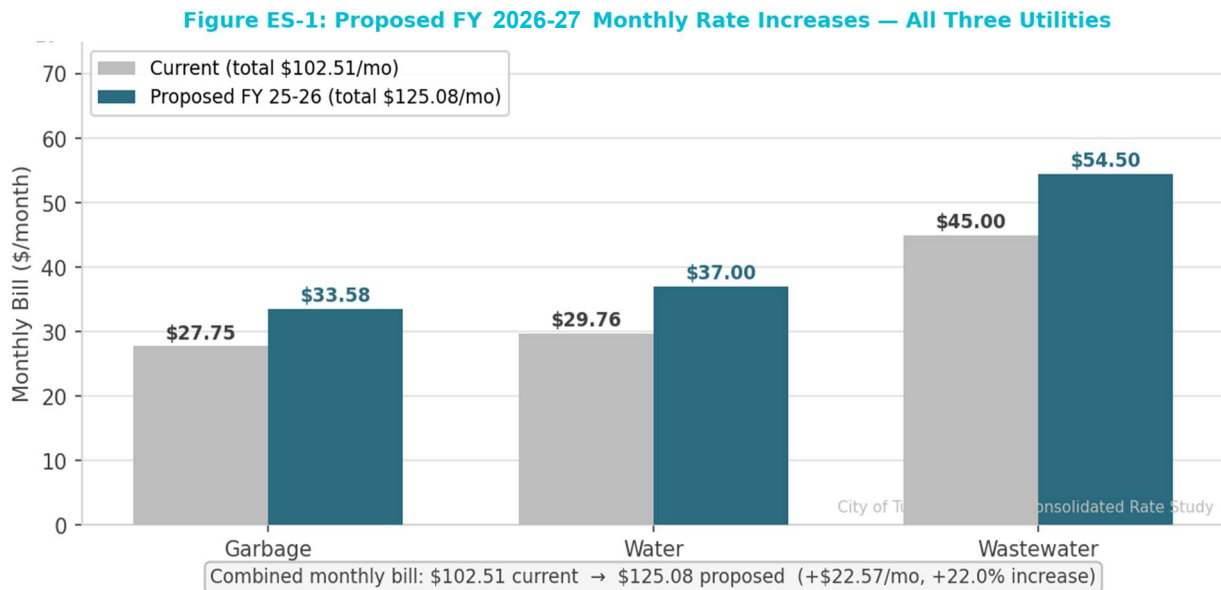
ES EXECUTIVE SUMMARY

ES.1 Study Purpose

This Consolidated Utility Rate Study analyzes the revenue requirements, cost of service, and rate design for the City of Tulelake's Solid Waste, Water, and Wastewater utilities for the five-year period FY 2026-27 through FY 2030-31. The study has been prepared in accordance with Proposition 218 (California Constitution, Article XIII D) and California Government Code requirements for utility rate increases.

ES.2 Key Findings

All three utilities are currently undercharging relative to their operating costs. The combined typical residential monthly utility bill must increase from approximately \$102.51 to approximately \$125.08, a monthly increase of \$22.57 (22.0%). The rate increases are necessary to fund operations and maintain financial sustainability without reliance on one-time revenues.



ES.3 Proposed Rate Summary

The following table summarizes the proposed FY 2026-27 Year 1 rates and five-year schedule (FY 2026-27 through FY 2030-31) for all three utilities:

Executive Summary: Proposed Rate Increases — All Three Utilities					
Utility / Rate Class	Current Rate	FY 26-27 Proposed	\$ Change	% Change	5-Yr Escalator
SOLID WASTE					
G1 — Residential Curbside	\$19.00/mo	\$23.00/mo	+\$4.00	+21.1%	3%/yr (Yrs 2-5)
Gate Fee — Residential	\$8.75/mo	\$9.50/mo	+\$0.75	+8.6%	3%/yr (Yrs 2-5)
2YD Dumpster — 1x/week	\$93.12/mo	\$113.00/mo	+\$19.88	+21.3%	3%/yr (Yrs 2-5)
WATER					
Monthly Service Charge (all W1)	\$29.76/mo	\$37.00/mo	+\$7.24	+24.3%	3%/yr (Yrs 2-5)
Usage Charge (above 3,500 cf)	\$0.70/hcf	\$0.90/hcf	+\$0.20	+28.6%	3%/yr (Yrs 2-5)
WASTEWATER					
S1 — Residential (Standard)	\$45.00/mo	\$54.50/mo	+\$9.50	+21.1%	3%/yr (Yrs 2-5)
S1 — Commercial (Standard)	\$112.50/mo	\$136.00/mo	+\$23.50	+20.9%	3%/yr (Yrs 2-5)

1 INTRODUCTION

1.1 City of Tulelake Overview

The City of Tulelake is a small rural community located in Siskiyou County in northern California, near the Oregon border. The City provides solid waste collection, potable water, and wastewater services directly to approximately 390-420 customer accounts across three utility enterprise funds. The City's service area is characterized by agricultural, residential, and small commercial uses, with a significant component of outside-city water customers including irrigation and agricultural districts.

1.2 Study Objectives

This rate study was undertaken to achieve the following objectives:

- » Determine the annual revenue requirement for each utility enterprise fund for FY 2026-27 through FY 2030-31
- » Allocate costs equitably among customer classes in a manner consistent with cost-of-service principles
- » Design rates that are proportional to the cost of service provided, as required by Proposition 218
- » Establish a five-year rate schedule with a 3% annual escalator for Years 2-5 to provide rate stability and planning certainty
- » Identify open items and data gaps that must be resolved before a Proposition 218 notice is issued

1.3 Source Data

This study was prepared using the following primary data sources: FY 2024-25 billing system exports for all three utilities (by rate class); FY 2026-27 proposed operating budgets for Solid Waste (Fund 04), Water (Fund 02), and Wastewater (Fund 03); the City's current adopted rate schedule (Resolution Nos. 07-1, 15-15, 16-08, 17-06, 18-01, 18-08, effective June 30, 2022); audited financial statements for FY 2019-20 through FY 2023-24; and FY 2024-25 actual expenditures through May 31, 2025. FY 2025-26 is treated as a bridge year under existing rates; the five-year rate plan begins with Year 1 in FY 2026-27.

2 LEGAL FRAMEWORK & RATE-SETTING METHODOLOGY

2.1 Proposition 218

Proposition 218, the "Right to Vote on Taxes Act" (California Constitution, Article XIII D), governs the imposition and increase of property-related fees and charges, including utility rates. For utility rates to comply with Proposition 218, the following requirements must be met:

- » Revenues derived from the fee shall not exceed the funds required to provide the property-related service
- » Revenues shall not be used for any purpose other than that for which the fee is imposed
- » The amount of the fee shall not exceed the proportional cost of service attributable to the parcel
- » The fee shall not be imposed for a service unless that service is actually used by or immediately available to the owner
- » The fee shall not be applicable to parcels not subject to the service

Before implementing the proposed rates, the City must provide written notice to each parcel owner of record, mail such notice at least 45 days before the date of the public hearing, and conduct a public hearing at which the City Council may consider all written protests. If written protests are filed by a majority of affected parcel owners, the City cannot impose the fee.

2.2 Cost-of-Service Methodology

This study employs the cost-of-service methodology, which is the industry standard approach for utility rate setting. Under this methodology, the annual revenue requirement for each utility is determined, costs are allocated among customer classes in proportion to their use of the system, and rates are designed to recover the allocated costs from each class.

2.3 Rate-Making Principles

Industry Standard Rate-Making Principles	
Revenue Sufficiency	Rates must recover the annual cost of service and provide revenue stability without reliance on one-time funding sources.
Proportionality	Each customer class pays only its proportionate share of the cost of service, consistent with Proposition 218 requirements.
Equity	Rates should be fairly allocated based on the estimated cost of serving each customer class, avoiding cross-subsidization.
Simplicity	Rates should be simple in form and easy to administer, understand, and communicate to customers and elected officials.
Stability	Rates should be set to provide multi-year stability. The 3% annual escalator in Years 2-5 is designed to avoid large single-year adjustments.

3 SOLID WASTE RATE STUDY

3.1 Solid Waste System Overview

The City of Tulelake operates a municipal solid waste collection system serving approximately 358 billing accounts across four rate classes. The City provides weekly curbside collection for residential customers and commercial dumpster service for commercial and institutional accounts. The City pays Siskiyou County a gate fee for disposal of all collected solid waste at the County transfer station, which is separately charged to customers as a pass-through.

3.2 Billing Determinants

Rate Class	Accounts	Annual Revenue (Actual)	Notes
G1 — Residential Curbside (weekly)	316	\$69,806	<i>Implied \$18.40/mo.</i>
GD — Mixed Residential/Commercial	13	\$3,207	<i>Same service as G1 residential</i>
1YD — 1-Yard Dumpster	2	\$1,172	<i>Mix of 1x and 2x/week pickups</i>
2YD — 2-Yard Dumpster	27	\$46,085	<i>Mix of 1x and 2x/week pickups</i>
Gate Fees (residential + dumpster)	329+	\$39,546	<i>Passthrough</i>
CLASS-BY-CLASS SUBTOTAL	358	\$120,270	System-total PDF - \$86,396

3.3 Cost of Service & Revenue Requirement

The FY 2026-27 proposed Solid Waste budget (Fund 04) reflects a recurring revenue requirement of approximately \$198,007 after excluding the \$267,000 "Other Reimbursements" item, which appears to be a one-time source. Key cost drivers include wages and benefits (\$46,325), insurance (\$18,800), and Siskiyou County gate fee pass-through costs (\$15,000). A large capital outlay for a new garbage truck (\$192,769) is flagged as a one-time item and should not be funded from recurring rate revenue unless explicitly disclosed in the Proposition 218 notice.

3.4 Proposed Rate Schedule

The proposed FY 2026-27 Year 1 rates represent an approximately 21.1% increase for residential curbside customers, sufficient to meet the recurring revenue requirement. The \$33,874 billing reconciliation variance has been resolved (gate-fee double-count); the validated service-charge base is \$86,396. A 3% annual escalator applies in Years 2-5 (FY 2027-28 through FY 2030-31).

Table 3-1: Solid Waste — Proposed Five-Year Rate Schedule						
Rate Class / Service	Current	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
G1 — Residential Curbside	\$19.00	\$23.00	\$23.69	\$24.40	\$25.13	\$25.88
GD — Mixed Residential/Commercial	\$19.00	\$23.00	\$23.69	\$24.40	\$25.13	\$25.88
1YD — 1-Yard Dumpster (1x/week)	\$46.08	\$56.00	\$57.68	\$59.41	\$61.19	\$63.03
1YD — 1-Yard Dumpster (2x/week)	\$53.02	\$64.00	\$65.92	\$67.90	\$69.94	\$72.04
2YD — 2-Yard Dumpster (1x/week)	\$93.12	\$113.00	\$116.39	\$119.88	\$123.48	\$127.18
2YD — 2-Yard Dumpster (2x/week)	\$145.40	\$176.00	\$181.28	\$186.72	\$192.32	\$198.09
Gate Fee — Residential (per account)	\$8.75	\$9.50	\$9.79	\$10.08	\$10.38	\$10.69
Gate Fee — Dumpster (per pickup)	\$5.50	\$6.00	\$6.18	\$6.37	\$6.56	\$6.75
Escalator — Years 2-5	—	3.0%	3.0%	3.0%	3.0%	3.0%

Figure 3-1: Garbage — Five-Year Rate Schedule (3% Annual Escalator, Years 2-5)

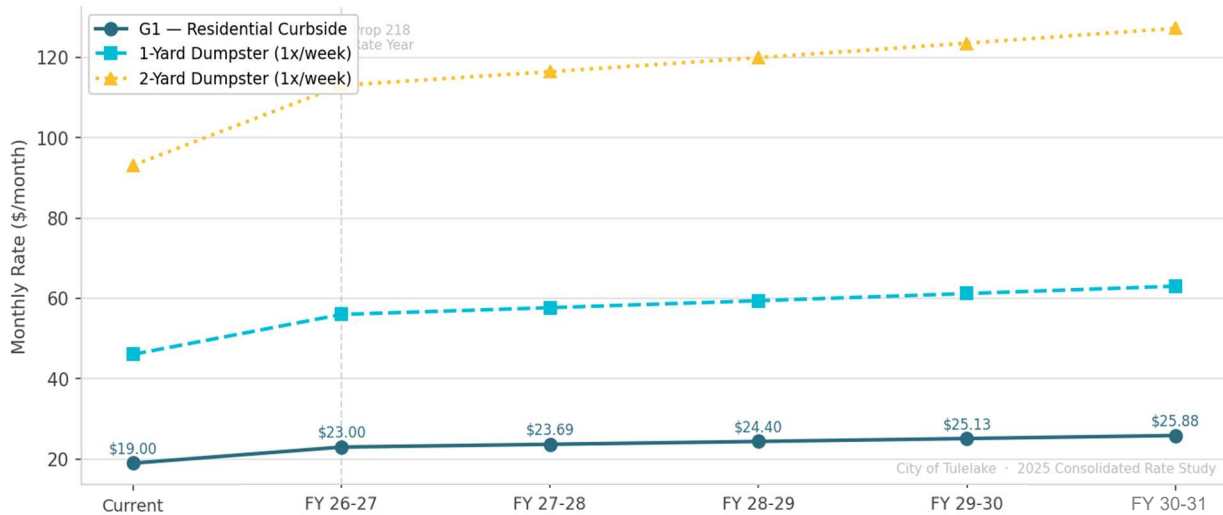


Figure 3-1: Solid Waste — Five-Year Rate Schedule by Class (3% Annual Escalator, Years 2-5)

3.5 Bill Impact Analysis

The following table shows the estimated monthly bill impact for representative solid waste customers. The Proposition 218 notice must include bill impact examples for each rate class.

Customer Scenario	Current Monthly	Proposed FY 26-27 (Year 1)	Change (\$)	Change (%)	Annual Change
Residential — Standard (G1 + gate fee)	\$27.75	\$32.50	+\$4.75	+17.1%	+\$57.00
1-Yard Dumpster 1x/wk (+ gate fee)	\$51.58	\$62.00	+\$10.42	+20.2%	+\$125.04
2-Yard Dumpster 1x/wk (+ gate fee)	\$98.62	\$119.00	+\$20.38	+20.7%	+\$244.56
2-Yard Dumpster 2x/wk (+ gate fee)	\$150.90	\$182.00	+\$31.10	+20.6%	+\$373.20

4 WATER RATE STUDY

4.1 Water System Overview

The City of Tulelake operates a municipal potable water system serving approximately 390 billing accounts, including inside-city connections and outside-city accounts (W2) serving agricultural irrigation districts and other entities. The water system is funded through the Water Enterprise Fund (Fund 02). The City’s water supply is sourced from the Bureau of Reclamation service area; a \$316,372 one-time USBR reimbursement has been excluded from the recurring revenue base. The WE (employee-discounted) water class has been reclassified to the standard W1 class; employee utility assistance is now administered through the General Fund Employee Utility Subsidy program (see Chapter 7).

4.2 Billing Determinants

Table 4-4 summarizes the FY 2024-25 water billing determinants by rate class. The two WZ high-flow outside-city accounts (Westside Water District and East Tule River Water District) collectively delivered an estimated 5.7 million cubic feet of water in FY 2024-25. These accounts show \$0 in the standard billing system because deliveries are governed by separate water purchase agreements between the City and those entities. The non-billed status is intentional and contract-governed; WZ flows are excluded from the standard rate-class revenue model.

Table 4-4: Water — Billing Determinants (FY 2024-25)

Rate Class	Accounts	Annual Usage (cu ft)	Annual Revenue (Actual)	Monthly Rate	Notes
W1 — Residential	316	5,544,585	\$115,483	\$29.76	<i>Largest class</i>
W1 — Commercial	41	1,693,216	\$25,972	\$29.76	<i>Higher volumetric usage</i>
W1 — Industrial	1	34	\$357	\$29.76	
W1 — Multi-Family (48)	8	0	\$473	\$29.76	
WD — Delinquent/Special	12	177,741	\$4,768	\$29.76	
WE — Reclassified to W1	7	0	\$11	\$29.76	
WFR — Fire/Special	2	0	\$714	\$29.76	
W2 — Outside City	8	3,347,948	\$95,811	Varies	
WZ — High-Flow Outside	2	5,678,360 est.	\$0	—	
TOTAL	390	—	\$243,579	—	FY26-27 target: \$300,200+

4.3 Cost of Service & Revenue Requirement

The FY 2026-27 Water recurring O&M budget totals \$297,532 after excluding the \$274,773 capital outlay and the \$316,372 one-time USBR reimbursement. Key cost drivers include wages and benefits (\$143,850 estimated), electricity (\$48,000), chemicals (\$19,500), insurance (\$26,000), and professional services (\$10,500). After deducting \$110,000 in outside-city revenue and \$5,105 in non-rate revenues, the inside-city rate revenue requirement is approximately \$182,427 — representing a 23% gap relative to current revenue of approximately \$147,778.

4.4 Five-Year Financial Projection

Table 4-2: Water Enterprise — Five-Year Financial Projection					
Line Item	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
REVENUES (\$)					
W1 Rate Revenue — Fixed Charges	\$139,260	\$154,620	\$159,259	\$164,037	\$168,958
W1 Rate Revenue — Usage Charges (est.)	\$43,167	\$55,332	\$56,992	\$58,702	\$60,463
W2 Outside City Revenue (Low-Flow)	\$110,000	\$113,300	\$116,699	\$120,200	\$123,806
Other Non-Rate Revenues	\$5,105	\$5,258	\$5,416	\$5,578	\$5,746
One-Time USBR Reimbursement (excluded)	\$316,372	—	—	—	—
Total Rate Revenue (ex one-time)	\$297,532	\$328,510	\$338,366	\$348,517	\$358,973
EXPENDITURES (\$)					
Recurring O&M (ex Capital)	\$297,532	\$306,458	\$315,652	\$325,122	\$334,876
Capital / CIP (one-time separately financed)	\$274,773	\$50,000	\$50,000	\$50,000	\$50,000
Total Expenditures	\$572,305	\$356,458	\$365,652	\$375,122	\$384,876
COVERAGE INDICATORS					
Net Recurring (Rev. less O&M)	\$0	\$22,052	\$22,714	\$23,395	\$24,097
Recurring Rev / O&M Coverage Ratio	~100%	107%	107%	107%	107%

Figure 4-1: Water Enterprise — Five-Year Revenue vs. Expense Projection

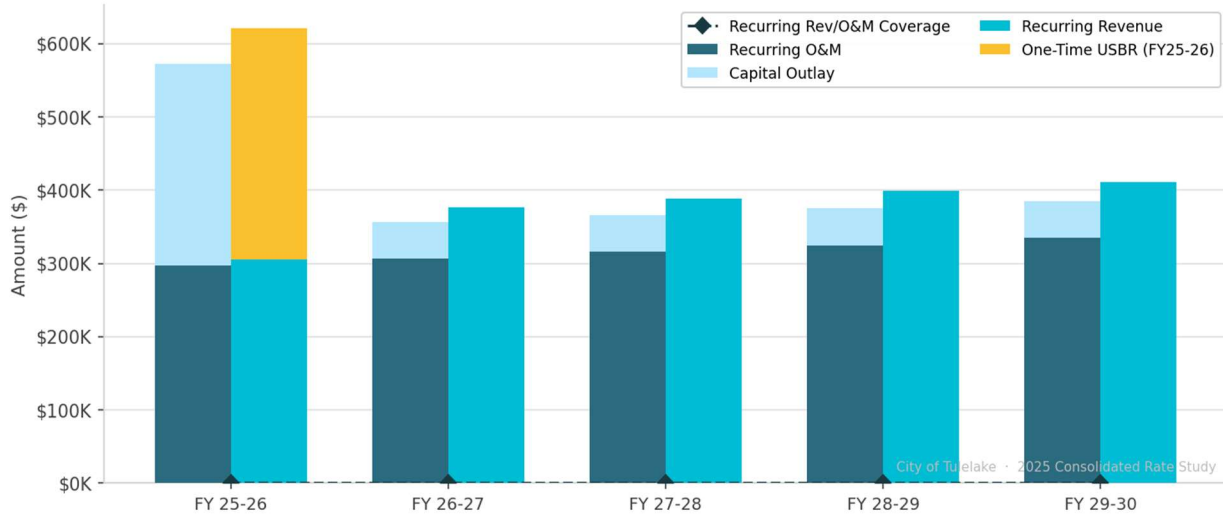


Figure 4-1: Water Enterprise — Five-Year Revenue vs. Expense Projection

4.5 Proposed Rate Schedule

The proposed monthly base service charge of \$37.00 represents a 24.3% increase from the current \$29.76 rate and is designed to recover the fixed cost component of the water revenue requirement. The proposed volumetric usage charge of \$0.90 per hundred cubic feet (hcf) represents a 28.6% increase from the current \$0.70/hcf rate, recovering the variable cost component. Both rates apply above the 3,500 cubic foot per month free allowance included in the base charge. A 3% annual escalator applies in Years 2-5.

Table 4-1: Water — Proposed Five-Year Rate Schedule

Rate Component	Current	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
FIXED MONTHLY SERVICE CHARGE (all connections)						
Inside City (W1 - All Classes)	\$29.76	\$37.00	\$38.11	\$39.25	\$40.43	\$41.64
Outside City (W2 - Base Charge)	\$29.76	\$38.00	\$39.14	\$40.31	\$41.52	\$42.77
VOLUMETRIC USAGE CHARGE (per hcf above 3,500 cf/mo inside and 1,000 outside free allowance)						
Inside City (W1)	\$0.70	\$0.90	\$0.93	\$0.96	\$0.99	\$1.02
Outside City (W2)	\$0.70	\$0.90	\$0.93	\$0.96	\$0.99	\$1.02
Annual Escalator (Years 2–5)	—	3.0%	3.0%	3.0%	3.0%	3.0%

Figure 4-2: Water — Five-Year Rate Schedule

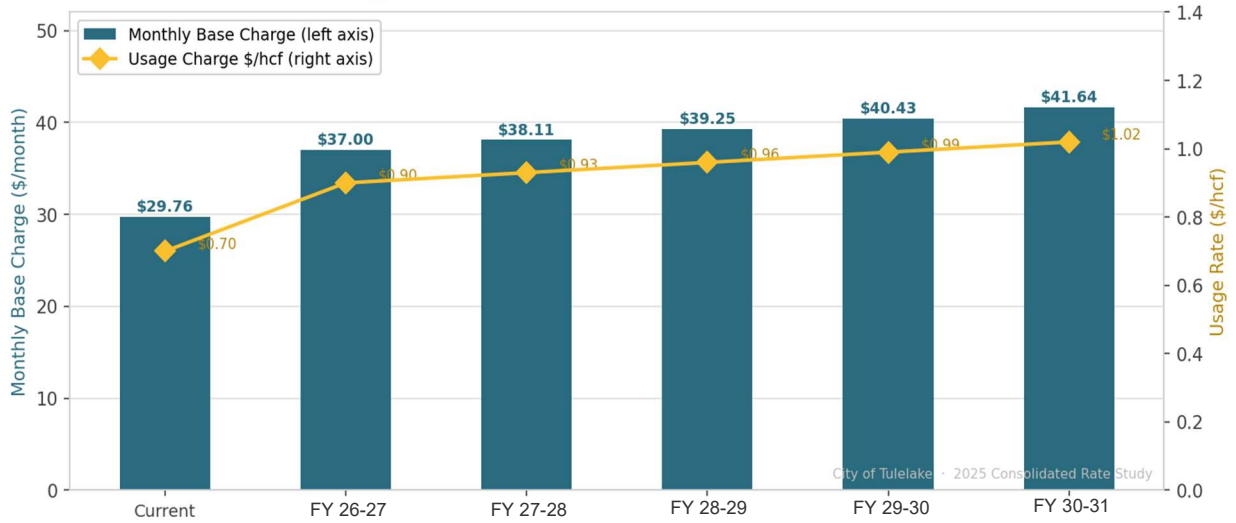


Figure 4-2: Water — Five-Year Rate Schedule (Base Charge and Usage Rate)

4.6 Bill Impact Analysis

The Proposition 218 notice must include bill impact examples for each rate class. Table 4-3 shows estimated bill impacts for representative water customer scenarios.

Table 4-3: Water — Bill Impact Examples					
Customer Scenario	Current Monthly	Proposed FY 26-27 (Year 1)	Change (\$)	Change (%)	Annual Change
Res. — Low/Avg User (0–3,500 cf/mo — base only)	\$29.76	\$37.00	+\$7.24	+24.3%	+\$86.88
Res. — High User (7,000 cf/mo)	\$54.26	\$68.50	+\$14.24	+26.2%	+\$170.88
Commercial — Avg (5,000 cf/mo)	\$40.26	\$50.50	+\$10.24	+25.4%	+\$122.88
Commercial — Heavy (20,000 cf/mo)	\$145.26	\$185.50	+\$40.24	+27.7%	+\$482.88

5 WASTEWATER RATE STUDY

5.1 Wastewater System Overview

The City of Tulelake operates a municipal wastewater collection and treatment system serving approximately 400 billing accounts. The system is funded through the Wastewater Enterprise Fund (Fund 03). The City’s wastewater rates have not been formally updated since the 2022 rate resolution, and the current revenue of \$256,180 (FY 2024-25 actual) is insufficient to meet projected FY 2026-27 operating requirements. The SE discounted class has been reclassified to the standard S1 class; employee utility assistance is now administered through the General Fund Employee Utility Subsidy program (see Chapter 7). The S1-Commercial class is billed at 2.5× the residential rate based on equivalent dwelling unit (EDU) flow documentation.

5.2 Billing Determinants

The wastewater billing universe is more complex than the other two utilities, with 400 billing accounts serving 455 service locations across 490 account-location combinations. A parcel-level support schedule is required before a Proposition 218 notice can be certified. Several rate class relationships also require documentation.

Table 5-2: Wastewater — Billing Determinants (FY 2024-25)

Rate Class	Accounts	Annual Revenue (Actual)	Implied Monthly Rate	Current Schedule Rate	Notes / Flags
S1 — Residential (Standard)	322	\$171,819	\$44.43	\$45.00	Largest class
S1 — Commercial (Standard)	8	\$10,800	\$112.50	\$112.50	
S2 — Commercial (Usage-Based)	18	\$13,827	\$64.02	\$64.02	
S3 — Commercial / FR	33	\$23,732	\$59.93	\$59.93	
SD — Commercial	1	\$540	\$45.00	\$45.00	Satellite district
SD — Multi-Family (19 units)	1	\$5,985	\$26.25/unit	—	
SD — Residential	13	\$7,538	\$48.32	—	Satellite residential
SE — Reclassified to S1	7	\$3,317	\$39.49	—	
SM — Residential (Markdown)	9	\$3,240	\$30.00	—	
SO — Outside City	2	\$6,068	\$252.83	—	
TOTAL	414	\$246,066	—	—	FY26-27 target: \$312,000

5.3 Cost of Service & Revenue Requirement

The FY 2026-27 wastewater recurring O&M budget is estimated at approximately \$280,000 to \$300,000 after excluding the \$200,000 capital outlay and the \$267,000 one-time reimbursement. Key cost drivers include wages and benefits, wastewater lab testing (\$37,950), and licenses and permits (\$47,000 — a significant increase that should be confirmed). Non-rate revenues include land rent (\$12,000) and late fees (\$7,800). The estimated revenue requirement is approximately \$260,000 to \$280,000, compared to current billing of \$256,180 — an indicated increase of approximately 21%.

5.4 Five-Year Financial Projection

Figure 5-2: Wastewater Enterprise — Five-Year Revenue vs. Expense Projection

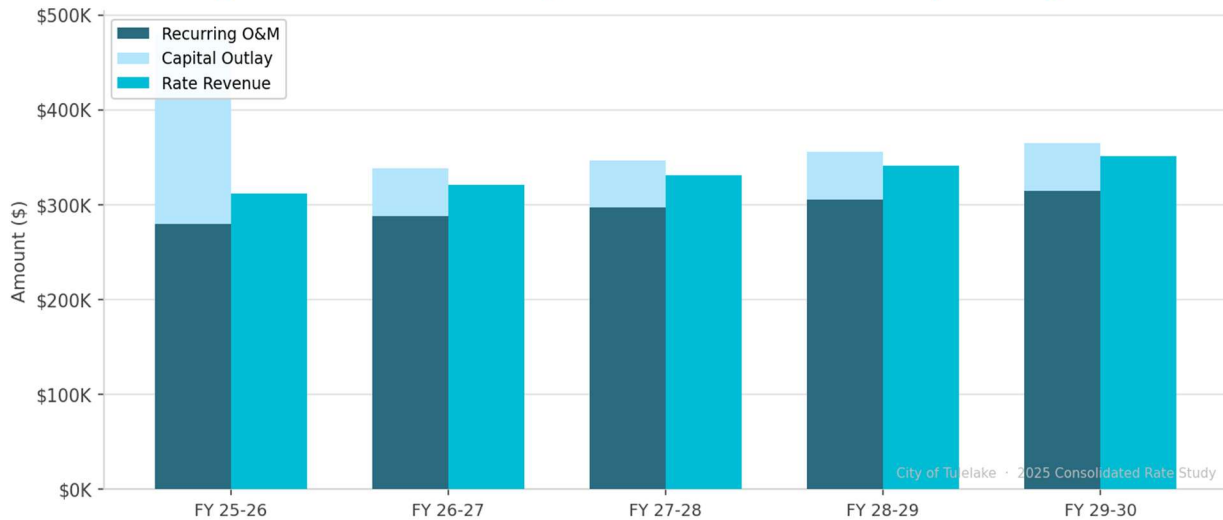


Figure 5-2: Wastewater Enterprise — Five-Year Revenue vs. Expense Projection

5.5 Proposed Rate Schedule

The proposed FY 2026-27 Year 1 wastewater rates represent an approximately 21.1% increase for standard residential customers (S1). The SE discounted class has been reclassified to standard S1; employee utility assistance is now administered through the General Fund Employee Utility Subsidy program. The S1-Commercial EDU basis (2.5x residential) has been documented. A 3% annual escalator applies in Years 2-5 (FY 2027-28 through FY 2030-31).

Table 5-1: Wastewater — Proposed Five-Year Rate Schedule						
Rate Class	Current	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
STANDARD INSIDE-CITY CLASSES						
S1 — Residential	\$45.00	\$54.50	\$56.14	\$57.82	\$59.56	\$61.34
S1 — Commercial	\$112.50	\$136.00	\$140.08	\$144.28	\$148.61	\$153.07
S2 — Commercial	\$64.02	\$78.00	\$80.34	\$82.75	\$85.23	\$87.79
S3 — Commercial	\$59.93	\$73.00	\$75.19	\$77.45	\$79.77	\$82.17
SATELLITE CLASSES (SD)						
SD — Residential	\$48.32	\$59.00	\$60.77	\$62.59	\$64.47	\$66.40
SD — Commercial	\$45.00	\$54.50	\$56.14	\$57.82	\$59.56	\$61.34
SD — Multi-Family (unit)	\$26.25	\$32.00	\$32.96	\$33.95	\$34.97	\$36.02
SPECIAL RATE CLASSES						
SE — Reclassified to S1	\$39.49	\$48.00	\$49.44	\$50.92	\$52.45	\$54.02
SM — Residential	\$30.00	\$36.50	\$37.60	\$38.72	\$39.88	\$41.08
SO — Outside Commercial	\$252.83	\$307.00	\$316.21	\$325.70	\$335.47	\$345.53
Escalator — Years 2–5	—	3.0%	3.0%	3.0%	3.0%	3.0%

Figure 5-1: Wastewater — Five-Year Rate Schedule by Class (3% Escalator, Years 2-5)

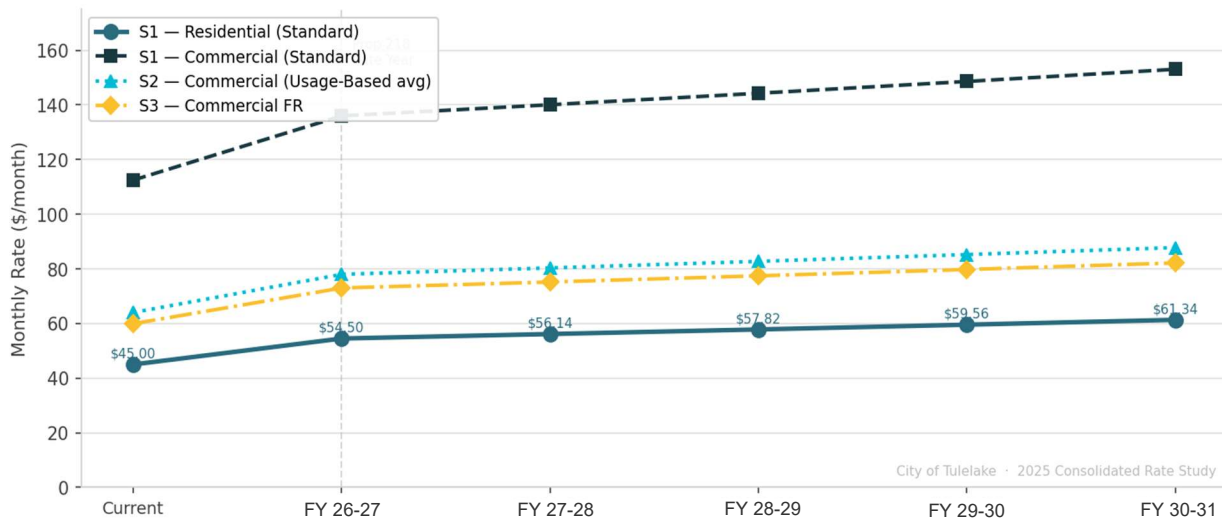


Figure 5-1: Wastewater — Five-Year Rate Schedule by Class (3% Escalator, Years 2-5)

5.6 Bill Impact Analysis

Table 5-3: Wastewater — Bill Impact Examples

Customer Class / Scenario	Current Monthly	Proposed FY 26-27 (Year 1)	Change (\$)	Change (%)	Annual Change
S1 — Residential (Standard)	\$45.00	\$54.50	+\$9.50	+21.1%	+\$114.00
S1 — Commercial (Standard)	\$112.50	\$136.00	+\$23.50	+20.9%	+\$282.00
S2 — Commercial (Usage-Based avg)	\$64.02	\$78.00	+\$13.98	+21.8%	+\$167.76
S3 — Commercial / FR	\$59.93	\$73.00	+\$13.07	+21.8%	+\$156.84
SD — Multi-Family (per unit)	\$26.25	\$32.00	+\$5.75	+21.9%	+\$69.00
SE — Reclassified to S1	\$39.49	\$48.00	+\$8.51	+21.5%	+\$102.12
SM — Residential (Markdown)	\$30.00	\$36.50	+\$6.50	+21.7%	+\$78.00

6 COMBINED BILL IMPACTS & AFFORDABILITY

6.1 Combined Residential Bill Impact

The City of Tulelake is proposing rate increases for all three utilities in the same Proposition 218 proceeding. For planning and public communication purposes, it is important to present the combined impact on a typical residential customer receiving all three services.

Utility / Component	Current Monthly	Proposed FY 26-27 (Year 1)	Change (\$)	Change (%)	Annual Change
Solid Waste (G1 Curbside + Gate Fee)	\$27.75	\$32.50	+\$4.75	+17.1%	+\$57.00
Water (W1, avg user — base charge only)	\$29.76	\$37.00	+\$7.24	+24.3%	+\$86.88
Wastewater (S1 Residential)	\$45.00	\$54.50	+\$9.50	+21.1%	+\$114.00
COMBINED MONTHLY UTILITY BILL	\$102.51	\$124.00	+\$21.49	+21.0%	+\$257.88

Figure 6-1: Combined Monthly Utility Bill Impact — Typical Residential Customer

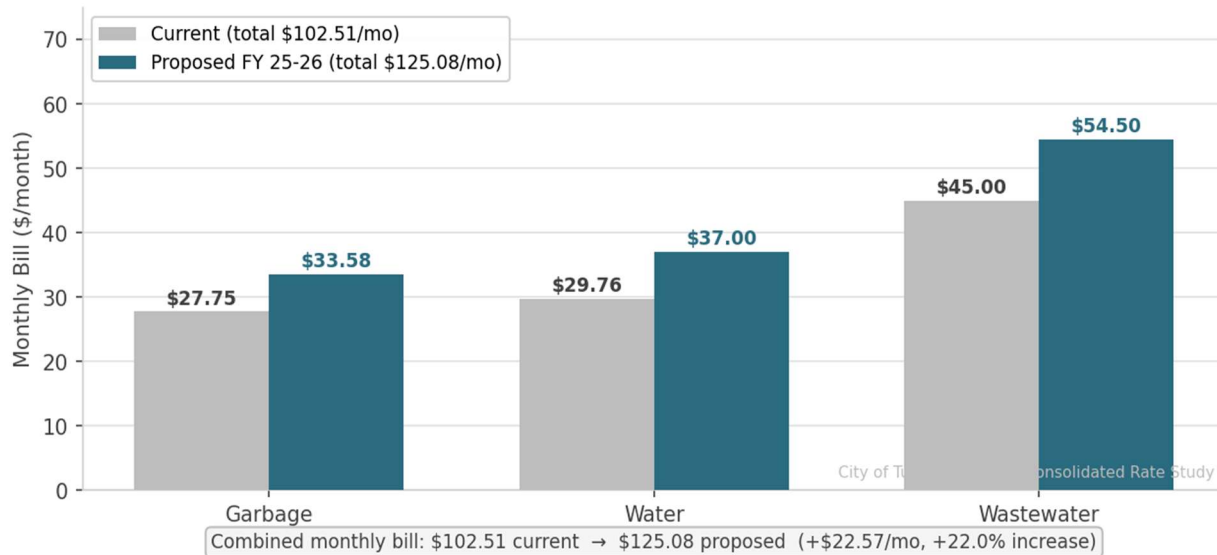


Figure 6-1: Combined Monthly Utility Bill Impact — Typical Residential Customer (G1 + W1 Avg + S1)

6.2 Affordability Analysis

The City of Tulelake is a rural, lower-income community. Based on U.S. Census Bureau American Community Survey data, the estimated median household income (MHI) for the Tulelake area is approximately \$40,000 per year. The U.S. Environmental Protection Agency (EPA) affordability guidance suggests that combined water and wastewater utility costs exceeding 2.5% of MHI may create affordability burdens for lower-income households.

Table 6-2: Affordability Analysis — Annual Utility Cost as % of MHI

Metric	Current	Proposed FY 26-27 (Year 1)
Estimated Tulelake MHI	~\$40,000/yr	~\$40,000/yr
Annual Combined Utility Bill (typical residential)	\$1,230/yr (\$102.51/mo)	\$1,488/yr (\$124.00/mo)
Annual Water + Wastewater Only	\$894/yr	\$1,098/yr
Combined W+WW as % of MHI	2.24%	2.75%
All Three Utilities as % of MHI	3.08%	3.72%
EPA 2.5% W+WW Affordability Threshold Exceeded?	No (2.24%)	Yes (2.75%)

At Year 1 (FY 2026-27) rates, the combined annual water and wastewater cost for a typical residential household is approximately \$1,131 (\$94.25/month), representing 2.83% of the estimated \$40,000 MHI — modestly above the EPA’s 2.5% affordability threshold. Wastewater alone represents approximately 1.68% of MHI (\$673.68/yr at \$56.14/month). The City should consider the following programs to mitigate impacts on lower-income residents:

- » Low Income Household Water Assistance Program (LIHWAP): Federally-funded direct assistance administered in Siskiyou County through Great Northern Services. Residents receiving CalFresh, CalWORKs, or LIHEAP benefits are automatically income-qualified. The City should actively communicate this program and post information at City Hall.
- » State SAFER Program: The California State Water Board's Safe and Affordable Funding for Equity and Resilience program provides grants and technical assistance to small water systems serving lower-income communities. Tulelake may be eligible for SAFER funding to offset operating or capital costs.
- » Low-Income / Senior Discount Program: A 20-25% monthly discount for qualifying lower-income or senior customers, funded from within the rate structure, would cost approximately \$3,000-\$6,000 per year based on typical 5-10% program participation.

7 GENERAL FUND EMPLOYEE UTILITY CONTRIBUTION

7.1 Background and Policy Context

Historically, the City of Tulelake provided utility discounts to City employees through two special rate classes: WE (Water — Employee) and SE (Wastewater — Employee). These discounted classes were embedded in the utility rate schedules at approximately 67% of the standard residential rate. Under Proposition 218, discounted utility rates must be cost-justified on a cost-of-service basis. Employee benefit discounts funded from within the rate structure do not meet this standard and create proportionality risk.

As part of this rate study, the WE and SE rate classes have been eliminated and all affected accounts reclassified to the standard W1 and S1 rate classes, respectively. Employee utility assistance is restructured as a General Fund expenditure — a direct subsidy from the General Fund to the utility enterprise funds on behalf of eligible City employees. This approach is fully Prop 218-compliant, transparent, and can be adjusted by Council resolution without reopening the utility rate schedule.

7.2 Estimated Annual Subsidy Cost

The estimated annual General Fund subsidy is based on the difference between the standard residential rate and the benefit rate granted to eligible employees. At FY 2026-27 Year 1 rates (\$38.11/month water base; \$56.14/month wastewater S1), a 33% benefit discount for employees formerly in the WE/SE classes yields an estimated annual General Fund subsidy cost of approximately \$4,000 to \$8,000 per year, depending on the number of participating employees and the discount level adopted by Council. This cost is budgeted as a General Fund line item (“Employee Utility Benefit”) and transferred to the applicable enterprise fund accounts annually.

7.3 Policy Options for City Council

The City Council should formally adopt one of the following policy options for the General Fund employee utility subsidy program. A Council resolution or personnel policy amendment is the recommended implementation mechanism.

Option A — Maintain Current Discount as General Fund contribution. The City continues the equivalent of the former WE/SE discount (~33%) as a monthly reimbursement to eligible employees, budgeted as a General Fund personnel benefit. Employees are billed at full W1/S1 rates; the General Fund reimbursement offsets the cost.

Option B — Eliminate Subsidy. All employees billed at full W1/S1 standard rates with no subsidy or reimbursement. Simplest administrative option; may require MOU renegotiation if the utility discount is a negotiated benefit.