



City of La Verne

Cost of Service and Financial Plan

Council Workshop
April 7, 2025

Agenda and Project Scope

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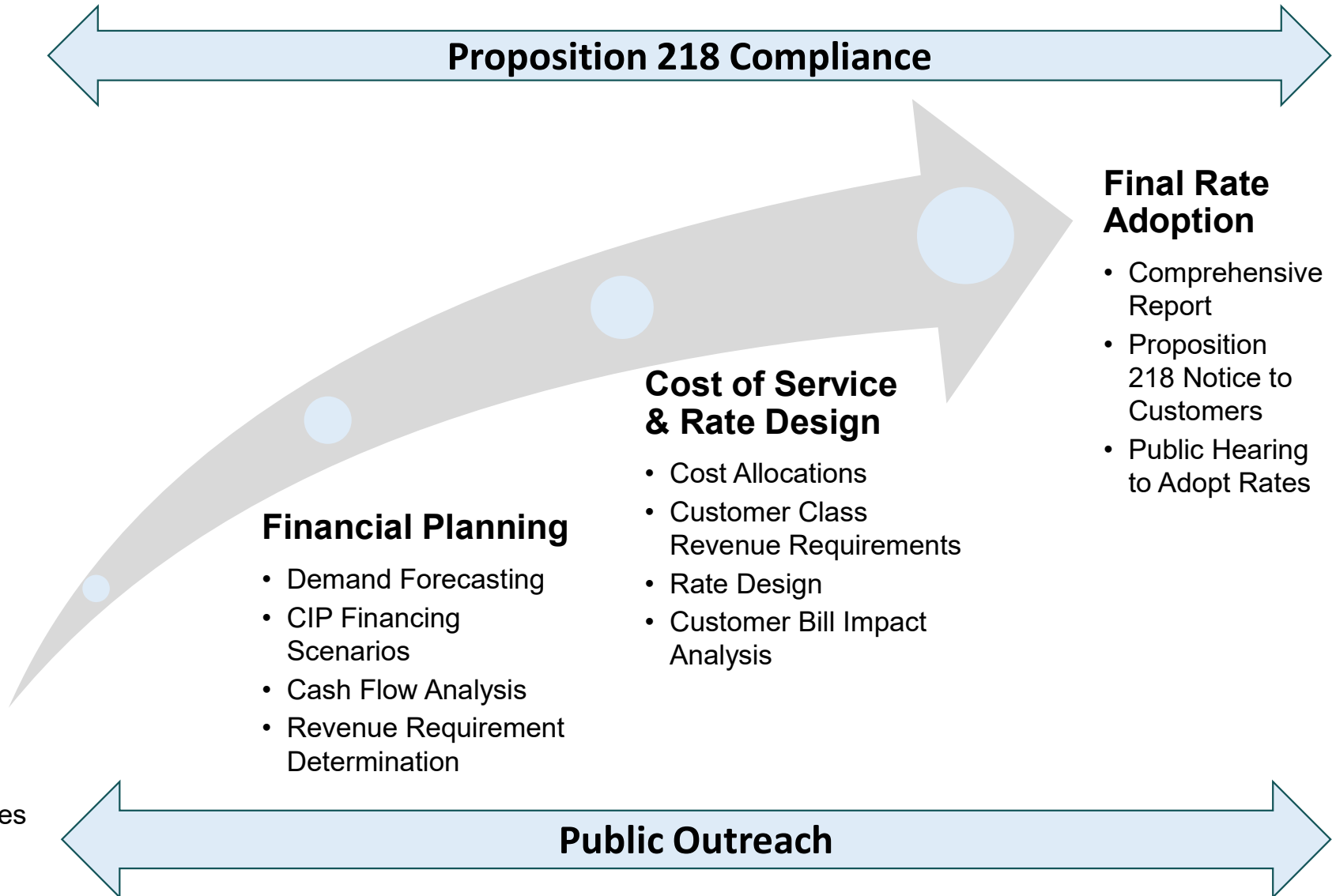
AGENDA

- Water and sewer financial planning scenarios

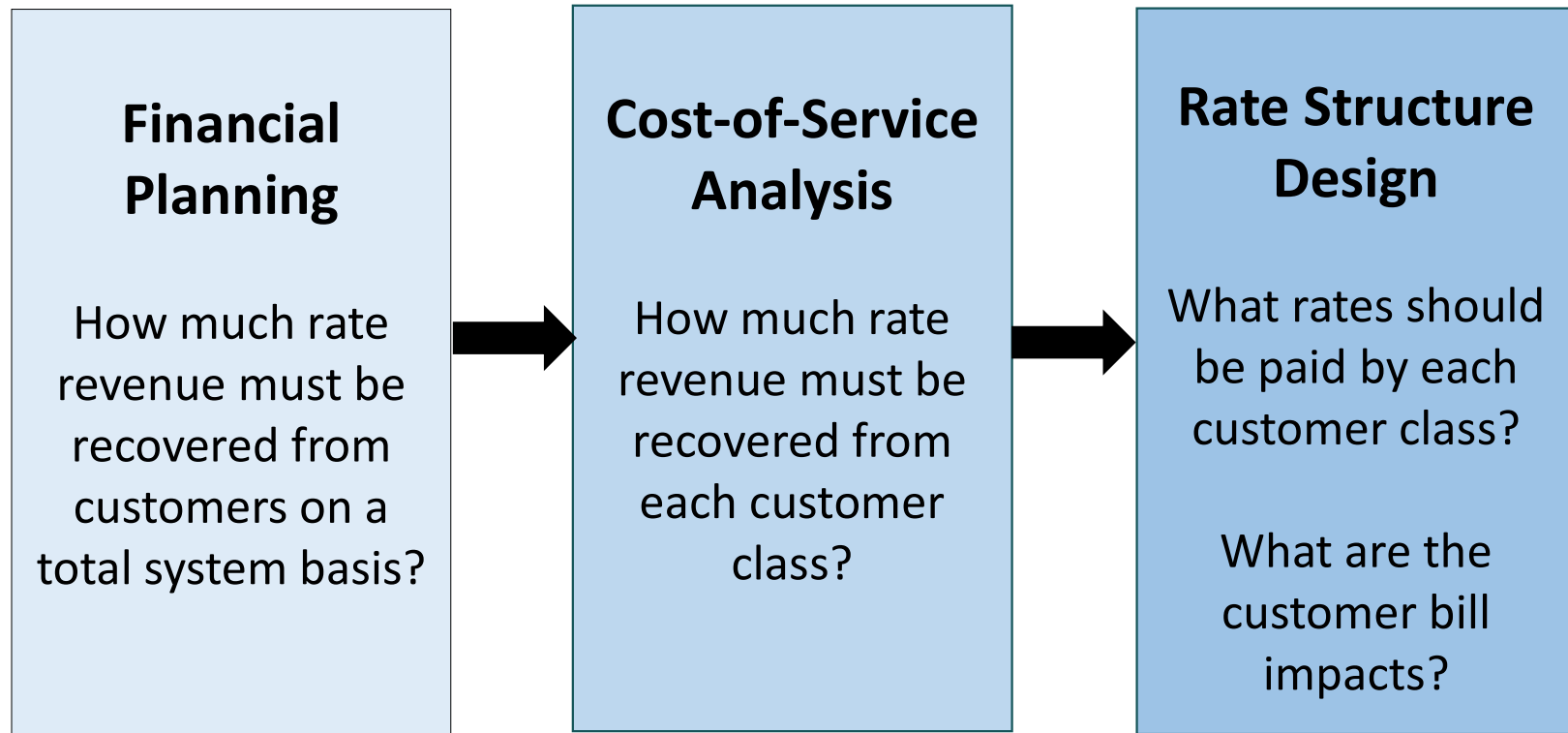
PROJECT SCOPE

- Water and sewer financial plans
- Cost of service analyses
- Rate structure alternatives
- Proposed rates FY 2026 – FY 2030
- Water and sewer capacity fee studies
- Proposition 218 Hearing

Rate Study Process



Key Rate Study Technical Steps



Project Timeline (Tentative)

Date	Activity
Today	Financial Planning Discussion
End of April	Cost-of-Service
May 19	Final Scenarios and Bill Impacts; Authorize Prop 218
June 3	Postmark Proposition 218 Notice
August 4	Public Hearing
October 1, 2025	Effective Date of New Rates and Capacity Fees

Key Assumptions: Inflation and Account Growth for Water & Sewer Studies

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Inflation Assumptions					
General	3%	3%	3%	3%	3%
Salary	5%	5%	5%	5%	5%
Benefits	7%	7%	7%	7%	7%
Utilities	7.5%	7.5%	7.5%	7.5%	7.5%
Construction Costs	4.5%	4.5%	4.5%	4.5%	4.5%
Purchased Water	12%	12%	12%	12%	12%
Account Growth					
Residential	0.34%	0.34%	0.34%	0.34%	0.34%
Multi-Family	0.34%	0.34%	0.34%	0.34%	0.34%
All Other Classes	0%	0%	0%	0%	

Key Assumptions: Financial Targets

- Operational Reserve Target:
 - Water = 90 days of annual O&M expenses
 - Sewer = 60 days of annual O&M expenses
- Capital Reserve Target: 50% of next 5-year average CIP
- Debt Service Coverage Ratio Target: 1.25x

Key Assumptions: Proposed Water CIP

Capital Improvement Plan - Inflated	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Plateau Summit Transmission Line	\$4,000,000					
Ramona Avenue Pressure Reducing Valve	\$225,000					
Booster Pump III to IV	\$400,000					
Pipeline Rehabilitation: Wheeler Avenue (First Street to Second Street)						\$207,207
AMI Meter Conversion - AMI Water Loss Project		\$913,952	\$760,408	\$988,530		
SCADA System Upgrade (Phased over 4 years)				\$676,000	\$703,040	\$731,162
Pipeline Rehabilitation: Bonita Avenue (Wheeler Avenue to A Street)				\$390,838		
Plateau #1 Reservoir Ladder Replacement			\$44,995			
Well: Repair and Rehabilitation (Mills, LVH3, Lincoln, Beech; \$400k/Well) (Phased over 4 years)				\$449,946	\$467,943	\$486,661
Conduct ADU study				\$68,833		
Pipeline Rehabilitation: 7th Street (E Street to G Street) & (C Street to D Street) and a Segment West of Live Oak				\$834,414		
Pipeline Rehabilitation: Construct 1,280 feet of 16-inch pipe and 1,585 feet of 8-inch pipe on E Street					\$1,431,721	
Pipeline Rehabilitation: Daybreak Drive (Park Crest Drive to Canyon Crest Drive)					\$575,576	
6th and White Treatment Plant Upgrade: VOC Removal					\$1,896,647	
Pipeline Rehabilitation: Construct 615 linear feet of 8-inch near Los Flores Park						\$604,530
6th & White Treatment Plant: Nitrate Removal		\$929,130	\$1,858,259	\$1,858,259		
Total Project Costs	\$4,625,000	\$1,843,082	\$2,663,662	\$5,266,821	\$5,074,927	\$2,029,560

Key Assumptions: Proposed Sewer CIP

Capital Improvement Plan - Inflated	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Purchase: Colina De Oro Lift Station - portable backup generators	\$0	\$93,600	\$0	\$0	\$0	\$0
Pipeline Rehabilitation: Bunnelle Avenue	\$0	\$134,446	\$145,417	\$0	\$0	\$0
Pipeline Rehabilitation: Golden Hills Road	\$0	\$168,780	\$182,552	\$0	\$0	\$0
Pipeline Rehabilitation: Wheeler Avenue	\$0	\$159,166	\$172,154	\$0	\$0	\$0
Sewerline Rehabilitation	\$0	\$234,000	\$0	\$0	\$0	\$0
Manhole/Cleanout Rehabilitation (10% Over 15 years - 16.86/year @\$28,641each)	\$0	\$0	\$522,291	\$543,182	\$564,910	\$587,506
Sewer Relining (2.25 miles/year)	\$0	\$0	\$0	\$3,157,100	\$3,283,384	\$3,414,719
Purchase: Franklin - portable backup generator	\$0	\$0	\$0	\$0	\$105,287	\$0
CONSTRUCTION CONTRACTS	\$150,000	\$0	\$0	\$0		\$0
SURVEILLANCE EQUIPMENT	\$75,000	\$0	\$0	\$0		\$0
Total-Fund 531 Project	\$225,000	\$789,992	\$1,022,414	\$3,700,282	\$3,953,581	\$4,002,225

Water Financial Plans

Water Financial Planning Scenarios

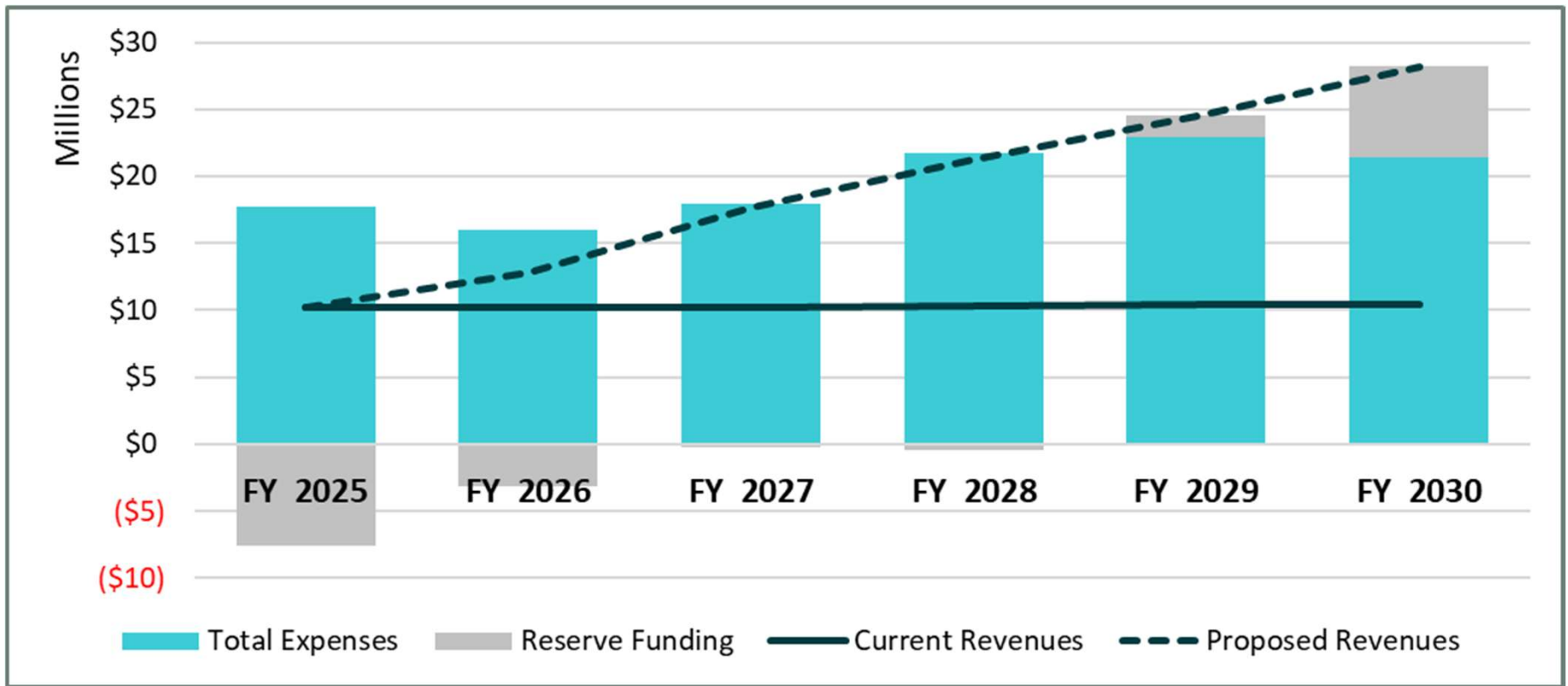
The need for financial planning scenarios:

- If we do nothing our projected cash reserves are **(\$49 million)** by FY 2030
- If we immediately catchup financially, a **110% rate revenue increase** would be required in FY 2026
- Two more realistic scenarios were developed:
 - Rate increases with no debt
 - Rate Increases + \$7 million in debt financing

Scenario 1: Rate Increase with No Debt

City of La Verne - Water Rate Model	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Water Operating Fund						
Revenue Adjustments	0.0%	35.0%	30.0%	20.0%	15.0%	15.0%
Cummulative Adjustments	0.0%	35.0%	75.5%	110.6%	142.2%	178.5%
Effective Month	July	October	July	July	July	July
Proposed Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
Ending Cash Reserves	(\$733,605)	(\$3,880,481)	(\$4,059,344)	(\$4,501,444)	(\$2,850,273)	\$4,028,890
Variance from Combined Target	(\$5,602,233)	(\$9,681,749)	(\$9,869,750)	(\$11,046,708)	(\$9,221,795)	(\$2,507,492)

Scenario 1: Rate Increases with No Debt

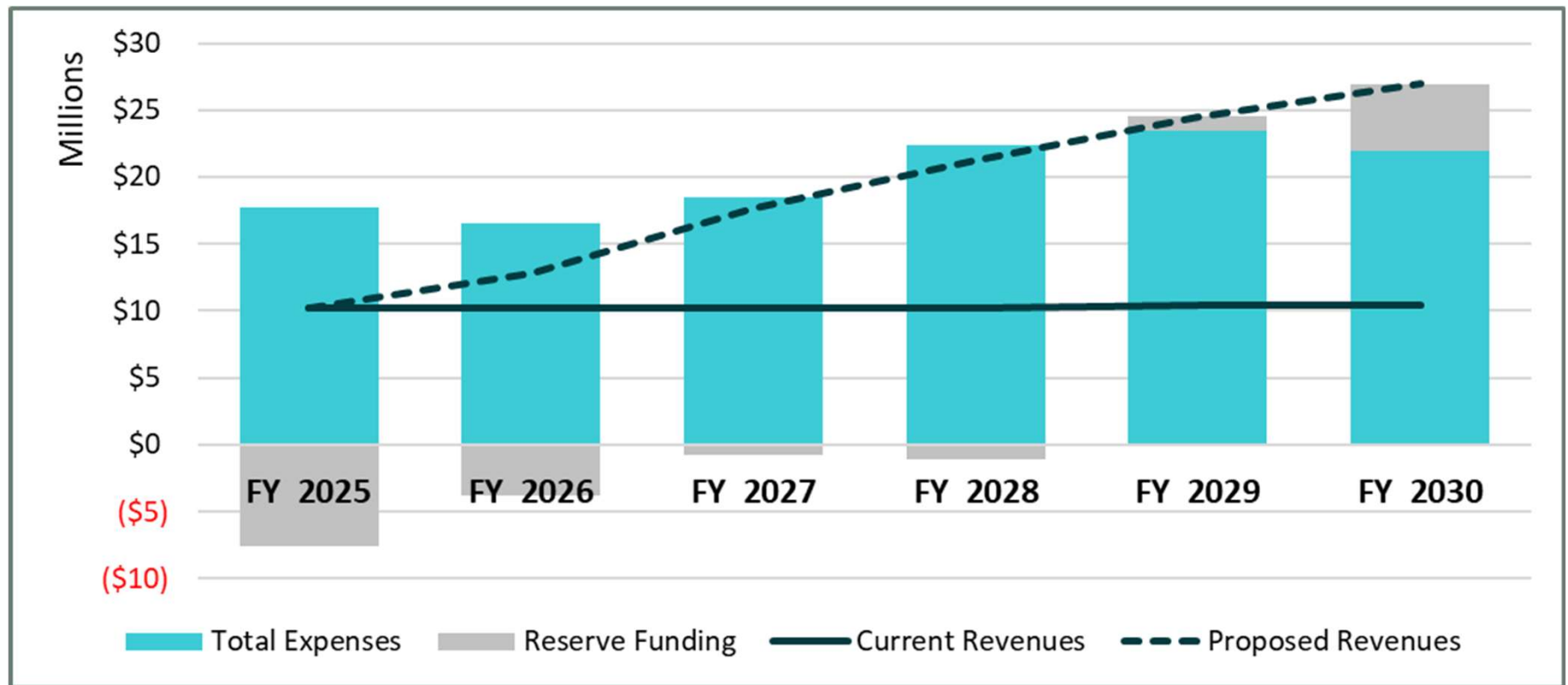


Item	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Ending Cash Reserves	(\$0.7)	(\$3.9)	(\$4.1)	(\$4.5)	(\$2.9)	\$4.0

Scenario 2: Rate Increases and \$7 Million in Debt

City of La Verne - Water Rate Model	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Water Operating Fund						
Revenue Adjustments	0.0%	35.0%	30.0%	20.0%	15.0%	10.0%
Cummulative Adjustments	0.0%	35.0%	75.5%	110.6%	142.2%	166.4%
Effective Month	July	October	July	July	July	July
Proposed Debt Proceeds	\$0	\$7,000,000	\$0	\$0	\$0	\$0
Ending Cash Reserves	(\$733,605)	\$2,594,057	\$1,916,442	\$872,523	\$1,936,909	\$7,019,888
Variance from Combined Target	(\$4,902,233)	(\$2,691,520)	(\$3,644,638)	(\$5,672,741)	(\$4,434,613)	\$483,507

Scenario 2: Rate Increases and \$7 Million in Debt



Item	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Ending Cash Reserves	(\$0.7)	\$2.6	\$1.9	\$0.9	\$1.9	\$7.0

Sewer Financial Plans

Sewer Financial Planning Scenarios

If the City does nothing, reserves will go negative starting in FY 2031

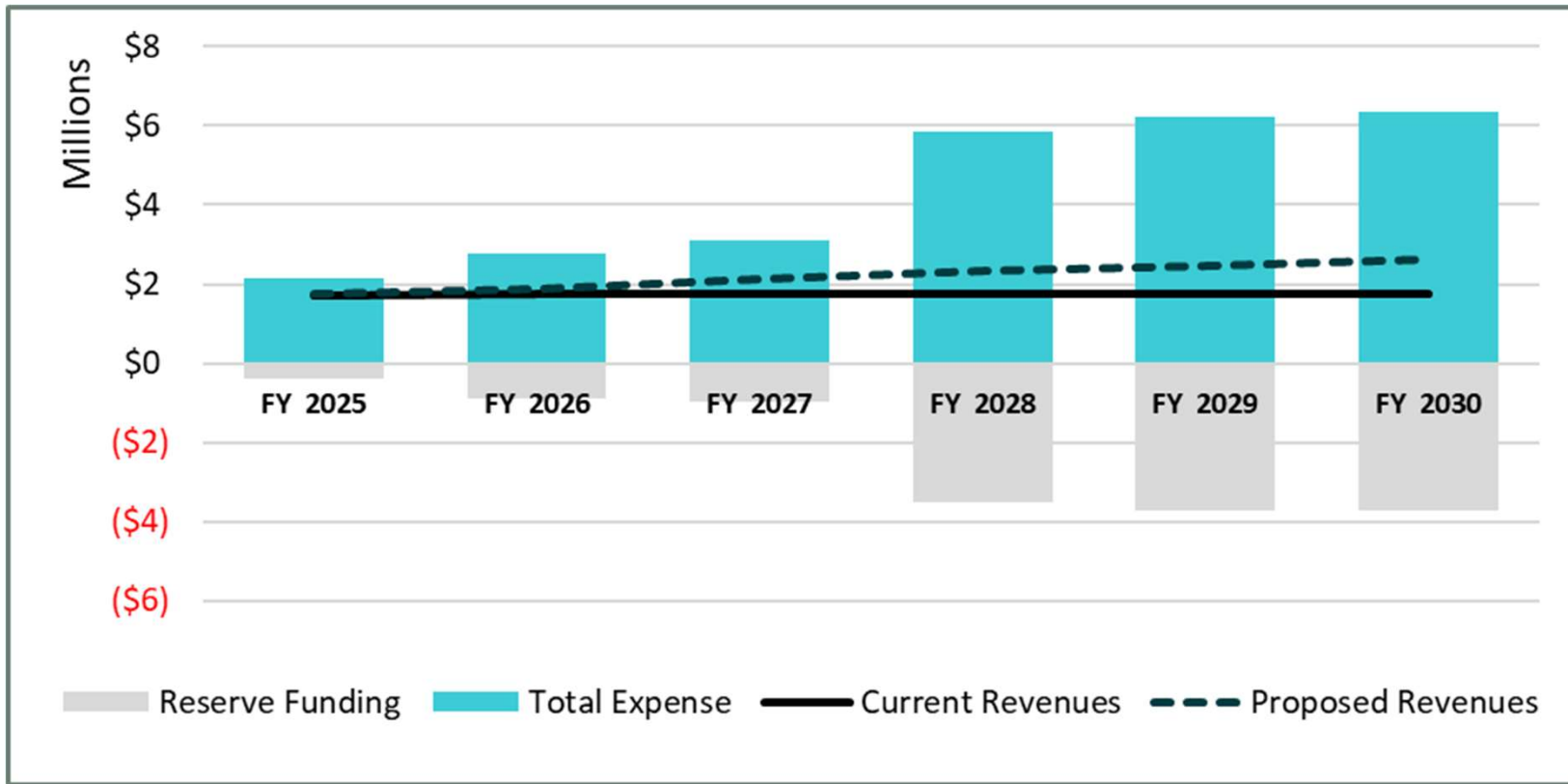
Financial planning scenario analyzed:

- Rate Revenue Increases Only (no new debt)

Scenario 1: Rate Increases Only

City of La Verne - Wastewater Rate Model	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Sewer Operating Fund						
Revenue Adjustments	0.0%	10.0%	10.0%	10.0%	6.0%	6.0%
Cummulative Adjustments	0.0%	10.0%	21.0%	33.1%	41.1%	49.6%
Effective Month	July	October	July	July	July	July
Proposed Bond Proceeds	-	-	-	-	-	-
Ending Cash Reserves	\$14,933,816	\$14,452,394	\$13,885,036	\$10,731,810	\$7,312,892	\$3,833,920
Variance from Combined Target	\$13,288,280	\$12,456,708	\$11,914,499	\$9,051,003	\$5,943,801	\$2,849,402

Scenario 1: Rate Increases Only



Item	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Ending Cash Reserves	\$14.9	\$14.5	\$13.9	\$10.7	\$7.3	\$3.8

Next Steps

- Council feedback on financial plans
- Cost of service studies
- Proposed rates
- Customer Outreach
- Proposition 218 Notice



Thank you!

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