

Sewer Enterprise Study



CITY of **CHICO**

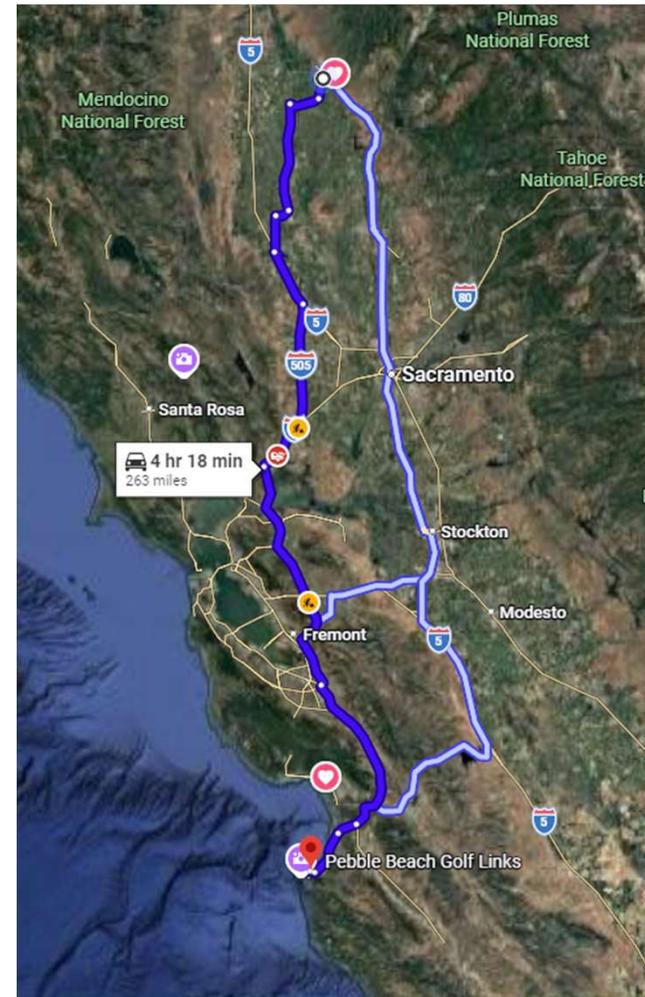
Finance Committee
February 18, 2026

David Kehn
Senior Civil Engineer
Public Works Engineering

**“A safe place to raise a family, an ideal location for business,
and a premier place to live.”**

Overview

- Background
- Sewer Fund Challenges
- Capital Improvement Plan
- Customer Impacts
- Financing Options
- Next Steps



Chico maintains ~288 miles of pipe
(*Chico to Monterey*)



Utility Operation

The City Council serves as the governing board for the City's sewer utility.

Council provides policy direction and oversight to ensure the system operates safely, reliably, and in compliance with regulations.

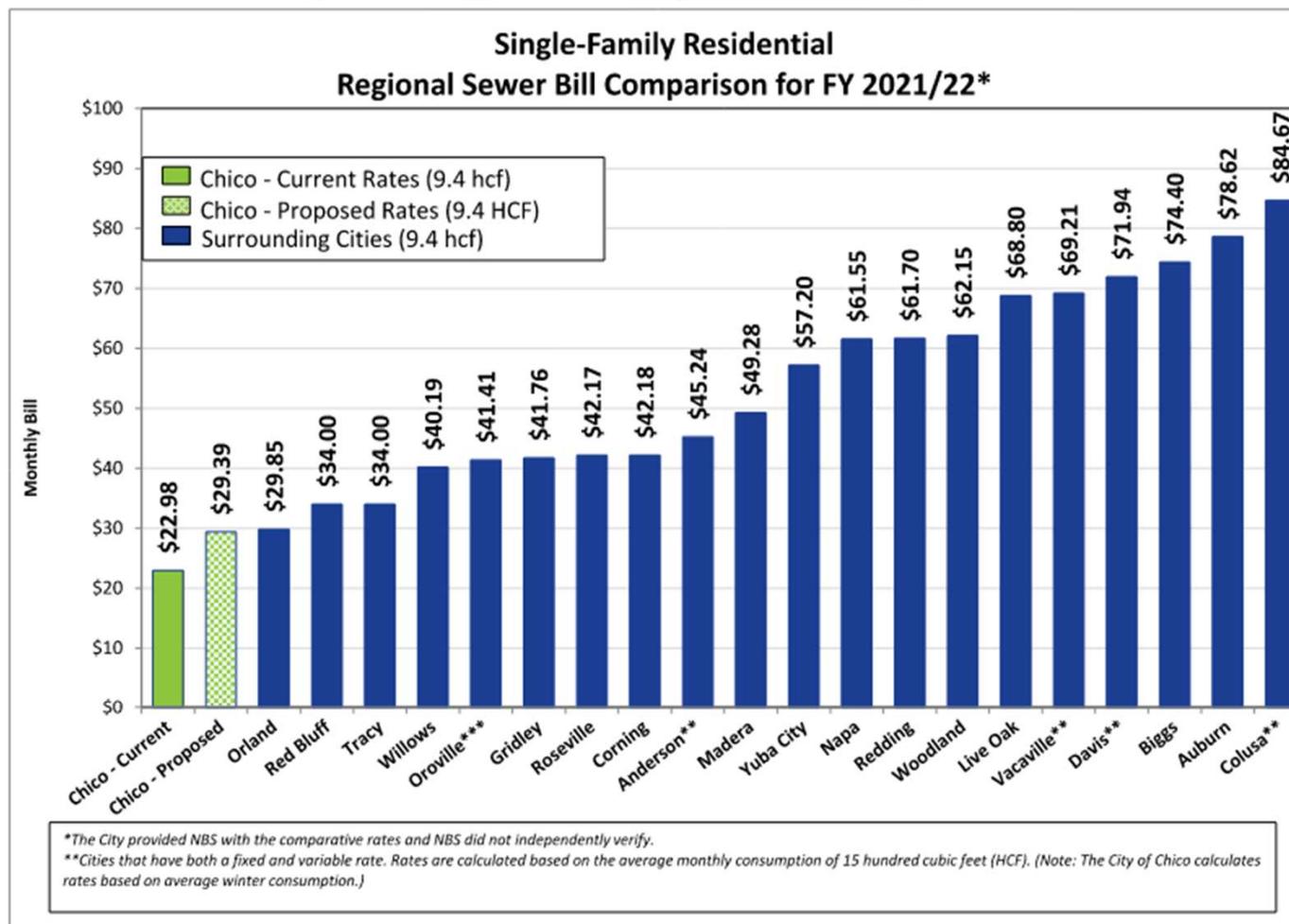
Council is responsible for stewarding the system's long-term financial health, including setting rates that fund its operation and maintenance.



Background

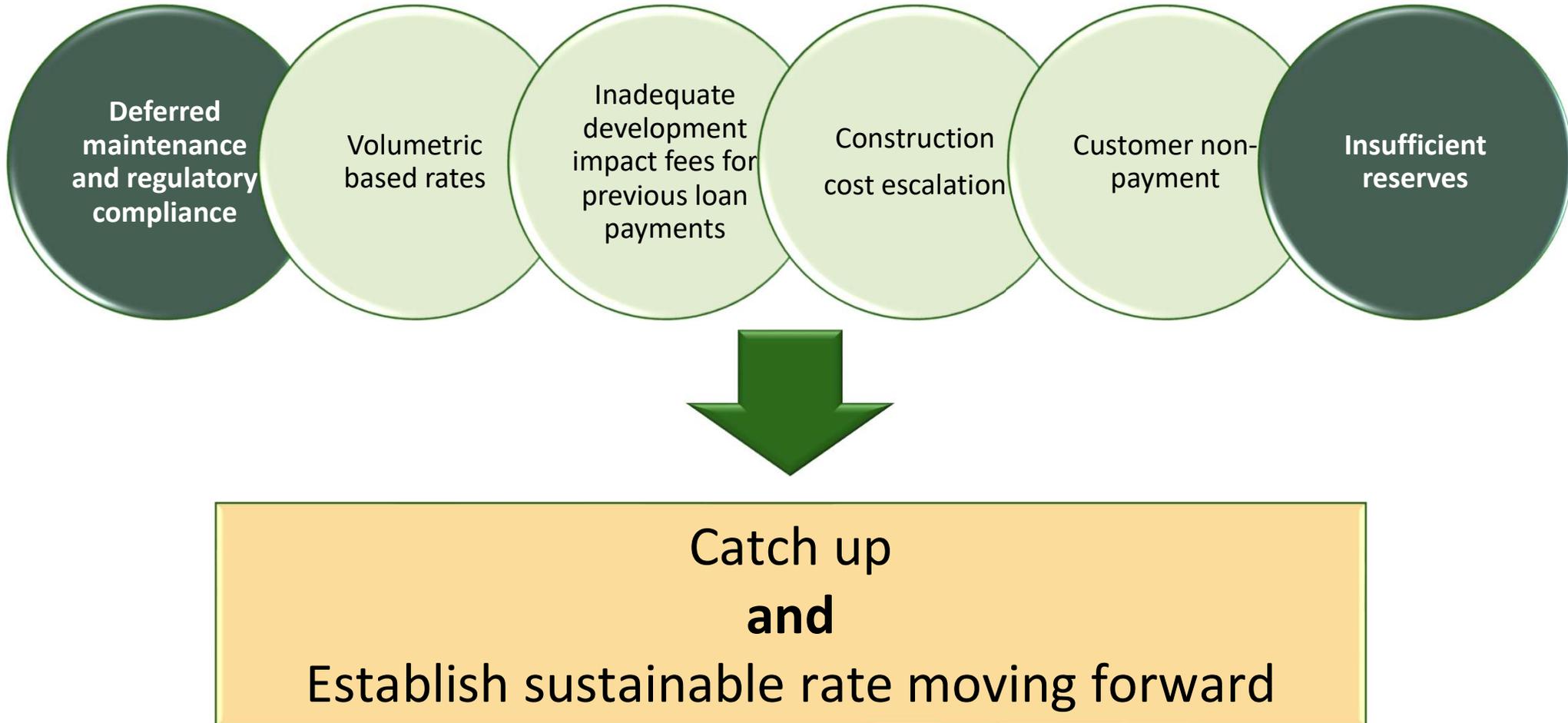
Long term under-financing

Figure 19. Regional Monthly Sewer Bill Comparisons

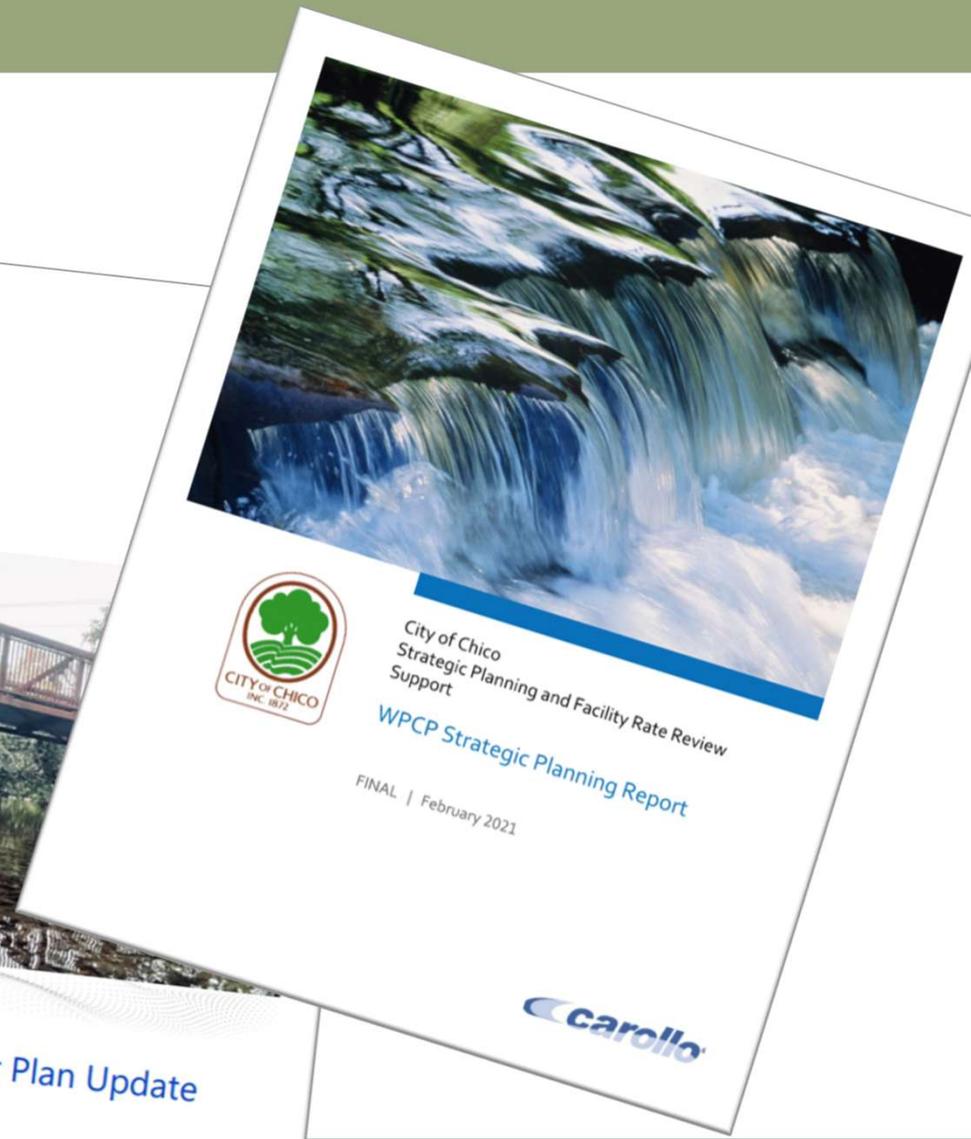
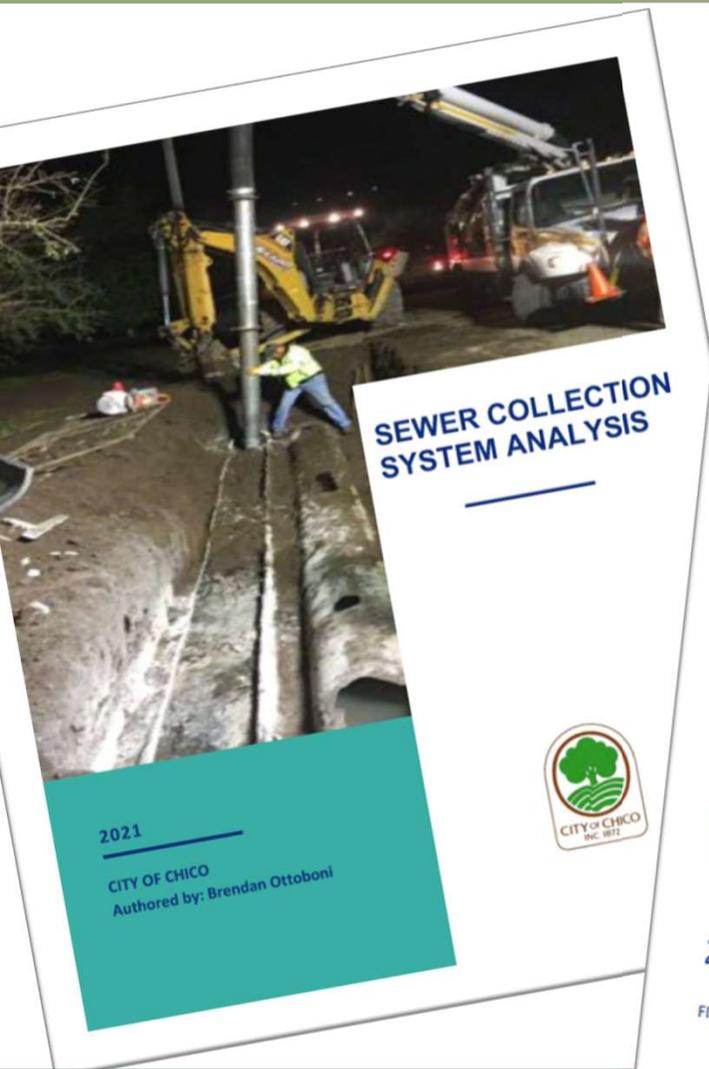


Sewer Fund Financial Condition

Key Challenges

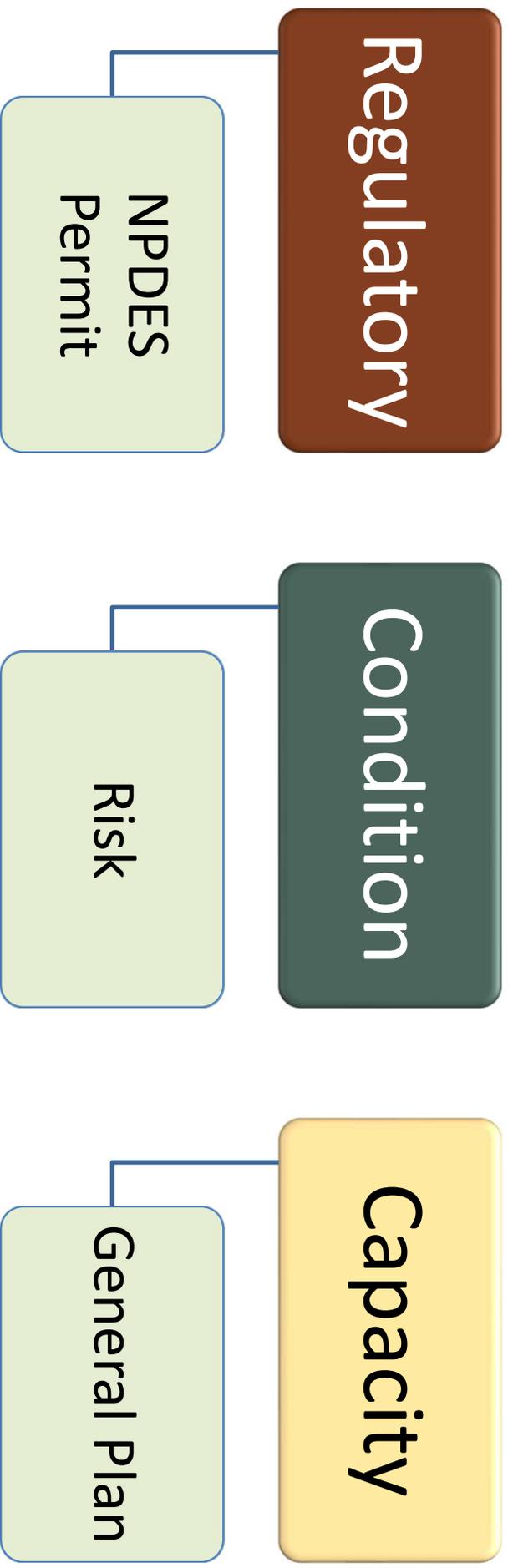


Planning Documents



Capital Improvement Plan

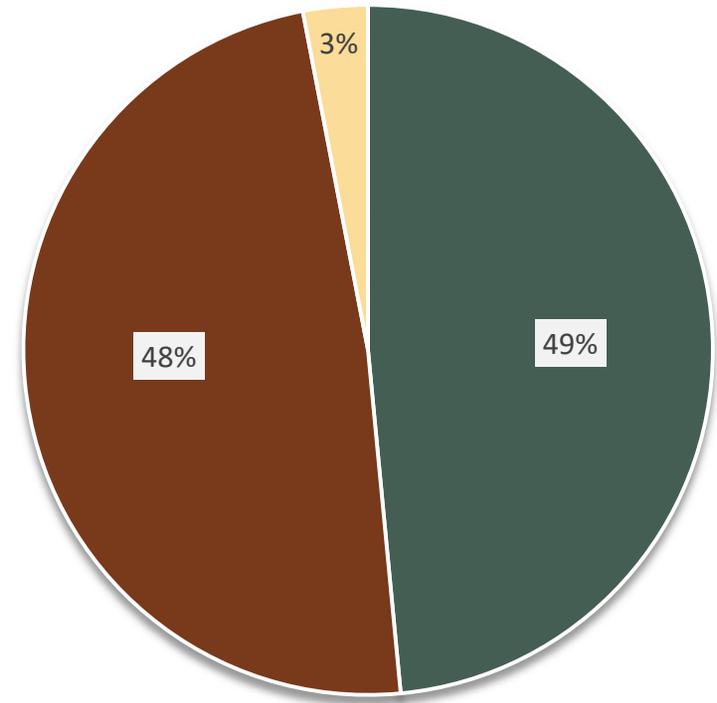
What are the project drivers?



Capital Improvement Plan

| | 5-Year Total By Driver | | 5-Year % By Driver |
|-------------------|---------------------------|--------------------|-----------------------|
| <i>Regulatory</i> | \$ | 64,709,439 | 48% |
| <i>Condition</i> | \$ | 65,175,296 | 49% |
| <i>Capacity</i> | \$ | 4,590,457 | 3% |
| <i>Total</i> | \$ | 134,475,191 | |

5-Year CIP Budget
By Driver

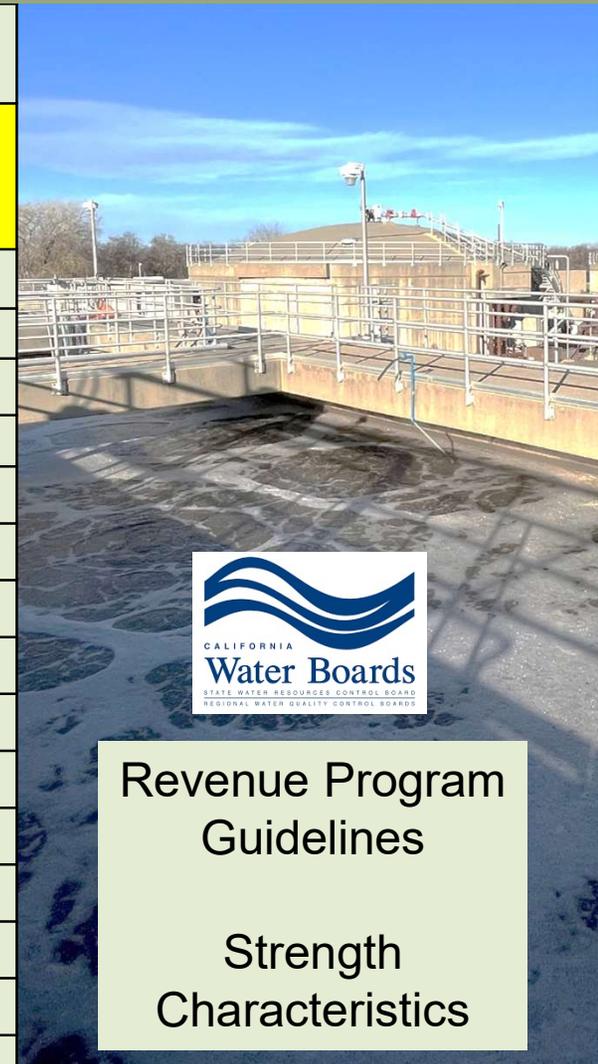


■ Regulatory Driven ■ Condition Driven ■ Capacity

Customer Impacts

Cost to treat

| <u>STANDARD CLASSIFICATIONS</u> | <u>BOD₅</u> (ppm) | <u>TSS</u> (ppm) |
|--|---------------------------------|---------------------|
| Residential (average varies depending on average water usage per capita) | 175 to 250 | 175 to 250 |
| Auto Steam Cleaning | 1,150 | 1,250 |
| Bakery, wholesale | 1,000 | 600 |
| Bars without dining facilities | 200 | 200 |
| Car Wash | 20 | 150 |
| Department and Retail Store | 150 | 150 |
| Hospital and Convalescent | 250 | 100 |
| Hotel with dining facilities | 500 | 600 |
| Hotel/Motel without dining | 310 | 120 |
| Industrial Laundry | 670 | 680 |
| Laundromat | 150 | 110 |
| Laundry, commercial | 450 | 240 |
| Market with garbage grinders | 800 | 800 |
| Mortuary | 800 | 800 |
| Professional Office | 130 | 80 |
| Repair Shop and Service Station | 180 | 280 |
| Restaurant | 1,000 | 600 |
| School and College | 130 | 100 |



Revenue Program
Guidelines

Strength
Characteristics

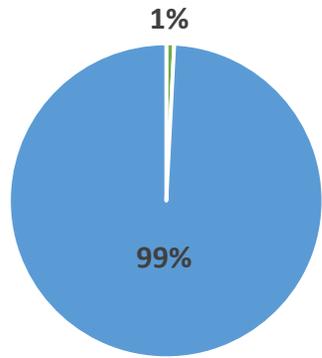


Customer Impacts

Commercial Class - Restaurants

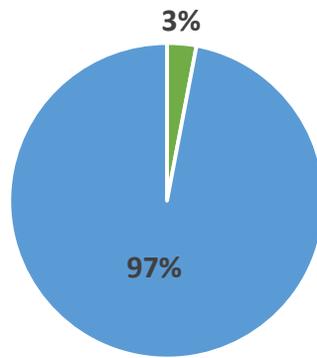
Account Comparison

■ Restaurants ■ All Other



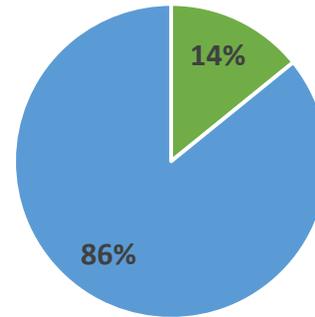
Flow Comparison

■ Restaurants ■ All Other



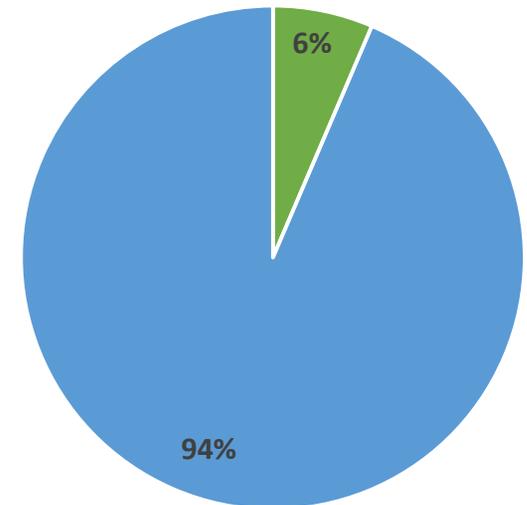
BOD Comparison

■ Restaurants ■ All Other



Revenue Requirement

■ Restaurants ■ All Other



A relatively small number of “high strength” dischargers impact the overall treatment requirements for the WPCP.



Sewer Rates

Financing Options

Option 1

- Large increase Year 1

Option 2

- Incremental Increases Years 1-5



Option 1

Pay-as-you-go Large Increase Year 1

| Class | Monthly Usage | Existing Bill | 2027 Proposed Bill | 2028 Proposed Bill | 2029 Proposed Bill | 2030 Proposed Bill | 2031 Proposed Bill |
|-------------------------|---------------|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | hcf | | 2027 | 2028 | 2029 | 2030 | 2031 |
| Residential | | | | | | | |
| House | 7.2 | \$ 37.83 | \$ 98.28 | \$ 101.21 | \$ 104.27 | \$ 107.38 | \$ 110.61 |
| Multi-Family | 5.5 | \$ 23.27 | \$ 77.13 | \$ 79.43 | \$ 81.83 | \$ 84.27 | \$ 86.81 |
| Duplex - 2 Meters | 5.6 | \$ 16.50 | \$ 83.41 | \$ 85.90 | \$ 88.50 | \$ 91.14 | \$ 93.88 |
| Duplex - 1 Meter | 5.6 | \$ 25.76 | \$ 83.40 | \$ 85.89 | \$ 88.49 | \$ 91.13 | \$ 93.88 |
| Commercial | | | | | | | |
| Bars w/o Dining | 23.7 | \$ 111.10 | \$ 338.54 | \$ 348.74 | \$ 359.11 | \$ 369.89 | \$ 380.88 |
| Brewery | 51.3 | \$ 608.29 | \$ 1,585.34 | \$ 1,632.83 | \$ 1,681.70 | \$ 1,731.95 | \$ 1,783.75 |
| Car Wash | 74.2 | \$ 242.39 | \$ 816.77 | \$ 841.15 | \$ 866.69 | \$ 892.63 | \$ 919.07 |
| Dorms | 369.0 | \$ 1,591.78 | \$ 4,959.27 | \$ 5,109.57 | \$ 5,262.42 | \$ 5,421.52 | \$ 5,583.69 |
| Hospital & Convalescent | 128.4 | \$ 549.94 | \$ 1,718.89 | \$ 1,769.90 | \$ 1,823.07 | \$ 1,877.14 | \$ 1,933.56 |
| Hotels w/o Dining | 206.6 | \$ 986.24 | \$ 2,994.54 | \$ 3,085.24 | \$ 3,177.51 | \$ 3,273.41 | \$ 3,371.18 |
| Hotels with Dining | 8.5 | \$ 75.97 | \$ 208.24 | \$ 214.45 | \$ 220.85 | \$ 227.45 | \$ 234.27 |
| Industrial Laundry | 575.8 | \$ 6,002.56 | \$ 15,833.08 | \$ 16,310.09 | \$ 16,801.41 | \$ 17,307.06 | \$ 17,828.73 |
| Laundromat | 113.4 | \$ 431.54 | \$ 1,381.12 | \$ 1,422.28 | \$ 1,465.28 | \$ 1,508.99 | \$ 1,554.68 |
| Markets/Bakeries | 82.4 | \$ 988.95 | \$ 2,558.96 | \$ 2,636.10 | \$ 2,715.45 | \$ 2,797.02 | \$ 2,881.07 |
| Mortuary | 12.2 | \$ 151.61 | \$ 381.34 | \$ 392.73 | \$ 404.57 | \$ 416.73 | \$ 429.26 |
| Restaurants | 15.0 | \$ 179.74 | \$ 464.06 | \$ 477.95 | \$ 492.25 | \$ 506.95 | \$ 522.10 |
| Restaurants | 25.0 | \$ 299.57 | \$ 773.43 | \$ 796.59 | \$ 820.42 | \$ 844.91 | \$ 870.17 |
| Restaurants | 71.2 | \$ 853.18 | \$ 2,202.74 | \$ 2,268.69 | \$ 2,336.55 | \$ 2,406.32 | \$ 2,478.24 |
| School | 72.4 | \$ 260.85 | \$ 852.78 | \$ 878.45 | \$ 904.56 | \$ 931.82 | \$ 959.60 |
| All Other | 18.9 | \$ 85.91 | \$ 257.33 | \$ 265.02 | \$ 273.02 | \$ 281.15 | \$ 289.63 |



Option 1

Pay-as-you-go Large Increase Year 1

| Class | Monthly Usage | Existing Bill | 2027 Proposed Bill | 2028 Proposed Bill | 2029 Proposed Bill | 2030 Proposed Bill | 2031 Proposed Bill |
|-------------------------|---------------|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | hcf | | 2027 | 2028 | 2029 | 2030 | 2031 |
| Residential | | | | | | | |
| House | 7.2 | \$ 37.83 | \$ 98.28 | \$ 101.21 | \$ 104.27 | \$ 107.38 | \$ 110.61 |
| Multi-Family | 5.5 | \$ 23.27 | \$ 77.13 | \$ 79.43 | \$ 81.83 | \$ 84.27 | \$ 86.81 |
| Duplex - 2 Meters | 5.6 | \$ 16.50 | \$ 83.41 | \$ 85.90 | \$ 88.50 | \$ 91.14 | \$ 93.88 |
| Duplex - 1 Meter | 5.6 | \$ 25.76 | \$ 83.40 | \$ 85.89 | \$ 88.49 | \$ 91.13 | \$ 93.88 |
| Commercial | | | | | | | |
| Bars w/o Dining | 23.7 | \$ 111.10 | \$ 338.54 | \$ 348.74 | \$ 359.11 | \$ 369.89 | \$ 380.88 |
| Brewery | 51.3 | \$ 608.29 | \$ 1,585.34 | \$ 1,632.83 | \$ 1,681.70 | \$ 1,731.95 | \$ 1,783.75 |
| Car Wash | 74.2 | \$ 242.39 | \$ 816.77 | \$ 841.15 | \$ 866.69 | \$ 892.63 | \$ 919.07 |
| Dorms | 369.0 | \$ 1,591.78 | \$ 4,959.27 | \$ 5,109.57 | \$ 5,262.42 | \$ 5,421.52 | \$ 5,583.69 |
| Hospital & Convalescent | 128.4 | \$ 549.94 | \$ 1,718.89 | \$ 1,769.90 | \$ 1,823.07 | \$ 1,877.14 | \$ 1,933.56 |
| Hotels w/o Dining | 206.6 | \$ 986.24 | \$ 2,994.54 | \$ 3,085.24 | \$ 3,177.51 | \$ 3,273.41 | \$ 3,371.18 |
| Hotels with Dining | 8.5 | \$ 75.97 | \$ 208.24 | \$ 214.45 | \$ 220.85 | \$ 227.45 | \$ 234.27 |
| Industrial Laundry | 575.8 | \$ 6,002.56 | \$ 15,833.08 | \$ 16,310.09 | \$ 16,801.41 | \$ 17,307.06 | \$ 17,828.73 |
| Laundromat | 113.4 | \$ 431.54 | \$ 1,381.12 | \$ 1,422.28 | \$ 1,465.28 | \$ 1,508.99 | \$ 1,554.68 |
| Markets/Bakeries | 82.4 | \$ 988.95 | \$ 2,558.96 | \$ 2,636.10 | \$ 2,715.45 | \$ 2,797.02 | \$ 2,881.07 |
| Mortuary | 12.2 | \$ 151.61 | \$ 381.34 | \$ 392.73 | \$ 404.57 | \$ 416.73 | \$ 429.26 |
| Restaurants | 15.0 | \$ 179.74 | \$ 464.06 | \$ 477.95 | \$ 492.25 | \$ 506.95 | \$ 522.10 |
| Restaurants | 25.0 | \$ 299.57 | \$ 773.43 | \$ 796.59 | \$ 820.42 | \$ 844.91 | \$ 870.17 |
| Restaurants | 71.2 | \$ 853.18 | \$ 2,202.74 | \$ 2,268.69 | \$ 2,336.55 | \$ 2,406.32 | \$ 2,478.24 |
| School | 72.4 | \$ 260.85 | \$ 852.78 | \$ 878.45 | \$ 904.56 | \$ 931.82 | \$ 959.60 |
| All Other | 18.9 | \$ 85.91 | \$ 257.33 | \$ 265.02 | \$ 273.02 | \$ 281.15 | \$ 289.63 |

160% increase

12% increase



Option 2

Pay-as-you-go Incremental Increases Years 1-5

| Class | Monthly Usage hcf | Existing Bill | Proposed Bill 2027 | Proposed Bill 2028 | Proposed Bill 2029 | Proposed Bill 2030 | Proposed Bill 2031 |
|-------------------------|----------------------|---------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Residential | | | | | | | |
| House | 7.2 | \$ 37.83 | \$ 59.62 | \$ 80.46 | \$ 104.58 | \$ 135.98 | \$ 176.79 |
| Multi-Family | 5.5 | \$ 23.27 | \$ 46.80 | \$ 63.17 | \$ 82.10 | \$ 106.74 | \$ 138.78 |
| Duplex - 2 Meters | 5.6 | \$ 16.50 | \$ 50.65 | \$ 68.36 | \$ 88.86 | \$ 115.53 | \$ 150.21 |
| Duplex - 1 Meter | 5.6 | \$ 25.76 | \$ 50.64 | \$ 68.36 | \$ 88.85 | \$ 115.52 | \$ 150.19 |
| Commercial | | | | | | | |
| Bars w/o Dining | 23.7 | \$ 111.10 | \$ 205.33 | \$ 277.22 | \$ 360.31 | \$ 468.34 | \$ 608.83 |
| Brewery | 51.3 | \$ 608.29 | \$ 968.31 | \$ 1,307.14 | \$ 1,699.32 | \$ 2,209.03 | \$ 2,871.72 |
| Car Wash | 74.2 | \$ 242.39 | \$ 493.49 | \$ 666.47 | \$ 866.38 | \$ 1,126.30 | \$ 1,464.13 |
| Dorms | 369.0 | \$ 1,591.78 | \$ 3,006.20 | \$ 4,057.82 | \$ 5,274.68 | \$ 6,856.76 | \$ 8,913.90 |
| Hospital & Convalescent | 128.4 | \$ 549.94 | \$ 1,041.99 | \$ 1,406.56 | \$ 1,828.62 | \$ 2,377.74 | \$ 3,090.84 |
| Hotels w/o Dining | 206.6 | \$ 986.24 | \$ 1,816.38 | \$ 2,451.81 | \$ 3,186.89 | \$ 4,143.81 | \$ 5,387.43 |
| Hotels with Dining | 8.5 | \$ 75.97 | \$ 126.98 | \$ 171.41 | \$ 222.87 | \$ 289.76 | \$ 376.67 |
| Industrial Laundry | 575.8 | \$ 6,002.56 | \$ 9,665.60 | \$ 13,046.83 | \$ 16,960.01 | \$ 22,049.91 | \$ 28,668.10 |
| Laundromat | 113.4 | \$ 431.54 | \$ 835.66 | \$ 1,127.74 | \$ 1,466.36 | \$ 1,905.83 | \$ 2,477.84 |
| Markets/Bakeries | 82.4 | \$ 988.95 | \$ 1,562.53 | \$ 2,109.46 | \$ 2,742.11 | \$ 3,564.44 | \$ 4,634.24 |
| Mortuary | 12.2 | \$ 151.61 | \$ 232.89 | \$ 314.37 | \$ 408.75 | \$ 531.37 | \$ 690.78 |
| Restaurants | 15.0 | \$ 179.74 | \$ 283.41 | \$ 382.68 | \$ 497.55 | \$ 646.81 | \$ 840.82 |
| Restaurants | 25.0 | \$ 299.57 | \$ 472.35 | \$ 637.80 | \$ 829.25 | \$ 1,078.01 | \$ 1,401.36 |
| Restaurants | 71.2 | \$ 853.18 | \$ 1,345.25 | \$ 1,816.45 | \$ 2,361.71 | \$ 3,070.18 | \$ 3,991.07 |
| School | 72.4 | \$ 260.85 | \$ 516.00 | \$ 696.67 | \$ 905.64 | \$ 1,177.49 | \$ 1,530.53 |
| All Other | 18.9 | \$ 85.91 | \$ 156.15 | \$ 210.86 | \$ 274.21 | \$ 356.42 | \$ 463.30 |



Option 2

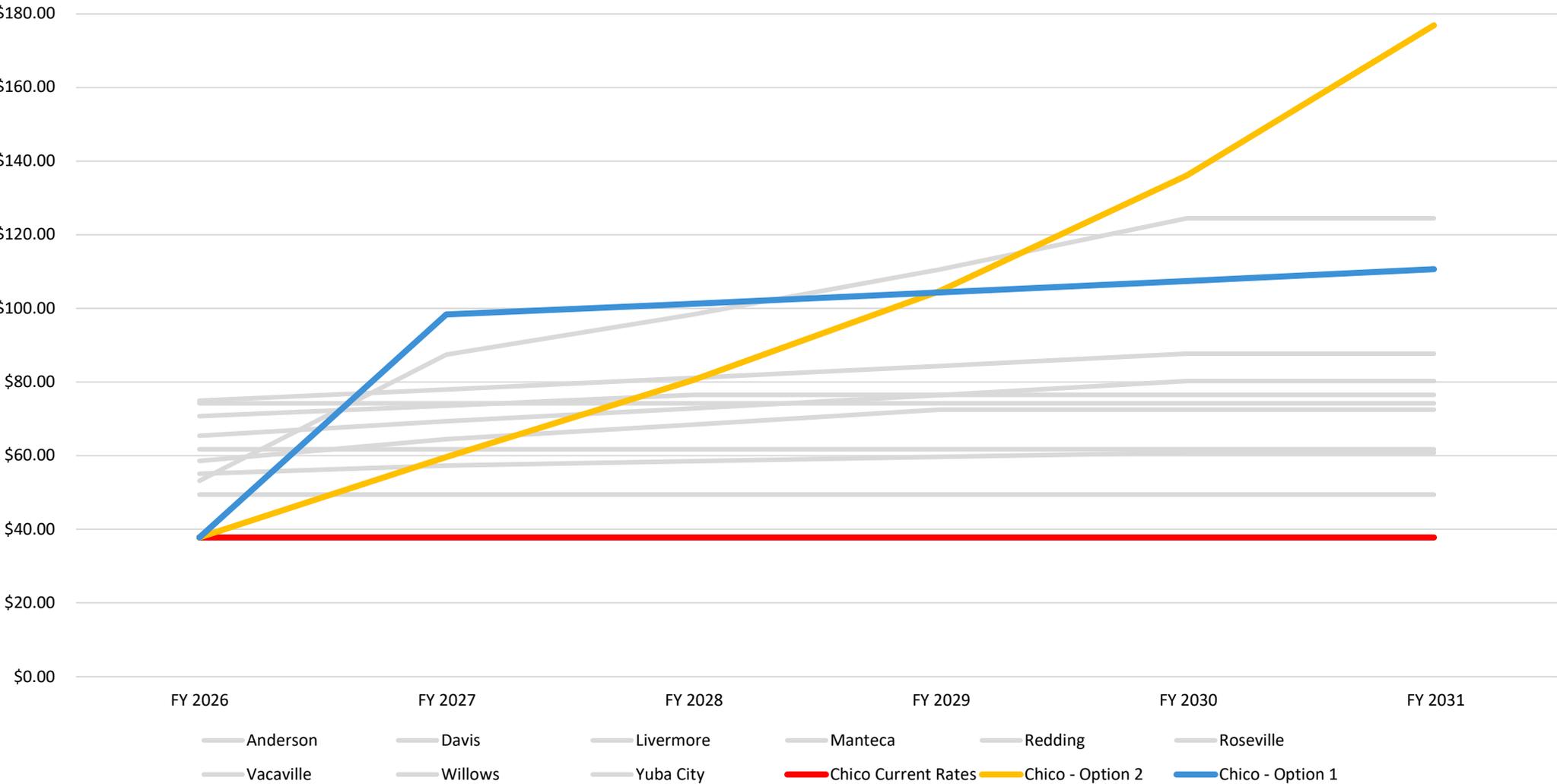
Pay-as-you-go Incremental Increases Years 1-5

| Class | Monthly Usage hcf | Existing Bill | Proposed Bill 2027 | Proposed Bill 2028 | Proposed Bill 2029 | Proposed Bill 2030 | Proposed Bill 2031 |
|-------------------------|----------------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | 60% increase | 197% increase | | | |
| Residential | | | | | | | |
| House | 7.2 | \$ 37.83 | \$ 59.62 | \$ 80.46 | \$ 104.58 | \$ 135.98 | \$ 176.79 |
| Multi-Family | 5.5 | \$ 23.27 | \$ 46.80 | \$ 63.17 | \$ 82.10 | \$ 106.74 | \$ 138.78 |
| Duplex - 2 Meters | 5.6 | \$ 16.50 | \$ 50.65 | \$ 68.36 | \$ 88.86 | \$ 115.53 | \$ 150.21 |
| Duplex - 1 Meter | 5.6 | \$ 25.76 | \$ 50.64 | \$ 68.36 | \$ 88.85 | \$ 115.52 | \$ 150.19 |
| Commercial | | | | | | | |
| Bars w/o Dining | 23.7 | \$ 111.10 | \$ 205.33 | \$ 277.22 | \$ 360.31 | \$ 468.34 | \$ 608.83 |
| Brewery | 51.3 | \$ 608.29 | \$ 968.31 | \$ 1,307.14 | \$ 1,699.32 | \$ 2,209.03 | \$ 2,871.72 |
| Car Wash | 74.2 | \$ 242.39 | \$ 493.49 | \$ 666.47 | \$ 866.38 | \$ 1,126.30 | \$ 1,464.13 |
| Dorms | 369.0 | \$ 1,591.78 | \$ 3,006.20 | \$ 4,057.82 | \$ 5,274.68 | \$ 6,856.76 | \$ 8,913.90 |
| Hospital & Convalescent | 128.4 | \$ 549.94 | \$ 1,041.99 | \$ 1,406.56 | \$ 1,828.62 | \$ 2,377.74 | \$ 3,090.84 |
| Hotels w/o Dining | 206.6 | \$ 986.24 | \$ 1,816.38 | \$ 2,451.81 | \$ 3,186.89 | \$ 4,143.81 | \$ 5,387.43 |
| Hotels with Dining | 8.5 | \$ 75.97 | \$ 126.98 | \$ 171.41 | \$ 222.87 | \$ 289.76 | \$ 376.67 |
| Industrial Laundry | 575.8 | \$ 6,002.56 | \$ 9,665.60 | \$ 13,046.83 | \$ 16,960.01 | \$ 22,049.91 | \$ 28,668.10 |
| Laundromat | 113.4 | \$ 431.54 | \$ 835.66 | \$ 1,127.74 | \$ 1,466.36 | \$ 1,905.83 | \$ 2,477.84 |
| Markets/Bakeries | 82.4 | \$ 988.95 | \$ 1,562.53 | \$ 2,109.46 | \$ 2,742.11 | \$ 3,564.44 | \$ 4,634.24 |
| Mortuary | 12.2 | \$ 151.61 | \$ 232.89 | \$ 314.37 | \$ 408.75 | \$ 531.37 | \$ 690.78 |
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| School | 72.4 | \$ 260.85 | \$ 516.00 | \$ 696.67 | \$ 905.64 | \$ 1,177.49 | \$ 1,530.53 |
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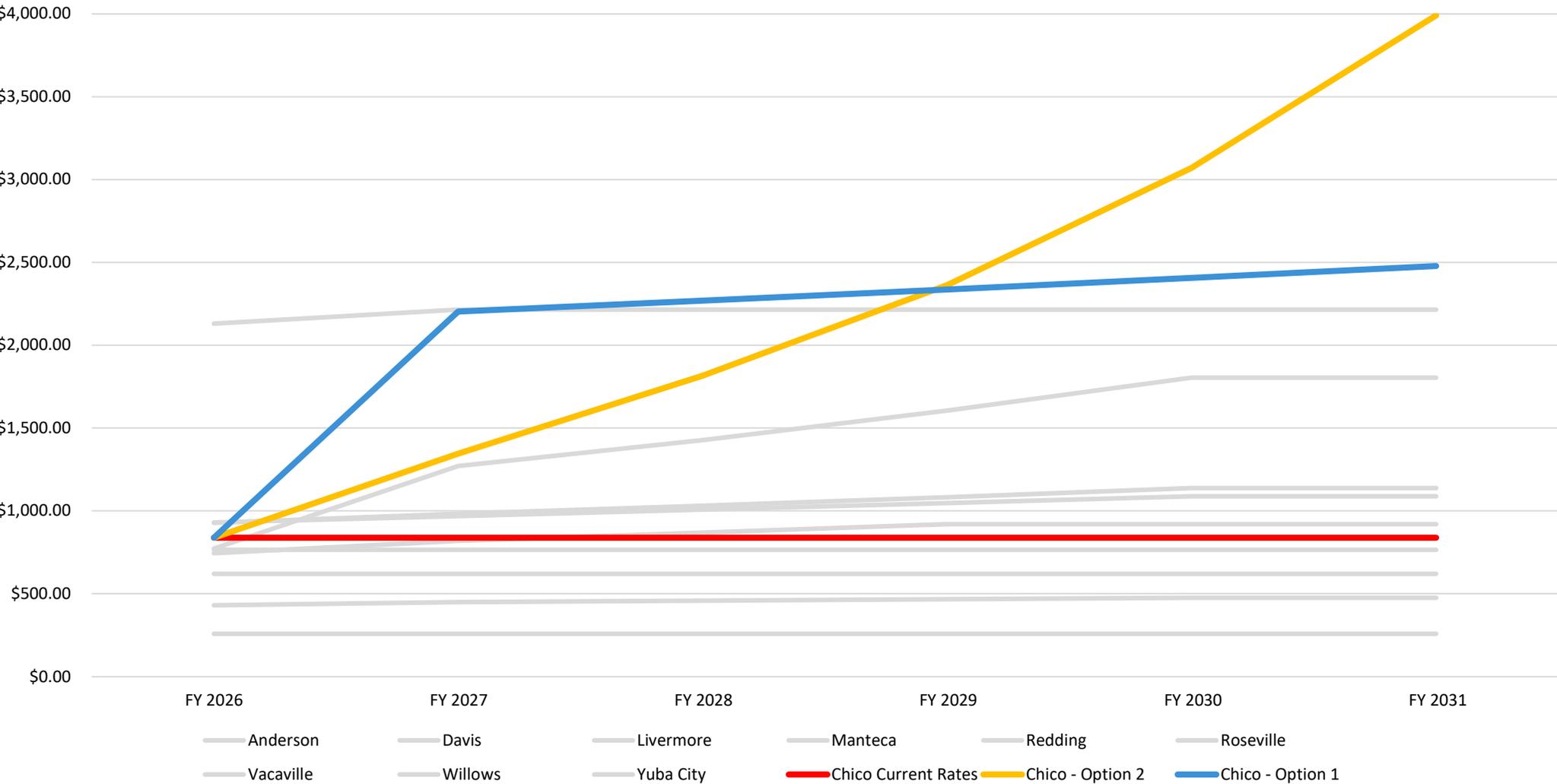
Sewer Rates

Regional comparison - Residential

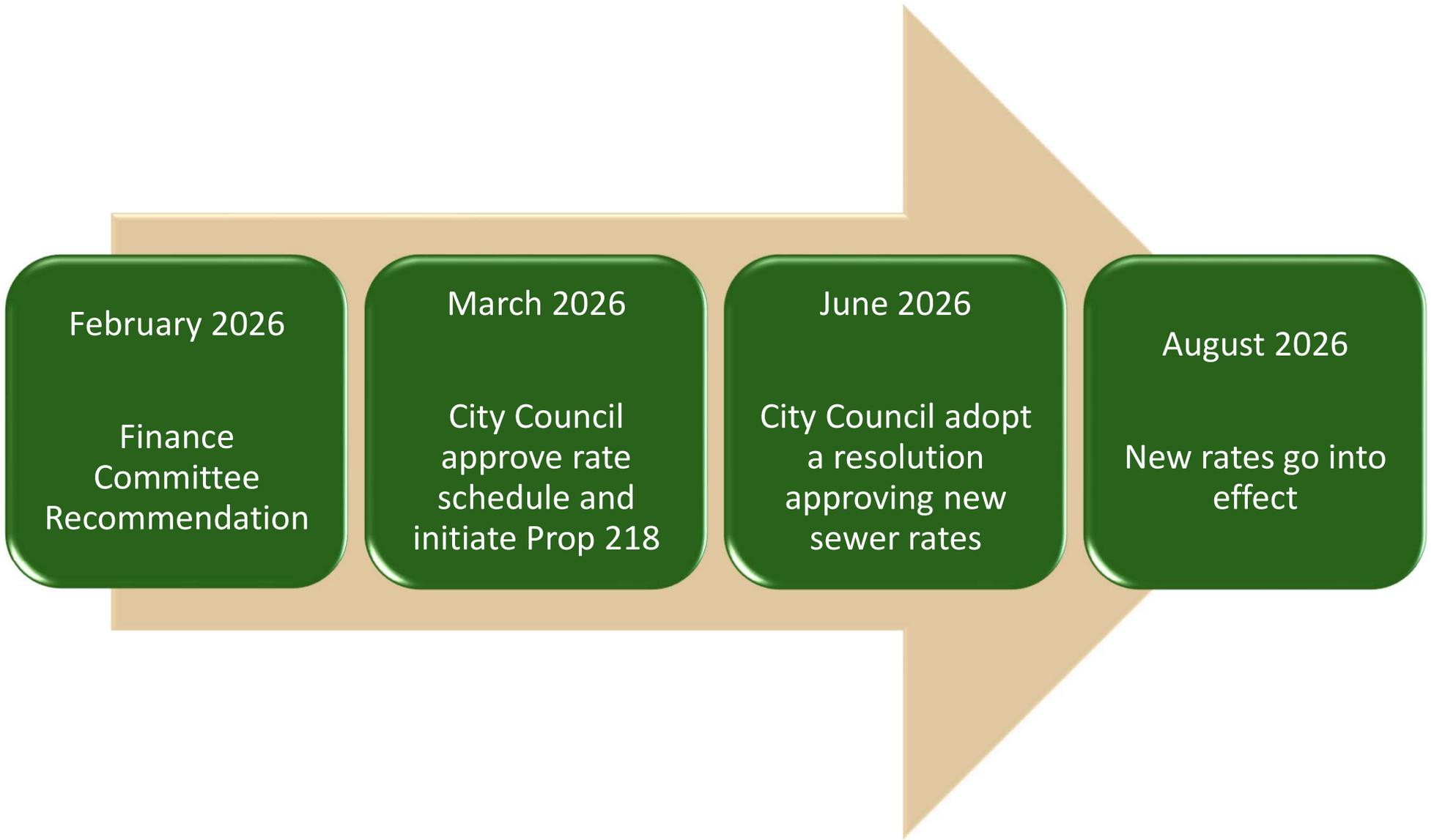


Sewer Rates

Regional comparison –Restaurant (High consumption)



Next Steps



Staff Recommendation

Staff is seeking Finance Committee discussion and **recommendation of a financing strategy to City Council.**

