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Proposed Sewer Service Charges For Fiscal Years 2026 - 2030

Summary

Union Sanitary District periodically must increase its rates to continue providing safe, reliable, and environmentally responsible wastewater services to its customers. While nobody likes to contemplate a rate increase, USD must analyze its financial condition and revenue needs and propose rates sufficient to cover the costs of operating and maintaining the facilities needed to provide wastewater collection, treatment, disposal, and sewer services to the Tri-Cities. The Board's philosophy of adopting incremental rate increases helps keep rates relatively stable over time, thus protecting ratepayers from large increases that often occur in a service delivery business. The proposed rate increases are the product of several years of studies and evaluations of infrastructure investment needs. It's important to note several factors influencing this increase:

- The improvements funded by the increase must be completed to ensure uninterrupted service and the ability to meet mandatory permit requirements.
- The majority of the rate increase is directly attributable to the District's capital improvement program. The 20-year capital program is currently estimated at over \$1.65 billion dollars and includes critical projects required to meet more stringent treatment requirements, replace aging infrastructure, and ensure there is adequate and reliable treatment capacity for current and future residents.
- The yearly increases range from about \$25 to \$27 annually for single family residences and from about \$21 to \$24 annually for multiple family residences.
- Even with the increases, USD remains at the low end of sewer service charge rates of Bay Area wastewater agencies (See page 8).

Background

For over a century, Union Sanitary District (USD) has provided wastewater services that improve water quality and protect public health for Fremont, Newark, and Union City. Pursuant to the Proposition 218 notice sent to all property owners in November 2024, USD will hold a public hearing on January 27, 2025 to consider a new cost of service analysis that covers proposed rate increases for Fiscal Years 2026 through 2030.

State law requires the District to establish rates sufficient to cover operating expenses, including interest on debts, and expenses necessary for the replacement and construction of facilities. The proposed rates are based on results of the most recent, comprehensive study of the cost of providing sewer service from July 2025 through June 2030. Per state law, this study calculated rates by determining the equitable allocation of costs for sewer service between residential, commercial, and industrial users.

As an example, single-family and multiple-family residential rates are proposed to increase as shown below every year on July 1 beginning in July 2025:

SINGLE FAMILY RESIDENTIAL RATES			MULTIPLE FAMILY RESIDENTIAL RATES*		
Current Rate	Proposed Annual Rates	Difference from previous year	Current Rate	Proposed Annual Rates	Difference from previous year
\$611.58			\$538.95		
FY 2026	\$636.03	\$24.45	FY 2026	\$559.55	\$20.60
FY 2027	\$661.15	\$25.12	FY 2027	\$581.65	\$22.10
FY 2028	\$686.27	\$25.12	FY 2028	\$603.75	\$22.10
FY 2029	\$712.35	\$26.08	FY 2029	\$626.69	\$22.94
FY 2030	\$739.42	\$27.07	FY 2030	\$650.50	\$23.81

*Examples of Multiple Family Residential Units include Condominiums, Townhomes, ADUs, and Apartments

Planning for Critical Infrastructure Needs

The District maintains a large number of facilities and equipment, much of it built in the late 1970’s and some dating back to the 1960’s. Although USD’s infrastructure has been well-maintained over the years, major components of the 33-acre treatment plant have reached the end of their useful life and are functionally obsolete, will be unable to treat wastewater to meet future government requirements, or do not meet current seismic standards.

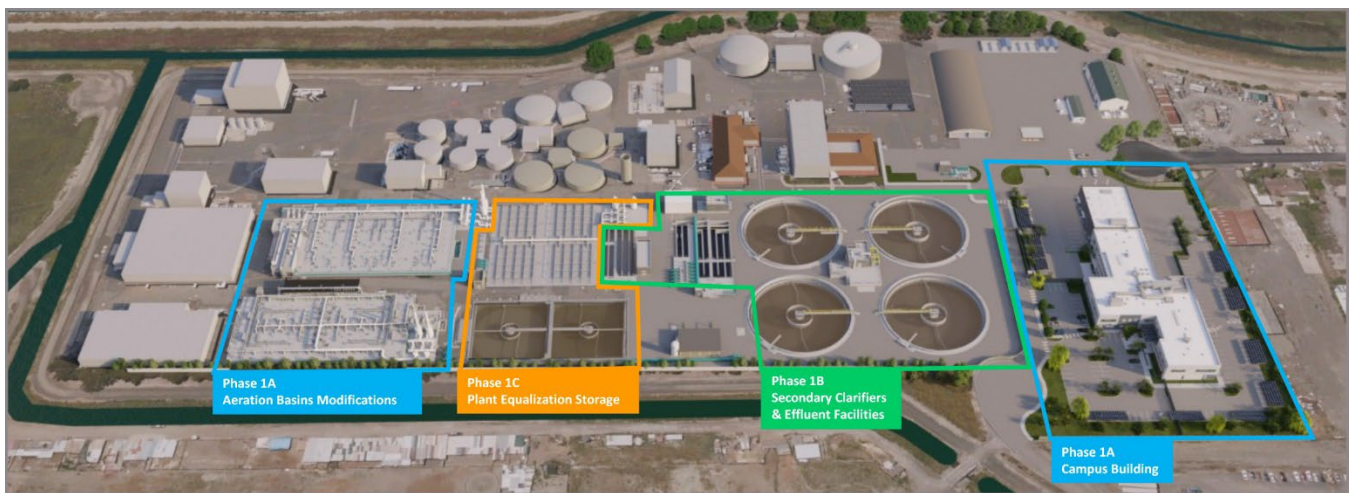
As the provider of an essential service, the District must responsibly maintain its infrastructure to avoid catastrophic failures, minimize service disruptions, and protect the environment. USD conducted thorough evaluations of its infrastructure needs with the primary goal of utilizing existing assets to their fullest extent to decrease construction costs and reduce impacts on rates. These evaluations resulted in USD’s Enhanced Treatment and Site Upgrade Program (ETSU Program) report. The report is available at unionsanitary.ca.gov/etsu.

The ETSU Program includes projects that not only upgrade and bring infrastructure up to current standards, but also prepare for future treatment processes such as nutrient removal (nitrogen, phosphorus, and ammonia), preserve capacity for a growing Bay Area, and manage the effects of a changing environment. These infrastructure improvements will improve the quality of the treated

wastewater, which will support future reclaimed water initiatives if deemed feasible in partnership with ACWD.

Along with the report’s recommended treatment process enhancements, the existing Administration and Control Buildings were found to require significant upgrades to meet current building standards. The existing maintenance building is nearing the end of its useful life and has been identified for replacement. The costs of retrofitting the current Administration and Control buildings and constructing a new Maintenance Building were compared to the cost of constructing all new buildings. Life-cycle costs for constructing all new buildings were estimated to be 20 percent less than retrofitting existing buildings, with construction costs between the two alternatives essentially equivalent.

Available land for treatment improvements is limited at the 33-acre plant site. Construction of a new combined-use Campus building on Plant property will result in a much smaller footprint and allow treatment process enhancements to be built in optimal locations where existing buildings now stand. This will significantly minimize disruptions to staff productivity and customer service.



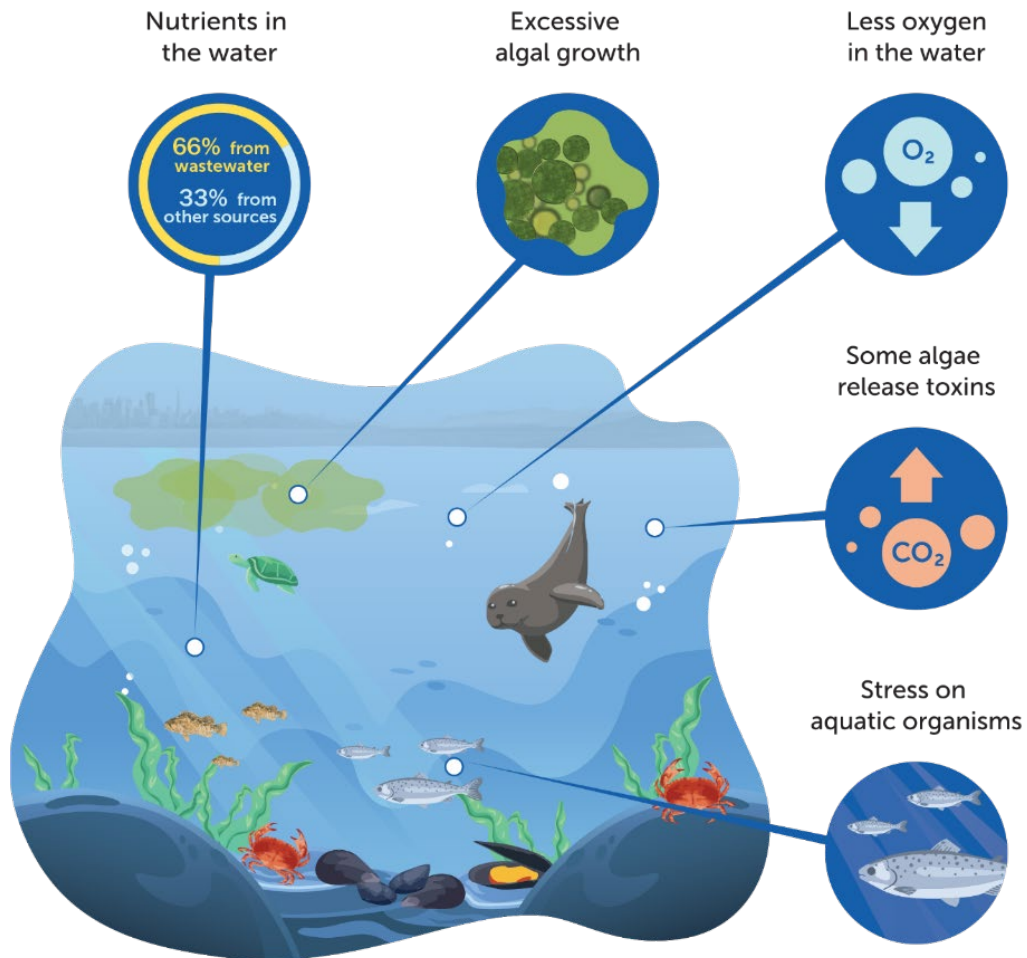
ETSU Project Phases

Managing Nutrients in the San Francisco Bay

The San Francisco Regional Water Quality Control Board (RWQCB) regulates nutrient levels in treated wastewater. Nutrients enter sewer systems when customers flush toilets, wash dishes, or take showers and baths. Although all Bay Area treatment facilities clean wastewater to vigorous standards, it still contains some nitrogen (nutrients). As many are aware, in recent years the San Francisco Bay has seen several algal bloom events. While scientists don’t fully understand what triggered the blooms, they know that nitrogen, one of the naturally occurring nutrients in treated wastewater, contributed by providing “food” for the algae to grow.

In July 2024, the RWQCB adopted new, more stringent nutrient reduction requirements for all 37 Bay Area wastewater facilities. USD had anticipated the potential for these new regulations as far back as 2015 as it began evaluating its infrastructure needs. These deliberations led to undertaking the ETSU

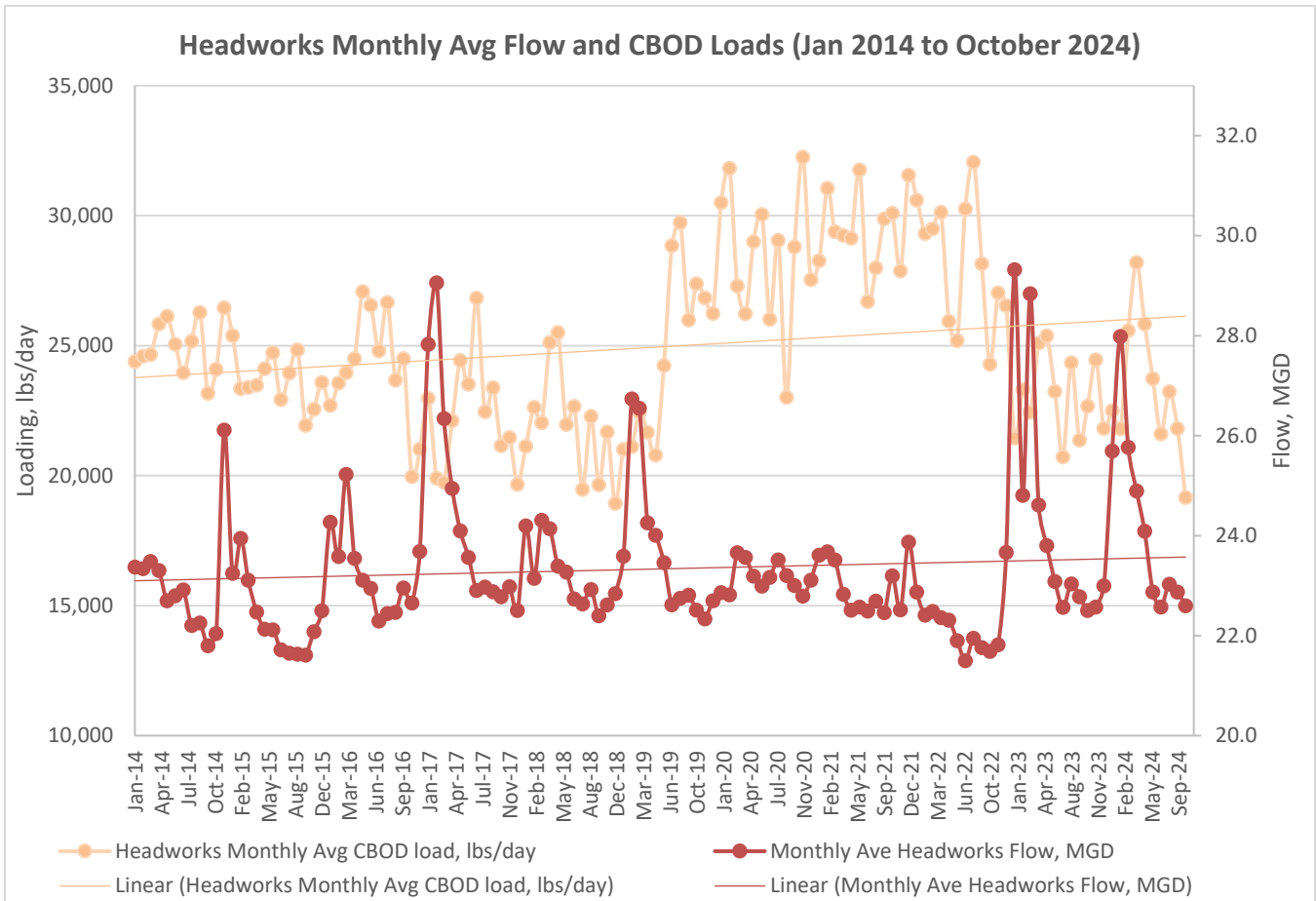
Program described above, the largest capital improvement project in District history with a total cost of \$509,511,993. Construction began in 2022 and is scheduled to be completely operational by 2030. This undertaking makes USD an early adopter of nutrient removal technologies. Acting early allowed USD to secure low-interest loans from the Environmental Protection Agency (EPA) and the State which significantly lower our interest expense and allow us to minimize rate increases.



Increased Solids in Wastewater

Solids in the wastewater USD receives have been increasing over the last several years due to reduced water use and a growing population in the service area. These higher solids levels strain infrastructure and make treatment more complicated and costly. Prudent planning and phasing of infrastructure projects rather than postponing action is estimated to save ratepayers millions of dollars.

The District addresses these issues in its Capital Improvement Program, which is currently estimated to total more than \$1.65 billion over the next 20 years. A graph illustrating average flows vs. solids is on the next page.



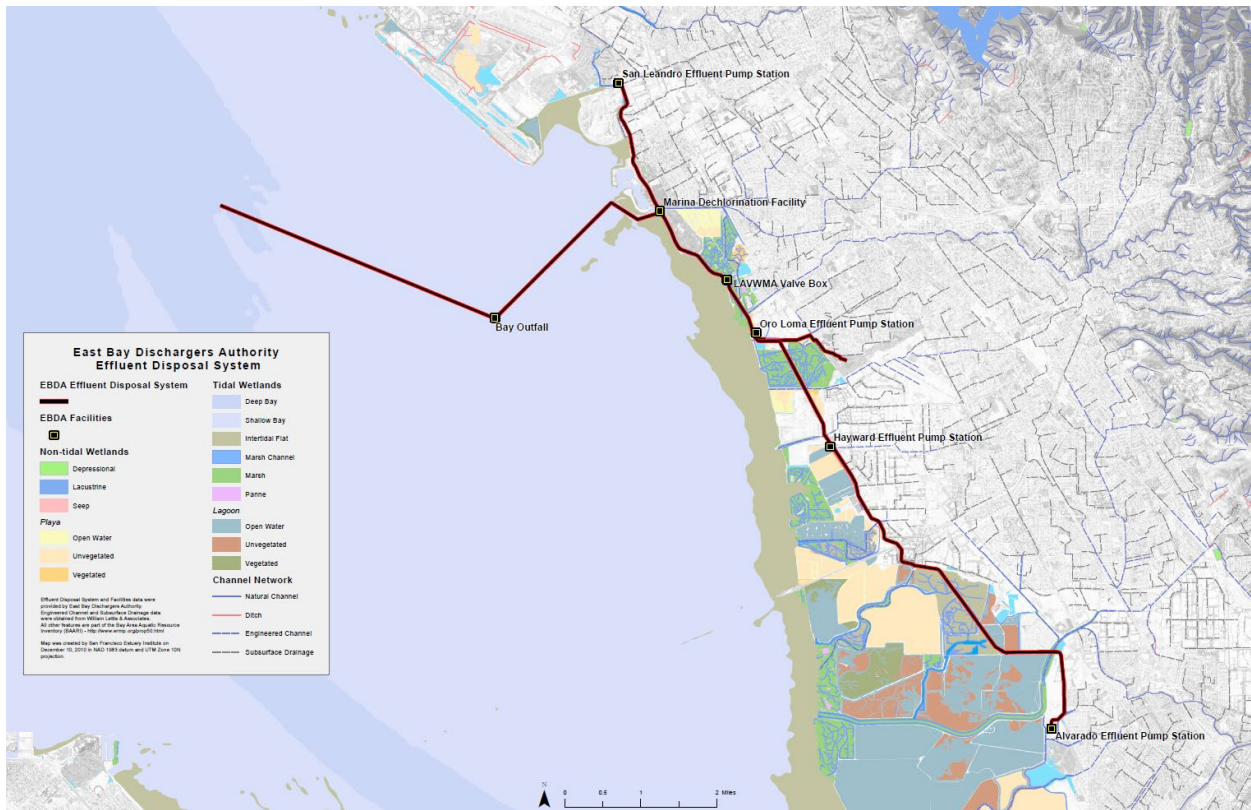
Average Flow vs. Solids

East Bay Dischargers Authority (EBDA)

USD is a member of EBDA, a Joint Powers Authority (JPA) that was formed in 1974 in response to changes made to the Clean Water Act that restricted release of treated wastewater in shallower areas of the San Francisco Bay. USD and other member agencies (City of Hayward, City of San Leandro, Oro Loma Sanitary District, and Castro Valley Sanitary District) share a large-diameter pipeline that discharges treated wastewater in the deeper waters of the Bay just south of the Oakland Airport. The pipeline ranges from 5 feet to 8 feet in diameter.

As the member using the largest amount of capacity in the shared line, USD’s operating costs and capital responsibilities have increased, which impacts the District’s Operating and CIP budgets.

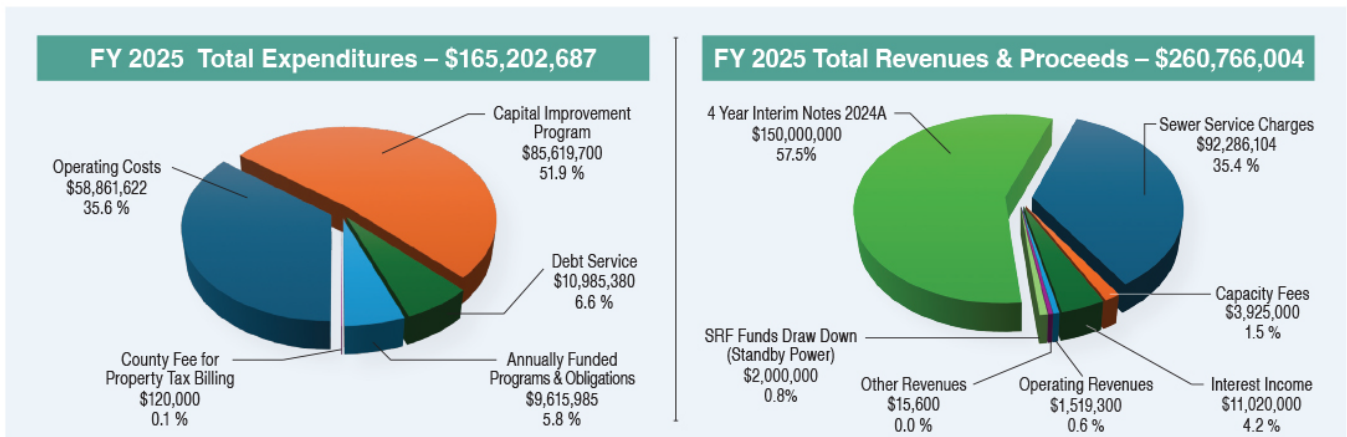
See a graphic depicting the EBDA System on the next page.



EBDA System

Operating Costs

The District’s current annual operating budget is approximately \$58.9 million. Revenue is raised from two primary sources: (1) Sewer service charges paid by residential customers, businesses, and other users of the system; and (2) Charging new development their proportionate share of infrastructure costs.



- Annually Funded Programs and Obligations include other post employee benefits, 115 pension trust expense, special studies, and equipment replacement
- Operating Costs include employee, utilities, chemicals, maintenance, and administrative costs
- Employee Costs (\$37,441,794) represent 23% of USD’s total FY 2025 budget and 63% of Operating Costs
- Capital Improvement Program includes project construction and related costs
- Sewer Service Charges include residential, commercial, and industrial customers
- FY 2025 revenues include \$150 million of projected bond proceeds to be applied to capital improvement projects over several years

In addition to funding USD's capital improvement program, rate increases are implemented in part to address other rising costs. Approximately 23% of the District's total budget is attributable to personnel expenses, which is customary for a service-based organization that relies on the expertise of its staff. Like any other business operating in the Bay Area, USD faces rising cost of living expenses. The District does not participate in Social Security, and all USD employees pay approximately 40% of their pension costs, as well as a portion of their health care costs.

Chemicals, electricity, and fuel also account for a significant portion of the District's budget. Those costs have similarly increased. Chemical costs alone were \$5,519,136.93 in FY 2024. The District uses renewable energy wherever possible and works toward energy-independence, however, in FY 2024 USD's purchased power costs were \$3,094,304.17.

Wastewater treatment is an energy-intensive process; a "living organism" that requires oxygen to function properly. Increased solids arriving at the treatment plant require more oxygen to support the biological process utilized to treat waste. Large industrial blowers are used to supply up to 30,000 cubic feet of air per minute, which consumes a great deal of electricity. Currently the District is using 2.5 megawatts of electricity per hour and this is expected to increase to 3 megawatts of electricity per hour over the next 5 years as solids loadings continue to increase.

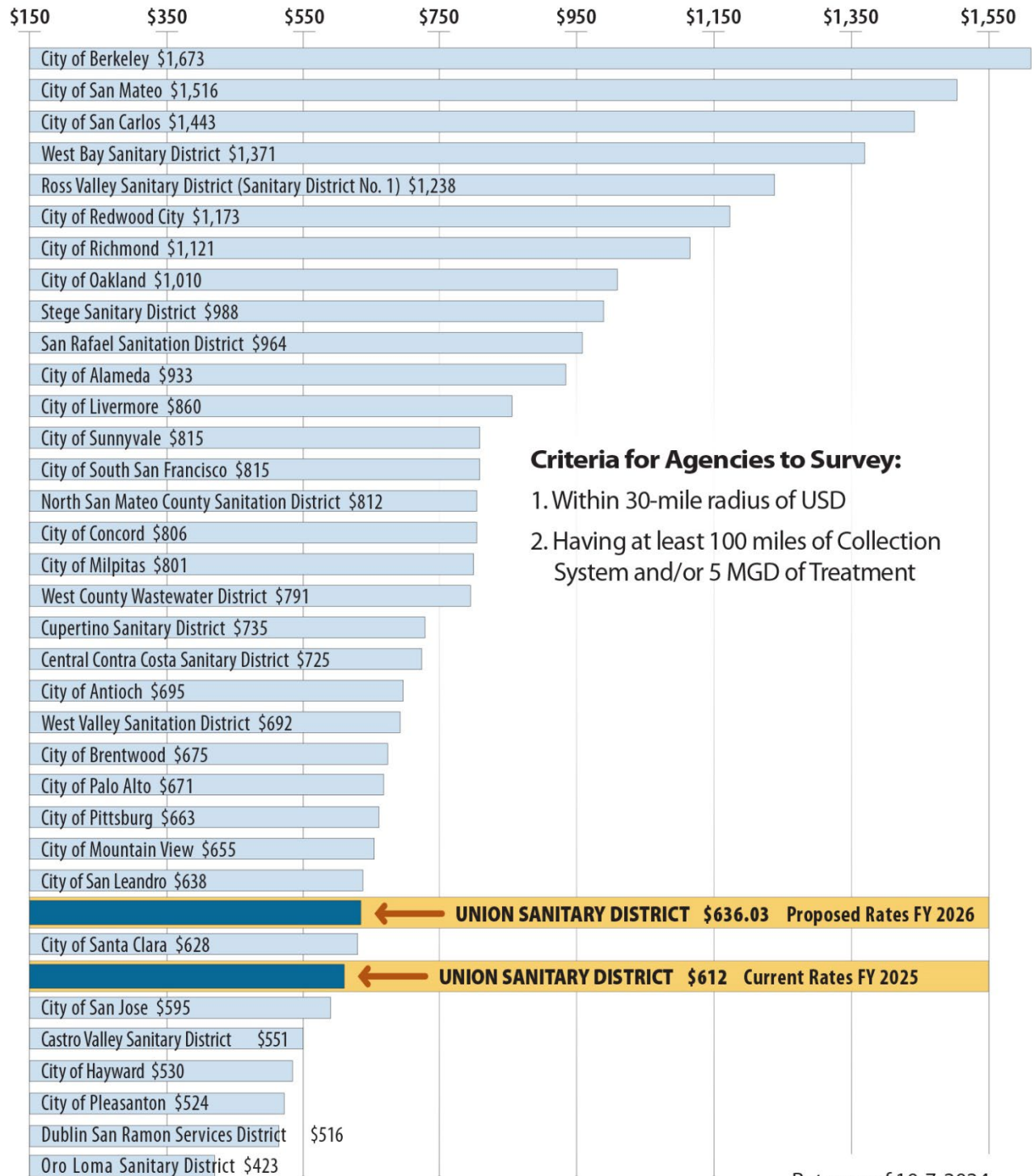
Efficiency and Technology

Two of the many factors helping to reduce impacts on rates are efficient service and use of technology. By implementing technology to streamline permitting, plant operations, maintenance management, and engineering services, the District has been able to maintain more conservative staffing levels, thus helping to control costs. USD also partners with neighboring agencies to purchase chemicals and equipment at discounted prices.

USD Rates in Perspective

A graph showing USD's rates in comparison with other agencies is on the next page.

BAY AREA ANNUAL SEWER SERVICE CHARGES 2024-2025



Criteria for Agencies to Survey:

1. Within 30-mile radius of USD
2. Having at least 100 miles of Collection System and/or 5 MGD of Treatment

Rates as of 10-7-2024

Future rate increases by other agencies not reflected