

# Proposed Water and Sewer Rate Adjustments

Rate Fairness Board

March 19, 2026

# Today's Agenda



Rate Setting process  
Water and Sewer Systems  
Cost Drivers & Budget  
Proposed Rate Increases  
Customer Bill Impacts  
Resources for Customers  
Rates Adoption & Outreach  
Questions and Answers

# Rate Setting Process

- We are a not for profit. Rates are set to cover only the operating and capital costs of our utilities, and we receive no tax revenue.
  - SFPUC's operating and capital budget + financial policies determines rate increases
- San Francisco City Charter requires an independent rate study at least every five years.
  - Develops complex financial models using cost and customer data
  - Recommends rates that comply with utility industry best practices and California law (Proposition 218)
- Last Water/Sewer Rates Study completed in 2023
  - Adopted three years of rates through the current Fiscal Year
  - Proposing two years of rate increases effective July 1, 2026 and July 1, 2027

# Our Amazing Water System



# Our Combined Sewer System Treats Sewage & Stormwater



- 1,900 miles of pipes
- 3 treatment plants

# Challenges Facing Utilities



**Critical Upgrades**



**Construction Costs**



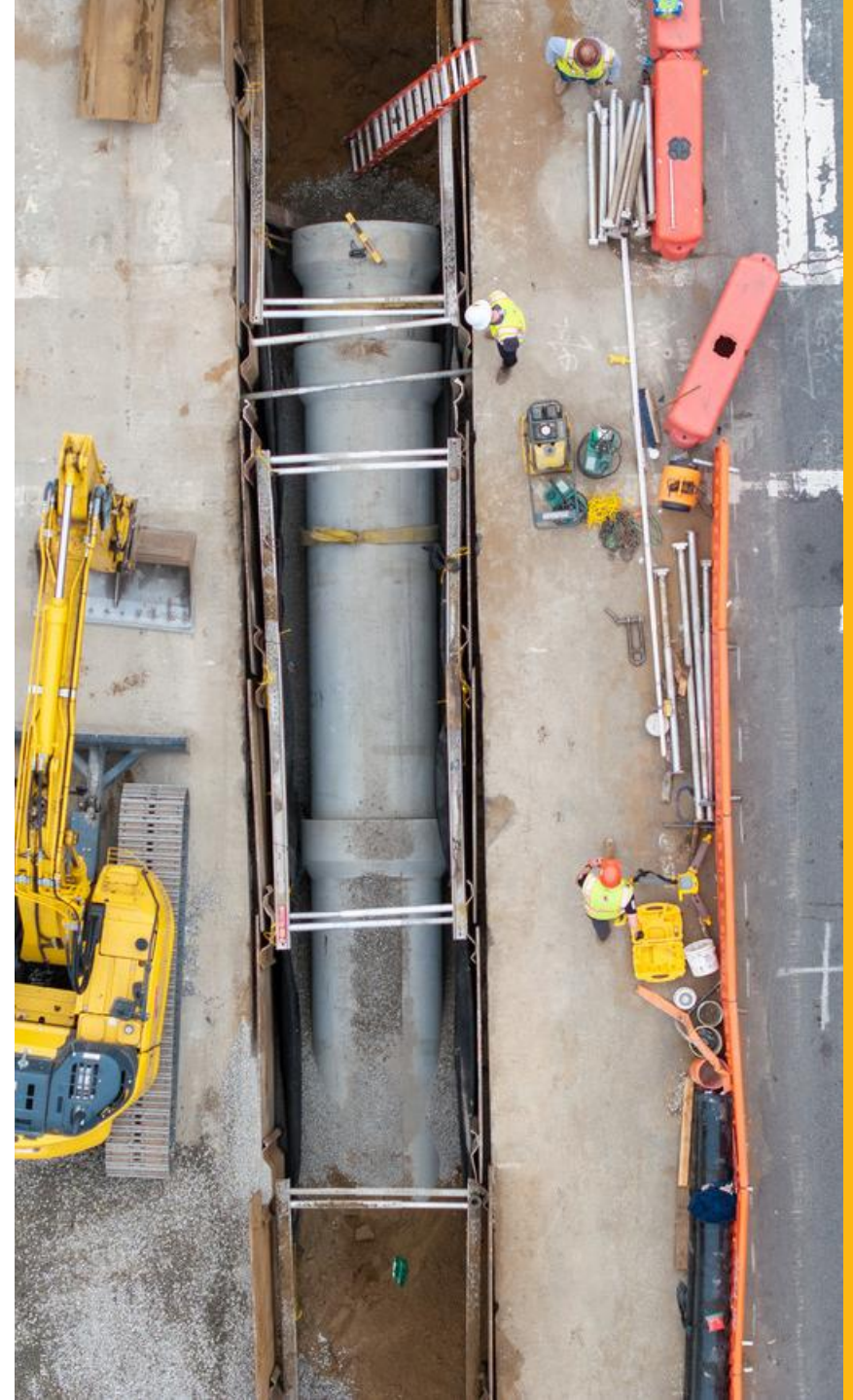
**Regulatory Obligations**



**Declining Federal Support**

# Water System Investments

- Mountain Tunnel Improvements Project
- Completion of a seismic connection between College Hill Reservoir and SF General
- Replacing 100-year-old pipes on Geary Blvd and in the Sierra
- Major upgrades to East Bay water treatment facilities



# Sewer System Investments

- Major upgrades to Southeast Treatment Plant
  - Headworks Facility
  - Digesters
- Westside Pump Station
- Treasure Island Resource Recovery Facility
- Folsom Stormwater Improvements



# Cost Savings Approaches

Re-prioritize capital plan to reduce original list of needs by \$4 billion

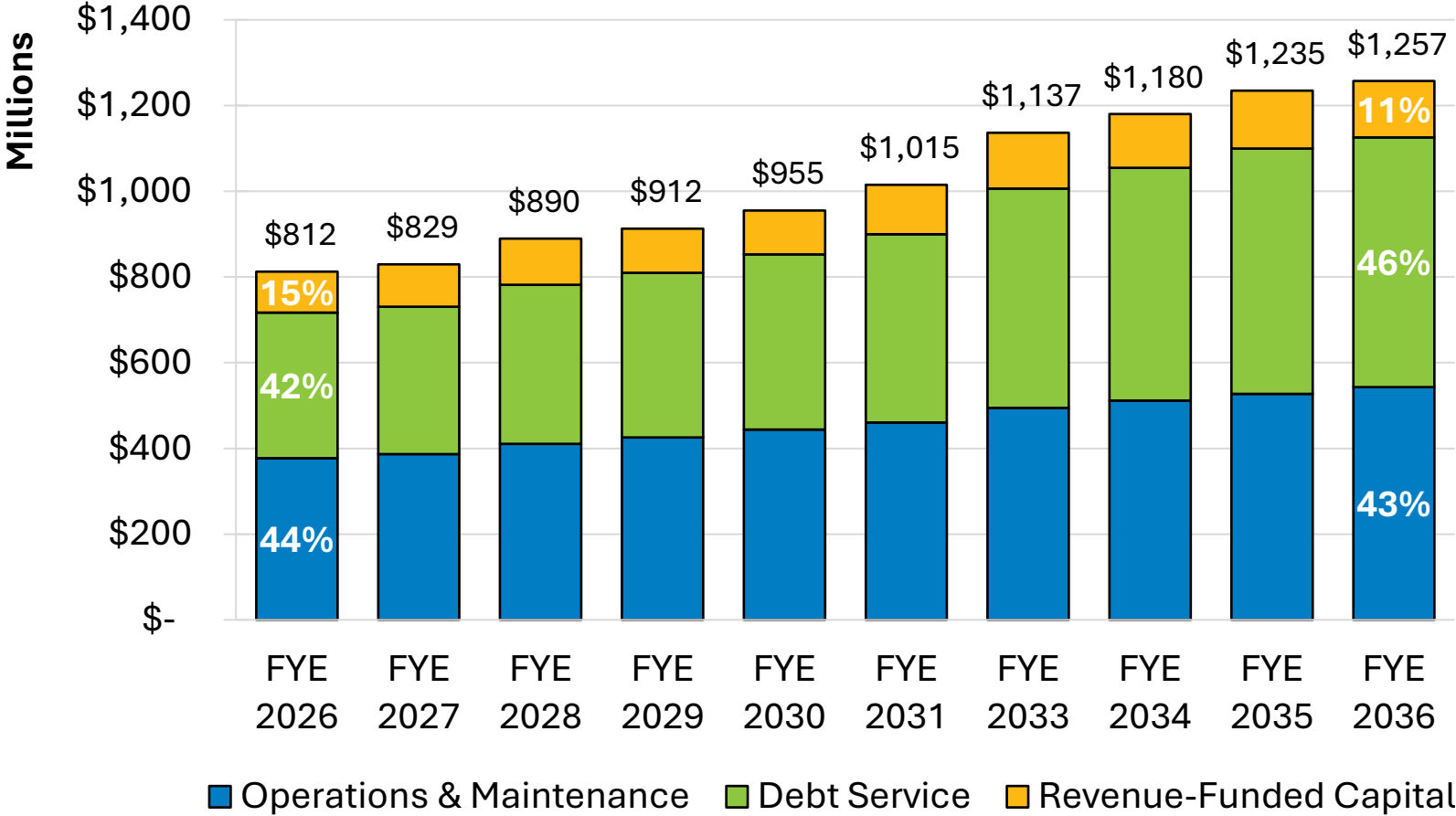
Constrain operating costs

Maintain good credit ratings to keep borrowing costs down

Strategic debt management

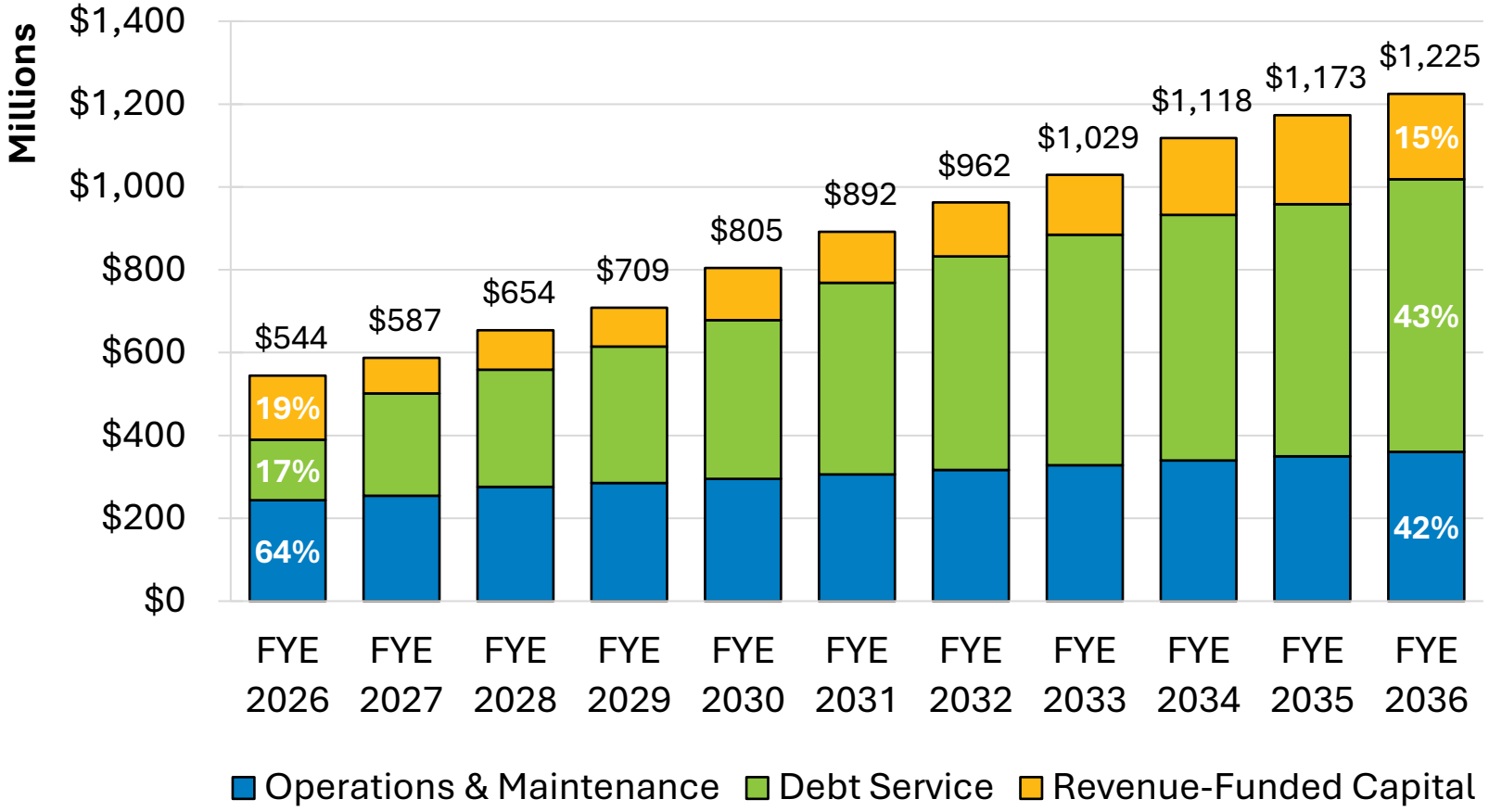
Ongoing pursuit of lower cost state and federal loans and grants

# Water Expense Summary



- Average annual growth: 4.3%
- Capital is the driver
- Costs of regional water system split between retail and wholesale customers

# Wastewater Expenses More than Double



- Average annual growth: 8.4%
- Capital is the driver
  - Huge increase in capital costs translates into higher debt service costs
- All costs borne by San Francisco retail ratepayers

# Translating Budget into Rates

\$ Millions	Water Enterprise FY 2026-27	Water Enterprise FY 2027-28	Wastewater Enterprise FY 2026-27	Wastewater Enterprise FY 2027-28
Operating Expenses	\$386.7	\$410.9	\$254.1	\$275.5
Revenue-Funded Capital Expenses	98.7	108.1	85.5	95.1
Debt Service	343.9	370.7	247.6	283.3
<b>Revenue Requirement</b>	<b>\$829.2</b>	<b>\$889.7</b>	<b>\$587.2</b>	<b>\$653.9</b>
(Less) Non-Rate & Wholesale Revenues	(434.3)	(465.9)	(25.8)	(25.8)
(Less) Use of Fund Balance Reserves	(10.7)	(14.1)	(26.1)	(18.5)
<b>Net Retail Revenue Requirement</b>	<b>\$384.2</b>	<b>\$409.7</b>	<b>\$535.3</b>	<b>\$609.6</b>
Revenue Under Current Rates	\$359.1	\$357.9	\$453.5	\$451.2
<b>Revenue Increase Required</b>	<b>7.0%</b>	<b>7.0%</b>	<b>15.0%</b>	<b>14.5%</b>

# Calculating Rate Change

- Using customer class allocations and rate structure recommended by 2023 Water & Sewer Rates Study
- Water: Flat 7.0% increase to all rate schedule line items
- Sewer: Continued phase-in of stormwater charge means some rates go up more or less than bottom-line percent

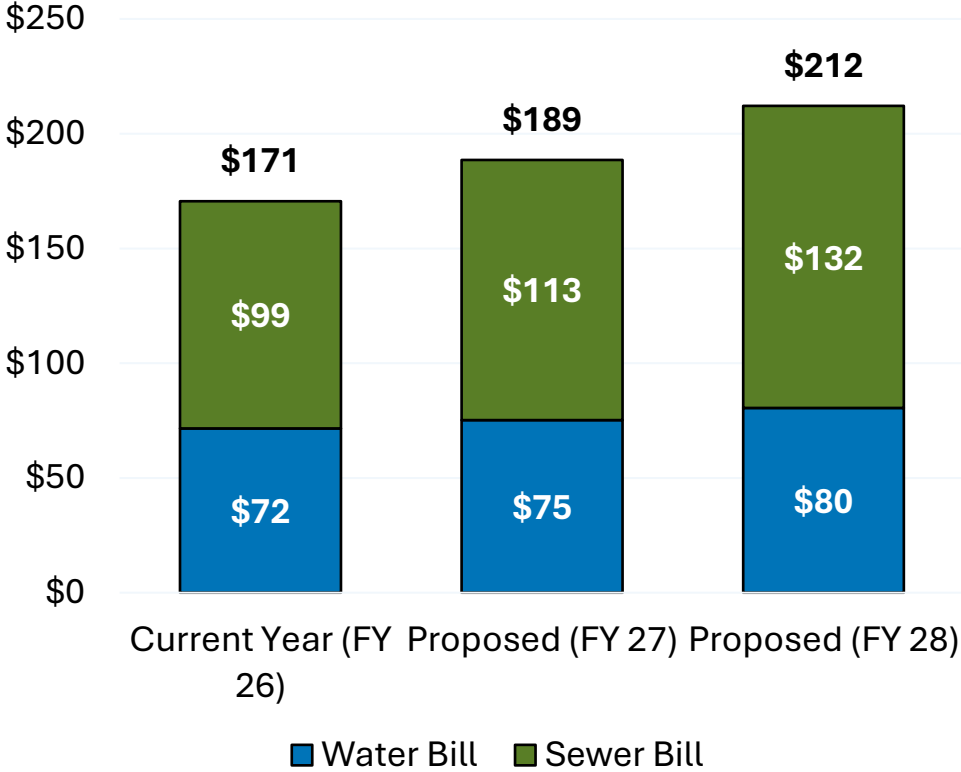
	FY 2026-27 Rate Increase	FY 2027-28 Rate Increase
Monthly Service Charge	15.0%	14.5%
Stormwater Component of Sewer Bill	53.3%	43.1%
Residential Wastewater	10.8%	10.1%
Non-Residential Wastewater Volumes	8.7%	7.8%
Non-Residential Wastewater Chemical Oxygen Demand	13.3%	12.8%
Non-Residential Wastewater Total Suspended Solids	13.4%	12.9%
Non-Residential Wastewater Oil & Grease	14.5%	14.0%
<b>Average Sewer Rate Change</b>	<b>15.0%</b>	<b>14.5%</b>

# Customer Bill Impacts – Residential

	Water Rate Increase	Sewer Rate Increase	Avg Combined Bill Increase
FYE 2027 (July 1, 2026)	7.0%	15.0%	10.5%
FYE 2028 (July 1, 2027)	7.0%	14.5%	12.5%

Average combined bill increase will vary for individual customers based on how they use the system

Average Single Family Residential Monthly Combined Bill

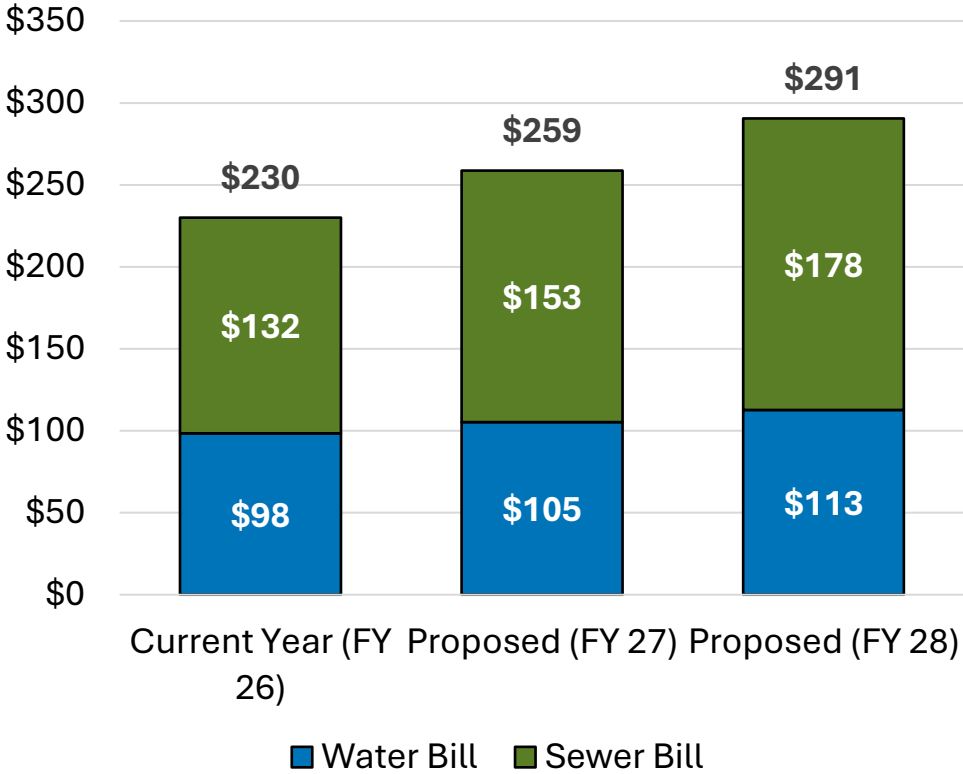


# Customer Bill Impacts – Small Business

	Water Rate Increase	Sewer Rate Increase	Avg Combined Bill Increase
FYE 2027 (July 1, 2026)	7.0%	15.0%	12.5%
FYE 2028 (July 1, 2027)	7.0%	14.5%	12.3%

Average combined bill increase will vary for individual customers based on how they use the system

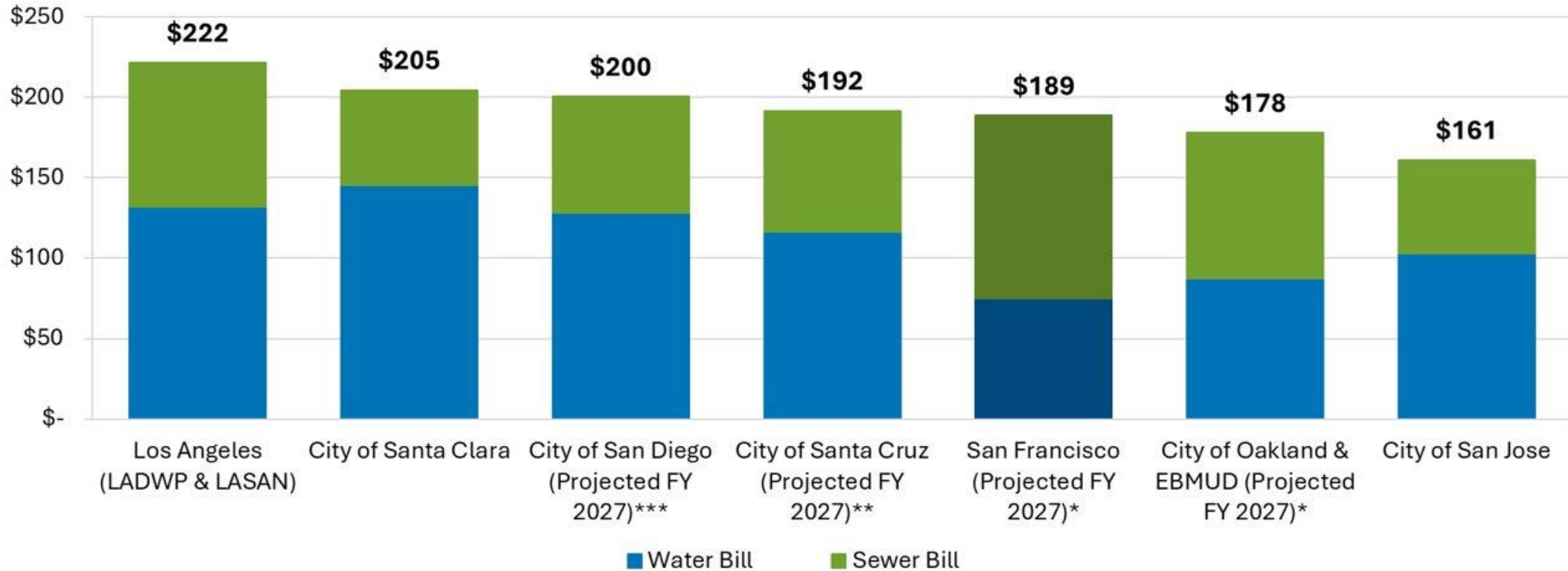
Average Small Commercial Monthly Combined Bill



# How do we stack up to our peers?

## Average Single Family Residential Monthly Bill

Projected FY27 and current FY26 costs based on local average water usage



\*San Francisco (SFPUC) and City of Oakland (EBMUD) projected FY rates are calculated by multiplying FY 26 rates by projected FY 27 rate increase percentages

\*\*City of Santa Cruz FY 27 rates from 2021 Water & Wastewater Cost of Service Rate Study

\*\*\* City of San Diego FY 27 rates from 2025 Water & Wastewater Cost of Service Rate Study

# What We're Doing for Customers



Rebates and incentives

Online bill calculator

Free water-wise checkups  
and water-saving devices

Low-income Customer  
Assistance Program

[sfpuc.gov/2026-rates](http://sfpuc.gov/2026-rates)

# Rate Adoption Process

- Proposition 218 notice listing all rates sent to all account holders and property owners
- Two different processes to oppose rates
  - Protest Procedure (Proposition 218)
  - Separate Exhaustion of Administrative Remedies Procedure (AB 2257 Objection)
- Rate hearing at Commission meeting April 28, 2026, 1:30 pm
- Board of Supervisors has 30 days to hold a hearing and may reject rates (may not approve or amend)

# Public Outreach

## Robust, Multifaceted, Multilingual Campaign



- Formal notice mailed to all account holders and property owners
- Direct outreach to community organizations
- Web page: [sfpuc.gov/2026-rates](http://sfpuc.gov/2026-rates)
- Three informational webinars
- Bill insert, bill messaging, MyAccount Portal messaging and direct emails
- Social media campaign
- Digital, TV and print advertisements in English, Spanish, Chinese and Filipino



San Francisco  
**Water Power Sewer**  
Services of the San Francisco Public Utilities Commission

# Discussion

Website: [sfpuc.gov/2026-rates](https://sfpuc.gov/2026-rates)

