

# Monterey County Board of Supervisors

## Budget Considerations Pajaro County Sanitation District

Legistar File No: RES 22-176



# Discussion Topics

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Background

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Budget Shortfall

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Customer Rates

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Shortfall Mitigation

# Background

- The PCSD collects and conveys wastewater to City of Watsonville wastewater treatment plant
- The PCSD is charged for its portion of the plant's costs based on...
  - Volume of wastewater received, and
  - Strength (BOD, and TSS) of said wastewater
- \$2 million of ARPA funded-capital improvements are underway
- Efforts are also underway to sell the PCSD system per prior Board direction.

# Projected Budget Shortfall

- In FY 2022-23, the PCSD is expected to incur costs that exceeds anticipated revenues by approximately \$2,499,400
- Additional liabilities include...
  - A 2018 loan of \$1,874,265 (associated with 2017 flooding and wastewater overflow)
  - A loan of \$67,397 to fund repairs to the Las Lomas Lift Station
- Total project liabilities: \$4,441,061
- Reasons for budget shortfall: significant increase in the City's treatment plant capital improvement costs, and increases in wastewater strength

# Plan to Reduce Costs

- Work with the City to amortize its projected capital improvement costs over time
- Implement ways to lower TSS and BOD values and ensure they stay low
- Increase rates for high strength wastewater dischargers
- Work with City to obtain grant funding for its future capital improvements

# Customer Service Rate Update

- Process to establish new rates underway
- Key considerations:
  - The projected budget shortfall (\$2,499,400)
  - Repayment of existing loans (\$1,941,662)
  - Future operating costs and capital improvements

# Rate Increase Schedule

- Rate studies completed 11/3/22
- Present rate studies results to BC 11/30/22
- Present rate studies results to BOS 1/11/23
- Convene public hearing 3/1/23
- Rate increases implemented 3/29/23

# Recommendation for Addressing Appropriation Shortfall

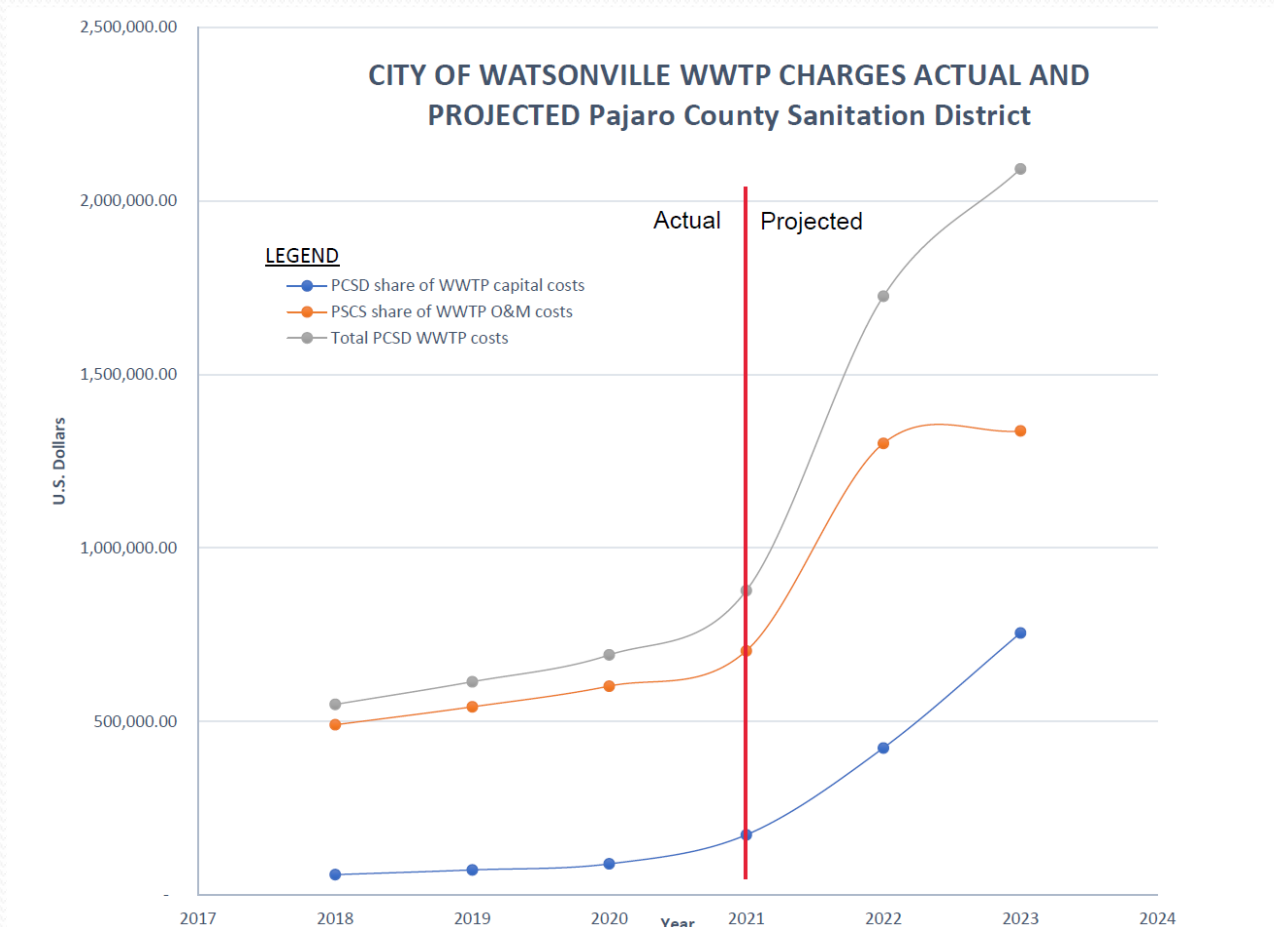
- The PCSD will run out of appropriations in October 2022
- The effect of new rates won't be realized until March 2023
- To bridge the gap...
  - Utilize unspent ARPA funds, for the capital outlay portion (\$1,178,797), and Cannabis Tax Assignment for the remainder (\$1,320,603), or
  - An additional loan for \$2,499,400, which would increase PCSD's loan balance to \$4,441,061
- Average increase in customer rates required to cover new loan: approximately \$42 per month per customer (assuming no interest and 5-year amortization period)



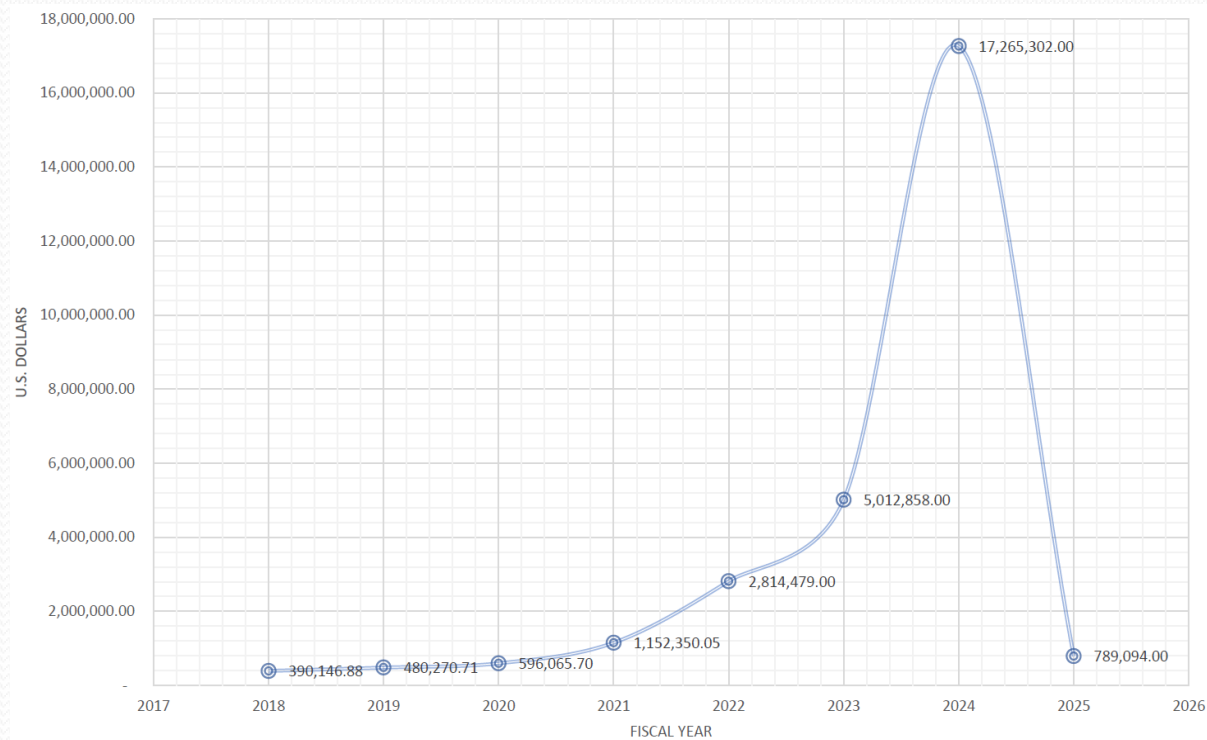
# Questions



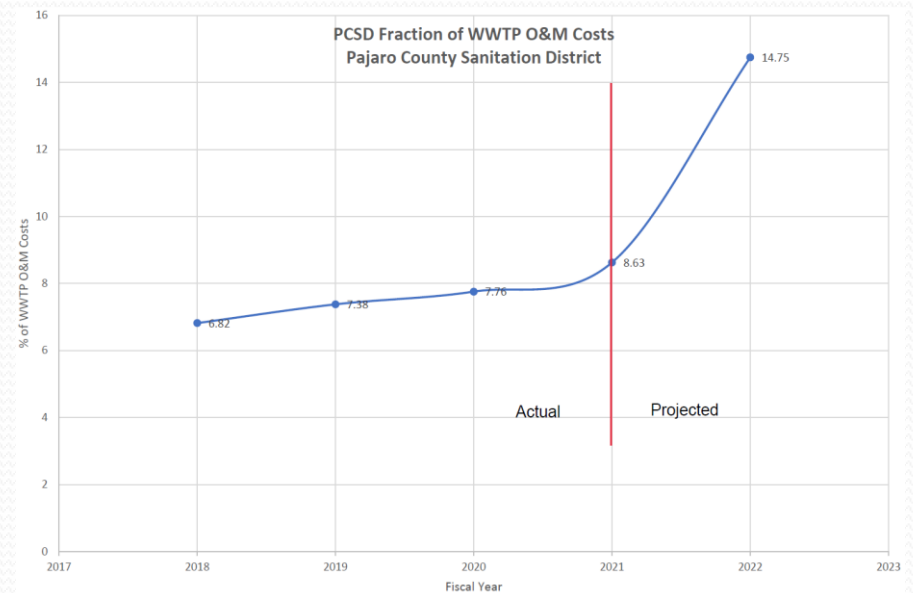
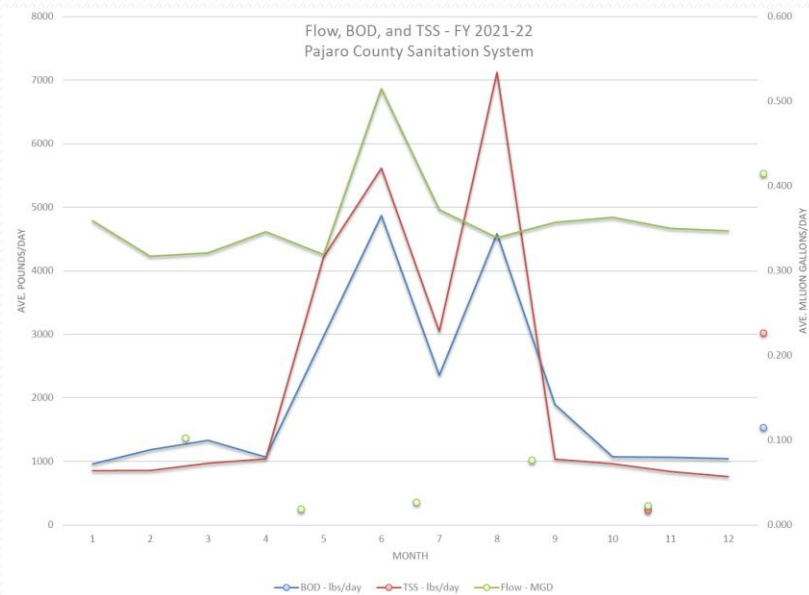
# Projected Budget Shortfall



# Plant Capital Cost Projections



# Wastewater Strength (cont'd)



# Rate Increase Schedule

