Agenda Date September 27, 2022 Agenda No.: 16

Monterey County Board of Supervisors

Budget Considerations Pajaro County Sanitation District

Legistar File No: RES 22-176



Background

Discussion
Topics

Budget Shortfall

Customer Rates

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

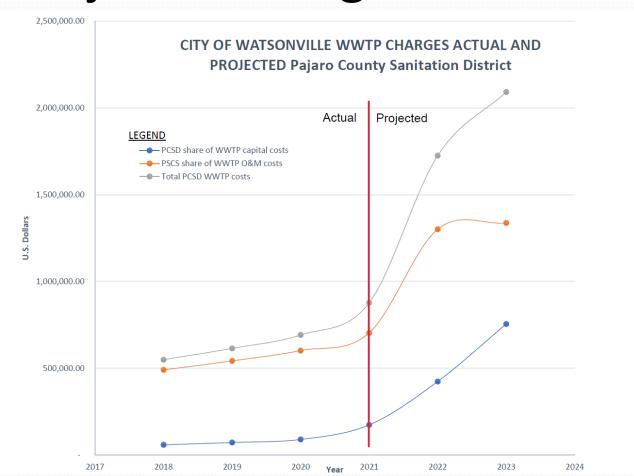
Recommendation for Addressing Appropriation Shortfall

- 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)

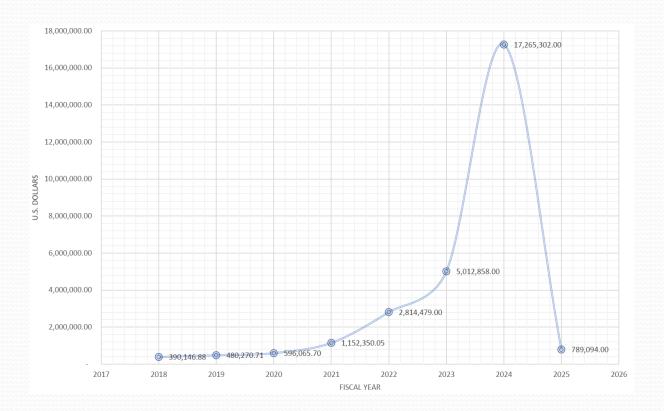
Questions



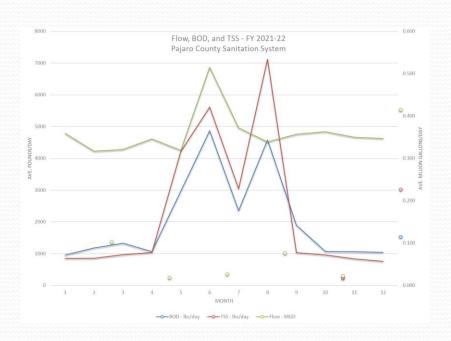
Projected Budget Shortfall

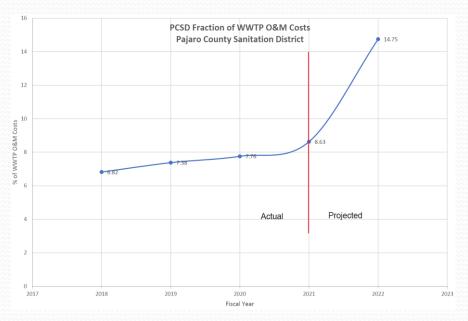


Plant Capital Cost Projections



Wastewater Strength (cont'd)





Rate Increase Schedule

Task Name	Duration	Start	Finish	22		Qtr 4, 2022			Qtr 1, 2	Qtr 2, 20		
				Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Sewer line evaluations complete	0 wks	9/30/22	9/30/22		'	9/30)					
Finalize Engineer's Report	4 wks	9/30/22	10/27/22			*	Ь					
Perform rate studies	5 wks	9/30/22	11/3/22			*	—					
County reviews draft Rate Studies Report	2 wks	11/4/22	11/17/22				#					
Prepare and Issue BC Report	5 days	11/4/22	11/10/22				*	1				
Finalize Rate Study Report	1 wk	11/18/22	11/24/22				*					
Rate Studies Complete	0 days	11/24/22	11/24/22				4	11/24	ļ			
Present Rate Study results to BC	1 day	11/30/22	11/30/22				,	՝				
Prepare Board Report	5 days	12/1/22	12/7/22					*				
Prepare and issue Community Outreach letter	1 wk	12/1/22	12/7/22					*	\dashv			
Board Meeting	1 day	1/11/23	1/11/23						*			
BOS approves rates increases, sets public hearing	0 days	1/11/23	1/11/23						1 /	11		
Mail notices for public hearing	1 day	1/12/23	1/12/23						*		٦	
Public Hearing	0 days	3/1/23	3/1/23							,	🦠 3/1	
M1W implements rate increases	4 wks	3/2/23	3/29/23								*	h
Customers presented with new rates	0 days	3/29/23	3/29/23									3/29