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



September 27, 2022

Background

Discussion Topics

Budget Shortfall

Recommendations

Questions

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
Present rate studies results to BC 11/3
Present rate studies results to BOS 1/11
Convene public hearing 3/1/
Rate increases implemented 3/2

11/3/22 11/30/22 1/11/23 3/1/23 3/29/23

Summary of Current Issues

- The PCSD will run out of appropriations in October 2022
- The effect of new rates won't be realized until March 2023
- If provided as a loan, customer rates would need to be adjusted accordingly in the new rates

Recommendations

- 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), as one-time payment,
 - Structure as an additional loan for \$2,499,400, which would increase PCSD's loan balance to \$4,441,061, or
 - Utilizing unspent ARPA funds for the capital outlay portion (\$1,178,797), and Cannabis Tax Assignment for the O&M portion over a transitional period of 5 months (approx \$550,251.25) to "bridge" the period from October 2022 to March 2023 when new rates are prospectively to be in place; this is either as a one-time payment, or as a loan of all (\$1,729,048.25) or a portion (such as the 5-month bridge).
- Note: Average increase in customer rates required to cover new loan = approximately \$42 per month per customer (assuming no interest and 5year amortization period)

Questions



Projected Budget Shortfall



September 27, 2022

Plant Capital Cost Projections



September 27, 2022

Wastewater Strength (cont'd)



Rate Increase Schedule

Task Name	Duration	Start	Finish	22		Qtr 4,	Qtr 4, 2022			Qtr 1, 2023		
				Aug	Sep		Nov	Dec	Jan	Feb	Mar	Apr
Sewer line evaluations complete	0 wks	9/30/22	9/30/22			9/30	0					
Finalize Engineer's Report	4 wks	9/30/22	10/27/22			*						
Perform rate studies	5 wks	9/30/22	11/3/22			*	h					
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				× -					
Finalize Rate Study Report	1 wk	11/18/22	11/24/22					ĥ				
Rate Studies Complete	0 days	11/24/22	11/24/22					11/24	ļ.			
Present Rate Study results to BC	1 day	11/30/22	11/30/22					Է				
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					*	_			
Board Meeting	1 day	1/11/23	1/11/23						5			
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						×		1	
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