

Monterey County Board of Supervisors

Budget Considerations Pajaro County Sanitation District

Legistar File No: RES 22-176



Discussion Topics

Background

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 11/3/22
- 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

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

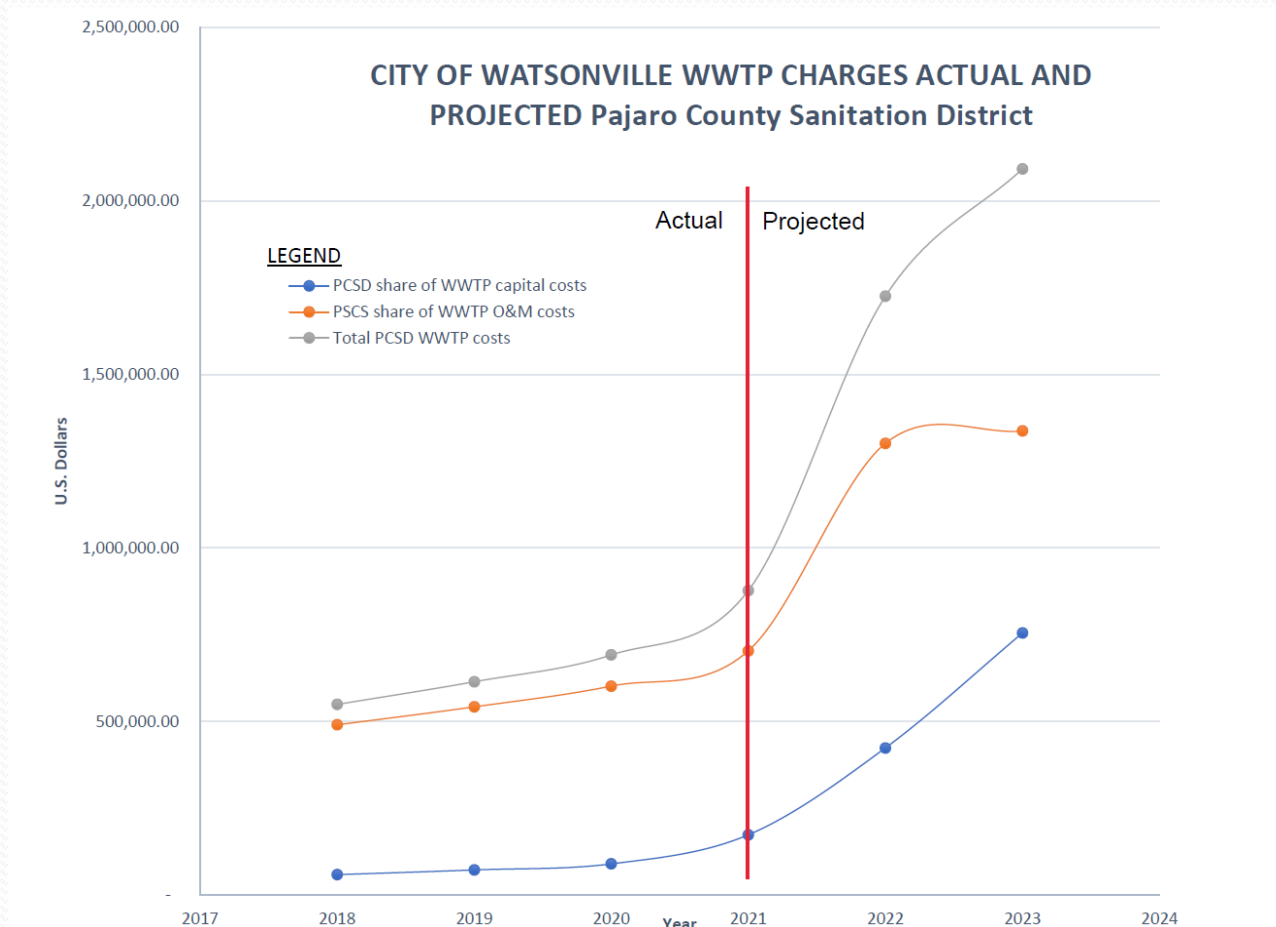
Recommendations

- 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 5-year amortization period)

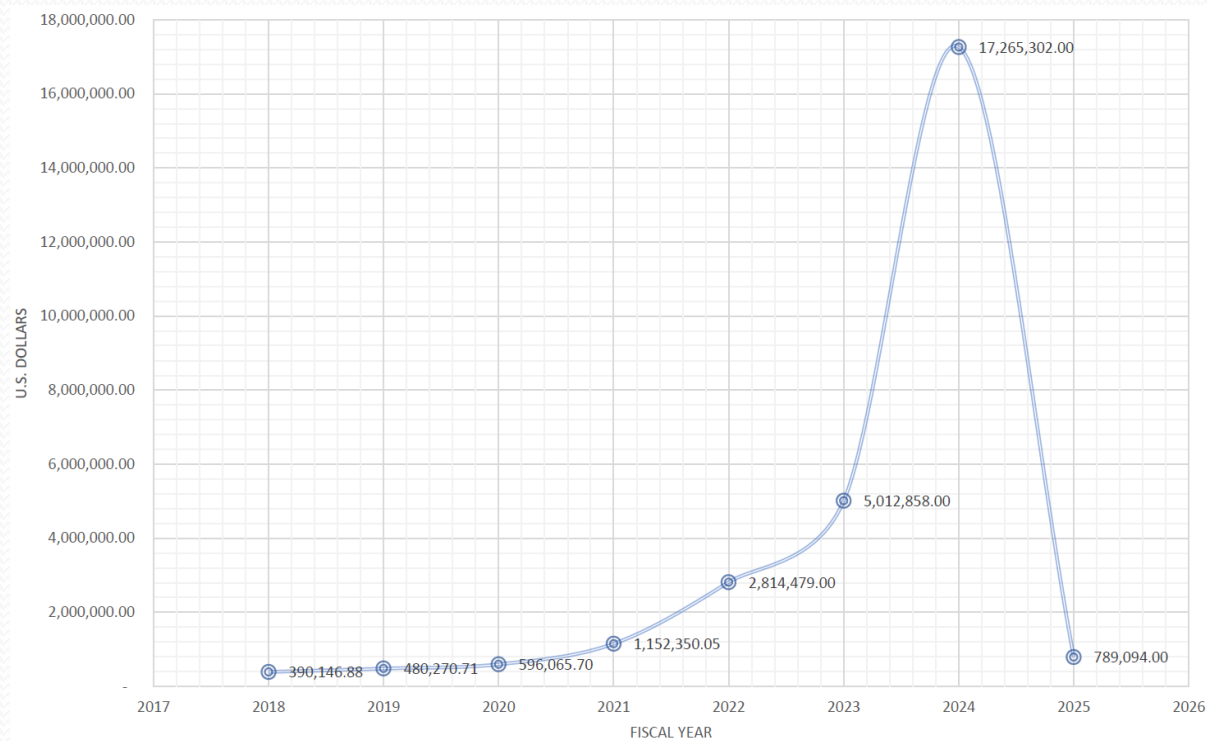
Questions



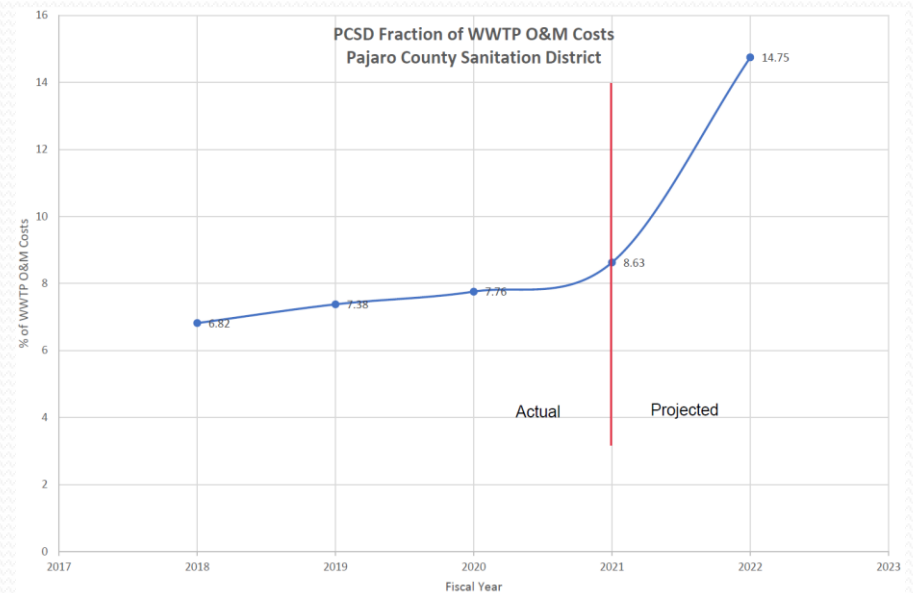
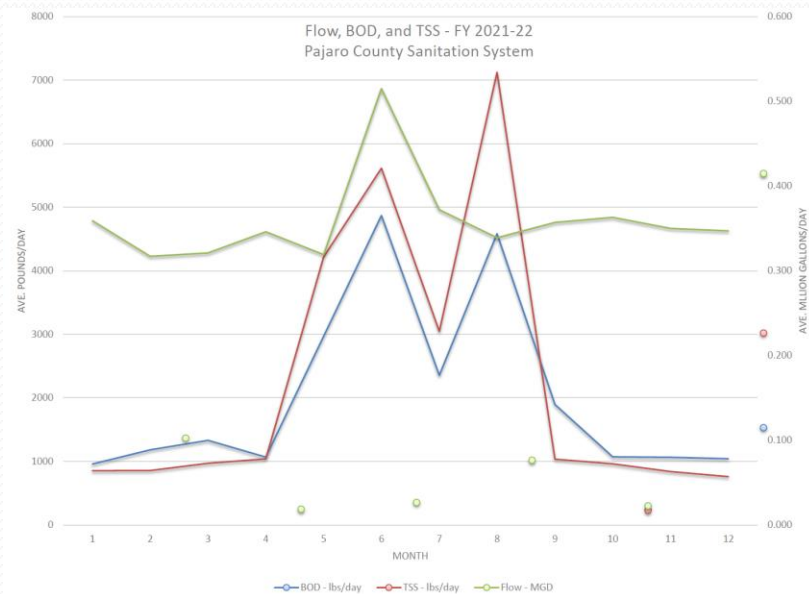
Projected Budget Shortfall



Plant Capital Cost Projections



Wastewater Strength (cont'd)



Rate Increase Schedule

