

# **County of Monterey**

Government Center - Board Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901



## **Meeting Agenda - Final**

**Tuesday, March 26, 2024**

**10:30 AM**

**Join via Zoom at <https://montereycty.zoom.us/j/224397747> or in person at the  
address listed above**

### **Pajaro County Sanitation District**

*Chair Director Glenn Church - District 2*

*Vice Chair Director Chris Lopez - District 3*

*Director Wendy Root Askew - District 4*

*Director Mary L. Adams - District 5*

*Director Luis A. Alejo - District 1*

## Participation in meetings

While the Board chambers remain open, members of the public may participate in Board meetings in 2 ways:

1. You may attend the meeting in person; or,
2. You may observe the live stream of the Board of Supervisors meetings at <https://monterey.legistar.com/Calendar.aspx>, <http://www.mgtvonline.com/>, [www.youtube.com/c/MontereyCountyTV](http://www.youtube.com/c/MontereyCountyTV) or <https://www.facebook.com/MontereyCoInfo/>

If you choose not to attend the Board of Supervisors meeting but desire to make general public comment, or comment on a specific item on the agenda, you may do so in 2 ways:

a. submit your comment via email by 5:00 p.m. on the Monday prior to the Board meeting. Please submit your comment to the Clerk of the Board at [cob@co.monterey.ca.us](mailto:cob@co.monterey.ca.us). In an effort to assist the Clerk in identifying the agenda item relating to your public comment please indicate in the Subject Line, the meeting body (i.e. Board of Supervisors Agenda) and item number (i.e. Item No. 10). Your comment will be placed into the record at the Board meeting.

b. you may participate through ZOOM. For ZOOM participation please join by computer audio at: <https://montereycty.zoom.us/j/224397747>

OR to participate by phone call any of these numbers below:

+1 669 900 6833 US (San Jose)  
+1 346 248 7799 US (Houston)  
+1 312 626 6799 US (Chicago)  
+1 929 205 6099 US (New York)  
+1 253 215 8782 US  
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Enter this Meeting ID number: 224397747 when prompted. Please note there is no Participant Code, you will just hit # again after the recording prompts you.

You will be placed in the meeting as an attendee; when you are ready to make a public comment if joined by computer audio please Raise your Hand; and by phone please push \*9 on your keypad.

## Participación en reuniones

Mientras las cámaras de la Junta permanezcan abiertas, los miembros del público pueden participar en las reuniones de la Junta de 2 maneras:

1. Podrá asistir personalmente a la reunión; o,
2. Puede observar la transmisión en vivo de las reuniones de la Junta de Supervisores en <https://monterey.legistar.com/Calendar.aspx>, <http://www.mgtvonline.com/>, [www.youtube.com/c/MontereyCountyTV](http://www.youtube.com/c/MontereyCountyTV) o <https://www.facebook.com/MontereyCoInfo/>

Si elige no asistir a la reunión de la Junta de Supervisores pero desea hacer comentarios del público en general o comentar un tema específico de la agenda, puede hacerlo de 2 maneras:

a. envíe su comentario por correo electrónico antes de las 5:00 p.m. el lunes anterior a la reunión de la Junta. Envíe su comentario al Secretario de la Junta a [cob@co.monterey.ca.us](mailto:cob@co.monterey.ca.us). En un esfuerzo por ayudar al secretario a identificar el tema de la agenda relacionado con su comentario público, indique en la línea de asunto el cuerpo de la reunión (es decir, la agenda de la Junta de Supervisores) y el número de artículo (es decir, el artículo n.º 10). Su comentario se colocará en el registro en la reunión de la Junta.

b. puedes participar a través de ZOOM. Para participar en ZOOM, únase por audio de computadora en: <https://montereycty.zoom.us/j/224397747>

O para participar por teléfono llame a cualquiera de estos números a continuación:

+1 669 900 6833 EE. UU. (San José)  
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+1 929 205 6099 EE. UU. (Nueva York)  
+1 253 215 8782 EE. UU.  
+1 301 715 8592 EE. UU.

Ingrese este número de ID de reunión: 224397747 cuando se le solicite. Tenga en cuenta que no hay un código de participante, simplemente presione # nuevamente después de que la grabación lo solicite.

Se le colocará en la reunión como asistente; cuando esté listo para hacer un comentario público si se une al audio de la computadora, levante la mano; y por teléfono, presione \*9 en su teclado.

**NOTE: All agenda titles related to numbered agenda items are live web links. Click on the title to be directed to the corresponding Board Report.**

**PUBLIC COMMENTS: Members of the public may address comments to the Board concerning each agenda item. The timing of public comment shall be at the discretion of the Chair.**

### **10:30 A.M. - Call to Order**

#### **Roll Call**

#### **Additions and Corrections by Clerk**

The Clerk of the Board will announce agenda corrections and proposed additions, which may be acted on by the Board as provided in Sections 54954.2 of the California Government Code.

#### **General Public Comments**

This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board of Supervisors. Board members may respond briefly to the statement made or questions posed. They may ask a question for clarification; make a referral to staff for factual information or request staff to report back to the Board at a future meeting.

#### **Consent Calendar**

1. a. Approve the results of a study to increase sewer service rates within the Pajaro County Sanitation District (PCSD);
- b. Set a Public Hearing on May 21, 2024, at 1:30 p.m. to hear protests against proposed increased wastewater service fees by property owners pursuant to Proposition 218 requirements;
- c. Direct Public Works, Facilities and Parks (PWFP) staff to mail a Notice of Public Hearing to be received by property owners within the PCSD not less than 45 (forty-five) days prior to the date of the Public Hearing; and
- d. Direct PWFP staff to publish the Notice of Public Hearing in the *Monterey Weekly* not less than 45 (forty-five) days prior to the date of the Public Hearing.

**Attachments:**     [Board Report](#)  
                          [Attachment A - Location Map](#)  
                          [Attachment B - Pajaro Wastewater Rate Study](#)  
                          [Attachment C - Proposed Monthly Rates for Sewer Service](#)

#### **Adjournment**



# County of Monterey

## Item No.1

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: PCSDG 24-002

March 26, 2024

Introduced: 3/8/2024

Current Status: Public Works, Facilities &  
Parks - Consent

Version: 1

Matter Type: PCSDGA

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- d. Direct PWFP staff to publish the Notice of Public Hearing in the *Monterey Weekly* not less than 45 (forty-five) days prior to the date of the Public Hearing.

#### RECOMMENDATION:

It is recommended that the Board of Directors for the Pajaro County Sanitation District:

- a. Approve the results of a study to increase sewer service rates within the Pajaro County Sanitation District (PCSD);
- b. Set a Public Hearing on May 21, 2024, at 1:30 p.m. to hear protests against proposed increased wastewater service fees by property owners pursuant to Proposition 218 requirements;
- c. Direct PWFP staff to mail a Notice of Public Hearing to be received by property owners within the PCSD not less than 45 (forty-five) days prior to the date of the Public Hearing; and
- d. Direct PWFP staff to publish the Notice of Public Hearing in the *Monterey Weekly* not less than 45 (forty-five) days prior to the date of the Public Hearing.

#### SUMMARY:

To address mounting costs to operate and maintain the Pajaro County Sanitation District (PCSD) wastewater collection system, the Department of Public Works, Facilities and Parks (PWFP) staff are working within the Proposition 218 process to increase customer sewer rates beginning July 1, 2024. During an August 23, 2023, meeting, the Board of Supervisors approved delaying new rate increases until July 2024, and directed staff to establish new rates for all PCSD customers and evaluate the expected revenue shortfall if the average residential rate increase was limited to approximately \$60/month.

#### DISCUSSION:

##### ***Background***

The County-Owned PCSD wastewater collection system is in northern Monterey County, and serves the communities of Bay Farms, Las Lomas, Pajaro Sunny Mesa, and Pajaro. (A location map is presented in Attachment A.) It includes approximately 16.5 miles of gravity sewer pipe, six pump

stations, and approximately 2.4 miles of force sewer main. There are approximately 1,047 sewer connections and 1,768 billing units.

PCSD is a collection system only and does not provide wastewater treatment. Instead, collected sewage is pumped to the City of Watsonville (City) wastewater treatment plant (plant). Under an agreement with the City, the plant accepts and treats PCSD sewage. The PCSD is charged for its share of the plant's costs based on its fraction of (1) the plant's capital improvement costs, and (2) the plant's operations and maintenance costs based on the total wastewater received by the plant and the strength of the wastewater received. (Wastewater strength refers to the levels of Total Suspended Solids (TSS) and Biological Oxygen Demand (BOD) in the wastewater. High/Low strength wastewater refers to TSS and BOD levels above/below typical domestic wastewater.)

During the November 30, 2022, Budget Committee meeting, staff presented alternative customer service rates for the Committee's consideration. During the meeting it was noted that service rates for the PCSD have not changed since 2007, and costs to operate and maintain the system have increased significantly since then. Items that have the greatest effect on the magnitude of planned rate increases include the following:

- Repayment of existing loans, totaling \$1,941,661;
- PCSD capital improvement costs not covered by the current remaining ARPA funds (approximately \$2.1 million); and
- The County's fraction of plant capital improvement and operations costs, the largest single PCSD cost liability.

The Budget Committee recommended that the rate study move forward with a scenario assuming outstanding General Fund loans totaling \$1,941,661 would be forgiven, an additional \$2.1 million in capital improvement funding, and up to \$3.5 million to supplement operating costs would be provided over 5 years.

Currently, the average residential rate for one (1) billing unit in the PCSD is approximately \$30 per month. For comparison, current average residential rates for the Chualar CSA-75 sanitary system and the Boronda County Sanitation District (Zone 1) system are approximately \$66 per month and \$70/month, respectively. Near the PCSD, monthly customer service rates within the Salsipuedes Sanitary District and the Freedom County Sanitation District (both in Santa Cruz County) are \$60.83 and \$62.25, respectively. Like the PCSD, sewage collected by both sanitation districts is conveyed to and treated by the plant. Monthly residential rates for the City of Watsonville are currently \$53.22.

During the Budget Committee meeting on March 29, 2023, staff recommended rate increases be postponed until July 2024 to allow time for residents and businesses within the Community of Pajaro to recover from last winter's devastating storms. During the August 23, 2023, Board of Supervisors meeting, the Board formally approved postponing rate increases and directed staff to reevaluate rates using the latest operational data and projected cost information from the City of Watsonville. Furthermore, if an average residential rate of approximately \$60/month was implemented, the Board directed staff to determine what the General Fund subsidy would be to address the revenue deficit.

During the January 23, 2024, Board meeting, Staff presented three alternative price increase scenarios. Two scenarios contemplated a first-year single family residential rate of \$60/month, but with respective annual rate increases of \$10/year and a consumer price index (CPI); the third scenario was calculated based on revenues equaling projected costs. The Board approved pursuing a hybrid of the scenario presented: a single family residential rate of \$60/month for the first year and annual increases of \$5/month plus a CPI increase requiring an estimated first-year subsidy of \$1,409,300, and directed staff to publish a Proposition 218 compliant rate study report.

Beginning in November 2023, staff held a series of community meetings to communicate the PCSD's intent to increase sewer service rates and provide the community an opportunity to ask questions and, if not agree, at least understand the need, the process and timing of the rate increases. Community meetings were convened in Las Lomas on November 7, 2023, and March 21, 2024; in Bay View on November 14, 2023, and in Pajaro on January 17, and March 19, 2024.

### ***Results***

The Proposition 218 compliant Report on Wastewater Rate Study - Pajaro County Sanitation District (rate study report) has been prepared and is presented in Attachment B. A table summarizing the proposed monthly rates for sewer service are presented in Attachment C.

### **Residential Unit Classification**

For this Study, one equivalent dwelling unit (EDU) is defined as the flow and strength of a single-family residence (SFR) which was determined to be six hundred cubic feet (HCF) of wastewater flow monthly with Bio-chemical Oxygen Demand (BOD) strength less than or equal to 250 milligrams per liter (mg/l) and Suspended Solids (SS) strength less than or equal to 250 mg/l. Thus, the monthly SFR rate for the first year is: 1 EDU x \$60.00/EDW = \$60.00.

The table also shows the EDU multiple for multifamily residential (MFR) charge at 0.80 and that for Mobile Homes at 0.7 of the SFR charge. SFR, MFR, and Mobile Homes have the same BOD strength, and the EDU multiple reflects the wastewater discharge volume per dwelling unit relative to the SFR class.

### **Non-Residential Rates**

Non-Residential rates will be based on wastewater flow and whether the wastewater is determined to be high strength or low strength. Referring to the above table, the non-residential Low Strength classification has the same strength as an SFR customer, and therefore, has the same monthly charge for 6 HCF of wastewater volume. However, for a non-residential High Strength customer (strength greater than 600 mg/l of BOD and greater than 600 mg/l of SS), the charge for 6 HCF of wastewater volume is higher (EDU of 1.56 vs. 1.00 for low strength) which reflects the additional cost to treat the higher strength.

### Residential Rates

As indicated in the rate study report, the proposed rate for single family residential property owners will increase to \$60/month for the first year (FY 2024-25) and be subject to an annual increase of \$5/month plus an increase tied to the San Francisco Area Consumer Price Index (CPI) assumed to be 4% per year in the rate study report. Thus, in the final year (FY 2028-29), the rate study report estimates the single-family residential rate will be \$92.28/month.

### Changes to Customer Billing Procedures

Currently, Monterey One Water (M1W) provides bi-monthly billing services to PCSD customers. Staff recommends changing the billing method from bi-monthly to annual via the County property tax rolls. Customers will no longer receive a bill from M1W. The proposed rates will be implemented as of July 1, 2024, and appear on the respective customer's property tax bill thereafter. Wastewater service charges for the entire year will be billed in November, and at least half of the amount will be due by December 10th and the remainder due by April 10th. For example, for 1 EDU, the new rate will be \$60.00 per month; thus, \$720.00 will be billed in November 2024 and \$360.00 will be due December 10, 2024, and the remaining \$360.00 will be due April 10, 2025. Wastewater charges will increase in future years but will be billed similarly.

### OTHER AGENCY INVOLVEMENT:

This matter was presented to the Budget Committee on November 30, 2022, and on March 29, 2023. During the March 29, 2023, Budget Committee Meeting, the Committee discussed postponing implementation of new customer service rates to provide time for the Pajaro community to recover from the March 10, 2023, flood and to allow staff to conduct community meetings after the community has had time to recover.

### FINANCING:

Proposed new rates presented above assume outstanding General Fund loans totaling \$1,941,661 would be forgiven. The County Administrative Office has not allocated any discretionary revenue to this proposed plan and has distributed available discretionary revenue to County Departments for the development of the FY 2023-24 recommended budget.

The recommendations presented above support the following Board of Supervisors Strategic Initiatives by providing the funds necessary to maintain the PCSD infrastructure and thereby enhancing public safety by minimizing sewer overflows.

- ☐ Economic Development
- ☐ Administration
- ☐ Health & Human Services
- ☒ Infrastructure
- ☒ Public Safety

Prepared by: J. Erich Rauber, PE, GE, Senior Civil Engineer

Reviewed by: Enrique Saavedra, PE, Chief of Public Works

Mary Grace Perry, Deputy County Counsel

Sandra Lance, Finance Manager I

Ezequiel Vega, MBA, Assistant County Administrative Officer

Approved by: Randell Ishii, MS, PE, TE, PTOE, Director of Public Works, Facilities and Parks

The following attachments are on file with the Clerk of the Board:

Attachment A - Location Map

Attachment B - Report on Wastewater Rate Study - Pajaro County Sanitation District

Attachment C - Proposed Monthly Rates for Sewer Service



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- ☐ Health & Human Services
- ☒ Infrastructure
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Legistar File Number: PCSDG 24-002

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Prepared by: J. Erich Rauber, PE, GE, Senior Civil Engineer

Reviewed by: Enrique Saavedra, PE, Chief of Public Works

Mary Grace Perry, Deputy County Counsel

Sandra Lance, Finance Manager I

Ezequiel Vega, MBA, Assistant County Administrative Officer

Approved by: Randell Ishii, MS, PE, TE, PTOE, Director of Public Works, Facilities and Parks

DocuSigned by:  
Randell Ishii  
3/21/2024 9:02 AM PDT

The following attachments are on file with the Clerk of the Board:

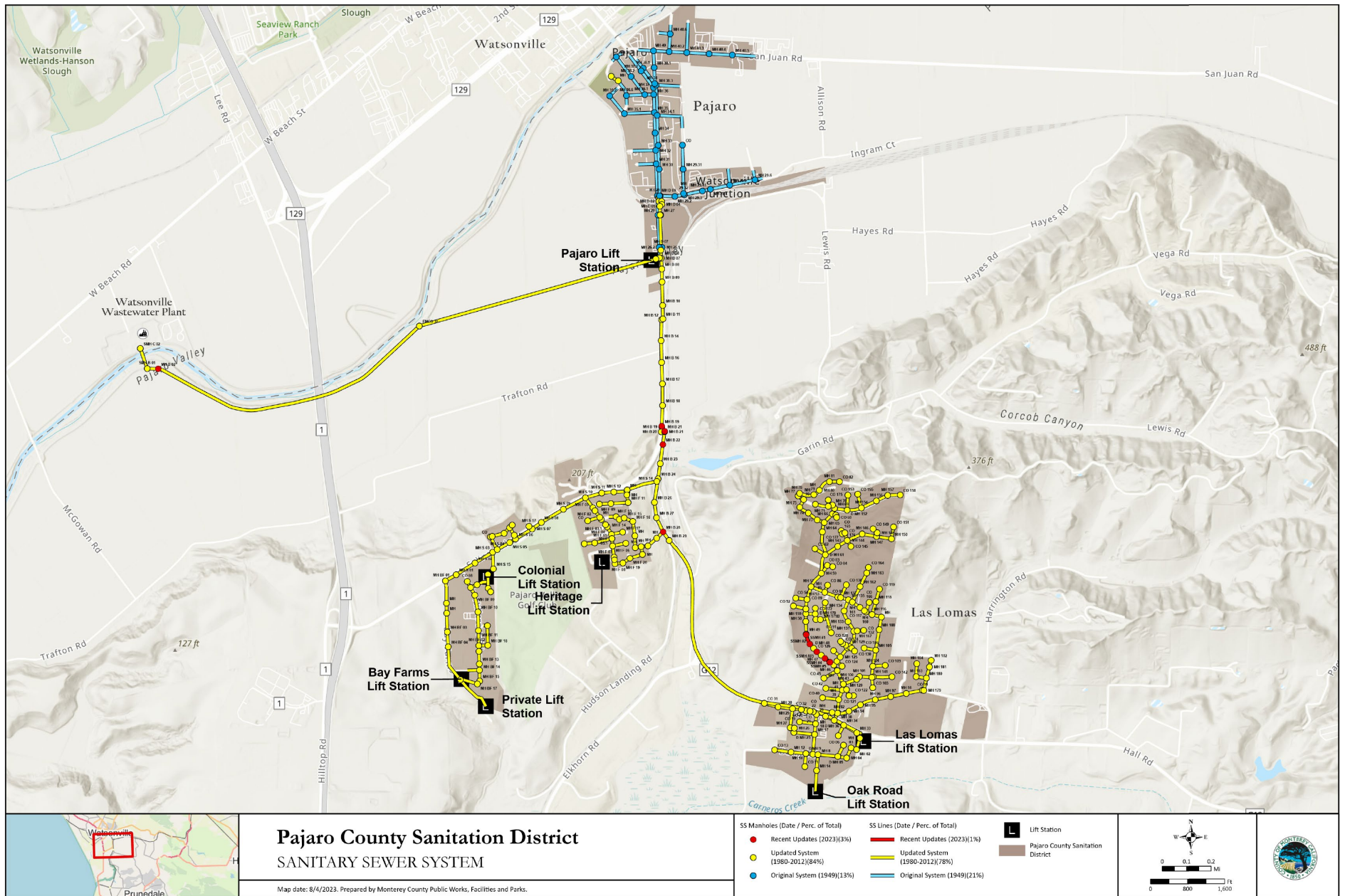
Attachment A - Location Map

Attachment B - Report on Wastewater Rate Study - Pajaro County Sanitation District

Attachment C - Proposed Monthly Rates for Sewer Service

## Attachment A

## Attachment A



## Attachment B

# County of Monterey

*Public Works, Facilities and Parks*



## Report on Wastewater Rate Study

Pajaro County Sanitation District

Prepared By:

**Tuckfield & Associates**

2549 Eastbluff Dr, #450B

Newport Beach, CA 92660

(949) 760-9454

[www.tuckfieldassociates.com](http://www.tuckfieldassociates.com)

FINANCIAL CONSULTING  
**TUCKFIELD &  
ASSOCIATES**  
MANAGEMENT CONSULTING

**February 2024**

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# Executive Summary

This Wastewater Rate Study (Study) report has been prepared by Tuckfield & Associates for the Pajaro County Sanitation District (District) wastewater collection system (System). To address mounting costs to operate and maintain the System, the District plans to increase customer wastewater rates beginning July 1, 2024. Sewer rates to cover projected System costs are significantly higher than those in surrounding communities. Given this, the District Board of Directors concluded that rate payers should not be immediately burdened by significant rate increases. They thus directed staff to limit initial residential rate increases to \$60/month, with annual rate increases limited to \$5 per month plus 4 percent per year with the difference being subsidized by the County of Monterey. Proposed rate increases are presented below.

Table ES-1  
Proposed Wastewater Service Charges

Classification		July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
	EDU					
	Multiple	\$/mo	\$/mo	\$/mo	\$/mo	\$/mo
Residential (\$/DU)	1.00	\$60.00	\$67.60	\$75.50	\$83.72	\$92.27
Multifamily (\$/DU)	0.80	\$48.00	\$54.08	\$60.40	\$66.97	\$73.81
Mobile Homes (\$/DU)	0.70	\$42.00	\$47.32	\$52.85	\$58.60	\$64.59
	Strength					
Non-Residential	Factor					
Low Strength	1.00	\$60.00	\$67.60	\$75.50	\$83.72	\$92.27
High Strength	1.56	\$93.80	\$105.67	\$118.02	\$130.87	\$144.23

The selected rate structure is a fixed charge structure based on Equivalent Dwelling Units (EDUs). An EDU is defined as the flow and strength of a single-family residence consisting of 6 hundred cubic feet (HCF) of wastewater flow per month with Bio-chemical Oxygen Demand (BOD) strength of 250 milligrams per liter (mg/l) and Suspended Solids (SS) strength of 250 mg/l.

Currently, Monterey One Water provides bi-monthly billing services to District customers. The District is proposing to change the method of billing from bi-monthly to annual via the County property tax rolls.

# 1.0 Introduction

This Wastewater Rate Study (Study) report has been prepared by Tuckfield & Associates for the Pajaro County Sanitation District (District) wastewater collection system (System). The Study develops pro forma statements of revenues and revenue requirements, determines the cost of providing service to customer classifications, and designs new rates and charges for implementation.

## 1.1 Background

The County-Owned District System is in northern Monterey County, and serves the communities of Bay Farms, Las Lomas, Sunny Mesa, and Pajaro. It includes approximately 16.5 miles of gravity sewer pipe, six pump stations, and approximately 2.4 miles of force sewer main. There are approximately 1,158 sewer customers and 1,577 billing units.

The System is a collection system only and does not provide wastewater treatment. Instead, collected sewage is pumped to the City of Watsonville (City) wastewater treatment plant (Plant). Under an agreement with the City the Plant accepts and treats District sewage. The District is charged for its share of the Plant's costs based on its fraction of (1) the Plant's capital improvement costs, and (2) the Plant's operation and maintenance costs based on the total wastewater received by the Plant and the strength of the wastewater received. (Wastewater strength refers to the levels of Total Suspended Solids (TSS) and Biological Oxygen Demand (BOD) in the wastewater. High/Low strength wastewater refers to TSS and BOD levels above/below typical domestic wastewater).

## 1.2 Objectives

The objectives of the Study include (1) developing long-term financial plans that meet the wastewater utilities' future operating revenue requirements while adequately funding reserves in accordance with industry best practices, (2) conducting cost of service analyses that establishes a connection between the cost to serve customers and the responsibility of each customer classification, in compliance with Proposition 218 and based on industry standard methodologies, and (3) designing five years of wastewater rates that comply with Proposition 218 and ensure financial sufficiency to fund operating costs over the study period.

## 1.3 Scope of the Study

This Study includes findings, conclusions, and recommendations based on our analyses of the System's financial status and related capital improvement plan (CIP) projects. Historical trends were analyzed utilizing data supplied by the District showing the number of customers, wastewater strengths, volume, revenue, and revenue requirements.

Revenue requirements include operation and maintenance (O&M) expenses, routine capital outlays, CIP funding, and additions to reserves. Changing conditions such as additional facilities, system growth, employee additions/reductions, and non-recurring maintenance expenditures are recognized based on known conditions at the time of this Study. Cost escalation reflects inflation for ongoing expenditures.

The financial plan and rates developed herein are based on funding of the CIP and estimates of FY 2022-23 O&M expenses provided by the District. Deviation from the financial plans, construction cost estimates and funding requirements, major operational changes, or other financial policy changes that were not foreseen, may result in the need for lower or higher revenue than anticipated. It is suggested that the District conduct an update to the rate study at least every five years for prudent rate planning.

## 2.0 Assumptions

Several assumptions were used to conduct the Study for the period FY 2023-24 to FY 2028-29. The financial planning assumptions are provided in Table 1.

Table 1  
Assumptions and Planning Factors

Description	Value
<b>Annual Account &amp; Demand Growth</b>	
Residential [1]	0.00%
All Other	0.00%
<b>Interest earnings on fund reserves (annual)</b>	1.00%
<b>Cost Escalation</b>	
Personnel Services [2]	5.0%
Treatment	5.0%
Utilities	5.0%
Property Tax Revenue (secured)	3.0%
Property Tax Revenue (unsecured)	2.0%
All Other Operations & Maintenance	4.0%

[1] Irregular growth includes Susan Street (62 units) and Gonda (34 units) residential projects beginning FY 2025-26 over 3 years

[2] Personnel Services growth in staffing, promotions, and inflation is 5.0% annually.

## 2.1 Reserve Policy

The District's goal is to provide operating and capital cash reserves for its wastewater system consistent with its needs. The reserves provide a means to meet unanticipated reductions in revenues, meet changes in the costs of providing services, provide for fixed asset repair and replacement, natural disaster needs, and other issues. The reserve levels also provide guidelines to maintain the financial health and stability of the wastewater enterprise. The reserve types and the amount of reserves used in this Study are discussed below.

### 2.1.1 Operating Reserve

The purpose of the Operating Reserve is to provide working capital to meet cash flow needs during normal operations and support the operation, maintenance, and administration of the utility. This reserve ensures that operations can continue should there be significant events that impact cash flow. The target balance to be maintained is 25 percent (90 days) of the annual wastewater operating expense budget which will increase annually with the District's future expense budgets.

### 2.1.2 Capital Replacement Reserve

The purpose of the Capital Replacement Reserve is to fund future replacement of fixed assets and fund Capital Improvement Plan (CIP) projects. The capital reserves are used to fund the replacement of collection lines and other collection facilities and equipment as they reach their useful life or obsolescence. Since wastewater treatment is provided by the City of Watsonville which charges the District for capital expenditures for treatment facility improvements, the District believes that the Operating Reserve is sufficient to provide a reserve for District System capital replacement.

## 2.2 Beginning Balance and Reserve Target

As of June 30, 2023, the District's beginning reserve balance for the wastewater enterprise is listed in Table 2 below. The reserve is used in developing the financial plan for the wastewater utility system. The Reserve Target for FY 2023-24 is also provided in the table. The Reserve Target is the desired amount of reserves the District would like to have based on the Reserve Policy discussed above in section 2.1.

Table 2  
June 30, 2023 Beginning Fund Balance and FY 2023-24 Reserve Target

Reserve Type	Wastewater	
	Reserve Balance	Reserve Target
Operating Fund Reserve	\$0	\$500,900

## 3.0 Wastewater Financial Planning

Financial planning for the wastewater enterprise includes identifying and projecting revenues and revenue requirements of the wastewater system for a 5-year planning period. Estimates of revenue from various sources are compared with the projected revenue requirements (costs). This comparison allows the review of the sufficiency of existing revenue to meet projected annual obligations, which provides the basis for any revenue adjustments. New wastewater rates and charges are created in a later section of this report to recover the District's projected annual operating and capital costs associated with the System.

This section discusses the current wastewater rates, user classifications, revenues and revenue requirements, planned CIP projects and financing sources, and proposed revenue adjustments.

### 3.1 Current Wastewater Rates

The current wastewater rates consist of charges to parcels of wastewater customers based on equivalent dwelling units (EDUs) assigned to each parcel and to classifications by service sub-area including Pajaro, Las Lomas, Sunny Mesa, and Bay Hill. Appendix 1 provides a summary of the wastewater classifications, EDU ratio, and charge by service sub-area.

### 3.2 Wastewater User Classifications

#### 3.2.1 Number of Equivalent Dwelling Units

Based on a review and analysis by the Wallace Group, the number of EDU's assigned to each parcel has been updated. The Wallace Group obtained water records from the Pajaro Sunny Mesa Water Community Services District for years 2020 through 2023 for its commercial accounts, and averaged the documented water use for both annual usage as well as for winter months (November through March). Where there appeared to be outdoor water use (irrigation) on the site, only the winter months were used to determine the indoor water usage. If no outside irrigation was apparent, then the annual average water usage was used to determine the overall indoor water usage or wastewater volume. The results of these analyses are provided in Appendix 5.

During the analysis, it was noted that water usage data was not available for all commercial properties. These properties were assigned wastewater flow from prior studies and will be updated when water use data are obtained. Once the water use data is obtained, the flow for commercial parcels will be updated based on actual water use. The District will perform the updates and the water use data will be averaged over a four (4) year period. New accounts will be assigned wastewater flow based on similar businesses or projected water use by the commercial property until a rolling average can be provided.

The District's wastewater customer classifications listed in Appendix 1 have been revised to include single-family residential (SFR), multifamily residential (MFR), mobile homes, and non-residential with two wastewater strength classifications. These revisions are intended to simplify the rate structure and reflect what is known for current operations.

Table 3 provides the projected number of EDUs for the Study period. Only the residential classification number of EDU's is expected to increase due to the completion of the Susan Street (62 units) and Gonda (34 units) residential projects beginning in FY 2025-26. A discussion on how the EDUs were calculated is described in section 6.1.

Table 3  
Projected Number of Equivalent Dwelling Units

Customer Class	Current	Projected				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Current EDUs [1]	1,577.82	1,838.80	1,838.80	1,870.80	1,902.80	1,934.80
EDU Growth						
Susan Street	-	-	21.00	21.00	20.00	-
Gonda	-	-	11.00	11.00	12.00	-
<b>Total Number of EDUs</b>	1,577.82	1,838.80	1,870.80	1,902.80	1,934.80	1,934.80

[1] Current EDUs are from Monterey County records. Projected EDUs in FY 24-25 are developed from an engineering review of the flow and strength of customers by the Wallace Group.

### 3.3 Wastewater Financial Plan

The financial plan provides the means of analyzing the sufficiency of revenue to meet revenue requirements of the wastewater system, the impact on reserves, and the ability to fund on-going O&M expense and capital infrastructure requirements. Discussed below are the projection of revenue, revenue requirements (consisting of O&M expense and CIP needs of the System), and revenue adjustments needed to maintain a sustainable wastewater enterprise.

#### 3.3.1 Revenues

The wastewater utility receives revenue from charges for wastewater service and miscellaneous sources. Wastewater service revenue is received from current wastewater charges to each customer. Table 4 provides the projection of wastewater service revenue for the District if rates were to remain unchanged. Revenue increases slightly with the expected customer growth.

Table 4  
Budgeted and Projected Wastewater Revenue from Current Charges

Customer Class	Budget	Projected				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Wastewater Service Revenue [1]	\$530,000	\$625,748	\$636,497	\$647,246	\$657,995	\$657,995
<b>Total Wastewater Revenue</b>	<b>\$530,000</b>	<b>\$625,748</b>	<b>\$636,497</b>	<b>\$647,246</b>	<b>\$657,995</b>	<b>\$657,995</b>

[1] Wastewater revenue increases with changes to the number of EDUs from engineering review and EDU growth.

### 3.3.1.1 Miscellaneous Revenue

The District receives miscellaneous revenue from sources other than wastewater rates. These sources include property tax revenue estimates, operating transfers in from the County, investment income, connection fee revenue, and other sources. Table 5 below provides the projection of miscellaneous revenue.

Table 5  
Budgeted and Projected Wastewater Miscellaneous Revenue

Customer Class	Budget	Projected				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Property Taxes	\$288,006	\$342,640	\$358,592	\$375,194	\$392,473	\$404,068
Homeowners Property Tax Relief	1,273	1,273	1,273	1,273	1,273	1,273
Operating Transfers In [1]	85,000	1,409,300	1,357,350	1,073,300	954,400	1,183,400
Investment Income	0	251	2,276	2,954	3,685	4,560
Connection Fee Revenue	0	0	20,460	21,120	23,760	0
All Other	2,074,762	300	300	300	300	300
<b>Total Misc Revenue</b>	<b>\$2,449,041</b>	<b>\$1,753,764</b>	<b>\$1,740,251</b>	<b>\$1,474,141</b>	<b>\$1,375,891</b>	<b>\$1,593,601</b>

[1] Operating Transfers In is the subsidy provided by the County.

### 3.3.2 Revenue Requirements

Revenue requirements of the wastewater system include expenses associated operating and maintaining the wastewater system and annual capital improvement spending on replacement and new improvements as discussed below.

#### 3.3.2.1 Operation and Maintenance Expense

O&M expenses are an on-going obligation of the wastewater system and costs are normally met from wastewater service revenue. O&M includes the cost to operate and maintain the wastewater collection

system and lift stations facilities and includes costs of personnel services, technical services and other general and administrative expenses.

O&M has been projected recognizing the major expense categories of personnel services, wastewater treatment by the City of Watsonville, electric power expense, chemicals, capital outlay, and all other expenses following the inflation factors provided in Table 1. A detailed projection of Watsonville treatment expenses is provided in Appendix 2. Table 6 provides a summary of the wastewater O&M expenses for the Study period.

Table 6  
Budgeted and Projected Wastewater Operation and Maintenance Expense

Expense Description	Budget	Projected				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Communication Charges - External	\$1,927	\$2,004	\$2,084	\$2,167	\$2,254	\$2,344
Insurance - General Liability (Recoverable)	321,450	334,308	347,680	361,587	376,050	391,092
Insurance - Property	14,719	17,663	21,196	25,435	30,522	36,626
Buildings & Improvements Maintenance - External	200,000	115,000	75,000	75,000	75,000	75,000
Other Personnel Services	130,647	137,179	144,038	151,240	158,802	166,742
Other Professional & Special Services	1,010,000	400,000	416,000	432,640	449,946	467,944
Other Special Departmental Expenses	7,500	7,500	7,800	8,112	8,436	8,773
Fleet Service Charge	820	943	1,084	1,247	1,434	1,649
Treatment O&M Expense	1,181,192	916,668	962,501	1,010,627	1,061,158	1,114,216
Treatment Capital	1,081,415	449,060	230,999	41,569	37,650	321,479
Utilities	68,901	72,346	75,963	79,761	83,749	87,936
<b>Total O&amp;M Expense</b>	<b>\$4,018,571</b>	<b>\$2,452,671</b>	<b>\$2,284,345</b>	<b>\$2,189,385</b>	<b>\$2,285,001</b>	<b>\$2,673,801</b>

### 3.3.2.2 Wastewater Capital Improvement Program

The District has identified needed wastewater capital expenditures for FY 2023-24 through FY 2028-29, presented in Table 7. The CIP consists of various miscellaneous sewer improvements, utility main lining, sewer manhole rehabilitations, and other CIP sewer projects that the District estimates are urgently needed to maintain a safe and reliable wastewater system for its citizens and service area. The District projects that it will spend approximately \$575,000 annually beginning in FY 2024-25 with estimated inflation occurring at 4 percent annually. The CIP is proposed to be funded through District wastewater rates and charges revenue and cash reserves.

Table 7  
Wastewater Capital Improvement Program

Customer Class	Budget		Projected			
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Capital Improvements	\$0	\$575,000	\$598,000	\$621,920	\$646,797	\$672,669
<b>Total Capital Improvements</b>	<b>\$0</b>	<b>\$575,000</b>	<b>\$598,000</b>	<b>\$621,920</b>	<b>\$646,797</b>	<b>\$672,669</b>

### 3.3.3 Wastewater Financial Plan

A financial plan has been prepared for the wastewater utility that includes the revenues and revenue requirements that were identified for the System. The plan is presented in Table 8 and incorporates specific financial planning goals to provide guidance to maintain the health of the wastewater utility on an on-going basis. The goals included the following items.

- Generate revenues that meet annual costs in each year of the Study period
- Provide funding for the needed capital improvement projects
- Maintain the operating and capital reserves at or greater than target levels

A 10-year detailed financial plan is provided in Appendix 3.

#### 3.3.3.1 Proposed Revenue Adjustments

Table 8 provides the annual revenue increases recommended to meet the financial planning goals for the 5-year Study period. The financial plan indicates that annual revenue increases are required as shown below in the top row of Table 8 and are recommended on July 1, 2024, and on each July 1 through 2028. The increases are necessary to meet the planning goals discussed above. While the table indicates that the reserves level is below Target in the 5-year planning period, the reserves are increasing and projected to reach the Target level in 10 years.

Operating Transfers In (County subsidies) are included in the financial plan with the revenue from proposed revenue increases and both are necessary to meet annual spending requirements of the wastewater system. The Operating Transfers In are shown separately in Table 8 in account 5940.

Table 8  
Wastewater Financial Plan

Account	Description	Budget	Projected				
		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	Proposed Rate Increase (July 1)		114.4%	12.7%	11.7%	10.9%	10.2%
	Number of EDUs [1]	1,577.82	1,838.80	1,870.80	1,902.80	1,934.80	1,934.80
	Projected Average Charge Per EDU	\$27.99	\$60.00	\$67.60	\$75.50	\$83.72	\$92.27
	Revenue						
4010	Property Tax - Current Secured	\$268,810	\$322,671	\$338,135	\$354,236	\$371,000	\$382,130
4015	Property Tax - Current Unsecured	12,052	12,293	12,539	12,790	13,046	13,307
4025	Property Tax - Prior Secured	2,653	3,185	3,337	3,496	3,662	3,771
4035	Property Tax - Current Supplemental	4,141	4,141	4,224	4,308	4,394	4,482
4040	Property Tax - Prior Supplemental	350	350	357	364	371	378
4250	Road Privileges and Permits	300	300	300	300	300	300
4600	Investment Income	-	251	2,276	2,954	3,685	4,560
5030	Homeowners Property Tax Relief	1,273	1,273	1,273	1,273	1,273	1,273
5290	Federal Aid Other	1,160,163	-	-	-	-	-
5680	Sanitation Services	530,000	1,323,997	1,517,506	1,723,876	1,943,719	2,142,181
5855	Other Reimbursements	914,299	-	-	-	-	-
5940	Operating Transfers In	85,000	1,409,300	1,357,350	1,073,300	954,400	1,183,400
	Connection Fee Revenue [2]		-	20,460	21,120	23,760	-
	Total Revenue	\$2,979,041	\$3,077,761	\$3,257,757	\$3,198,017	\$3,319,610	\$3,735,782
	Expense						
6231	Communication Charges - External	\$1,927	\$2,004	\$2,084	\$2,167	\$2,254	\$2,344
6262	Insurance - General Liability (Recoverable)	321,450	334,308	347,680	361,587	376,050	391,092
6266	Insurance - Property	14,719	17,663	21,196	25,435	30,522	36,626
6311	Buildings & Improvements Maintenance - External	200,000	115,000	75,000	75,000	75,000	75,000
6609	Other Personnel Services	130,647	137,179	144,038	151,240	158,802	166,742
6613	Other Professional & Special Services	1,010,000	400,000	416,000	432,640	449,946	467,944
6835	Other Special Departmental Expenses	7,500	7,500	7,800	8,112	8,436	8,773
6864	Fleet Service Charge	820	943	1,084	1,247	1,434	1,649
6881	Utilities						
6881	Treatment O&M Expense	1,181,192	916,668	962,501	1,010,627	1,061,158	1,114,216
6881	Treatment Capital	1,081,415	449,060	230,999	41,569	37,650	321,479
6881	Utilities	68,901	72,346	75,963	79,761	83,749	87,936
7551	Construction In Progress	-	575,000	598,000	621,920	646,797	672,669
	Total Expense	\$4,018,571	\$3,027,671	\$2,882,345	\$2,811,305	\$2,931,798	\$3,346,470
	Debt Service						
	Amortize Watsonville Capital Charge	\$0	\$0	\$312,922	\$312,922	\$312,922	\$312,922
	Net Funds Available	(\$1,039,530)	\$50,090	\$62,490	\$73,790	\$74,890	\$76,390
	Beginning Balance (FY 23-24 is County Subsidy)	1,039,600	70	50,160	112,650	186,440	261,330
	Ending Fund Balance	\$70	\$50,160	\$112,650	\$186,440	\$261,330	\$337,720
	Reserve Targets						
	Operation and Maintenance Reserve (90 days) [3]		\$500,900	\$513,300	\$537,000	\$561,800	\$588,100

[1] FY 23-24 EDUs from Monterey County customer billing records. Future years include engineering review and reassignment and Include Susan Street (62 units) and Gonda (34 units) residential development projects beginning FY 25-26 over 3 years.

[2] Assumes a connection fee charge of \$1,860 in FY 26-27 increasing at 3 percent annually.

[3] Includes 90 days of Operation and Maintenance expense. Excludes Watsonville treatment capital and construction in progress.

The 5-year financial plan from Table 8 is expanded to a 10-year plan in Chart 1 to illustrate that the District is increasing rates to eventually meet its costs. The chart assumes that rates beyond the first five years of the plan will be increased as shown in Appendix 3 which will **require a new rate study beginning around FY 28-29**.

Revenue using the current rates is shown as the light purple line. Revenue with the proposed increases without County financial support is shown as the light blue line. Revenue with proposed increases and County financial support is shown as the red line. The chart shows that implementation of the proposed revenue increases together with on-going financial support from the County's General Fund will provide sufficient revenue for the District to meet its annual O&M expense, capital spending requirements, and contributions to reserves. The difference between the red line and the light blue of the chart indicates that although the revenue increases are significant, the County is subsidizing the District for the foreseeable future to keep rates consistent with surrounding communities.

Chart 1  
Wastewater Financial Plan  
Comparison of Revenue with Revenue Requirements

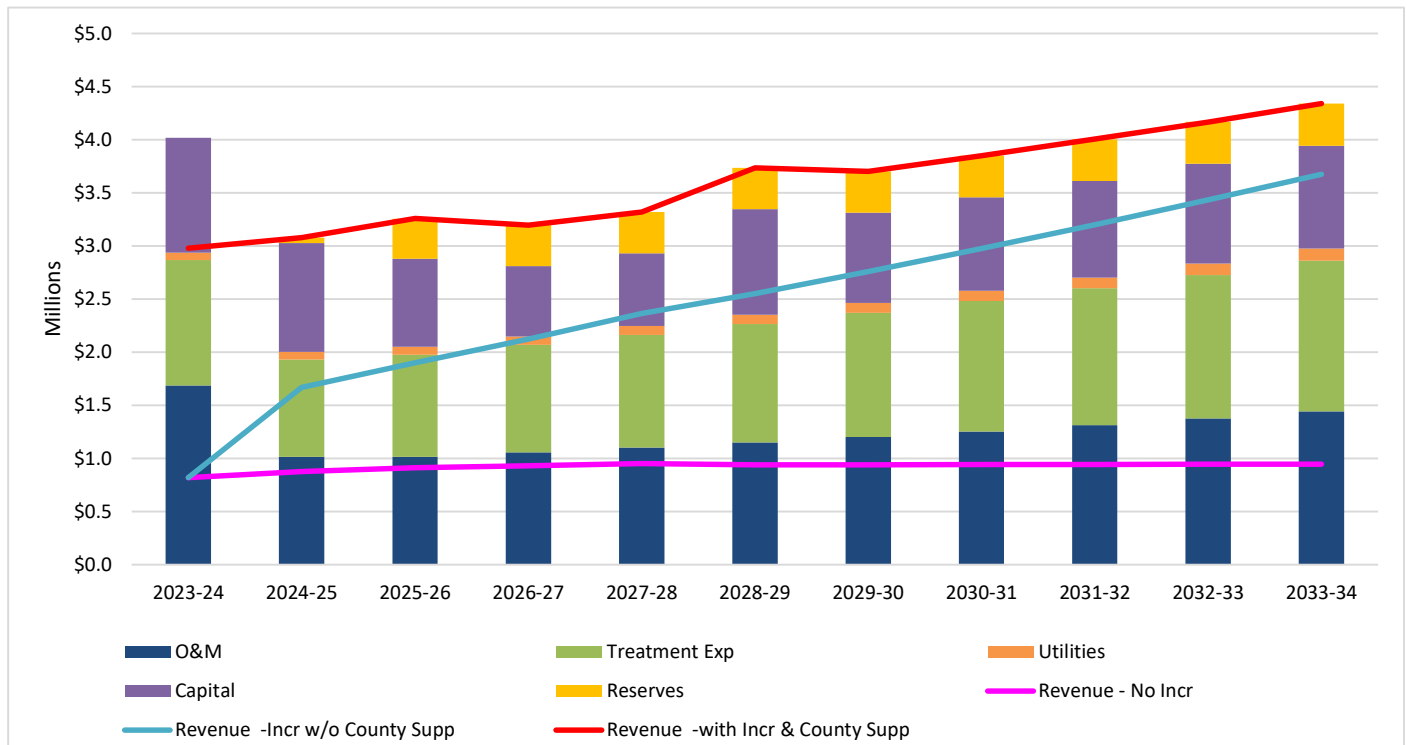
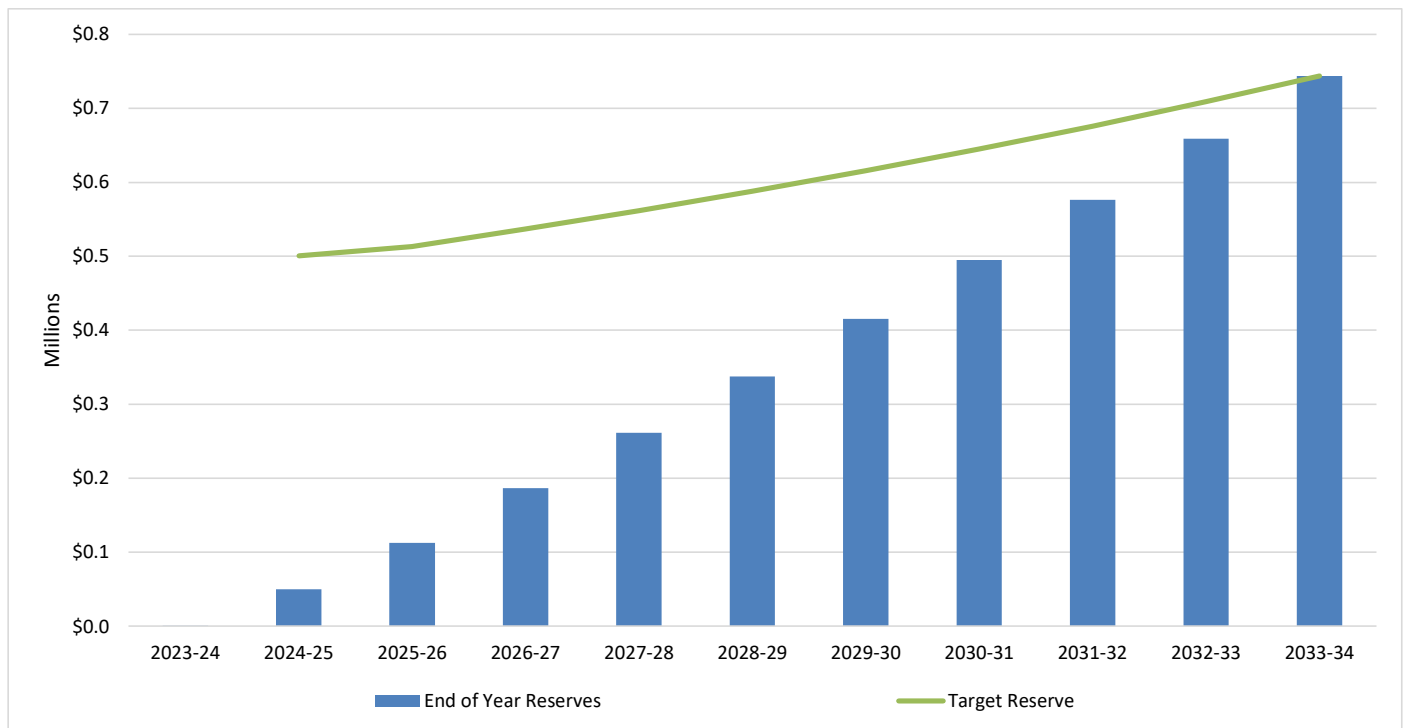


Chart 2 compares the wastewater system projected reserves with the Target reserves. The blue columns represent the reserve balance at the end of year while the green line indicates the Target

reserve level. The chart shows that the reserve balance is below the Target reserve in all years of the financial plan, however, is on a path to reach the Target reserve in about 10 years assuming the proposed revenue increases from Table 8 and subsequent increases from Appendix 3 are implemented.

Chart 2  
Comparison of Wastewater System End of Year Reserves with Target Reserves



## 4.0 Wastewater Cost of Service

This section of the report discusses how the wastewater system's operating and capital costs are allocated for use in designing rates. Establishing rates in California requires that the agency responsible for imposing property-related fees create a nexus between the cost of providing service and the rates to be imposed.

### 4.1 Industry Methodology

Methodology from the Water Environment Federation (WEF) is used in this Study to allocate wastewater costs in an appropriate manner. WEF is an industry trade organization that provides guidance on operations, technical training, education, and management of wastewater utilities. General principles

are provided to assist agencies with the design of wastewater rates and charges that are consistent with local requirements while also recognizing state laws and legal framework.

## 4.2 Costs of Service to be Allocated

Table 9 provides the summary of costs to be recovered from wastewater rates for each year of FY 2024-25 through FY 28-29. The annual revenue requirement is calculated by subtracting revenue offsets (non-rate revenues such as interest income, secured and unsecured property taxes, and County financial assistance) and other adjustments. The annual increase or decrease in cash is either subtracted from or added to the revenue requirement and reflects funds going into reserves. The annual costs shown in Table 9 will form the required revenue for the proposed rates for each year.

Table 9  
Wastewater Costs to be Recovered from Rates

Description	2024-25	2025-26	2026-27	2027-28	2028-29
<b>Operations and Maintenance Expense</b>					
Total Expense	\$2,452,671	\$2,284,345	\$2,189,385	\$2,285,001	\$2,673,801
<b>Capital Costs</b>					
Capital Improvements	575,000	598,000	621,920	646,797	672,669
Total Capital Costs	\$575,000	\$910,922	\$934,842	\$959,719	\$985,591
<b>Adjustments</b>					
Revenue Offsets [1]	(\$1,753,764)	(\$1,740,251)	(\$1,474,141)	(\$1,375,891)	(\$1,593,601)
Adjustment to Cash Balance	50,090	62,490	73,790	74,890	76,390
Total Adjustments	(\$1,703,674)	(\$1,677,761)	(\$1,400,351)	(\$1,301,001)	(\$1,517,211)
<b>Total Costs to be Recovered from Rates</b>	<b>\$1,323,997</b>	<b>\$1,517,506</b>	<b>\$1,723,876</b>	<b>\$1,943,719</b>	<b>\$2,142,181</b>

[1] Includes interest income, property taxes, County financial assistance, and other revenue sources.

## 4.3 Cost Allocation to Wastewater Parameters

This Study uses the WEF functional cost approach to cost allocation. The cost components used in this Study are Flow (volume), Bio-chemical Oxygen Demand (BOD), and Suspended Solids (SS). The annual cost of providing service is distributed among customer classes commensurate with their service requirements.

The cost of service analysis in this Study allocates the District's operating and capital costs to each of the three parameters based on the functional operation of the facilities. Treatment operating and capital costs are allocated to cost component in proportion to the method that Watsonville charges the District

for wastewater flow, BOD, and SS. The remaining District direct costs are allocated to the Flow cost component with all other general and administrative costs allocated based on the total costs allocated to each of the three cost components.

Appendix 4 provides the cost allocation to cost component using a 5-year average of the wastewater system's costs over the Study period. Allocations for future years are allocated based on the percentages shown at the bottom of the table. The percentages and total cost to be recovered in FY 2024-25 from the user charges of the wastewater system are presented in Table 10.

Table 10  
Allocation of Revenue Requirements to Cost Component

	Total	Flow	BOD	SS
Percent Allocation [1]	100.0%	59.8%	20.7%	19.5%
FY 2024-25 Revenue Requirement	\$1,323,997	\$791,382	\$274,516	\$258,100

[1] From Appendix A-4.

## 5.0 Wastewater Rates

The goal of wastewater rate design is to achieve fairness while ensuring that each customer class pays its fair share of costs. Rates should be simple to administer, easy to understand, and comply with regulatory requirements. This section describes how wastewater rates and charges are designed and includes the proposed schedule of wastewater rates for implementation.

### 5.1 Design of Wastewater Charge per EDU

The selected rate structure is a fixed charge rate structure by EDU, where annually the EDUs of the District's customers may be updated based on the previous year's water consumption and estimated wastewater flow so that excessive wastewater discharge in one year may be captured in the next year.

The Wallace Group conducted a review and analysis of water use and wastewater flow from each non-residential parcel that receives wastewater service. The Wallace Group developed flow and strength estimates for a SFR customer and for other types of use for parcels. For this Study, one EDU is defined as the flow and strength of a single-family residence determined to be 6 hundred cubic feet (HCF) of wastewater flow monthly with Bio-chemical Oxygen Demand (BOD) strength of 250 milligrams per liter (mg/l) and Suspended Solids (SS) strength of 250 mg/l. If a non-residential parcel whose water or wastewater estimate was less than 6 HCF per month, then 6 HCF per month was assumed.

The current total number of EDUs assigned to parcels is 1,577.82. The flow and strength for each of the parcels were updated to reflect the new information. Using the above updated information, new EDUs were calculated and assigned to parcels resulting in a total number of EDUs for all parcels of 1,830.08.

Using the total cost to be recovered from Table 10, and the total number of EDUs determined above, the monthly charge per EDU for July 1, 2024 is \$60.00.

$$\text{Monthly EDU Charge} = \frac{\$1,323,997}{1,838.80} \div 12 \text{ months} = \$60.00 \text{ per month per EDU}$$

Wastewater charges for individual non-residential parcels depend on the flow and strength assigned to the parcel and their resulting number of EDUs.

## 5.2 Proposed Wastewater Rates

Table 11 presents a summary of the proposed monthly fixed charges for the wastewater system for FY 2024-25 through FY 2028-29. The wastewater rates are proposed for implementation beginning on July 1, 2024. Future sewer charges beyond July 1, 2024 were increased annually by percentages identified in the financial planning section of this Study to the year of implementation.

The table also shows the EDU multiple of the charges, meaning that, for example, the Multifamily charge is 0.80 of the SFR charge whereas Mobile Homes are 0.7 of the SFR charge. SFR, MFR, and Mobile Homes have the same strength, and the EDU multiple reflects the wastewater discharge volume per dwelling unit relative to the SFR class.

The Non-residential Low Strength classification has the same strength as an SFR customer, and therefore has the same monthly charge for 6 HCF of wastewater volume. The Non-residential High Strength class has a higher strength of 600 mg/l of BOD and 600 mg/l of SS and therefore the charge for 6 HCF of wastewater volume is higher reflecting the additional cost to treat the higher strength. For any parcel having strength higher than 600 mg/l of BOD and 600 mg/l of SS, the charge will be calculated by the District Engineer per the wastewater service charge ordinance.

Table 11  
Proposed Monthly Wastewater Charges by Classification

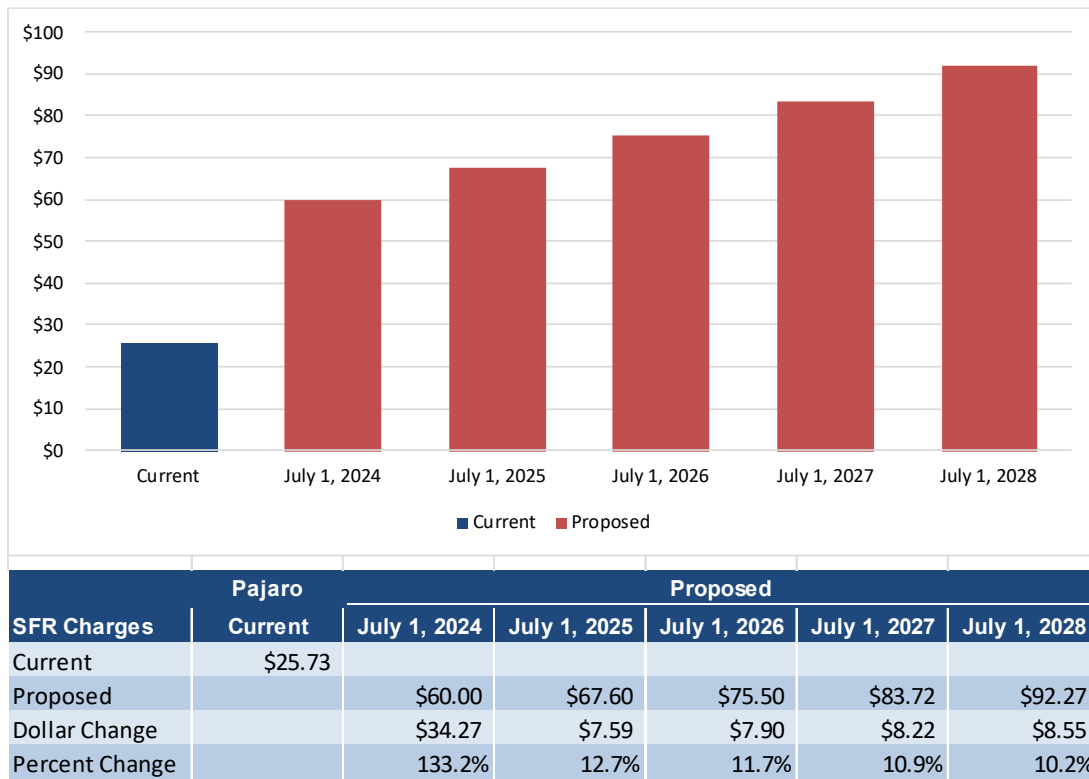
Classification		July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
	EDU					
	Multiple	\$/mo	\$/mo	\$/mo	\$/mo	\$/mo
Residential (\$/DU)	1.00	\$60.00	\$67.60	\$75.50	\$83.72	\$92.27
Multifamily (\$/DU)	0.80	\$48.00	\$54.08	\$60.40	\$66.97	\$73.81
Mobile Homes (\$/DU)	0.70	\$42.00	\$47.32	\$52.85	\$58.60	\$64.59
Non-Residential	Strength Factor					
Low Strength	1.00	\$60.00	\$67.60	\$75.50	\$83.72	\$92.27
High Strength	1.56	\$93.80	\$105.67	\$118.02	\$130.87	\$144.23

Currently, Monterey One Water provides bi-monthly billing services to District customers. The District is proposing to change the method of billing from bi-monthly to annual via the County property tax rolls. Customers will no longer receive a bill from Monterey One Water. The proposed rates will be implemented as of July 1, 2024 and appear on a customer's property tax bill thereafter. Wastewater service charges for the entire year will be billed in November for the entire year, and at least half of the amount will be due by December 10 and the remainder April 10. For example, for one EDU, the new rate will be \$60.00 per month and \$720.00 will be billed in November 2024 and \$360.00 will be due December 10, 2024 and the remaining \$360.00 will be due April 10, 2025. Wastewater charges due in future years will be billed similarly.

## 6.0 Wastewater Bill Impact

Chart 3 compares the proposed SFR monthly bill with the current bill for a Pajaro service area customer. The chart indicates that a Pajaro SFR customer will experience a bill that will increase from \$25.73 to \$60.00 on July 1, 2024. Chart 3 also presents how the Pajaro SFR customer's monthly bill will change over time from the proposed increases.

Chart 3  
Comparison of Pajaro SFR Current and Proposed Monthly Wastewater Bills



## Appendix 1: Current Wastewater Monthly Service Charges and Connection Fees

Classification	EDU Ratio	Per Unit	Monthly Use Rate			
			Pajaro	LL Annex	SM Annex	Bay Farms
SFR	1.00	dwelling unit	\$25.73	\$35.16	\$31.35	\$26.85
MFR	0.80	dwelling unit	\$20.59	\$28.13	\$25.08	\$21.48
Mobile Home						
Single Width Trailer	0.80	Trailer	\$20.59	\$28.13	\$25.08	\$21.48
Double Width Trailer	1.00	Trailer	\$25.73	\$35.16	\$31.35	\$26.85
Travel Trailers	0.50	Trailer	\$12.87	\$17.58	\$15.68	\$13.43
Elementary Schools	0.04	student	\$1.03	\$1.41		\$1.08
Secondary Schools	0.04	student	\$1.03	\$1.41		\$1.08
Add w/ Cafeteria	0.02	student	\$0.52	\$0.71		\$0.54
Add w/ Showers	0.04	student	\$1.03	\$1.41		\$1.08
Fire Station						
Day Staff	0.08	person	\$2.06	\$2.82		\$2.15
Overnight Staff	0.24	person	\$6.18	\$8.44		\$6.45
Café or Restaurants	0.57	seat	\$14.67	\$20.05		\$15.31
Bar Taverns	0.04	seat		\$1.41		\$1.08
Service Stations						
Single Pump	0.80	pump	\$20.59	\$28.13		\$21.48
Duplex Pump	1.20	pump	\$30.88	\$42.20		\$32.22
Laundromat	1.20	washer	\$30.88	\$42.20		\$32.22
Car Wash - Self	0.80	bay	\$20.59	\$28.13		\$21.48
Churches	0.02	seat	\$0.52	\$0.71		\$0.54
Food Markets	0.40	1,000 sf	\$10.30	\$14.07		\$10.74
Barber Shops	0.08	station	\$2.06	\$2.82		\$2.15
Hotels/Motels	0.20	room	\$5.15	\$7.04		\$5.37
Beauty Salons	0.20	station	\$5.15	\$7.04		\$5.37
Meeting Halls	0.20	100 sf	\$5.15	\$7.04		\$5.37
Medical/Dental Offices	0.20	employee	\$5.15	\$7.04		\$5.37
General/Offices, Shops	0.08	employee	\$2.06	\$2.82		\$2.15
Industrial Discharges (domestic only)	1.00		\$25.73	\$35.16		\$26.85
Bakery	2.20	oven	\$56.61	\$77.36		\$59.07

	Actual	Estimated		
	2001	2026	2027	2028
Connection Fees [1]	\$1,000	\$1,860	\$1,920	\$1,980
[1] Assumes connections fees from 2001 are increased 3 percent annually.				

## Appendix 2: Projected Wastewater Treatment Costs

Description	Estimate	Projected									
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
<b>City of Watsonville Treatment Costs</b>											
Operating	\$8,730,171	\$9,166,680	\$9,625,014	\$10,106,265	\$10,611,578	\$11,142,157	\$11,699,265	\$12,284,228	\$12,898,439	\$13,543,361	\$14,220,529
Capital											
WWTP Infrastructure Repairs/Replacement	\$314,280	\$270,000	\$276,020	\$250,000	\$250,000						
Replace Headworks											
...Headworks and influent pump station evaluation	157,244										
...Headworks and influent pump station design	854,815	854,814									
...Headworks and influent pump station construction	-	-	13,641,600	7,957,600	1,136,800						
...Headworks screening and flow monitoring relocation	145,793	145,793									
...Headworks screening and flow monitoring relocation construction		1,000,000									
Clarifier and Thickener Driver Replacement	585,000										
Levee Embankment Stabilization Project	627,812	1,198,857									
WWTF Electrical Hazard Mitigation Project (\$17M)	2,603,004	10,000,000	5,000,000								
SCADA Upgrade	394,813										
Digester #1 Mixing System Replacement					1,884,656						
Vehicle and heavy equipment purchases	396,896										
Utility Pick Up Truck (for treatment plant operator)	60,000	65,000									
<b>Total Capital Costs</b>	<b>\$6,139,657</b>	<b>\$13,534,464</b>	<b>\$18,917,620</b>	<b>\$8,207,600</b>	<b>\$3,271,456</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>
Grant	2,000,000	10,000,000	5,000,000								
Loan	1,157,852	2,000,607	13,641,600	7,957,600	1,136,800	-	-	-	-	-	-
Net Capital Spending	\$2,981,805	\$1,533,857	\$276,020	\$250,000	\$2,134,656	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
<b>Total Watsonville Treatment Costs</b>	<b>\$11,711,976</b>	<b>\$10,700,537</b>	<b>\$9,901,034</b>	<b>\$10,356,265</b>	<b>\$12,746,234</b>	<b>\$12,142,157</b>	<b>\$12,699,265</b>	<b>\$13,284,228</b>	<b>\$13,898,439</b>	<b>\$14,543,361</b>	<b>\$15,220,529</b>

### Pajaro CSD Percentage of Watsonville Costs

Operating Percentages	
Flow Percentage	
BOD Percent	
SS Percent	
	10.00%
Capital Percentages	
Flow Percentage	
BOD Percent	
SS Percent	
	15.06%

### Pajaro CSD Share of Watsonville Costs

Operating	\$873,017	\$916,668	\$962,501	\$1,010,627	\$1,061,158	\$1,114,216	\$1,169,927	\$1,228,423	\$1,289,844	\$1,354,336	\$1,422,053
Capital	449,060	230,999	41,569	37,650	321,479	150,600	150,600	150,600	150,600	150,600	150,600
Subtotal Pajaro CSD Share of Costs	\$1,322,077	\$1,147,667	\$1,004,070	\$1,048,277	\$1,382,637	\$1,264,816	\$1,320,527	\$1,379,023	\$1,440,444	\$1,504,936	\$1,572,653

### Appendix 3: Wastewater 10-Year Financial Plan

Account	Description	Budget	Projected									
		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
	Proposed Rate Increase (July 1)		114.4%	12.7%	11.7%	10.9%	10.2%	9.6%	9.1%	8.7%	8.3%	8.0%
	Number of EDUs [1]	1,577.82	1,838.80	1,870.80	1,902.80	1,934.80	1,934.80	1,934.80	1,934.80	1,934.80	1,934.80	1,934.80
	Projected Average Charge Per EDU	\$27.99	\$60.00	\$67.60	\$75.50	\$83.72	\$92.27	\$101.16	\$110.41	\$120.03	\$130.03	\$140.43
	Revenue							\$101.16	\$110.41	\$120.03	\$130.03	\$140.43
4010	Property Tax - Current Secured	\$268,810	\$322,671	\$338,135	\$354,236	\$371,000	\$382,130	\$382,130	\$382,130	\$382,130	\$382,130	\$382,130
4015	Property Tax - Current Unsecured	12,052	12,293	12,539	12,790	13,046	13,307	13,573	13,844	14,121	14,403	14,691
4025	Property Tax - Prior Secured	2,653	3,185	3,337	3,496	3,662	3,771	3,771	3,771	3,771	3,771	3,771
4035	Property Tax - Current Supplemental	4,141	4,141	4,224	4,308	4,394	4,482	4,572	4,663	4,756	4,851	4,948
4040	Property Tax - Prior Supplemental	350	350	357	364	371	378	386	394	402	410	418
4250	Road Privileges and Permits	300	300	300	300	300	300	300	300	300	300	300
4600	Investment Income	-	251	2,276	2,954	3,685	4,560	5,331	6,117	6,919	7,739	8,578
5030	Homeowners Property Tax Relief	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273
5290	Federal Aid Other	1,160,163	-	-	-	-	-	-	-	-	-	-
5680	Sanitation Services	530,000	1,323,997	1,517,506	1,723,876	1,943,719	2,142,181	2,348,698	2,563,464	2,786,888	3,018,948	3,260,428
5855	Other Reimbursements	914,299	-	-	-	-	-	-	-	-	-	-
5940	Operating Transfers In	85,000	1,409,300	1,357,350	1,073,300	954,400	1,183,400	944,000	874,800	804,980	735,200	665,600
	Connection Fee Revenue [2]		-	20,460	21,120	23,760	-	-	-	-	-	-
	Total Revenue	\$2,979,041	\$3,077,761	\$3,257,757	\$3,198,017	\$3,319,610	\$3,735,782	\$3,704,034	\$3,850,756	\$4,005,540	\$4,169,025	\$4,342,137
	Expense											
6231	Communication Charges - External	\$1,927	\$2,004	\$2,084	\$2,167	\$2,254	\$2,344	\$2,438	\$2,536	\$2,637	\$2,742	\$2,852
6262	Insurance - General Liability (Recoverable)	321,450	334,308	347,680	361,587	376,050	391,092	406,736	423,005	439,925	457,522	475,823
6266	Insurance - Property	14,719	17,663	21,196	25,435	30,522	36,626	43,951	52,741	63,289	75,947	91,136
6311	Buildings & Improvements Maintenance - External	200,000	115,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
6609	Other Personnel Services	130,647	137,179	144,038	151,240	158,802	166,742	175,079	183,833	193,025	202,676	212,810
6613	Other Professional & Special Services	1,010,000	400,000	416,000	432,640	449,946	467,944	486,662	506,128	526,373	547,428	569,325
6835	Other Special Departmental Expenses	7,500	7,500	7,800	8,112	8,436	8,773	9,124	9,489	9,869	10,264	10,675
6864	Fleet Service Charge	820	943	1,084	1,247	1,434	1,649	1,896	2,180	2,507	2,883	3,315
6881	Utilities											
6881	Treatment O&M Expense	1,181,192	916,668	962,501	1,010,627	1,061,158	1,114,216	1,169,927	1,228,423	1,289,844	1,354,336	1,422,053
6881	Treatment Capital	1,081,415	449,060	230,999	41,569	37,650	321,479	150,600	150,600	150,600	150,600	150,600
6881	Utilities	68,901	72,346	75,963	79,761	83,749	87,936	92,333	96,950	101,798	106,888	112,232
7551	Construction In Progress	-	575,000	598,000	621,920	646,797	672,669	699,576	727,559	756,661	786,927	818,404
	Total Expense	\$4,018,571	\$3,027,671	\$2,882,345	\$2,811,305	\$2,931,798	\$3,346,470	\$3,313,322	\$3,458,444	\$3,611,528	\$3,773,213	\$3,944,225
	Debt Service											
	Amortize Watsonville Capital Charge	\$0	\$0	\$312,922	\$312,922	\$312,922	\$312,922	\$312,922	\$312,922	\$312,922	\$312,922	\$312,922
	Net Funds Available	(\$1,039,530)	\$50,090	\$62,490	\$73,790	\$74,890	\$76,390	\$77,790	\$79,390	\$81,090	\$82,890	\$84,990
	Beginning Balance (FY 23-24 is County Subsidy)	1,039,600	70	50,160	112,650	186,440	261,330	337,720	415,510	494,900	575,990	658,880
	Ending Fund Balance	\$70	\$50,160	\$112,650	\$186,440	\$261,330	\$337,720	\$415,510	\$494,900	\$575,990	\$658,880	\$743,870
	Reserve Targets											
	Operation and Maintenance Reserve (90 days) [3]		\$500,900	\$513,300	\$537,000	\$561,800	\$588,100	\$615,800	\$645,100	\$676,100	\$708,900	\$743,800

[1] From customer billing list. Includes adding Susan Street (62 units) and Gonda (34 units) residential projects beginning FY 2026-27 over 3 years.

[2] Assumes a connection fee of \$1,860 in FY 2026-27 increasing at 3.0% annually.

[3] Includes 90 days of annual O&M expenses. Excludes treatment capital and construction in progress.

#### Appendix 4: Allocation of Revenue Requirements to Cost Component

Description	5-Year Average	Flow	BOD	SS
<b>Operations and Maintenance Expense</b>				
Communication Charges - External	\$2,087	\$2,087		
Insurance - General Liability (Recoverable)	348,215	348,215		
Insurance - Property	21,907	21,907		
Buildings & Improvements Maintenance - External	108,000	108,000		
Other Personnel Services	144,381	144,381		
Other Professional & Special Services	541,717	541,717		
Other Special Departmental Expenses	7,870	7,870		
Fleet Service Charge	1,106	1,106		
Utilities				
Treatment O&M Expense	1,026,429	249,240	378,158	399,031
Treatment Capital	368,139	89,393	135,630	143,116
Utilities	76,144	76,144		
Construction In Progress	488,343	488,343		
Total Expense	\$3,134,338	\$2,078,403	\$513,788	\$542,147
<b>Capital Costs</b>				
Amortize Watsonville Capital Charge	\$187,753	\$32,664	\$91,757	\$63,332
Total Capital Costs	\$187,753	\$32,664	\$91,757	\$63,332
<b>Adjustments</b>				
Property Tax - Current Secured	(\$330,970)	(\$219,469)	(\$54,253)	(\$57,248)
Property Tax - Current Unsecured	(12,544)	(8,318)	(2,056)	(2,170)
Property Tax - Prior Secured	(3,267)	(2,167)	(535)	(565)
Property Tax - Current Supplemental	(4,242)	(2,813)	(695)	(734)
Property Tax - Prior Supplemental	(358)	(237)	(59)	(62)
Road Privileges and Permits	(300)	(199)	(49)	(52)
Investment Income	(1,833)	(1,215)	(301)	(317)
Homeowners Property Tax Relief	(1,273)	(844)	(209)	(220)
Federal Aid Other	(232,033)	(153,863)	(38,035)	(40,135)
Other Reimbursements	(182,860)	(121,256)	(29,975)	(31,629)
Operating Transfers In	(975,870)	(647,107)	(159,967)	(168,796)
Connection Fee Revenue [2]	(16,335)	(10,832)	(2,678)	(2,825)
Adjustment to Cash Balance	(155,654)	(103,216)	(25,515)	(26,923)
Total Adjustments	(\$1,917,539)	(\$1,271,536)	(\$314,327)	(\$331,676)
Total Costs to be Recovered from Rates	\$1,404,553	\$839,532	\$291,218	\$273,803
<b>Percent Allocation</b>		<b>59.8%</b>	<b>20.7%</b>	<b>19.5%</b>

## Appendix 5: Parcel List Summary with Proposed Wastewater Charges

Land Use Code	Description	Number of Customers	Number of Current EDUs	Current	Assigned	Strength		Strength Factor	2024-25 Number of EDUs	2024-25 Annual Charge
				Flow HCF/unit/mo	Flow HCF/parcel	BOD mg/l	SS mg/l			
1A	RESIDENTIAL Vacant SFD 1 Site	41	4.00	6.0		250	250	1.00	4.00	\$2,880.13
1C	RESIDENTIAL One Single Family Dwelling of One Site	374	373.60	6.0		250	250	1.00	373.60	\$269,004.07
1CX	n/a	10	17.20	6.0		250	250	1.00	17.20	\$12,384.56
1E	RESIDENTIAL 2 or more SFD on 1 Site_Not Separately Saleable	48	91.40	6.0		250	250	1.00	91.40	\$65,810.95
1G	RESIDENTIAL Misc Improvements on 1 or more SFD Sites	1	2.60	6.0		250	250	1.00	2.60	\$1,872.08
1K	RESIDENTIAL Not Described	1	1.00	6.0		250	250	1.00	1.00	\$720.03
1M	RESIDENTIAL Vacant Transitional	1	0.00	6.0		250	250	1.00	0.00	\$0.00
2A	MULTI FAMILY Vacant Zoned for Multi Family	1	1.00	4.8		250	250	1.00	1.00	\$720.03
2B	MULTI FAMILY 2 Units	38	66.00	4.8		250	250	1.00	66.00	\$47,522.13
2C	MULTI FAMILY 3 or 4 Units	25	64.88	4.8		250	250	1.00	64.88	\$46,715.70
2D	MULTI FAMILY 5 to 15 Units	13	62.16	4.8		250	250	1.00	62.16	\$44,757.21
2E	MULTI FAMILY 16 to 30 Units	2	32.80	4.8		250	250	1.00	32.80	\$23,617.06
2F	MULTI FAMILY 31 Units or more	1	61.00	4.8		250	250	1.00	61.00	\$43,921.97
2G	MULTI FAMILY Condominium and Townhouses_Living Units Only	9	9.00	4.8		250	250	1.00	9.00	\$6,480.29
2H	MULTI FAMILY Mobile Home Parks	1	20.00	4.8		250	250	1.00	20.00	\$14,400.65
2J	MULTI FAMILY 1 SFD on Multi Zoned_Single Site	9	9.20	4.8		250	250	1.00	9.20	\$6,624.30
3A	RURAL Residential Use_Vacant up to 10 acres	14	0.00	6.0		250	250	1.00	0.00	\$0.00
3E	RURAL Improved Residential Use up to 10 acres	341	349.60	6.0		250	250	1.00	349.60	\$251,723.30
3EX	n/a	11	15.60	6.0		250	250	1.00	15.60	\$11,232.50
3F	n/a	2	2.00	6.0		250	250	1.00	2.00	\$1,440.06
3G	RURAL Mobile Home on approved foundation	22	23.40	4.2		250	250	1.00	23.40	\$16,848.76
3H	RURAL Wholesale Nurseries_Mushroom Houses	3	6.60	6.0		250	250	1.00	6.60	\$4,752.21
3J	RURAL Scenic Easement_Open Space_Negative Easement_no subvention	3	0.00	6.0		250	250	1.00	0.00	\$0.00
3M	RURAL Mobile Home on Local Property Tax	3	3.00	4.2		250	250	1.00	3.00	\$2,160.10
3N	RURAL Mobile Home Licensed by Housing and Community Development	13	12.50	4.2		250	250	1.00	12.50	\$9,000.40
4A	AGRICULTURAL Grazing_etc	1	0.00	6.0		250	250	1.00	0.00	\$0.00
4C	AGRICULTURAL Row Crop	10	3.00	6.0		250	250	1.00	3.00	\$2,160.10
5A	COMMERCIAL Vacant Commercial	2	0.00	6.0	0.00	250	250	1.00	0.00	\$0.00
5B	COMMERCIAL Commercial Shell Type Buildings		67.16							
	Low Strength	10			453.60	250	250	1.00	75.60	\$54,434.44
	High Strength	4			141.70	600	600	1.56	36.92	\$26,581.67
5C	COMMERCIAL Suburban Stores_Individual Buildings		5.56							
	Low Strength	2			3.20	250	250	1.00	0.53	\$384.02
	Medium Strength	3			39.50	250	250	1.00	6.58	\$4,740.21
5D	COMMERCIAL Combination of Stores and Office or Apartments		35.04							
	Low Strength	2			0.00	250	250	1.00	0.00	\$0.00
	Medium Strength	3			35.00	250	250	1.00	5.83	\$4,200.19
	Unassigned Strength	1			0.00	250	250	1.00	0.00	\$0.00
5J	COMMERCIAL SFD on Commercial Zoned Land		15.00							
	Unassigned Strength	13			18.52	250	250	1.00	3.09	\$2,222.10
	High Strength	1			13.90	600	600	1.56	3.62	\$2,607.52
5L	COMMERCIAL Parking Lots	1	1.00		0.00	250	250	1.00	0.00	\$0.00
5N	COMMERCIAL Hotel and Motel		2.40							
	High Strength	1			15.70	600	600	1.56	4.09	\$2,945.18
5R	n/a		19.32							
	Low Strength	4			31.00	250	250	1.00	5.17	\$3,720.17
	High Strength	1			0.00	600	600	1.56	0.00	\$0.00
5S	COMMERCIAL Restaurants_Drive ins_Special Building		26.68							
	Low Strength	2			49.40	250	250	1.00	8.23	\$5,928.27
	High Strength	1			0.00	600	600	1.56	0.00	\$0.00
5U	COMMERCIAL Auto Sales_Repairs_Storage		22.56							
	Low Strength	8			41.00	250	250	1.00	6.83	\$4,920.22
	High Strength	2			71.60	600	600	1.56	18.65	\$13,431.53
5V	COMMERCIAL Misc Buildings_Retail Nurseries_TV and Radio Towers	1	1.00		0.00	250	250	1.00	0.00	\$0.00
6A	INDUSTRIAL Vacant Industrial	4	2.00		0.00	250	250	1.00	0.00	\$0.00
6B	INDUSTRIAL Light Manufacturing or Light Industrial		10.00							
	Low Strength	6			409.30	250	250	1.00	68.22	\$49,118.20
	Unassigned Strength	1			0.00	250	250	1.00	0.00	\$0.00
	High Strength	3			92.70	600	600	1.56	24.15	\$17,389.70
6E	INDUSTRIAL Warehousing_Mini Storage_Lumber Yards	3	3.16		26.30	250	250	1.00	4.38	\$3,156.14
6G	INDUSTRIAL Produce Sheds and Food Processing		15.44							
	Unassigned	1			0.00	250	250	1.00	0.00	\$0.00
	High Strength	9			897.30	600	600	1.56	233.78	\$168,325.56
7A	INSTITUTIONAL Publicly Owned_Non Taxable	32	77.74		350.60	250	250	1.00	58.43	\$42,073.89
7B	INSTITUTIONAL Publicly Owned_Taxable	2			0.00	250	250	1.00	0.00	\$0.00
7D	INSTITUTIONAL Churches	8	40.22		252.90	250	250	1.00	42.15	\$30,349.36
8A	MISCELLANEOUS Private Roads_Right of Way and lanes_Tank Lots	16	0.00		0.00	250	250	1.00	0.00	\$0.00
8B	MISCELLANEOUS SBE Assessed Roll Items	1	0.00		0.00	250	250	1.00	0.00	\$0.00
8C	MISCELLANEOUS Utilities Assessed on Local Roll	4	0.00		0.00	250	250	1.00	0.00	\$0.00
8D	MISCELLANEOUS Condominium Common Areas and Misc Buildings	1	0.00		0.00	250	250	1.00	0.00	\$0.00
8M	MISCELLANEOUS Mobilehome on Secured Roll per Sec 5830 R_T	1	1.00		0.00	250	250	1.00	0.00	\$0.00
99	MISCELLANEOUS No other use code applies_Not Buildable	6	1.00		1.00	250	250	1.00	1.00	\$720.03
		1,158	1,577.82		2,944.22				1,838.80	\$1,323,997.00

## Attachment C

### Proposed Monthly Rates for Sewer Service

Proposed Monthly Wastewater Charges by Classification						
Classification		July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
	EDU					
	Multiple	\$/mo	\$/mo	\$/mo	\$/mo	\$/mo
Residential (\$/DU)	1.00	\$60.00	\$67.60	\$75.50	\$83.72	\$92.27
Multifamily (\$/DU)	0.80	\$48.00	\$54.08	\$60.40	\$66.97	\$73.81
Mobile Homes (\$/DU)	0.70	\$42.00	\$47.32	\$52.85	\$58.60	\$64.59
	Strength					
Non-Residential	Factor					
Low Strength	1.00	\$60.00	\$67.60	\$75.50	\$83.72	\$92.27
High Strength	1.56	\$93.80	\$105.67	\$118.02	\$130.87	\$144.23



# County of Monterey

## Item No.1

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: PCSDG 24-002

March 26, 2024

**Introduced:** 3/8/2024

**Current Status:** Public Works, Facilities &  
Parks - Consent

**Version:** 1

**Matter Type:** PCSDGA

- a. Approve the results of a study to increase sewer service rates within the Pajaro County Sanitation District (PCSD);
- b. Set a Public Hearing on May 21, 2024, at 1:30 p.m. to hear protests against proposed increased wastewater service fees by property owners pursuant to Proposition 218 requirements;
- c. Direct Public Works, Facilities and Parks (PWFP) staff to mail a Notice of Public Hearing to be received by property owners within the PCSD not less than 45 (forty-five) days prior to the date of the Public Hearing; and
- d. Direct PWFP staff to publish the Notice of Public Hearing in the *Monterey Weekly* not less than 45 (forty-five) days prior to the date of the Public Hearing.

#### RECOMMENDATION:

It is recommended that the Board of Directors for the Pajaro County Sanitation District:

- a. Approve the results of a study to increase sewer service rates within the Pajaro County Sanitation District (PCSD);
- b. Set a Public Hearing on May 21, 2024, at 1:30 p.m. to hear protests against proposed increased wastewater service fees by property owners pursuant to Proposition 218 requirements;
- c. Direct PWFP staff to mail a Notice of Public Hearing to be received by property owners within the PCSD not less than 45 (forty-five) days prior to the date of the Public Hearing; and
- d. Direct PWFP staff to publish the Notice of Public Hearing in the *Monterey Weekly* not less than 45 (forty-five) days prior to the date of the Public Hearing.

#### SUMMARY:

To address mounting costs to operate and maintain the Pajaro County Sanitation District (PCSD) wastewater collection system, the Department of Public Works, Facilities and Parks (PWFP) staff are working within the Proposition 218 process to increase customer sewer rates beginning July 1, 2024. During an August 23, 2023, meeting, the Board of Supervisors approved delaying new rate increases until July 2024, and directed staff to establish new rates for all PCSD customers and evaluate the expected revenue shortfall if the average residential rate increase was limited to approximately \$60/month.

**DISCUSSION:*****Background***

The County-Owned PCSD wastewater collection system is in northern Monterey County, and serves the communities of Bay Farms, Las Lomas, Pajaro Sunny Mesa, and Pajaro. (A location map is presented in Attachment A.) It includes approximately 16.5 miles of gravity sewer pipe, six pump stations, and approximately 2.4 miles of force sewer main. There are approximately 1,047 sewer connections and 1,768 billing units.

PCSD is a collection system only and does not provide wastewater treatment. Instead, collected sewage is pumped to the City of Watsonville (City) wastewater treatment plant (plant). Under an agreement with the City, the plant accepts and treats PCSD sewage. The PCSD is charged for its share of the plant's costs based on its fraction of (1) the plant's capital improvement costs, and (2) the plant's operations and maintenance costs based on the total wastewater received by the plant and the strength of the wastewater received. (Wastewater strength refers to the levels of Total Suspended Solids (TSS) and Biological Oxygen Demand (BOD) in the wastewater. High/Low strength wastewater refers to TSS and BOD levels above/below typical domestic wastewater.)

During the November 30, 2022, Budget Committee meeting, staff presented alternative customer service rates for the Committee's consideration. During the meeting it was noted that service rates for the PCSD have not changed since 2007, and costs to operate and maintain the system have increased significantly since then. Items that have the greatest effect on the magnitude of planned rate increases include the following:

- Repayment of existing loans, totaling \$1,941,661;
- PCSD capital improvement costs not covered by the current remaining ARPA funds (approximately \$2.1 million); and
- The County's fraction of plant capital improvement and operations costs, the largest single PCSD cost liability.

The Budget Committee recommended that the rate study move forward with a scenario assuming outstanding General Fund loans totaling \$1,941,661 would be forgiven, an additional \$2.1 million in capital improvement funding, and up to \$3.5 million to supplement operating costs would be provided over 5 years.

Currently, the average residential rate for one (1) billing unit in the PCSD is approximately \$30 per month. For comparison, current average residential rates for the Chualar CSA-75 sanitary system and the Boronda County Sanitation District (Zone 1) system are approximately \$66 per month and \$70/month, respectively. Near the PCSD, monthly customer service rates within the Salsipuedes Sanitary District and the Freedom County Sanitation District (both in Santa Cruz County) are \$60.83 and \$62.25, respectively. Like the PCSD, sewage collected by both sanitation districts is conveyed to and treated by the plant. Monthly residential rates for the City of Watsonville are currently \$53.22.

During the Budget Committee meeting on March 29, 2023, staff recommended rate increases be postponed until July 2024 to allow time for residents and businesses within the Community of Pajaro

to recover from last winter's devastating storms. During the August 23, 2023, Board of Supervisors meeting, the Board formally approved postponing rate increases and directed staff to reevaluate rates using the latest operational data and projected cost information from the City of Watsonville. Furthermore, if an average residential rate of approximately \$60/month was implemented, the Board directed staff to determine what the General Fund subsidy would be to address the revenue deficit.

During the January 23, 2024, Board meeting, Staff presented three alternative price increase scenarios. Two scenarios contemplated a first-year single family residential rate of \$60/month, but with respective annual rate increases of \$10/year and a consumer price index (CPI); the third scenario was calculated based on revenues equaling projected costs. The Board approved pursuing a hybrid of the scenario presented: a single family residential rate of \$60/month for the first year and annual increases of \$5/month plus a CPI increase requiring an estimated first-year subsidy of \$1,409,300, and directed staff to publish a Proposition 218 compliant rate study report.

Beginning in November 2023, staff held a series of community meetings to communicate the PCSD's intent to increase sewer service rates and provide the community an opportunity to ask questions and, if not agree, at least understand the need, the process and timing of the rate increases. Community meetings were convened in Las Lomas on November 7, 2023, and March 21, 2024; in Bay View on November 14, 2023, and in Pajaro on January 17, and March 19, 2024.

### ***Results***

The Proposition 218 compliant Report on Wastewater Rate Study - Pajaro County Sanitation District (rate study report) has been prepared and is presented in Attachment B. A table summarizing the proposed monthly rates for sewer service are presented in Attachment C.

### **Residential Unit Classification**

For this Study, one equivalent dwelling unit (EDU) is defined as the flow and strength of a single-family residence (SFR) which was determined to be six hundred cubic feet (HCF) of wastewater flow monthly with Bio-chemical Oxygen Demand (BOD) strength less than or equal to 250 milligrams per liter (mg/l) and Suspended Solids (SS) strength less than or equal to 250 mg/l. Thus, the monthly SFR rate for the first year is: 1 EDU x \$60.00/EDW = \$60.00.

The table also shows the EDU multiple for multifamily residential (MFR) charge at 0.80 and that for Mobile Homes at 0.7 of the SFR charge. SFR, MFR, and Mobile Homes have the same BOD strength, and the EDU multiple reflects the wastewater discharge volume per dwelling unit relative to the SFR class.

### **Non-Residential Rates**

Non-Residential rates will be based on wastewater flow and whether the wastewater is determined to be high strength or low strength. Referring to the above table, the non-residential Low Strength classification has the same strength as an SFR customer, and therefore, has the same monthly charge for 6 HCF of wastewater volume. However, for a non-residential High Strength customer (strength greater than 600 mg/l of BOD and greater than 600 mg/l of SS), the charge for 6 HCF of wastewater volume is higher (EDU of 1.56 vs. 1.00 for low strength) which reflects the additional cost to treat the higher strength.

Residential Rates

As indicated in the rate study report, the proposed rate for single family residential property owners will increase to \$60/month for the first year (FY 2024-25) and be subject to an annual increase of \$5/month plus an increase tied to the San Francisco Area Consumer Price Index (CPI) assumed to be 4% per year in the rate study report. Thus, in the final year (FY 2028-29), the rate study report estimates the single-family residential rate will be \$92.28/month.

Changes to Customer Billing Procedures

Currently, Monterey One Water (M1W) provides bi-monthly billing services to PCSD customers. Staff recommends changing the billing method from bi-monthly to annual via the County property tax rolls. Customers will no longer receive a bill from M1W. The proposed rates will be implemented as of July 1, 2024, and appear on the respective customer's property tax bill thereafter. Wastewater service charges for the entire year will be billed in November, and at least half of the amount will be due by December 10th and the remainder due by April 10th. For example, for 1 EDU, the new rate will be \$60.00 per month; thus, \$720.00 will be billed in November 2024 and \$360.00 will be due December 10, 2024, and the remaining \$360.00 will be due April 10, 2025. Wastewater charges will increase in future years but will be billed similarly.

OTHER AGENCY INVOLVEMENT:

This matter was presented to the Budget Committee on November 30, 2022, and on March 29, 2023. During the March 29, 2023, Budget Committee Meeting, the Committee discussed postponing implementation of new customer service rates to provide time for the Pajaro community to recover from the March 10, 2023, flood and to allow staff to conduct community meetings after the community has had time to recover.

FINANCING:

Proposed new rates presented above assume outstanding General Fund loans totaling \$1,941,661 would be forgiven. The County Administrative Office has not allocated any discretionary revenue to this proposed plan and has distributed available discretionary revenue to County Departments for the development of the FY 2023-24 recommended budget.

The recommendations presented above support the following Board of Supervisors Strategic Initiatives by providing the funds necessary to maintain the PCSD infrastructure and thereby enhancing public safety by minimizing sewer overflows.

- ☐ Economic Development
- ☐ Administration
- ☐ Health & Human Services
- ☒ Infrastructure
- ☒ Public Safety

Legistar File Number: PCSDG 24-002

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Prepared by: J. Erich Rauber, PE, GE, Senior Civil Engineer

Reviewed by: Enrique Saavedra, PE, Chief of Public Works

Mary Grace Perry, Deputy County Counsel

Sandra Lance, Finance Manager I

Ezequiel Vega, MBA, Assistant County Administrative Officer

Approved by: Randell Ishii, MS, PE, TE, PTOE, Director of Public Works, Facilities and Parks

DocuSigned by:  
Randell Ishii  
3/21/2024 9:02 AM PDT

The following attachments are on file with the Clerk of the Board:

Attachment A - Location Map

Attachment B - Report on Wastewater Rate Study - Pajaro County Sanitation District

Attachment C - Proposed Monthly Rates for Sewer Service