



Board Report

File #: RES 24-075, **Version:** 1

Board of Supervisors of the County of Monterey acting as the Board of Directors of the Pajaro County Sanitation District:

- a. Conduct a Public Hearing to hear objections to, or protests against, the proposed wastewater service rate increase by property owners within the service area pursuant to Proposition 218 requirements;
- b. Direct the Clerk of the Board to tabulate and certify assessment ballots received before the conclusion of the public hearing;
- c. Determine whether a majority protest exists;
- d. If a majority protest exists, no rate increase may be imposed;
- e. If no majority protest exists, adopt a resolution approving the proposed wastewater service rate increase; and
- f. Recommend a \$1,409,300 funding source for the Fiscal Year 2024-25 General Fund subsidy required based on the proposed wastewater rate structure.

RECOMMENDATION:

It is recommended that the Board of Supervisors acting as the Board of Directors of the Pajaro County Sanitation District:

- a. Conduct a Public Hearing to hear objections to, or protests against, the proposed wastewater service rate increase by property owners within the service area pursuant to Proposition 218 requirements;
- b. Direct the Clerk of the Board to tabulate and certify assessment ballots received before the conclusion of the public hearing;
- c. Determine whether or not a majority protest exists;
- d. If a majority protest exists, no rate increase may be imposed;
- e. If no majority protest exists, adopt a resolution approving the proposed wastewater rate increase; and
- f. Recommend a \$1,409,300 funding source for the Fiscal Year 2024-25 General Fund subsidy required based on the proposed wastewater rate structure.

SUMMARY/DISCUSSION:

The County-Owned PCSD wastewater collection system (PCSD System) is in northern unincorporated area of the County of Monterey. The PCSD System serves the communities of Bay Farms, Las Lomas, Pajaro 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 1,047 sewer connections and 1,768 billing units. The PCSD System is a collection system only. Collected sewage is pumped to the City of Watsonville wastewater treatment plant for treatment. A site location map is presented in Attachment A.

Wastewater service rates for the PCSD have not changed since 2007 and costs to operate and maintain the system have increased significantly since then. This has resulted in an inability of PCSD to generate sufficient revenues to offset operational and infrastructure costs. Thus, in Fall 2022, District staff initiated the process to increase sewer service rates for the PCSD System.

During the November 30, 2022, Budget Committee meeting, staff presented alternative customer service rates for the Committee's consideration which would go into effect on July 1, 2023. The Budget Committee recommended the rate study move forward 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 the next 5 years.

During a Budget Committee meeting on March 29, 2023, staff recommended rate increases be postponed until July 1, 2024, to allow time for residents and businesses within the Community of Pajaro to recover from the devastating storms that occurred in March 2023; during an August 29, 2023, meeting, the Board formally approved postponing rate increases.

During a January 19, 2024, Board of Directors meeting, Staff presented three alternative single family residential rate increase scenarios. The first scenario contemplated a first-year single family residential rate increase from approximately \$30 to \$60/month for the first year with annual increases based on the consumer price index (CPI); the second scenario contemplated a rate increase from approximately \$30 to \$60/month for the first year with an annual increase of \$10/month for the next five years; and the third rate scenario was calculated assuming no County subsidy, resulting in a rate increase from approximately \$30 to \$129.46/month. The Board approved pursuing a hybrid of these scenarios: a single-family residential rate of \$60/month for the first year and annual increases thereafter of \$5/month plus an increase based on the CPI.

A Proposition 218-compliant rate study report has been prepared and is presented in Attachment B (the rate study report). A summary of proposed monthly rates detailed in the rate study report, is presented in Attachment C and a Notice of Public Hearing, mailed March 27, 2024, with Spanish translation, is presented in Attachment D. A Certificate of Clerk of the Board Statement of Protests, and a Resolution Establishing New Wastewater Rates are included as Attachments E and F, respectively.

The public hearing is being convened to hear objections to, or protests against, the proposed sewer service rate increases by property owners pursuant to Proposition 218 requirements. It was set by the Board of Directors on March 26, 2024. The Notice of Public Hearing (with proposed wastewater rates and Spanish translation) was mailed to property owners on March 28, 2024, and published in the Monterey County Weekly on April 4, 2024. Additionally, the Notice of Public Hearing was posted on the County of Monterey PWWF webpage. Copies of the Rate Study and Notice of Public Hearing with proposed wastewater rates were made available at the PWWF offices.

Prior to any Board action, four (4) community outreach events were held in the PCSD to inform property owners of the increase. The first community outreach event was held on November 7, 2023, in Las Lomas, and the second on November 14th in Bay Farms. Subsequent meetings were convened in Pajaro and again in Las Lomas on January 24 and March 19, 2024, respectively. Rate increases, as presented in the rate study were explained and discussed, and information regarding the wastewater system, as well as the need to increase rates, was provided during the community outreach events.

The public hearing is mandated by the Proposition 218 Majority Protest Process. The proposed new rate structure will only be implemented if, upon the conclusion of the public hearing, a majority (50% plus one [1]) of written protests are received. Per Proposition 218, only one (1) written protest will be counted for each property for purposes of determining if there is a majority protest. To be counted, the protest must (1) be in writing; (2) state opposition to the proposed rate increase; (3) identify the parcel by assessor's parcel number or street address; (4) include the original signature(s) of the property owner(s) of record; and (5) be received before the conclusion of the Public Hearing on Tuesday, May 21, 2024.

Changes to Customer Billing Procedures

Currently, Monterey One Water (M1W) provides monthly billing services to PCSD customers. Beginning July 1, 2024, M1W will change its billing method from monthly invoicing to annual billing through the County

property tax roll. Similarly, PCSD customers will no longer receive an invoice from M1W. As of July 1, 2024, if billing through the property tax roll is approved by the Board through a separate Board action, PCSD sewer charges will appear on the property owner's respective property tax bill. 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 will be 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 on December 10, 2024, and the remaining \$360.00 will be due on April 10, 2025. Wastewater charges will increase in future years but will be billed similarly. Staff notes that the County of Monterey and the Treasurer-Tax Collector have authorized **Easy Smart Pay**, a third-party vendor, to provide a monthly payment option for the payment of property taxes (<https://easysmartpay.net/monterey-ca>). This service is free of charge provided ACH (bank to bank) transfers are utilized.

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. Staff presented three alternative single family residential rate increase scenarios at the January 19, 2024, Board of Directors meeting. Per Proposition 218 requirements, the public hearing was set by the Board of Directors on March 26, 2024.

FINANCING:

The plan to increase wastewater services rates supported by the Board of Directors on March 26th, 2024, includes General Fund loan forgiveness of \$1,941,661 and General Fund subsidies to the District for the foreseeable future to keep rates consistent with surrounding communities. Over the next five years, the General Fund subsidies are estimated to be \$1,409,300 (FY 2024-25), \$1,357,350 (FY 2025-26), \$1,073,300 (FY 2026-27), \$954,400 (FY 2027-28) and \$1,183,400 (FY 2028-29). The FY 2024-25 Recommended Budget does not include the necessary subsidy of \$1,409,300 and would require the Board of Supervisors to identify a General Fund funding source. Potential funding sources for the Board's consideration include General Fund Unassigned Fund Balance and Contingencies.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

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
Jessica Cordiero-Martinez, Finance Manager III
Trent Hill, Senior Administrative Analyst

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

Attachments:

Attachment A - Location Map

Attachment B - Rate Study Results Report

Attachment C - Summary of Proposed Wastewater Service Rate Increases

Attachment D - Notice of Public Hearing and Proposed Wastewater Rates mailed March 27,
2024, with Spanish translation

Attachment E - Certificate of Clerk of the Board Statement of Protests

Attachment F - Resolution Establishing New Wastewater Rates