



County of Monterey

Item No.29

Board Report

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

Legistar File Number: PAR 26-021

August 11, 2026

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Matter Type: Preliminary Analysis
Report

Receive a preliminary analysis report in response to Board Referral No. 2026.14 (Supervisor Church and Supervisor Lopez) seeking to move the process for the collection of sewer charges for the Pajaro County Sanitation District (PCSD) and County Service Area 75 - Chualar (CSA 75) from the County of Monterey Property Tax Roll to Monterey One Water (M1W) sewer billing services.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a preliminary analysis report in response to Board Referral No. 2026.14 (Supervisor Church and Supervisor Lopez) and:
- b. Direct staff to proceed with completion of its response to the Referral based on the proposed project description in this report; or,
- c. Direct that staff:
 - i. Proceed with completion of its response to the Referral based on modifications by the Board; or,
 - ii. Return to Board with a more comprehensive analysis of the Referral and anticipated effort for completion.
- d. Rescind the Referral.
- e. Provide further direction as appropriate.

PRELIMINARY ANALYSIS:

Background:

On July 7, 2026, the Board of Supervisors (Board) added Supervisor Church's and Supervisor Lopez's Referral No. 2026.14 (Attachment A) to the Board's referral matrix. The Referral seeks to move the process for the collection of sewer charges for the Pajaro County Sanitation District (PCSD) and County Service Area 75 - Chualar (CSA 75) from assessments through the County of Monterey (County) Property Tax Roll to Monterey One Water (M1W) sewer billing services.

Prior to Fiscal Year 2024-25, Public Works, Facilities and Parks (PWFP) contracted with M1W for sewer billing and collection services at an annual charge of \$2,539 for CSA 75 and \$14,804 for PCSD. In early 2024, M1W notified the County that it intended to discontinue providing these services as of June 30, 2024. As a result, PWFP evaluated alternative billing methods and presented options to the Board. The Board determined that collecting sewer service charges through the County Property Tax Roll was the most cost-effective and administratively efficient option.

In May 2024, the Board adopted amendments to Section 16 of CSA 75 Ordinance No. 04225 and Section 16 of PCSD Ordinance No. 05054. These Amendments authorized the collection of sewer service charges through the County Property Tax Roll pursuant to California Health and Safety Code Section 5470 Et seq. to cover the cost of providing wastewater collection services within each district.

Proposed Project Description:

As noted in the Referral, in 2024, M1W announced its intention to discontinue providing sewer billing and collection services as of June 30, 2024. In anticipation of this imminent deadline, the Board approved Ordinances to change the billing process for the PCSD and CSA 75 from monthly billing by M1W to assessments on the County Property Tax Roll. M1W ultimately decided to retain its sewer billing and collection services. However, in reliance and in response to M1W's notice that monthly billing services would be discontinued, billing for both the PCSD and CSA 75 by M1W was discontinued and processed as assessments on the Property Tax Roll pursuant to the Board approved Ordinances for the PCSD and CSA 75.

Since the change in process for sewer service billing, some residential and commercial rate payers within the jurisdictional boundaries of the PCSD and CSA 75 have expressed dissatisfaction with their sewer service rates being assessed through the County Property Tax Roll. According to the Board Referral, rate payers have expressed concerns that; (1) the current sewer service assessment process potentially risks that delinquent property tax payments which include sewer assessments may lead to property tax foreclosures on residential and commercial properties and (2) due to widespread unpopularity with the current sewer service assessment process, sewer billing and collection services should be moved back to the monthly billing services provided by M1W as existed prior to 2024 and in accordance with any billing process changes which M1W has made since the change in billing process was initiated.

Proposed Project Status:

Regardless of the billing method utilized, PWFP is responsible for annually preparing the necessary reports and recommendations for the Board to establish sewer service charges for PCSD and CSA 75.

Beginning in Fiscal Year 2024-25, the Board approved Ordinance amendments which authorized and directed the Auditor-Controller's Office to place the approved sewer service charges for PCSD and CSA 75 on the County Property Tax Roll. The Treasurer-Tax Collector (TTC) is responsible for collecting the charges through the annual property tax process. In the event of a delinquency, the TTC administers the collection process in accordance with Section 16 of the applicable PCSD or CSA 75 Ordinance which includes implementation of a lien as authorized by law.

If the Board directs staff to pursue a return to a third-party sewer billing service through M1W, the following actions would be required:

Option 1 - Return Billing and Collection Services to M1W

- ☐ Engage with M1W to determine its willingness, capacity, and cost to provide sewer billing and collection services for the PCSD and CSA 75.
- ☐ Negotiate and execute a new agreement for billing and collection services.

- Preparation of amendments to the PCSD and CSA 75 Ordinances, as necessary, to authorize billing and collection services through a third-party billing provider.
- Provide notice to rate payers and prepare the two required Board reports with the proposed Ordinance amendments for both the PCSD and CSA 75 for the Board's consideration.
- Assignment of staffing resources for managing delinquent accounts, including customer notifications and coordination between M1W and the County.
- Preparation of the annual Delinquent Sewer Charges Reports and corresponding Board Reports for the PCSD and CSA 75 for the Board's consideration.
- Filing of the approved Delinquent Sewer Charges Resolutions for the PCSD and CSA 75 with the Auditor-Controller's Office for placement of delinquent charges as assessments on the Property Tax Roll against affected properties, when applicable.

PCSD and CSA 75 would incur an estimated \$50,000 in annual cost. The additional cost would result from the additional staff time to coordinate the billings with M1W and manage the delinquent accounts.

Option 2 - County-Managed Utility Billing

If the Board elects not to place approved sewer services charges for the PCSD and CSA 75 as assessments on the County Property Tax Roll and/or not to engage a third-party billing provider, PWFP would need to establish and administer an in-house utility billing program. This option would likely require:

- One additional Accounting Technician position (estimated annual cost: \$155,630) to administer customer billing, payment processing and collections.
- One-time utility billing software implementation costs are estimated to be between \$10,000 and \$20,000.
- Annual software licensing and maintenance costs.
- Preparation of amendments to the PCSD and CSA 75 Ordinances, as necessary, to authorize County-Managed Utility Billing and the collection of delinquent charges as assessments through the County Property Tax Roll against affected properties, when applicable.
- Provide notice to rate payers and prepare the two required Board reports with the proposed Ordinance amendments for both the PCSD and CSA 75 for the Board's consideration.
- Assignment of staffing resources for managing delinquent accounts, including customer notifications regarding delinquent accounts and the collection of delinquent charges as assessments through the Property Tax Roll against affected properties, when applicable.
- Preparation of the annual Delinquent Sewer Charges Reports and corresponding Board Reports for the PCSD and CSA 75 for the Board's consideration.
- Filing of the approved Delinquent Sewer Charges Resolutions for the PCSD and CSA 75 with the Auditor-Controller's Office for placement of delinquent charges as assessments on the Property Tax Roll against affected properties, when applicable.

Option 3 - Other Alternatives

The Board may provide alternative directions for staff to evaluate additional billing and collection methods.

Staffing Level Estimate:

It is anticipated that two (2) PWFP staff, along with the Office of the County Counsel and County Administrative Office (CAO)-Budget & Analysis Division staff will be utilized to complete a response to the subject Referral.

Departmental Challenges:

- Funding for additional staff costs associated with a third party contract, in-house billing and PWFP staff could potentially be shared between PCSD and CSA 75.

Proposed Response Date:

Staff proposes to return to the Board prior to June 1, 2027.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

The recommended action supports the Board of Supervisors' Strategic Plan Goals for Well-Being and Quality of Life, and Safe and Resilient Communities.

- ☒ Well-Being and Quality of Life
- ☐ Sustainable Infrastructure for the Present and Future
- ☒ Safe and Resilient Communities
- ☐ Diverse and Thriving Economy
- ☐ Administrative

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Attachment:

Attachment A - Board Referral #2026.14