



# 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

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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