



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: August 18, 2020
DEPARTMENT: PUBLIC WORKS
FROM: DAVID JACOBS, DIRECTOR
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TITLE: MONTEREY ONE WATER PROP 218 RATE INCREASE,
MEMBER ENTITY UPDATE

RECOMMENDED MOTION:

No action is required. Monterey One Water staff will give a presentation regarding a proposed Proposition 218 Rate Increase. This Report provides background and analysis such that Council may fully consider the presentation. Additional information is provided by staff below regarding the consideration of an increase to the City Collector Fee.

RECOMMENDATION:

No recommendation is provided. This report and the Monterey One Water presentation are for informational purposes only.

BACKGROUND

According to Monterey One Water (M1W), current and anticipated economic impacts due to the COVID-19 crisis, particularly with respect to revenue, could create vulnerabilities to the continued operation of the essential public services they deliver. The proposed increase would fund fundamental operations, provide capital, and protect both the environment and human health and safety, while ensuring uninterrupted service to the member entities which include the City of Salinas. This fiscal year, M1W exercised mitigation measures to reduce expenditures and hence the corresponding amount of their proposed increase. These include:

- Reductions to operational expenses
- Deferment of lower-risk capital and maintenance projects
- Managerial salaries adjustments
- Delays to cost of living adjustments
- Initiation of a hiring freeze
- Partial furloughs for all employees.

Similarly, the City sanitary sewer infrastructure could face vulnerabilities if replacement, repairs

and/or maintenance are not performed on a regular basis. This infrastructure conveys all sewage from Salinas to the M1W Regional Treatment Plant and is also considered essential. The City adds a Sanitary Sewer Collector Fee (Add-On Rate) to each M1W sewer bill to collect the necessary revenue to keep this infrastructure operational, which is managed through the Sanitary Sewer Enterprise Fund. The Salinas Collector Fee is currently \$5 per month and the lowest of all the member entities (Attachment B). The City last raised its Collector Fee over 8 years ago. Staff has identified the need to increase this fee in order to continue properly preserving the integrity of its sanitary sewer infrastructure. At this time, staff wishes only to notify Council that it will propose to make this adjustment in conjunction with M1W's increase and that a detailed presentation will be provided at a later date.

M1W proposes to increase rates by 16.6% which would net \$4.5 million per year in additional revenue. Of this total, \$2.2 million would come from Salinas ratepayers: \$1.8 million from residential and \$400,000 from commercial accounts. This reflects an increase of \$3.50 per residential account, from \$21.05 to \$24.55 per month. All residential rates are set equally regardless of location or dwelling type.

An adjustment to the City's Collector Fee, could add an estimated 5.7% or \$1.50 per residential account for a total increase of \$5.00 per month.

For commercial accounts, the monthly increase would average \$3.57, from \$21.50 to \$25.07 or an estimated \$5.50 with the City Collector Fee.

A complete list of M1W's proposed service charges and rates is found as Attachment C and a chart depicting the rate increase per account is found in Attachment D.

Staff recognized that any increase in expenditures may represent a burden on a segment of City residents. For this reason, City staff and M1W are exploring ways that the financial burden could be alleviated for those with low income or that are experiencing unemployment.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

This item relates to the following City Council's Strategic Plan Initiative:

1. Investment Strategies/ Risk Management The goal is to close the City's structural deficit and ensure adequate investment in Salinas's future by addressing the City's housing challenges and investing in existing facilities and infrastructure

DEPARTMENTAL COORDINATION:

This item will require coordination between Finance; Legal; City Manager; Public Works Wastewater and Water, Waste and Energy and Wastewater Divisions and M1W.

FISCAL AND SUSTAINABILITY IMPACT:

Additional expenditures for accounts serving City facilities total \$18,500 annually, increasing from \$111,600 to \$130,100.

The estimated increase to the City Collector Fee under consideration, would net the Sanitary Sewer Enterprise Fund an additional \$1.1M annually.

Should the Collector Fee not be increased, no additional revenue would be made available for the Sanitary Sewer Enterprise Fund. This could result in potential increased repair costs, deterioration of assets due to deferred maintenance and potential penalties arising from failed infrastructure leading to regulatory violations which may result in impacts to the General Fund.

ATTACHMENTS:

Attachment A - Member Entity Update, City of Salinas, August 18, 2020, Monterey One Water

Attachment B - Monthly Add on Rates of Member Entities for FY 2019-20, Monterey One Water

Attachment C - Customer Notification, Proposed Increase to Sewer Service Charges and Rates, Monterey One Water

Attachment D – Chart, M1W Rate Increase 2020 Cost per Account