



CITY OF SALINAS

FINANCE COMMITTEE STAFF REPORT

DATE: APRIL 8, 2025

DEPARTMENT: PUBLIC WORKS DEPARTMENT

FROM: DAVID JACOBS, PUBLIC WORKS DIRECTOR
SELINA ANDREWS, FINANCE DIRECTOR

BY: ADRIANA ROBLES, CITY ENGINEER

TITLE: SANITARY SEWER RATE STUDY AND RATE SCHEDULE

RECOMMENDED MOTION:

Recommend approval of the Sanitary Sewer Rate Study and Rate Schedule to the City Council.

EXECUTIVE SUMMARY:

Wallace Group was retained by the City of Salinas to develop a sanitary sewer rate study (“Study”) for the wastewater enterprise program. A draft Study has been reviewed by City staff. The purpose of the Study is to develop a ten-year financial plan to help ensure that the wastewater enterprise fund will meet financial obligations for ongoing operations and maintenance, debt service, and capital improvements while maintaining prudent financial reserves. The financial plan provides an opportunity to assess the potential implications of future operating and maintenance costs, capital improvement program needs, current and future debt obligations, changing customer demands, and future development. Salinas’ wastewater program is a self-supporting enterprise of the City that includes the sanitary sewer system, staff, equipment, and supplies. That is, the utility service is expected to generate the revenues (through rate payer fees) to cover the ongoing costs of operations, maintenance, administration, regulatory compliance, debt service, capital improvements and maintenance of prudent financial reserves.

A rate schedule has been developed as part of the Study that provides the fee schedule for various land use categories which will be used by Monterey One Water to assess annual service fees for Salinas rate payers/customers.

BACKGROUND:

The City of Salinas owns and operates a municipal sanitary sewer system (“sewer system”) that services residents and businesses within its service area. The sanitary sewer system has a service area of approximately 12,430 acres, with over 280 miles of gravity sewer mains and eleven (11) lift stations¹ that convey sewage flows to the Regional Wastewater Treatment Plant, operated by

¹ Lift Station. In sanitary sewer systems, lift stations pump sewage from lower elevations to higher elevations.

Monterey One Water (M1W). M1W collects fees for the treatment of the sanitary sewage. M1W fees are adjusted annually. M1W fees are separate from the rate fees collected for the City through M1W. M1W currently collects \$50.95 for their wastewater treatment and \$5.45 for the City of Salinas' sanitary sewer rate.

In May 2023, City Council adopted the Salinas Sanitary Sewer Master Plan Update (SSMP). The SSMP identified existing hydraulic deficiencies, operation and maintenance repairs, and lift station upgrades required to keep the existing sanitary sewer system operational. Costs for maintenance repairs and fixing existing hydraulic deficiencies are the sole responsibility of City rate payers. The SSMP developed a Sanitary Sewer Capital Improvement Program that identified capital improvement projects (CIP) to address both the existing maintenance repairs and deficiencies and upsizing for anticipated future conditions.

As presented on March 4, 2025 to the Finance Committee and subsequently to City Council, the City's current sanitary sewer rate of \$5.45 per residential user or equivalent dwelling unit (EDU) is intended to cover the City's annual operation and maintenance (O&M) costs, as well as servicing existing debt obligations, but it does not. The City's sanitary sewer enterprise fund's expected revenue and annual budget is projected to experience a shortfall of approximately \$400,000 for FY 2024-25 and will not meet the required 125% debt service coverage requirement on the existing bonds. In addition, the current budget does not include capital improvements required for system replacements and upgrades. Sewer rates are recommended to be increased to \$16.35, with an annual escalation rate of 2%, effective July 1 to meet the O&M costs, scheduled CIPs, debt obligations and O&M reserve for the next ten years. (See Sewer Rate Study, Attachment 1).

The draft Study outlines how the sewer rate will be adjusted to accommodate O&M, identify and schedule CIPs, provide adequate funding for debt obligations and O&M reserve. The draft Study also provides a Rate Schedule that identifies the proposed fees schedule based on land use category for the next ten-year period (See Sewer Rate Schedule, Attachment 2). A review of the rates is recommended to be completed after five years to analyze the adequacy of the rate with the actual costs for O&M and improvements.

Next Steps

Adjustment of the sanitary sewer rates will require compliance with the Proposition 218 process. The schedule below provides the anticipated timeline for noticing required.

March 4	Finance Committee - Presentation of rate analysis findings
March 11	City Council – Presentation of rate analysis findings
April 8	Finance Committee – Recommend approval of Rate Study and Rate Schedule
April 22	City Council – Request approval of the Rate Study and Rate Schedule, authorization to initiate notices, set hearing date, and protest process as required by Proposition 218
April 25	Notices to property owners mailed (45 days prior to hearing) Informational notices to residents
June 17	City Council – Public hearing and sewer rate adoption
July 1	New rates effective

CEQA CONSIDERATION:

Not a Project. City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) pursuant to Sections 15378 and 15061(b)(3).

STRATEGIC PLAN INITIATIVE:

Updating sewer rates is consistent with the Council values of Fiscal Responsibility, Service and Responsiveness and Council Goals and Strategies of Economic Development, Housing, Infrastructure, and Public Safety by investing in existing facilities and infrastructure and by providing adequate funding for improvement needed to allow for growth.

DEPARTMENTAL COORDINATION:

Public Works staff have consulted with other firms including DTA as sewer rate consultant, Wallace Group as facilities engineer, and NHA Advisors as municipal advisor. Public Works has worked closely with the Finance Department through review of the Sewer Study and Rate Schedule.

FISCAL AND SUSTAINABILITY IMPACT:

There is no fiscal impact related to approval of the Sanitary Sewer Rate Study and Rate Schedule. Imposing and updating sewer service rates allows the City to be fiscally responsible and sustainable while addressing immediate infrastructure and future growth needs.

ATTACHMENTS:

- Attachment 1 – Draft Sewer Rate Study
- Attachment 2 – Draft Rate Schedule
- Attachment 3 – FY 24-25 Sanitary Sewer Rates