



CITY OF SALINAS CITY COUNCIL STAFF REPORT

DATE: SEPTEMBER 23, 2025

DEPARTMENT: PUBLIC WORKS DEPARTMENT

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

BY: ADRIANA ROBLES, CITY ENGINEER

TITLE: PUBLIC HEARING FOR SANITARY SEWER RATE INCREASE
ADOPTION

RECOMMENDED MOTION:

A motion to approve a Resolution adopting the Sanitary Sewer Rates for 2025-2030 based on the Sewer Rate Schedule, provided there is no majority protest against the proposed sewer rates.

EXECUTIVE SUMMARY:

On July 1, 2025, City Council received an updated Sewer Rate Study and Sewer Rate Schedule and public hearing notices were distributed in accordance with Proposition 218. A public hearing was set for the proposed sewer rate increase for September 23, 2025. A total of 34,537 public hearing notices were mailed to property owners and ratepayers. Monterey One Water reports a total of 31,903 Salinas ratepayers¹. If a majority of the City's sewer ratepayers (50%+1) or 15,952 Salinas ratepayers provide written protests to the City Clerk by the end of the Public Hearing, the City Council cannot move forward with the recommended motion. Otherwise, if approved the new sewer rates will go into effect on October 1, 2025.

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 stations² that convey sewage flows to the Regional Wastewater Treatment Plant, operated by Monterey One Water ("M1W"). M1W collects fees for the treatment of the sanitary sewage and their fees are adjusted annually. M1W fees are separate from the rates 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 2011, a Sanitary Sewer Master Plan was developed and the following year, a rate study was prepared that increased sewer rates to \$5.45 per month for residential users or equivalent dwelling

¹ Ratepayers include property owners and ratepaying tenants.

² Lift Station. In sanitary sewer systems, lift stations pump sewage from lower elevations to higher elevations.

unit (EDU). Sewer rates are used by the City of Salinas to provide the service required to maintain the City's sanitary sewer system (pipes, manholes, lift stations, and equipment). Sewer rates fund the entirety of the wastewater enterprise fund, with the exception of payments of impact fees for new development as summarized in this staff report. The wastewater enterprise fund pays for the sanitary sewer system, staff, supplies, electricity and everything needed to keep the sanitary sewer system within the City of Salinas operational. The City's sanitary sewer rate has not changed since 2012. Over several years, the wastewater enterprise fund has had a funding shortfall. This has meant that necessary infrastructure repairs and upgrades have not been financially possible, leading to system failures and costly emergency repairs. Investment is required to meet regulatory mandates and to prevent additional untreated sewage discharges.

In February 2021, staff retained Wallace Group to update the Sanitary Sewer Master Plan (Resolution No. 22051). The proposed scope of work for the Sanitary Sewer Master Plan Update (SSMP) included document review, data collection, field surveys, comprehensive lift station assessment, in-line sewer flow monitoring, wastewater flow projections, development and calibration of a hydraulic sewer model to identify collection system deficiencies for existing, and future build-out conditions and development of a Sanitary Sewer Capital Improvement Program.

On May 2, 2023, through Resolution No. 22648, City Council adopted the Salinas Sanitary Sewer Master Plan Update. The SSMP identified existing hydraulic deficiencies, operation and maintenance repairs, and lift station upgrades required to keep the existing sanitary sewer system operational. The SSMP estimates sewage flows at 10.46 million gallons per day from the existing sanitary sewer system. Required maintenance repairs and existing hydraulic deficiencies were ranked based on priority. Costs for maintenance repairs and fixing existing hydraulic deficiencies are funded by the City's rate payer fees. The SSMP estimates an additional 2.33 million gallons per day of sewage flows from the North of Boronda Future Growth Area (FGA) will be added to the existing system at build-out conditions. This will require upsizing the existing system to meet the additional demand. Costs to upsize the sewer system are the developers' responsibility. Several sanitary sewer mains require both repairs and upsizing to meet the anticipated future conditions. In these cases, the cost responsibilities are shared between the rate payers and the developers at varying percentages depending on the condition of the sewer system.

On September 24, 2024, City Council approved an amendment to the sanitary sewer impact fee (Resolution No. 23100). Impact fees are paid by developers to offset the impacts from development to the existing system. A nexus study prepared by Wallace's consultant, DTA, provided the justification for the adjustment to the impact fee to ensure that developers were covering the full cost of their fair share responsibilities to upsize sanitary sewer mains as identified in SSMP.

On April 23, 2024, an amendment to Wallace Group's contract was approved by City Council (Resolution No. 22947) allowing for the commencement of a sewer rate study ("Study"). Wallace Group partnered with DTA to evaluate potential rate structures and provide recommendations on how to address funding gaps for sanitary sewer system repairs, upgrades and future needs.

The City's current sanitary sewer rate of \$5.45 per residential unit 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

\$335,000 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. The Study estimates a total of \$114.8 million is required to make the necessary high priority improvements to the sewer system over the next ten years. The Study incorporated the revenue requirements and calculated the new sewer rates in compliance with Proposition 218 requirements. An increase to \$16.35 per EDU per month with a 2% annual escalation rate is recommended for the next five years.

The financial model³, prepared by DTA, looks at the financial needs to keep the system operational (repairs, staffing and equipment) along with capital improvements outlined in the SSMP and debt obligations. Bonding is anticipated during years 2, 5, and 8 of the ten-year study period totaling \$77.6 million of bond proceeds to be used along with the estimated \$37.1 million of rate fees to cover the required \$114.8 million for capital improvement projects.

At the March 11, 2025 City Council meeting and preceding Finance Committee meeting, staff shared that the City received a credit rating downgrade for its outstanding sanitary sewer system revenue debt. The downgrade was a function of decreasing financial health of the sanitary sewer enterprise fund primarily because of revenue increases not keeping up with the operating costs of the sewer collection system. Without increased sewer service rates, the City will not be able to fund scheduled repairs, identified capital improvement projects or meet the outstanding bond debt service covenants after FY 2024-25. If this happens, this may result in the bonds being called which may require the City having to pay off the remaining balance of \$12,180,000.

Past Actions

On March 11, 2025, the City Council, following the recommendation of the Finance Committee, accepted the findings of the Study and recommended an increase to the sewer rate to \$16.35 with a 2% annual escalation rate.

On April 8, 2025, staff presented the draft Study and Rate Schedule to the Finance Committee. The Finance Committee unanimously recommended approval of the Study and Rate Schedule by the City Council.

On April 22, 2025, the City Council approved a resolution accepting the Sewer Rate Study and approving the Rate Schedule and directed staff to distribute Public Notices for the public hearing set for June 17, 2025. Following distribution of the public hearing notices, inaccuracies were identified in some rates and rate categories.

On June 17, 2025 staff identified the inaccuracies in the Rate Schedule to the City Council and set a new date to present the updated Sewer Rate Study (see Attachment 1) and Rate Schedule. At that same meeting, the City Council approved a resolution establishing the procedures the City will follow for considering and responding to “objections” to the proposed rates in accordance with new law known as AB 2257 (Government Code sections 53759.1 and 53759.2). These procedures are in addition to the requirements under Proposition 218 for the City to also consider “protests” to the proposed rates.

³ A financial model is a tool that is used to forecast future financial performance.

On July 1, 2025, City Council directed staff to distribute Proposition 218 Public Hearing Notices (see Attachment 2) and set a hearing date of September 23, 2025. Notices were mailed on July 11, 2025. Allowing sufficient time for in excess of the required 45-day notice outlined in Proposition 218. A total of 34,537 Public Hearing Notices were mailed to property owners and sewer ratepayers.

On August 12, 2025, the staff presented the S&P Global Ratings Update to the Finance Committee indicating the City's downgrades (December 23, 2024 from AA- to BBB+ and March 21, 2025 from BBB+ to BBB-) were a result of weak financial performance in the sanitary sewer (wastewater) enterprise fund. It was also reported that S&P revised its outlook to negative from stable due to the City's inadequate sewer rate and potential sunset of Measure G.

Public Outreach

Staff is committed to helping the public understand the proposed sewer rate increases. Information is available on the City's Public 2025 Sewer Rate Study website and at City-owned facilities including City Hall, Permit Center, Public Works Yard, Steinbeck Library, Cesar Chavez Library, El Gabilan Library, Steinbeck Recreation Center, Breadbox Recreation Center. Other facilities, not owned by the City which were provided informational flyers include. These facilities include Hartnell College (various facilities), Martin Luther King Jr Family Resource Center, and various coffee shops and restaurants. The topic of the sewer rate increases was included in the SalinasNOW podcast.

Staff has responded to numerous questions in person, by phone and email. A community meeting focusing on the sanitary sewer system and proposed rate increases was held on July 31, at the Breadbox Recreation Center. Staff also provided information at the District 1 Community Meeting on August 21, City Council meetings on August 26 and September 9, Community Composting Workshop on September 13, El Grito Festival on September 14 and a Community Meeting on September 16. Various targeted emails were sent to community members including: the Salinas Chamber of Commerce, SUBA, Building Healthy Communities, MILPA, Center for Community Advocacy, Centro Binacional Para El Desarrollo Indígena Oaxaqueño, AVP Steering Committee Members, Clean California Sidewalk Art Steering Committee Members, various community groups, and other prominent community members.

Public service announcements were sent to various English and Spanish radio stations that service Salinas.

Proposition 218 and AB 2257

Proposition 218 requires a public hearing to be held for the proposed rate increase. Upon receiving direction from City Council at the July 1 meeting, public hearing notices were mailed on July 11, 2025, for a public hearing proposed to be held on September 23, 2025, City Council meeting.

At the public hearing, the City Council will consider any written objections that are received by the City Clerk by September 23, 2025, at 4:00 P.M. (45 days after the public hearing notice) in accordance with AB 2257. Under this process, property owners have the right to submit a written objection identifying a substantive reason that the proposed rates do not comply with Proposition 218, and for each timely written objection, City staff will prepare a substantive written response.

All written objections and responses will be presented to City Council for consideration prior to taking action on the proposed rates.

This public hearing will also allow rate payers who oppose the rate increase to submit a written “protest” under Proposition 218. If rate payers representing less than 50% of the parcels served by the City’s sewer system submit written protests, then the City Council will be authorized to approve the proposed sewer rate increases to take effect on October 1, 2025 (See Public Hearing Notice, Exhibit C to the Resolution).

Written Protests and Written Objections

The City mailed 34,537 Public Hearing Notices in July 2025 to property owners and sewer ratepayers in compliance with Proposition 218. Under Proposition 218, property owners and/or ratepayers directly responsible for the payment of the fee subject to the proposed rate increase may submit a written protest or written objection against the proposed rate increases. The protest must be submitted in writing to the City Clerk on or before the September 23, 2025 public hearing, identifying what is being protested, and containing the service address. The party signing the protest must be listed on the account as the person responsible for payment of the sewer bill or the property owner. In the event that a protest is submitted by the owner and by the tenant responsible for payment of the sewer bill, then one valid protest is counted for the account. If written protests are filed by a majority (50% + 1), the proposed sewer rates may not be imposed. A majority of the City’s 31,903 sewer ratepayers is 15,952.

As of September 18, 2025, at 10:00 AM, a total of 24 written protests or written objections were received by the Office of the City Clerk. Of these, two were duplicates and three were unverifiable. Where one protest identifying the multiple parcels was submitted, the single protest will be counted for each of the identified parcels. All protests will need to be validated regarding property ownership and duplicate addresses. The City Clerk will provide an updated summary of the protests received at the conclusion of the public hearing on September 23, 2025

A total of 24 written protests and “written objections” were received; however, most of the submissions are not “written objections” meeting the requirements of AB 2257. Seven written objections were determined to identify a substantive issue consistent with AB 2257 for which the City is providing supplemental information. Each of the seven written objections is listed in Attachment 2 to this Report, followed by the City’s responses which are included as Attachment 3 to this Report. Attachments 2 and 3, attached hereto, are incorporated herein by this reference.

Though not specifically identified as written objections several letters received identified a financial hardship for ratepayers. The City will be presenting a Sanitary Sewer Payment Assistance Program to be considered by City Council that will provide financial assistance to qualifying ratepayers. Confusion is also indicated in the amount charged by Monterey One Water and the City sewer charge. Although billing is provided by Monterey One Water, of the \$118.90 bimonthly residential bill, only \$10.90 (or \$5.45 per month) is currently collected by the City of Salinas.

CEQA CONSIDERATION:

This action is not subject to the California Environmental Quality Act (“CEQA”) pursuant to Public Resources Code Section 21080(b)(8), and California Code of Regulations Section 15273

(of the “CEQA Regulations”) because it establishes, modifies, structures, or restructures, and approves rates and charges for the purposes of: (1) meeting operating expenses; (2) purchasing supplies, equipment and materials; (3) meeting financial requirements; and (4) obtaining funds for capital projects necessary to maintain service within existing service area.

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No

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 financial model. Staff from various branches of Public Works (CIP, Development, GIS, and Administration) have assistance in the review and verification of addresses, development, printing and delivery of the public. The City Clerk’s office has received protests and published the notice in the newspaper. Outreach has been a wider team effort which has included Public Works, the PIO team, and Library and Community Services. Review of the public hearing notice and written objection responses was provide by the Legal Department.

FISCAL AND SUSTAINABILITY IMPACT:

There is no direct fiscal impact associated with accepting the updated Sewer Rate Study, approving the revised Sewer Rate Schedule, and directing staff to distribute Proposition 218 Public Hearing Notices for proposed sanitary sewer rate increases.

Imposing and updating sewer service rates allows the City to be fiscally responsible and sustainable while addressing immediate critical infrastructure and future growth needs.

ATTACHMENTS:

Resolution (with Exhibits A, B, and C)

Exhibit A: City of Salinas Rate Study, Appendix E (Sewer Rate Schedule)

Exhibit B: Salinas Sanitary Sewer Service Area

Exhibit C: Public Hearing Notice

Attachment 1 – Sewer Rate Study

Attachment 2 – Written Objections

Attachment 3 - City of Salinas Responses to Written Objections

Attachment 4 – Monterey One Water 2021 Wastewater Treatment Rate Update to 2017
Comprehensive Rate & Fee Study