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**CITY OF SALINAS
SEWER RATE STUDY**

April 1, 2025

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CITY OF SALINAS



SEWER RATE STUDY

Prepared for:

City of Salinas

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I EXECUTIVE SUMMARY

The City of Salinas (the “City”) Wastewater Division of the Public Works Department, hereinafter referred to as the “Sewer Department,” owns and operates a municipal sanitary sewer system made up of over 280 miles of gravity sewer mains, 11 lift stations and hundreds of manholes which collects wastewater generated within the City and transports it to an independent agency, Monterey One Water (“M1W”) for treatment and disposal. The City and M1W impose separate wastewater rates for their services and this study looks only at the City’s own wastewater collection charges. M1W, the regional treatment system, is a separate governmental entity that sets its own rates which apply to the City and other regional participants including the Cities of Pacific Grove, Del Rey Oaks, Seaside, Sand City, Fort Ord, Marina, Castroville, Monterey, Moss Landing, and some unincorporated areas in northern Monterey County. The regional treatment rates levied by M1W are not a part of this study.

In 2011, a sewer rate study was prepared that increased sewer rates to \$5.45 per month for residential users or equivalent dwelling unit (“EDU”). The sewer rate has not changed since 2012. Over a number of years, the sewer enterprise fund, which funds ongoing maintenance of the sewer system 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 State mandates and to prevent additional untreated sewage discharges as occurred in April 2022 which led to a Notice of Violation and fine from the Regional Board.

In 2024, DTA was engaged by the City to evaluate potential rate structures and provide recommendations on how best to address funding gaps for sewer infrastructure upgrades and long-term sewer system needs. DTA prepared various sewer rate scenarios based on the costs provided by City staff for operation and maintenance costs and debt service, plus required capital improvements for improvements needed over the 10-year study period.

The City’s current sewer rate of \$5.45 per residential user or EDU is intended to cover the City’s annual operation and maintenance (“O&M”) costs, as well as servicing existing debt obligations, but currently experiences a shortfall. The City’s 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.

The City has identified key infrastructure costs of approximately \$114.8 million (escalated value) of capital improvement projects over a ten-year period to upgrade the system to maintain current levels of service. The study herein incorporates the revenue requirements and calculates new sewer rates in compliance with Proposition 218 requirements.

As described in this study, the rates are proposed to be increased and phased in over a ten (10) year period:

Table 1: Proposed Rate per EDU

Fiscal Year	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35
Rate per EDU per month	\$16.35	\$16.68	\$17.01	\$17.35	\$17.70	\$18.05	\$18.41	\$18.78	\$19.16	\$19.54

Based on the proposed sewer rates presented herein, a single-family customer (i.e., one EDU) would see their monthly sewer rate increase from the current \$5.45 to \$16.35 in the first year (a 200% increase) and increase to \$19.54 by the end of the ten-year period. The sewer rate per month for other land use classes will be based on the applicable EDU factor as shown in Appendix E herein.

The new sewer rates presented in this study were based on the best information available at the time. Regular updates of the financing and rate projections should be performed as accurate and more complete information becomes available.

II INTRODUCTION

The City has engaged DTA to prepare an updated rate study to analyze the current revenue requirements of the Sewer Department and develop a rate structure that will result in sufficient stable revenues to pay for O&M, annual debt service requirements, capital improvements and replacement, as well as fund an operating reserve.

In November 2011, the City approved an updated rate study which increased sewer rates from \$4.46 per EDU per month to \$5.45 per EDU per month effective February 1, 2012. Although the City Council adopted the General Plan in 2002, the 2011 rate study did not incorporate capital improvement projects to address upsizing for future conditions.

The City's current sewer rate of \$5.45 per residential user or equivalent dwelling unit (EDU) is intended to cover the City's annual O&M costs, as well as servicing existing debt obligations, but is currently experiencing a shortfall. The City's 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, as mentioned above, the current budget does not include capital improvements required for system replacements and upgrades.

A. Purpose

The purpose of this study is to present an updated sewer rate that is in compliance with Proposition 218 requirements as described further in Section II.B below while fully funding revenue requirements for the sewer system as outlined in Section III below.

All numbers used in this sewer rate study were either a) provided by the City or Sewer Department, ii) assumed and agreed upon with the City or Sewer Department, or iii) calculated by DTA using data provided and/or agreed to by the City or Sewer Department.

B. Proposition 218

Ongoing fees for sewer service are commonly called rates. These sewer rates must be supported by a cost-of-service study, or rate study, showing the revenue requirement will be met through the collection of sewer rates as well as a method of reasonably apportioning the costs of service to the various customer classes. Sewer rates for ongoing sewer service have a direct relationship to land ownership, hence are considered property-related fees subject to the limitations of Article XIII D, Section 6 of the California Constitution ("Proposition 218").

In November 1996, the California voters approved Proposition 218, the "Right to Vote on Taxes Act", which added Article XIII D to the California Constitution. Proposition 218 imposes certain requirements relative to the imposition of certain assessments, fees and charges by local agencies, including the following:

- Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service;
- Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed;
- The amount of fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to that parcel; and
- No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.

The rate structure recommended in this study will meet all of the limitations of Proposition 218 in both revenue requirements and proportionality.

In addition, before a local agency can levy new or increased sewer rates, the following procedures are required pursuant to Proposition 218:

- Preparation of a rate justification study, prepared by a qualified individual or firm, and the study must justify the proposed rate increase.
- The record owner of each parcel subject to the proposed increase must be provided with a written notice of the proposed increase. As industry practice, DTA will also coordinate with the City to mail such notices to the billing address of the sewer customer.
- Notice to the record owner must specify the time, date, and location of the public hearing at which the proposed increased fee will be considered. Such notice will also be sent to the billing address of the sewer customer as mentioned above.
- A public hearing shall be conducted, held not less than 45 days after mailing the notice, to consider protests to the proposed increased fee.
- The increased fee can be approved if a majority of the property owners do not file written protests against the proposed increase.

C. Approach

The methodology used in this study to determine proposed rate structures will follow the guidelines provided in AWWA, *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices (M1 Manual)* as they may apply to sewer collection services. These guidelines were incorporated in the development of a cost-of-service analysis and a rate model that is used to evaluate Sewer Department specific conditions, criteria, and goals.

D. Current Sewer System

The City of Salinas owns and operates a municipal sanitary sewer collection system

("Sewer System") that services residents and businesses within its service area. The Sewer System has a service area of approximately 12,430 acres, with over 280 miles of gravity sewer mains and 11 lift stations that convey sewage flows to the Regional Wastewater Treatment Plant, operated by M1W.

E. Sewer Master Plan Update and CIP

On May 2, 2023, through Resolution No. 22648, 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. 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 to fix existing hydraulic deficiencies are the sole responsibility of the City rate payers.

The SSMP developed a Sanitary Sewer Capital Improvement Program ("CIP") that identified capital improvement projects to address both the existing maintenance repairs and deficiencies and upsizing for future conditions. Capital improvement projects were ranked based on priority. Ranking for existing system capital improvement projects was based on the following criteria to prioritize them: impacts to water bodies, design standards, maintenance requirements, impact to the community and proximity to a monitoring manholes. For lift stations, the criteria used to prioritize them were: impacts to water bodies, inspection frequency, pumping capacity deficiency, peak hour emergency response time, bypass requirement, generator requirement, control or electronic update requirement, and impacts to the community. Possible impacts from future development were also analyzed for maintenance and lift station projects. Future capital improvement projects required exclusively to upsize the sewer system to accommodate future development were not ranked in the SSMP as these improvements must be coordinated and timed with development.

As mentioned earlier, the City's current sewer rate does not fund capital improvements required for system replacements and upgrades. Of the facilities and costs identified in the CIP, the City has identified only the highest priority projects ("High Priority Projects") that would need to be funded from future rate revenue.

E. Rate Study Organization

In order to fully fund the necessary revenue requirements as identified in the following sections of the rate study, the City's sewer rates must be increased.

Below is a description of the remaining sections of the rate study:

Section III: Revenue Requirements – This section describes the cost categories that the sewer rate revenue and other revenue sources will need to fund including, operations and maintenance costs ("O&M"), capital expenditures, debt service, and contributions to the operating reserve.

Section IV: Sewer Rate Analysis – This section describes the proposed rates to be charged to sewer customers in the City and the calculations used in determining a sewer rate structure that can fully fund the revenue requirements described in Section III.

Section V: Implementation of Rates – This section includes the proposed updated sewer rates for the various land uses during the ten-year study period.

Section VI: Conclusion – This section includes the overall conclusions.

III REVENUE REQUIREMENTS

The Revenue Requirements, or cost categories, that rate revenue and other revenue sources will need to pay for include, operations and maintenance costs (“O&M”), capital expenditures, debt service, and contributions to an operating reserve. These cost categories are described in greater detail below.

A. Operations and Maintenance

The Sewer Department’s O&M costs include salaries and benefits, supplies and materials, outside services, and other charges. The O&M cost projections use the baseline costs from the City’s adopted operating budget for fiscal year 24/25, as shown in the section, “Enterprise Operations, 5446 Sanitary Sewer Division.” The City’s costs are escalated by a factor of 7.5% annually as a reasonable estimate of future costs based on direction from the City.

B. Capital Expenditures

As described earlier, the City identified High Priority Projects as shown in Appendix C to be funded by the proposed sewer rate. The total cost of the sewer system capital upgrades assigned to existing development, adjusted for inflation, is equal to approximately \$114.8 million. The listing of capital improvement projects are divided into three categories; i) Collection; ii) Sewer upsizing costs allocated to existing development; and iii) Lift Stations. Maintenance and repair projects address hydraulic and maintenance deficiencies of the existing sewer system. These improvements were identified as pipelines without the required velocities, with sags or failures, or with blockages that constrain flows. In addition, sewer upsizing projects will correct existing capacity deficiencies to upsize pipelines to allow sewers to flow more efficiently. Lift station projects will address upgrades to outdated systems and will provide uniformity and redundancy to the overall system. These High Priority Projects are described in further detail below:

B.1. Existing Sewer Collection

The SSMP identified thirty-one (31) sewer collection system projects and eleven (11) lift station projects that have hydraulic deficiencies and maintenance concerns under existing conditions. The Wallace Group recommended that these projects be completed over a five to 15-year period. The City then adjusted the timing of the expenditures to more closely match the City’s capacity to implement the appropriate level of projects on an annual basis. The City identified thirteen (13) projects from the list of projects identified in the SSMP that would be expected to be implemented within the next ten years. The total costs for these projects, adjusted for inflation at 3% per annum, is \$70.7 million. See Table C-1 in Appendix C herein for project costs and timeline, adjusted for 3% inflation.

B.2. Sewer Upsizing

The SSMP identified nine (9) projects that will need existing sewer lines to be upsized due to existing deficiencies and the need to provide additional capacity for new development. Wallace Group provided allocations of costs to new and existing development based on existing and future flow and pipe sizes. The City then provided updated cost projections and project timing for seven of the nine projects listed in the SSMP. The total projected costs for these projects, adjusted for inflation at 3% per annum, is estimated to be \$20.6 million as shown in Table C-2 in Appendix C herein.

B.3 Lift Stations

The City owns and operates eleven (11) sewer lift stations throughout the City and also maintains one lift station funded through an existing assessment district. All lift stations are integral with the City’s sewer collection system. The SSMP evaluated each of the lift stations and force mains for hydraulic performance and emergency response times in the event of sanitary sewer overflow conditions. The SSMP provided present value costs for the lift station upgrades recommended by the analysis. The City provided the timing and costs for seven (7) of the eleven lift stations mentioned in the SSMP that are expected to be completed within the next seven (7) years. The total projected costs for these projects, adjusted for inflation at 3% per annum, is estimated to be \$23.5 million as shown in Table C-3 in Appendix C herein.

B.4 Total Costs for High Priority Projects

Table 2 below is a summary of the total costs for the High Priority Projects as described above, adjusted for inflation, used for setting the updated sewer rates. Table C-4 in Appendix C herein summarizes the total costs by year.

Table 2
Costs for High Priority Projects

Description	Cost
Sewer Collection	\$70.7 million
Sewer Upsizing	\$20.6 million
Lift Stations	\$23.5 million
Total	\$114.8 million

C. Debt Service

Debt service includes the annual principal and interest payments on bonds issued by the City whose proceeds are used to pay for capital improvements to the City-wide sewer system. The debt service for both existing bonds issued and bonds that are proposed to be issued in the future are intended to be paid for from rate revenue.

Existing Debt Service - The existing annual bond debt service to be paid by sewer rates consist of annual principal and interest payments for Wastewater Revenue Refunding Bonds Series 2020A. First issued in 2020, the annual debt service on these bonds is indicated in the rate model herein over the next ten (10) years.

Proposed Debt Service – The timing of capital improvements and the acceptable levels of pay-as-you-go financing of such improvements suggest that funding a portion of the capital improvements by debt in the form of revenue bonds would not only reduce the annual revenue requirement of the capital facilities program, but also reduce the annual sewer rates required to cover the costs of operations and maintenance, reserves and total debt service as compared to a complete pay-as-you-go alternative.

The timing of issuance and the amounts of the bonds are dependent upon the timing and costs of the capital projects in accordance with the goals of the City, as identified in Section B above. For purposes of this analysis, three separate bond issuances were considered, issued in years 2, 5 and 8 during the ten (10) year study period. Please refer to Appendix B for additional bond assumptions.

D. O&M Reserve Requirements

In year two of this study, it is assumed that \$2,000,000 from the net operating income after debt service will be transferred to a newly established operating reserve fund. The City expects to adopt a formal reserve policy following the adoption of this rate study.

IV SEWER RATE ANALYSIS

A. Current Rate Structure

The City currently funds the majority of its operational and capital improvement costs through sewer rate revenue. For reference, M1W is the sewer treatment provider in northern Monterey County. M1W is responsible for the treatment of wastewater while the City is responsible for collecting and transporting wastewater to M1W. This shared responsibility is reflected on the monthly bill to property owners.

The City's current sewer rates included on the monthly bills sent by M1W are charged on a per EDU basis. The current Fiscal Year 24/25 sewer rate is equal to \$5.45 per EDU per month. For Fiscal Year 24/25, the activities of which consisted of routine operation and maintenance as well as debt service payments on existing bonds, the revenues were less than the expenditures. The deficit in expenses versus revenues demonstrates that the current rates are not sufficient to maintain the existing system.

B. Proposed Rate Structure

The proposed rate structure utilizes both pay-as-you-go rate collections as well as bond issuances to fund the annual O&M costs and a minimum level of capital facilities. Projections under this rate structure suggest that the City will have sufficient reserves to continue meeting debt service and capital needs by the end of FY 2034-35. Please see below for a summary of the findings:

- Year 1 Monthly Rate per EDU (2025) - \$16.35
- Sewer Rate escalates annually by 2%
- Year 10 Capital Replacement Fund Balance: \$7.5 million
- Total Facilities Funded through Bonds and Pay-Go: \$114.8 million

C. Equivalent Dwelling Units

As mentioned earlier, this study uses an EDU methodology to allocate costs to the various land uses for the City's billing purposes. The flow per land use unit is divided by the flow per single family land use unit to determine the flow relative to a single family unit (EDU per Billing Unit). Note that the flow per land use unit factors are averages provided by M1W. The number of connections and the flow per connection for each land use was provided to the City by M1W. The data from M1W reflected customer connections as of July 2024. The total City-wide EDUs were then determined by multiplying the EDU per Billing Unit by the number of connections for that land use category. Since the City's sewer infrastructure consists of City-wide collection and not treatment, the EDUs are based only on flow. The tabulation for total City-wide EDUs (60,558) is shown in Appendix E. For the purposes of projecting growth in EDUs over the ten-year study period, a 1% per year growth factor is

assumed.

D. Model Considerations

It is evident that there are many combinations of assumptions that affect the determination of a rate structure calculation that can potentially meet the revenue requirements on an annual basis. Factors including inflation, annual rate escalations, debt service and customer growth play into the determination of such a rate structure.

V IMPLEMENTATION OF RATES

The proposed sewer rates for the ten-year period are shown in Table 3 below. The full rate model is included in Appendix A herein. Rates for all land uses will see a 200% increase in year 1 and an annual increase of 2% each year thereafter during the ten (10) year study period. The annual increase is necessary in order to fully fund all revenue requirements.

Table 3: Proposed Rate per EDU per month

Fiscal Year	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35
Rate per EDU per month	\$16.35	\$16.68	\$17.01	\$17.35	\$17.70	\$18.05	\$18.41	\$18.78	\$19.16	\$19.54

It is strongly suggested that in Year 5 (FY 2029-30), the City review their annual operation and maintenance costs, capital facilities costs and timing, demographics information, as well as the various modelling assumptions and update the sewer rates, if needed.

VI CONCLUSION

The final sewer rates contained in this study are a result of an extensive public process with input received from City staff and the City Council and are based on the best information available at the time. Regular review and evaluation of the financing and rate projections should be performed as accurate and more complete information becomes available. The rates should be reviewed annually to take into account the results of local project construction bids, actual O&M and capital facilities costs, actual financing received for the projects, and adjustment to the rates may be considered, as necessary.

The new sewer rates, as shown in Table 3 herein, are designed to produce revenues adequate to fund operations and maintenance, new capital improvement projects, debt service and an operating reserve over a ten-year period.

Based on the new sewer rates presented herein, a single-family customer would see their monthly sewer rate increase from the current \$5.45 to \$16.35 in the first year (a 200% increase), and increase to \$19.54 by the end of the ten-year period.

It is strongly suggested that in Year 5 (FY 2029-30), the City review their annual operation and maintenance costs, capital facilities costs and timing, demographics information, as well as the various modelling assumptions and update the sewer rates, if needed.

APPENDIX A

City of Salinas
Sewer Rate Study



SEWER RATE MODEL

City of Salinas - Sewer Rates/Max Bonding Capacity with minimum 125% coverage (31% PayGo with 69% Bonds)
Calendar Years 2025-2034

Study Year Number	Current Budget ¹	1	2	3	4	5	6	7	8	9	10	Totals Years 1-10
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	
Calendar Year												
Rate (\$ per EDU -Monthly)	\$ 5.45	\$ 16.35	\$ 16.68	\$ 17.01	\$ 17.35	\$ 17.70	\$ 18.05	\$ 18.41	\$ 18.78	\$ 19.16	\$ 19.54	
		200.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
EDUs	60,558	60,558	61,164	61,776	62,393	63,017	63,647	64,284	64,927	65,576	66,232	
Operations												
Operating Revenue												
City of Salinas Rate Revenue	\$ 3,960,518	\$ 11,881,554	\$ 12,240,377	\$ 12,610,037	\$ 12,990,860	\$ 13,383,184	\$ 13,787,356	\$ 14,203,734	\$ 14,632,687	\$ 15,074,594	\$ 15,529,847	
Investment Interest												
Net Income Carry Forward from Prior Year	0	0	0	0	0	0	0	0	0	0	0	
Inspection Fees												
Total Operating Revenue	\$ 3,960,518	\$ 11,881,554	\$ 12,240,377	\$ 12,610,037	\$ 12,990,860	\$ 13,383,184	\$ 13,787,356	\$ 14,203,734	\$ 14,632,687	\$ 15,074,594	\$ 15,529,847	\$ 136,334,229
Operational Expenses												
Salaries and Benefits	\$ 1,954,090	\$ 2,100,647	\$ 2,258,195	\$ 2,427,560	\$ 2,609,627	\$ 2,805,349	\$ 3,015,750	\$ 3,241,931	\$ 3,485,076	\$ 3,746,457	\$ 4,027,441	
Supplies and Materials	\$ 241,000	\$ 259,075	\$ 278,506	\$ 299,394	\$ 321,848	\$ 345,987	\$ 371,938	\$ 399,831	\$ 429,818	\$ 462,055	\$ 496,709	
Outside Services	\$ 388,000	\$ 417,100	\$ 448,383	\$ 482,011	\$ 518,162	\$ 557,024	\$ 598,801	\$ 643,711	\$ 691,989	\$ 743,889	\$ 799,680	
Other Charges	\$ 397,500	\$ 427,313	\$ 459,361	\$ 493,813	\$ 530,849	\$ 570,663	\$ 613,462	\$ 659,472	\$ 708,932	\$ 762,102	\$ 819,260	
NPDES Allocation	\$ 536,920	\$ 577,189	\$ 620,478	\$ 667,014	\$ 717,040	\$ 770,818	\$ 828,629	\$ 890,777	\$ 957,585	\$ 1,029,404	\$ 1,106,609	
Total Operational Expenses	\$ 3,517,510	\$ 3,781,323	\$ 4,064,922	\$ 4,369,792	\$ 4,697,526	\$ 5,049,841	\$ 5,428,579	\$ 5,835,722	\$ 6,273,401	\$ 6,743,906	\$ 7,249,699	\$ 53,494,711
Net Operating Income before Debt Service	\$ 443,008	\$ 8,100,231	\$ 8,175,455	\$ 8,240,245	\$ 8,293,334	\$ 8,333,343	\$ 8,358,777	\$ 8,368,012	\$ 8,359,286	\$ 8,330,688	\$ 8,280,148	\$ 82,839,518
Debt Service												
Current Debt Service	\$ 856,080	\$ 865,385	\$ 863,002	\$ 859,384	\$ 863,658	\$ 862,054	\$ 864,951	\$ 861,608	\$ 862,093	\$ 856,582	\$ 860,170	\$ 8,618,887
First Issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Second Issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,017,404	\$ 1,017,404	\$ 1,017,404	\$ 1,017,404	\$ -
Third Issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Debt Service	\$ 856,080	\$ 865,385	\$ 863,002	\$ 859,384	\$ 863,658	\$ 862,054	\$ 864,951	\$ 861,608	\$ 862,093	\$ 856,582	\$ 860,170	\$ 8,618,887
Debt Service Ratio (1.25 Minimum)	0.52	9.36	9.47	2.23	2.24	2.26	1.77	1.78	1.77	1.26	1.25	
Net Operating Income After Debt Service	\$ (413,072)	\$ 7,234,846	\$ 7,312,453	\$ 4,547,871	\$ 4,596,685	\$ 4,638,299	\$ 3,643,432	\$ 3,656,010	\$ 3,646,799	\$ 1,731,365	\$ 1,677,237	\$ 42,684,997
Transfer to Operating Reserve			\$ (2,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to Capital Replacement Program		\$ (7,234,846)	\$ (5,312,453)	\$ (4,547,871)	\$ (4,596,685)	\$ (4,638,299)	\$ (3,643,432)	\$ (3,656,010)	\$ (3,646,799)	\$ (1,731,365)	\$ (1,677,237)	\$ (40,684,997)
Net Year End Balance in Operating Account	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Fiscal Year	1	2	3	4	5	6	7	8	9	10
2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035
Carry Forward from Prior Year	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Interest Earnings on Fund Balance	\$ -	\$ -	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Less: Transfer Interest Earnings to Capital Fund	\$ -	\$ -	\$ -	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Less: Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year End Balance	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000

Fiscal Year	1	2	3	4	5	6	7	8	9	10	Totals	
2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035		
Carry Forward from Prior Year	0	\$ -	\$ 1,071,724	\$ 32,208,550	\$ 16,578,055	\$ 52,013	\$ 8,906,534	\$ 3,513,557	\$ 52,494	\$ 19,623,900	\$ 11,590,980	
Transfer In from Operating Account	0	\$ 7,234,846	\$ 5,312,453	\$ 4,547,871	\$ 4,596,685	\$ 4,638,299	\$ 3,643,432	\$ 3,656,010	\$ 3,646,799	\$ 1,731,365	\$ 1,677,237	\$ 40,684,997
Interest Earnings on Fund Balance	0	\$ -	\$ 21,434	\$ 644,171	\$ 331,561	\$ 1,040	\$ 178,131	\$ 70,271	\$ 1,050	\$ 392,478	\$ 231,820	\$ 1,871,956
Interest Earnings from Operating Reserve			\$ -	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 320,000
Bond Issuance		\$ -	\$ 39,192,760	\$ -	\$ -	\$ 14,075,196	\$ -	\$ -	\$ 26,179,504	\$ -	\$ -	\$ -
Less: Capital Outlay for Projects	\$ -	\$ 6,163,122	\$ 13,389,822	\$ 20,862,537	\$ 21,494,288	\$ 9,900,014	\$ 9,254,539	\$ 7,227,344	\$ 10,295,947	\$ 10,196,763	\$ 6,037,883	\$ 114,822,258
Year End Balance	\$ -	\$ 1,071,724	\$ 32,208,550	\$ 16,578,055	\$ 52,013	\$ 8,906,534	\$ 3,513,557	\$ 52,494	\$ 19,623,900	\$ 11,590,980	\$ 7,502,154	

Notes:

1. The current monthly rate per EDU of \$5.45 is insufficient to meet operating expenses and debt service requirements. A monthly rate of \$9.54 per EDU would be required to breakeven.

FIRST ISSUANCE			SECOND ISSUANCE			THIRD ISSUANCE		
AVERAGE COUPON	5.00%		AVERAGE COUPON	5.00%		AVERAGE COUPON	5.00%	
BOND TERM (YEARS)	30		BOND TERM (YEARS)	30		BOND TERM (YEARS)	30	
COST OF ISSUANCE (%)	3.50%		COST OF ISSUANCE (%)	3.50%		COST OF ISSUANCE (%)	3.50%	
BOND PREMIUM	0.00%		BOND PREMIUM	0.00%		BOND PREMIUM	0.00%	
RESERVE FUND	6.51%		RESERVE FUND	6.51%		RESERVE FUND	6.51%	
BOND AMOUNT	\$43,550,000		BOND AMOUNT	\$15,640,000		BOND AMOUNT	\$29,090,000	
Uniform Series Factor	0.065051		Uniform Series Factor	0.065051		Uniform Series Factor	0.065051	
ANNUAL PAYMENT	\$ 2,832,990		ANNUAL PAYMENT	\$ 1,017,404		ANNUAL PAYMENT	\$ 1,892,346	
BOND PROCEEDS	\$ 39,192,760		BOND PROCEEDS	\$ 14,075,196		BOND PROCEEDS	\$ 26,179,504	
ISSUANCE IN STUDY YEAR	2		ISSUANCE IN STUDY YEAR	5		ISSUANCE IN STUDY YEAR	8	

Assumptions:
O&M Inflation Factor = 7.5%
Annual Rate Escalation = 2%
Annual EDU Growth Rate = 1%
Minimum Debt Service Ratio = 1.25%
Rate Stabilization Fund not required

Criteria:
1. Minimal year end balance at 10th year
2. CIP funded through 31% rates and 69% bonds
3. Bonds Issued in Years 2,5 and 8
4. CIP based on costs and timeline provided by Wallace and adjusted by City
5. Transfer of \$2,000,000 to O&M reserve fund

CIP Allocation		
Total CIP	Bond Proceeds	PayGo
\$ 114,822,258	\$ 79,447,459	\$ 35,374,799
100.00%	69.19%	30.81%

APPENDIX B

City of Salinas
Sewer Rate Study



RATE MODEL ASSUMPTIONS

The rate model included in Appendix A herein was designed to allow for sufficient sewer rate revenues to pay for operations and maintenance, annual debt service requirements, capital improvements and replacement, as well as fund an operating reserve. The assumptions used in this model include the following:

- Key assumptions related to the rate model are listed below:
 - The number of customers, and the corresponding EDUs, is provided by M1W.
 - Positive net operating income after debt service (i.e., net operating income is rate revenue less O&M and debt service)
 - O&M and capital improvement projects and costs were provided by the City.
 - Fund \$2 million O&M reserve fund
 - Positive net operating income after debt service in any given year will be transferred to the Capital Replacement Fund
 - The beginning Capital Replacement Fund balance is \$0 (i.e., Capital Replacement Fund consists of net operating income deposited to fund plus interest earnings plus bond proceeds less costs for capital facilities)
 - Capital Replacement Fund expenditures over 10 years will be in accordance with the timeline provided by City
- Key assumptions related to inflation and rate escalation are listed below:
 - 7.5% Estimated Annual O&M Cost Inflation
 - 3.0% Estimated Annual Capital Facilities Cost Inflation
 - 2.0% Estimated Annual Rate Escalation
 - 2.0% Estimated Investment Return on Reserve Balances
 - 1.0% Annual Development Growth: The City and Wallace Group expects a modest increase in the number of EDUs over the next decade as the population grows.
- Key assumptions related to the bonds are listed below:
 - Bonds to be issued in Years 2, 5, and 8
 - Bond interest rate is equal to 5.00%
 - Construction proceeds equal to 90% of the bond issue amount
 - Bond Term of 30 years
 - Minimum 125% debt service coverage

Please note that all numbers used in this sewer rate study were either i) provided by the City or their consultants, ii) assumed and agreed upon with the City, or iii) calculated by DTA using data provided and/or agreed to by the City or their consultants.

APPENDIX C

City of Salinas
Sewer Rate Study



HIGH PRIORITY PROJECT COST TABLES

Table C-1

Sewer Collection System Repair, Rehabilitation and Replacement

Project Number	Project Name	Project Year Fiscal Year										
		0	1	2	3	4	5	6	7	8	9	10
		2024-2025	2025-2026	2026	2027	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035
1	Cesar Chavez Park	-	300,000	4,164,681	4,289,622	4,418,310	-	-	-	-	-	-
2	Upper Carr Lake Repairs	-	1,157,205	-	-	-	-	-	-	-	-	-
3	Upstream TP2 Diversion	-	-	-	66,837	-	-	-	-	-	-	-
4	Northridge Mall	-	300,000	2,453,872	-	-	-	-	-	-	-	-
5	West Market and Upstream of Lake Street	-	-	309,000	1,648,511	-	-	-	-	-	-	-
6	West Market and Van Buren Street Repair	-	-	-	-	-	-	-	-	365,887	-	-
7	West Market at Davis Overcrossing	-	-	-	-	-	-	-	-	-	-	-
8	Cherokee Drive	-	-	309,000	2,533,429	-	-	-	-	-	-	-
9	Malarin St and Wilgart Way Repairs	-	-	-	-	-	-	-	-	-	-	-
10	Romie Lane Repairs and Reconfig Analysis	-	-	-	-	-	-	-	119,405	-	-	134,392
11	King Street Repairs	-	-	-	-	-	225,102	717,591	-	-	-	-
12	Del Monte and Mae Repairs	-	-	-	-	-	-	-	-	-	654,866	674,512
13	Riker Street Repairs	-	-	-	-	-	-	-	-	-	-	15,052
14	West Market Street Repairs	-	-	-	-	-	-	-	-	-	863,929	889,847
15	Johanson Place Repairs	-	-	-	-	-	-	-	-	-	-	-
16	N Main St Hwy 101 Underpass Bunkder Repair	-	-	-	-	-	-	-	-	-	-	-
17	Donner Way	-	-	-	-	204,496	-	-	-	-	-	-
18	San Miguel Ave Repair	-	-	-	-	-	-	-	-	-	-	-
19	Noice Dr/ Tyler Street	-	-	-	-	-	-	-	358,216	5,485,237	-	-
20	Natividad Rd	-	-	-	-	-	-	-	-	-	-	-
	CIPs 21 thru 27	-	-	-	-	-	-	-	-	-	-	-
	CCTV Sewers	-	1,120,150	1,153,755	1,188,367	1,224,018	1,260,739	1,298,561	1,337,518	1,377,643	1,418,973	1,461,542
	CCTV Inspection Program	-	153,897	158,514	163,269	168,167	173,212	178,409	183,761	189,274	194,952	200,801
	CIPP Line Sewers	-	2,060,000	2,060,000	2,121,800	2,185,454	2,251,018	2,318,548	2,388,105	2,459,748	2,533,540	2,609,546
	Full Replacement Sewers	-	-	-	-	-	-	-	-	-	-	-
	Root Removal	-	41,200	41,200	42,436	43,709	45,020	46,371	47,762	49,195	50,671	52,191
	Sewer Manhole Replacement	-	-	-	-	-	-	-	-	-	-	-
	Sewer Manhole Lining	-	-	-	-	-	-	-	-	-	-	-
	total	0	5,132,452	10,650,022	12,054,271	8,244,155	3,955,091	4,559,479	4,434,766	9,926,985	5,716,931	6,037,883
	Cumulative \$	\$ -	\$ 5,132,452	\$ 15,782,474	\$ 27,836,745	\$ 36,080,900	\$ 40,035,991	\$ 44,595,471	\$ 49,030,237	\$ 58,957,222	\$ 64,674,152	\$ 70,712,035

Table C-2
Sewer Collection System Upsizing

Project Number	Project Name	Project Year Fiscal Year Project										
		0	1	2	3	4	5	6	7	8	9	10
		2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035
1	San Juan Grade		-	309,000	1,257,827	1,295,562	-	-	-	-	-	-
2	North Davis Road		-	257,500	2,548,268	2,624,716	2,703,458	-	-	-	-	-
3	West Laurel Drive		-	-	-	-	-	-	-	-	-	-
4	Victor Street		-	-	-	-	-	-	-	-	-	-
5	Freedom Parkway		-	-	-	237,122	-	-	-	-	-	-
6	Natividad Creek Park		250,000	1,967,300	-	-	-	-	-	-	-	-
7	East Alisal Street		-	-	265,225	1,695,912	-	-	-	-	-	-
8	Abbot Street		380,670	-	-	-	-	-	-	-	-	-
9	South Sanborn Road		-	-	-	-	-	-	-	368,962	4,479,832	-
Totals			\$ 630,670	\$ 2,533,800	\$ 4,071,320	\$ 5,853,312	\$ 2,703,458	\$ -	\$ -	\$ 368,962	\$ 4,479,832	\$ -
Cumulative		\$ -	\$ 630,670	\$ 3,164,470	\$ 7,235,790	\$ 13,089,103	\$ 15,792,560	\$ 15,792,560	\$ 15,792,560	\$ 16,161,523	\$ 20,641,355	\$ 20,641,355

Table C-3

Sewer Lift Stations

Project Number	Project Name	Project Year Fiscal Year								
		0	1	2	3	4	5	6	7	
		2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	
1	Ke Street Lift Station		400,000	-	4,524,765	4,660,508	-	-	-	
2	Anta Rita Lift Station		-	206,000	-	2,736,313	-	-	-	
3	Spicer Lift Station		-	-	212,180	-	3,241,465	-	-	
4	Mill Lake Lift Station		-	-	-	-	-	4,463,205	-	
5	Carpenter Hall Lift Station		-	-	-	-	-	231,855	1,430,923	
6	De Ls Torre Lift Station		-	-	-	-	-	-	24,315	
7	Vista Nueva Lift Station		-	-	-	-	-	-	-	
8	Harkins Road Lift Station		-	-	-	-	-	-	-	
9	Las Casitas Lift Station		-	-	-	-	-	-	-	
10	TP 2 Lift Station		-	-	-	-	-	-	-	
11	Airport Lift Station		-	-	-	-	-	-	1,337,339	
	total	\$ -	\$ 400,000	\$ 206,000	\$ 4,736,945	\$ 7,396,821	\$ 3,241,465	\$ 4,695,060	\$ 2,792,577	
	Cumulative	\$ -	\$ 400,000	\$ 606,000	\$ 5,342,945	\$ 12,739,766	\$ 15,981,231	\$ 20,676,291	\$ 23,468,869	

**Table C-4
Total Costs for High Priority Projects by Year**

Description	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
Sewer Collection	\$5,132,452	\$10,650,022	\$12,054,271	\$8,244,155	\$3,955,091	\$4,559,479	\$4,434,766	\$9,926,985	\$5,716,931	\$6,037,883
Sewer Upsizing	\$630,670	\$2,533,800	\$4,071,320	\$5,853,312	\$2,703,458	\$0	\$0	\$368,962	\$4,479,832	\$0
Lift Stations	\$400,000	\$206,000	\$4,736,945	\$7,396,821	\$3,241,465	\$4,695,060	\$2,792,577	\$0	\$0	\$0
Total	\$6,163,122	\$13,389,822	\$20,862,536	\$21,494,288	\$9,900,014	\$9,254,539	\$7,227,343	\$10,295,947	\$10,196,763	\$6,037,883
Cumulative	\$6,163,122	\$19,552,944	\$40,415,481	\$61,909,769	\$71,809,783	\$81,064,322	\$88,291,666	\$98,587,613	\$108,784,376	\$114,822,258

APPENDIX E

City of Salinas
Sewer Rate Study



EDU & RATE SUMMARY

City Code	Description	Billing Units	Flow per Unit	EDU per Billing Unit	EDUs	FY 2025-26	
							Rate per Month
001	Business/Government (1-10 employees)	2,217	146	0.77	1,713	\$	12.63
002	Business/Government (11-20 employees)	163	292	1.54	252	\$	25.26
003	Business/Government (21-30 employees)	61	438	2.32	141	\$	37.89
004	Business/Government (31-40 employees)	23	584	3.09	71	\$	50.52
005	Business/Government (41-50 employees)	16	730	3.86	62	\$	63.15
006	Business/Government (51-60 employees)	20	876	4.63	93	\$	75.78
007	Business/Government (61-70 employees)	9	1,022	5.41	49	\$	88.41
008	Business/Government (71-80 employees)	7	1,168	6.18	43	\$	101.04
009	Business/Government (81-90 employees)	6	1,314	6.95	42	\$	113.67
010	Business/Government (91-100 employees)	6	1,460	7.72	46	\$	126.30
011	Business/Government (101-110 employees)	1	1,606	8.50	8	\$	138.93
012	Business/Government (111-120 employees)	1	1,752	9.27	9	\$	151.56
013	Business/Government (121-130 employees)	3	1,898	10.04	30	\$	164.19
014	Business/Government (131-140 employees)	2	2,044	10.81	22	\$	176.82
015	Business/Government (141-150 employees)	1	2,190	11.59	12	\$	189.45
016	Business/Government (151-160 employees)	2	2,336	12.36	25	\$	202.08
018	Business/Government (171-180 employees)	1	2,628	13.90	14	\$	227.34
019	Business/Government (181-190 employees)	1	2,774	14.68	15	\$	239.97
020	Business/Government (191-200 employees)	1		-	-	\$	-
022	Business/Government (210-220 employees)	1	3,212	16.99	17	\$	277.86
030	Business/Government (291-300 employees)	2	4,380	23.17	46	\$	378.90
045	Business/Government (441-450 employees)	3	6,424	33.99	102	\$	555.73
053	Business/Government (521-530 employees)	1	7,738	40.94	41	\$	669.40
093	Business/Government (931-939 employees)	1	14,454	76.48	76	\$	1,250.39
101	Residence - vacant	6				\$	-
102	Residence	23,311	189	1.00	23,311	\$	16.35
105	Multi Residence - Apts	17,630	189	1.00	17,630	\$	16.35
106	Multi Residence - Vacant Apts	1		-	-	\$	-
107	Condominium	2,438	189	1.00	2,438	\$	16.35
109	Retirement Complex	136	189	1.00	136	\$	16.35
211	Minimum/ Business Vacant	394		-	-	\$	-
221	Hotel/Motel	1,896	82	0.43	823	\$	7.09
231	Supermarket	34	797	4.22	143	\$	68.95
241	Medical	323	195	1.03	333	\$	16.87
242	Dental	114	269	1.42	162	\$	23.27
243	Rest Home/ Convalescent	950	54	0.29	271	\$	4.67
244	Surgery Center/ General Hospital	11	320	1.69	19	\$	27.68
245	Animal Hospital	6	365	1.93	12	\$	31.58
261	Restaurant - 1 Meal	389	7	0.04	14	\$	0.61
262	Restaurant - 2 Meals.	4,422	11	0.06	257	\$	0.95
263	Restaurant - 3 Meals.	1,761	21	0.11	196	\$	1.82
264	Restaurant w/ Bar	737	21	0.11	82	\$	1.82
265	Bar	3,372	317	1.68	5,656	\$	27.42
266	Night Club	2	950	5.03	10	\$	82.18
267	Take-Out Small	180	354	1.87	337	\$	30.62
268	Take-Out Medium	39	871	4.61	180	\$	75.35
269	Take-Out Large	20	1,588	8.40	168	\$	137.37
270	Bakery	54	287	1.52	82	\$	24.83
281	Theater	4	471	2.49	10	\$	40.75
282	Bowling Center	2	1,433	7.58	15	\$	123.97
283	Gym - 500 Members	8	189	1.00	8	\$	16.35
285	Gym - 1500 Members	1	567	3.00	3	\$	49.05
286	Gym - 2000 Members	1	756	4.00	4	\$	65.40
291	School - Minimum	25		-	-	\$	-
292	School - Pre Grade 6	22,272	2	0.01	236	\$	0.17
293	School - Grade 7 -College	18,493	4	0.02	391	\$	0.35
294	School - Boarding	2,688	40	0.21	569	\$	3.46
295	Instructional Facility	7	189	1.00	7	\$	16.35
296	Church - Small	51	189	1.00	51	\$	16.35
297	Church - Large	30	378	2.00	60	\$	32.70
301	Photo Developer	11	189	1.00	11	\$	16.35
311	Laboratory - 10 employees	21	189	1.00	21	\$	16.35
331	Garage Repair	134	140	0.74	99	\$	12.11
332	Garage 11-20 employees	3	280	1.48	4	\$	24.22
341	Paint Shop - 10 employees	61	189	1.00	61	\$	16.35
342	Paint Shop - 20 employees	5	378	2.00	10	\$	32.70
351	Industrial Laundry	2	76,885	406.80	814	\$	6,651.16
352	Commercial Laundry	1	1,845	9.76	10	\$	159.61
353	Dry Cleaner	5	483	2.56	13	\$	41.78
354	Laundromat	1,162	127	0.67	781	\$	10.99
366	Car Wash	17	2,424	12.83	218	\$	209.70
367	Truck/ Bus Wash	4	1,538	8.14	33	\$	133.05
401	Special User	23	9,611	50.85	1,170	\$	831.43
403	Chemical Pesticides	1	2,768	14.65	15	\$	239.45
405	Water Softener	1	18,299	96.82	97	\$	1,583.01
406	Food Processor	6	9,611	50.85	305	\$	831.43
407	Rec/Sports Facility	4	2,307	12.21	49	\$	199.57
408	Inedible Renderer	1	49,206	260.35	260	\$	4,256.71
410	Groundwater Discharger	2	4,357	23.05	46	\$	376.92
	Totals	105,821			60,558		



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