

A presentation to...

Pajaro County Sanitation District Board of Directors

Proposed Sewer Rate Increases

January 23, 2024



Presentation Overview

- Background
- Rate Study results
- Path Forward
- Questions/comments

Background

- PCSD is a County-owned wastewater collection system in North County
- Collects wastewater from Pajaro and surrounding communities, and conveys to City of Watsonville wastewater treatment plant
- PCSD charges based on plant capital improvement costs and wastewater flow and strength
- Rates have not been adjusted since 2007
- Current service rates insufficient to cover costs

Committee Process

- During an August 29, 2023, meeting, the PCSD Board of Directors...
 - Approved postponing rate increases until FY 2024-25
 - Tentatively approved, an average residential sewer rate increase to \$60/month, pending the results of rate studies
 - A \$60/month rate is consistent with sewer service in surrounding communities

Local Residential Sewer Rates*

| | |
|------------------|-------|
| ● Boronda CSD | \$100 |
| ● Chualar | \$67 |
| ● Salsipudes CSD | \$64 |
| ● Freedom CSD | \$68 |
| ● Watsonville | \$50 |
| ● PCSD Currently | \$30 |

* Average monthly residential rates

Rate Study Results

- Summary of Alternative Rate Increase Scenarios

| Fiscal Year | Scenario 1 - \$60 Base | | Scenario 2 - \$10 Increments | | Scenario 3 - No Subsidy | |
|-------------|------------------------|----------------|------------------------------|----------------|-------------------------|----------------|
| | SFR Rate | County Contrib | SFR Rate | County Contrib | SFR Rate | County Contrib |
| FY 24-25 | \$60.00 | \$1,484,000 | \$60.00 | \$1,484,000 | \$129.46 | \$0 |
| FY 25-26 | \$61.16 | \$1,949,964 | \$70.00 | \$1,355,700 | \$131.05 | \$0 |
| FY 26-27 | \$63.69 | \$1,341,457 | \$80.00 | \$1,026,500 | \$125.58 | \$0 |
| FY 27-28 | \$66.32 | \$1,360,489 | \$90.00 | \$868,700 | \$128.03 | \$0 |
| FY 28-29 | \$70.25 | \$1,728,556 | \$100.00 | \$1,108,500 | \$149.35 | \$0 |

SFR = Single Family Residential

Assumes General Fund Loans totaling \$1,941,661 are forgiven (\$1,874,264 associated with response to 2017 winter storm, and \$67,397 for Las Lomas Lift Station repairs)

Rate Study Results – Scenario 1

Projected Financial Statement - Scenario 1
Pajaro County Sanitation District

| Account | Description | Budget | | | | | Projected | | | | | |
|---------|---|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 |
| | Proposed Rate Increase (July 1) | | 144.4% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| | Number of EDUs [1] | 1,761.04 | 1,761.04 | 1,793.04 | 1,825.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 |
| | Projected Average Charge Per EDU | \$25.08 | \$61.31 | \$63.76 | \$66.31 | \$68.96 | \$71.72 | \$74.59 | \$77.57 | \$80.67 | \$83.90 | \$87.26 |
| | Current and Projected (Prop 218) SFR Charge | \$25.08 | \$60.00 | \$61.16 | \$63.69 | \$66.32 | \$70.25 | \$73.06 | \$75.98 | \$79.02 | \$82.18 | \$85.47 |
| | Revenue | | | | | | | | | | | |
| 4010 | Property Tax - Current Secured | \$268,810 | \$276,874 | \$290,363 | \$304,411 | \$319,041 | \$328,612 | \$328,612 | \$328,612 | \$328,612 | \$328,612 | \$328,612 |
| 4015 | Property Tax - Current Unsecured | 12,052 | 12,293 | 12,539 | 12,790 | 13,046 | 13,307 | 13,573 | 13,844 | 14,121 | 14,403 | 14,691 |
| 4025 | Property Tax - Prior Secured | 2,653 | 2,733 | 2,866 | 3,004 | 3,149 | 3,243 | 3,243 | 3,243 | 3,243 | 3,243 | 3,243 |
| 4035 | Property Tax - Current Supplemental | 4,141 | 4,141 | 4,224 | 4,308 | 4,394 | 4,482 | 4,572 | 4,663 | 4,756 | 4,851 | 4,948 |
| 4040 | Property Tax - Prior Supplemental | 350 | 350 | 357 | 364 | 371 | 378 | 386 | 394 | 402 | 410 | 418 |
| 4250 | Road Privileges and Permits | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| 4600 | Investment Income | - | 251 | 4,280 | 6,711 | 6,940 | 7,314 | 7,584 | 7,869 | 8,171 | 8,490 | 8,828 |
| 5020 | State Disaster Relief | - | - | - | - | - | - | - | - | - | - | - |
| 5030 | Homeowners Property Tax Relief | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 |
| 5290 | Federal Aid Other | 1,160,163 | - | - | - | - | - | - | - | - | - | - |
| 5680 | Sanitation Services | 530,000 | 1,295,546 | 1,371,851 | 1,452,187 | 1,536,756 | 1,598,226 | 1,662,155 | 1,728,641 | 1,797,787 | 1,869,699 | 1,944,486 |
| 5855 | Other Reimbursements | 914,299 | - | - | - | - | - | - | - | - | - | - |
| 5940 | Operating Transfers In | 85,000 | 1,484,000 | 1,949,894 | 1,341,459 | 1,360,490 | 1,728,557 | 1,632,246 | 1,711,827 | 1,796,785 | 1,887,654 | 1,985,248 |
| | Connection Fee Revenue [2] | - | - | 20,460 | 21,120 | 23,760 | - | - | - | - | - | - |
| | Total Revenue | \$2,979,041 | \$3,077,761 | \$3,658,407 | \$3,147,927 | \$3,269,520 | \$3,685,692 | \$3,653,944 | \$3,800,666 | \$3,955,450 | \$4,118,935 | \$4,292,047 |
| | Expense | | | | | | | | | | | |
| 6231 | Communication Charges - External | \$1,927 | \$2,004 | \$2,084 | \$2,167 | \$2,254 | \$2,344 | \$2,438 | \$2,536 | \$2,637 | \$2,742 | \$2,852 |
| 6262 | Insurance - General Liability (Recoverable) | 321,450 | 334,308 | 347,680 | 361,587 | 376,050 | 391,092 | 406,736 | 423,005 | 439,925 | 457,522 | 475,823 |
| 6266 | Insurance - Property | 14,719 | 17,663 | 21,196 | 25,435 | 30,522 | 36,626 | 43,951 | 52,741 | 63,289 | 75,947 | 91,136 |
| 6311 | Buildings & Improvements Maintenance - External | 200,000 | 115,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| 6609 | Other Personnel Services | 130,647 | 137,179 | 144,038 | 151,240 | 158,802 | 166,742 | 175,079 | 183,833 | 193,025 | 202,676 | 212,810 |
| 6613 | Other Professional & Special Services | 1,010,000 | 400,000 | 416,000 | 432,640 | 449,946 | 467,944 | 486,662 | 506,128 | 526,373 | 547,428 | 569,325 |
| 6835 | Other Special Departmental Expenses | 7,500 | 7,500 | 7,800 | 8,112 | 8,436 | 8,773 | 9,124 | 9,489 | 9,869 | 10,264 | 10,675 |
| 6864 | Fleet Service Charge | 820 | 943 | 1,084 | 1,247 | 1,434 | 1,649 | 1,896 | 2,180 | 2,507 | 2,883 | 3,315 |
| 6881 | Utilities | | | | | | | | | | | |
| 6881 | Treatment O&M Expense | 1,181,192 | 916,668 | 962,501 | 1,010,627 | 1,061,158 | 1,114,216 | 1,169,927 | 1,228,423 | 1,289,844 | 1,354,336 | 1,422,053 |
| 6881 | Treatment Capital | 1,081,415 | 449,060 | 230,999 | 41,569 | 37,650 | 321,479 | 150,600 | 150,600 | 150,600 | 150,600 | 150,600 |
| 6881 | Utilities | 68,901 | 72,346 | 75,963 | 79,761 | 83,749 | 87,936 | 92,333 | 96,950 | 101,798 | 106,888 | 112,232 |
| 7551 | Construction In Progress | - | 575,000 | 598,000 | 621,920 | 646,797 | 672,669 | 699,576 | 727,559 | 756,661 | 786,927 | 818,404 |
| | Total Expense | \$4,018,571 | \$3,027,671 | \$2,882,345 | \$2,811,305 | \$2,931,798 | \$3,346,470 | \$3,313,322 | \$3,458,444 | \$3,611,528 | \$3,773,213 | \$3,944,225 |
| | Debt Service | | | | | | | | | | | |
| | Amortize Watsonville Capital Charge | \$0 | \$0 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 |
| | Net Funds Available | (\$1,039,530) | \$50,090 | \$463,140 | \$23,700 | \$24,800 | \$26,300 | \$27,700 | \$29,300 | \$31,000 | \$32,800 | \$34,900 |
| | Beginning Balance | 1,039,600 | 70 | 50,160 | 513,300 | 537,000 | 561,800 | 588,100 | 615,800 | 645,100 | 676,100 | 708,900 |
| | Ending Fund Balance | \$70 | \$50,160 | \$513,300 | \$537,000 | \$561,800 | \$588,100 | \$615,800 | \$645,100 | \$676,100 | \$708,900 | \$743,800 |
| | Reserve Targets | | | | | | | | | | | |
| | Operation and Maintenance Reserve (90 days) [3] | | \$500,900 | \$513,300 | \$537,000 | \$561,800 | \$588,100 | \$615,800 | \$645,100 | \$676,100 | \$708,900 | \$743,800 |

[1] From customer billing list. Includes adding Susan Street (62 units) and Gonda (34 units) residential projects beginning FY 2026-27 over 3 years.

[2] Assumes a connection fee of \$1,860 in FY 2026-27 increasing at 3.0% annually.

[3] Includes 90 days of annual O&M expenses. Excludes treatment capital and construction in progress.

Rate Study Results – Scenario 2

Projected Financial Statement - Scenario 2
Pajaro County Sanitation District

| Account | Description | Budget | | Projected | | | | | | | | |
|---------|---|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 |
| | Proposed Rate Increase (July 1) | | 144.0% | 19.0% | 14.1% | 12.4% | 9.1% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| | Number of EDUs [1] | 1,761.04 | 1,761.04 | 1,793.04 | 1,825.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 |
| | Projected Average Charge Per EDU | \$25.08 | \$61.20 | \$72.85 | \$83.15 | \$93.42 | \$101.92 | \$105.99 | \$110.23 | \$114.64 | \$119.23 | \$124.00 |
| | Current and Projected (Prop 218) SFR Charge | \$25.08 | \$60.00 | \$70.00 | \$80.00 | \$90.00 | \$100.00 | \$104.00 | \$108.16 | \$112.49 | \$116.99 | \$121.67 |
| | Revenue | | | | | | | | | | | |
| 4010 | Property Tax - Current Secured | \$268,810 | \$276,874 | \$290,363 | \$304,411 | \$319,041 | \$328,612 | \$328,612 | \$328,612 | \$328,612 | \$328,612 | \$328,612 |
| 4015 | Property Tax - Current Unsecured | 12,052 | 12,293 | 12,539 | 12,790 | 13,046 | 13,307 | 13,573 | 13,844 | 14,121 | 14,403 | 14,691 |
| 4025 | Property Tax - Prior Secured | 2,653 | 2,733 | 2,866 | 3,004 | 3,149 | 3,243 | 3,243 | 3,243 | 3,243 | 3,243 | 3,243 |
| 4035 | Property Tax - Current Supplemental | 4,141 | 4,141 | 4,224 | 4,308 | 4,394 | 4,482 | 4,572 | 4,663 | 4,756 | 4,851 | 4,948 |
| 4040 | Property Tax - Prior Supplemental | 350 | 350 | 357 | 364 | 371 | 378 | 386 | 394 | 402 | 410 | 418 |
| 4250 | Road Privileges and Permits | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| 4600 | Investment Income | - | 251 | 2,276 | 2,954 | 3,685 | 4,560 | 6,332 | 7,869 | 8,171 | 8,490 | 8,828 |
| 5020 | State Disaster Relief | - | - | - | - | - | - | - | - | - | - | - |
| 5030 | Homeowners Property Tax Relief | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 |
| 5290 | Federal Aid Other | 1,160,163 | - | - | - | - | - | - | - | - | - | - |
| 5680 | Sanitation Services | 530,000 | 1,293,246 | 1,567,399 | 1,820,993 | 2,081,891 | 2,271,127 | 2,361,972 | 2,456,451 | 2,554,709 | 2,656,897 | 2,763,173 |
| 5855 | Other Reimbursements | 914,299 | - | - | - | - | - | - | - | - | - | - |
| 5940 | Operating Transfers In | 85,000 | 1,486,300 | 1,355,700 | 1,026,500 | 868,700 | 1,108,500 | 1,184,061 | 984,017 | 1,039,863 | 1,100,456 | 1,166,561 |
| | Connection Fee Revenue [2] | - | - | 20,460 | 21,120 | 23,760 | - | - | - | - | - | - |
| | Total Revenue | \$2,979,041 | \$3,077,761 | \$3,257,757 | \$3,198,017 | \$3,319,610 | \$3,735,782 | \$3,904,324 | \$3,800,666 | \$3,955,450 | \$4,118,935 | \$4,292,047 |
| | Expense | | | | | | | | | | | |
| 6231 | Communication Charges - External | \$1,927 | \$2,004 | \$2,084 | \$2,167 | \$2,254 | \$2,344 | \$2,438 | \$2,536 | \$2,637 | \$2,742 | \$2,852 |
| 6262 | Insurance - General Liability (Recoverable) | 321,450 | 334,308 | 347,680 | 361,587 | 376,050 | 391,092 | 406,736 | 423,005 | 439,925 | 457,522 | 475,823 |
| 6266 | Insurance - Property | 14,719 | 17,663 | 21,196 | 25,435 | 30,522 | 36,626 | 43,951 | 52,741 | 63,289 | 75,947 | 91,136 |
| 6311 | Buildings & Improvements Maintenance - External | 200,000 | 115,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| 6609 | Other Personnel Services | 130,647 | 137,179 | 144,038 | 151,240 | 158,802 | 166,742 | 175,079 | 183,833 | 193,025 | 202,676 | 212,810 |
| 6613 | Other Professional & Special Services | 1,010,000 | 400,000 | 416,000 | 432,640 | 449,946 | 467,944 | 486,662 | 506,128 | 526,373 | 547,428 | 569,325 |
| 6835 | Other Special Departmental Expenses | 7,500 | 7,500 | 7,800 | 8,112 | 8,436 | 8,773 | 9,124 | 9,489 | 9,869 | 10,264 | 10,675 |
| 6864 | Fleet Service Charge | 820 | 943 | 1,084 | 1,247 | 1,434 | 1,649 | 1,896 | 2,180 | 2,507 | 2,883 | 3,315 |
| 6881 | Utilities | | | | | | | | | | | |
| 6881 | Treatment O&M Expense | 1,181,192 | 916,668 | 962,501 | 1,010,627 | 1,061,158 | 1,114,216 | 1,169,927 | 1,228,423 | 1,289,844 | 1,354,336 | 1,422,053 |
| 6881 | Treatment Capital | 1,081,415 | 449,060 | 230,999 | 41,569 | 37,650 | 321,479 | 150,600 | 150,600 | 150,600 | 150,600 | 150,600 |
| 6881 | Utilities | 68,901 | 72,346 | 75,963 | 79,761 | 83,749 | 87,936 | 92,333 | 96,950 | 101,798 | 106,888 | 112,232 |
| 7551 | Construction In Progress | - | 575,000 | 598,000 | 621,920 | 646,797 | 672,669 | 699,576 | 727,559 | 756,661 | 786,927 | 818,404 |
| | Total Expense | \$4,018,571 | \$3,027,671 | \$2,882,345 | \$2,811,305 | \$2,931,798 | \$3,346,470 | \$3,313,322 | \$3,458,444 | \$3,611,528 | \$3,773,213 | \$3,944,225 |
| | Debt Service | | | | | | | | | | | |
| | Amortize Watsonville Capital Charge | \$0 | \$0 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 |
| | Net Funds Available | (\$1,039,530) | \$50,090 | \$62,490 | \$73,790 | \$74,890 | \$76,390 | \$278,080 | \$29,300 | \$31,000 | \$32,800 | \$34,900 |
| | Beginning Balance | 1,039,600 | 70 | 50,160 | 112,650 | 186,440 | 261,330 | 337,720 | 615,800 | 645,100 | 676,100 | 708,900 |
| | Ending Fund Balance | \$70 | \$50,160 | \$112,650 | \$186,440 | \$261,330 | \$337,720 | \$615,800 | \$645,100 | \$676,100 | \$708,900 | \$743,800 |
| | Reserve Targets | | | | | | | | | | | |
| | Operation and Maintenance Reserve (90 days) [3] | | \$500,900 | \$513,300 | \$537,000 | \$561,800 | \$588,100 | \$615,800 | \$645,100 | \$676,100 | \$708,900 | \$743,800 |

[1] From customer billing list. Includes adding Susan Street (62 units) and Gonda (34 units) residential projects beginning FY 2026-27 over 3 years.

[2] Assumes a connection fee of \$1,860 in FY 2026-27 increasing at 3.0% annually.

[3] Includes 90 days of annual O&M expenses. Excludes treatment capital and construction in progress.



Rate Study Results – Scenario 3

Projected Financial Statement - Scenario 3
Pajaro County Sanitation District

| Account | Description | Budget | | | | | Projected | | | | | |
|---------|---|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 |
| | Proposed Rate Increase (July 1) | | 424.4% | 3.3% | -4.3% | 1.8% | 14.5% | -1.0% | 4.3% | 4.4% | 4.5% | 4.5% |
| | Number of EDUs [1] | 1,761.04 | 1,761.04 | 1,793.04 | 1,825.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 | 1,857.04 |
| | Projected Average Charge Per EDU | \$25.08 | \$131.53 | \$135.85 | \$130.02 | \$132.41 | \$151.66 | \$150.18 | \$156.71 | \$163.61 | \$170.89 | \$178.60 |
| | Current and Projected (Prop 218) SFR Charge | \$25.08 | \$129.46 | \$131.05 | \$125.58 | \$128.03 | \$149.35 | \$147.90 | \$154.33 | \$161.12 | \$168.29 | \$175.89 |
| | Revenue | | | | | | | | | | | |
| 4010 | Property Tax - Current Secured | \$268,810 | \$276,874 | \$290,363 | \$304,411 | \$319,041 | \$328,612 | \$328,612 | \$328,612 | \$328,612 | \$328,612 | \$328,612 |
| 4015 | Property Tax - Current Unsecured | 12,052 | 12,293 | 12,539 | 12,790 | 13,046 | 13,307 | 13,573 | 13,844 | 14,121 | 14,403 | 14,691 |
| 4025 | Property Tax - Prior Secured | 2,653 | 2,733 | 2,866 | 3,004 | 3,149 | 3,243 | 3,243 | 3,243 | 3,243 | 3,243 | 3,243 |
| 4035 | Property Tax - Current Supplemental | 4,141 | 4,141 | 4,224 | 4,308 | 4,394 | 4,482 | 4,572 | 4,663 | 4,756 | 4,851 | 4,948 |
| 4040 | Property Tax - Prior Supplemental | 350 | 350 | 357 | 364 | 371 | 378 | 386 | 394 | 402 | 410 | 418 |
| 4250 | Road Privileges and Permits | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| 4600 | Investment Income | - | 251 | 2,276 | 2,954 | 3,685 | 4,560 | 5,331 | 6,117 | 6,919 | 7,739 | 8,578 |
| 5030 | Homeowners Property Tax Relief | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 | 1,273 |
| 5290 | Federal Aid Other | 1,160,163 | - | - | - | - | - | - | - | - | - | - |
| 5680 | Sanitation Services | 530,000 | 2,779,546 | 2,923,099 | 2,847,493 | 2,950,591 | 3,379,627 | 3,346,744 | 3,492,310 | 3,645,914 | 3,808,194 | 3,980,074 |
| 5855 | Other Reimbursements | 914,299 | - | - | - | - | - | - | - | - | - | - |
| 5940 | Operating Transfers In | 85,000 | - | - | - | - | - | - | - | - | - | - |
| | Connection Fee Revenue [2] | | - | 20,460 | 21,120 | 23,760 | - | - | - | - | - | - |
| | Total Revenue | \$2,979,041 | \$3,077,761 | \$3,257,757 | \$3,198,017 | \$3,319,610 | \$3,735,782 | \$3,704,034 | \$3,850,756 | \$4,005,540 | \$4,169,025 | \$4,342,137 |
| | Expense | | | | | | | | | | | |
| 6231 | Communication Charges - External | \$1,927 | \$2,004 | \$2,084 | \$2,167 | \$2,254 | \$2,344 | \$2,438 | \$2,536 | \$2,637 | \$2,742 | \$2,852 |
| 6262 | Insurance - General Liability (Recoverable) | 321,450 | 334,308 | 347,680 | 361,587 | 376,050 | 391,092 | 406,736 | 423,005 | 439,925 | 457,522 | 475,823 |
| 6266 | Insurance - Property | 14,719 | 17,663 | 21,196 | 25,435 | 30,522 | 36,626 | 43,951 | 52,741 | 63,289 | 75,947 | 91,136 |
| 6311 | Buildings & Improvements Maintenance - External | 200,000 | 115,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| 6609 | Other Personnel Services | 130,647 | 137,179 | 144,038 | 151,240 | 158,802 | 166,742 | 175,079 | 183,833 | 193,025 | 202,676 | 212,810 |
| 6613 | Other Professional & Special Services | 1,010,000 | 400,000 | 416,000 | 432,640 | 449,946 | 467,944 | 486,662 | 506,128 | 526,373 | 547,428 | 569,325 |
| 6835 | Other Special Departmental Expenses | 7,500 | 7,500 | 7,800 | 8,112 | 8,436 | 8,773 | 9,124 | 9,489 | 9,869 | 10,264 | 10,675 |
| 6864 | Fleet Service Charge | 820 | 943 | 1,084 | 1,247 | 1,434 | 1,649 | 1,896 | 2,180 | 2,507 | 2,883 | 3,315 |
| 6881 | Utilities | | | | | | | | | | | |
| 6881 | Treatment O&M Expense | 1,181,192 | 916,668 | 962,501 | 1,010,627 | 1,061,158 | 1,114,216 | 1,169,927 | 1,228,423 | 1,289,844 | 1,354,336 | 1,422,053 |
| 6881 | Treatment Capital | 1,081,415 | 449,060 | 230,999 | 41,569 | 37,650 | 321,479 | 150,600 | 150,600 | 150,600 | 150,600 | 150,600 |
| 6881 | Utilities | 68,901 | 72,346 | 75,963 | 79,761 | 83,749 | 87,936 | 92,333 | 96,950 | 101,798 | 106,888 | 112,232 |
| 7551 | Construction In Progress | - | 575,000 | 598,000 | 621,920 | 646,797 | 672,669 | 699,576 | 727,559 | 756,661 | 786,927 | 818,404 |
| | Total Expense | \$4,018,571 | \$3,027,671 | \$2,882,345 | \$2,811,305 | \$2,931,798 | \$3,346,470 | \$3,313,322 | \$3,458,444 | \$3,611,528 | \$3,773,213 | \$3,944,225 |
| | Debt Service | | | | | | | | | | | |
| | Amortize Watsonville Capital Charge | \$0 | \$0 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 | \$312,922 |
| | Net Funds Available | (\$1,039,530) | \$50,090 | \$62,490 | \$73,790 | \$74,890 | \$76,390 | \$77,790 | \$79,390 | \$81,090 | \$82,890 | \$84,990 |
| | Beginning Balance | 1,039,600 | 70 | 50,160 | 112,650 | 186,440 | 261,330 | 337,720 | 415,510 | 494,900 | 575,990 | 658,880 |
| | Ending Fund Balance | \$70 | \$50,160 | \$112,650 | \$186,440 | \$261,330 | \$337,720 | \$415,510 | \$494,900 | \$575,990 | \$658,880 | \$743,870 |
| | Reserve Targets | | | | | | | | | | | |
| | Operation and Maintenance Reserve (90 days) [3] | | \$500,900 | \$513,300 | \$537,000 | \$561,800 | \$588,100 | \$615,800 | \$645,100 | \$676,100 | \$708,900 | \$743,800 |

[1] From customer billing list. Includes adding Susan Street (62 units) and Gonda (34 units) residential projects beginning FY 2026-27 over 3 years.

[2] Assumes a connection fee of \$1,860 in FY 2026-27 increasing at 3.0% annually.

[3] Includes 90 days of annual O&M expenses. Excludes treatment capital and construction in progress.

Subsidy by Scenario – Over 5 yrs

| <u>Scenario</u> | <u>Subsidy</u> | |
|-----------------|-----------------------|---------------------------|
| | <u>Loans Forgiven</u> | <u>Loans Not Forgiven</u> |
| 1 | \$7.86 million | \$5.92 million |
| 2 | \$5.84 million | \$3.9 million |
| 3 | \$0 | (\$1.94 million)* |

* Rates would increase by \$1.94 million over 5-year if loans are not forgiven

Path Forward

- PCSD BOD selects Rate Scenario 1/23/24
- Engr's Report posted to PCSD Website 2/7/24
- 3rd Community Meeting 3/19/24 & 3/21/24
- Board of Directors sets Public Hearing 4/23/24
- Public Hearing 6/12/24
- New rates become effective 7/1/24



Questions?