

# City of Watsonville

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Presentation of Revenue Requirements and Consideration of  
Proposed Rates for the Wastewater, Water, and Solid Waste  
Enterprise Utilities for FY 21/22 - 25/26

Presented by Public Works & Utilities

March 9, 2021

# Presentation Outline

- Discuss Key Revenue Drivers
- Review Wastewater Enterprise
- Review Water Enterprise
- Review Solid Waste Enterprise
- Estimated Bill Impacts
- Schedule & Next Steps

# The City of Watsonville Operates Three Utility Enterprises:

\$45 Million Annual Operation  
175 FTEs



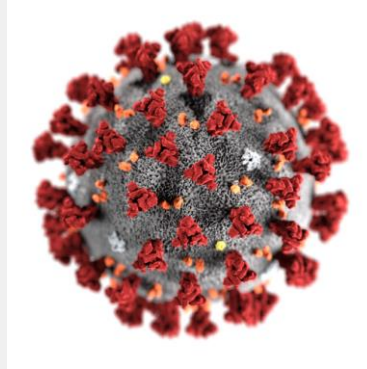
Sewer



Water



Solid Waste



# Utilities Enterprise suspended rate increase consideration in 2020 due to COVID-19

\$2M revenue loss in just the first year  
(original revenue need was 9.5% for sewer; 6% for solid waste; and 1% for water)





# Wastewater

# Enterprise



# Wastewater Enterprise:

- WWTP treats 5.5 million gallons per day and was built in 1961
- Approximately 154 mile sewer collection system
- Serves 65,000 residents of Watsonville and unincorporated Santa Cruz County
- Approximately 175-mile combined sanitary and stormdrain system
- Received sewage from three sanitation districts: Freedom, Pajaro, and Salsipuedes
- A recycled water facility produces 4,000 acre feet/year for AG use

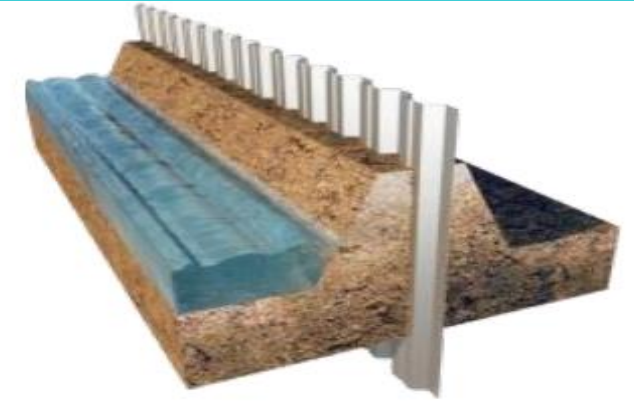
# Key Wastewater Revenue Drivers:

- **Commitment to**
  - › Replace critical infrastructure or rehabilitation of sewer assets
  - › Provide customers with dependable, safe, and cost-effective utility services
  - › Operate sewer system 24 hours a day/seven days per week
- **Rising Costs and Infrastructure Needs**
  - › “Once in a generation” major sewer infrastructure needs
- **Financial Stewardship**
  - › Operating reserve target: 25% of annual O&M
  - › Capital reserve target: 2% of replacement cost of fixed assets



# Wastewater Plant Electrical System: \$16M

Proposed Construction 2023-24



Levee Stabilization Project



Standby Generators in Energy Recovery Building



Main Switchgear Building and PG&E Transformer



# Main Switchgear Recommendations

- Most critical part of electrical system at end of service life; needs replacement
- Vulnerable to tsunami & 100-yr flood
- Building & equipment replacement



Obsolete Equipment



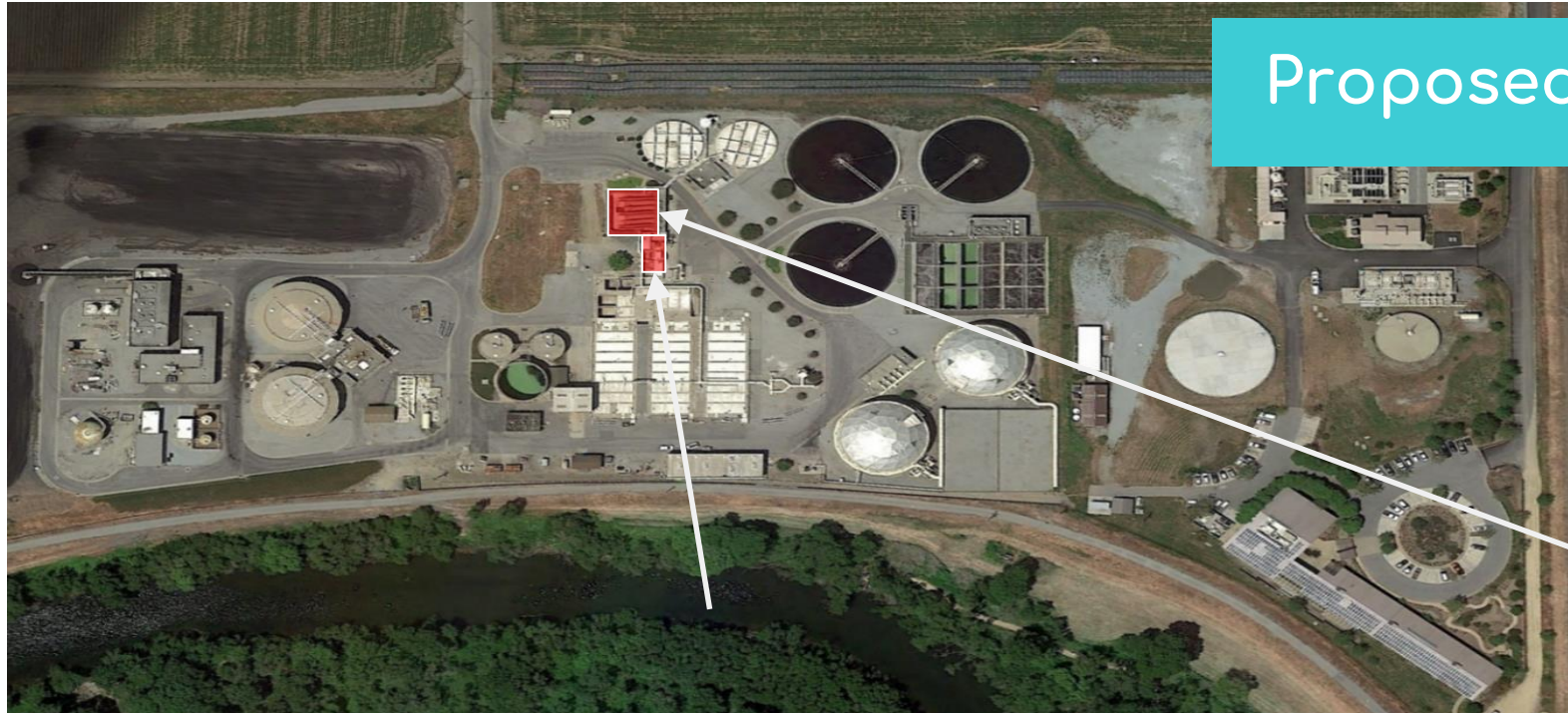
Excessive Heating (ATS)



Significant Corrosion  
(Transformer Busway)



# Headworks and Influent Pump Station \$15.5M



Proposed Construction 2027-28



Influent Pump Station



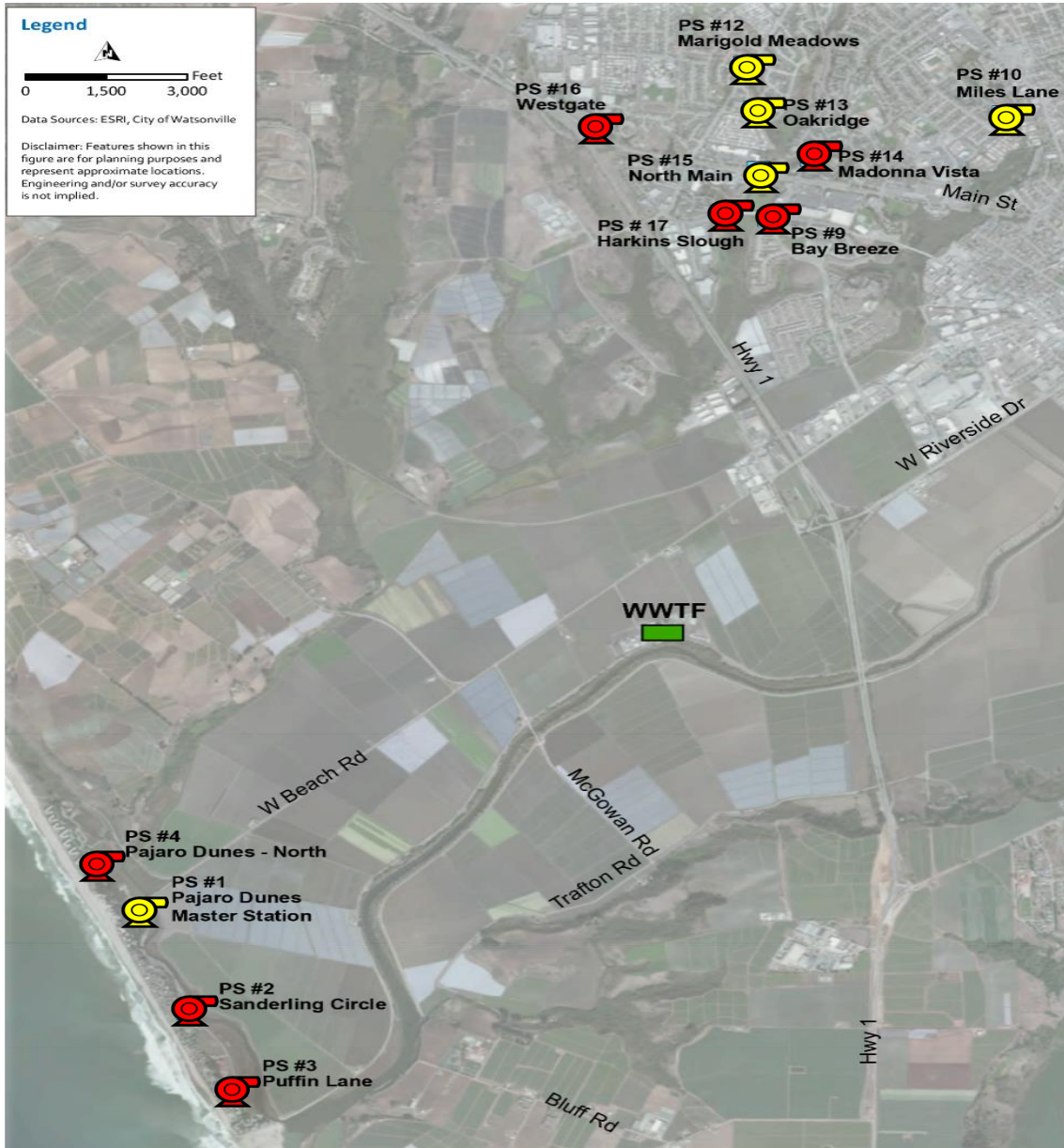
Headworks Screens and Electrical Building



Significant Concrete Damage



# Sewer Pump Station Projects: \$9M over 10 Years



**\$5.7M Replacement Recommended**  
(Wet Well, Pump, Electrical)

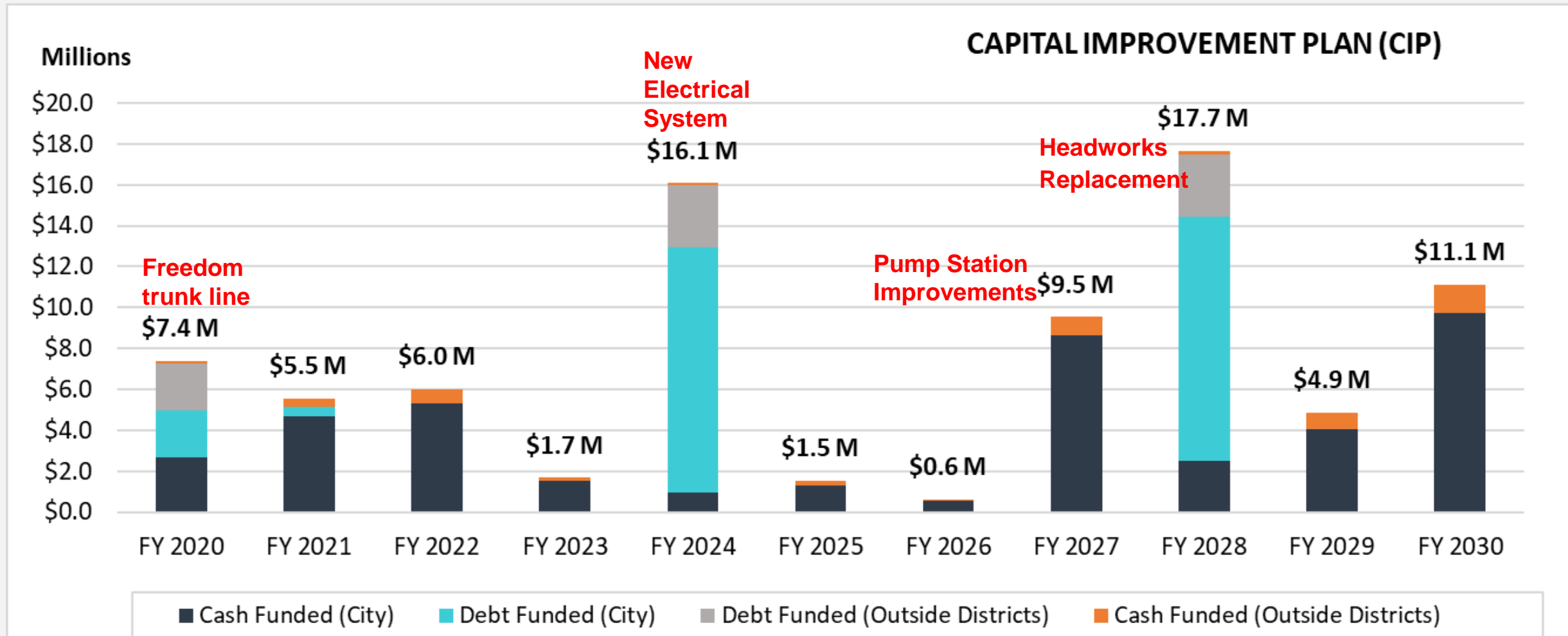


**\$3.4M Maintenance Recommended**  
(Pump and Generator Replacement, New Controls, Wet Well Lining)





# Wastewater Enterprise: 10-Year CIP



# Wastewater Enterprise: Proposed Revenue Adjustments

Fiscal Year	Effective Date	Proposed Revenue Adjustment
FY 2022	July 2021	7.5%
FY 2023	July 2022	7.5%
FY 2024	July 2023	7.5%
FY 2025	July 2024	7.5%
FY 2026	July 2025	7.5%

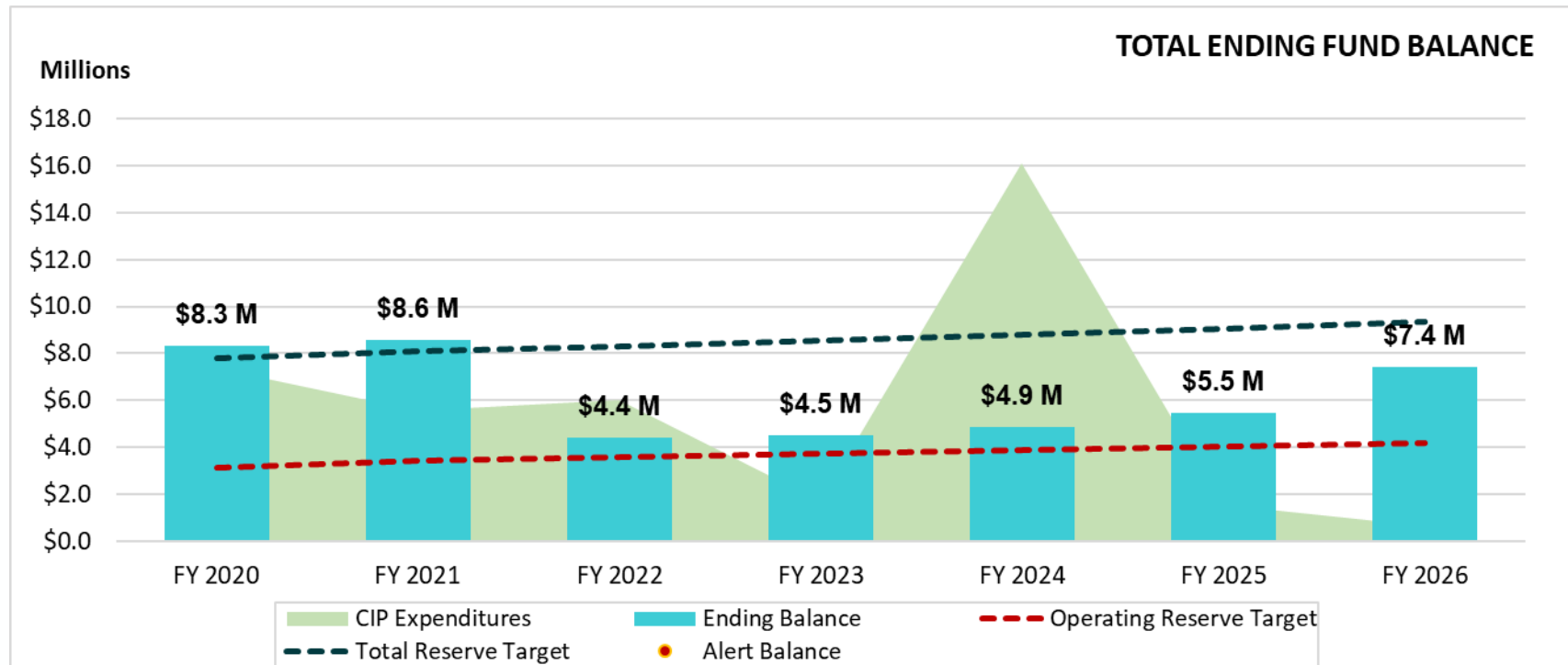
7.5% annual rate increase generates a cumulative \$13.5 million over the next 5 years

# Wastewater Enterprise: Outside District Agreements

- Raftelis reviewed agreements and statements of charges sent to the outside districts
- Current cost allocation to outside districts:
  - › Treatment O&M costs allocated based on share of treatment plant loadings
  - › Eligible CIP projects allocated based on share of treatment plant capacity



# Wastewater Enterprise: Proposed Financial Plan with 7.5% Annual Revenue Adjustments





WE FOCUS ON WATER  
24 HOURS A DAY, 7 DAYS A  
WEEK

# Water Enterprise

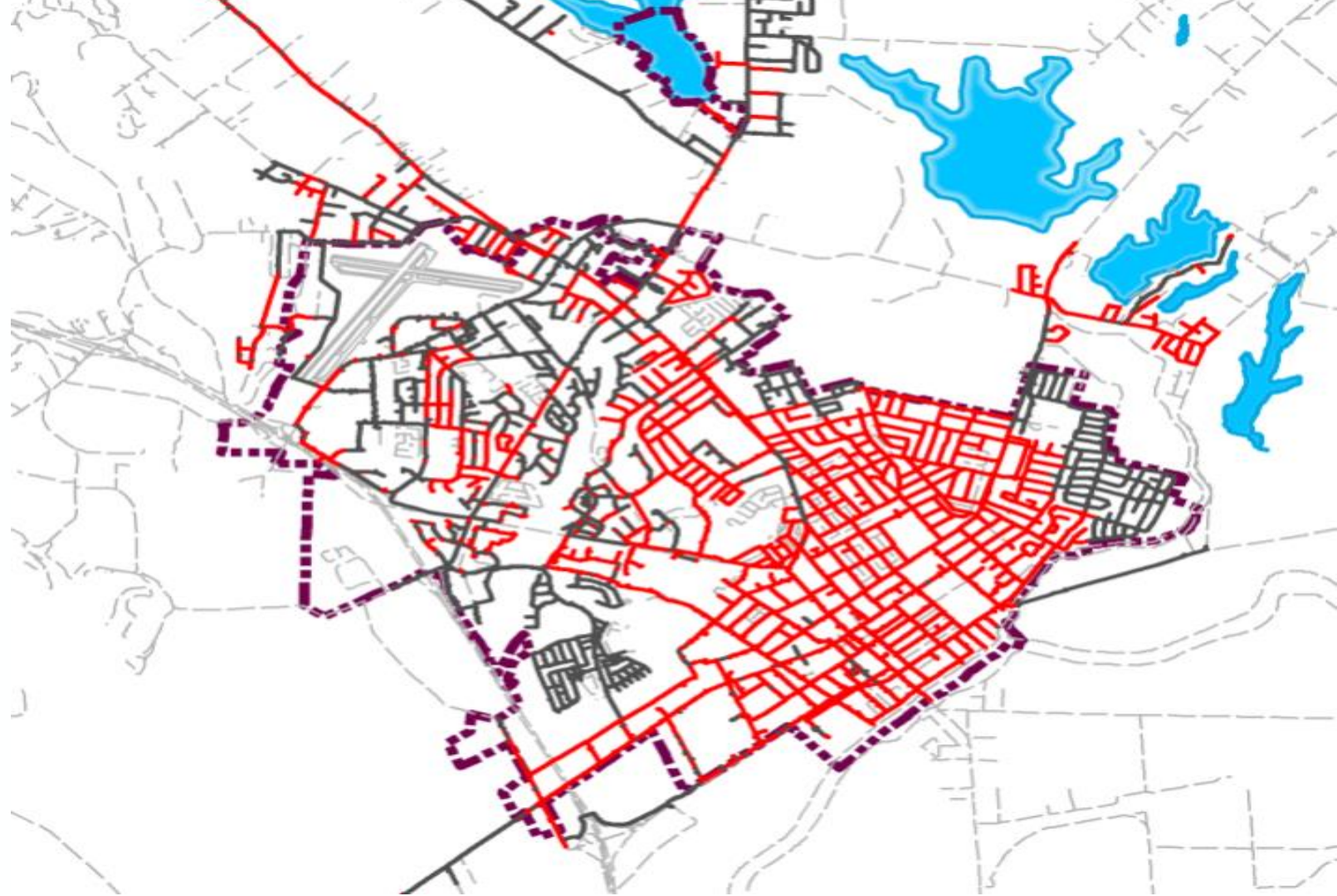
Manage water – by maintaining and protecting local resources  
Clean water – by treating it to make it safe to drink  
Test water – to ensure it meets quality standards  
Deliver water – by piping it directly to your home

All for UNDER a penny a gallon

# Key Water Revenue Drivers:

- Commitment to
  - › Replace critical infrastructure or rehabilitation of water and sewer assets
  - › Provide customers with dependable, safe, and cost-effective utility services
  - › Operate water and sewer system 24 hours a day/seven days per week
- › Rising Costs and Infrastructure Needs
  - New \$12M reservoir in 2022
  - Chromium 6 treatment-\$22M in 2026-27
  - Rebuilding Freedom Blvd Reservoir in 2028-30: \$40M
- › “Compliance”
- › Chromium VI new MCL (Maximum Contaminant Level) anticipated to go in effect end of year
- › Continued monitoring and reporting requirements for water quality, water infrastructure security, etc.





Over half of the City's water & sewer lines are over 50 years old



# Water Master Plan Projects

New Airport  
Reservoir: \$12M, in  
2022

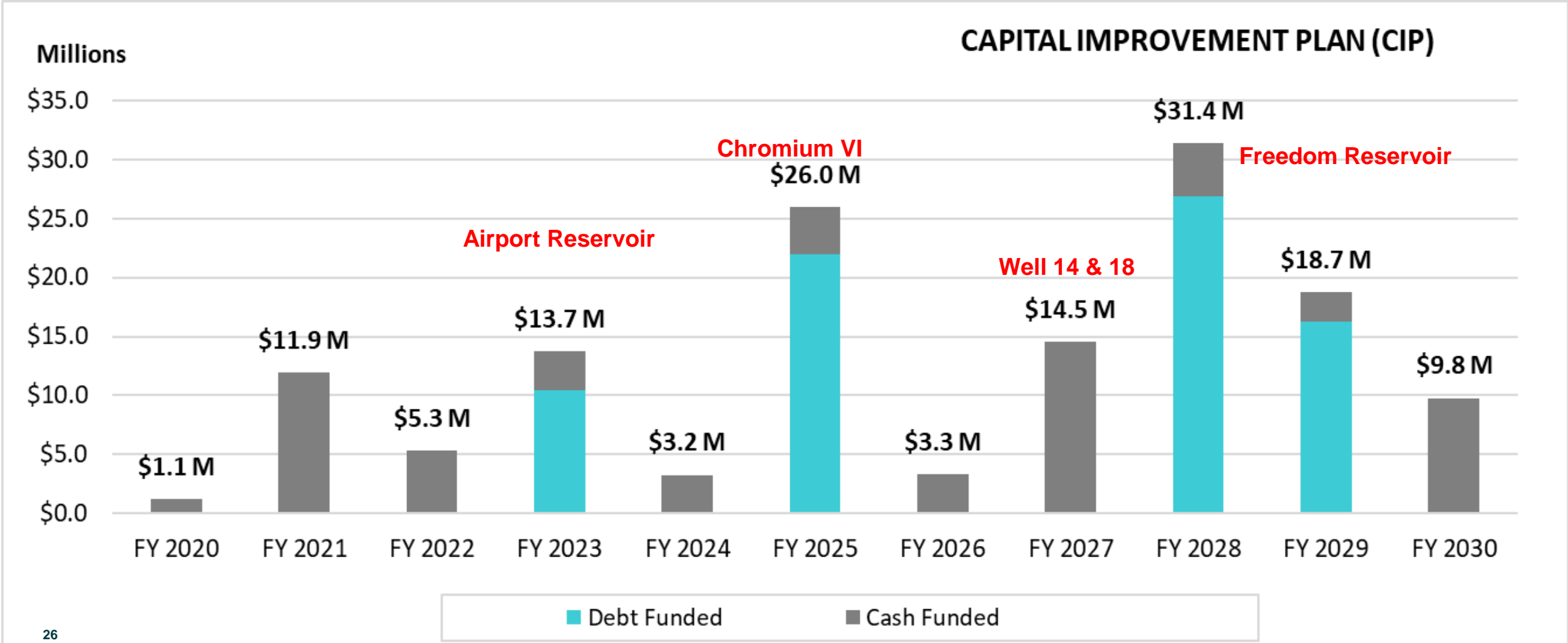
Chromium 6 Treatment: \$26M,  
2025-26

New Well: \$3M, in 2021

Replace Freedom  
Reservoirs, new  
Well 1, and Pump  
Station  
\$31M, 2027-29



# Water Enterprise: 10-Year CIP



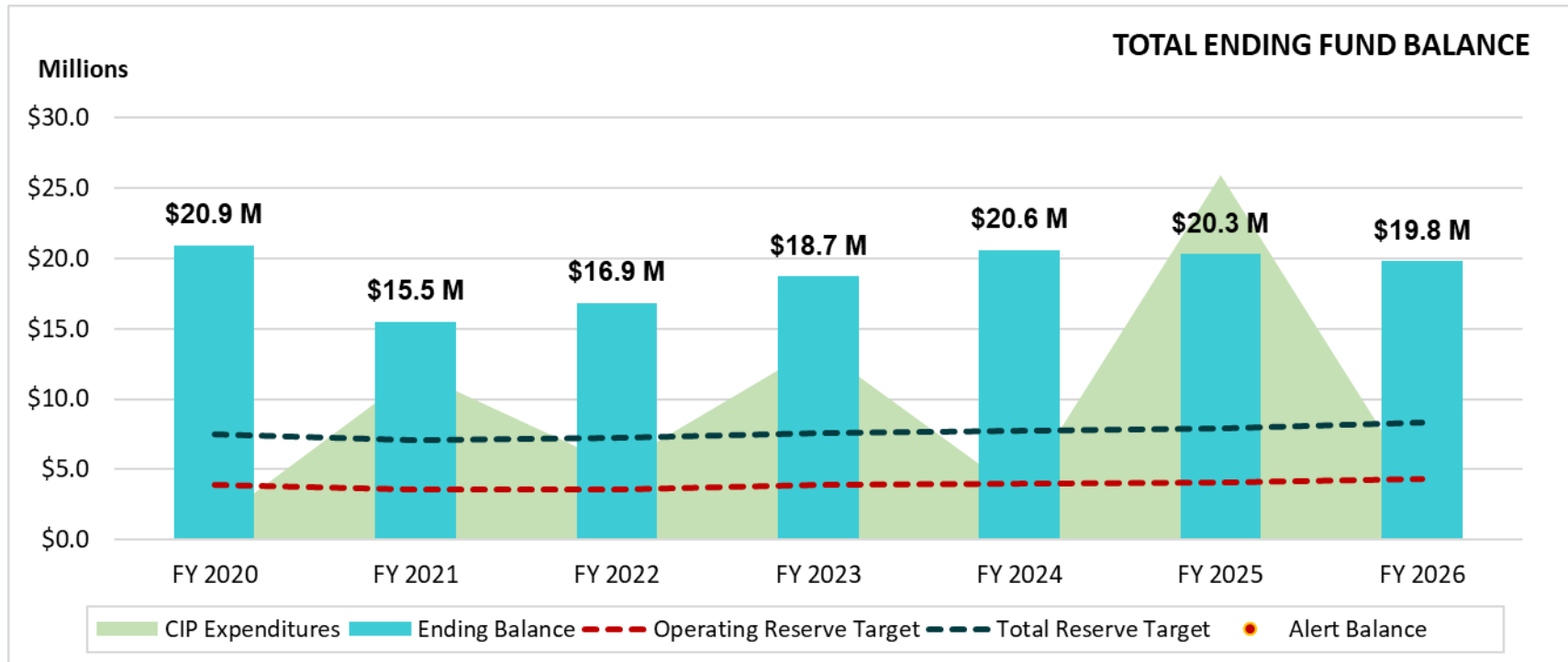


# Water Enterprise: Proposed Revenue Adjustments

Fiscal Year	Effective Date	Proposed Revenue Adjustment
FY 2022	July 2021	1.0%
FY 2023	July 2022	1.0%
FY 2024	July 2023	1.0%
FY 2025	July 2024	1.0%
FY 2026	July 2025	1.0%

1% annual rate increase generates a cumulative \$3 million over the next 5 years

# Proposed Water Financial Plan



# Annual Waterline Replacement CIP - \$2 million



# Water Cost of Service: Recommended Changes to Fixed Meter Charges

- Recommended changes to fixed charges:
  - › Remove additional unit charges for multi-family dwellings
  - › Differentiate fixed charges by meter size based on industry-standard AWWA capacity ratios
- Recommended changes to fixed charges:
  - › Same private fire charges for inside & outside city limits customers



# Solid Waste



# Enterprise

**ATTENTION**  
Parking citations will resume on March 1, 2021  
Atención  
Infracciones de estacionamiento comenzarán  
nuevamente el 1 de marzo del 2021





# Key Solid Waste Revenue Drivers:

- Commitment to
  - › Provide reliable collection of refuse, organic waste, and recyclables
- Rising Costs and Infrastructure Needs
  - › Limited markets for recyclables due to the implementation of China's "Sword Policy" enacted in January 2018 - Recyclables now treated as mixed waste and are an additional cost as opposed to a revenue stream (average \$300K/year expense to dispose 6,000 tons)
  - › Increased disposal and hauling costs to Monterey Regional –
    - almost \$1 million increase over 5-year contract
  - › Landfill closure estimated at \$3 million in FY 2023

# Key Solid Waste Revenue Drivers:

- Compliance

- › Short-Lived Climate Pollutants Reduction Act (SB 1383) minimizes the amount of organic material disposed in landfills
  - 75% reduction in landfilled organic waste by 2025 (2014 baseline)
  - 20% reduction in current edible food disposal by 2025
- › AB 1826 requires mandatory food waste (organics) recycling:  
\$400,000 \$900,000/year operational cost increase



# Food Scrap Recycling Supports Climate Action Plan



Organic to Energy Facility



Composting in windrows

## Projected Impact

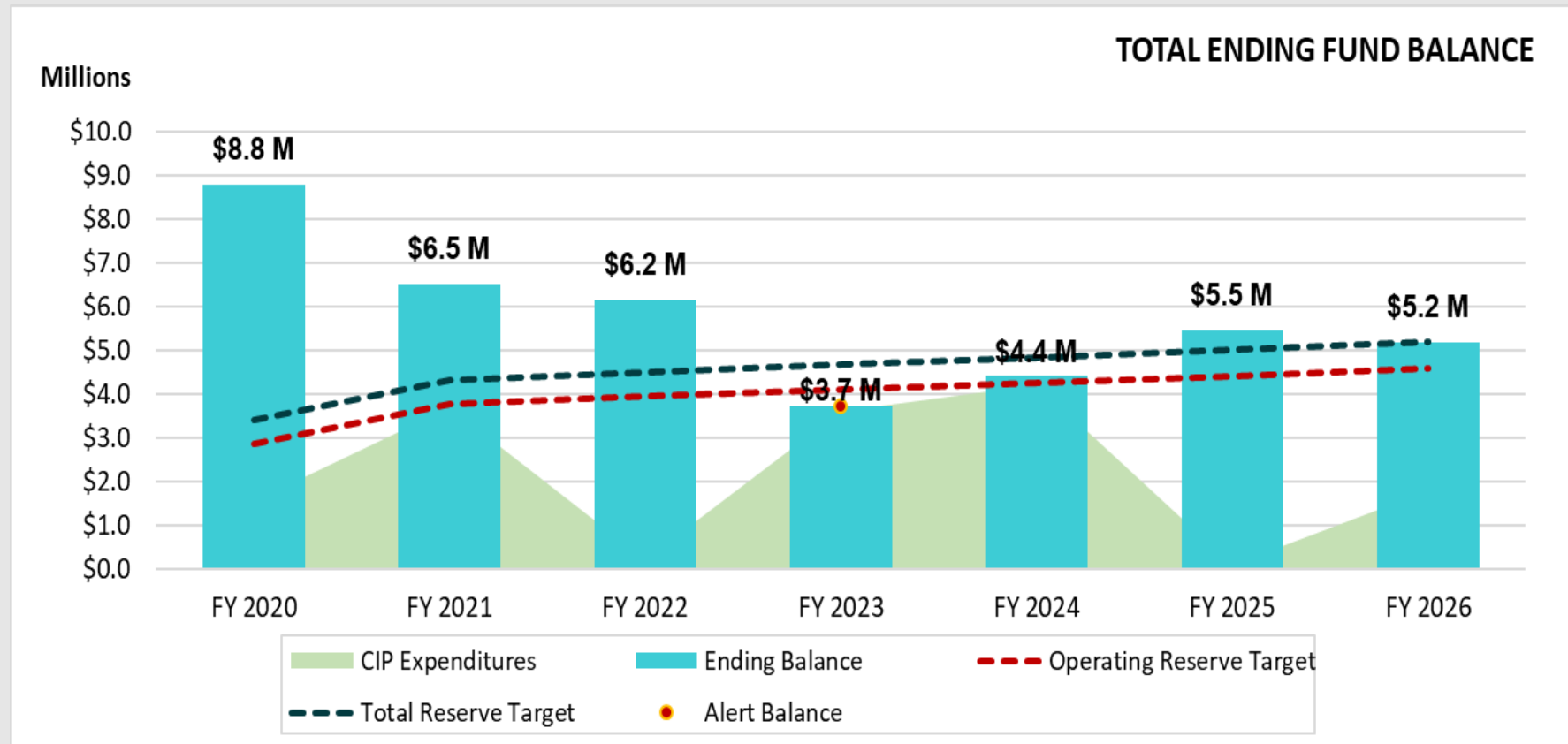
- 4,500 tons of food scraps recycled from all generators by 2025.
- Projected to reduce the equivalent to 18,900 tons of CO<sub>2</sub> and 66 tons of methane (CH<sub>4</sub>) emission.

# Solid Waste Enterprise: Proposed Revenue Adjustments

Fiscal Year	Effective Date	Proposed Revenue Adjustment
FY 2022	July 2021	7.5%
FY 2023	July 2022	7.5%
FY 2024	July 2023	7.5%
FY 2025	July 2024	5.0%
FY 2026	July 2025	5.0%

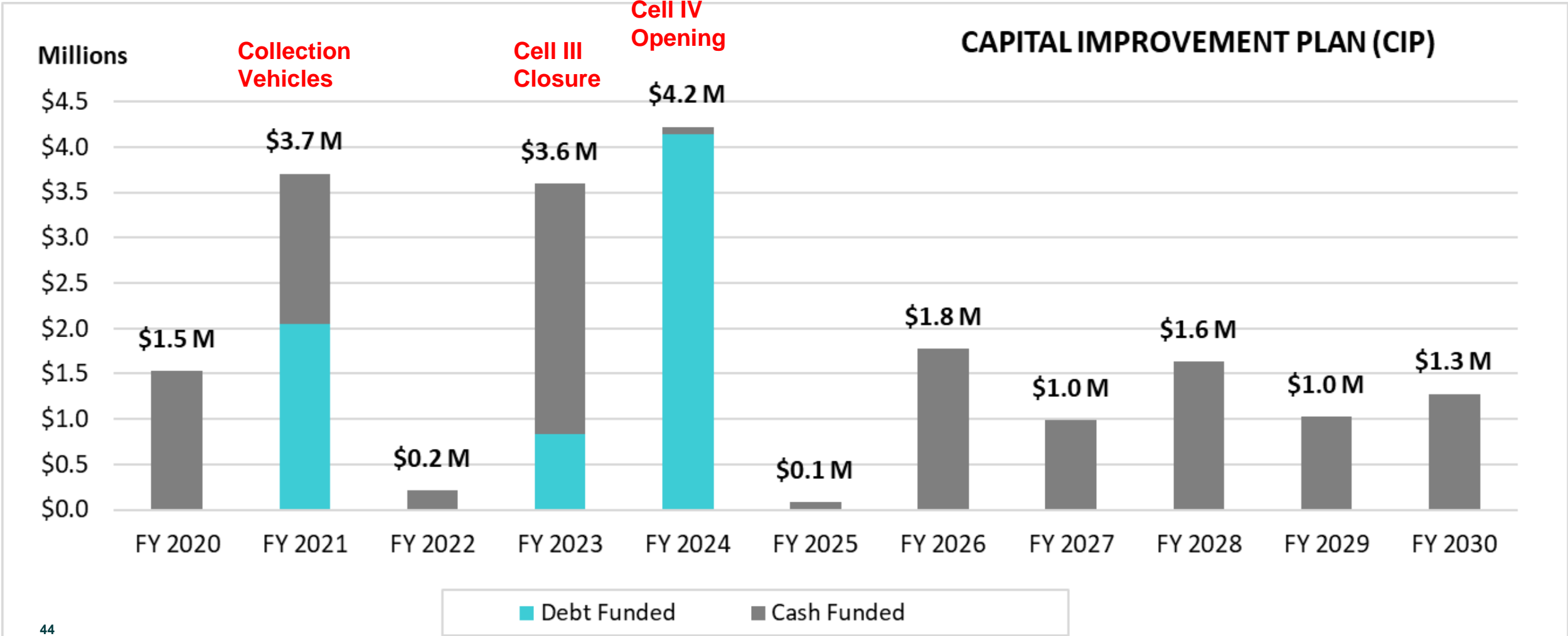
Annual rate increases generate a cumulative \$16.7 million over the next 5 years

# Proposed Solid Waste Financial Plan





# Solid Waste Enterprise: 10-Year CIP



# Solid Waste Cost of Service

- Same methodology from 2015 rate study:
  - › Two rate components:
    - 1) Collection rate (per pickup)
    - 2) Disposal rate (per gallon of solid waste)
  - › Preliminary rates for weekly cart service:

Weekly Pickup Service (\$/Month)	Weekly Pickups	Current FY 2020	Proposed FY 2022	Difference \$	Difference %
<b>Cart Service</b>					
32 gal	5,432	\$35.60	\$35.64	\$0.04	0.1%
68 gal	4,542	\$57.41	\$59.82	\$2.41	4.2%
95 gal	1,122	\$73.76	\$77.95	\$4.19	5.7%

# Bill Impacts





# Combined Monthly Bill Impacts: Low Impact Single-Family Residential Customer

- Low impact single-family customer (i.e. 1-2 person household):
  - › Water: 5/8" meter and median monthly water use (6 ccf)
  - › Wastewater: Fixed monthly charge
  - › Solid Waste: 32 gallon weekly cart service

Utility Service	Current Monthly Bill (FY 2020-21)	Proposed Monthly Bill (FY 2022)	Difference (\$)	Difference (%)
Water	\$57.27	\$52.46	(\$4.81)	-8.4%
Wastewater	\$42.84	\$46.06	\$3.22	7.5%
Solid Waste	\$35.60	\$35.64	\$0.04	0.1%
Total	\$135.71	\$134.16	(\$1.55)	-1.1%

# Combined Monthly Bill Impacts: Low Impact Single-Family Residential Customer

- Low impact single-family customer (i.e. 1-2 person household):
  - › Water: 5/8" meter and median monthly water use (6 ccf)
  - › Wastewater: Fixed monthly charge
  - › Solid Waste: 32 gallon weekly cart service

Utility Service	Current Monthly Bill (FY 2020)	Proposed Monthly Bill (FY 2022)	Proposed Monthly Bill (FY 2023)	Proposed Monthly Bill (FY 2024)	Proposed Monthly Bill (FY 2025)	Proposed Monthly Bill (FY 2026)
Water	\$57.27	\$52.46	\$52.99	\$53.52	\$54.05	\$54.59
Wastewater	\$42.84	\$46.06	\$49.51	\$53.22	\$57.22	\$61.51
Solid Waste	\$35.60	\$35.64	\$38.31	\$41.19	\$43.25	\$45.41
<b>Total</b>	<b>\$135.71</b>	<b>\$134.16</b>	<b>\$140.81</b>	<b>\$147.93</b>	<b>\$154.52</b>	<b>\$161.51</b>
Monthly bill increase		<b>(\$1.55)</b>	\$6.65	\$7.12	\$6.59	\$6.99

# Combined Monthly Bill Impacts: Typical Single-Family Residential Customer

- Typical single-family customer:
  - › Water: 5/8" meter and average monthly water use (8 ccf)
  - › Wastewater: Fixed monthly charge
  - › Solid Waste: 68 gallon weekly cart service

Utility Service	Current Monthly Bill (FY 2020-21)	Proposed Monthly Bill (FY 2022)	Difference (\$)	Difference (%)
Water	\$66.33	\$62.80	(\$3.53)	-5.3%
Wastewater	\$42.84	\$46.06	\$3.22	7.5%
Solid Waste	\$57.41	\$59.82	\$2.41	4.2%
Total	\$166.58	\$168.68	\$2.10	1.3%



# Combined Monthly Bill Impacts: Typical Single-Family Residential Customer

- Typical single-family customer:
  - › Water: 5/8" meter and average monthly water use (8 ccf)
  - › Wastewater: Fixed monthly charge
  - › Solid Waste: 68 gallon weekly cart service

Utility Service	Current Monthly Bill (FY 2020)	Proposed Monthly Bill (FY 2022)	Proposed Monthly Bill (FY 2023)	Proposed Monthly Bill (FY 2024)	Proposed Monthly Bill (FY 2025)	Proposed Monthly Bill (FY 2026)
Water	\$66.33	\$62.80	\$63.43	\$64.06	\$64.69	\$65.35
Wastewater	\$42.84	\$46.06	\$49.51	\$53.22	\$57.22	\$61.51
Solid Waste	\$57.41	\$59.82	\$64.30	\$69.13	\$72.58	\$76.21
<b>Total</b>	<b>\$166.58</b>	<b>\$168.68</b>	<b>\$177.24</b>	<b>\$186.41</b>	<b>\$194.49</b>	<b>\$203.07</b>
Monthly bill increase		\$2.10	\$8.56	\$9.17	\$8.08	\$8.58

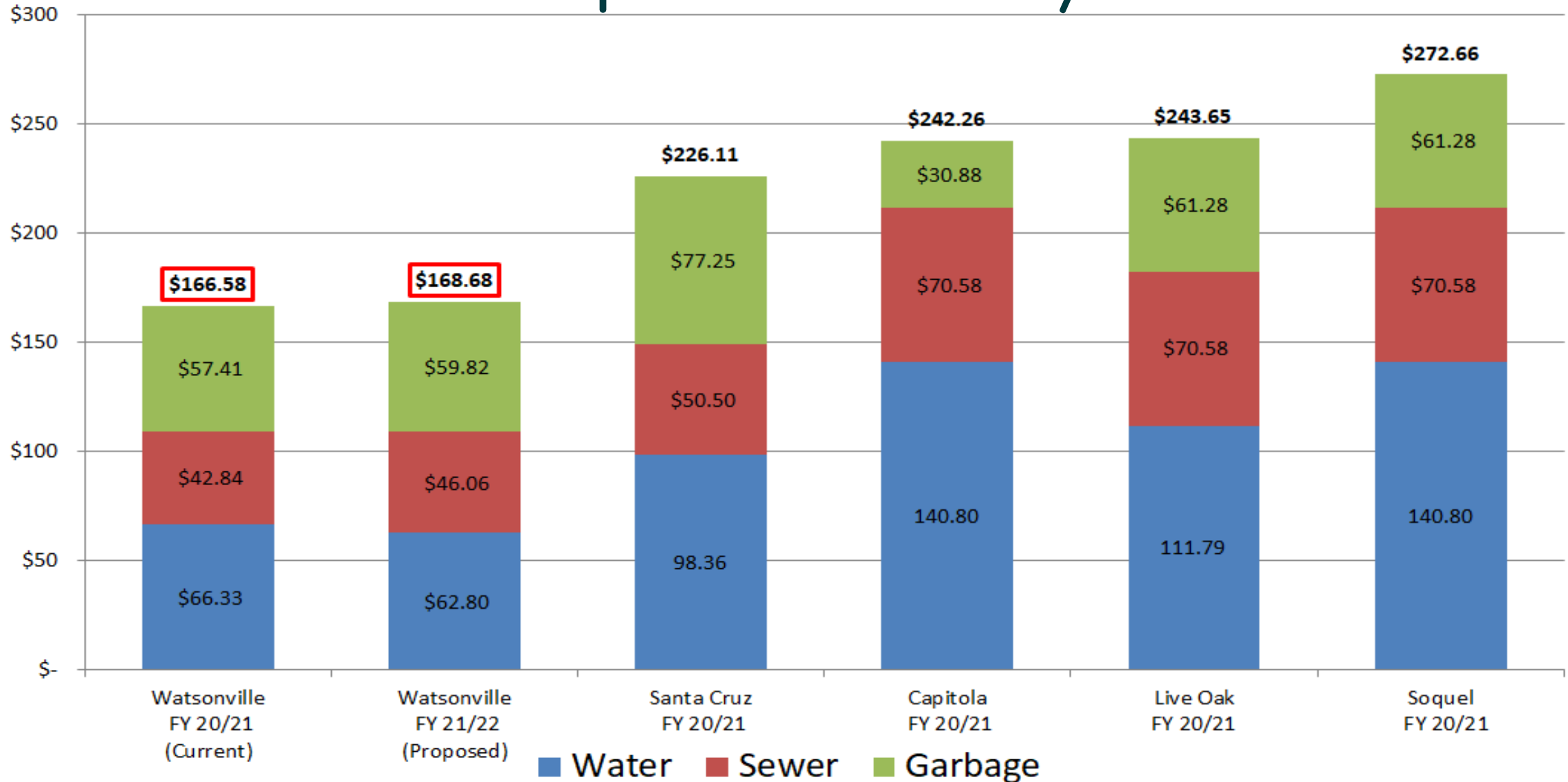
# Combined Commercial Monthly Bill

## Impacts: Medium Restaurant

- Water: 1.5" meter and 40 ccf monthly water use
- Wastewater: Commercial high strength customer
- Solid Waste: 2 cubic yard weekly container service

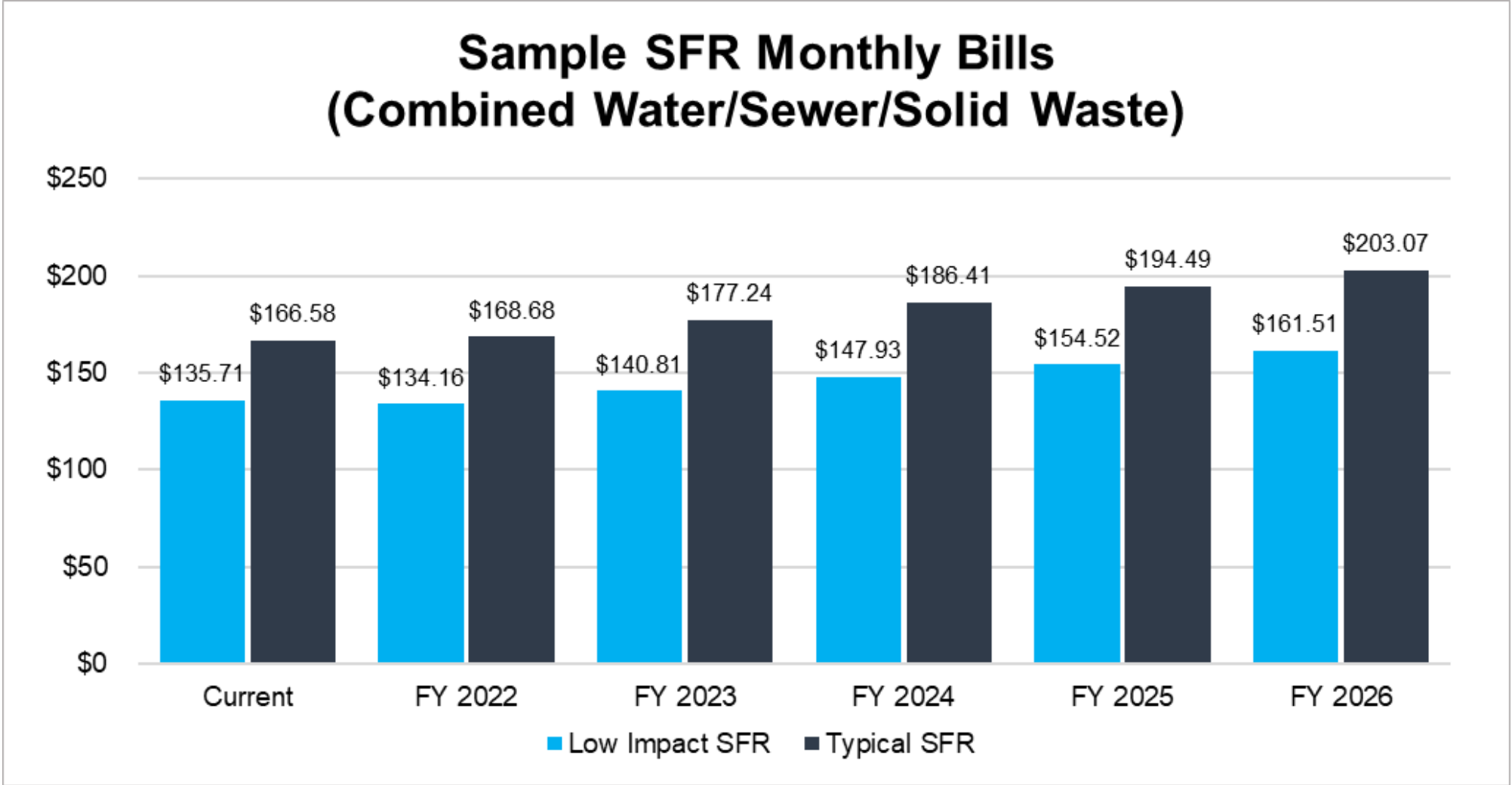
Utility Service	Current Monthly Bill (FY 2020-21)	Proposed Monthly Bill (FY 2022)	Difference (\$)
Water	\$274.20	\$293.17	\$18.97
Wastewater	\$183.13	\$238.53	\$55.40
Solid Waste	\$260.91	\$285.42	\$24.51
Total	\$718.24	\$817.12	\$98.88

# Typical Single-Family Residential Monthly Bill Comparison: first year





# Total Bill: Low-Impact User versus Typical User, Single-Family Bill Comparison



# Next Steps

