
M1W PROPOSED MONTHLY RATE INCREASE: July 2021 – June 2026

FREQUENTLY ASKED QUESTIONS

How will the rate increase affect my bill?

In July 2021, the new rate for a single-family residential customer will be \$36.05 per month for sewer treatment, translating into a monthly increase of \$11.50. The monthly rate would increase to \$54.45 over a period of five years. To review the proposed monthly rates for all M1W sewer customers and the 5-year schedule, please visit www.montereyonewater.org/notice.

Why are my sewer rates being increased at this time?

To safely convey and treat the community’s wastewater, M1W operates and maintains \$750 million in capital infrastructure. Today, 70% of these assets are fully depreciated and reaching the end of their useful lifespans. A comparison to our industry peers, whose assets on average are only 48% depreciated, led the M1W Board of Directors to pursue a significant, multi-year rate increase to ensure reliability of the Agency’s wastewater system. This plan was originally proposed in early 2020 but due to the COVID-19 pandemic the Board temporarily delayed action. A single rate increase was approved for September 2020 to help the Agency respond to the pandemic. However, this was not sufficient to support the Agency’s capital needs. While the Board and staff recognize timing remains challenging, further delay could result in serious equipment failure, power loss, and sewer overflows that impact public and environmental health.

Why do rates keep going up?

In addition to the needed capital reinvestment, annual expenses continue to increase regardless of the amount of wastewater treated. Some of our annual price increases include fuel, insurance premiums, chemicals, and electricity. To illustrate this challenge, the following table represents a sample of actual expenses incurred over the last four years:

Expenses	FY 2017-2018	FY 2018-2019	FY 2019-2020	FY 2020-2021*	% Increase
Chemicals	\$1,308,686	\$1,398,584	\$1,439,361	\$2,097,687	60%
Utilities	\$2,273,249	\$2,384,166	\$2,393,904	\$2,624,133	15%
Maintenance & Repairs	\$1,254,373	\$1,387,612	\$1,209,691	\$1,472,153	17%
Operating Supplies	\$379,714	\$541,906	\$481,456	\$483,608	27%

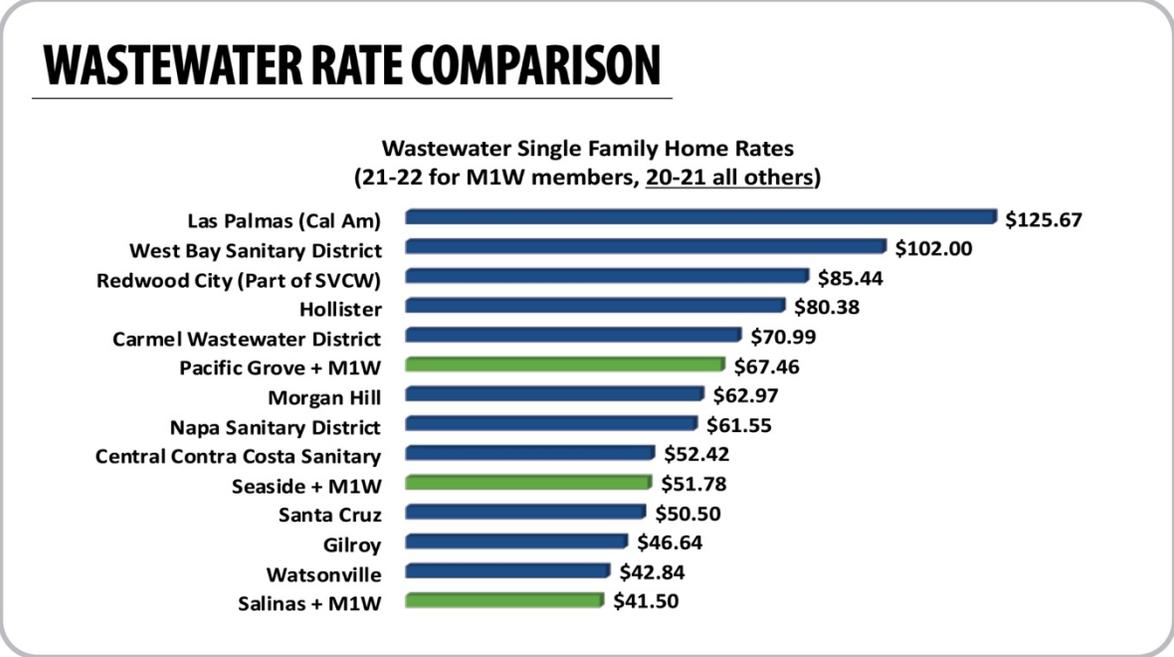
*Based on budgeted values; actuals available after the close of the fiscal year on June 30, 2021

Why isn’t M1W better positioned to address its capital needs?

Throughout the decades, steady user fees allowed M1W to operate and maintain its infrastructure. This was great for customers at the time, but 14 years without raising rates resulted in minimal funds for the future capital needs of today. We are now at a critical juncture where maintenance alone is not enough to guarantee the uninterrupted service you have come to expect from us. We cannot change the past, but we are committed to full transparency and accountability for how the proposed funds will be utilized. We promise to efficiently maintain and operate our facilities, to protect the public and environmental health, to be good stewards of your resources, and to advocate at a legislative level for our community.

How do M1W’s sewer rates compare to other agencies?

Currently, M1W’s rates are often lower than our peers in the surrounding area. The proposed rate increases will bring the total for sewer service in line with these entities and provide needed investment in the sewer system.

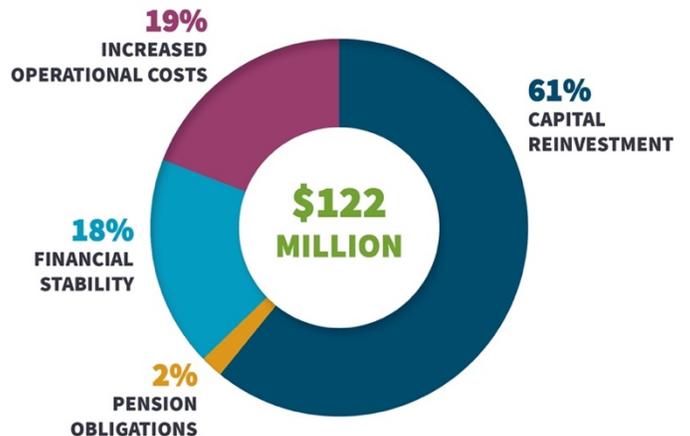


How do you plan to spend revenues over the next five years?

The proposed 5-year rate increase will generate an additional \$122 million in wastewater revenue. 60% of this revenue will go to our infrastructure. M1W’s Capital Improvement Plan identifies needed upgrade and replacement projects for our pump stations, sewer pipes, and wastewater treatment plant to ensure they continue to function properly now and into the future. For more details on the projects the proposed rate increase will fund, view our “[Progressing Forward](#)” document which discusses efforts in pump station upgrades, interceptor rehabilitation, plant and laboratory improvements, outfall stabilization, and energy management.

Do the new rates improve the financial stability of M1W?

Yes. Besides funding a significant amount of necessary capital improvements, another portion of the increase will go towards improving M1W’s financial stability and capital replacement reserves. This will help the Agency improve its bond rating and reduce the amount of borrowing needed to fund future capital improvements. Both of these will result in long-term savings to the Agency, thereby lowering the amount of rate increases needed in the future.



What would happen if M1W did not raise its rates and the capital improvements were not made?

If M1W does not raise its wastewater rates, the Agency will be unable to complete the identified projects in its Capital Improvement Plan, including projects to fix aging infrastructure and to meet mandated requirements from the State Water Resources Control Board. Overall, sewer infrastructure will continue to deteriorate without funding to upgrade it. The sewer system may face system failures such as sanitary sewer overflows into the streets with pollutants entering the environment and neighboring waterbodies like the Pacific Ocean. If this happens, it will further increase costs for all users and could harm public or environmental health.

Can other costs be reduced to avoid this type of increase?

Two primary components drive the M1W budget and consistent effort is made to optimize efficiency and keep costs as low as possible:

- **Operations/Maintenance:** Operations and maintenance activities at the Regional Treatment Plant are continually reviewed and modified to gain efficiencies wherever possible. These cost control efforts include but are not limited to automating certain operational tasks and replacing equipment with energy efficient units.
- **Capital Improvements:** Infrastructure, technology, and major equipment are the foundation for providing services to our customers. Capital assets are important legacies that serve current and future generations, and therefore require careful planning. To ensure an accurate assessment of capital needs, Monterey One Water updates its 10-Year Capital Improvement Plan annually. The 10-Year Capital Improvement Plan serves as the Agency's primary means to evaluate the physical condition of its infrastructure, pinpoint existing and anticipated needs, determine upkeep and/or modernization costs, and identify funding sources. Updating this resource is a dynamic process as infrastructure needs change over time based on regulatory requirements, burdens placed on the system, useful life expiration, and ever-changing environmental conditions.

What is M1W doing to minimize the burden on rate payers?

M1W actively pursues diverse funding opportunities to offset the cost of service to the community. This includes utilizing low-interest loans, bonds, and grants to address operational costs before they are passed onto the rate payer. In last six months, M1W has secured over \$352,000 in grant funding for our wastewater costs and facility improvements with an additional \$778,688 in grant applications currently under review. In 2020, the Agency received a \$15 million federal grant from U.S. Bureau of Reclamation to support its water reuse efforts. While this does not impact or offset the cost of wastewater, this process helped the Agency further its relationship with our federal partners and the experience has better positioned the Agency to pursue wastewater funding opportunities. For example, the Agency is closely monitoring the American Jobs Plan (Infrastructure Bill) proposed by the Biden White House. We are working diligently with our contacts in the offices of Senator Feinstein, Senator Padilla, and Representative Panetta to advocate for specific legislative language that will make funding directly available for wastewater entities and special districts or joint power authorities like M1W.

Why are the wastewater improvements so expensive?

Wastewater conveyance and treatment is a capital-intensive business, from the cost of designing and engineering the system to the cost of sewer pipes, treatment technology, and equipment. Additionally, the industry must comply with all state and federal regulations and must meet any changes to regulatory requirements. Wastewater is a niche industry, requiring highly specialized skills, training, and knowledge.

What is the collection fee?

Sewer system management is a joint responsibility in our area. Your local city or district is responsible for collecting the wastewater exiting your home or business. M1W is responsible for helping convey it to our Regional Treatment Plant where we safely treat this water. To make sewer billing easier for community members, M1W collects a collection fee on behalf of your local city or district. This fee does not fund M1W's capital improvement project.

Why does M1W bill bi-monthly and not monthly?

M1W bills its customers every other month. The actual amount on your bill reflects two months of M1W service charges and two months of sewer collection charges billed on behalf of your specific city or district. This assists in keeping administrative costs associated with billing and customer support as low as possible. If you are interested in paying your bill monthly, please call our Customer Service Team at (831) 372-3367 or via [email](#).

Does M1W offer any relief for senior citizens or those on a fixed income?

M1W is working to implement a Customer Assistance Program to decrease the cost burden for eligible senior citizens or other eligible residents living on a fixed income. Participation would be based on income eligibility requirements and the availability of funds each year. Funding for this program would be generated from payment fines, grants, and donations – not customer fees. More information will be available in June on our website.

Who can I contact with questions about the new rates?

Please contact the Monterey One Water team at (831) 372-3367 or via [email](#).

