

Agenda Date: 4/13/23

Agenda Item: 4A



Approved:

Lilia M. Corona

Lilia M. Corona
General Manager

STAFF REPORT

TO: Mt. View Sanitary District Board of Directors
FROM: Lilia M. Corona, General Manager
DATE: April 13, 2023
SUBJECT: Accept the DRAFT 2023 Affordability Study

RECOMMENDATIONS

1. Receive report from staff.
2. Adopt a motion accepting the DRAFT 2023 Affordability Study as FINAL.

BACKGROUND

The 2014 Municipal Services Review recommended that the District should “assess the ability of the community to absorb continuous annual increases, which will be systemic in order for MVSD to meet its long-term capital improvement needs.”

The District completed an Affordability Study in December 2020 to address the 2020 3-year rate increase schedule. With the current proposed 5-year schedule of rate increases, the District has requested Municipal Financial Services to complete an Affordability Study to address the ability of the ratepayers to absorb the proposed rate increases for FY 24 to FY 28 that are needed for infrastructure capital projects.

Contra Costa County Local Agency Formation Commission is currently conducting a Municipal Service Review of wastewater agencies and expects to complete a draft in April or May 2023.

DISCUSSION

The attached DRAFT 2023 Affordability Study (Study) is intended to evaluate the affordability of reliable wastewater services for low-income households in its service area. Affordability is commonly measured as a percent of median household income (MHI). Excerpts from the Study's Executive Summary are included here:

Affordability is measured by the percentage of median household income spent annually on utility (water and wastewater) services. Households paying an amount for water and wastewater services that exceed the affordability threshold are considered to be paying a cost that is unaffordable.

California passed Assembly Bill 2334 (AB 2334) in its 2011-2012 Legislative Session with the declared purpose "... to ensure that the Department of Water Resources (DWR) includes in the California Water Plan an analysis of water affordability in California and possible mechanisms to increase statewide affordability of reliable drinking water and wastewater services for low-income households."¹

AB 2334 added Section 10004.8 to the Water Code. Paragraph (d) of that Section deals with affordability in the context of defining subsidization programs to be included in the California Water Plan. Water Code Section 10004.8 (d) is quoted below:

(d) Propose appropriate subsidization programs to make water affordable for high-cost communities. High-cost communities shall include the following:

(1) Water systems serving disadvantaged communities, defined as communities with a median household income at or below 80 percent of the state median household income, where water rates are more than 2 percent of the median household income.

(2) Water systems serving communities with a median household income no higher than 120 percent of the state median household income and where more than 10 percent of the population spends more than 2 percent of their income on water.

(3) Other communities as determined to be appropriate by the department.

Fitch Ratings calculates an affordability rate to determine the number of people whose bill accounts for an outsized portion of their income. Generally, a combined water-related bill that is greater than 5% of household income (or individually, 2.0% for water, 2.5% for sewer, and 0.5% for stormwater) is considered unaffordable.

¹ AB 2334 California Water Plan: drinking water and wastewater services (2011-2012 Legislative Session).

Based on MHI data from the U.S. Census Bureau QuickFacts website, a range of household incomes were evaluated for the Mt. View Sanitary District service area. MHIs evaluated for the Mt. View Sanitary District service area range from \$44,400 to \$114,400 and are based on the MHI for the City of Martinez. MHI data for the Mt. View Sanitary District service area is not available from the QuickFacts website.

The affordability evaluation for individual water (City of Martinez), individual wastewater (Mt. View Sanitary District), and combined monthly water and wastewater utility bills of \$175 are shown in the table below. The monthly bills are based on water and wastewater rates for FY 24, which, for Mt. View Sanitary District, are not yet adopted.

Median Household Income (MHI)	Below City of Martinez Median				Median
	\$114,400	\$114,400	\$114,400	\$114,400	
City of Martinez Annual Median Household Income [1]	\$114,400	\$114,400	\$114,400	\$114,400	\$114,400
<i>Adjustment for MHIs lower than Martinez MHI</i>	<i>(\$70,000)</i>	<i>(\$60,000)</i>	<i>(\$50,000)</i>	<i>(\$40,000)</i>	
Adjusted Annual Median Household Income	\$44,400	\$54,400	\$64,400	\$74,400	
Statewide California Annual Median Household Income [1]	\$84,100	\$84,100	\$84,100	\$84,100	\$84,100
City of Martinez MHI as a percentage of the State MHI [4]	53%	65%	77%	88%	136%
Monthly Water (Martinez) and Wastewater (MVSD) Bills					
Monthly Water Bill [2]					
¾-inch Meter Charge, \$/month	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00
Water Use Rate, Zone 2, \$/HCF (Hundred Cubic Feet)	\$7.66	\$7.66	\$7.66	\$7.66	\$7.66
Average Monthly Water Use, HCF	7	7	7	7	7
Monthly Water Bill, Single Family	\$101.62	\$101.62	\$101.62	\$101.62	\$101.62
Monthly Wastewater Bill, Single Family [3]	\$74.00	\$74.00	\$74.00	\$74.00	\$74.00
Monthly Water and Wastewater Utility Bill	\$175.62	\$175.62	\$175.62	\$175.62	\$175.62
Combined Monthly Utility Bills and Monthly MHI					
Monthly Water and Wastewater Utility Bill	\$175	\$175	\$175	\$175	\$175
Monthly Mt. View Sanitary District MHI (based on City of Martinez)	\$3,700	\$4,500	\$5,400	\$6,200	\$9,500
Monthly Utility Bills as a Percent of MHI [5]					
Monthly Water Bill, Single Family	2.75%	2.26%	1.88%	1.64%	1.07%
Monthly Wastewater Bill, Single Family	2.00%	1.64%	1.37%	1.19%	0.78%
Combined Monthly Bills, Single Family	4.75%	3.90%	3.25%	2.83%	1.85%

Prepared by: Municipal Financial Services

[1] Source: U.S. Census Bureau, 2017-2021 5-Year American Community Survey. Value is rounded to the nearest \$100.

[2] Monthly water bills are for a single family account with a ¾-inch meter using 7 HCF/month (172 gallons per day). Rates are for the City of Martinez were January 1, 2023.

[3] MVSD monthly wastewater bills for FY 24 are proposed.

[4] AB-2334 California Water Plan: drinking water and wastewater services (2011-2012) states, "High-cost communities shall include the following: (1) Water systems serving disadvantaged communities, defined as communities with a median household income at or below 80 percent of the state median household income, where water rates are more than 2 percent of the median household income. (2) Water systems serving communities with a median household income no higher than 120 percent of the state median household income and where more than 10 percent of the population spends more than 2 percent of their income on water.

[5] Fitch calculates an affordability rate to determine the number of people whose bill accounts for an outsized portion of their income. Generally, a combined water-related bill that is greater than 5% of household income (or individually, 2.0% for water, 2.5% for sewer and 0.5% for stormwater) is considered unaffordable. Utilities with 20% or less of their population whose bills are considered high are deemed to have an affordability assessment factor of 'aa'; over 20% to 30%, 'a'; over 30% to 40%, 'bbb'; and over 40%, 'bb'.

Based on this affordability evaluation, the following conclusions may be drawn:

1. For the City of Martinez, median household income at 80 percent of the state median household income is approximately \$64,400.
2. Monthly water utility bills for the City of Martinez are approximately 1.88% of \$64,400 MHI which is lower than the 2% State of California affordability threshold;
3. Monthly wastewater utility bills for the Mt. View Sanitary District are approximately 1.37% of \$64,400 MHI which is lower than the 2.5% Fitch Ratings affordability threshold; and
4. Combined monthly water and wastewater utility bills are approximately 3.25% of \$64,400 MHI which is lower than the 5.0% Fitch Ratings affordability threshold.

Evaluations for the projected years are based on an estimated MHI value of \$64,400, which is, for the City of Martinez, approximately 77 percent of the state MHI of \$84,100 (rounded).

FISCAL IMPACT

None

Attachments:

DRAFT 2023 Affordability Study



MT. VIEW SANITARY DISTRICT

DRAFT

2023 Water/Wastewater Affordability Assessment

Prepared for
Mt. View Sanitary District
Martinez, California
March 2023

MUNICIPAL FINANCIAL SERVICES

2014 Mann Pkwy Celina, TX 75009

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List of Abbreviations

Central San	Central Contra Costa Sanitary District
CDP	Census Designated Place
District	Mt. View Sanitary District
DWR	Department of Water Resources
DUC	Disadvantaged Unincorporated Community
FY	Fiscal year (July 1 to June 30)
FY 24	July 1, 2023 to June 30, 2024
HCF	Hundred Cubic Feet (equal to ~ 748.1 gallons)
mgd	million gallons per day
MHI	Median Household Income
SFR	Single Family Residential
SOI	Sphere of Influence

Executive Summary

Mt. View Sanitary District (Mt. View Sanitary District or District) seeks to evaluate the affordability of reliable wastewater services for low-income households in its service area. Affordability is commonly measured as a percent of median household income (MHI).

Affordability is measured by the percentage of median household income spent annually on utility (water and wastewater) services. Households paying an amount for water and wastewater services that exceeds the affordability threshold are considered to be paying a cost that is unaffordable.

California passed Assembly Bill 2334 (AB 2334) in its 2011-2012 Legislative Session with the declared purpose "... to ensure that the Department of Water Resources (DWR) includes in the California Water Plan an analysis of water affordability in California and possible mechanisms to increase statewide affordability of reliable drinking water and wastewater services for low-income households."¹

AB 2334 added Section 10004.8 to the Water Code. Paragraph (d) of that Section deals with affordability in the context of defining subsidization programs to be included in the California Water Plan. Water Code Section 10004.8 (d) is quoted below:

(d) Propose appropriate subsidization programs to make water affordable for high-cost communities. High-cost communities shall include the following:

- (1) Water systems serving disadvantaged communities, defined as communities with a median household income at or below 80 percent of the state median household income, where water rates are more than 2 percent of the median household income.
- (2) Water systems serving communities with a median household income no higher than 120 percent of the state median household income and where more than 10 percent of the population spends more than 2 percent of their income on water.
- (3) Other communities as determined to be appropriate by the department.

Note that while AB 2334 states "It is in the public interest for all households to have access to safe and affordable water for basic needs and to have effective and affordable wastewater treatment", no affordability guidance was provided in the legislation for wastewater utilities in the same way that Water Code Section 10004.8 (d) does for water utilities.

Fitch Ratings calculates an affordability rate to determine the number of people whose bill accounts for an outsized portion of their income. Generally, a combined water-related bill that is greater than 5% of household income (or individually, 2.0% for water, 2.5% for sewer and 0.5% for stormwater) is considered unaffordable.

Based on MHI data from the U.S. Census Bureau QuickFacts website, a range of household incomes were evaluated for the Mt. View Sanitary District service area. MHIs evaluated for the Mt. View Sanitary District service area range from \$44,400 to \$114,400 and are based on the MHI for the City of Martinez. MHI data for the Mt. View Sanitary District service area is not available from the QuickFacts website.

¹ AB 2334 California Water Plan: drinking water and wastewater services (2011-2012 Legislative Session).

The affordability evaluation for individual water (City of Martinez), individual wastewater (Mt. View Sanitary District), and combined monthly water and wastewater utility bills of \$175 are shown in the table below. The monthly bills are based on water and wastewater rates for FY 24 which, for Mt. View Sanitary District, are not yet adopted.

Based on this affordability evaluation, the following conclusions may be drawn:

1. For the City of Martinez, median household income at 80 percent of the state median household income is approximately \$64,400.
2. Monthly water utility bills for the City of Martinez are approximately 1.88% of \$64,400 MHI which is lower than the 2% State of California affordability threshold;
3. Monthly wastewater utility bills for the Mt. View Sanitary District are approximately 1.37% of \$64,400 MHI which is lower than the 2.5% Fitch Ratings affordability threshold; and
4. Combined monthly water and wastewater utility bills are approximately 3.25% of \$64,400 MHI which is lower than the 5.0% Fitch Ratings affordability threshold.

Table ES-1. Water and Wastewater Utility Bills Affordability Evaluation

Median Household Income (MHI)	<i>Below City of Martinez Median</i>				<i>Median</i>
City of Martinez Annual Median Household Income [1]	\$114,400	\$114,400	\$114,400	\$114,400	\$114,400
<i>Adjustment for MHIs lower than Martinez MHI</i>	<i>(\$70,000)</i>	<i>(\$60,000)</i>	<i>(\$50,000)</i>	<i>(\$40,000)</i>	
Adjusted Annual Median Household Income	\$44,400	\$54,400	\$64,400	\$74,400	
Statewide California Annual Median Household Income [1]	\$84,100	\$84,100	\$84,100	\$84,100	\$84,100
City of Martinez MHI as a percentage of the State MHI [4]	53%	65%	77%	88%	136%
Monthly Water (Martinez) and Wastewater (MVSD) Bills					
Monthly Water Bill [2]					
¾-inch Meter Charge, \$/month	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00
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Monthly Water and Wastewater Utility Bill	\$175.62	\$175.62	\$175.62	\$175.62	\$175.62
Combined Monthly Utility Bills and Monthly MHI					
Monthly Water and Wastewater Utility Bill	\$175	\$175	\$175	\$175	\$175
Monthly Mt. View Sanitary District MHI (based on City of Martinez)	\$3,700	\$4,500	\$5,400	\$6,200	\$9,500
Monthly Utility Bills as a Percent of MHI [5]					
Monthly Water Bill, Single Family	2.75%	2.26%	1.88%	1.64%	1.07%
Monthly Wastewater Bill, Single Family	2.00%	1.64%	1.37%	1.19%	0.78%
Combined Monthly Bills, Single Family	4.75%	3.90%	3.25%	2.83%	1.85%

Prepared by: Municipal Financial Services

- [1] Source: U.S. Census Bureau, 2017-2021 5-Year American Community Survey. Value is rounded to the nearest \$100.
- [2] Monthly water bills are for a single family account with a ¾-inch meter using 7 HCF/month (172 gallons per day). Rates are for the City of Martinez were January 1, 2023.
- [3] MVSD monthly wastewater bills for FY 24 are proposed.
- [4] AB-2334 California Water Plan: drinking water and wastewater services (2011-2012) states, "High-cost communities shall include the following: (1) Water systems serving disadvantaged communities, defined as communities with a median household income at or below 80 percent of the state median household income, where water rates are more than 2 percent of the median household income. (2) Water systems serving communities with a median household income no higher than 120 percent of the state median household income and where more than 10 percent of the population spends more than 2 percent of their income on water.
- [5] Fitch calculates an affordability rate to determine the number of people whose bill accounts for an outsized portion of their income. Generally, a combined water-related bill that is greater than 5% of household income (or individually, 2.0% for water, 2.5% for sewer and 0.5% for stormwater) is considered unaffordable. Utilities with 20% or less of their population whose bills are considered high are deemed to have an affordability assessment factor of 'aa'; over 20% to 30%, 'a'; over 30% to 40%, 'bbb'; and over 40%, 'bb'.

Current and projected water and wastewater utility bills for FY 23 through FY 28 and the affordability evaluation for individual water, individual wastewater, and combined monthly water and wastewater utility bills are shown in the table below. Evaluations for the projected years are based on an estimated MHI value of \$64,400, which is, for the City of Martinez, is approximately 77 percent of the state MHI of \$84,100 (rounded).

Table ES-2. Projected Water and Wastewater Utility Bills Affordability Evaluation

	Current	Projected				
	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
Median Household Income (MHI)						
City of Martinez Annual Median Household Income [1]	\$64,400	\$64,400	\$64,400	\$64,400	\$64,400	\$64,400
Statewide California Annual Median Household Income [1]	\$84,100	\$84,100	\$84,100	\$84,100	\$84,100	\$84,100
City of Martinez MHI as a percentage of the State MHI [4]	77%	77%	77%	77%	77%	77%
Monthly Water and Wastewater Bills						
Monthly Water Bill [2]						
¾-inch Meter Charge, \$/month	\$44.25	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00
Water Use Rate, Zone 2, \$/HCF (Hundred Cubic Feet)	\$6.97	\$7.66	\$7.66	\$7.66	\$7.66	\$7.66
Average Monthly Water Use, HCF	7	7	7	7	7	7
Monthly Water Bill, Single Family	\$93.04	\$101.62	\$101.62	\$101.62	\$101.62	\$101.62
Monthly Wastewater Bill, Single Family [3]	\$67.85	\$74.00	\$81.00	\$88.00	\$96.00	\$105.00
Monthly Water and Wastewater Utility Bill	\$160.89	\$175.62	\$182.62	\$189.62	\$197.62	\$206.62
Combined Monthly Utility Bills and Monthly MHI						
Monthly Water and Wastewater Utility Bill	\$161	\$176	\$183	\$190	\$198	\$207
Monthly Mt. View Sanitary District MHI	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400
Monthly Utility Bills as a Percent of MHI [5]						
Monthly Water Bill, Single Family	1.72%	1.88%	1.88%	1.88%	1.88%	1.88%
Monthly Wastewater Bill, Single Family	1.26%	1.37%	1.50%	1.63%	1.78%	1.94%
Combined Monthly Bills, Single Family	2.98%	3.25%	3.38%	3.51%	3.66%	3.83%

Prepared by: Municipal Financial Services

- [1] Source: U.S. Census Bureau, 2017-2021 5-Year American Community Survey. Value is rounded to the nearest \$100.
- [2] Monthly water bills are for a single family account with a ¾-inch meter using 7 HCF/month (172 gallons per day). Rates for the City of Martinez are as shown in the Notice of Public Hearing for water rate increases effective each January 1 from 2021 to 2024. Rates for January 1, 2025 and onward are the same as for the previous year.
- [3] FY 23 monthly wastewater bills are from MVSD Ordinance No. 2020-129 effective July 1, 2020. Rates for FY 24 and onward are proposed.
- [4] AB-2334 California Water Plan: drinking water and wastewater services (2011-2012) states, "High-cost communities shall include the following: (1) Water systems serving disadvantaged communities, defined as communities with a median household income at or below 80 percent of the state median household income, where water rates are more than 2 percent of the median household income. (2) Water systems serving communities with a median household income no higher than 120 percent of the state median household income and where more than 10 percent of the population spends more than 2 percent of their income on water.
- [5] Fitch calculates an affordability rate to determine the number of people whose bill accounts for an outsized portion of their income. Generally, a combined water-related bill that is greater than 5% of household income (or individually, 2.0% for water, 2.5% for sewer and 0.5% for stormwater) is considered unaffordable. Utilities with 20% or less of their population whose bills are considered high are deemed to have an affordability assessment factor of 'aa'; over 20% to 30%, 'a'; over 30% to 40%, 'bbb'; and over 40%, 'bb'.



Section 1

Introduction

This introduction describes the organization of the report, the Mt. View Sanitary District service area and sphere of influence, see Figure 1-1, legislation, and industry practices relevant to water and wastewater affordability evaluation, and disadvantaged unincorporated communities in the Mt. View Sanitary District service area.

1.1 Organization of the Report

This report is divided into three sections. Section 1 provides an overview of the study objectives. Section 2 presents the affordability evaluation. Section 3 states study limitations.

1.2 Mt. View Sanitary District Service Area and Sphere of Influence

Mt. View Sanitary District is an independent district, formed in 1923 pursuant to the Sanitary District Act of 1923 (Health & Safety Code §6400 et seq.). Mt. View Sanitary District serves an estimated population of 22,000 residents consisting of approximately 7,987 residential and 314 commercial, industrial and institutional sewer connections. The District's service area is approximately 4.7 square miles. The District's sphere of influence (SOI) encompasses an additional 1.6 square miles and primarily includes an area of 1.46 square miles of industrially zoned land to the north of the District's boundary as well as an island within the center of the District of 0.14 square miles that is in agricultural use. The SOI area to the north of the District is designated as heavy industrial to the west of I-680 and open space and parks and recreation to the east of I-680.

The District's wastewater collection system is located in the rolling hills in and surrounding Martinez and serves three zones or watersheds. The collection system includes four pumping stations and 73 miles of sewer pipelines ranging in diameter from 6 to 24 inches.

Mt. View Sanitary District provides wastewater collection, treatment, and disposal services for the northeasterly portion of the City of Martinez and adjacent unincorporated lands to the northeast. The plant receives approximately 1.10 million gallons per day during dry weather.

The District collaborates with the Central Contra Costa Sanitary District (Central San) to provide a permanent Household Hazardous Waste Collection facility and disposal services for the central portion of the county. Mt. View Sanitary District has a franchise agreement with Allied Waste (parent company to Republic Services) for Allied Waste to provide trash collection, recycling, and disposal services within the unincorporated area of Mt. View Sanitary District's boundaries. The effluent is comprised of approximately 90% residential and 10% small business waste.

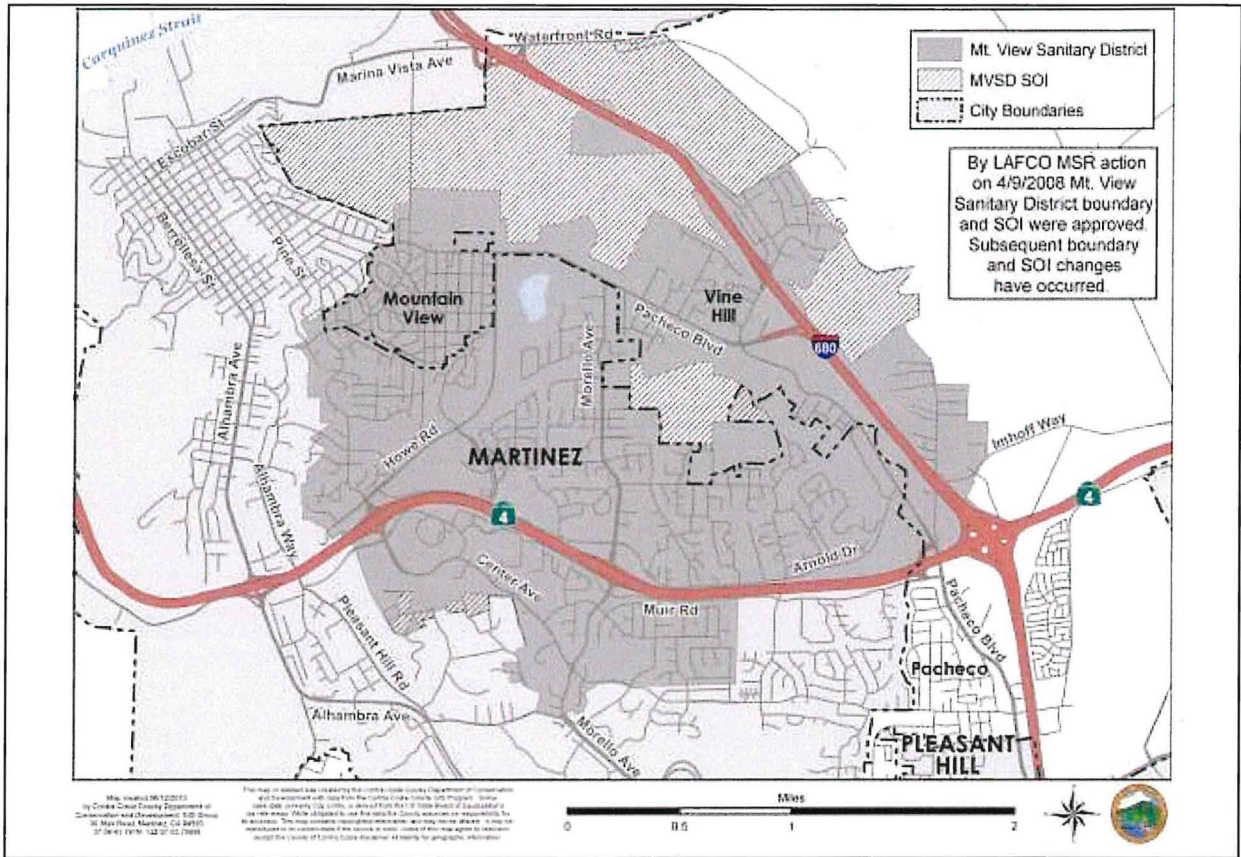


Figure 1-1. Mt. View Sanitary District and Sphere of Influence

1.3 California Water Plan and Affordability

Assembly Bill 2334 requires the Department of Water Resources to include an analysis of water affordability and mechanisms to address lack of drinking water (and wastewater services) affordability in California’s Water Plan.

California passed AB 2334 in its 2011-2012 Legislative Session with the declared purpose “... to ensure that the Department of Water Resources includes in the California Water Plan an analysis of water affordability in California and possible mechanisms to increase statewide affordability of reliable drinking water and wastewater services for low-income households.”

AB 2334 added Section 10004.8 to the Water Code. Paragraph (d) of that Section 10004.8 deals with affordability in the context of defining subsidization programs to be included in the California Water Plan. Water Code Section 10004.8 (d) is quoted below:

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- (2) Water systems serving communities with a median household income no higher than 120 percent of the state median household income and where more than 10 percent of the population spends more than 2 percent of their income on water.
- (3) Other communities as determined to be appropriate by the department.

Note that while AB 2334 states “It is in the public interest for all households to have access to safe and affordable water for basic needs and to have effective and affordable wastewater treatment”, no affordability guidance was provided in the legislation for wastewater utilities in the same way that Water Code Section 10004.8 (d) does for water utilities.

1.4 Fitch Ratings Water and Sewer Rating Criteria and Affordability

Fitch Ratings publishes a sector-specific criteria report titled "U.S. Water and Sewer Rating Criteria".² This criteria report details Fitch Ratings' methodology for assigning Issuer Default Ratings, Standalone Credit Profiles, and issue- and obligation-specific ratings to U.S. municipal water and sewer (including wastewater and stormwater) utilities, whether operating as a stand-alone legal entity or an enterprise of a local government. This rating methodology also applies to certain municipally owned combined utilities, for which water and sewer revenue accounts for, or is expected to account for, the largest share of total revenue on an ongoing basis. An “affordability rate”, as a component of Rate Flexibility, is analyzed as a “Key Ratings Driver” rating tool.³

Fitch Ratings calculates an affordability rate to determine the number of people whose bill accounts for an outsized portion of their income. Generally, a combined water-related bill that is greater than 5% of household income (or individually, 2.0% for water, 2.5% for sewer and 0.5% for stormwater) is considered unaffordable.

Utilities with 20% or less of their population whose bills are considered high are deemed to have an affordability assessment factor of ‘aa’; over 20% to 30%, ‘a’; over 30% to 40%, ‘bbb’; and over 40%, ‘bb’. Alternatively, Fitch Ratings may base its calculation on individual or combined charges where one or more of the costs of service are unknown or not applicable using a threshold of 2.0% for water, 2.5% for sewer and 0.5% for stormwater.

² Fitch Ratings' credit ratings provide opinions on the relative ability of an entity to meet its financial commitments.

³[http://mwdh2o.com/PDF_Who_We_Are/Fitch%20Report%20\(US%20Water%20and%20Sewer%20Rating%20Criteria,%20April%202020\).pdf](http://mwdh2o.com/PDF_Who_We_Are/Fitch%20Report%20(US%20Water%20and%20Sewer%20Rating%20Criteria,%20April%202020).pdf)

1.5 Disadvantaged Unincorporated Communities

Disadvantaged unincorporated communities (DUCs) have been identified in the Mt. View Sanitary District’s sphere of influence in the Vine Hill CDP (Census Designated Place).⁴ Located north of the City of Martinez, the Vine Hill CDP is located on the west and east side of I-680. Future annexation of the sphere of influence (SOI) areas by Mt. View Sanitary District or expansion of Mt. View Sanitary District’s SOI contiguous to these DUCs would first require a detailed evaluation of Mt. View Sanitary District’s capability to adequately serve these communities.

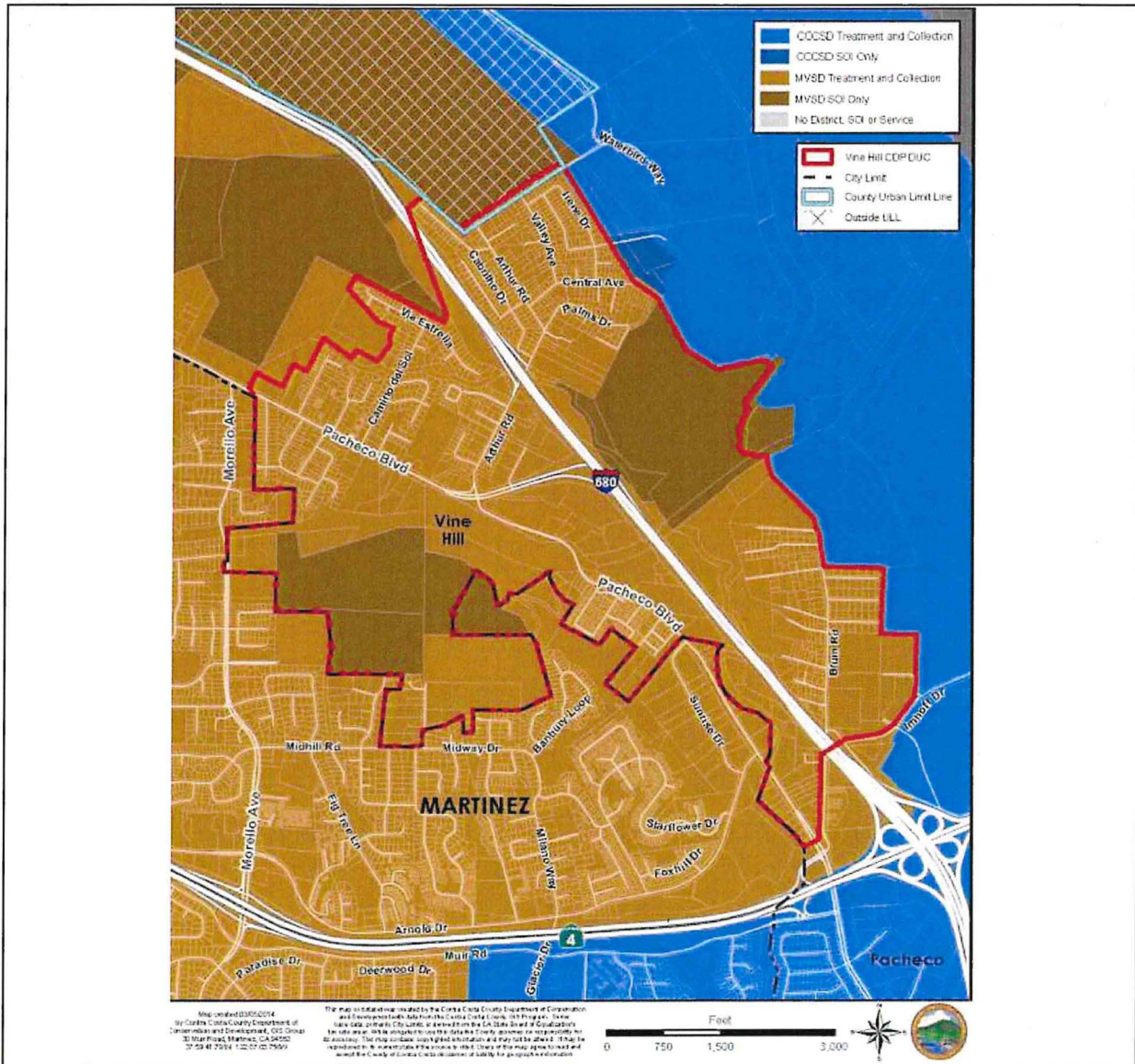


Figure 1-2. Vine Hill Census Designated Place Disadvantaged Unincorporated Communities

⁴ The text and the figure in this section are taken from the “Contra Costa County Water and Wastewater Agencies Combined Municipal Service Review and Sphere of Influence Study (2nd Round) Final; Approved May 14, 2014”, pp. 258- 259.

Section 2

Affordability Evaluation

Typically, affordability is measured by the percentage of median household income spent annually on utility services (water and wastewater). Households paying an amount for water and wastewater services that exceeds the affordability threshold are considered to be paying a cost that is unaffordable.

2.1 Calculation of Water and Wastewater Bills

Monthly water and wastewater bills are calculated using current water rates for the City of Martinez and current wastewater rates for Mt. View Sanitary District.

Monthly water bills are for a Single Family household using 7 HCF of water per month (approximately 172 gallons per day) with a 5/8-inch water meter. FY 24 proposed City of Martinez charges are \$48.00 per month for a 5/8-inch water meter and \$7.66 per HCF (hundred cubic feet, about 748 gallons) for water use in elevation Zone 2. The proposed monthly water bill would be \$101.62.

Currently, Mt. View Sanitary District charges \$67.85 per month (\$814.20 per year) for wastewater service. Mt. View Sanitary District proposed charges for FY 24 are \$74.00 per month (\$888.00 per year).

The total proposed monthly utility bill for a Single Family household for water and wastewater service for FY 24 is \$175.62.

2.2 Estimation of Median Household Income

Median Household Income (MHI) was obtained from the U.S. Census Bureau QuickFacts website.⁵ QuickFacts is an application that provides tables, maps, and charts of frequently requested statistics from many Census Bureau censuses, surveys, and programs. QuickFacts provides statistics for all states and counties, and for cities and towns with a **population of 5,000 or more**. MHI data for the City of Martinez, Contra Costa County and the State of California are available from the QuickFacts website. MHI data for the Mt. View Sanitary District service area is not available from the QuickFacts website. MHI for the City of Martinez, Contra Costa County, State of California, and the United States are shown below in Table 2-1.

Table 2-1. MHI for the City of Martinez, Contra Costa County, California, and United States				
Income & Poverty	Martinez city, California	Contra Costa County, California	California	United States
Population Estimates, July 1 2021, (V2021)	36,819	1,161,413	39,142,991	332,031,554
PEOPLE				
Income & Poverty				
Median household income (in 2021 dollars), 2017-2021	\$114,390	\$110,455	\$84,097	\$69,021

⁵ QuickFacts data are derived from: Population Estimates, American Community Survey, Census of Population and Housing, Current Population Survey, Small Area Health Insurance Estimates, Small Area Income and Poverty Estimates, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits.

MHI data from U.S. Census Bureau QuickFacts website for the City of Martinez and adjacent Contra Costa County – shown below in Figure 2-1 - suggests the range of MHI in the Mt. View Sanitary District service area ranges primarily from approximately \$66,000 to \$88,000.

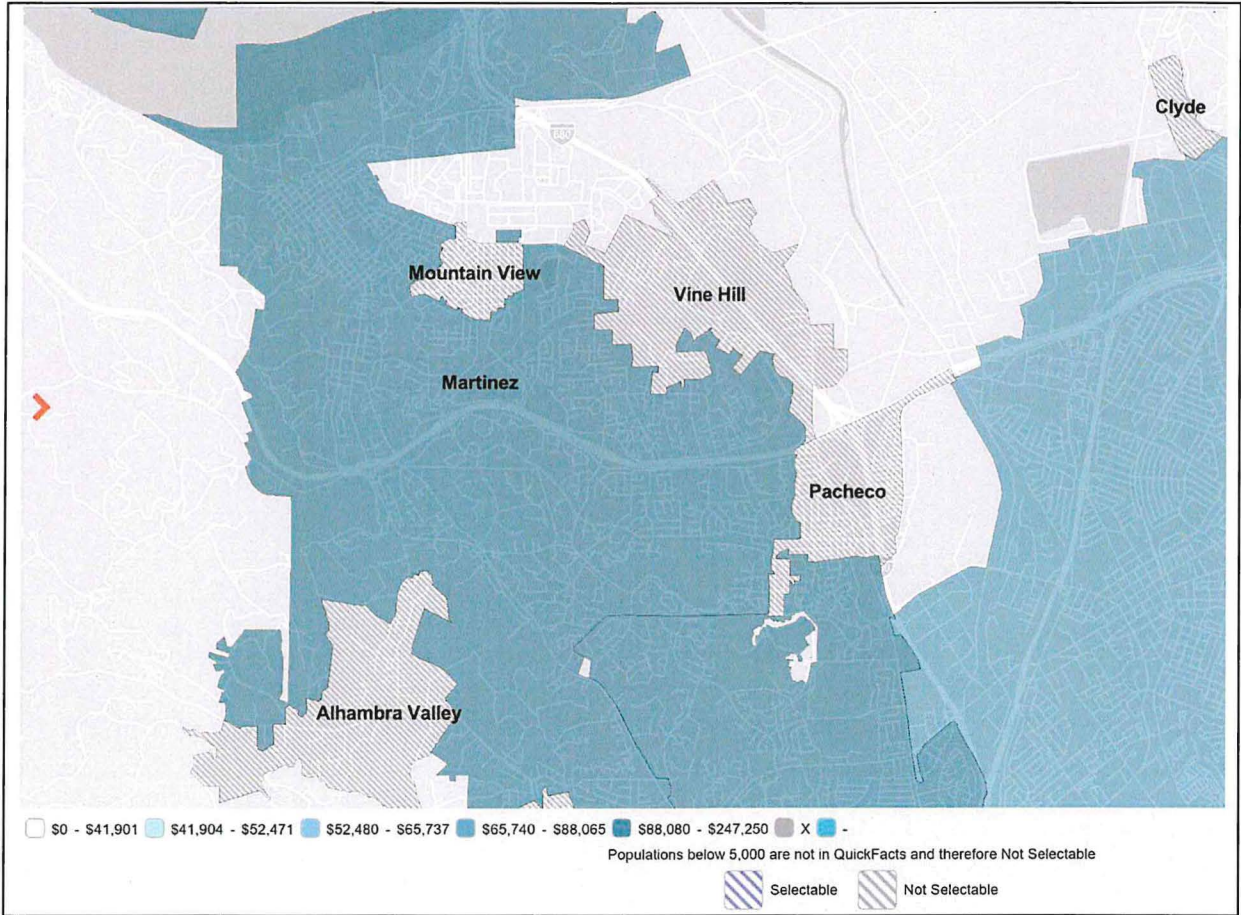


Figure 2-1. MHI for the City of Martinez and Adjacent Contra Costa County (U.S. Census QuickFacts)

2.3 Water and Wastewater Utility Bills Affordability Evaluation

MHI evaluated for the Mt. View Sanitary District service area range from \$44,400 to \$114,400 and are based on MHI for the City of Martinez. MHI data for the Mt. View Sanitary District service area is not available from the QuickFacts website. The affordability evaluation for individual water (City of Martinez), individual wastewater (Mt. View Sanitary District), and combined monthly water and wastewater utility bills of \$175 are shown in the table below. The monthly bills are based on water and wastewater rates for FY 24 which, for Mt. View Sanitary District, are not yet adopted.

Median Household Income (MHI)	<i>Below City of Martinez Median</i>				<i>Median</i>
	<i>\$114,400</i>	<i>\$114,400</i>	<i>\$114,400</i>	<i>\$114,400</i>	<i>\$114,400</i>
City of Martinez Annual Median Household Income [1]	\$114,400	\$114,400	\$114,400	\$114,400	\$114,400
<i>Adjustment for MHIs lower than Martinez MHI</i>	<i>(\$70,000)</i>	<i>(\$60,000)</i>	<i>(\$50,000)</i>	<i>(\$40,000)</i>	
Adjusted Annual Median Household Income	\$44,400	\$54,400	\$64,400	\$74,400	
Statewide California Annual Median Household Income [1]	\$84,100	\$84,100	\$84,100	\$84,100	\$84,100
City of Martinez MHI as a percentage of the State MHI [4]	53%	65%	77%	88%	136%
Monthly Water (Martinez) and Wastewater (MVSD) Bills					
Monthly Water Bill [2]					
¾-inch Meter Charge, \$/month	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00
Water Use Rate, Zone 2, \$/HCF (Hundred Cubic Feet)	\$7.66	\$7.66	\$7.66	\$7.66	\$7.66
Average Monthly Water Use, HCF	7	7	7	7	7
Monthly Water Bill, Single Family	\$101.62	\$101.62	\$101.62	\$101.62	\$101.62
Monthly Wastewater Bill, Single Family [3]	\$74.00	\$74.00	\$74.00	\$74.00	\$74.00
Monthly Water and Wastewater Utility Bill	\$175.62	\$175.62	\$175.62	\$175.62	\$175.62
Combined Monthly Utility Bills and Monthly MHI					
Monthly Water and Wastewater Utility Bill	\$175	\$175	\$175	\$175	\$175
Monthly Mt. View Sanitary District MHI (based on City of Martinez)	\$3,700	\$4,500	\$5,400	\$6,200	\$9,500
Monthly Utility Bills as a Percent of MHI [5]					
Monthly Water Bill, Single Family	2.75%	2.26%	1.88%	1.64%	1.07%
Monthly Wastewater Bill, Single Family	2.00%	1.64%	1.37%	1.19%	0.78%
Combined Monthly Bills, Single Family	4.75%	3.90%	3.25%	2.83%	1.85%
<i>Prepared by: Municipal Financial Services</i>					
[1] Source: U.S. Census Bureau, 2017-2021 5-Year American Community Survey. Value is rounded to the nearest \$100.					
[2] Monthly water bills are for a single family account with a ¾-inch meter using 7 HCF/month (172 gallons per day). Rates are for the City of Martinez were January 1, 2023.					
[3] MVSD monthly wastewater bills for FY 24 are proposed.					
[4] AB-2334 California Water Plan: drinking water and wastewater services (2011-2012) states, "High-cost communities shall include the following: (1) Water systems serving disadvantaged communities, defined as communities with a median household income at or below 80 percent of the state median household income, where water rates are more than 2 percent of the median household income. (2) Water systems serving communities with a median household income no higher than 120 percent of the state median household income and where more than 10 percent of the population spends more than 2 percent of their income on water.					
[5] Fitch calculates an affordability rate to determine the number of people whose bill accounts for an outsized portion of their income. Generally, a combined water-related bill that is greater than 5% of household income (or individually, 2.0% for water, 2.5% for sewer and 0.5% for stormwater) is considered unaffordable. Utilities with 20% or less of their population whose bills are considered high are deemed to have an affordability assessment factor of 'aa'; over 20% to 30%, 'a'; over 30% to 40%, 'bbb'; and over 40%, 'bb'.					

Based on this affordability evaluation, the following conclusions may be drawn:

1. For the City of Martinez, median household income at 80 percent of the state median household income is approximately \$64,400.
2. Monthly water utility bills for the City of Martinez are approximately 1.88% of \$64,400 MHI which is lower than the 2% State of California affordability threshold.
3. Monthly wastewater utility bills for the Mt. View Sanitary District are approximately 1.37% of \$64,400 MHI which is lower than the 2.5% Fitch Ratings affordability threshold; and
4. Combined monthly water and wastewater utility bills are approximately 3.25% of \$64,400 MHI which is lower than the 5.0% Fitch Ratings affordability threshold.



Section 3

Limitations

This document was prepared solely for the Mt. View Sanitary District in accordance with professional standards at the time the services were performed and in accordance with Task Order No. 1 to Contract 22-0005 between Mt. View Sanitary District and Municipal Financial Services. This document is governed by the specific scope of work authorized by Mt. View Sanitary District; it is not intended to be relied upon by any other party. We have relied on information or instructions provided by Mt. View Sanitary District and, unless otherwise expressly indicated, have made no independent investigation as to the validity, completeness, or accuracy of such information.

Appendix A: reserved
