

Attachment A

FISCAL YEAR
2023-24

County of Monterey Special Districts Annual Report

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INTRODUCTION

The County of Monterey (County) manages 37 County Service Areas, two County Sanitation Districts, one Community Services District, and 11 closed landfill sites. Management and administration were provided by the Resources Management Agency until dissolution of that agency in late 2020, and is now handled by the Special Districts Unit of the Public Works, Facilities and Parks Department (PWFP). This unit has four full time staff positions to manage these operation and maintenance activities, and a fifth full time position in PWFP is primarily assigned to support management of the East Garrison Community Services District. Additional support is also provided by the PWFP Bridge Maintenance crew, which acts as the sanitation crew for the County Sanitation Districts. Finally, staff uses the services of various consultants and contractors to help provide services to the various special districts.

This report provides information about the services provided to the special districts, summarizes financial positions, and discusses recent and planned key activities.

COUNTY SERVICE AREAS

Background

There are 37 active County Service Areas (CSAs) within the County. A CSA is an alternate method for providing governmental services by counties in unincorporated areas, where the community within the boundary of an established CSA pays for one or more services such as road maintenance, street lighting, storm drainage maintenance, etc. The CSAs within Monterey County are administered by the PWFP Department under the direction of the County Board of Supervisors, which is the governing body for the CSAs.

CSA law was established in 1953 to allow counties to provide a wider variety of services in unincorporated areas where residents are willing to pay for the extra service. Updated CSA law took effect in 2009 and more clearly defined CSAs' policies, powers, procedures, and clarified the oversight role of the Local Agency Formation Commission (LAFCO). CSAs can provide one or more of the services allowed by law, provided those are authorized by the LAFCO. In Monterey County, it is the Monterey County LAFCO that approves formation of a CSA and the specific service(s) it is authorized to provide. The first CSA in the County was formed in 1959, and the most recent was formed in 1993.

Current CSAs and Services

The most common service provided to the CSAs is for storm drain maintenance/surface water management, followed by street lighting. Eight CSAs receive street and sidewalk maintenance services, four receive park/open space management services, one receives levee maintenance services, and one receives sanitary sewer collection and treatment services. Exhibit 1 lists all 37 CSAs along with the authorized services provided for each. The size of County CSAs varies from 16 to over 1,000 parcels. Most CSAs consist of one contiguous area, although due to annexation,

there are also CSAs with noncontiguous parcels located some distance from each other. Location maps for all CSAs within the County are provided in Exhibit 2.

To facilitate community communication and engagement, advisory committees have been created for six CSAs: CSA 1-Carmel Point; CSA 15-Serra Village; CSA 25-Carmel Valley Golf & Country Club; CSA 45-Oak Hills; CSA 47-Carmel Views/Mar Vista; and CSA 50-Rioway Tract No. 2. Regular meetings are held in accordance with the Board of Supervisors resolutions which formed the Advisory Committees.

Finances and Financial Sustainability

To the extent feasible, it is the County's goal to manage the CSAs toward long-term financial sustainability, where CSA revenues are sufficient to cover ongoing maintenance and long-term infrastructure replacement costs, so that there are no impacts to County General Fund. A CSA is considered financially sustainable when its annual revenue supports the costs of its annual maintenance and repairs while building reserves to fund capital projects.

CSAs receive revenue from various funding sources: 1) Property Tax Allocation; 2) Special Assessments; 3) Interest Income; and 4) Homeowners Property Tax Relief. The largest source of CSA funding is from general property tax allocation, commonly referred to as "AB 8 funding," after State Assembly Bill 8, California Property Tax Apportionment. In 1979, AB 8 was adopted and outlined an allocation procedure for the countywide one percent (1%) property tax. An established percent of general property tax is allocated to the specific CSA in which the property is located based on a complex formula. Currently, 33 of the 37 CSAs receive AB 8 funding. As property valuations increase when property is sold or transferred, AB 8 revenue also increases.

The second largest funding source is special assessments that were typically established at the time of creation to fund authorized services within the specific CSA. Currently, 31 of the 37 CSAs receive funding from separate assessments collected on their property tax bills. The special assessment amounts for nearly all CSAs have remained unchanged for many years, except CSA 75-Chualar (increase adopted in 2017), CSA 66-Oak Tree Views (increase adopted in 2019), and most recently, CSA 25-Carmel Valley Golf & Country Club (also known as Quail Lodge) which held a successful Proposition 218 election in July 2023.

A third source of CSA funding is interest on fund balances. Generally, this yields a very low percentage of revenue. Finally, a very small revenue stream results from Homeowners' Property Tax Relief. This source provides less than one percent of CSA revenue.

Individual CSA fund balances range from less than \$500 to approximately \$3.3 million. However, fund balances are not solely indicative of the overall financial sustainability of each CSA. For example, a CSA whose only authorized service is streetlighting is not required to maintain the same level of reserves as a CSA with a storm drainage system or road network. The current management strategy for CSAs is to preserve existing fund balances to the extent feasible to address emergency repairs until a CSA-specific engineering report and corresponding rate adjustment(s) may be considered by the Board of Supervisors as discussed below.

To evaluate financial sustainability or “financial health” of each CSA, staff qualitatively assess each CSA to assign a financial sustainability “health grade” based on a CSA’s ability to fund its annual maintenance and repair expenditures with annual revenue combined with the level of fund balance. A good sustainability grade is assigned to those CSAs that currently have high fund balances relative to annual expenses and can preserve or increase fund balance levels on an annual basis. A fair sustainability grade is assigned to those CSAs that have been able to fund annual maintenance and repair costs with annual revenue but have low fund balances or a reduced fund balance due to emergency repairs. A poor sustainability grade is assigned to CSAs that have insufficient revenue to fund annual expenses; depleted or severely reduced the fund balance due to annual maintenance costs that exceed annual revenue or emergency repairs; or have required General Fund assistance to pay for emergency repairs. Exhibit 3 provides the current funding status and financial health grade for each CSA, which is used by staff to develop, prioritize, and schedule CSA-specific analyses to justify proposed assessment rate increases to improve the CSA’s financial sustainability.

CSA Analysis

CSA law established procedures and requirements for imposing assessments that are further defined in Section 4 of Article XIII D of the California Constitution. Engineers’ reports are required to estimate the amount of special benefits that property owners will receive from a project or service. To determine the special benefits, this report may also include, but not be limited to the condition of existing infrastructure; costs for maintenance; costs for recommended or required repairs, upgrades, and potential capital improvements. This data is used to determine service levels and the appropriate assessment rates necessary to fund these services.

Assessment Rate Setting

In November 1996, California voters passed Proposition 218 (Prop. 218), the “Right to Vote on Taxes Act.” This constitutional amendment protects taxpayers by limiting the methods by which local governments can create or increase taxes, fees, and charges without taxpayer consent. Based on the financial health grades listed in Exhibit 3 for each of the CSAs, about two-thirds of the CSAs will need engineer’s reports and a Prop. 218 election to set rates at a level that will provide sufficient funding to deliver the authorized services. If a proposed rate increase is not approved by property owners, the County would be limited to providing a reduced level of service commensurate with the available revenue, or providing only emergency repair services. In some cases, it may be necessary to consider discontinuing certain services to better align with the available revenue.

Recent and Planned Activities

Over the past fiscal year, staff has been focused on improving service delivery to the CSAs and striving to address ongoing maintenance needs given staffing challenges and CSA funding challenges. Examples of projects completed in the previous fiscal year and planned to be completed in the next fiscal year include:

Maintenance Projects

- CSA 15: Tree Pruning, Tree Removal, Open Space Maintenance (Landscape Services)
- CSA 17: Tree Removal, Storm Drain Maintenance (Drainage Channel Clearing)
- CSA 25: Storm Drain Maintenance (Culvert Hydro-jetting and Video Inspection)
- CSA 34: Storm Drain Maintenance (Two Culvert Replacements)
- CSA 45: Tree Pruning, Tree Removal
- CSA 50: Winter Operations & Maintenance Inspections, Stormwater Pond Clearing, Stormwater Pump Maintenance, Tree Removal, Pump Rental, Stormwater Pond Pump Installation (To Be Completed in FY 2023-24)
- CSA 66: Tree Removal, Open Space Maintenance (Open Space Clearing), Parks and Recreation Maintenance (Playground Cleaning)

Emergency Projects

January 2023 Flood Event

- CSA 45: Culvert Repair
- CSA 50: Emergency Pump Rental, Stormwater Pond Management & Oversight
- CSA 53: Emergency Drainage Channel Clearing
- CSA 75: Emergency Wet-Well Pumping and Waste Hauling
- Boronda CSD: Emergency Electrical Repairs to Lift Station and Pumping
- Pajaro CSD: Emergency Force Main Repair and Spill Response
- CSA 24: Stormwater Pond Clearing (To Be Completed in FY 2023-24)
- CSA 34: Culvert Repair (To Be Completed in FY 2023-24)

March 2023 Flood Event

- CSA 9: Emergency Culvert Clearing
- CSA 17: Emergency Drainage Channel Clearing
- CSA 75: Emergency Repair to Chualar Wastewater Treatment Plant, Emergency Access Road Repair, Emergency Wet-Well Pumping and Waste Hauling
- CSA 15: Drainage Channel Clearing (To Be Completed in FY 2023-24)
- CSA 45: Roadside Vee-Gutter Repair (To Be Completed in FY 2023-24)
- CSA 50: Tree Removal (To Be Completed in FY 2023-24)

ARPA Projects

- Boronda CSD (San Jerardo Water System): Installed Temporary Control Panel, Installed 3 New Booster Pumps, ordered Fire Motor and Pumps (To Be Installed in FY2023-24), Permanent Main Panel Construction (To Be Installed in FY2023-24)
 - Boronda CSD: Hydrojetting and Video Inspection of Sewer Lines
 - CSA 75: Wastewater Treatment Pond Clearing and Grubbing, Sewer Line Repair, Replaced 6 Air Relief Valves on Force Main, Installed New Fencing at Wastewater Treatment Plant, Repaired Main Collection Manhole, Replaced Pumps at Lift Station, Repaired and Lined Lift Station, Installed Freeboard Markers at Wastewater Treatment Plant, Calibrated Flow Meter Equipment at Wastewater Treatment Plant
-

- CSA 75: Hydro-jetting and Video Inspection of Sewer Lines
- Pajaro CSD: Sewer Line Repair near 85 Las Lomas Drive, Manhole Repairs at several locations, Hydrojetting and Video Inspection of Sewer Lines

Engineer's Reports and Proposition 218 Elections

In July 2023, a successful Proposition 218 election was held for CSA 25 Carmel Valley Golf and Country Club, establishing an annual assessment that will generate up to \$110,842 in the first year of the assessment (FY 2023-24). An Engineer's Report has also been prepared for CSA 17 Tierra Grande, one of the few CSAs that does not have an established annual assessment. It is estimated that the process can be finalized by March 2024 and, if successful, assessments will be placed on the 2024-25 tax rolls. Once completed, staff recommends implementing the Proposition 218 process to improve long-term financial stability for CSA 9-Oak Park, CSA 15 Toro Park/Serra Village, CSA 24-Rancho Rio Vista, and CSA 75-Chualar. A sewer rate increase for CSA 75 was passed in March 2017. Industry standards dictate that utility rates be reviewed at least every five years to ensure that rates accurately reflect the cost of operating the system in a self-sufficient manner.

COUNTY SANITATION AND WATER DISTRICTS

Background

The County Sanitation Districts were formed under the County Sanitation District Act, pursuant to California Health and Safety Code Section 4700. CSDs are separate legal entities of local government operated under the direction of the Board of Supervisors. Currently, the County manages two County Sanitation Districts: the Pajaro County Sanitation District (PCSD) and the Boronda County Sanitation District (BCSD). The PCSD provides for sanitation collection in the communities of Pajaro, Las Lomas, Bay Farms, and a portion of Sunny Mesa. Wastewater is collected and pumped to the City of Watsonville Treatment Plant for treatment. The BCSD provides for sanitation collection in the community of Boronda. Wastewater is collected and pumped to the Monterey One Water treatment plant via City of Salinas sanitary sewer collection lines. The San Jerardo Housing Cooperative, Inc., (sometimes referred to as, "Cooperative") community was annexed into the BCSD as Zone 2-San Jerardo in 2011 to provide potable water service to the Community.

Disposition of County Sanitation and Water Systems

It is the goal of the County to divest all interests in CSA and County Sanitation District (CSD) sanitation and water systems, including sanitation systems owned by CSA 75-Chualar, PCSD, BCSD, and BCSD-Zone 2 (San Jerardo Water System), excluding County Parks sanitation and water systems. Staff has been working to fulfill the Board of Supervisors' goal of transferring the San Jerardo Water System and selling the three sanitation systems. Staff's primary focus of late has been in addressing deferred maintenance needs by implementing many water and sewer infrastructure repair projects using a portion of the County's American Rescue Plan Act (ARPA) fund allocation. Progress toward disposition of the County's sanitation and water systems is

reported quarterly to the Board of Supervisors' Capital Improvement Committee and Budget Committee. The latest progress report is provided in Exhibit 4.

CLOSED LANDFILLS

The County currently manages 11 closed landfills which are regulated by the Federal Environmental Protection Agency (EPA) and the State of California Water Resources Control Board (Water Board). The Monterey County Health Department (Health Department) is the Local Enforcement Agency. State and Federal laws mandate post-closure monitoring and reporting activities including, but not limited to, annual water-quality monitoring, preparation, and implementation of Stormwater Pollution Prevention Plans (SWPPPs), wet weather monitoring well inspections and reports, biannual dry weather inspections, and stormwater collection and analysis. Per State regulations, the County was conducting formal monitoring and reporting for three of the County-owned closed landfills (Lake San Antonio-North Shore, San Ardo, and Bradley). However, that requirement has been fulfilled and is no longer needed. The closed landfill sites still require ongoing permits and as-needed inspections to ensure that appropriate Best Management Practices (BMPS) are implemented to minimize or prevent stormwater pollution.

Expenses related to closed landfills are funded by the General Fund 001, and there is minimal annual lease revenue in the amount of \$425 for the use of the Chualar closed landfill. The estimated FY 2022-23 year-end expenditure is \$117,144 and the proposed FY 2023-24 budget is \$149,359.

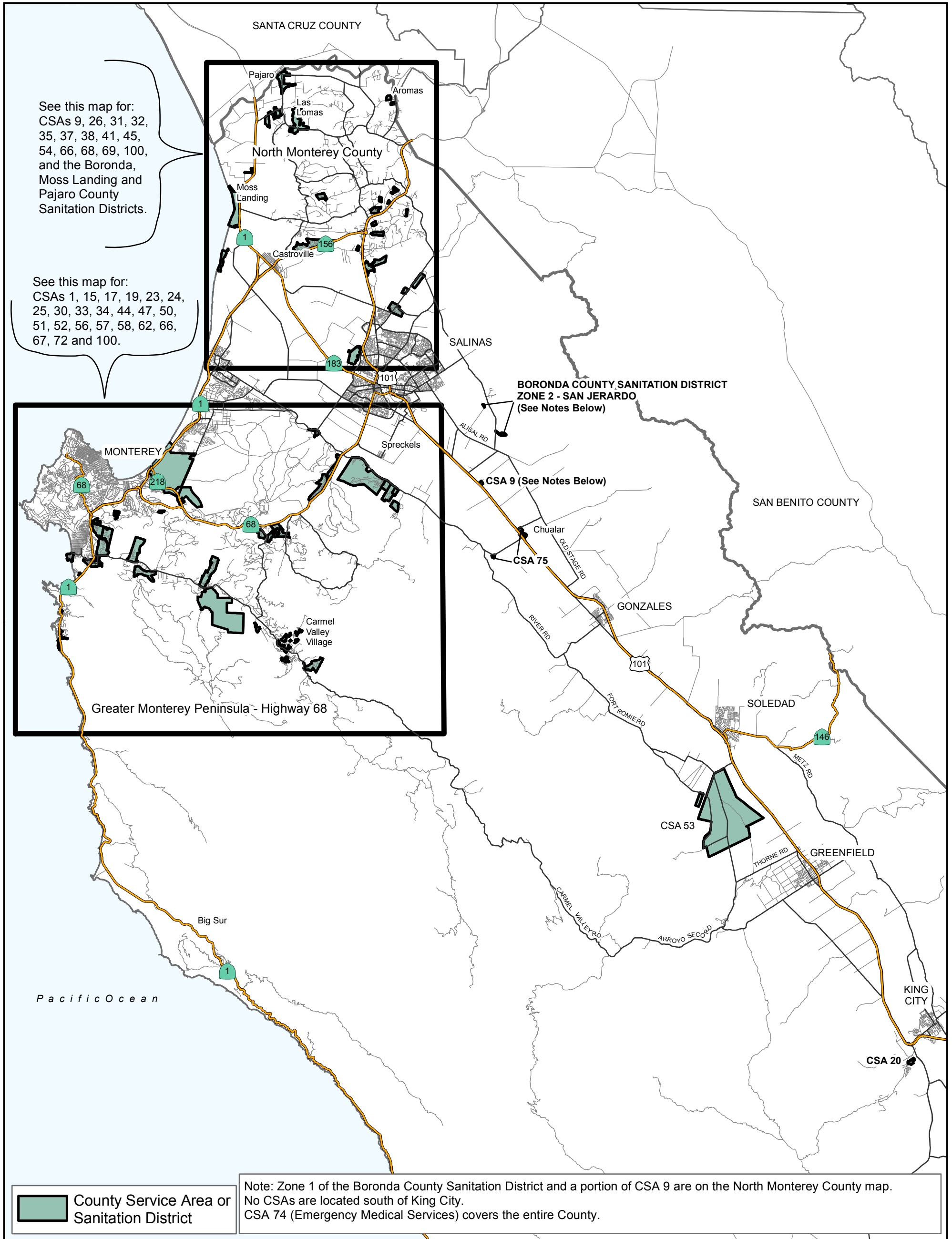
COMMUNITY SERVICES DISTRICTS

The County manages a Community Services District known as the East Garrison Community District (EGCSD). The EGCSD was created in 2006 to provide park and open space maintenance, storm drain and flood control system maintenance, and perimeter road maintenance services for the East Garrison Community located along Reservation Road east of the City of Marina. The EGCSD is a dependent Community Services District where the Monterey County Board of Supervisors serves as the Board of Directors for the EGCSD. An Advisory Committee was established in 2018, consisting of five members and three alternates appointed by the Monterey County Board of Supervisors, acting as the Board of Directors of the EGCSD. Per a request by the EGCSD Board of Directors and approval by the Board of Supervisors, an election was held on November 8, 2022 for registered voters in the East Garrison community to consider whether to become an independent district and elect an independent Board of Directors. The result of the election was that a majority of voters did not support an independent district. Therefore, the County continues to provide administration and governance of the EGCSD. Currently, the EGCSD is supported by special taxes levied and collected by the East Garrison Public Financing Authority (EGPFA). Annual budgets for the EGPFA and EGCSD are included in the County's Annual Budget document. The EGCSD can recommend again in the future that an election be conducted to determine if residents would like to consider becoming an independent district.

Exhibit 1

**Inventory of Monterey County Service Areas
Authorized Services**

CSA Number	Location	Street Lighting	Storm Drain & Surface Water	Street & Sidewalk Maintenance	Park/Recreation/ Parkway Facilities	Levee Maintenance	Sewage Facilities
1	Carmel Point	A					
9	Oak Park	A	A				
15	Sierra Village	A	A	A	A		
17	Rancho Tierra Grande		A		A		
19	Carmel Meadows		A				
20	Royal Estates	A	A				
23	Carmel Rancho	A	A	A			
24	Pedrazzi Subdivision / Indian Springs		A				
25	Carmel Valley Golf & Country Club	A	A	A			
26	New Moss Landing Heights	A					
30	Rancho Mar Monte		A				
31	Aromas Hills Subdivision		A				
32	Green Valley Acres / Moon Subdivision	A	A				
33	Coast Ridge / Carmel Sur		A				
34	Rancho Rio Vista / Carmel Knolls		A				
35	Paradise Park / Rancho Borromeo	A	A				
37	Colonial Oaks Estates		A				
38	Paradise Lake Estates		A				
41	Gabilan Acres / Boronda	A					
44	Corral de Tierra Oaks 1/2/3	A	A	A			
45	Oak Hills & Oak Hills - Open Space	A	A		A		
47	Carmel Views / Mar Vista	A	A	A			
50	Rioway Tract No.2		A			A	
51	High Meadows	A	A				
52	Carmel Valley Village		A				
53	Arroyo Seco		A				
54	Manzanita / Sarsi Subdivisions		A				
55	Robles Del Rio		A				
56	Del Mesa Carmel		A	A			
57	Los Tulares Subdivision		A				
58	Vista Dorado	A	A				
62	Rancho Del Monte 14		A				
66	Oak Tree Views	A	A	A	A		
67	Corral de Tierra Oaks 4	A	A	A			
68	Vierra Canyon Knolls		A				
72	Las Palmas Ranch		A				
75	Chualar Consolidated	A	A				A



LAFCO of Monterey County

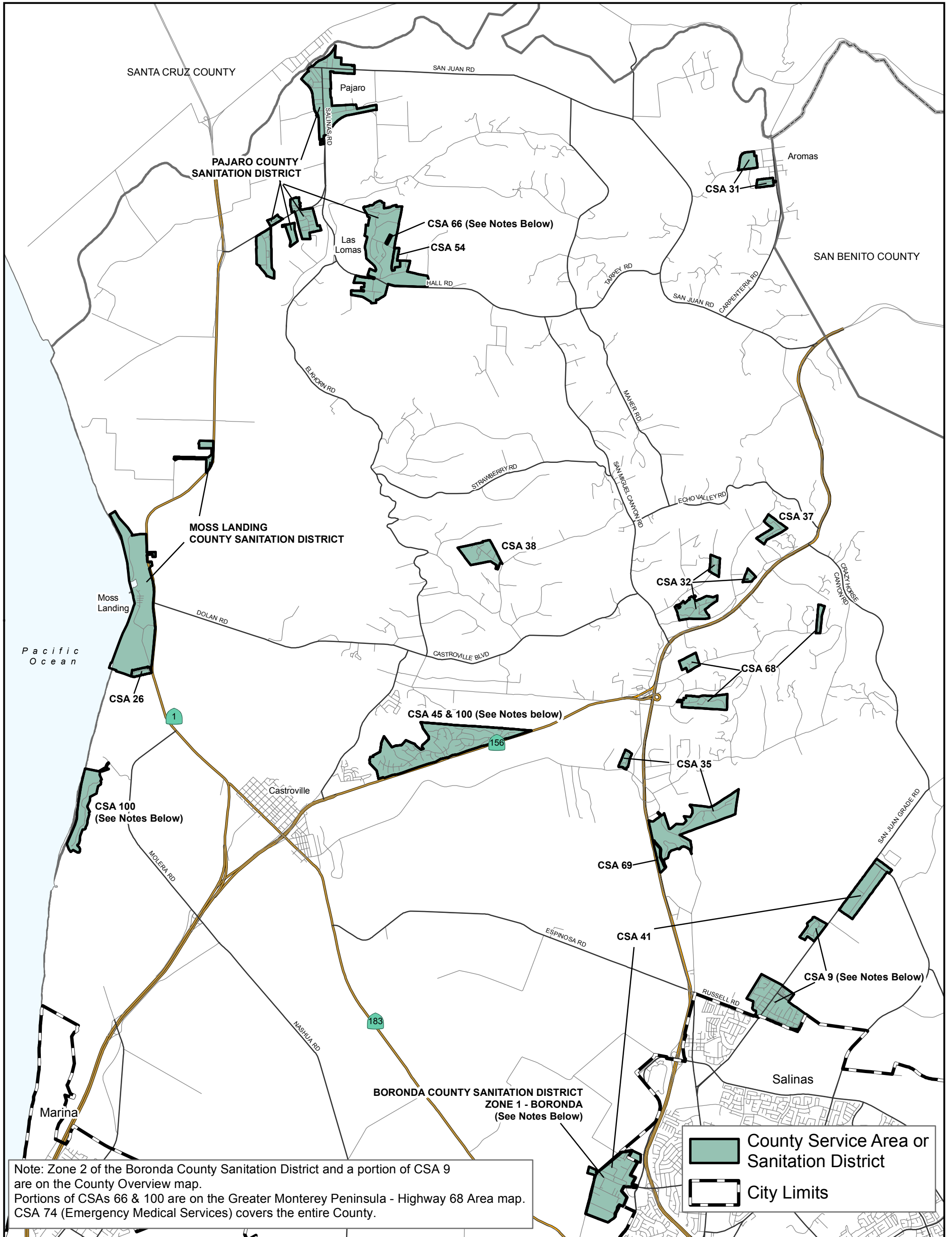
LOCAL AGENCY FORMATION COMMISSION

P.O. Box 1369 132 W. Gabilan St., Suite 102
Salinas, CA 93902 Salinas, CA 93901
Telephone (831) 754-5838 FAX (831) 754-5831


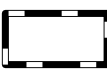


**OVERVIEW OF
COUNTY SERVICE AREAS (CSAs) &
COUNTY SANITATION DISTRICTS**

(Map Produced on 2/6/13)



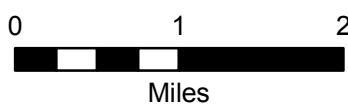
Note: Zone 2 of the Boronda County Sanitation District and a portion of CSA 9 are on the County Overview map.
 Portions of CSAs 66 & 100 are on the Greater Monterey Peninsula - Highway 68 Area map.
 CSA 74 (Emergency Medical Services) covers the entire County.

 County Service Area or Sanitation District
 City Limits

LAFCO of Monterey County

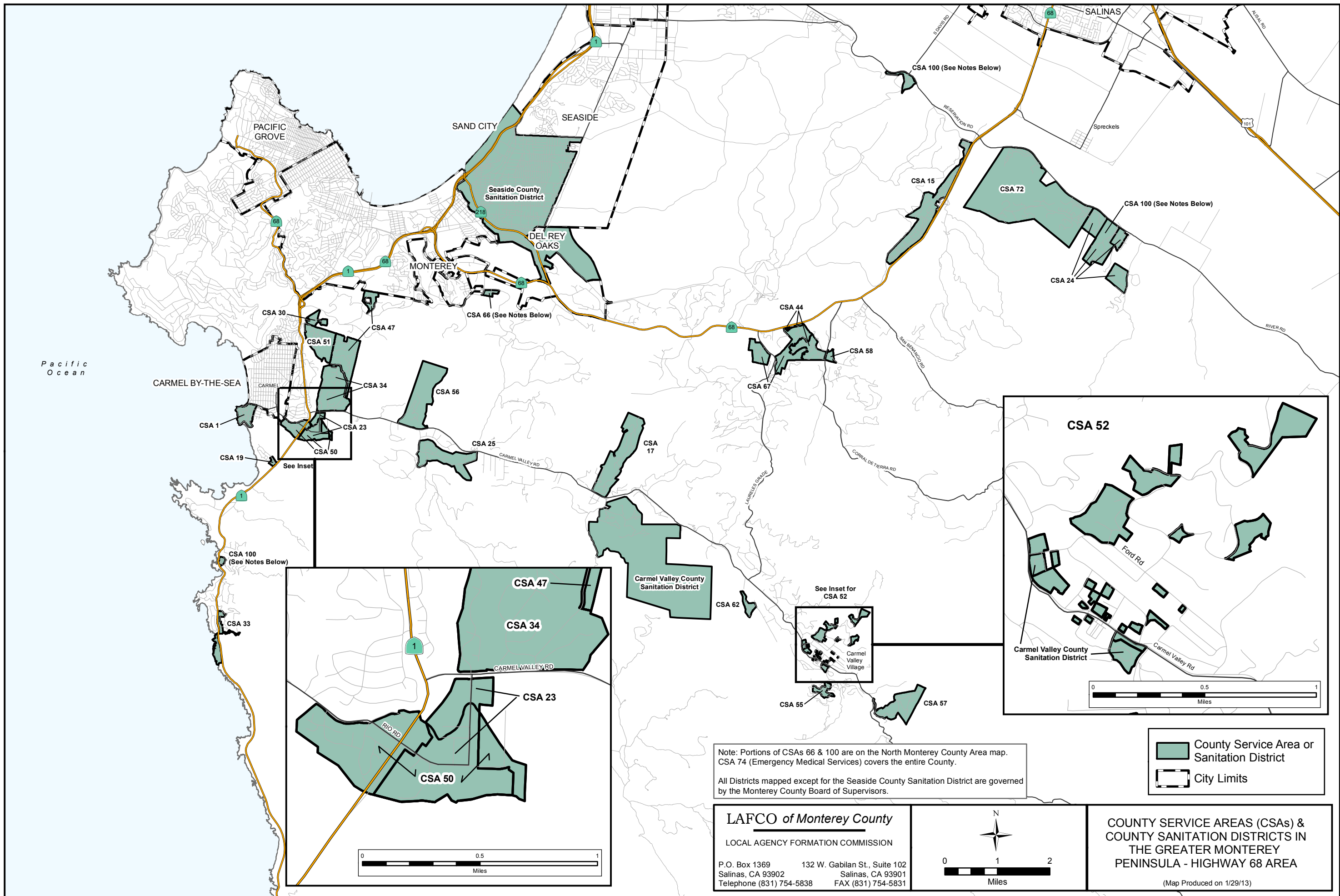
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COUNTY SERVICE AREAS (CSAs) & COUNTY SANITATION DISTRICTS IN NORTH MONTEREY COUNTY

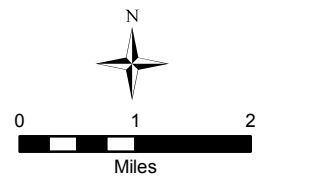
(Map Produced on 2/6/13)



Note: Portions of CSAs 66 & 100 are on the North Monterey County Area map.
 CSA 74 (Emergency Medical Services) covers the entire County.
 All Districts mapped except for the Seaside County Sanitation District are governed by the Monterey County Board of Supervisors.

County Service Area or Sanitation District
 City Limits

LAFCO of Monterey County
 LOCAL AGENCY FORMATION COMMISSION
 P.O. Box 1369 Salinas, CA 93902 Telephone (831) 754-5838
 132 W. Gabilan St., Suite 102 Salinas, CA 93901 FAX (831) 754-5831



COUNTY SERVICE AREAS (CSAs) & COUNTY SANITATION DISTRICTS IN THE GREATER MONTEREY PENINSULA - HIGHWAY 68 AREA
 (Map Produced on 1/29/13)

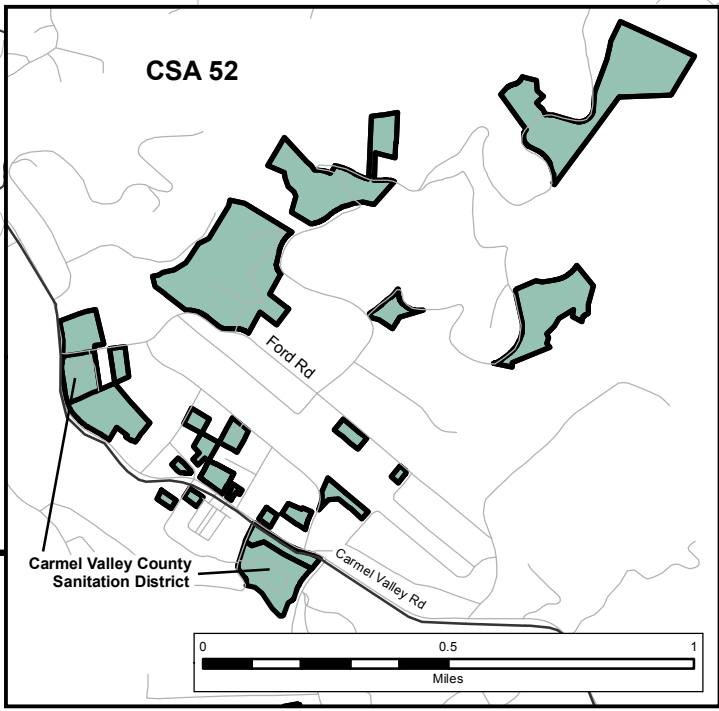
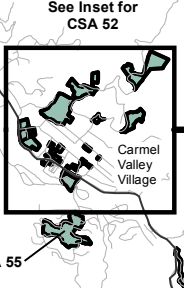
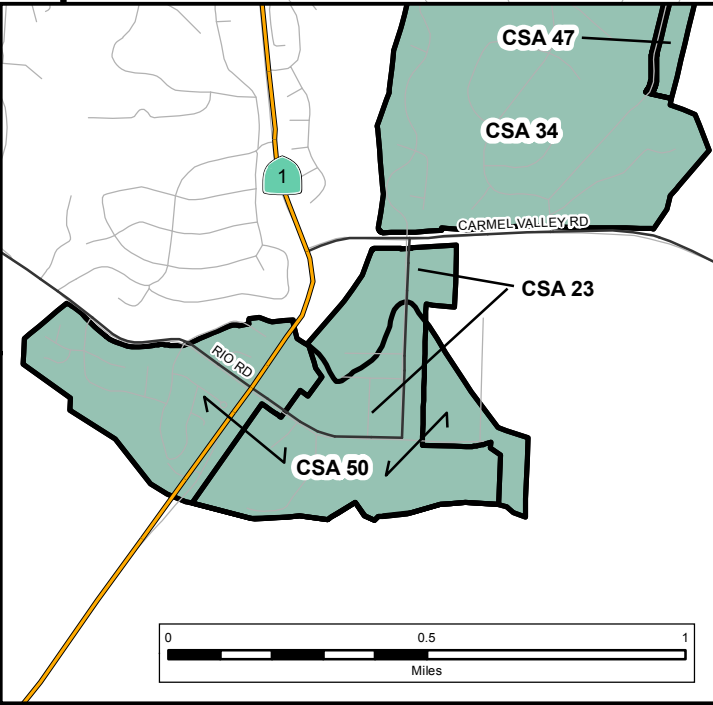


EXHIBIT 3

CSA Financial Summary

CSA #	CSA Name	# of Parcels	Revenue 5 Year Average 2019-2023	Expenditure 5 Year Average 2019-2023	FY24 Beginning Fund Balance July 1, 2023	FY24 Estimated Ending Fund Balance	Health Grade*	Notes
1	Carmel Point	355	\$ 43,880	\$ 35,543	\$ 241,158	\$ 178,180	G	Revenue sufficient to fund annual expenditures.
9	Oak Park	725	\$ 57,531	\$ 20,853	\$ 468,966	\$ 327,116	P	Storm drainage project needs exceed annual revenue and fund balance levels. Engineer's Report and Prop. 218 vote recommended for FY24.
15	Sierra Village, Toro Park	813	\$ 196,147	\$ 140,079	\$ 340,858	\$ 242,348	F	Annual revenue equals annual maintenance needs; however, storm drainage, road and sidewalk deferred projects exceed fund balance. Engineer's Report and Prop 218 process recommended for FY24.
17	Rancho Terra Grande	242	\$ 19,389	\$ 20,195	\$ 22,950	\$ 20,698	P	Storm drainage needs exceed annual revenue and fund balance levels. Draft Engineer's Report completed. Prop 218 and Prop 218 process recommended for FY24.
19	Carmel Meadows	31	\$ 1,007	\$ 1,188	\$ 16,254	\$ 12,794	F	Annual revenue sufficient to fund annual storm drainage maintenance, however, fund balance insufficient to cover potential emergency drainage projects.
20	Royal Estates	139	\$ 8,234	\$ 4,545	\$ 82,011	\$ 66,853	G	Annual revenue sufficient to fund annual expenditures
23	Carmel Rancho	251	\$ 17,701	\$ 5,824	\$ 287,298	\$ 226,319	F	Annual expenditures have exceed annual revenue. Deferred storm drainage and road projects likely to exceed fund balance.
24	Pedrazzi Subdivision/Indian Springs	377	\$ 7,527	\$ 17,439	\$ 88,988	\$ 28,481	G	Revenue and fund balance sufficient to fund annual expenditures.
25	Carmel Valley Golf & County Club	210	\$ 51,090	\$ 40,135	\$ 164,062	\$ 133,149	G	Successful Prop 218 election completed in July 2023 that will generate up to \$110.842 in FY 2023-24 with cost of living increase in following years.
26	New Moss Landing Heights	63	\$ 6,232	\$ 2,305	\$ 85,021	\$ 70,520	G	Annual revenue exceeds annual expenditures.
30	Rancho Mar Monte	33	\$ 1,874	\$ 1,099	\$ 29,844	\$ 23,520	P	Annual expenditures exceed annual revenue. Fund balance insufficient to fund potential deferred storm drainage projects.
31	Aromas Hills Subdivision	29	\$ 2,034	\$ 989	\$ 42,911	\$ 34,005	P	Annual expenditures exceed annual revenue. Fund balance insufficient to fund potential deferred storm drainage projects.
32	Green Valley Acres/Moon Subdivision	125	\$ 10,212	\$ 16,754	\$ 56,710	\$ 47,514	G	Annual revenue exceed annual expenditures. Fund balance likely sufficient for any deferred maintenance.
33	Coast Ridge/Carmel Sur	39	\$ 3,217	\$ 2,678	\$ 26,527	\$ 19,324	P	Annual revenue and fund balance insufficient to fund identified storm drainage projects.
34	Rancho Rio Vista/Carmel Knolls	443	\$ 2,742	\$ 702	\$ 13,007	\$ 7,740	P	Annual revenue and fund balance insufficient to fund identified storm drainage projects. Engineer's Report and Prop. 218 vote planned for FY 2024-25.
35	Paradise Park/ Rancho Borromeo	189	\$ 12,364	\$ 6,999	\$ 86,432	\$ 72,380	F	Annual revenue currently exceeds annual expenditures; however, fund balance levels likely insufficient to fund deferred maintenance.
37	Colonial Oak Estates	45	\$ 1,093	\$ 2,326	\$ 18,428	\$ 13,552	F	Annual revenue currently exceeds annual expenditures; however, fund balance levels like insufficient to fund deferred maintenance.
38	Paradise Lake Estates	66	\$ 3,238	\$ 1,011	\$ 67,655	\$ 54,742	F	Annual revenue currently exceeds annual expenditures; however, fund balance levels like insufficient to fund deferred maintenance.
41	Gabilan Acres/Boronda	593	\$ 23,816	\$ 16,784	\$ 213,678	\$ 175,675	G	Annual revenue exceeds annual expenditures.
44	Corral De Tierra Oaks 1/2/3	109	\$ 7,507	\$ 3,470	\$ 65,554	\$ 30,669	P	Annual revenue currently exceeds annual expenditures; however, fund balance levels insufficient to fund identified road maintenance projects.
45	Oak Hills	346	\$ 34,548	\$ 23,312	\$ 154,339	\$ 102,055	F	Annual expenditures exceed annual revenue. Fund balance insufficient to fund deferred open space projects.
45	Oak Hills - Open Space	617	\$ 23,951	\$ 36,104	\$ 26,534	\$ 23,015	P	Annual expenditures exceed annual revenue. Fund balance and revenue insufficient to fund desired vegetation management and potential deferred storm drainage projects. Engineer's Report and Prop. 218 vote planned for FY24-25.
47	Carmel Views/Mar Vista	200	\$ 28,420	\$ 41,321	\$ 29,070	\$ 19,145	P	Annual expenditures exceed annual revenue. Fund balance insufficient to fund deferred road and storm drainage projects.
50	Rioway Tract No.2	452	\$ 136,511	\$ 62,359	\$ 1,139,582	\$ 446,815	P	Annual expenditures exceed annual revenue. Fund balance insufficient to fund identified flood control projects.
51	High Meadow	284	\$ 20,846	\$ 7,753	\$ 166,833	\$ 102,020	G	Annual expenditures exceed annual revenue; however, fund balance sufficient to fund potential deferred storm drainage maintenance.

CSA Financial Summary

CSA #	CSA Name	# of Parcels	Revenue 5 Year Average 2019-2023	Expenditure 5 Year Average 2019-2023	FY24 Beginning Fund Balance July 1, 2023	FY24 Estimated Ending Fund Balance	Health Grade*	Notes
52	Carmel Valley Village	97	\$ 9,517	\$ 1,124	\$ 210,637	\$ 124,317	G	Annual revenues exceed annual expenditures. Fund balance sufficient to fund potential deferred storm drainage projects.
53	Arroyo Seco	33	\$ 25,624	\$ 43,482	\$ 13,043	\$ (1,674)	F	Annual revenues exceed annual expenditures; however, fund balance insufficient to fund potential deferred storm drainage projects.
54	Manzanita/Sarsi Subdivisions	16	\$ 1,998	\$ 794	\$ 34,576	\$ 25,990	F	Annual revenues exceed annual expenditures. Fund balance insufficient to fund potential deferred storm drainage projects.
55	Robles Del Rio	58	\$ 12,121	\$ 4,707	\$ 197,144	\$ 123,676	G	Annual revenues exceed annual expenditures. Fund balance sufficient to fund potential deferred storm drainage projects.
56	Del Mesa Carmel	290	\$ 12,488	\$ 752	\$ 256,154	\$ 210,632	G	Annual revenues exceed annual expenditures. Fund balance sufficient to fund potential deferred storm drainage and road projects.
57	Los Tulares Subdivision	80	\$ 2,558	\$ 409	\$ 35,981	\$ 28,694	P	Annual revenues exceed annual expenditures. Fund balance likely insufficient to fund deferred storm drainage projects.
58	Vista Dorado	17	\$ 4,656	\$ 2,100	\$ 71,390	\$ 59,858	F	Annual revenues exceed annual expenditures. Fund balance likely insufficient to fund deferred storm drainage projects.
62	Rancho Del Monte 14	30	\$ 17,179	\$ 726	\$ 312,297	\$ 260,379	G	Annual revenues exceed annual expenditures. Fund balance sufficient to fund deferred storm drainage projects.
66	Oak Tree Views	42	\$ 24,780	\$ 18,554	\$ 40,735	\$ 16,173	P	Annual revenues meet current annual expenditures. Annual rate increase approved in FY18-19. Review of current financial situation should be completed to determine need for future increase.
67	Corral De Tierra Oaks 4	99	\$ 147,243	\$ 6,041	\$ 3,434,590	\$ 2,854,375	G	Annual revenues exceed annual expenditures. Fund balance sufficient to fund deferred projects.
68	Vierra Canyon Knolls	73	\$ 3,285	\$ 614	\$ 92,304	\$ 73,712	F	Annual revenues exceed annual expenditures. Fund balance likely sufficient to fund deferred storm drainage projects.
72	Las Palmas Ranch	1039	\$ 6,768	\$ 16,012	\$ 107,549	\$ 32,004	F	Annual revenues currently exceed annual expenditures. However, future wastewater related requirements likely to require increased assessment.
75	Chualar Consolidated	179	\$ 903,238	\$ 404,386	\$ 2,561,045	\$ 2,467,812	P	Current rates accommodate annual wastewater maintenance. However, various projects in progress to address flooding as a result from 2023 winter storms. Once completed, an updated Engineer's Report recommended to insure rate structure is sufficient for future operations.

*Health Grades: G (Good), F (Fair), P (Poor)



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: 23-571**July 26, 2023****Introduced:** 6/29/2023**Current Status:** Agenda Ready**Version:** 1**Matter Type:** General Agenda Item

Receive a status report for the period ending March 31, 2023, regarding the sale/transfer of the Pajaro County Sanitation District, Boronda County Sanitation District-Zone 1, County Service Area 75 - Chualar sanitation system, and Boronda County Sanitation District-Zone 2, San Jerardo Water System.

RECOMMENDATION:

It is recommended that the Capital Improvement Committee receive a status report for the period ending March 31, 2023, regarding the sale/transfer of the Pajaro County Sanitation District, Boronda County Sanitation District-Zone 1, County Service Area 75 - Chualar sanitation system and Boronda County Sanitation District-Zone 2, San Jerardo Water System.

BACKGROUND:

The County owns and operates the Pajaro County Sanitation District (PCSD), Boronda County Sanitation District-Zone 1 (BCSD), County Service Area 75 - Chualar sanitation system (CSA 75 - Chualar), and the Boronda County Sanitation District-Zone 2, San Jerardo Water System (San Jerardo Water System). At the direction of the Board of Supervisors, the Department of Public Works, Facilities and Parks (PWWP) staff is working to sell/transfer the PCSD, BCSD, and CSA 75 - Chualar and the San Jerardo Water System. The Capital Improvement Committee (CIC) requested quarterly reports on the progress of PWWP's sale/transfer of these systems.

In June 2021, \$4.1 million in American Rescue Plan Act of 2021 (ARPA) funding was allocated via the adopted Fiscal Year (FY) 2021-22 budget to repair and improve water and sewer infrastructure in these sanitation and water systems. Staff has focused on implementing repair and rehabilitation projects to ensure they are completed within the timelines required by ARPA funding rules. Additional detail on the progress of ARPA-funded water and sewer infrastructure projects is reported to the CIC via a separate quarterly report.

ARPA-funded water and sanitation system repairs and improvements have addressed numerous deferred maintenance items. However, there remain several critical repairs that should be performed immediately. PWWP requested budget augmentation funding from sources such as ARPA via the FY 2023-24 budget process for these deferred maintenance projects but was not awarded any new funding. Special Districts staff will continue to request additional funding for these eminently necessary repairs, including any unspent ARPA funds.

This report provides a brief overview of the sanitation and water system improvements and discusses the plan and timeline for completing the sale/transfer of these systems.

Infrastructure Repair and Improvements

PCSD and BCSD: Sewer system repair and improvements consist of a) repairing or replacing sewer lift station components such as pumps, valves and related infrastructure, b) cleaning and inspecting sewer lines and manholes, and c) replacing sewer lines and manholes as needed per inspection results. This work began in May 2022 and a significant amount of the work has been completed using a combination of County staff and Job Order Contract (JOC) contractors, with technical and design support provided by on-call consultants.

Available ARPA funding for both systems has been exhausted; however, both closed-circuit television (CCTV) videos and visual inspections indicate that additional upgrades are urgently needed to meet the intended repair and improvement objectives for sewer lines and manholes. Additional work on BCSD and PCSD lift stations is on hold pending supplemental ARPA funds or other General Fund contribution. The current estimated cost for the additional lift station work is approximately \$1.2 million; approximately \$2.0 million is also needed for critical additional manhole and sewer line system improvements to both systems. Earlier this spring, staff requested additional ARPA funding for these near-term critical upgrades via the annual FY 2023-24 CIP budget process.

Engineering condition assessments funded by the ARPA Program also identified longer term CIP needs in the amount of almost \$17 million for both the PCSD and BCSD systems (which is well beyond the financial and time constraints of the ARPA Program). The largest future CIP expenditure would involve a complete replacement of the PCSD force main, which conveys wastewater from the Pajaro community to the Watsonville Treatment Plant. This cost alone is estimated at \$6.4 million. Force main ruptures occurred during both the January and March 2023 Winter Storms, and repairs were affected to get the system back in service.

Installation of a new sewer line along a portion of Las Lomas Drive within the PCSD system was completed in August 2022, except for ongoing geotechnical slope stability evaluations. A preliminary consultant report issued in April 2023 indicated slope movement occurred during the preceding couple of months. Slope movement will continue to be monitored as will its effect on the newly installed Las Lomas sewer line to assess whether future slope stabilization will be necessary. It is likely that funds for stabilization of the slide will be required in the longer term. A preliminary estimate cost of \$2 million was also included in the unfunded CIP for FY 2023-24.

CSA 75 - Chualar Sanitation System: Severe flood damage to the wastewater treatment facility which occurred during the January and March 2023 rainstorms required emergency repairs to perimeter wastewater pond berms, force main, access road, and electrical system. These repairs were initiated in April and completed in late May 2023. During the time the treatment facility could not accept wastewater, vacuum trucks worked around the clock to remove wastewater from the Main Street pump station and transport it to the City of Soledad's wastewater treatment plant.

The CSA 75 - Chualar sanitation system operates under a permit issued by the State Water Resources Control Board (SWRCB). The County recently completed enrollment in a new, updated wastewater permit. County and SWRCB staff are continuing coordination on how to best move forward with treatment system repairs and improvements to meet new permit requirements.

Enhanced water treatment via new aerators (which will require electrical upgrades) is desirable and may be necessary to achieve the requirements of the new wastewater permit. This work is presently unfunded but is currently estimated at approximately \$300,000. As with the unmet PCSD needs, staff requested additional ARPA funding via the annual FY 2023-24 budget process for the new aerators.

On August 30, 2022, the BOS approved the submittal of a planning grant application to fund the CSA-75 Chualar Wastewater System Consolidation Project. Consolidation would convert the Chualar sanitation system to a collection-only system like the PCSD and BCSD systems and provide benefits such as connection and conversion of surrounding septic systems to regional treatment, the opportunity for recycled wastewater generation, and the ability for the community of Chualar to expand (since the system is currently operating near capacity and cannot accept new wastewater connections). On September 8, 2022, staff applied for a \$4.4 million planning grant from the State Water Resource Control Board - Division of Financial Assistance (SWRCB-DFA) to support consolidation of the CSA 75 - Chualar system. The County's application for planning funds is currently under review by the SWRCB-DFA and, if approved, funds will be formally committed when a planning agreement has been signed by the County and the SWRCB-DFA, which could occur as early as August 2023.

BCSD - Zone 2 - San Jerardo Water System: Planned ARPA-funded capital improvements at the San Jerardo water system began in early May 2022 and includes installation of a private water service connection, completion of a mutual intertie system between the San Jerardo Water System and the nearby Foothill Estates subdivision, main electrical panel repair, and fire pump and motor upgrades.

Equipment needed to upgrade San Jerardo System (pumps and control panel), has been ordered and two booster pumps have been installed. Delivery of balance of equipment expected in July with completion of work in fall of 2023.

Several issues arose during the installation of the private water service connection, and the mutual intertie system. A design consultant was retained to redesign of aspects of this system. We anticipate the design will be completed in June and all the work completed by the end of summer 2023. Additional funding is also desirable for other work in the San Jerardo system, including storage tank repairs and water meter upgrades. Staff requested additional ARPA funding via the annual FY 2023-24 budget process.

Sale of Sanitation Systems

In addition to the sewer infrastructure improvements discussed above and staff efforts to identify prospective buyer(s) of the sanitation systems, rate studies are being conducted to update customer service rate schedules for the PCSD and BCSD sanitation systems. Establishing new sewer service rates involves preparing Engineer's Reports, holding community meetings, and conducting public hearings consistent with Proposition 218 requirements. New rates were scheduled to be implemented at the beginning of next fiscal year; however, severe flooding in March, particularly in the Pajaro community within the PCSD, and the resulting impact on community residents, has delayed the process. During a meeting, currently planned for August 22, 2023, the Board of Supervisors will decide whether to further delay rate increases while the community is recovering from the impacts of Winter 2023 flooding.

On July 20, 2022, the County issued a Request for Qualifications (RFQ No. 10868) for the transfer of ownership of County sanitary sewer systems which are currently owned, operated, and managed by the County through the PCSD, BCSD and CSA 75 - Chualar with the intent to transfer County Sanitation Systems to qualified firms/agencies.

On November 17, 2022, in response to the RFQ, the County received a single qualifications package from California American Water (CalAm). On January 10, 2023, the Board of Supervisors directed staff to (1) reject all responses to the County's RFQ for the transfer of ownership of facilities which serve the BCSD, the PCSD, and CSA 75 - Chualar; and (2) continue working with the SWRCB to obtain a planning grant and pursue consolidation of the CSA 75 - Chualar facility, and (3) for the PCSD and BCSD, conduct community workshops with stakeholders including property owners, rate payers, interested parties and potential owner-operators including but not limited to local public agencies (such as Monterey One Water, PSMCSD) and private utility operators (such as CalAm). In a January 18, 2023, letter, staff formally rejected Cal-Am's response to the County's RFQ.

On November 11, 2022, the Pajaro/Sunny Mesa Community Services District (PSMCSD) expressed interest in the transfer of the PCSD to the PSMCD. The resolution sets forth conditions which would need to be met prior to the PSMCSD taking control of the PCSD sanitation system. December 14, 2022, staff initiated informal discussions with the PSMCSD to begin to map out a process for transferring the PCSD to the PSMCSD. On April 29, 2023, the PSMCSD notified staff that it has decided not to pursue ownership and/or operation of the PCSD at this time.

To summarize, there are currently no suitors for the PCSD or BCSD. In terms of a path forward, options include:

- Negotiating with Cal-Am to take over ownership and operational responsibility of one, the other, or both the PCSD and BCSD,
- Issuing another RFQ-although the likelihood of interested parties other than Cal-Am responding is low,
- Engaging in Board-level discussions with Monterey One Water, the City of Watsonville, or other potential public agency partners.
- County continues to operate and maintain these systems, while pursuing the funding needed for necessary upgrades and repairs (that would most likely involve pursuing grant funding).

San Jerardo Water System: Since June 2022, representatives of the San Jerardo Housing Cooperative, Inc. (the Cooperative) and the County have been meeting monthly to track progress and facilitate the transfer of information to the Cooperative team pursuant to transferring ownership of the San Jerardo Water System from the County to the Cooperative. The intent is to continue the meetings until a letter of intent is signed by both parties. In 2016, the Cooperative completed a TMF (technical, managerial, and financial) assessment that was approved by the State Office of Sustainable Water Solutions. The State has indicated that the TMF assessment must be updated, and the Cooperative is in the process of doing so. It is also making progress on its due diligence evaluations of the San Jerardo Water System. Because the County Environmental Health Bureau, the permitting authority for the water system, recently indicated that a permit could not be issued to the Cooperative but only to a mutual water company, the Cooperative is stepping up its efforts to form a mutual water company. A professor from University of California, Hastings College of Law and attorneys from Morrison &

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Forrester are assisting the Cooperative on a pro bono basis to acquire the San Jerardo Water System, including due diligence activities, and formation of a mutual water company.

Due diligence activities, TMF assessments, formation of a mutual water company, and permitting is anticipated to be complete by the end of the current fiscal year. ARPA funded capital improvements are scheduled to be completed by September 2023. The goal is to complete the San Jerardo water system transfer from the County-BCSD San Jerardo-Zone 2 to the mutual water company by September 2023.

Because water will be distributed exclusively to stakeholders at cost, staff does not anticipate the California Public Utilities Commission's (CPUC) involvement in the transaction, which will significantly reduce the time to complete the transfer of ownership from the County BCSD-San Jerardo Zone 2 to the Cooperative.

FINANCING:

ARPA water and sewer infrastructure funding supports the implementation of repair and improvement projects for the PCSD, the BCSD, the CSA 75 Chualar, and the San Jerardo Water System. Progress on ARPA water and sewer infrastructure projects is reported in more detail via a separate quarterly report to the CIC.

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