



# Monterey County

168 West Alisal street,  
1st Floor  
Salinas, CA 93901  
831.755.5066

## Board Report

Legistar File Number: RES 19-185

March 12, 2019

**Introduced:** 1/23/2019

**Version:** 1

**Current Status:** Agenda Ready

**Matter Type:** BoS Resolution

### **Adopt a Resolution to:**

- a. Authorize the Auditor-Controller to amend the FY 2018-19 County Service Area 75-Chualar Adopted Budget, Fund 093, Appropriation Unit RMA088, increasing appropriations in the amount of \$77,314, where Fund 093 Unassigned Fund Balance is the financing source for a sanitation condition assessment, valuation report, and wastewater treatment pond maintenance (4/5th vote required);
- b. Authorize the Auditor-Controller to transfer \$57,500 from the FY 2018-19 Fund 001 Contingencies, Appropriation Unit CAO020, to Pajaro County Sanitation District, Fund 151, Appropriation Unit RMA040, where the Fund 001 Contingencies, Appropriation Unit CAO020, has sufficient appropriations available in the adopted budget to fund the transfer (4/5th vote required); and
- c. Authorize the Auditor-Controller to transfer \$37,410 from the FY 2018-19 Fund 001 Contingencies, Appropriation Unit CAO020, to Boronda County Sanitation District, Fund 156, Appropriation Unit RMA045, where the Fund 001 Contingencies, Appropriation Unit CAO020, has sufficient appropriations available in the adopted budget to fund the transfer (4/5th vote required).

### RECOMMENDATION:

It is recommended that the Board of Supervisors adopt a Resolution to:

- a. Authorize the Auditor-Controller to amend the FY 2018-19 County Service Area 75-Chualar Adopted Budget, Fund 093, Appropriation Unit RMA088, increasing appropriations in the amount of \$77,314, where Fund 093 Unassigned Fund Balance is the financing source for a sanitation condition assessment, valuation report, and wastewater treatment pond maintenance (4/5th vote required);
- b. Authorize the Auditor-Controller to transfer \$57,500 from the FY 2018-19 Fund 001 Contingencies, Appropriation Unit CAO020, to Pajaro County Sanitation District, Fund 151, Appropriation Unit RMA040, where the Fund 001 Contingencies, Appropriation Unit CAO020, has sufficient appropriations available in the adopted budget to fund the transfer (4/5th vote required); and
- c. Authorize the Auditor-Controller to transfer \$37,410 from the FY 2018-19 Fund 001 Contingencies, Appropriation Unit CAO020, to Boronda County Sanitation District, Fund 156, Appropriation Unit RMA045, where the Fund 001 Contingencies, Appropriation Unit CAO020, has sufficient appropriations available in the adopted budget to fund the transfer (4/5th vote required).

### SUMMARY/DISCUSSION:

In recent years, it has been the goal of the County to divest its interest in all County municipal (not parks) sanitation and water systems. In April 2016, the Resource Management Agency - Special Districts issued a Request for Qualifications (RFQ) for Transfer of Ownership and Responsibility for all services provided by the CSA 75 Sanitary System, Boronda County Sanitation District (BCSD) Sanitary System, Pajaro County Sanitation District (PCSD) Sanitary System, and BCSD-San Jerardo Zone 2 (San Jerardo) Water System.

The San Jerardo Cooperative (Co-op) previously expressed interest in taking ownership of the water system and received a grant from the California State Water Resources Control Board to fund a Technical, Managerial and Financial (TMF) study to determine if the Co-op has the resources to take ownership of the water system. That TMF was approved by the state, and it is anticipated that the transfer will occur within the next 18 months.

Three (3) responses to the RFQ were received on February 1, 2018, and initial interviews were held with all responders. A County negotiating team was created, and two (2) of the three (3) responders were selected to participate in follow-up interviews and preliminary negotiations. Staff continues to advance the negotiation process to transfer the three (3) sanitation systems.

To help facilitate negotiations, staff proposes completing system condition assessments and valuations for all systems to help define the assets and liabilities to establish value. Information and data acquired from the completion of these reports will describe the condition of structural and operational elements of the system, provide information for operations and maintenance requirements, and assist in the formulation of capital improvement plans. This information will be used to support rate studies which is needed to establish new rates through a Proposition 218 rate increase for PCSD and BCSD (Chualar has completed rate adjustments). The PCSD and BCSD have not had rate increases in over 30 years. Completion of this work will facilitate negotiations but should be done regardless of any disposition. The funding requirements to complete these studies identified in Attachment B include direct consultant work, Special Districts staff time as well as a ten percent (10%) contingency should any investigations reveal the need for additional inspection and analysis.

Currently, PCSD has insufficient funding available to fund the condition assessment, valuation, and rate study, and a General Fund transfer in the amount of \$57,500 is necessary for their completion. This amount includes funding for staff time and contingency. During the preparation of this report, emergency work was required to replace check valves and pumps at the Las Lomas Lift Station. Additionally, potential sewer line repairs along a section of Las Lomas Drive may be necessary before the end of the fiscal year. A follow-up report will be presented to the Board should final costs result in the need for additional transfers.

BCSD has sufficient fund balance available to fund \$14,340 of the \$51,750 necessary work; however, RMA staff is requesting a General Fund transfer in the amount of \$37,410 to make up for the shortfall. After completion of the necessary reports and rate study, it is anticipated that the BCSD fund balance will be exhausted.

CSA 75 has sufficient fund balance to fund the cost of a sanitation system assessment and valuation, and treatment pond maintenance. A budget appropriation is requested from CSA 75 Fund 093, Appropriation RMA088, in the amount of \$77,314. A rate study and Proposition 218 election is not needed for CSA 75 as new rates were implemented at the beginning of the 2018 calendar year. Therefore, only a condition assessment and valuation report are required at a cost of \$30,475. In addition to these reports, maintenance to the wastewater treatment ponds is necessary in the amount of \$46,389, for a total amount of \$77,314. This work was not previously identified or included in the FY 2018-19 Adopted Budget.

FINANCING:

Budget appropriations are required to fund tasks that are important to move forward with the negotiations of the transfer of the PCSD, BCSD, and CSA 75 Chualar sanitation systems.

Current annual revenue and fund balance levels for the PCSD are insufficient to fund any portion of the sanitation system assessment and valuation, rate study, and Proposition 218 election. A General Fund Contingencies appropriation for all costs associated with this work is requested. The estimated cost of this work is \$57,500. A transfer from General Fund Contingencies (001), Appropriation Unit CAO020, to the PCSD Adopted Budget, Fund 151, Appropriation Unit RMA040 in the amount of \$57,500 is required. Additionally, emergency work was required to replace check valves and pumps at the Las Lomas Lift Station. Currently, there is no funding available to cover the cost of these repairs. Once final costs are available, staff will return to the Budget Committee with a report to address costs for emergency work and funding options.

The BCSD currently has limited fund balance available to fund the sanitation system assessment and valuation, rate study, and Proposition 218 election. The estimated cost of this work is \$51,750. A budget appropriation in the amount of \$14,300 is requested from BCSD Fund 156, Appropriation Unit RMA045 to fund a portion of the cost with the remainder funded by a \$37,410 transfer from General Fund Contingencies (001), Appropriation Unit CAO020, to the BCSD Adopted Budget, Fund 156, Appropriation Unit RMA 45 to make for the shortfall. After completion of the necessary reports and rate studies it is anticipated that the BCSD fund balance will be reduced to \$0.

This amendment to the FY 2018-19 CSA 75 budget, Fund 093, Appropriation Unit RMA088, will reduce fund balance by \$77,314, leaving an approximate balance of \$7,600.

Upon tasks completed with the use of a General Fund Contingencies transfer, any unexpended funds shall be transferred back to General Fund Contingencies (001), Appropriation Unit CAO020.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The requested appropriations for the PCSD, BCSD, and CSA 75 Chualar to facilitate negotiations and the successful transfer of these sanitation systems promote the Strategic Initiatives related to Health & Human Services, Infrastructure, and Public Safety.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

Prepared by: Lynette Redman, RMA Special Districts Management Analyst III (831) 796-6038  
Approved by: Shawne Ellerbee, RMA Deputy Director of Administrative Services  
Approved by: Carl P. Holm, AICP, RMA Director

Attachments:

Attachment A - Resolution

Attachment B - Budget Sheet

(Attachments on file with the Clerk of the Board)