



# Monterey County

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

## Board Report

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Adopt a resolution to:

- a. Receive a report on the Pajaro County Sanitation District 2017 winter storm projects and increased unplanned operating and repair costs;
- b. Authorize and direct the Auditor-Controller to amend the FY 2019-20 Pajaro County Sanitation District Adopted Budget, Fund 151, Appropriation Unit RMA040, to increase appropriations by \$782,871, financed by \$782,871 from Fund 151, Fund Balance, Account 3101 (4/5th vote required).

### RECOMMENDATION:

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

- a. Receive a report on the Pajaro County Sanitation District 2017 winter storm projects and increased unplanned operating and repair costs;
- b. Authorize and direct the Auditor-Controller to amend the FY 2019-20 Pajaro County Sanitation District Adopted Budget, Fund 151, Appropriation Unit RMA040, to increase appropriations by \$782,871, financed by \$782,871 from Fund 151, Fund Balance, Account 3101 (4/5th vote required).

### SUMMARY/DISCUSSION:

As a result of the 2017 winter storms, staff originally estimated the total cost to repair and remediate damages within the PCSD area at \$2,102,148, of which \$587,148 was appropriated in FY 2016-17 where the financing sources were an uncommitted fund balance of \$217,148 and a loan of \$359,264 funded by an operating transfer in from the General Fund 001, Other Financing Uses, Appropriation Unit CAO017, of which \$408,765 was spent in FY 2016-17 toward the 2017 winter storm damage repairs. The \$167,646 balance went back into Fund 151 and was absorbed by operating costs exceeding revenues in FY 2016-17 by \$11,520.

On January 9, 2018, the Board of Supervisors approved a \$1,515,000 loan to fund necessary repairs and equipment replacement costs resulting from damages caused by the 2017 winter storms and wastewater release. It was assumed that the general fund loan amounts totaling \$1,874,264 (\$359,264+\$1,515,000) toward the damages caused by the 2017 storms would be approved, up to the allowable reimbursement amount by the Federal Emergency Management Agency (FEMA) and California Governor's Office of Emergency Services (Cal OES). However, on March 15, 2019, the County was notified by Cal OES that the sustained damages from the 2017 storms were ineligible. The County is currently pursuing reimbursement from its insurance carrier.

Final repairs to PCSD 2017 storm damages were completed in September 2019, at a total cost of \$1,140,894, leaving a loan balance of \$782,871. In addition to the winter storm damages, emergency

repairs resulting from infrastructure failures continue. This includes a recent failure at the Las Lomas Lift Station, resulting in a sewer spill, sewer truck pumping, and necessary pump repairs at a cost of \$7,500. Currently, PCSD projects an overrun of its FY 2019-20 budget by \$784,447.

RMA initiated a Sanitation System Condition Assessment and Rate Study to inform a possible Proposition 218 Rate Increase for PCSD. The proposed rate increase includes consideration of loans issued by the County to the PCSD. This work is part of due diligence efforts under an Exclusive Negotiation Agreement (ENA) with California American Water Company (CalAm) to effect disposition of the system. The consultant has completed an inspection and review of the sanitation system with a focus on the collections systems and pump stations. Historical financial data is being reviewed by the consultant and will be used, in conjunction with condition assessment information, to complete the rate study. The Condition Assessment is the first step in the development of a rate study to establish a rate structure that can provide fiscal sustainability to the PCSD. A final Condition Assessment report is expected before the end of the fiscal year. Staff anticipates that a Proposition 218 Rate Increase will be completed in time to implement during the first quarter of FY 2020-21. The Board allocated \$57,500 and \$20,000 towards the condition assessment and valuation studies. The requested actions would preserve these funds from being eroded by unplanned increases in operating and repair costs.

Attachment B provides a detailed discussion of the PCSD Sanitation System activities.

Concurrently today, in a separate report, the Board of Supervisors acting as the Board of Directors of the PCSD, will consider adopting a resolution to designate unexpended loan balances, previously designated for repairs to the Pajaro Manhole Repair and Generator Replacement Projects in the amount of \$782,871, to fund increased operating costs due to unplanned repairs. The \$782,871 in operating and repairs costs would be considered in the pending rate studies.

Staff requests that the Board of Supervisors receive the report on the PCSD 2017 winter storm projects and increased unplanned operating and repair costs and adopt a resolution to authorize and direct the Auditor-Controller to amend the FY 2019-20 PCSD Adopted Budget, Fund 151, Appropriation Unit RMA040, to increase appropriations by \$782,871, financed by \$782,871 from Fund 151, Fund Balance, Account 3101 (4/5th vote required).

OTHER AGENCY INVOLVEMENT:

A recommendation to support the proposed action is scheduled for consideration by the Budget Committee at their meeting on April 29, 2020. An update will be provided following the April 29, 2020 Budget Committee meeting.

FINANCING:

Fund 151 does not have sufficient operating funds to cover unplanned operating and repair costs totaling \$784,447. With the 2017 winter storm projects complete, staff has reconciled financing sources to financing uses within Fund 151. Staff determined a 2017 winter storm project loan balance of \$782,871. The reconciliation also highlighted an operating deficit in Fund 151 totaling \$784,871.

RMA staff is still waiting on a final determination on insurance claims submitted for the Pajaro Manhole Repair and Generator Replacement, including emergency projects at the Las Lomas Lift Station. Any reimbursement received shall be transferred to the General Fund.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The requested action to increase appropriations to fund emergency and unanticipated repair projects and higher-than-anticipated operations and maintenance costs supports the Board of Supervisors' Strategic Initiatives related to Health & Human Services by protecting Public Health and Infrastructure by ensuring PCSD facilities continue to function properly.

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

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Approved by: Shawne Ellerbee, RMA Deputy Director of Administrative Services

Approved by: Carl P. Holm, AICP, RMA Director



Attachments

Attachment A-PCSD Financial Summary FYs 2016-17 through FY 2019-20

Attachment B-PCSD Sewer System Activity Report

Attachment C-Draft Resolution

(Attachments are on file with the Clerk of the Board)

