



# Monterey County

**Item No.53**

## Board Report

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

**Legistar File Number: RES 22-116**

**June 14, 2022**

**Introduced:** 5/31/2022

**Current Status:** RMA Public Works -  
Consent

**Version:** 1

**Matter Type:** BoS Resolution

Adopt a resolution to authorize and direct the Auditor-Controller to:

- a. Amend the Fiscal Year (FY) 2021-22 Adopted Budget for the General Fund, Fund 001, Other Financing Uses Appropriation Unit CAO017, to increase appropriations by \$30,091, to fund increased costs for acceptance and treatment of sewage into the City of Watsonville Wastewater Treatment plant, where the financing source is Cannabis Tax Assignment (001-3132) (4/5th vote required); and
- b. Transfer \$30,091 in FY 2021-22 to PCSD, Fund 151, Appropriation Unit PFP047 from General Fund, Fund 001, Other Financing Uses Appropriation Unit CAO017 (4/5th vote required).

**RECOMMENDATION:**

It is recommended that the Board of Supervisors authorize and direct the Auditor-Controller to adopt a resolution to:

- a. Amend the Fiscal Year (FY) 2021-22 Adopted Budget for the General Fund, Fund 001, Other Financing Uses Appropriation Unit CAO017, to increase appropriations by \$30,091, to fund increased costs for acceptance and treatment of sewage into the City of Watsonville Wastewater Treatment plant, where the financing source is Cannabis Tax Assignment (001-3132) (4/5th vote required); and
- b. Transfer \$30,091 in FY 2021-22 to PCSD, Fund 151, Appropriation Unit PFP047 from General Fund, Fund 001, Other Financing Uses Appropriation Unit CAO017 (4/5th vote required).

**SUMMARY/DISCUSSION:**

The Pajaro County Sanitation District (PCSD) is a dependent Special District which owns and operates a sewer collection system. Staff for the PCSD is provided by the Department of Public Works, Facilities and Parks (PWFP). On or about April 24, 2001, the PCSD entered into an agreement with the City of Watsonville (Agreement) which provides for the acceptance and treatment of raw sewage from the PCSD's sewer system into the City's Wastewater Treatment Plant (Plant). Per this Agreement, the PCSD is charged for its share of the Plant's operating and capital costs based on the percentage of total sewer received by the Plant. Operating and capital costs to maintain the Plant have increased over the years which has consequently increased costs to the PCSD.

The PCSD will incur costs greater than the amount budgeted in FY 2021-22 due to higher than anticipated operating costs largely due to increased sewage treatment costs associated with the Agreement between the City of Watsonville and the PCSD for acceptance and treatment of sewage at the Plant. To date, anticipated operating costs pursuant to said Agreement have increased from \$705,180 to \$1,156,496 (an increase of \$451,316) for FY 2021-022.

The County has recently received funding from the American Rescue Plan Act (ARPA). As a result, several ARPA funded projects to address system deficiencies are underway at the PCSD.

Concurrent with these projects, PWFPP staff is proceeding with an engineer's rate study to adjust existing sewer rates which can accommodate increased annual operation and maintenance costs as well as build a reserve for future capital costs. PWFPP's goal is to sell the PCSD's sewer system and appurtenances and dissolve the PCSD. The preparation of an engineer's rate study to adjust existing rates to cover operation and maintenance costs and build a reserve for future capital improvements is a necessary step in the pursuit of this goal.

OTHER AGENCY INVOLVEMENT:

This item was supported by the Budget Committee at the May 25, 2022, meeting with a recommendation that the \$30,091 appropriation from the Cannabis Tax Assignment be considered as a loan to be repaid by the Pajaro County Sanitation District.

FINANCING:

The PCSD FY 2021-22 adopted budget includes appropriations of \$1,352,481 financed with \$1,297,397 in property tax revenue, and \$55,084 from PCSD Unassigned Fund Balance. Based on the FY 2021-22 forecast, PCSD costs are expected to exceed appropriations by \$247,908. By applying revenues of \$15,855, the net need is \$232,053. There is \$201,962 available in the PCSD Unassigned Fund Balance, leaving an unfunded balance of \$30,091, which could be funded with a Cannabis Tax Assignment subsidy. As of April 28, 2022, the Cannabis Tax Assignment balance is \$10,252,954 and if \$30,091 is transferred to PCSD, the balance would be reduced to \$10,222,863. Attachment A provides a Financial Summary for the Pajaro County Sanitation District fiscal year ending June 30, 2022.

If approved as a loan, staff recommends the operating transfer of the of the Cannabis Tax Assignment be repaid with simple interest at the County Treasury Investment Pool interest rate.

Prepared by: Lynette Redman, Management Analyst III, (831) 796-6038

Reviewed by: Erich Rauber PE, GE, District Engineer

Approved by: Tom Bonigut, PE, Assistant Director of Public Works, Facilities, and Parks

Approved by: Randy Ishii, MS, PE, TE, PTOE, Director of Public Works, Facilities, and Parks

Attachments are on file with the Clerk of the Board:

Attachment A - PCSD FY 2021-22 Financial Summary

Attachment B - City of Watsonville Wastewater Treatment Plant Forecast PCSD Cost Share

Attachment C - Resolution

Attachment D - Interfund Loan Agreement

Attachment E - Pajaro County Sanitation District Location Map