



Monterey County

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Board Report

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Matter Type: Budget Committee

- a. Support authorizing the Auditor-Controller to amend the FY 2018-19 Pajaro County Sanitation District Adopted Budget, Fund 151, Appropriation Unit RMA040, increasing appropriations and operating transfers in by \$57,500, financed by an operating transfer out of \$57,500 from the FY 2018-19 General Fund Contingencies (001), Appropriation Unit CAO020, for a sanitation system condition assessment and valuation, rate study, and Proposition 218 election;
- b. Support authorizing the Auditor-Controller to amend the FY 2018-19 Boronda County Sanitation District Adopted Budget, Fund 156, Appropriation Unit RMA045, increasing appropriations and operating transfers in by \$51,750, financed by Fund 156 fund balance in the amount of \$14,340 and by an operating transfer out of \$37,410 from the FY 2018-19 General Fund Contingencies (001), Appropriation Unit CAO020, for a sanitation system condition assessment and valuation, rate study, and Proposition 218 election;
- c. Support authorizing 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 and valuation report and wastewater treatment pond maintenance;
- d. Support authorizing the Auditor-Controller to transfer \$57,500 from the FY 2018-19 General Fund Contingencies (001), Appropriation Unit CAO020, to Pajaro County Sanitation District, Fund 151, Appropriation Unit RMA040, where the General Fund Contingencies (001), Appropriation Unit CAO020, has sufficient appropriations available in the adopted budget to fund the transfer.
- e. Support authorizing the Auditor-Controller to transfer \$37,410 from the FY 2018-19 General Fund Contingencies (001), Appropriation Unit CAO020, to Boronda County Sanitation District, Fund 156, Appropriation Unit RMA045, where the General Fund Contingencies (001), Appropriation Unit CAO020 has sufficient appropriations available in the adopted budget to fund the transfer.

RECOMMENDATION:

It is recommended that the Budget Committee

- a. Support authorizing the Auditor-Controller to amend the FY 2018-19 Pajaro County Sanitation District Adopted Budget, Fund 151, Appropriation Unit RMA040, increasing appropriations and operating transfers in by \$57,500, financed by an operating transfer out of \$57,500 from the FY 2018-19 General Fund Contingencies (001), Appropriation Unit CAO020, for a sanitation system condition assessment and valuation, rate study, and Proposition 218 election;
- b. Support authorizing the Auditor-Controller to amend the FY 2018-19 Boronda County Sanitation District Adopted Budget, Fund 156, Appropriation Unit RMA045, increasing appropriations and operating transfers in by \$51,750, financed by Fund 156 fund balance in the amount of \$14,340 and by an operating transfer out of \$37,410 from the FY 2018-19 General Fund Contingencies (001), Appropriation Unit CAO020, for a sanitation system condition assessment and valuation, rate study, and Proposition 218 election;

- c. Support authorizing 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 and valuation report and wastewater treatment pond maintenance;
- d. Support authorizing the Auditor-Controller to transfer \$57,500 from the FY 2018-19 General Fund Contingencies (001), Appropriation Unit CAO020, to Pajaro County Sanitation District, Fund 151, Appropriation Unit RMA040, where the General Fund Contingencies (001), Appropriation Unit CAO020, has sufficient appropriations available in the adopted budget to fund the transfer.
- e. Support authorizing the Auditor-Controller to transfer \$37,410 from the FY 2018-19 General Fund Contingencies (001), Appropriation Unit CAO020, to Boronda County Sanitation District, Fund 156, Appropriation Unit RMA045, where the General Fund Contingencies (001), Appropriation Unit CAO020 has sufficient appropriations available in the adopted budget to fund the transfer.

SUMMARY/DISCUSSION:

In recent years it has been the goal of the County to divest its interest in all County 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, BCSD-San Jerardo Zone 2 (San Jerardo) Water System.

The San Jerardo Cooperative (Co-op) has 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 has recently been 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 of the three responders were selected to participate in follow-up interviews and preliminary negotiations.

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 inform 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 also inform rate studies to establish new rates through a Proposition 218 rate increase for PCSD and BCSD (Chualar has completed rate adjustments). 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 A 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, the 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.

The 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 reduced to \$0.

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 budget. CSA 75 Fund Balance 093 currently has sufficient fund balance to fund this work, and no General Fund transfer is required. After this transfer the fund balance will be approximately \$7,600.

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.

CSA 75 has sufficient fund balance to fund the cost of a sanitation system assessment and valuation, and necessary treatment pond maintenance. A budget appropriation is requested from CSA 75 Fund 093, Appropriation RMA088, in the amount of \$77,314.

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 RMA020.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

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

☐ 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: Sanitation System Appropriation Request Budget Sheet
(Attachments on file with the Clerk of the Board)