



Monterey County

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Board Report

Legistar File Number: BCSD RES 19-003

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Version: 1

Current Status: Agenda Ready

Matter Type: BCSD Resolution

Adopt a Resolution to authorize the Auditor-Controller to amend the FY 2018-19 Boronda County Sanitation District Adopted Budget, Fund 156, Appropriation Unit RMA045, to increase appropriations by \$51,750, financed by an operating transfer of \$37,410 from Fund 001, Contingencies, Appropriation Unit CAO020, and \$14,340 from Fund 156 Unassigned Fund Balance, for a sanitation condition assessment, valuation report, and rate study (4/5th vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors, acting as the Board of Directors of the Boronda County Sanitation District, adopt a Resolution to authorize the Auditor-Controller to amend the FY 2018-19 Boronda County Sanitation District Adopted Budget, Fund 156, Appropriation Unit RMA045, to increase appropriations by \$51,750, financed by an operating transfer of \$37,410 from Fund 001 Contingencies, Appropriation Unit CAO020, and \$14,340 from Fund 156 Unassigned Fund Balance, for a sanitation condition assessment, valuation report, and rate study (4/5th vote required).

SUMMARY:

The County owns and operates the Boronda County Sanitation District (BCSD). An appropriation is necessary to fund a system condition assessment to help define the assets and liabilities to establish value of the system and a rate study that will be used to establish a rate structure that can sustain the system. A total appropriation of \$51,750 is requested, \$14,340 to be funded by Fund 156 Unassigned Fund Balance and \$37,410 to be funded through a transfer of Fund 001 Contingencies.

DISCUSSION:

In recent years, it has been the goal of the County to divest its interests in all municipal (not parks) 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 County Service Area 75 Sanitary System, Pajaro County Sanitation District (PCSD), BCSD, and BCSD- 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 the transfer is anticipated to 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 facilitate negotiations, staff proposes completing a system condition assessment and valuation to help define the assets and liabilities to establish value for the Boronda Sanitary Sewer System. 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 a capital improvement plan. Completion of this work will facilitate negotiations and should be done regardless of any negotiations and disposition. This information will also be used to support a rate study which is needed to establish new rates through a Proposition 218 rate increase process for the BCSD. The BCSD has not had a rate increase in over 30 years.

The funding requirements to complete these studies, detailed in Attachment B, include direct consultant work, Special Districts staff time as well as a ten percent (10%) contingency should any investigation reveal the need for additional inspection or analysis.

The scope of the proposed work does not include the cost of a Proposition 218 process that will be held to increase sewer rates. The Proposition 218 process will be held in Fiscal Year 2019-20 and costs will be incorporated into the Draft Recommended Budget for FY2019-20. Detailed cost estimates for the Proposition 218 process will be developed once all deliverables associated with the condition assessment, valuation report, and rate study are received.

FINANCING:

Currently, the BCSD has a limited fund balance available to fund the sanitation system assessment, valuation, and rate study. The estimated cost of this work is \$51,750. A budget appropriation in the amount of \$14,340 is requested from the BCSD Fund 156 Unassigned Fund Balance, Appropriation Unit RMA045, to partially fund the costs with the remainder funded by a transfer of \$37,410 from Fund 001 Contingencies, Appropriation Unit CAO020, to the BCSD Adopted Budget, Fund 156, Appropriation Unit RMA045, to make up the shortfall. After completion of the necessary reports and rate studies, it is anticipated that the BCSD fund balance will be exhausted.

Upon completion of tasks utilizing the transferred Fund 001 Contingencies, any unexpended funds shall be transferred back to Fund 001 Contingencies, Appropriation Unit CAO020.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The requested appropriations to facilitate negotiations for transfer of the BCSD sanitation system and anticipated successful transfer of the sanitation system promote the 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: Carl P. Holm, AICP, RMA Director

Attachment A-Resolution

Attachment B-Budget Sheet

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