



Monterey County

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Board Report

Legistar File Number: PCSD RES 19-006

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Introduced: 1/23/2019

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Current Status: Agenda Ready

Matter Type: PCSD Resolution

Adopt a Resolution to authorize the Auditor-Controller to amend the FY 2018-19 Pajaro County Sanitation District Adopted Budget, Fund 151, Appropriation Unit RMA040, to increase appropriations by \$57,500, financed by an operating transfer from Fund 001 Contingencies, Appropriation Unit CAO020, of \$57,500, 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 Pajaro County Sanitation District, adopt a Resolution to authorize the Auditor-Controller to amend the FY 2018-19 Pajaro County Sanitation District Adopted Budget, Fund 151, Appropriation Unit RMA040, to increase appropriations by \$57,500, financed by an operating transfer from Fund 001 Contingencies, Appropriation Unit CAO020, of \$57, 500, for a sanitation condition assessment, valuation report, and rate study (4/5th vote required).

SUMMARY:

The County owns and operates the Pajaro County Sanitation District (PCSD). 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 \$57,500 is requested to be funded through a transfer of Fund 001 Contingencies.

DISCUSSION:

In recent years, the County's goal has been 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 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.

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 Pajaro 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 PCSD. The PCSD has not had a rate increase in over 30 years.

The funding requirements to complete this work, 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 conducted 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.

During the preparation of this report, emergency work was required to replace check valves and pumps at the Las Lomas Lift Station. Costs for this project are approximately \$260,000. Staff will return to the Budget Committee and Board of Supervisors with a report to address the final costs for this emergency work and consider funding options. Additionally, potential sewer line repairs along a section of Las Lomas Drive may be necessary before the end of this fiscal year. Staff is completing its evaluation of the repair needs and will propose a scope of work with a final cost estimate to bring to the Budget Committee and Board. Staff anticipates the costs of the sewer line repairs to be in the range of \$100,000.

FINANCING:

A budget appropriation is required to fund tasks that are important to move forward with the negotiations for the transfer of the PCSD sanitation system as well as to conduct a rate study for the PCSD. Current annual revenue and fund balance levels for the PCSD are insufficient to fund the sanitation system assessment, valuation, and rate study, estimated to cost \$57,500. A transfer from Fund 001 Contingencies, Appropriation Unit CAO020, to the PCSD Adopted Budget, Fund 151, Appropriations Unit RMA040, of \$57,500 is required.

Upon completion of tasks utilizing 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 PCSD 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)