



Legislation Details (With Board Report)

File #: 12-484 **Name:** CSA75 Amend FY11-12 \$183K Budget
Type: General Agenda Item **Status:** Passed
File created: 5/30/2012 **In control:** Board of Supervisors
On agenda: 6/19/2012 **Final action:** 6/19/2012

Title: Acting on behalf of County Service Area 75- Chualar:
a. Accept a report on the financial condition of County Service Area (CSA) 75 - Chualar;
b. Authorize the Auditor-Controller to amend the budget for CSA 75 - Chualar, Fund 093, Appropriation Unit RMA088, for FY 2011-12 by increasing appropriations by \$131,855 and estimated revenues in the amount of \$183,468 for emergency repairs and rate study consulting costs (4/5th vote required);
c. Authorize the Auditor-Controller to permit an Operating Transfer out up to the amount of \$183,468 from Capital Projects Fund 402, 3101 Unreserved Fund Balance to Fund 093, CSA75 - Chualar, as a loan to be repaid with Interest; and
d. Authorize the Auditor-Controller's Office to incorporate approved appropriation and estimated revenue modifications to the FY 2011-12 Budget (4/5th vote required).

Sponsors: Public Works / RMA

Indexes:

Code sections:

Attachments: 1. Location Map, 2. Completed Board Order

Date	Ver.	Action By	Action	Result
6/19/2012	1	Board of Supervisors	approved	

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c. Authorize the Auditor-Controller to permit an Operating Transfer out up to the amount of \$183,468 from Capital Projects Fund 402, 3101 Unreserved Fund Balance to Fund 093, CSA75 - Chualar, as a loan to be repaid with Interest; and
d. Authorize the Auditor-Controller's Office to incorporate approved appropriation and estimated revenue modifications to the FY 2011-12 Budget (4/5th vote required).

RECOMMENDATIONS:

It is recommended that the Board of Supervisors acting on behalf of County Service Area 75- Chualar:

- a. Accept a report on the financial condition of County Service Area (CSA) 75 - Chualar;
- b. Authorize the Auditor-Controller to amend the budget for CSA 75 - Chualar, Fund 093, Appropriation Unit RMA088, for FY 2011-12 by increasing appropriations by \$131,855 and estimated revenues in the amount of \$183,468 for emergency repairs and rate study consulting costs (4/5th vote required);
- c. Authorize the Auditor-Controller to permit an Operating Transfer out up to the amount of \$183,468 from Capital Projects Fund 402, 3101 Unreserved Fund Balance to Fund 093, CSA75 - Chualar, as a loan to be repaid with Interest; and
- d. Authorize the Auditor-Controller's Office to incorporate approved appropriation and estimated revenue

modifications to the FY 2011-12 Budget (4/5th vote required).

SUMMARY/DISCUSSION:

County Service Area (CSA) 75 - Chualar was first established as a consolidation of prior agencies that served the community and currently provides the following services: 1) Lighting, 2) Storm Drain and Surface Water Disposal, and 3) Wastewater Collection and Treatment.

The operations and maintenance of the wastewater collection and treatment system must meet the regulatory requirements established for it by Water Discharge Requirements Order No. 01-038 issued by the Regional Water Quality Control Board.

On June 21, 2011, the Board of Supervisors approved the Budget for the County of Monterey which included the Budget for FY 2011-12 for CSA 75 - Chualar. The budget included total appropriations of \$82,277. Staff has projected the year end obligations for the current year to be \$214,132, or a need to increase the appropriations in this fiscal year by \$131,855 to address costs that are not currently budgeted.

The year end obligations include \$65,000 for the completion of a rate study, Capital Improvement Plan and Sanitary Sewer Master Plan. Recent emergency repairs have added to the projected year end deficit. These operating costs also include the complete rehabilitation of pumps, guiderails, and controls at the pump station, the locating and raising of manholes, valve replacement and pH mitigation at the treatment plant, as well as contingency funds for operating costs and any emergency repairs which may be necessary during the last quarter of FY 2011-12. There are no reserves or unappropriated fund balances to draw upon to meet this shortfall. This district has not had a rate increase since 2001 and the current funding levels do not support the necessary operations. A Rate Study is necessary to determine the appropriate revenue requirements for operation and maintenance and regulatory compliance.

Staff is in the process of developing a long term plan for operation and maintenance of CSA 75 - Chualar that includes an analysis of operational needs, capital replacement costs, and the development of a Sanitary Sewer Master Plan (required by regulatory agencies). As part of the plan, we will evaluate the funding requirements and the establishment of appropriate rates to fully fund the cost of the services provided for CSA 75 - Chualar. We anticipate returning to the Board early next fiscal year with an outline of the plan for the Board's consideration and Board authorization to move forward with the necessary Professional Service Agreements to complete the work.

There are no remaining CSA reserves and no projected fund balance to draw upon to meet this shortfall. Another source of funding will be required to fund the projected shortfall. Since new rates will not be established until sometime during the next fiscal year, additional funding is required for next fiscal year, in the amount of \$51,613. This will require an estimated FY 2012-13 budget of \$133,890 versus the current FY 2011-12 budget of \$82,277.

Other County Service Areas (CSA's) and County Sanitation Districts (CSD's) will be evaluated for appropriate rates once the rate issue for CSA 75 - Chualar is addressed. Currently, it appears that the Boronda County Sanitation District has a similar rate issue which is being addressed at the same Board meeting as this item.

OTHER AGENCY INVOLVEMENT:

Water Discharge Requirements Order No. 01-038 issued by the Regional Water Quality Control Board establishes regulatory requirements which must be met by CSA 75 - Chualar in its wastewater collection and treatment operations.

FINANCING:

The annual operation and maintenance costs of CSA 75 - Chualar have exceeded the annual revenues for the last nine years. CSA 75 - Chualar no longer has any reserves available to cover operating cost shortfalls. Thus, a funding deficit of up to \$131,855 will be created in CSA 75, Fund 093, during this fiscal year. Staff recommends that the deficit be covered by a loan from Fund 402. Several alternatives were explored as funding sources for this loan and the only alternative available that would not have an impact on General Fund operating programs was a loan from Fund 402. The loan would be paid back to Fund 402 from CSA 75, Fund 093, if and when rates have been adjusted by the Board to fully cover the costs of operation, maintenance and capital replacement. The amount of the budget modification will be set at the amount necessary (\$131,855) to close out FY 2011-12. Additional funds in the amount of \$51,613 will be needed in the next FY 2012-13 to address the continuing shortfall. The amount required for the loan from Fund 402 totals \$183,468. When the Board considers a rate increase, likely late in the next fiscal year, it will also update the budget and the loan as may be necessary to continue operations.

Pursuant to Proposition 218, for the Board to set new rates for the wastewater collection and treatment (sewer) system, the Board must conduct a public hearing to receive protests against the imposition of the proposed increase to property related fees or charges (hereafter, "protest hearing"). In addition to the protest hearing, a majority vote of the property owners is required to approve any proposed increase to property related fees and charges for lighting, storm drain and surface water disposal. No vote, beyond the protest hearing, is required for proposed rate increases for fees or charges for water, sewer or refuse collection (Article XIII D. Section 6 (c)).

If there is a majority protest (51%) at the hearing, any proposed rate increase would be denied and the loan from Fund 402 would not be repaid. The impact resulting from the loan not being repaid is that necessary capital projects for the County which would otherwise be funded by Fund 402 would be delayed. If the rates are not increased, services would have to be reduced to levels consistent with current rates. This would be very difficult to do since the services provided are already at a minimal level. As part of the work plan to be reviewed by the Board next fiscal year, staff is planning on doing outreach for property owners in the Community of CSA 75 - Chualar after the rate study is completed and prior to any rate setting hearing so that the Community will understand the need for any rate increase. Feedback received from property owners would be provided to the Board at the time of the rate setting hearing.

Prepared by: Marvin A. Rose, P.E., Executive Management Specialist, (831) 755-5061

Approved by:

Paul H. Greenway, P.E., Acting Director of Public Works

Benny J. Young, RMA Director

Dated: June 8, 2012

Attachment: Location Map