



County of Monterey

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

Board Report

File #: A 19-285, **Version:** 1

Acting on behalf of County Service Area 75-Chualar:

- a. Adopt a resolution approving and authorizing the Chair of the Board to execute an Exclusive Negotiating Rights Agreement between the County, on behalf of County Service Area 75-Chualar and acting as the Board of Directors of the Pajaro County Sanitation District and Board of Directors of the Boronda County Sanitation District, and California American Water Company; and
- b. Authorize the Resource Management Agency Director to negotiate, execute, and implement the sale and transfer of the County Service Area 75-Chualar sanitary sewer system.

RECOMMENDATION:

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

- a. Adopt a resolution approving and authorizing the Chair of the Board to execute an Exclusive Negotiating Rights Agreement between the County, on behalf of County Service Area 75-Chualar and acting as the Board of Directors of the Pajaro County Sanitation District and Board of Directors of the Boronda County Sanitation District, and California American Water Company; and
- b. Authorize the Resource Management Agency Director to negotiate, execute, and implement the sale and transfer of the County Service Area 75-Chualar sanitary sewer system.

SUMMARY:

In the County's goal of divesting all interest in the County Service Area 75-Chualar (CSA 75-Chualar) sanitation system, approval of this recommendation by the Board of Supervisors, acting on behalf of CSA 75-Chualar, authorizes the Chair of the Board to execute an Exclusive Negotiating Rights Agreement (ENA) with California American Water Company (CalAm) and authorizes the Resource Management Agency (RMA) Director to negotiate, execute, and implement the sale and transfer of the CSA 75-Chualar sanitary sewer system.

DISCUSSION:

It is the goal of the County of Monterey (County) to divest all interests in County Service Area (CSA) and County Sanitation District (CSD) sanitation and water systems, including sanitation systems owned by CSA 75-Chualar, Pajaro County Sanitation District (PCSD), Boronda County Sanitation District (BCSD), and BCSD-Zone 2 (San Jerardo Water System), excluding County Parks sanitation and water systems. In April 2016, the Board authorized the RMA to issue a Request for Qualifications for Transfer of Ownership and Responsibility for three (3) sanitary sewer systems and one (1) water system that belong to said CSA and CSD entities. Submittals were received from the Monterey Regional Water Pollution Control Agency (now Monterey One Water [M1W]), CalAm, and California Utilities Service, Inc. (CUS). M1W and CalAm expressed interest in all four (4) systems, while CUS expressed interest in the CSA 75-Chualar system only.

After initial review of submittals and interviews with each of the responders, RMA selected CalAm and M1W as the most suitable submitters for the successful transfer of the three (3) CSA and CSD sanitation systems. Following additional meetings with both entities, the County negotiating team determined that CalAm was the best equipped to take over the three (3) sanitary sewer systems based on its experience with the regulatory and

permitting processes and ability and motivation to complete the transfer quickly. The proposed ENA does not include the BCSD-Zone 2 San Jerardo Water System, which will be addressed separately at a later date.

CSA 75-Chualar serves the Chualar community. The RMA will engage in community outreach to keep CSA 75-Chualar ratepayers informed about the sanitary sewer system transfer.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel-Risk Management reviewed and approved the ENA as to form and legality and will work closely with the RMA during the final negotiations and sanitary sewer systems transfer. Any sanitary sewer system transfer requires reporting to the California State Water Resources Control Board, the California Public Utilities Commission, and Monterey County Health Department.

FINANCING:

Over the years, the Chualar sewer system has required several general fund loans to fund maintenance, emergency repairs, and system upgrades due to insufficient fund balance and/or annual revenues. Between 2012 and 2014, \$1,166,438 in general fund transfers were made to CSA 75-Chualar. A phased-in sewer rate increase was implemented in 2018; however, revenue has been insufficient to increase the fund balance to meet capital project needs. In March 2019, an appropriation to provide funding for wastewater treatment pond maintenance (\$77,314) and a condition assessment (\$30,475) was approved for CSA 75-Chualar, reducing the fund balance to approximately \$7,600.

There are no direct costs associated with this agreement. Indirect costs to perform rate and system assessments, estimated at \$30,475, are required to determine the value of the system for purposes of negotiation. These costs may be considered as part of the negotiated terms. It is possible that the sewer system may require extensive repairs or equipment replacement prior to the final transfer of the system, either due to time-urgent needs that arise or needs that are identified to be addressed as part of the negotiation process. In such case, general funds would likely be needed to pay for repairs/replacements, and those costs may then be considered as part of the negotiated terms.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Approval of the ENA and ultimate disposition of the CSA 75-Chualar sanitary sewer system will achieve the County's goal of divesting all interests in County CSA and CSD sanitation systems and supports the Board of Supervisors' Strategic Initiatives for Administration by promoting efficient and effective resources management and Infrastructure by planning and developing a sustainable, physical infrastructure.

- 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:

Attachment A-Resolution

Attachment B-Exclusive Negotiating Rights Agreement
(Attachments are on file with the Clerk of the Board)

cc: California American Water Company