



County of Monterey

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

Board Report

File #: BORA 13-001, **Version:** 1

- Acting as the Board of Directors of the Boronda County Sanitation District:
- a. Accept a report on the financial condition of Boronda County Sanitation District - Zone 2, San Jerardo;
 - b. Authorize the Auditor-Controller to amend the budget for Boronda County Sanitation District - Zone 2, San Jerardo, Fund 157, Appropriation Unit 8197 RMA046, for FY 2012-13 by increasing appropriations \$40,000 with a corresponding increase in estimated revenues, as an Operating Transfers In for San Jerardo Water Improvement Project to fund staff costs and the payment of invoices for contract operations in FY2012-13 (4/5th vote required);
 - c. Authorize the Auditor-Controller to permit an Operating Transfer Out in an amount of \$40,000 from the Surveyor Appropriation Unit 001-3000-8196-RMA010 to Fund 157, Boronda County Sanitation District - Zone 2, San Jerardo for FY 2012-13 (4/5th vote required);
 - d. Authorize the Contracts/Purchasing Officer to approve additional invoices in the amount of \$27,000 under the existing agreement with MCSI Water Systems Management for a not to exceed limit of \$127,000;
 - e. Approve a new Agreement to Provide Water System Management at San Jerardo Housing Community with MCSI Water Systems Management for an annual not to exceed amount of \$60,396 for a term starting when the Agreement is executed to March 14, 2014 with the option to extend the Agreement for four (4) additional one (1) year periods; and
 - f. Support authorizing the Contracts/Purchasing Officer to execute the new Agreement, related documentation necessary to effectuate the Agreement, and future amendments as stated in the Agreement.

RECOMMENDATION:

It is recommended that the Board of Supervisors acting as the Board of Directors of the Boronda County Sanitation District:

- a. Accept a report on the financial condition of Boronda County Sanitation District - Zone 2, San Jerardo;
- b. Authorize the Auditor-Controller to amend the budget for Boronda County Sanitation District - Zone 2, San Jerardo, Fund 157, Appropriation Unit 8197 RMA046, for FY 2012-13 by increasing appropriations \$40,000 with a corresponding increase in estimated revenues, as an Operating Transfers In for San Jerardo Water Improvement Project to fund staff costs and the payment of invoices for contract operations in FY2012-13 (4/5th vote required);
- c. Authorize the Auditor-Controller to permit an Operating Transfer Out in an amount of \$40,000 from the Surveyor Appropriation Unit 001-3000-8196-RMA010 to Fund 157, Boronda County Sanitation District - Zone 2, San Jerardo for FY 2012-13 (4/5th vote required);
- d. Authorize the Contracts/Purchasing Officer to approve additional invoices in the amount of \$27,000 under the existing agreement with MCSI Water Systems Management for a not to exceed limit of \$127,000;
- e. Approve a new Agreement to Provide Water System Management at San Jerardo Housing Community with MCSI Water Systems Management for an annual not to exceed amount of \$60,396 for a term starting when the Agreement is executed to March 14, 2014 with the option to extend the Agreement for four (4) additional one (1) year periods; and
- f. Support authorizing the Contracts/Purchasing Officer to execute the new Agreement, related documentation necessary to effectuate the Agreement, and future amendments as stated in the Agreement.

SUMMARY:

The above actions will enable the County of Monterey Auditor-Controller authority to adjust the FY 2012-13 budget for unanticipated expenses related to administration, maintenance and operation costs during vendor solicitation and contract negotiations. The agreement with MCSI Water Systems Management will set costs and conditions for continued maintenance and operation of the San Jerardo Water System.

DISCUSSION:

The San Jerardo Water Improvements Project was initiated in February 2006, started construction in December 2009, and was substantially complete with project work in November 2010, with the Board of Supervisors approving the Notice of Completion for the construction project in May 2011. Funding was provided through five (5) funding agreements. Twenty (20) requests for reimbursement have been submitted by RMA staff. To date, \$4,289,496.17 has been received from State and Federal grant funding sources to reimburse the County/BCSD for project related costs. There are \$606,654.68 of outstanding claims pending review and disbursement. Previously unbudgeted staff and contract maintenance costs for Fiscal Year 2012-13 total approximately \$38,000.

In order to provide safe drinking water to the San Jerardo Community, the County entered into an Interim Filtration Agreement (Agreement) with the Federal Receiver in U.S.A. v. Alisal Water Corp., et, al. (United States District Court, Northern District of California, Case Number C 97-20099 JF). Pursuant to the terms of this Agreement, the County expended a total of \$982,914.38 for interim filtration system costs. On March 4, 2008, the Federal Receiver was ordered to reimburse the County \$368,940.78 for interim filtration system costs incurred through October 2007. In July 2013, per stipulation with all remaining parties, the Federal Receiver paid County an additional \$36,450, for a total of \$405,390.78 in reimbursements from the Receiver. In September 2009, the County applied to the State Water Board for a State Water Fund Cleanup and Abatement (CAA) grant and received a CAA grant in the amount of \$222,600 for reimbursement of interim filtration system costs. Of a total amount of \$982,914.38 expended on interim filtration, the County has been reimbursed a combined total of \$627,990.78.

In addition, there are Fiscal Year 2013-14 project closeout costs related to such items as finalizing grant reimbursements and the installation of two (2) metered connections that need to be determined. When these Fiscal Year 2013-14 costs are quantified, Staff will return to the Budget Committee to seek support of a request to the Board of Supervisors for the necessary budget adjustments.

On November 30, 2010, the Board of Supervisors acting as the Board of Directors of the Boronda County Sanitation District approved the transfer of the Federal Receiver's Vendor Agreements/Amendments for Operation and Maintenance of the San Jerardo Water System with MCSI Water Systems Management (MCSI) to the County of Monterey, Boronda County Sanitation District. As part of this action, a sole source exemption was approved for MCSI on an interim basis pending completion of a Request for Proposal process for the long-term Operations and Maintenance of the water system. The November 30, 2010 Board Report, Sole Source Justification, Existing Agreement, and Resolution are attached for reference.

The County of Monterey had been paying for the operations and maintenance (O&M) services of the inherited agreement through calendar year 2012 based on the signature authority of the Contracts/Purchasing Officer (\$100,000 limit). The \$27,000 increase to the existing agreement is for services rendered since January 2013 while the new agreement was being finalized and is a component of the \$40,000 budget increase requested for fiscal year 2012-13.

The recommended Agreement to Provide Water System Management at San Jerardo Housing Community (Agreement) is the culmination of the RFP process. This Agreement provides for operational and maintenance

services required by regulatory agencies for the water system in the San Jerardo Community within the Boronda County Sanitation District through March 14, 2014 with the option to extend the Agreement for four (4) additional one (1) year periods.

Sufficient funding has been budgeted in Fund 157 for the new agreement. However, it should be noted that the O&M costs for the new agreement are approximately \$12,000 higher than the previous agreement. The current rate structure will be able to cover these increased costs, however the budget will have little flexibility to accommodate unanticipated costs going forward. In order to provide revenues that are sufficient to fund operations, capital replacement costs, and an adequate contingency while protecting the County's General Fund, several options are being considered by Staff including rate increases and transferring the system to a private operator.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel, Contracts/Purchasing, Auditor-Controller, and Risk Management have reviewed and approved the Agreement as to form, fiscal, and insurance provisions, respectively. Due to the late submission of this Board Report, the CAO Budget and Analysis Division was not provided adequate time to fully review for potential fiscal, organizational policy, or other implications to the County of Monterey. These recommendations were considered at the Budget Committee on July 26, 2013.

FINANCING:

There will be no impact to the General Fund as a result of the recommended actions. The costs associated with the San Jerardo Water Improvements Project need to be augmented as noted. Staff is requesting the \$40,000 be funded out of the Survey Unit 001-3000-8196-RMA010 as an operating transfer out (001-3000-8196-7614-RMA-010). Staff is requesting a corresponding increase in revenues and appropriations for Fund 157-3000-8197-RMA062 for FY12-13. The FY 2013-14 costs and funding sources are yet to be determined. Staff will work with the CAO Budget and Analysis division as needed to determine additional funding requirements, and will return to the Board of Supervisors for related follow-up action if necessary.

Prepared by: Dirk J. Medema, P.E., Environmental Services Manager, (831) 784-5647

Approved by:

Robert K. Murdoch, P.E., Public Works Director

Approved by:

Benny J. Young, RMA Director

Dated: July 26, 2013

Attachments: 1. Location Map; 2. Agreement to Provide Water System Management at the San Jerardo Housing Community; 3. Request for Proposal #10355; 4. MCSI Water Systems Management Request for

Proposal; 5. November 30, 2010 Board Order re: Agreement No. A-11890 (Attachments on file with the Clerk of the Board)