



County of Monterey

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

Board Report

File #: 16-561, **Version:** 1

Acting on behalf of County Service Area No. 75 - Chualar:

- a. Approve an increase in appropriations in the amount of \$50,265 in the FY 2015-16 Adopted Budget for County Service Area 75 - Chualar Consolidated, Fund 093-3000-8198-RMA088, where the financing source is Unassigned Fund Balance, to fund increased costs associated with sewer operations, outside maintenance expenses and other services and department expenses (4/5 vote required); and
- b. Authorize the Auditor-Controller to amend the budget for County Service Area No. 75 - Chualar Consolidation, Fund 093-3000-8198-RMA088, for FY 2015-16 by increasing appropriations in the amount of \$50,265 where Fund 093 Unassigned Fund Balance is the financing source to balance the appropriation increase (4/5 vote required).

RECOMMENDATION:

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

- a. Approve an increase in appropriations in the amount of \$50,265 in the FY 2015-16 Adopted Budget for County Service Area 75 - Chualar Consolidated, Fund 093-3000-8198-RMA088, where the financing source is Unassigned Fund Balance, to fund increased costs associated with sewer operations, outside maintenance expenses and other services and department expenses (4/5 vote required); and
- b. Authorize the Auditor-Controller to amend the budget for County Service Area No. 75 - Chualar Consolidation, Fund 093-3000-8198-RMA088, for FY 2015-16 by increasing appropriations in the amount of \$50,265 where Fund 093 Unassigned Fund Balance is the financing source to balance the appropriation increase (4/5 vote required).

SUMMARY/DISCUSSION:

County Service Area 75 - Chualar Consolidated (CSA 75) is a service area of approximately 175 acres and serves the entire unincorporated area of Chualar, located south of Salinas along Highway 101. There are 197 parcels, a majority of which are residential. The CSA provides for the operations and maintenance of sewage collection, disposal and treatment services; street lighting service; and, storm and surface water drainage.

Revenue is provided by three funding sources, including AB8 funds from general property tax, assessments for street lighting and storm and surface water drainage, and sanitation fees. The estimated annual revenue for FY 2015-16 is \$72,809. The projected FY 2015-16 expenditures of \$184,683 are estimated to be in excess of the FY 2015-16 approved budget of \$134,218 by \$50,465. This is a result of several factors including sewer line repairs, equipment repairs and replacement, and higher than anticipated operations and maintenance costs.

Between June 2012 and September 2014 the Board of Supervisors authorized four loans totaling \$1,166,483. The Fund Balance reflects the balance remaining from these loans, the last made in September 2014 in which the Board approved \$325,000, of which \$135,787 went unspent in FY 2014-15. This added to the prior year fund balance of \$83,592 and began FY 2015-16 with a fund balance of \$219,379. The \$325,000 was provided to fund operation and maintenance activities of \$200,000, a short term rate study for \$25,000 and a long term master plan with an associated rate study for \$100,000. The short term rate study has been completed and the

results and recommendations will be presented at the June 2016 Budget Committee. The requested appropriation may affect the completion of the long term master plan if the proposed rate increase is not approved and the existing fund balance continues to erode due to system repairs and equipment replacement. However, if a rate increase is approved there would likely be sufficient funds to complete the long term master plan because the rate increase will provide adequate funding for annual maintenance and operation expenses and funds provided by the previous loan would be available to fund the long term master plan.

Current action is needed to meet projected expenditure requirements through the end of the fiscal year utilizing existing fund balance from prior year loans.

OTHER AGENCY INVOLVEMENT:

This matter was supported by the Budget Committee on April 27, 2016.

FINANCING:

The recommended action will increase appropriations in Fund 093 Unit 8198 (CSA 75) from \$134,418 to \$184,683. The FY 2015-16 CSA 75 Adopted Budget included the use of fund balance in the amount of \$63,116, which leaves a current estimated ending funding balance of \$156,263. To meet projected expenditures through the end of the fiscal year, an additional appropriations request of \$50,265 will be needed, financed by the existing fund balance. This will further reduce the fund balance to \$105,998, a 52% reduction from the FY 2015-16 beginning fund balance of \$219,379. This action will require a 4/5 vote by the Board of Supervisors.

Prepared by: Lynette Redman, (831) 796-6037

Approved by: Benny J. Young, Interim Director of Public Works and Facilities

Approved by: Carl P. Holm, RMA Director

Date: May 2, 2016

Attachment(s): Financial Summary FY Ending 06-30-2016; Location Map; (Attachment(s) on file with the Clerk of the Board)