



Board Report

File #: RES 17-208, **Version:** 1

Adopt a Resolution to:

- a. Authorize the Auditor-Controller to amend the FY 2017-18 Pajaro County Sanitation District (PCSD) Adopted Budget, Fund 151, Appropriation Unit RMA040, to increase appropriations and operating transfers in by \$1,515,000, financed by an operating transfer out of \$1,515,000 from Other Financing Uses General Fund 001, Appropriation Unit CAO017, for immediate and critical repairs in response to winter storm damages (4/5th vote required); and
- b. Authorize the Auditor-Controller to transfer \$1,515,000 from the FY 2017-18 Other Financing Uses General Fund 001, Appropriation Unit CAO017, as a loan, to be repaid with interest at the County Treasury Investment Pool interest rate, to PCSD Fund 151, Appropriation Unit RMA040, where the General Fund has sufficient storm damage repair appropriations available in the adopted budget to fund the transfer (4/5th vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors adopt a Resolution to:

- a. Authorize the Auditor-Controller to amend the FY 2017-18 Pajaro County Sanitation District (PCSD) Adopted Budget, Fund 151, Appropriation Unit RMA040, to increase appropriations and operating transfers in by \$1,515,000, financed by an operating transfer out of \$1,515,000 from Other Financing Uses General Fund 001, Appropriation Unit CAO017, for immediate and critical repairs in response to winter storm damages (4/5th vote required); and
- b. Authorize the Auditor-Controller to transfer \$1,515,000 from the FY 2017-18 Other Financing Uses General Fund 001, Appropriation Unit CAO017, as a loan, to be repaid with interest at the County Treasury Investment Pool interest rate, to PCSD Fund 151, Appropriation Unit RMA040, where the General Fund has sufficient storm damage repair appropriations available in the adopted budget to fund the transfer (4/5th vote required).

SUMMARY

As a result of the February storms, staff originally estimated the total cost to repair and remediate damages within the PCSD area at \$2,102,148, of which \$587,148 was appropriated in FY 2016-17. On May 23, 2017, the Board of Supervisors approved an appropriation increase of \$217,148 to fund expenditures incurred for emergency response associated with the 2017 winter storms which was funded by PCSD's unassigned fund balance. On June 27, 2017, the Board of Supervisors approved an additional \$370,000 for these storm related emergency repair costs, funded by an operating transfer in from the General Fund 001, Other Financing Uses, Appropriation Unit CAO017, which was originally intended to go to the Road Fund. Actual costs for emergency related staff time and expenditures was \$359,264, \$227,884 less than originally estimated. During the June 27, 2017 Board meeting, staff reported an additional estimated \$1,515,000 needed in FY 2017-18 to complete repairs and remediation activities related to the storm damage in addition to the \$359,264 spent in FY 2016-17.

Staff is requesting an increase in FY 2017-18 appropriations by \$1,515,000 funded by an operating transfer in from the General Fund 001, Appropriation Unit CAO017, where funding for the Soberanes Fire/Winter Storm Disaster Assistance is allocated. If all FY 2017-18 estimated costs of \$1,515,000 are eligible, staff anticipates federal and state reimbursement of \$1,420,313, which will leave a local share of \$94,687. If the estimated FY 2017-18 costs are eligible for reimbursement, PCSD will reimburse the General Fund up to \$1,515,000 after the federal and state reimbursements are received.

The costs described above do not reflect any amounts to defend, or potential liabilities for, claims asserted against the District or County by the owners and lessees of the property alleged to have been impacted by the sewer release.

Given the financial constraints within the PCSD, a rate study will be prepared to determine the funds necessary to meet the PCSD's financial needs, which shall include the storm related costs presented in this report which are not subject to reimbursement. Implementation of any rate increase is subject to voter approval through a Proposition 218 election which is required to increase sanitation fees.

DISCUSSION:

The Pajaro area experienced a significant atmospheric river weather event beginning on Sunday, February 19, 2017 and continuing through early morning on Tuesday, February 21, 2017. The heavy rains resulted in high flows of stormwater infiltrating the sewer system, including the wastewater line which runs from the Pajaro Pump Station to the Watsonville Wastewater Treatment Plant.

A manhole, compromised on Saturday, February 18, 2017, prior to the start of the rain event, and a separate sewer line rupture released raw sewage and storm water into adjacent properties. To reduce the flow of sewage and stormwater into the line, 24-hour septic pumping was initiated on the afternoon of February 19, 2017 and continued through the morning of February 25, 2017.

The line break has been repaired and the damaged manhole has been stabilized. A design for the final repair has been completed and is pending review and permitting by the Army Corp of Engineers due to the sewer line's proximity to the Pajaro River levee. A preliminary scope of work, including soil and water testing, has been established for remediation of the affected site.

In addition to expenses incurred due to weather and the wastewater release, the generator located at the Pajaro Lift Station stopped working on Friday, February 17, 2017. As a temporary solution, a rental unit was installed. Based on observations by County staff and the generator failure during the winter storm, the damage is attributed to the winter storms. Upon initial investigation by the generator repair vendor, it was found that replacement parts were unavailable due to the age of the generator and a replacement generator has been recommended.

The emergency actions and repairs that occurred during the January and February 2017 Atmospheric River storm events have been included in the Countywide report to the Monterey County Office of Emergency Services (OES). These repairs have met the threshold of damage to seek state and federal funding. Staff has submitted claims for federal and state funding to cover eligible costs up to 75% and 18.75%, respectively, which leaves 6.25% for the District's local share.

On March 14, 2017, the Board of Supervisors approved mid-year modifications to the FY 2016-17 adopted budget related to the winter storms through February 16, 2017 and Soberanes Fire disasters. The modifications included transfers from the Strategic Reserve to the Disaster Assistance fund balance assignment totaling \$16,812,500. This amount included \$8,487,500 for the County's estimated share of cost and \$8,325,000 in working capital for the federal and state share of cost to make immediate repairs in FY 2016-17 in response to storm damages and the Soberanes Fire. The Board appropriated \$11 million within the County budget for work to be performed in FY 2016-17. The majority, \$8.3 million, was spent on damages sustained to roads and, \$545,223 on Parks & the Lake Resort, \$359,264 on Pajaro County Sanitation District, \$260,753 on General Fund, \$49,562 on Boronda County Sanitation District, and \$7,690 on San Jerardo County Sanitation District.

As of June 30, 2017, \$9.5 million was expended out of the \$11.4 million appropriated, which left a balance of \$1.9 million in unused appropriations.

Of the total \$16,812,500 in the Disaster Assistance fund balance assignment, \$7.3 million remained at the end of FY 2016-17. The \$7.3 million residual is included in the adopted FY 2017-18 budget for the County Administrative Office (CAO) to address potential cash flow needs pending potential Federal and State reimbursements caused by the Soberanes Fire and Winter Storms. RMA has continued its critical time-sensitive repair projects caused by storm damage, including preparations of two major permanent repair projects, with a cost of \$2.0 million. Then on July 11, 2017, RMA obtained the Board of Supervisor's approval to allocate \$1,615,460 from the Disaster Assistance fund for the Palo Colorado Road emergency repairs at Rocky Creek crossing. These costs have reduced the \$7.3 million residual balance to \$3.7 million.

The recommended action in this Board Report requests an additional \$1,515,000 for permanent repairs at Pajaro County Sanitation District, which will then bring the Disaster Assistance fund balance assignment down to \$2.2 million. In addition, RMA has pending Board Reports which are requesting \$1,996,362 for permanent repairs of Cachagua Road and \$188,781 for San Jerardo County Sanitation District. If all these requests are approved, it will deplete the balance in the Disaster Assistance fund.

The mid-year modification included a priority project list which reflected road related damages from January through February 16th storms and were estimated at \$20 million. The list did not include costs for storm damages occurring for the remainder of February nor any costs for damages in within the jurisdictional boundaries of County Sanitation Districts. Total damage costs are estimated at \$50 million. As a result, there are many projects without a funding source. RMA has determined that the critical nature of the damage within the Pajaro County Sanitation District (PCSD) area warrants a request that the Board appropriate funds to cover costs related to damage which occurred within the PCSD area in February 2017. Since this was not part of the original project list, funding of this project would impact other projects identified in earlier reports. A report on the entire 2017 Winter Storm damage program will be presented to the Board on January 23, 2018, which will illustrate how the funding has been/will be assigned. While there are two (2) new funding sources, Measure X and SB1, that can provide funding for road maintenance and repairs in the Road Fund, there are other demands that impact our ability to use that funding (e.g. COWCAP increase).

OTHER AGENCY INVOLVEMENT:

The Capital Improvement Committee voted to support this action at their August 16, 2017 meeting. Similarly, the Budget Committee voted to support this action at their August 30, 2017 meeting with a recommendation that the \$1.5 million transfer from the general fund be an interfund loan and that staff immediately move forward with a rate study for the PCSD which creates a fee structure that will support day-to-day operations and scheduled maintenance and pay off the loan for the costs of repairs addressed in this report.

FINANCING:

The recommended action will increase the FY 2017-18 adopted budget appropriations in Fund 151, Appropriations Unit 040, by \$1,515,000, financed by General Fund 001, Appropriations Unit CAO017, to be considered as a loan. Staff recommends the operating transfer in be repaid with simple interest at the County Treasury Investment Pool interest rate. If costs are eligible for reimbursement, the PCSD will reimburse the General Fund after the federal and state storm cost reimbursements are received.

The Pajaro County Sanitation District's FY 2017-18 revenue is insufficient to fund the necessary repairs and

equipment replacement costs resulting from damages caused by last year's winter storms and wastewater release. In FY 216-17 the district's entire fund balance of \$217,148 was appropriated in addition to an appropriation from the General Fund in the amount of \$359,264 to fund costs associated with emergency response activities. In order to complete the wastewater system repairs and replace critical equipment, an additional \$1,515,000 is required for FY 2017-18. The total reimbursement from the PCSD to the General Fund will be \$1,874,265 which includes the FY 2016-17 General Fund Appropriation of \$359,264 plus the requested \$1,515,000 appropriation in FY 2017-18.

Upon the completion of the repair project, staff will initiate sewer rate study to establish a rate structure that will adequately fund annual operations and maintenance expenditures, provide for annual contributions to create necessary reserves, and fund annual loan payments to the General Fund 001.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Projects and expenditures funded by this appropriation meet initiatives related to infrastructure as repairs and equipment replacement are critical to the proper operations of the wastewater system. Safe and effective collection of wastewater protects the health and public safety of property owners and residents living within the PCSD area.

☐ Economic Development
☐ Administration
☒ Health & Human Services
☒ Infrastructure
☒ Public Safety

Prepared by: Lynette Redman, Management Analyst III, (831) 796-6038

Approved by: Shawne Ellerbee, RMA Deputy Director of Administrative Services

Approved by: Carl P. Holm, AICP, RMA Director

Attachments:

Attachment A - Resolution

Attachment B - Interfund Loan Agreement

Attachment C - Pajaro County Sanitation District Cost Estimate Sheet

Attachment D - Location Map

(Attachments on file with the Clerk of the Board)