



County of Monterey

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

Board Report

File #: RES 19-064, **Version:** 1

- a. Receive a report on the emergency repair expenditures of the Pajaro County Sanitation District;
- b. Authorize and direct the Auditor-Controller to amend the FY 2018-19 Pajaro County Sanitation District Adopted Budget, Fund 151, Appropriation Unit RMA040, to increase appropriations by \$67,397, financed by an operating transfer from General Fund Contingencies, Fund 001, Appropriation Unit CAO020, of \$67,397 (4/5th vote required); and
- c. Authorize and direct the Auditor-Controller to transfer \$67,397 from the FY 2018-19 General Fund Contingencies, Fund 001, Appropriation Unit CAO020, as a loan, to be repaid with interest at the County Treasury Investment Pool interest rate, to Pajaro County Sanitation District Fund 151, Appropriation Unit RMA040, where the General Fund has sufficient appropriations available in the adopted budget to fund the transfer (4/5th vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a report on the emergency repair expenditures of the Pajaro County Sanitation District;
- b. Authorize and direct the Auditor-Controller to amend the FY 2018-19 Pajaro County Sanitation District Adopted Budget, Fund 151, Appropriation Unit RMA040, to increase appropriations by \$67,397, financed by an operating transfer from General Fund Contingencies, Fund 001, Appropriation Unit CAO020, of \$67,397 (4/5th vote required); and
- c. Authorize and direct the Auditor-Controller to transfer \$67,397 from the FY 2018-19 General Fund Contingencies, Fund 001, Appropriation Unit CAO020, as a loan, to be repaid with interest at the County Treasury Investment Pool interest rate, to Pajaro County Sanitation District Fund 151, Appropriation Unit RMA040, where the General Fund has sufficient appropriations available in the adopted budget to fund the transfer (4/5th vote required).

SUMMARY/DISCUSSION:

In November 2018, emergency repairs were required at the Pajaro County Sanitation District (PCSD) Las Lomas Lift Station. A memorandum was sent to the Board of Supervisors on December 17, 2018, providing details on the emergency repair project and indicating staff would return to the Budget Committee and Board of Supervisors with a final accounting (Attachment B). Total cost of the project was \$243,852. As a result, the PCSD Fiscal Year (FY) 2018-19 estimated expenditures are projected to exceed anticipated revenues by \$67,397 by fiscal year end.

Staff continues to monitor the Las Lomas Drive sewer line that backed up twice in October 2018. There have been no back-ups since then. As part of the sanitation system condition assessment that will be conducted over the upcoming months, the Las Lomas Drive sewer line will be evaluated and included in the resulting capital improvement prioritization plan for the PCSD system. Staff will evaluate this project along with other potential needs of the system and bring forward options to the Board as appropriate. If conditions change along Las Lomas Drive and repairs to the sewer line are necessary, staff will return to the Board at that time.

On January 9, 2018, a General Fund loan in the amount of \$1,515,000, to be repaid with interest, was made to the PCSD to cover costs associated with the failure of a manhole next to the Pajaro River Levee and adjacent sewer spill as well as the replacement generator at the Pajaro Lift Station. This damage occurred during the

2017 Winter Storms. Special Districts staff anticipated the repairs would qualify for FEMA reimbursement and submitted a claim to FEMA. However, communications received from FEMA have deemed the repair costs ineligible. Subsequently, a claim was made with the County's property insurance carrier and is pending final review. Should this claim be approved, reimbursement would be for the replacement value.

The loan funds and expenditures for the manhole repair/general replacement projects are tracked separately in Fund 151, Appropriation Unit RMA040. After a recent investigation of the project site, the repairs are estimated to be extended to early FY 2019-20 due to high groundwater levels. Staff will provide updated reports to the Board through the appropriate committees as the project progresses.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel-Risk Management has submitted an insurance claim for the emergency repairs, and a determination is pending. At the May 30, 2019 Budget Committee Meeting, the committee took action to support staff's recommendation.

FINANCING:

Current annual revenue and fund balance levels for the PCSD are insufficient to fund a portion of the completed emergency repairs to the PCSD Las Lomas Lift Station. Excluding the \$1.5 million in funds the Board approved for emergency repairs to the manhole and generator replacement, it is anticipated that there will be insufficient funds in PCSD's FY 2018-19 Adopted Budget to cover the full cost of the repairs. The projected annual revenue of \$910,266 plus fund balance of \$71,535 totals \$981,801. The projected year-end expenditures of \$1,049,198, result in a deficit of \$67,397. A transfer of \$67,397 from FY 2018-19 General Fund Contingencies (001), Appropriation Unit CAO020, to PCSD, Fund 151, Appropriation Unit RMA040, and associated increases in appropriations and revenue to the PCSD, Fund 151, is requested to cover this budget shortfall. Staff recommends that the operating transfers in be considered as a loan, to be repaid with simple interest at the County Treasury Investment Pool rate. Claims have been submitted to the County's insurance provider for the Pajaro manhole repair and generator replacement as well as the Las Lomas emergency repair project. These claims are pending final determination. Any payment from the insurance claims will go to the General Fund to repay the loan. Staff is currently working on initiating a rate study to establish a rate structure that will adequately fund annual operations and maintenance expenditures. The loan amount will be included as part of establishing future sewer rate structure to allow funding of loan repayment. As of the writing of this report, the appropriation balance for contingencies is \$658,532.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The requested appropriations for sewer system repairs support Strategic Initiatives related to Health & Human Services by protecting public health and Infrastructure and Public Safety by ensuring PCSD facilities continue to function properly.

- ☐ 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 PCSD Budget Appropriation
Attachment B-Memo Regarding Pajaro County Sanitation District (December 17, 2018)
Attachment C-Interfund Loan Agreement
Attachment D-FY 2018-19 PCSD Financial Summary
Attachment E-Location Map
(attachments on file with the Clerk of the Board)