



Board Agenda Item 36

DATE: December 15, 2015

TO: Board of Supervisors

SUBMITTED BY: Alan Weaver, Director
Department of Public Works and Planning

SUBJECT: CSA 44D WWTF Improvements, Budget Resolutions to Reallocate Appropriations and Estimated Revenues from Org 55125102 to Org 9247

RECOMMENDED ACTION(S):

- 1. Adopt a Budget Resolution decreasing the FY 2015-16 appropriations and estimated revenues for CSA 44D - Monte Verdi WWTF Imp Organization 55125102 in the amount of \$2,506,018**
- 2. Adopt a Budget Resolution increasing the FY 2015-16 appropriations in the amount of \$2,506,018 and the estimated revenues in the amount of \$732,081 for Enterprise Fund, County Service Area No 44 ZN D (CSA 44D) Organization 9247 (4/5 vote)**

The first recommended action will decrease appropriations and estimated revenues in the FY 2015-16 CSA 44D - Monte Verdi WWTF Imp Org 55125102 budget.

The second recommended action will increase appropriations and estimated revenues in the FY 2015-16 Enterprise Fund, CSA 44D Org 9247 budget, and will order that no interest be charged on advances made to CSA 44D in relation to project expenditures. Reimbursements from the State Water Resources Control Board (SWRCB) will be applied to satisfy any advances, then to reimburse CSA 44D.

These recommended actions are being brought at the request of the County's Auditor-Controller/Treasurer-Tax Collector's office, to conform with applicable government accounting principles, for the planning and construction of improvements to the wastewater treatment facility (WWTF) serving Zone D of County Service Area 44 (CSA 44D), also known as Monte Verdi Estates. Resolution 15-502, adopted October 13, 2015, appropriated and estimated these revenues in the CSA 44D - Monte Verdi WWTF Imp Organization 55125102 Organization (Public Works and Planning - Grants), and the recommended actions will shift those appropriations and estimated revenues to the CSA 44D Enterprise Fund.

ALTERNATIVE ACTION(S):

Declining to approve the recommended actions would result in duplicative expenditure tracking, as the CSA 44D - Monte Verdi WWTF Imp Org 55125102 expenses would also need to be tracked and registered with CSA 44D to conform to applicable governmental accounting principles.

FISCAL IMPACT:

There will be no direct net County cost associated with the recommended actions. The project is funded through a \$1,773,937 SWRCB Clean Water State Revolving Fund loan (CWSRF Loan) and a \$732,081 SWRCB Water Recycling Funding Program grant. The recommended actions will appropriate these funds for expenditures and estimate revenues from SWRCB reimbursements. The first recommended action will

decrease the FY 2015-16 appropriations and estimated revenues by \$2,506,018 in the CSA 44D - Monte Verdi WWTF Imp Org 55125102. The second recommended action will increase the FY 2015-16 appropriations in the amount of \$2,506,018 and estimated revenues by \$732,081 in the CSA 44D Org 9247, with the remaining appropriations of \$1,773,937 to be funded by the SWRCB loan, and will waive interest on advances made to cover project expenditures. Advances to CSA 44D will be short-term, and will be returned as SWRCB reimbursements are received. Any loss of interest accrual on the advance of County funds could be expected to be minimal. CSA 44D will still be responsible for interest incurred on the CWSRF Loan.

On August 2, 2013, after a Proposition 218 Protest Hearing wherein there was no majority protest to an assessment to repay the CWSRF Loan, the Board adopted Resolution 13-248, which levied assessments on all benefitted properties in CSA 44D to secure repayment of the CWSRF Loan.

DISCUSSION:

CSA 44D was formed on February 23, 1999, to provide water and wastewater treatment services to the Monte Verdi Estates Subdivision. The subdivision consists of 125 residential lots, located on Willow Avenue south of the intersection of Friant Road and Willow Avenue. CSA 44D's WWTF became operational on February 1, 2002.

Treated water from the facility was intended to be used as irrigation water for common landscape areas within CSA 44D. The existing facility does not reliably produce treated wastewater that meets CCR Title 22 recycled water standards for turbidity and the waste discharge requirements for odor. Because the treated water does not meet these requirements, it cannot be used for the intended purposes and must be discharged to the community's leach field. Potable water (drawn from groundwater) is currently used for irrigation.

Proposed improvements include replacing the existing sequential batch reactors with membrane bioreactors (MBR). MBRs represent the best available technology that reliably produces water that meets CCR Title 22 standards for recycled water. Improvements also include constructing an addition to the existing WWTF structure to house treatment head-works. Head-works include the installation of a grinder, fine screens, air exchange equipment, and all appurtenances necessary for the operation of the treatment system. Improvements also include the installation of control and data acquisition equipment and software.

Acting on behalf of CSA 44D, and with the cooperation of the community's Home Owners Association (HOA), the Department of Public Works and Planning (Department) applied to the SWRCB for financing to fund the planning and construction of the proposed improvements to the CSA 44D WWTF. The HOA and the community of Monte Verdi deposited with the County \$355,000 to cover the cost of planning and the preparation of the construction plans and specifications. Revenues from the SWRCB loan will reimburse, to the extent funds are available and such reimbursements are permissible under the funding program, costs incurred by the community for the planning of the improvements.

The recommended actions reallocate the necessary appropriations and estimated revenues for the improvements to the WWTF, and order that interest not be charged on the short-term advance of funds for project-related expenditures. They are being brought at the request of the County's Auditor-Controller/Treasurer-Tax Collector's (ACTTC) office to conform with accounting principles related to local government finances. They have indicated that the recommended actions will enhance internal controls over the project's finances, and eliminates duplicative accounting as the previous resolution authorized accounting in the County General Fund under the Department. The accounting entries for the project and subsequent capital project (WWTF) would have to be transferred to the appropriate County Service Area for proper accounting and reporting under generally accepted accounting principles. Internal controls are an integral part of County operations and duplicative accounting is an internal control weakness as it increases the risk that all transactions will not be properly recorded, financial statements may be materially misstated, and users of the capital asset may be incorrectly charged for the cost of the project.

The Department is in receipt of a funding agreement for the project from SWRCB. Resolution 10-298, adopted by the Board on August 10, 2010, authorized the Director of the Department to execute the funding agreement, subject to the review and approval by County Counsel and the ACTTC. The ACTTC's office approved the execution of the funding agreement with the condition that the Department would bring these budget resolutions before the Board by this date. Waiting to bring the resolutions at a later date would cause the Department to miss crucial initial deadlines related to beginning construction, which may have an adverse impact on the funding availability.

REFERENCE MATERIAL:

BAI #53, October 13, 2015
BAI #24, November 5, 2013
BAI #5, August 2, 2013
BAI #34, June 4, 2013
BAI #30, May 21, 2013
BAI #72, August 10, 2010
BAI #58, April 14, 2009
BAI #66, March 24, 2009
BAI #45, February 23, 1999
LAFCo Resolution No. AD-98-2- January 20, 1999

ATTACHMENTS INCLUDED AND/OR ON FILE:

Location Map
On file with Clerk - Budget Resolution Org 55125102
On file with Clerk - Budget Resolution Org 9247

CAO ANALYST:

John Hays