



Contra Costa County  
Public Works  
Department

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## Memo

November 15, 2016

**TO:** Finance Committee  
**FROM:** *Carrie Ricci*  
for Julia R. Bueren, Public Works Director  
**SUBJECT:** County Service Area M-28 Status

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### **Purpose:**

The purpose of this staff report is to provide a status report for County Service Area (CSA) M-28 operation and present staff's recommendation to use Undesignated County Facilities Improvements funds to retrofit the existing water treatment facilities.

### **Background:**

Willow Mobile Home Park is located on Bethel Island and consists of one 23-acre parcel with 172 mobile homes. CSA M-28 was established in 1991 (Resolution 91/807), to provide for the treatment of well water for distribution to the Willow Mobile Home Park. At that time a financial analysis was performed to provide the framework for an operating budget for the CSA. Revenues collected are only to be used for the expenditures of CSA M-28 as reflected in the annual report. Spending includes the cost of construction, operation, maintenance and servicing of the water system and also includes administration, engineering fees, legal fees and all other costs associated with managing the water system.

CSA M-28 owns and operates the well, a reverse osmosis (RO) system, storage tank and the associated facility buildings. Water is pumped from the well and is treated through an RO system. The treated water is then stored in a 20,000 gallon tank. From the tank, the water is transferred via a single piping system to the Willow Mobile Home Park for distribution to the residents within the mobile home park. The water distribution system operation and maintenance is the responsibility of the mobile home park.

CSA M-28 has been operating at a deficit for a number of years, with a significant amount of deferred maintenance required. The most significant infrastructure improvement required is the replacement of the aging reverse osmosis system. CSA M-28 has not been able to secure funding for capital improvements due to the limited revenues. CSA M-28 does not qualify for a loan from municipal lenders since it only has one rate payer and no substantial collateral assets. Operational costs have exceeded

revenues for a number of years and the Public Works Department has been exploring ways to address and change this situation for CSA M-28, including loans, grants, and raising the rates.

CSA M-28 is regulated by the State of California to provide water service to its rate payer. The State oversees on-going operation and approves changes to CSA M-28's operation. The ultimate service obligation of the CSA M-28 resides with the County. It is not a separate entity from the County. CSA M-28 must provide water service as regulated by the State. If CSA M-28 does not collect sufficient revenue to operate through the approved rate structure, the County is obligated to continue to provide service per State regulations.

#### CHANGES IN LEVEL OF SERVICE

In October 2014, Public Works hosted a town hall meeting with Willow Mobile Home Park residents to discuss options to reduce operational costs and level of service. Residents agreed that shutting down the RO system and receiving well water from CSA M-28 that only meets Primary drinking water standards would be acceptable in lieu of a rate increase. CSA M-28's well water currently meets Primary standards (safe for drinking). The RO system provides treatment to Secondary standards for odor and taste. Reducing the level treatment from Secondary to Primary standards requires a waiver from the State.

In December 2014, a formal vote was authorized by the Board to increase the M-28 rate to make necessary RO improvements (for Secondary treatment). The ballot was opened in March 2015, where the Board determined a majority protest existed and subsequently directed Public Works to seek a waiver from the State.

#### STATE WAIVER REQUIREMENTS

Since March 2015, Public Works staff has been working on the process to move toward reducing the water treatment service. A Water Treatment System analysis is required by the State, to obtain the waiver for Secondary standards. CSA M-28 contracted with a consultant to provide the necessary report and guide the waiver request submittal. A draft engineering report has been completed. This report analyzed 10 different alternatives for water treatment with the estimated costs ranging from \$770,000 to \$1,820,000. The \$770,000 waiver alternative provides well water with minimal chlorine treatment while the \$1,820,000 alternative replaces the existing RO system with a new RO system. All the alternatives required site improvements for seismic upgrades and safety. Four of the alternatives would not require the County to seek a State waiver; however, they are also the four highest cost alternatives and are not fiscally viable alternatives based on our review. The \$770,000 alternative is the lowest cost alternative. After reviewing the alternatives completed by our consultant, staff

recommends we complete the \$770,000 alternative and as part of those improvements request a waiver by the State.

Before proceeding with an application for waiver and the preferred alternative, a formal State approved survey will need to be sent to the residents to confirm their previously expressed opinion. If the State confirms and approves the recommendation of this engineering report, the County will receive the waiver and can implement the \$770,000 waiver alternative.

### FINANCIAL OUTLOOK

The lowest cost alternative will require \$770,000 to retrofit the existing water treatment facilities. There is only 1 rate payer for CSA M-28, the mobile home park owner. The mobile home park owner has indicated that he passes on the annual rate charge to his tenants. If this cost were passed onto the rate payer (the mobile home park owner), it will result in a \$222,000 annual assessment (capital and annual maintenance). If the rate payer passes this cost on to his tenants, then it will result in approximately \$107 per unit per month. This estimate is based on a previously contemplated loan from the County revolving fund at 3% to fund the capital project. As a comparison, the FY 2016-2017 assessment rate is \$97,109 or \$47 per unit per month. The increase would be more than twice the current rate.

The State requires the County to provide water that meets its Primary standards. Completing these proposed recommended improvements will meet State Primary standards. Unlike other CSAs for recreation or park services where service levels are commensurate with revenues received, the County cannot necessarily cease or reduce water service for CSA M-28. Since CSA M-28 is considered a County facility, the \$770,000 cost to implement the waiver alternative can be funded by the Undesignated Capital Improvement Fund budgeted in Plant Acquisition – General Fund, approved in the 2016-2017 budget.

### Recommendation

Staff recommends continuing the efforts to pursue the State waiver and use the Undesignated Capital Improvement Fund budgeted in Plant Acquisition – General Fund to retrofit the existing water treatment facilities using the lowest cost alternative.

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