



Contra
Costa
County

To: Board of Supervisors
From: Julia R. Bueren, Public Works Director/Chief Engineer
Date: March 3, 2015

Subject: HEARING to consider increasing the water service charge within County Service Area M-28, Bethel Island area.

RECOMMENDATION(S):

OPEN the public hearing on the proposed increase to the annual water service charge imposed on property within County Service Area M-28 (CSA M-28) beginning in Fiscal Year 2015-2016; CONSIDER all public comments and protests; RECEIVE all signed, written protests against the proposed increase to the CSA M-28 annual water service charge; and CLOSE the public hearing.

DIRECT the Public Works Director, or her designee, to: count and tabulate all signed, written protests against the proposed increase to the CSA M-28 annual water service charge that are received before the close of the public hearing, in accordance with Resolution No. 2014/456, and report to the Board on whether protests were received from owners of a majority of parcels that would be subject to the increased CSA M-28 annual water service charge.

DETERMINE either: (a) that there exists a majority protest against the increased CSA M-28 annual water service charge because a signed, written protest against the increased charge was received by the owner of the single parcel that would be subject to the increased charge; or (b) that a majority protest does not exist. If a majority protest exists, take no

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **03/03/2015** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I
Supervisor
Candace Andersen, District II
Supervisor
Mary N. Piepho, District III
Supervisor
Karen Mitchoff, District IV
Supervisor

ABSENT: Federal D. Glover, District V
Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 3, 2015

David Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: Jason Chen,
925-313-2299

further action. If no majority protest exists, ADOPT Resolution No. 2015/63.

FISCAL IMPACT:

The increase of the water service charge from \$91,937.40 to \$335,939 will provide revenues for continued operation and maintenance of a water supply system as well as provide funds necessary to construct the capital improvement projects in CSA M-28 (100% CSA M-28 Funds).

BACKGROUND:

On December 10, 1991, the Contra Costa County Board of Supervisors adopted County Resolution No. 91/807, which formed County Service Area M-28 (CSA M-28). CSA M-28 was formed pursuant to the County Service Area Law to provide treated water service to a single parcel of real property within CSA M-28, identified as Assessor's Parcel No. 029-020-004 (the "Parcel"). The County provides treated water service to the Parcel owner's connection, and the Parcel owner is responsible for distributing the water to the individual units of the Willows at Bethel Island Mobile Home Park located on the Parcel. The County imposes an annual service charge on the Parcel to fund the operation, maintenance, and servicing of the water system.

The current CSA M-28 system is over 20 years old, and, as an aging system, the operational costs have increased over the years. The current service charge automatically adjusts each year based on the rate of the change in the consumer price index. However, even with these increases, revenue from the current service charge has been insufficient to fund the operation, maintenance, and servicing of the CSA M-28 water system. The County relies on General Fund monies to fund CSA M-28 expenses that exceed revenue from the current CSA M-28 annual service charge.

In the current fiscal year, Fiscal Year 2014-2015, the annual service charge is \$91,937.40. During the same fiscal year, County staff estimates that it will cost \$104,395.40 to operate, maintain, and service the CSA M-28 water system and provide treated water service to the Parcel. In addition, a consultant retained by the Public Works Department has determined that the aging CSA M-28 water system will require approximately \$1,231,000, adjusted for inflation, in improvements and repairs to remain operational. A copy of the consultant's report is attached hereto as Attachment A.

To recover the County's actual costs to operate, maintain, and service the CSA M-28 water system, County staff recommends increasing the CSA M-28 annual service charge to \$335,939, beginning in Fiscal Year 2015-2016. Public Works Department staff calculated the amount of the increased service charge, as follows:

*Estimated Operation Expenditures - \$111,000

This is the estimated cost to operate, maintain, and service the CSA M-28 system. Operational expenses include: communications, utilities, chemicals and parts, publications and legal notices, membership, operator, lab testing, tax and assessment fees, National Pollutant Discharge Elimination System (NPDES) permit, County

Environmental Health permit, and other County staff costs. The budget for Fiscal Year 2014-2015 is \$104,395.40. The proposed budget for Fiscal Year 2015-2016 is \$111,000. The majority of the increase is due to an increase in the operator line item. (See Table 1 in Attachment B.)

*Estimated Loan Payment – \$151,368

As explained above, the aging CSA M-28 water system requires significant repairs to remain operational. The estimated cost of those repairs (in 2014 dollars) is \$1,231,000. In addition, the County needs to obtain a National Pollutant Discharge Elimination System (NPDES) permit for the CSA M-28 water system, which is estimated to cost \$60,000. To fund these repairs and the costs to obtain a NPDES permit, a revolving fund will need to be established. CSA M-28 would borrow from this fund for CSA M-28 capital repairs and replacements, and to pay costs related to obtaining a NPDES permit. Those funds would need to be repaid over a period of up to 10 years with an estimated interest at the rate of 3% per year until the revolving fund is fully repaid. This will require an annual payment of \$151,368 to the revolving fund, until the revolving fund is fully repaid.

Because the amount required to repay the revolving fund will be fixed for the duration of the repayment term, this component of the increased service charge will not be subject to inflationary increases in Fiscal Year 2016-2017, or in any fiscal year thereafter (see below). After the revolving fund is fully repaid at the end of the repayment term, this repayment component of the increased service charge will be eliminated, resulting in a reduction in the then-current increased service charge.

*Estimated Capital Replacement Reserve – \$73,571

In the past, a capital replacement reserve was not set aside for future capital replacement projects. County staff proposes a capital replacement reserve to fund future capital repairs and improvements. The improvement proposed by the consultant replaced many components of the CSA M-28's system but not all. Regardless, if CSA M-28 utilizes an existing component or a new component is constructed, each of these components will need to be replaced in the future. Major components of the CSA M-28's system were analyzed with their useful lives, their remaining useful lives, and their estimated replacement costs. The remaining useful life of these components ranges from 0 to 53 years. Dividing the current replacement cost by the remaining useful life in years gives the amount that should be placed into reserve each year so that the asset can be replaced when it fails.

As indicated above, the revenue from the increased service charge for Fiscal Year 2015-2016 – \$335,939 – will be equal to the County's actual costs to operate, maintain, and service the CSA M-28 treated water system. Therefore, revenue from the increased service charge will not exceed the County's costs to provide treated water service within CSA M-28. Revenue from the increased service charge will be used only for the purposes of operating, maintaining, and servicing the CSA M-28 water system, as described

above. The treated water service provided to the Parcel is actually used by the Parcel. The Parcel is the only parcel of real property within CSA M-28 that receives CSA M-28 treated water service. Therefore, the increased service charge will not exceed the proportional cost to provide treated water service that is attributable to the Parcel.

If approved, the increased service charge for Fiscal Year 2015-2016 will be \$335,939. In fiscal year 2016-2017, and in each subsequent fiscal year, the increased service charge will increase based on the change in the Consumer Price Index for the San Francisco Bay Area All Urban Consumers for the twelve-month period ending January 30 prior to the fiscal year in which the service charge will be levied.

CONSEQUENCE OF NEGATIVE ACTION:

The County would not be able to increase CSA M-28's annual service charge to \$335,939 beginning in Fiscal Year 2015-2016. The County would continue to charge its existing service charge, which increases annually based on the change in the Consumer Price Index for the San Francisco Bay Area All Urban Consumers. However, because the amount of this service charge is lower than the County's actual costs to operate, maintain, and service the CSA M-28 treated water system, the County would need to continue to rely on General Fund revenue transfers to pay costs to operate, maintain, and service the CSA M-28 water system. Alternatively, the County could take steps to reduce the level of water treatment currently provided within CSA M-28, thereby reducing the County's costs to operate CSA M-28.

CHILDREN'S IMPACT STATEMENT:

Not applicable.

CLERK'S ADDENDUM

CLOSED the public hearing; tabulated the mailed in ballots; DETERMINED that a majority protest exists; and DECLARED that a waiver of service with the State of California will be pursued in regard to this property.

ATTACHMENTS

Resolution No. 2015/63

Attachment A

Attachment B