

Central Services
Joan Araujo, Director

Engineering Services
Christopher Cooper, Director

Roads & Transportation
Christopher Kurgan, Director

Water & Sanitation
Joseph Pope, Director

Watershed Protection
Glenn Shephard, Director

February 28, 2023

Board of Supervisors
County of Ventura
County Service Area No. 34
800 South Victoria Avenue
Ventura, CA 93009

Subject: Authorization for the Public Works Agency Water and Sanitation Director to Evaluate Water System Consolidation Requests from Various Mutual Water Companies Operating within County Service Area No. 34 (El Rio) and to Develop Water System Consolidation Agreements and Related Documents for Subsequent Consideration by the Board; Authorize Funding from the General Fund for Staff Efforts to Assist in Evaluating Water System Consolidation Requests and Developing Related Agreements and Documents in an Amount not to Exceed \$100,000; and Authorize the Auditor-Controller to Process the Accounting Transactions Necessary to Establish the Appropriations and Unanticipated Revenue. Supervisorial District No. 3 (RECOMMENDATION NO. 3 REQUIRES 4/5THS VOTE);

Recommendations:

1. Authorize the Public Works Agency Water and Sanitation Director to evaluate water system consolidation requests from various mutual water companies operating within County Service Area No. 34 and develop water system consolidation agreements and related documents for subsequent consideration by your Board.
2. Authorize funding from the General Fund for staff efforts to assist in evaluating water system consolidation requests and developing related agreements and documents in an amount not to exceed \$100,000.
3. Authorize the Auditor – Controller's Office to process the accounting transactions necessary to establish appropriations and unanticipated revenue as follows (requires 4/5th vote):



Waterworks Operations ISF– Fund I110, Division 4450

INCREASE 4450-4451 Services & Supplies \$ 25,000

INCREASE 4450-4451 Other Financing Sources \$ 25,000

County Executive Office– Fund G001, Division 1050

INCREASE DIV 1050 Other Financing Uses \$ 25,000

DECREASE General Fund – Fund Balance-Assigned
to Program Mitigation \$ 25,000

*Remaining \$75,000 will be budgeted in FY 2023-24 as appropriate.

Fiscal/Mandates Impact:

Mandatory: No
Source of Funding: General Fund Balance – Assigned to Program Mitigation
Funding Match Required: None
Impact on Other Departments: None

Summary of Revenues and Total Costs:	<u>FY 2022-23</u>	<u>FY 2023-24</u>
Revenues:	\$ 25,000	\$ 75,000
Costs:		
Direct Costs	\$ 25,000	\$ 75,000
Indirect – Agency/Dept.	\$ 0	\$ 0
Indirect – CAP	\$ 0	\$ 0
Total Costs	\$ 25,000	\$ 75,000
Net County Cost	\$ 0	\$ 0
Recovered Indirect Cost	\$ 0	\$ 0

Current Fiscal Year (FY23) Budget Projection:

FY 2022-23 Budget Projection for Water and Sanitation Operations ISF – Unit 4451				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings/(Deficit)
Appropriations	\$10,840,700	\$10,968,717	\$10,204,700	\$ 764,017
Revenue	\$10,685,700	\$10,586,700	\$ 9,785,687	\$(900,013)
Net Cost	\$ 155,000	\$ 283,017	\$ 419,013	\$(135,996)

Net costs Includes capital outlays.



FY 2022-23 Budget Projection for Special Accounts and Contributions — Division 1050				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings/(Deficit)
Appropriations	\$58,709,921	\$51,078,633	\$ 51,019,979	\$ 58,654
Revenue	\$ 7,335,000	\$ 7,335,000	\$ 6,451,408	\$(883,592)
Net Cost	\$51,374,921	\$43,743,633	\$ 44,568,571	\$(824,938)

Executive Summary:

The Public Works Agency (PWA) has received requests from two mutual water companies operating within County Service Area 34 (CSA 34, El Rio). The water companies expressed their intentions for the County of Ventura (County) to take over their water systems to alleviate ongoing managerial and technical challenges. Technical Assistance and Construction funding is available from the State Water Resources Control Board (State) to facilitate the consolidation of these water companies into larger and better managed systems. Staff is seeking your Board's approval to continue work on evaluating the consolidation requests and approval of funding from the General Fund for staff efforts.

Should your Board approve staff's request, the next steps will be to: (a) develop the terms of consolidation with each water company; (b) work with the State's Technical Assistance provider to initiate engineering and water rate studies; (c) pursue construction grant funding from the State for the consolidated systems; and (d) begin discussions with the Ventura County Local Agency Formation Commission (LAFCo) to activate the latent power of municipal water services within CSA 34.

Discussion:

Small water utilities that rely solely on pumped groundwater supplies are in a state of distress throughout the state of California. In Ventura County, mutual water companies pumping groundwater from the Oxnard Forebay are especially at risk of unhealthy nitrate concentrations in their well water. Nitrate is highly soluble and mobile, making it susceptible to leaching from soils and transporting to and within groundwater. Nitrate loading to groundwater is primarily related to land uses in the Oxnard Forebay, with the most significant sources coming from agricultural fertilizers and septic systems.

Vineyard Avenue Acres Mutual Water Company (VAAMWC) serves 336 residential and commercial customers in the unincorporated Ventura County area of El Rio. In 2017 VAAMWC approached the State for assistance due to repeated drinking water violations for nitrates in their groundwater supply wells. On April 3, 2017, the State awarded a



Technical Assistance (TA) grant to VAAMWC to help VAAMWC develop a long-term solution to its chronic nitrate issues. The State enlisted the Rural Communities Assistance Corporation (RCAC) as the TA provider shortly after grant award to assist VAAMWC. The grant is funded through Proposition 1, has a budget of \$466,304 and only covers planning costs.

VAAMWC previously stopped using its two existing groundwater supply wells and purchased water from United Water Conservation District (UWCD) through an emergency inter-connection with Cloverdale Mutual Water Company in May 2019. Since September 2019, when nitrate concentrations in the VAAMWC wells decreased, VAAMWC stopped purchasing water from UWCD and resumed pumping from its existing wells. During the water quality emergency of 2019, VAAMWC approached the Public Works Agency for assistance. It became apparent to staff that the Board of Directors of VAAMWC needed significant managerial and technical support to address the nitrate situation. At that time Public Works Agency (PWA) staff provided limited technical support, but funding was not available to pursue a permanent fix. During this same time, RCAC, with funding from the State, worked on a feasibility study to determine possible paths forward for VAAMWC.

As a result of the feasibility study commissioned by RCAC, several options were presented to VAAMWC for its consideration. The solutions included remaining a stand-alone mutual water company, annexation into the city of Oxnard, or consolidation with neighboring mutual water companies. The estimated administrative and construction costs associated with these options ranged from \$1.5 million to \$6.4 million. The first draft of the feasibility study did not include analysis of the County of Ventura (County) taking over VAAMWC.

In late 2022, PWA staff was approached by RCAC and the VAAMWC Board of Directors to see if there was a path forward for the County to assume the operations of VAAMWC. After several meetings with personnel from RCAC, the State and VAAMWC, another alternative was added to the RCAC feasibility study: consolidation with County Service Area 34. To continue forward with further analysis and to pursue construction funding from the State, the State requires letters of intent from VAAMWC and the County. VAAMWC submitted a letter of intent to the County on October 10, 2022 (Exhibit 3).

Vineyard Mutual Water Company (VMW) is a small mutual water company that is also situated within CSA 34. VMW owns and operates a small water distribution system that provides potable water from groundwater wells to 56 commercial and industrial customers, including the County's Juvenile Justice Center. The Juvenile Justice Center purchases approximately 40% of the water supplied by VMW. The VMW Board of Directors submitted a Letter of Intent to consolidate with the County on November 22, 2022 (Exhibit 4). The VMW Board of Directors stated in the letter that it no longer prefers to operate its water system and would like to explore transferring management and operations of the system to the County.



Should your Board approve staff's request to evaluate water system consolidation requests and develop water system consolidation agreements, staff will send letters of intent to consolidate back to the Boards of VAAMWC and VMW. Then, staff will: (a) develop the terms of consolidation with each water company; (b) work with RCAC and the State to update the Prop 1 grant work plan to initiate engineering and water rate studies; (c) pursue construction grant funding from the State for the consolidated systems; and (d) begin discussions with LAFCo to activate the latent power of municipal water services within CSA 34. CSA 34 currently provides sewer collection services only. The construction would involve any infrastructure upgrades necessary to bring the existing water systems up to County standards and to provide sufficient storage for fire protection.

The Water and Sanitation Department operations are funded entirely from water and sewer district ratepayers. The State Constitution (Article XIII D "Proposition 218") restricts the ability of special districts to use funding for purposes other than the services provided within that district. Therefore, staff requests a General Fund contribution of \$100,000 to fund its efforts during the water system consolidation process and until the newly consolidated districts generate self-sustaining water rate revenue.

This letter has been reviewed by the County Executive Office, the Auditor-Controller's Office, and County Counsel.

If you have any questions regarding this item, please call the undersigned at (805) 378-3005.



Joseph C. Pope, P.E.
Director
Water and Sanitation

Attachments:

Exhibit 1 – Vicinity Map County Service Area No. 34

Exhibit 2 – Location Map County Service Area No. 34, Vineyard Mutual Water Company, and Vineyard Avenue Acres Mutual Water Company

Exhibit 3 – Letter of Intent from Vineyard Avenue Acres Mutual Water Company

Exhibit 4 – Letter of Intent from Vineyard Mutual Water Company

