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**Title:** Actions pertaining to an Agreement to Transfer Ownership of Wastewater Assets and Wastewater Service between Pinedale Public Utility District and the City of Fresno (City of Fresno Sphere of Influence, County of Fresno, and City of Fresno Council District 2):

1. Adopt a finding that the proposed transfer of wastewater assets and assumption of wastewater services is exempt from the California Environmental Quality Act pursuant to the common sense exemption in that it can be seen with certainty that there is no possibility the proposed changes will have a significant effect on the environment pursuant to Section 15061(b)(3) of the California Environmental Quality Act Guidelines.
2. Approve an Agreement to Transfer Ownership of Wastewater Assets and Wastewater Service between Pinedale Public Utility District and the City of Fresno.

**Sponsors:** Department of Public Utilities

**Indexes:**

**Code sections:**

**Attachments:** 1. Agreement to Transfer Ownership of Wastewater Assets and Wastewater Service.pdf

Date	Ver.	Action By	Action	Result
5/23/2024	1	City Council	ADOPTED	Pass

**REPORT TO THE CITY COUNCIL**

**FROM:** BROCK D. BUCHE, PE, PLS, Director  
Department of Public Utilities

**BY:** DEJAN PAVIC, PE, Projects Administrator  
Department of Public Utilities - Utilities Planning & Engineering

**SUBJECT**

Actions pertaining to an Agreement to Transfer Ownership of Wastewater Assets and Wastewater Service between Pinedale Public Utility District and the City of Fresno (City of Fresno Sphere of Influence, County of Fresno, and City of Fresno Council District 2):

1. Adopt a finding that the proposed transfer of wastewater assets and assumption of wastewater services is exempt from the California Environmental Quality Act pursuant to the common sense exemption in that it can be seen with certainty that there is no possibility the proposed changes will have a significant effect on the environment pursuant to Section 15061(b)(3) of the California Environmental Quality Act Guidelines.
2. Approve an Agreement to Transfer Ownership of Wastewater Assets and Wastewater Service between Pinedale Public Utility District and the City of Fresno.

**RECOMMENDATIONS**

Staff recommends that the City Council: adopt a finding that the proposed transfer of wastewater assets and assumption of wastewater services is exempt from the California Environmental Quality Act (CEQA) pursuant to the common sense exemption in that it can be seen with certainty that there is no possibility the proposed changes will have a significant effect on the environment pursuant to Section 15061(b)(3) of the California CEQA Guidelines; approve an Agreement to Transfer Ownership of Wastewater Assets and Wastewater Service between Pinedale Public Utility District (District) and the City of Fresno (City); and authorize the Director of Public Utilities, or designee, to sign the agreement on behalf of the City.

## **EXECUTIVE SUMMARY**

The Department of Public Utilities (DPU) seeks to enter into an Agreement to Transfer Ownership of Wastewater Assets and Wastewater Service (Agreement) with the District pertaining to wastewater assets and services currently under the District's ownership (Wastewater Assets and Services), all as described and depicted in Exhibits 1, 2.1, and 3 of the attached Agreement. The District provides sewer service to the area west of Pinedale, including territory both within the City and in the adjacent unincorporated areas, within and outside of the District's service area. The District's Board of Directors (Board) found that the District, although it has adequate financial support to implement the mission of the District, has become redundant to services provided by the City and the County of Fresno (County). As such, in July 2022, the Board adopted a "Resolution Authorizing District Dissolution and Disposition of Assets" and Application to the Local Agency Formation Commission (LAFCo) to Take Proceedings for Dissolution of the District." In November 2023, the Board adopted a "Resolution Authorizing the Pinedale Public Utility District to Transfer Wastewater Collection Services to the City," while continuing to provide street sweeping services, streetlight maintenance, and median island landscape maintenance in a County island area depicted in Exhibits 2.2 and 2.3 of the attached Agreement.

## **BACKGROUND**

The District was formed in 1950 under the Municipal District Act of 1921 for the specific purpose of providing wastewater collection and treatment to unincorporated subdivisions west of the unincorporated Pinedale community. The District provides sewer service to the area west of Pinedale, including territory both within the City and in adjacent unincorporated areas, within and outside of the District's service area, and outside its sphere of influence. The City was designated by the County as the Chief Sewering Agent in 1966. The City owns and operates a publicly owned treatment works (POTW) used for transportation and treatment of wastewater and sewage. Between 1974 and 1977, the City expanded the POTW by the construction of the West Fresno-Herndon Interceptor and enlarged its regional wastewater treatment facilities. In July 2022, the District's Board found that the District, although it has adequate financial support to implement the mission of the District, has become redundant to services provided by the City and County and other service providers. As such, the Board adopted "RESOLUTION NO. 2022-10, A Resolution Authorizing District Dissolution and Disposition of Assets and Application to the Local Agency Formation Commission to Take Proceedings for Dissolution of the District." Following adoption of that resolution, the District and the City engaged in further discussions and determined that rather than dissolving the District, the best course of action is to divest the District of the power to provide wastewater collection services and transfer all wastewater collection facilities, billing responsibilities, customers, and maintenance obligations to the City. As such, the Board adopted "RESOLUTION

NO. 2023-04, A Resolution Authorizing the Pinedale Public Utility District to Transfer Wastewater Collection Services to the City of Fresno.” The City and the District now desire to effectuate the transfer of ownership of the District’s Wastewater Assets and Services, as defined in the Agreement, from the District to the City and to transfer all obligations related to providing wastewater collection services, to become effective July 1, 2024. In addition to transferring ownership of the physical infrastructure within the boundaries depicted in Exhibit 2.1 to the Agreement, the District will also transfer \$3.2 million to the City for the ongoing repair and maintenance of the wastewater assets as shown in Exhibit 1 to the Agreement. This transfer must be complete within thirty (30) days of the effective date of the Agreement. Within ninety (90) days of the effective date of the Agreement, the District shall complete a reorganization process with Fresno LAFCo, including completion of a Municipal Service Review. If the District fails to file an application with Fresno LAFCo, the District agrees that it will not oppose, protest, or otherwise object to any proceedings to revise its Sphere of Influence and authorized services consistent with this Agreement.

Note: all relevant vicinity and location maps are included in the Agreement as Exhibits 2.1, 2.2, and 2.3, and are incorporated by reference to this report to the City Council.

Considering the foregoing, staff recommends that the City Council approve the Agreement between the District and the City, and authorize the Director of Public Utilities, or designee, to sign the Agreement on behalf of the City.

The Agreement has been approved as to form by the City Attorney’s Office.

## **ENVIRONMENTAL FINDINGS**

CEQA Guidelines Section 15061(b)(3) states that a project is exempt from CEQA if it is “covered by the commonsense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.” CEQA Guidelines Section 15382 defines a “significant effect on the environment” as “a substantial, or potentially substantial, adverse change in any of the physical conditions within the area affected by the project including land, air, water, minerals, flora, fauna, ambient noise, and objects of historic or aesthetic significance.”

Pinedale Public Utility District (District) provides sewer service to the area west of Pinedale, including territory within both the City and in adjacent unincorporated areas, within and outside of the District’s service area, and outside its sphere of influence. The District’s services are limited to wastewater collection services, and wastewater from its collection system is transported to the Fresno-Clovis Regional Wastewater Facility. According to the District’s 2019 Municipal Service Review, it owns approximately 25 miles of sewer lines and has 2,790 sewer connections. In addition to providing collection services for these customers, the District also bills sewer customers based on the City’s schedule of sewer rates and remits 70 percent of the sewer fees to the City as its proportionate share of the sewer fees. While the District’s Board determined the District has sufficient financial support to implement the mission of the District, it also determined that its wastewater collection services have become redundant to the City’s services.

The proposed agreement would transfer all District sewer customers to the City, including billing responsibility, and would also transfer ownership of the District’s entire collection system to the City for future operation and maintenance. Thereafter, the District will no longer provide any wastewater

collection services, nor will it bill wastewater customers. The agreement does not propose any changes to the system or to the wastewater service provided to the customers to be transferred to the City. As noted above, the wastewater generated by the parcels identified in Exhibit 3 is already being treated at the Fresno-Clovis Regional Wastewater Facility. Further, the agreement does not contemplate any changes to the District's existing collection system but instead, it merely effectuates a change in ownership of the existing collection system. Thus, the transfer of the District's customers and wastewater collection system would not result in a substantial or potentially substantial adverse change in the environment. Therefore, it can be seen with certainty that there is no possibility that acquisition of the wastewater assets and assumption of wastewater services may have a significant effect on the environment and as a result, this action is exempt from CEQA pursuant to CEQA Guidelines Section 15061 (b)(3).

## **LOCAL PREFERENCE**

Local preference was not implemented because this Agreement to Transfer Ownership of Wastewater Assets and Wastewater Service does not include a bid, an award of a construction contract, or approval of a services contract.

## **FISCAL IMPACT**

Approval of this Agreement will not impact the General Fund. The District customers currently pay, and will continue to pay, all required sewer fees as determined by the City.

### Attachments:

Agreement to Transfer Ownership of Wastewater Assets and Wastewater Service includes vicinity map (by reference to the Agreement Exhibit 2.1)