



Monterey County

Capital Improvement Committee Report Legistar File Number: 22-915

Item No.

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

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Receive a status report for the period ending September 30, 2022, regarding the sale/transfer of the County Sanitation Systems (Pajaro County Sanitation District, Boronda County Sanitation District, and County Service Area 75 - Chualar sanitation system) and Boronda County Sanitation District-Zone 2 San Jerardo Water System.

RECOMMENDATION:

It is recommended that the Capital Improvement Committee receive a status report for the period ending September 30, 2022, regarding the sale/transfer of the County Sanitation Systems (Pajaro County Sanitation District [PCSD], Boronda County Sanitation District [BCSD], and County Service Area 75 - Chualar [CSA 75] sanitation system) and BCSD -Zone 2 San Jerardo Water System (the San Jerardo Water System).

BACKGROUND:

The County owns and operates the PCSD sanitation system, the BCSD sanitation system, the CSA 75 sanitation system, and the San Jerardo Water System. At the direction of the Board of Supervisors, the County's goal is to sell/transfer the PCSD, BCSD, and CSA 75 sanitation systems and the San Jerardo Water System. The Capital Improvement Committee (CIC) requested quarterly reports on the progress of the Department of Public Works, Facilities and Parks' (PWWP's) sale/transfer of these systems.

In July 2019, the County entered into an Exclusive Negotiating Agreement with California-American Water Company to sell the PCSD, BCSD, and CSA 75 sanitation systems. This agreement expired, and a new agreement with CalAm or another interested party will need to be established.

In June 2021, \$4.1 million in American Rescue Plan Act of 2021 (ARPA) funding was allocated via the adopted Fiscal Year (FY) 2021-22 budget to repair and improve water and sewer infrastructure in these sanitation and water systems. Staff has focused on implementing repair and rehabilitation projects to ensure they are completed within the timelines required by ARPA funding rules. Additional detail on the progress of ARPA-funded water and sewer infrastructure projects is reported to the CIC via a separate quarterly report.

ARPA-funded water and sanitation system repairs and improvements will address numerous deferred maintenance items. Because the costs associated with these repairs and improvements are covered by ARPA funds, they will not affect the rates customers pay for sewer service. Thus, the sanitation systems will be more attractive to prospective purchasers as they will not need to finance and implement these repairs and improvements.

This report provides a brief overview of the sanitation and water system improvements related to the sale and transfer of these systems and discusses the plan and timeline for completing the sale and transfer of these systems.

DISCUSSION:

Planned Infrastructure Repair and Improvements

PCSD and BCSD: Sewer system repair and improvements consist of a) repairing or replacing sewer lift station components such as pumps, valves and related infrastructure; b) cleaning and inspecting sewer lines and manholes; and c) replacing sewer lines and manholes as needed per inspection results. This work began in May and will be completed using a combination of County staff and Job Order Contractors, with technical and design support provided by on-call consultants. To date, closed-circuit television (CCTV) videos of the BCSD sewer lines are complete, and pumps replaced at four (4) lift stations. At the PCSD, sewer lines have been cleaned, and CCTV videos were obtained at approximately 80 percent of sewer lines. (Videos of remaining 20 percent of the system sewer lines is anticipated to be completed by October 1st.) In June, work began assessing PCSD sewer lines and manholes. Manhole assessments were completed in early September and repair work on up to 20 manholes is scheduled to begin in early October and completed in early November. We anticipate receiving a report on the sewer lines requiring replacement by the end of September, with repair work being initiated in early December. This work is anticipated to be completed in February 2023.

Installation of a new sewer line along a portion of Las Lomas Drive within the PCSD system is estimated to be completed by the end of the current calendar year, except for ongoing geotechnical slope stability evaluations. A consultant report summarizing the results of these evaluations is expected by November 2022. The report will convey whether slope stabilization is judged necessary. This conclusion, along with a recommended path forward, will be presented to the CIC during the next quarterly update.

CSA 75 - Chualar Sanitation System: In mid-April, CCTV videos of the sewer system were completed. They identified damaged sections of sewer lines, a manhole and pump station which are in the process of being repaired. This work is expected to be completed late this month. At the wastewater treatment facility, vegetation removal from wastewater ponds is nearly complete, and a new perimeter fence, required by the facility operating permit, has been successfully installed. Berm stability and pond infiltration evaluations are ongoing; we anticipate receiving a report summarizing the results of these evaluations by November 1st. And finally, enhanced water treatment via new aerators is set to be installed in the receiving wastewater ponds once design of electrical upgrades is completed. We anticipate electrical upgrades and aerator installation being completed before the end of this fiscal year.

The CSA 75 sanitation system operates under a permit issued by the State Water Resources Control Board (the Water Board). The County recently completed enrollment in a new, updated wastewater permit. County and Water Board staff are continuing coordination on how to best move forward with treatment system repairs and improvements to meet new permit requirements, including the possible elimination of the treatment component.

The Water Board has indicated a strong preference for eliminating the Chualar system's wastewater treatment component and connecting it to a regional wastewater collection and treatment system (a process referred to as "consolidation"). Consolidation would convert the Chualar sanitation system to a collection-only system like the PCSD and BCSD systems and provide benefits such as connection and conversion of surrounding septic systems to regional treatment, the opportunity for recycled wastewater generation, and the ability for the community of Chualar to expand (since the system is currently operating near capacity and cannot accept new wastewater connections).

In February 2022, Staff has engaged a consultant to evaluate water treatment alternatives for the Chualar Sanitation System's wastewater treatment component. Alternatives evaluated included improvements to the existing wastewater treatment site, constructing a new facility at a new location (out of the 100-year floodplain), and consolidation. The feasibility evaluation report was issued last month. The report concludes that consolidation is the preferred alternative.

The report further indicates that capital costs associated with consolidation are significantly higher than the other alternatives evaluated, and thus grant funding will likely be necessary further evaluate and implement the consolidation alternative. On August 30, 2022, the BOS approved the submittal of a grant funding application for the CSA-75 Chualar Wastewater System Consolidation Project to apply for a \$4.4 million planning grant from the State of California - Clean Water State Revolving Fund grant program to fund environmental studies and system design. We anticipate hearing from the State regarding the grant between February and May 2023.

BCSD - Zone 2 - San Jerardo Water System: Planned ARPA-funded capital improvements at the San Jerardo water system began in early May and include installation of a private water service connection, completion of the mutual intertie system between the San Jerardo Water System and Foothill Estates, main electrical panel repair, and fire pump and motor upgrades. Receipt of electrical and fire pump equipment has been delayed approximately four months, and several issues arose during the installation of the private water service connection, and the mutual intertie system. A design consultant was retained to redesign of aspects of this system. We anticipate the design will be completed in November and all the work completed by the end of this fiscal year.

Sale of Sanitation Systems

On July 20, staff issued a Request for Qualifications (RFQ) to identify prospective buyer(s) of the sanitation systems. In addition to record drawings, permit conditions, and agreements with receivers of wastewater, the new RFQ provides detailed information regarding sewer infrastructure improvements being implemented by the County. On August 16, staff convened a mandatory meeting that included visiting the three sanitation systems. Management staff and technicians were available during the meeting to describe the systems and answer questions fielded by meeting attendees. Representatives from three entities receiving an RFQ attended the mandatory meeting. Staff anticipates receiving qualifications packages in November 2022, with an exclusive negotiating agreement presented to the Board of Supervisors for approval in January 2023.

PCSD, BCSD and CSA - 75 Sanitation System:

In addition to the sewer infrastructure improvements discussed above, and staff efforts to identify prospective buyer(s) of the sanitation systems, rate studies and Proposition 218 hearings are being conducted to update customer service rate schedules for the three sanitation systems. Establishing new sewer service rates in the three sanitation systems will take about six months and involves preparing rate studies, holding community meetings, and conducting public hearings pursuant to Proposition 218. The rate studies will reflect the significant improvements funded by ARPA, as summarized above, which will minimize rate increases since deferred maintenance needs will have been addressed. The initial focus of these efforts is on the PCSD given the current budget deficiency and the associated need to quickly establish new service rates to help offset these budget challenges. A consultant contract is in place for this work which is anticipated to be completed by the second quarter of 2023; we anticipate rate studies for the remaining sanitation systems-BCSD and Chualar-will be completed by the end of this fiscal year.

BCSD - Zone 2 - San Jerardo Water System: Completing the San Jerardo water system infrastructure projects will address needed repairs and fulfill contractual obligations to transfer the BCSD-Zone 2 Water System to the San Jerardo Housing Cooperative, Inc. (the Cooperative).

Since June, representatives of the Cooperative and the County have been meeting monthly to track progress and facilitate the transfer of information to the Coop team. The intent is to continue the meetings until a letter of intent is signed by both parties. In 2016, the Cooperative completed a TMF (technical, managerial, and financial) assessment that had been approved by the State Office of Sustainable Water Solutions. The State has indicated that the TMF assessment had to be updated and the Cooperative is in the process of doing so. They are also in the process conducting its due diligence evaluations of the System and establishing a Mutual Water Company. Assisting the Cooperative in these efforts is a professor at University of California, Hastings College of Law with considerable experience small water systems and several of her students on a pro bono basis. We anticipate the transfer process will take about six to nine months and will involve the following key steps:

- Obtain a permit from Monterey County Environmental Health Department
- Complete an Emergency Plan, Operator's Agreement, Drought Emergency Plan
- Form a Mutual Water Company
- Change Internal Revenue Service legal designation
- Obtain State Water Board approval
- Complete ongoing ARPA-funded improvements to the San Jerardo Water System

Because water will be distributed exclusively to stakeholders at cost, staff does not anticipate the California Public Utilities Commission's (CPUC) involvement in the transaction, which will significantly reduce the time to complete the transfer of ownership from the County to the Cooperative. The goal is to complete the San Jerardo water system transfer by the end of March 2023.

FINANCING:

ARPA water and sewer infrastructure funding supports the implementation of repair and improvement projects for the PCSD, the BCSD, the CSA 75 Chualar sanitation system, and the BCSD - Zone 2 - San Jerardo Water System. Progress on ARPA water and sewer infrastructure projects is reported in more detail via separate quarterly reports to the CIC.

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