



County of Monterey

Item No.66

Board Report

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

Legistar File Number: RES 26-101

July 07, 2026

Introduced: 6/17/2026

Current Status: Public Works, Facilities &
Parks - Consent

Version: 1

Matter Type: BoS Resolution

- a. Approve acceptance of grant funding from the United States Environmental Protection Agency (EPA) Community Grants Program in the amount of \$959,752 and \$1,092,000 totaling \$2,051,752 for the San Lucas Clean Drinking Water Supply Project (Project) on behalf of the San Lucas County Water District (District);
- b. Authorize the Director of Public Works, Facilities and Parks (PWFP) to execute the Grant Agreement and associated documents and act as Authorized Representative for the County of Monterey in processing all documentation to secure these funds and to satisfy the conditions associated with the Grant on behalf of the County of Monterey; and
- c. Authorize the Director of PWFP, or designee, to represent the County of Monterey in carrying out the County's responsibilities under the financial assistance agreement(s), including certifying disbursement requests on behalf of the County and assuring compliance with applicable state and federal laws, including executing financial assistance agreements from the US EPA and any amendments or changes thereto; and
- d. Find that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines California Code of Regulations (CCR) Section 15262, as the Project Scope involves planning and feasibility and/or data collection, research, experimental management and resource evaluation activities which will not result in any significant adverse water quality impacts.

RECOMMENDATION

It is recommended that the Board of Supervisors:

- a. Approve acceptance of grant funding from the United States Environmental Protection Agency (EPA) Community Grants Program in the amount of \$959,752 and \$1,092,000 totaling \$2,051,752 for the San Lucas Clean Drinking Water Supply Project (Project) on behalf of the San Lucas County Water District (District);
- b. Authorize the Director of Public Works, Facilities and Parks (PWFP) to execute the Grant Agreement and associated documents and act as Authorized Representative for the County of Monterey in processing all documentation to secure these funds and to satisfy the conditions associated with the Grant on behalf of the County of Monterey; and
- c. Authorize the Director of PWFP, or designee, to represent the County of Monterey in carrying out the County's responsibilities under the financial assistance agreement(s), including certifying disbursement requests on behalf of the County and assuring compliance with applicable state and federal laws, including executing financial assistance agreements from the US EPA and any amendments or changes thereto; and

d. Find that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines California Code of Regulations (CCR) Section 15262, as the Project Scope involves planning and feasibility and/or data collection, research, experimental management and resource evaluation activities which will not result in any significant adverse water quality impacts.

SUMMARY

The County of Monterey (County) has been named the Recipient of two congressional earmarks for the San Lucas Clean Drinking Water Supply Project (Project). A total of \$2,051,752 was allocated from a \$959,752 Fiscal Year 2024 (FY2024) earmark and a \$1,092,000 FY2026 earmark. An additional \$4,000,000 earmark has been allocated by the California State Legislature for construction activities for the Project.

A grant application to EPA was submitted on September 9, 2025, and County staff are preparing an updated work plan to describe the specific tasks that will be conducted with the federal and State funds. It is anticipated that EPA will award funding to the County after the start of the next federal fiscal year on October 1, 2026.

This action approves acceptance of the \$2,051,752 award from EPA and authorizes the Director of Public Works, Facilities and Parks (PWFP) to execute the grant agreement.

DISCUSSION

San Lucas is a small, severely disadvantaged community of approximately 325 people consisting primarily of farm worker families, located in an unincorporated area of the County of Monterey approximately 8 miles south of King City. The community water system includes approximately 100 service connections and is owned and operated by the San Lucas County Water District (District). The San Lucas Clean Drinking Water Supply Project (Project) will address persistent water quality problems which have occurred since 2006. In 2011, a “Do Not Drink” order was issued, and despite establishing an alternate well to serve the community in 2014, a second “Do Not Drink” order was issued in 2016 for the replacement well which is still in effect.

The lack of safe, affordable drinking water for the community has also caused a delay of needed affordable housing projects in San Lucas. Because San Lucas is a designated Rural Center in the County’s General Plan with the potential for improved infrastructure to support future development, San Lucas will be able to help meet the growing needs of this disadvantaged community as well as the County’s critical housing needs.

The proposed solution is two new wells with an onsite treatment system. The State of California has contracted with a private consulting engineering firm that completed Engineering Reports which analyzed several alternatives for the San Lucas water system. In June 2025, the District’s Board voted on a preferred project alternative that calls for the installation of two new wells, a new water treatment system, and necessary infrastructure improvements (including transmission lines and distribution system improvements). The District Board also favored managerial consolidation of the new system with California Water Service, King City Division.

The State's consulting engineer is currently preparing an Addendum to their Engineering Report to analyze the District's preferred alternative in further detail, and to identify appropriate sites to drill a test well. The Addendum will be used by the County, on behalf of the District, to obtain funding from State, federal, and private sources for this critical community water project.

Project Phasing

The preliminary planning-level estimate of total Project capital cost is currently approximately \$23,000,000. To date, the County has received commitments of \$6,051,752 in funding for the Project, with a \$4,000,000 earmark from the California Legislature, and \$2,051,752 of federal earmarks secured by Congress - the subject of this agenda item.

Phase 1 will combine pending federal funds with pending State funds to cover the \$6,051,752 cost associated with a Phase 1 Project to address the planning, environmental permitting, design and construction of a test well, collecting and analyzing water samples, and initial drilling for two production wells. Required elements of the Project, including environmental studies and permits, will be identified in Phase 1 so that necessary studies, such as the National Environmental Policy Act (NEPA) and CEQA can be completed and permits can be issued prior to commencing construction. The critical path item for receipt of the allocated funding and commencing Phase 1 is completing the Engineering Report Addendum. After the Addendum has been finalized, it will be submitted with the EPA and the California State Water Resources Control Board Division of Financial Assistance (DFA) grant applications, and after review by EPA and DFA staff, funding can be awarded, which will allow work on this Project to begin. Current estimates of the Phase 1 schedule anticipate EPA funding to be awarded after the start of the federal fiscal year on October 1, 2026. Phase 1 DFA funding is expected to be awarded by December 31, 2026. Phase 1 construction is currently scheduled to be completed by June 30, 2028 to meet State funding guidelines.

Phase 2, presently unfunded and estimated at approximately \$17,000,000, will complete the Project, including constructing the production wells and all related equipment, water treatment system, transmission line, and any other necessary improvements to the San Lucas water storage and/or distribution system. The preliminary schedule for completion of Phase 2 has not been determined. After the system design is completed in Phase 1, a tentative schedule for Phase 2 can be prepared. Funding to complete the system in Phase 2 has not been identified.

Grant Programs Background

Two identified sources of funding presently exist - a \$4,000,000 earmark from the California State Legislature and \$2,051,752 from two Congressional earmarks - which are planned to fund Phase 1 of the Project.

California State Water Board, Drinking Water State Revolving Fund (DWSRF)

In December 2025, PWF staff learned of a specific grant opportunity from the DFA staff resulting from a \$4,000,000 earmark by the State Legislature for financial assistance for construction of the San Lucas Clean Drinking Water Supply Project. County staff are currently working with State Water Board staff and the EPA to prepare a Project Scope/Work Plan for the Phase 1 Project that combines pending funding from State and federal sources for a \$6,051,752 Phase 1 Project. Grant applications have been submitted with EPA and DFA to begin the process of unlocking the funds

earmarked for use by this Project. The State has retained the Rural Community Assistance Corporation (RCAC) to assist the County to prepare a work plan and complete the grant applications. This work is in progress and funding is expected to be awarded by EPA and DFA this calendar year.

Federal Congressional Earmarks

On March 9, 2024, President Biden signed the FY2024 Consolidated Appropriations Act (P.L. 118-42) into law, and on January 23, 2026, President Trump signed the FY2026 Consolidated Appropriations Act (P.L. 119-74) into law. In each of these laws, Congress continued the practice of funding specifically named community infrastructure projects, referred to by the Senate as Congressionally Directed Spending (CDS) items and in the House of Representatives as Community Project Funding (CPF) items. Water infrastructure CDS/CPF projects are further referred to as Community Grants projects which are statutorily designated for the planning, design, and construction of drinking water, wastewater, and storm water infrastructure and for water quality protection. In FY2024, Congress appropriated \$959,752 from the Community Grants program for the San Lucas Clean Drinking Water Supply Project, with \$1,092,000 similarly appropriated in FY2026. Today's requested action will authorize acceptance of the \$959,752 and \$1,092,000 earmarks through the US EPA's Community Grants program totaling \$2,051,752. Submittal of an application to EPA was approved by the Board of Supervisors on June 10, 2025 in Resolution No. 25-191. Application materials for FY2024 funding were submitted to EPA through the online Grants.gov platform on September 19, 2025. Funding for the application has not been awarded pending submittal of an updated Project work plan.

Future Actions

Additional funding will be needed to implement Phase 2 of the project to complete construction of the new drinking water system for San Lucas. After considerable review, this is estimated to be a 5 to 7-year project.

The current preliminary Project capital cost estimate is \$23,000,000 of which \$6,051,752 has been allocated. An additional approximately \$17,000,000 will be needed to complete construction of the wells, treatment system, and related infrastructure. Additional State, federal, and/or private funding will be needed to close this funding gap. A more accurate cost estimate will be developed with the Phase 1 design work as final Project details are established. It is estimated that Phase 2 construction funds will not be needed for approximately 2-3 years (FY2028-29).

Next Steps

The next steps for the Project include:

1. Submit completed grant applications to EPA and DFA for award of earmarked funding;
2. After funding has been awarded, begin Phase 1 activities to identify the planning and construction tasks needed to install a test well and collect and analyze water samples;
3. Based on the results of water quality testing, prepare a final design for Phase 2 construction to complete the production wells, treatment system, transmission lines and distribution system improvements;
4. Secure environmental permits and complete required studies prior to commencement of Phase 2 construction; and

5. Apply for additional funding assistance for construction activity from State, federal, and/or private funding sources.

OTHER AGENCY INVOLVEMENT

Coordination will continue between RCAC, the Environmental Protection Agency and State Water Board Division of Financial Assistance to award funding for the Phase 1 Project. The San Lucas County Water District will need to execute a Memorandum of Understanding with the County of Monterey to secure Project funding and implement the conditions of the grant agreements. As the potential future manager of the new San Lucas water system, California Water Service will be a valuable partner during design and construction of the new system. The County Supervisorial District 3 Office, the County Administrative Office - Intergovernmental and Legislative Affairs Division and the County's legislative lobbyists, Ballard Spahr LLP and Nossaman LLP, will continue to be critical resources to secure additional funding for Phase 2 of the Project.

FINANCING

PWFP will use the \$2,051,752 of EPA funding for design engineering, project management, and environmental work. Installing the test well and production wells will be completed with the \$4,000,000 of State funding for construction during Phase 1. Staff anticipates that there will be no direct cost to the County to receive this grant because a Request for Waiver of Reimbursement Fees has been submitted to EPA based on San Lucas' designation as a disadvantaged community. Should funding requirements or commitments change, staff will return to the Board of Supervisors for further direction.

The EPA grant is expected to be awarded on October 1, 2026, and allows recipients to seek reimbursement for eligible costs incurred up to 90 days prior to the award date. To facilitate timely implementation of the Project, eligible Project expenditures incurred between July 1, 2026, and the date EPA funding is awarded to the County will be temporarily cash flowed through existing appropriations within the Capital Project Fund (Fund 404). Upon receipt of the EPA grant funds, Fund 404 will be reimbursed for these eligible expenditures. Staff will return to the Board of Supervisors with any necessary budget actions following execution of the EPA grant agreement.

BOARD OF SUPERVISORS' STRATEGIC PLAN GOALS:

This recommendation advances the Board's Strategic Plan Goals by supporting mandated public safety activities that protect residents, infrastructure and environmental resources. The proposed Project ensures compliance with existing permits, MOUs, and regulatory obligations while maintaining the continuity of essential County operations.

- Well-Being and Quality of Life
- Sustainable Infrastructure for the Present and Future
- Safe and Resilient Communities
- Diverse and Thriving Economy
- Dynamic Organization and Employer of Choice

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Attachments:

Attachment A - Resolution