



County of Monterey

Item No.4

Capital Improvement Committee Report

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

Legistar File Number: 23-899

January 18, 2024

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Receive a status report for the period ending September 2023, regarding the sale/transfer of the Pajaro County Sanitation District, Boronda County Sanitation District-Zone 1, 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 2023, regarding the sale/transfer of the Pajaro County Sanitation District, Boronda County Sanitation District-Zone 1, County Service Area 75 - Chualar sanitation system and Boronda County Sanitation District-Zone 2, San Jerardo Water System.

BACKGROUND:

The County owns and operates the Pajaro County Sanitation District (PCSD), Boronda County Sanitation District-Zone 1 (BCSD), County Service Area 75 - Chualar sanitation system (CSA 75 - Chualar), and the Boronda County Sanitation District-Zone 2, San Jerardo Water System (San Jerardo Water System). The Board of Supervisors directed the Department of Public Works, Facilities and Parks (PWWP) staff to move forward with the sale/transfer of the systems.

PCSD, BCSD, AND CSA75-CHUALAR:

On July 20, 2022, the County issued a Request for Qualifications (RFQ No. 10868) for the transfer of ownership of County sanitary sewer systems which are currently owned, operated, and managed by the County through the PCSD, BCSD and CSA 75 - Chualar with the intent to transfer County Sanitation Systems to qualified firms/agencies.

On November 11, 2022, the Pajaro/Sunny Mesa Community Services District (PSMCSD) expressed interest in the transfer of the PCSD to the PSMCSD. A related PSMCSD resolution set forth conditions which would need to be met prior to the PSMCSD taking control of the PCSD sanitation system. December 14, 2022, staff initiated informal discussions with the PSMCSD to begin to map out a process for transferring the PCSD to the PSMCSD.

On November 17, 2022, in response to the RFQ, the County received a single qualifications package from California American Water (CalAm). On January 10, 2023, the Board of Supervisors directed staff to (1) reject all responses to the County's RFQ for the transfer of ownership of facilities which serve the BCSD, the PCSD, and CSA 75 - Chualar; and (2) continue working with the SWRCB to obtain a planning grant and pursue consolidation of the CSA 75 - Chualar facility, and (3) for the PCSD and BCSD, conduct community workshops with stakeholders including property owners, rate

payers, interested parties and potential owner-operators including but not limited to local public agencies (such as Monterey One Water, PSMCSD) and private utility operators (such as CalAm). In a letter dated January 18, 2023, staff formally rejected Cal-Am's response to the County's RFQ.

On April 29, 2023, the PSMCSD notified staff that it has decided not to pursue ownership and/or operation of the PCSD at this time. There are currently no suitors for PCSD, BCSD or CSA75-Chualar; however, PWFP staff continue discussions with various public agencies.

SAN JERARDO WATER SYSTEM:

PWFP staff have been holding bi-weekly meetings with the San Jerardo Housing Cooperative, Inc. (Cooperative) to transfer the San Jerardo Water System to them. The Cooperative team has support from the University of California College of the Law-San Francisco (UC Law), formerly UC Hastings, and Cal Rural Water.

In 2016, the Cooperative completed a TMF (technical, managerial, and financial) assessment that was approved by the State Office of Sustainable Water Solutions. The State Water Board has indicated that the TMF assessment must be updated, and the Cooperative is in the process of preparing the required update.

County Environmental Health Bureau, the permitting authority for the water system, indicated that a permit could not be issued to the Cooperative but only to a Mutual Water Company, the Cooperative is stepping up its efforts to form a Mutual Water Company. A professor from UC Law and attorneys from Morrison & Forrester are assisting the Cooperative on a pro bono basis to acquire the San Jerardo Water System, including due diligence activities, and formation of a mutual water company. The Cooperative is also making progress on its due diligence evaluations of the San Jerardo Water System. Mutual water companies are not regulated by the California Public Utilities Commission (CPUC) which will significantly reduce the time to complete the transfer of the San Jerardo Water System ownership to the Cooperative when the proposed Mutual Water Company is formed for the benefit of the Cooperative.

Mutual Water Companies are corporations organized for and engaged in the business of selling, distributing, supplying, or delivering water only to owners of their shares. It essentially means that there are shared interests in the water system by customers of the system. Water will be distributed to shareholders at cost. However, it should be noted that the San Jerardo Water System is the subject of an emergency Intertie Agreement between the County/Boronda County Sanitation District (BCSD) and the neighboring Foothill Estates Subdivision. As part of the San Jerardo Water System Project, improvements were installed to provide for an emergency intertie between the Cooperative and Foothill Estates. Further, as a condition of the Purchase and Sale Agreement between the County/BCSD and the production well site Sellers, the County was required to install two metered connections from Foothill Estates to serve the property of the production well site sellers. The Mutual Water Company will need to be formed to address the County/BCSD's prior commitments to the Foothill Estates Subdivision regarding the emergency intertie Agreement and the production well site Sellers regarding the two metered connections.

Legistar File Number: 23-899

ARPA funded capital improvements are scheduled to be completed by the end of 2023. Due diligence activities, TMF assessments, formation of a mutual water company, and permitting is anticipated to be complete by the end of the current fiscal year. The goal is to complete the San Jerardo Water System transfer to the Cooperative next fiscal year.

FINANCING:

No financial impact is expected from the receipt of the report.

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