



Monterey County

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Board Report

Legistar File Number: 16-483

May 17, 2016

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Current Status: Agenda Ready

Matter Type: General Agenda Item

Approve a Resolution:

- a. Approving the submittal of a request for Amendment No. 2 to Safe Drinking Water State Revolving Fund (SDWSRF) Funding Agreement No. SRF13P116 with the State Water Resources Control Board in the amount of \$60,000, for a total grant amount of \$500,000, for the Engineering Design of County of Monterey (San Lucas Water District) Project No. 2701676-007P to enhance the provision and protection of the municipal drinking water supplied to the consumers of the community of San Lucas; and
- b. Affirming authorization for and direction to the Director of the County of Monterey Resource Management Agency to sign documents relating to the Agreement, including but not limited to amendments or changes thereto, certifications required by and for the Agreement, and claims for reimbursement.

RECOMMENDATION:

It is recommended that the Board of Supervisors approve a Resolution:

- a. Approving the submittal of a request for Amendment No. 2 to Safe Drinking Water State Revolving Fund (SDWSRF) Funding Agreement No. SRF13P116 with the State Water Resources Control Board in the amount of \$60,000, for a total grant amount of \$500,000, for the Engineering Design of County of Monterey (San Lucas Water District) Project No. 2701676-007P to enhance the provision and protection of the municipal drinking water supplied to the consumers of the community of San Lucas; and
- b. Affirming authorization for and direction to the Director of the County of Monterey Resource Management Agency to sign documents relating to the Agreement, including but not limited to amendments or changes thereto, certifications required by and for the Agreement, and claims for reimbursement.

SUMMARY:

The recommended action will further the County's ongoing assistance to the San Lucas County Water District by accepting an increase in the funding from the Safe Drinking Water State Revolving Fund Program for the preparation of design engineering, environmental review, and permitting required to construct an intertie pipeline from King City to San Lucas.

DISCUSSION:

San Lucas is a small unincorporated community in southern Monterey County. The community water system is owned and operated by the San Lucas County Water District (District). In 2008 the District's water well that supplied the community began to experience increasing levels of Total Dissolved Solids (TDS), and by 2010 these levels exceeded those allowed by State law.

In 2011 the water being withdrawn from this well began to exceed the State-mandated contaminant level for nitrates. On March 15, 2011 the Monterey County Health Department Environmental Health Bureau (EHB) issued a “do not drink” order to all residents of the community of San Lucas, and directed the District to obtain a new source of supply that meets legal water quality standards. The County of Monterey immediately began to purchase and deliver bottled water to the San Lucas community.

As a result of EHB’s “do not drink” directive, on May 15, 2012 the Regional Water Quality Control Board for the Central Coast Region (RWQCB) delivered a Notice of Violation and Order for Information to the landowner and the agricultural grower of the property where the District’s well was located. This order directed the parties to submit a technical report regarding the cause of the nitrate contamination. On July 1, 2012 the agricultural grower assumed the purchase and delivery of bottled water to the community. On March 22, 2013 RWQCB issued a Cleanup and Abatement Order to the landowner and the grower which required them to collaborate with the Water District to develop and implement a new long-term source of potable water for the District.

On November 5, 2014, after an extensive groundwater testing program in the vicinity of San Lucas, the agricultural grower constructed a new “interim” water well on his property at his own expense to provide potable water to the District. The grower continues to provide potable water to the community from this well at his own cost, and has stated his commitment to continue doing so until the District can develop a new permanent long-term water source.

On September 13, 2012 the San Lucas Water District authorized the County of Monterey to assist the District to improve its community water supply by seeking funding and, if funding was acquired, to prepare the necessary engineering and environmental studies and reports, acquire right-of-way, apply for permits, and, upon concurrence by District and EHB, to design and construct a new municipal water supply project, all at no cost to the District. The District stated its intent to agree, upon completion by County of any system improvements authorized by District after environmental review and compliance with the California Environmental Quality Act (CEQA) and CEQA Guidelines, and upon certification of completion and compliance with operational and health requirements by EHB, to accept ownership of the constructed improvements, and to operate and maintain said improvements at its sole cost.

On September 17, 2013 the County and District accepted a grant of \$440,000 from the Safe Drinking Water State Revolving Fund (SDWSRF) to prepare a Feasibility Study and the subsequent Engineering Design of a project to enhance the provision and protection of the municipal drinking water supplied to the consumers of the community of San Lucas. The resolution of acceptance authorized the Director of the County of Monterey Resource Management Agency to execute the grant agreement, any subsequent amendments or changes, and all other grant-related documents on behalf of the County and District. On March 25, 2015 the State and County executed an Amendment (No. 1) to the Funding Agreement to extend the required dates of performance of said Feasibility and Engineering Design.

On May 29, 2015 the Feasibility Study analyzing various alternative sources for a new District water supply was completed and circulated for review. An extensive review process ensued over the following several months, involving a large number of meetings and consultations with

staffs of the State Water Resources Control Board, the Regional Water Quality Control Board, Monterey County Environmental Health Bureau, and Monterey County Water Resources Agency, together with the affected landowner and agricultural lessee. On September 17, 2015, the Board of Directors of the San Lucas Water District selected Alternative 4 (purchase water from California Water Services via construction of an intertie pipeline from King City, seven miles away). This decision was based on the Board's evaluation of all the feedback and input received on the Feasibility Study, and the determination that the other options either were not feasible or did not meet the community's needs. In a meeting on October 28, 2015, SWRCB staff confirmed its approval for the County/Water District to proceed with the Preliminary Engineering phase of the intertie project.

County staff directed its engineering consultant to reevaluate and verify the estimated cost and schedule to perform the services required to implement the design process for this alternative, including preliminary engineering, environmental review, acquisition of easements, rights of way, and encroachment permits, acquisition of any required environmental permits, and preparation of final plans, specifications, and bid documents for the selected intertie pipeline project. On December 3, 2015 the consultant submitted a detailed scope and fee proposal to complete the project, indicating the total cost for these services would be approximately \$985,000, far in excess of the current \$440,000 grant.

On February 11, 2016 the County informed SWRCB that the cost and time to perform the Engineering Design of the intertie pipeline would exceed the funding and schedule set forth in the Funding Agreement as amended, and requested the State provide additional funding and extend the time of performance. On April 1, 2016 SWRCB staff tentatively agreed to increase the grant amount by \$60,000 for a total grant amount of \$500,000, and to extend the time of performance for the Engineering Design tasks to February 28, 2018, subject to the submittal of certain additional documentation.

SWRCB staff further encouraged the County and District to seek funding from other grant sources, including SWRCB's new Proposition 1 Technical Assistance Program, and the Proposition 1 Groundwater Sustainability Program. Research is currently under way to obtain and complete the required application documents for these programs.

OTHER AGENCY INVOLVEMENT:

The office of County Counsel has reviewed the resolution.

On April 13, 2016 County staff briefed the San Lucas Water District Board of Directors on the status and progress of the issues discussed in this report.

Staffs of the State Water Resources Control Board, the Regional Water Quality Control Board, and the Monterey County Health Department Environmental Health Bureau participated in the review of alternatives and selection of the intertie pipeline as the preferred project.

SWRCB staff has tentatively agreed to increase the SDWSRF grant by \$60,000 for a total grant amount of \$500,000, and to extend the time of performance for the Engineering Design tasks to February 28, 2018, subject to the submittal of certain additional documentation. SWRCB staff further encouraged the County and District to seek funding from other grant sources, including

SWRCB's new Proposition 1 Technical Assistance Program, and the Proposition 1 Groundwater Sustainability Program. Research is currently under way to obtain and complete the required application documents for these programs.

FINANCING:

Staff and consulting costs related to activities associated with the SDWSRF grant are budgeted under the Resource Management Agency (RMA) Environmental Services Adopted Budget 001-3000-8444-RMA099.

Through FY14, FY15, and FY16 to date, RMA staff has spent 443 hours for an incurred cost of \$45,749 to implement the San Lucas Water Project. The engineering consulting firm has been paid a total of \$81,147 to prepare and to participate in agency review of the Feasibility Study, and for costs to date to implement the preliminary (pre-CEQA) engineering tasks for the intertie pipeline alternative. Total costs for the project through March 2016 are \$130,896, excluding RMA management time. These costs have been, or are in the process of being, reimbursed by the SDWSRF grant.

In addition, the CAO's office and County Counsel have spent significant amounts of staff time over the last several years to support and implement this project. Since these costs are not eligible for reimbursement by the SDWSRF grant, there has been no offsetting funding source to allay these costs to the County General Fund.

With the proposed increase of the SDWSRF grant to \$500,000, there will be sufficient funding available to pay for staff and consulting costs to complete the preliminary engineering and environmental review (CEQA and NEPA) tasks of the project, plus about 50% of the Final Engineering (plans, specifications, and bid documents) task. At the current schedule, this point would be reached about the middle of FY18 (eighteen to twenty months from now).

Approximately \$490,000 in additional funding will be required to pay staff and consulting costs to complete the second half of the final engineering plans and bid documents, to acquire environmental permits that may be required, and to acquire easements across private properties and encroachment permits from Union Pacific Railroad, Caltrans, and RMA-Public Works.

County staff is continuing to work with SWRCB to find possible sources for the additional funds required to bring the project to bid-ready status.

In addition, the Feasibility Report estimates it will require over \$7,000,000 to construct the intertie pipeline, beginning in 2019. SWRCB has indicated the SDWSRF construction grant program could provide the San Lucas Water District up to \$2,500,000 in construction funding, and County staff is preparing to initiate efforts to find possible sources of the additional \$5,000,000 required to construct the project.

In the event 100% grant funding is not found to complete the pre-construction tasks required to make the project bid-ready, staff will return to the Board for direction prior to incurring additional costs associated with managing this project on behalf of the San Lucas Water District. There will be continuing unbudgeted costs to the CAO's office, RMA management, and County Counsel for non-eligible administrative and legal activities in support of the project.

Prepared by: G.H. Nichols, P.E., Special Projects Engineer

Reviewed by: Melanie Beretti, RMA Special Programs Manager

Approved by: Carl P. Holm, AICP, Director of Resource Management
Nick Chiulos, Assistant County Administrative Officer

Attachment: Resolution