



# County of Monterey

**Item No.**

## Board Report

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

**Legistar File Number: RES 26-102**

**July 07, 2026**

**Introduced:** 6/17/2026

**Current Status:** Public Works, Facilities &  
Parks - Consent

**Version:** 1

**Matter Type:** BoS Resolution

- a. Approve acceptance of a \$4,000,000 construction grant from the California State Water Resources Control Board, Division of Financial Assistance (DFA) - Drinking Water State Revolving Fund (DWSRF) program for construction of the San Lucas Clean Drinking Water Supply Project (Project) for the San Lucas County Water District (District); and
- b. Authorize the Director of Public Works, Facilities and Parks (PWFP), or designee, 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 satisfy 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, including certifying disbursement requests on behalf of the County and assuring compliance with applicable state and federal laws, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto; and
- d. Authorize the Director of PWFP, or designee, to submit this resolution and any corresponding or necessary supporting materials to the State Water Resources Control Board; and
- e. 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

- a. Approve acceptance of a \$4,000,000 construction grant from the California State Water Resources Control Board, Division of Financial Assistance (DFA) - Drinking Water State Revolving Fund (DWSRF) program for construction of the San Lucas Clean Drinking Water Supply Project (Project) for the San Lucas County Water District (District); and
- b. Authorize the Director of Public Works, Facilities and Parks (PWFP), or designee, 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 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, including certifying disbursement requests on behalf of the County and assuring compliance with applicable state and federal laws, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto; and

- d. Authorize the Director of PWFP, or designee, to submit this resolution and any corresponding or necessary supporting materials to the State Water Resources Control Board, and
- e. 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

In December 2025, PWFP staff learned from California State Water Resources Control Board (State Water Board) staff of a specific grant opportunity resulting from a \$4,000,000 earmark by the State Legislature for financial assistance with construction costs associated with the San Lucas Clean Drinking Water Supply Project (Project) in San Lucas, California.

To access these funds, a formal grant application to the State Water Board's Division of Financial Assistance (DFA) Drinking Water State Revolving Fund (DWSRF) Program is necessary. Application submittal for this grant was authorized on April 14, 2026 by the Board of Supervisors of the County of Monterey pursuant to Resolution No. 26-114. Application materials were submitted on April 16, 2026 through the State's online Financial Assistance Application and Submittal Tool (FAAST).

This action approves acceptance of the \$4,000,000 award from the State Water Board DFA and authorizes the Director of Public Works, Facilities and Parks to execute the grant agreement.

#### DISCUSSION

San Lucas is a small, severely disadvantaged farming 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, the Project 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 of Directors 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's Board of Directors 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 \$2,051,752 of federal earmarks secured by Congress, and a \$4,000,000 earmark from the California State Assembly - 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, including environmental review pursuant to 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 United States Environmental Protection Agency (U.S. EPA) and the California State Water Resources Control Board Division of Financial Assistance (DFA) grant applications. After review by the U.S. 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 State funding to be obligated by June 30, 2026 and awarded by December 31, 2026. Phase 1 U.S. EPA funding is expected to be awarded in October 2026 after the start of the federal fiscal year. 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 - \$2,051,752 from two Congressional earmarks, and a \$4,000,000 earmark from the California State Assembly - which are planned to fund Phase 1 of the Project.

**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) onto 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 stormwater 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.

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

In December 2025, PWWP staff learned of a specific grant opportunity from the California State Water Resources Control Board Division of Financial Assistance staff as the result of 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 to U.S. 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. Today's requested action will authorize acceptance of the State's \$4,000,000 earmark award through DFA's DWSRF program. Submittal of an application to DFA was approved by the Board of Supervisors on April 14, 2026 pursuant to Resolution No. 26-114. Application materials were submitted online to DFA through its Financial Assistance Application Submittal Tool (FAAST) platform on April 16, 2026. Funding for this 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 \$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. Phase 2 construction funds will not be needed for approximately 2-3 years (FY 2028-29).

***Next Steps***

The next steps for the Project include:

1. Submit complete 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 the County on behalf of the District and RCAC, U.S. EPA and State Water Board DFA to award funding for the Phase 1 Project. The District and the County will need to execute a Memorandum of Understanding (MOU) 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 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 due to San Lucas’ designation as a disadvantaged community. Should funding requirements or commitments change, staff will return to the Board of Supervisors for further direction. Upon receipt of the official State Water Board DFA award, staff will return to the Board to request appropriation authority as necessary to align budgetary authority with awarded funding and implementation needs.

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