

Attachment C

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Background and Detailed Discussion

It is the goal of the County of Monterey (County) to divest all interests in County Service Area (CSA) and County Sanitation District (CSD) sanitation and water systems, including sanitation systems owned by CSA 75-Chualar, Pajaro County Sanitation District (PCSD), Boronda County Sanitation District (BCSD), and BCSD-Zone 2 (San Jerardo Water System), excluding County Parks sanitation and water systems. In April 2016, the Board authorized the RMA to issue a Request for Qualifications for Transfer of Ownership and Responsibility for three (3) sanitary sewer systems and one (1) water system that belong to said CSA and CSD entities. Submittals were received from the Monterey Regional Water Pollution Control Agency (now Monterey One Water [MIW]), CalAm, and California Utilities Service, Inc. (CUS). MIW and CalAm expressed interest in all four (4) systems, while CUS expressed interest in the CSA 75-Chualar system only.

PCSD-BCSD-Chualar Sanitation Systems

After initial review of submittals and interviews with each responder, RMA selected CalAm and MIW as the most suitable submitters for the successful transfer of the three (3) Sanitation Systems. Following additional meetings with both entities, the County negotiating team determined that CalAm was the best equipped to take over the three (3) sanitary sewer systems based on its experience with the regulatory and permitting processes and ability and motivation to complete the transfer quickly.

On July 23, 2019, the Board of Supervisors approved an Exclusive Negotiating Agreement (ENA) between the County, on behalf of County Service Area 75-Chualar and acting as the Board of Directors of the Pajaro County Sanitation District and Board of Directors of the Boronda County Sanitation District, and California American Water Company (CalAm).

A sanitation system condition assessment for each sanitation system is necessary to describe the structural and operational elements of the system, provide information for operations and maintenance requirements, and assist in the formulation of a capital improvement plan. Completion of this work will facilitate negotiations and should be completed regardless of any negotiations and disposition. Information from the assessment will also be used to support a rate study for the PCSD and BCSD systems, which is required to establish new rates through a Proposition 218 rate increase. A phased-in rate increase was implemented for Chualar in January 2018, and the third step increase was initiated in January 2020.

The Wallace Group was engaged in August 2019, to complete the condition assessments and rate studies for the Sanitation Systems. The initial step involved the gathering and review of system information and data. Initial visual inspections were completed in January 2020, and a draft Condition Assessment for each system was submitted to the County for review in February 2020. After internal review, the Condition Assessments were updated, and final reports are anticipated to be submitted to the County in May 2020.

The first community outreach meeting for PCSD was held on October 30, 2019. A follow-up community meeting shall be held after the draft rate studies have been completed. The COVID-19 outbreak impacted the schedule for the outreach meetings for BCSD and CSA 75-Chualar and the timeline for final condition assessments. Alternative outreach means, such as letters and Zoom meetings, will be conducted in July and August 2020. A Schedule of Performance that provides estimate completion dates of tasks associated with the completion of the condition assessments, rates studies, and other tasks necessary for the completion of the systems is included as Attachment A to the staff report.

San Jerardo Water System

In July 2018, the State Water Resources Control Board determined that the San Jerardo Cooperative (Cooperative) is eligible to receive the San Jerardo Water System following a successful Technical, Managerial, and Financial Study. In the second half of 2019, staff reinitiated discussions with the Cooperative to map out and begin working toward transfer of the system to it.

2017 Storm Repairs

Prior to the transfer, the completion of repairs to the control panel and replacement of the damaged fire pump caused by a fallen tree during severe weather in 2017 must be completed. During the winter storms of 2017, a large eucalyptus tree fell on the BCSD - Zone 2 San Jerardo water distribution control panel and pump facility, destroying the computer logic system which caused the fire pump to continuously run until it overheated and seized. A section of perimeter fencing, the fire pump house roof, security light and various small components were also damaged. Due to costs for repairs exceeding the BCSD - Zone 2 San Jerardo fund balance, in 2018, the Board of Supervisors approved a General Fund loan in the amount of \$188,781.

Due to an extensive investigation by the County insurance carrier, permanent repairs to the computer control system and fire pump have not been completed. In 2019, a Job Order Contracting (JOC) project, totaling \$14,787, was completed for site repairs to the fence, roof, and lighting. Currently, \$173,994 remains from the 2018 General Fund loan. After staff consultation with a County on-call engineering firm and RMA-Public Works staff, a revised estimated cost for completion of the repairs to the computer control system and fire pump is \$276,000, leaving an unfunded difference of \$102,006. Engineering for the control panel logic and fire pump repairs should be completed by June 30, 2020. Based on communication with the County insurance carrier, staff anticipates all repair costs will be covered under the claim. Staff will process a funding request to the Board of Supervisors for FY 2020-21 to cover this budget shortfall. Pending funding, work can be completed by November 2020 (Attachment B to the staff report).

2010 Intertie Agreement Final Implementation

In early 2002, due to nitrate and 1-2-3 Trichloropropane contamination of the original BCSD - Zone 2 San Jerardo wells, the County Health Department-Environmental Health Bureau issued a "bottled water" order and placed a requirement on the system to have two (2) viable water sources for both primary and backup use. In 2007, to develop a new well site, an Option to Purchase Real Property (Purchase Option) was established with a private property owner (Seller) on Zabala Road. In addition to the Option to Purchase the well site, the County agreed to allow the Seller to retain a reservation of water rights for the installation of two (2) metered connections for future use. In 2008, the County entered into an Exercise of Option and Real Property Purchase Agreement with the Seller and purchased the replacement well site (Attachment A contains Option and Purchase Agreements). The Seller's current well has failed and the seller now wishes to exercise the reservation of water rights and have the two (2) metered connections installed. Costs for engineering the modifications to the Foothill system and installation of the two (2) metered connections are estimated to not exceed \$25,000.

In 2010, the County entered into Intertie Agreement A-11846 (Agreement) with Foothill Estates, Inc. (Foothill) to construct a reciprocal secondary emergency water source for BCSD-Zone 2 San Jerardo. The Agreement allows both BCSD-Zone 2 San Jerardo and Foothill to access water for a short-term supply in the event of an emergency. In 2012, the County completed a portion of the Intertie, allowing for San Jerardo to access Foothill water; however, modifications which would allow Foothill to access BCSD-Zone 2 San Jerardo water to provide a consistent water supply to the Seller's meters were not completed. After conducting extensive research, the reason the Intertie was not completed was not determined. It is imperative to complete the Intertie to comply with the Agreement and Purchase Option terms and conditions. This work must be completed prior to transfer of the water system. Costs for engineering, completion of the Intertie, and project contingency are estimated not to exceed \$139,150. No funds are available for the Intertie Project, and staff will process a funding request to the Board of Supervisors for FY 2020-21 to fund this budget shortfall. Pending funding, work can be completed by November 30, 2020 (Attachment B to the staff report).