



Monterey County

Item No.

Capital Improvement Committee Report

Monterey Conference Room
168 W. Alisal St., 2nd Floor
Salinas, CA 93901

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Receive a status report, for the period ending May 15, 2020, on the negotiations regarding the sale of County Sewer Systems (Pajaro County Sanitation District, Boronda County Sanitation District, and CSA 75-Chualar) and transfer of 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 May 15, 2020, on the negotiations regarding the sale of County Sewer Systems (Pajaro County Sanitation District, Boronda County Sanitation District, and CSA 75 Chualar) and transfer of Boronda County Sanitation District-Zone 2 San Jerardo Water System.

SUMMARY:

The County continues to make progress during the initial phase of divesting its interests in all County municipal (not Parks) sanitation and water systems, which includes the Pajaro County Sanitation District (PCSD), Boronda County Sanitation District (BCSD), CSA 75-Chualar (Chualar) sewer system, collectively referred to as Sanitation Systems, and Boronda County Sanitation District-Zone 2 San Jerardo (San Jerardo) water system. The Capital Improvement Committee has requested quarterly reports on the Resource Management Agency's efforts.

The sale of the Sanitation Systems to California American Water Company (CalAm) is scheduled to be completed by December 2021 (Attachment A). The transfer of the San Jerardo Water System to the San Jerardo Cooperative (Cooperative) is anticipated to occur by September 2021 (Attachment B).

Key accomplishments since March 1, 2020 & upcoming activities:

Sanitation Systems

Discussion Summary

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 facilitate negotiations, and this work should be completed regardless of any negotiations and disposition.

Due to COVID-19 impacts, the timeline for final condition assessment delivery has been delayed, and staff anticipates the final assessments to be available by the end of May 2020. 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. The project is on track for a Proposition 218 rate increase public hearing to be held by the end of the first quarter of FY 2020-21.

Accomplishments

May 2020 Draft condition assessments received and reviewed by staff

Upcoming Activities

May 2020 Initiation of rate studies for PCSD and BCSD
May 2020 Final condition assessments
June 2020 Draft rate studies for PCSD and BCSD
July 2020 Final rate study for PCSD and BCSD
July-August 2020 Community outreach to present proposed rate increases
September 2020 Schedule Proposition 218 Rate Increase Public Hearing

San Jerardo Water System

Discussion Summary

The 2017 storm damage repairs and intertie pipeline projects must be completed prior to transfer of the water system.

2017 Storm Damager Repairs - Staff continues preconstruction activities necessary to complete the remaining 2017 storm damage repairs in FY 2020-21. Estimated costs exceed the remaining General Fund loan balance, 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. Staff anticipates all repair costs will be covered under the claim.

Intertie Project - Pursuant to the 2008 Exercise of Option and Real Property Purchase Agreement with the Seller for a replacement well and the 2010 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 County must complete modifications which would allow Foothill to provide a consistent water supply to the Seller and install two (2) water meters at the Seller's property. It is imperative to complete the Intertie to comply with the Agreement and Purchase Option terms and conditions. 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.

Accomplishments

Ongoing Preconstruction activities for remaining storm damage repairs/intertie pipeline

Upcoming Activities

Fall 2020 Final completion of 2017 storm damage repairs
Fall 2020 Completion of intertie pipeline
Spring 2021 Initiate process to transfer system to Cooperative

DISCUSSION:

Attachment C provides background and detailed discussion on the 2017 storm damage repairs and intertie pipeline project.

FINANCING:

Sanitation Systems

Costs for the preparation of the sewer condition assessments for the Sanitation Systems and the rate studies for the PCSD and BCSD are \$86,007. Estimated Staff costs to manage these projects and provide in-house support for the Proposition 218 election for PCSD and BCSD are \$30,000.

San Jerardo Water System


Due to repair costs resulting from the 2017 winter storm damage exceeding the BCSD-Zone 2 San Jerardo fund balance, the Board of Supervisors approved a General Fund loan in 2018 in the amount of \$188,781, of which \$14,787 was expended to complete site repairs to the fence, roof, and lighting. Currently, \$173,994, remains from the 2018 General Fund loan. A revised cost estimate of \$276,000 was calculated to complete repairs to the computer control system and fire pump, leaving an unfunded difference of \$102,006. Staff will process a funding request to the Board of Supervisors for next FY 2020-21 to cover this budget shortfall. Based on communications with the County insurance carrier, staff is confident that all repair costs will be covered under the claim, so that the General Fund can be reimbursed once the claim is paid.

The Intertie project is estimated to cost \$139,150. No funds are available for the Intertie Project, and staff will process a funding request to the Board of Supervisors for next FY 2020-21 to fund this budget shortfall.

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Attachments:

Attachment A-Sanitation Systems ENA Sale Schedule of Performance

Attachment B-San Jerardo Water System Transfer Schedule of Performance

Attachment C-Background and Detailed Discussion

