



County of Monterey

Capital Improvement Committee Report

Item No.

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

Legistar File Number: 23-116

February 08, 2023

Introduced: 1/27/2023

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

Receive a status report for the period ending December 31, 2022, 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 December 31, 2022, 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). At the direction of the Board of Supervisors, the County's goal is to sell/transfer the PCSD, BCSD, and CSA 75 - Chualar and the San Jerardo Water System. The Capital Improvement Committee (CIC) requested quarterly reports on the progress of the Department of Public Works, Facilities and Parks' (PWFP's) sale/transfer of these systems.

In June 2021, \$4.1 million in American Rescue Plan Act of 2021 (ARPA) funding was allocated via the adopted Fiscal Year (FY) 2021-22 budget to repair and improve water and sewer infrastructure in these sanitation and water systems. Staff has focused on implementing repair and rehabilitation projects to ensure they are completed within the timelines required by ARPA funding rules. Additional detail on the progress of ARPA-funded water and sewer infrastructure projects is reported to the CIC via a separate quarterly report.

ARPA-funded water and sanitation system repairs and improvements are addressing numerous deferred maintenance items. Because the costs associated with these repairs and improvements are financed by ARPA funds, they will not affect the rates customers pay for sewer service. Thus, the sanitation systems will be more attractive to prospective purchasers as they will not need to finance and implement these repairs and improvements.

This report provides a brief overview of the sanitation and water system improvements and discusses the plan and timeline for completing the sale/transfer of these systems.

DISCUSSION:***Planned Infrastructure Repair and Improvements***

PCSD and BCSD: Sewer system repair and improvements consist of a) repairing or replacing sewer lift station components such as pumps, valves and related infrastructure, b) cleaning and inspecting sewer lines and manholes, and c) replacing sewer lines and manholes as needed per inspection results. This work began in May and a significant amount of the work has been completed using a combination of County staff and Job Order Contract (JOC) Contractors, with technical and design support provided by on-call consultants.

Available ARPA funding for both systems has been exhausted; however, both closed-circuit television (CCTV) videos and visual inspections indicate that additional upgrades are urgently needed to complete the work and meet the intended repair and improvement objectives for sewer lines and manholes. Additional work on BCSD and PCSD lift stations is also on hold pending a decision on a planned request for supplemental ARPA funds. The current estimated cost for the additional lift station work is approximately \$1million; approximately \$1.5million is also needed for additional manhole and sewer line system improvements to the PCSD system. Staff intends to request additional ARPA funding via the annual FY 2023-24 CIP budget process. During a November 30, 2022, meeting, the Budget Committee, supported additional water and sewer funding should it become available.

Installation of a new sewer line along a portion of Las Lomas Drive within the PCSD system was completed in August, except for ongoing geotechnical slope stability evaluations. A consultant report summarizing the results of these evaluations is expected by summer of 2023. The report will indicate whether slope stabilization is judged necessary.

CSA 75 - Chualar Sanitation System: In mid-April, CCTV videos of the sewer system were completed. They identified damaged sections of sewer lines, a manhole and pump station, each of which have been repaired.

At the wastewater treatment facility, vegetation removal from wastewater ponds is complete, and a new perimeter fence, required by the facility operating permit, has been successfully installed. Berm stability and pond infiltration evaluations are ongoing. Enhanced water treatment via new aerators (which will require electrical upgrades) is desirable and may be necessary to achieve the requirements of the new wastewater permit (described in the following paragraph). This work is presently unfunded but is currently estimated at approximately \$300,000. As with the unmet needs in the PCSD, staff intends to request consideration for additional ARPA funding via the annual FY2023-24 budget process.

The CSA 75 - Chualar sanitation system operates under a permit issued by the State Water Resources Control Board (SWRCB). The County recently completed enrollment in a new, updated wastewater permit. County and SWRCB staff are continuing coordination on how to best move forward with treatment system repairs and improvements to meet new permit requirements.

The SWRCB has indicated a strong preference for eliminating the CSA 75 - Chualar's wastewater

treatment component and connecting it to a regional wastewater collection and treatment system (a process referred to as “consolidation”). Consolidation would convert the Chualar sanitation system to a collection-only system like the PCSD and BCSD systems and provide benefits such as connection and conversion of surrounding septic systems to regional treatment, the opportunity for recycled wastewater generation, and the ability for the community of Chualar to expand (since the system is currently operating near capacity and cannot accept new wastewater connections).

On August 30, 2022, the BOS approved the submittal of a planning grant application to fund the CSA-75 Chualar Wastewater System Consolidation Project. On September 8, 2022, staff applied for a \$4.4 million planning grant from the State Water Resource Control Board - Division of Financial Assistance (SWRCB-DFA) to support consolidation of the CSA 75 - Chualar system. The County’s application for planning funds is currently under preliminary review by the SWRCB-DFA which is anticipated to be completed by the end of January 2023. If the project is approved as proposed, it will move to the SWRCB-DFA’s Supervising Engineer and Assistant Deputy Director. Their reviews should be finished by the end of February 2023. If approved, funds will be formally committed when a planning agreement has been signed by the County and the SWRCB-DFA which would occur by August 2023.

BCSD - Zone 2 - San Jerardo Water System: Planned ARPA-funded capital improvements at the San Jerardo water system began in early May 2022 and include installation of a private water service connection, completion of a mutual intertie system between the San Jerardo Water System and the nearby Foothill Estates subdivision, main electrical panel repair, and fire pump and motor upgrades.

Equipment needed to upgrade San Jerardo System (pumps and control panel), has been ordered and two booster pumps have been installed. Delivery of balance of equipment expected in Spring with completion of work in summer of 2023.

Several issues arose during the installation of the private water service connection, and the mutual intertie system. A design consultant was retained to redesign of aspects of this system. We anticipate the design will be completed in the spring and all the work completed by the end of summer 2023. Additional funding will be necessary to properly complete this work a well. This additional funding will also be included in staff’s request for additional ARPA funding via the annual FY 2023-24 budget process.

Sale of Sanitation Systems

In addition to the sewer infrastructure improvements discussed above and staff efforts to identify prospective buyer(s) of the sanitation systems, rate studies and Proposition 218 hearings are being conducted to update customer service rate schedules for the PCSD and BCSD sanitation systems. Establishing new sewer service rates involves preparing rate studies pursuant to preparation of Engineers Reports, holding community meetings, and conducting public hearings pursuant to Proposition 218. New rates are scheduled to be implemented at the beginning of next fiscal year.

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 County received a copy of a resolution, adopted by the Pajaro/Sunny Mesa Community Services District (PSMCSD) on November 2, 2022, expressing interest in the transfer of the PCSD to the PSMCD. The resolution sets forth conditions which would need to be met prior to the PSMCD taking control of the PCSD sanitation system.

On November 17, 2022, in response to the RFQ, the County received a single qualifications package from California American Water (CalAm). Subsequently, in response to Monterey One Water's (M1W) request for a regional approach, Pajaro Sunny Mesa Community Services District's (PSMCSD) expression of interest and Pajaro community residents' concerns, the BOS directed staff to (1) reject all responses to the County's RFQ (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, PSMCD) and private utility operators (such as CalAm). CalAm was notified of the County's decision via letter on January 18, 2023.. On December 14, 2022, staff initiated informal discussions with the PSMCD to begin to map out a process for transferring control of the PCSD sanitation system to the PSMCD.

San Jerardo Water System: Since June, representatives of the San Jerardo Housing Cooperative, Inc. (the Cooperative) and the County have been meeting monthly to track progress and facilitate the transfer of information to the Cooperative team pursuant to transferring ownership of the San Jerardo Water System from the County-BCSD San Jerardo-Zone 2 to the Cooperative. The intent is to continue the meetings until a letter of intent is signed by both parties. In 2016, the Cooperative completed a TMF (technical, managerial, and financial) assessment that had been approved by the State Office of Sustainable Water Solutions. The State has indicated that the TMF assessment had to be updated. The Cooperative is in the process of doing so. It is also making progress on its due diligence evaluations of the San Jerardo Water System. Because the County Environmental Health Bureau, the permitting authority for the water system, recently 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 University of California, Hastings College of Law and attorneys from Morrison & Forrester are assisting the Cooperative on a pro bono basis in its due diligence activities, and with the formation of a mutual water company.

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. ARPA funded capital improvements are scheduled to be completed by July 2023. The goal is to complete the San Jerardo water system transfer from the County-BCSD San Jerardo-Zone 2 to the mutual water company by September 2023.

Because water will be distributed exclusively to stakeholders at cost, staff does not anticipate the California Public Utilities Commission's (CPUC) involvement in the transaction, which will significantly

Legistar File Number: 23-116

reduce the time to complete the transfer of ownership from the County BCSD-San Jerardo Zone 2 to the Cooperative.

FINANCING:

ARPA water and sewer infrastructure funding supports the implementation of repair and improvement projects for the PCSD, the BCSD, the CSA 75 Chualar, and the San Jerardo Water System.

Progress on ARPA water and sewer infrastructure projects is reported in more detail via a separate quarterly report to the CIC.

Prepared by: J. Erich Rauber, PE, GE, District Engineer, Public Works, Facilities and Parks

Reviewed by: Tom Bonigut, PE, Assistant Director of Public Works, Facilities and Parks

Reviewed by: Sandra Lance, Finance Manager I, Public Works, Facilities and Parks

Reviewed by: Juan P. Lopez, Principal Administrative Analyst, County Administrative Office

Reviewed by: Mary Perry, Deputy County, Counsel, Office of the County Counsel

Approved by: Randell Ishii, MS, PE, TE, PTOE, Director of Public Works, Facilities and Parks 