



County of Monterey

Item No.48

Board Report

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

Legistar File Number: RES 26-048

April 14, 2026

Introduced: 3/24/2026

Current Status: Public Works, Facilities &
Parks - Consent

Version: 1

Matter Type: BoS Resolution

- a. Approve submittal of a Financial Assistance grant application in the amount of \$4,000,000 to the State of California - State Water Resources Control Board, Division of Financial Assistance, Drinking Water State Revolving Fund (DWSRF) Program for funding of the San Lucas Water District Clean Drinking Water Supply Project (Project) in San Lucas, California; and
- b. Adopt a Resolution authorizing the Director of Public Works, Facilities and Parks (PWFP), or designee, to act as agent for the County of Monterey in processing all documentation to secure these funds; and
- c. Direct PWFP staff to return to the Board of Supervisors for approval prior to acceptance of any grant award(s).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve submittal of a Financial Assistance grant application in the amount of \$4,000,000 to the State of California - State Water Resources Control Board, Division of Financial Assistance, Drinking Water State Revolving Fund (DWSRF) Program for funding of the San Lucas Water District Clean Drinking Water Supply Project (Project) in San Lucas, California; and
- b. Adopt a Resolution authorizing the Director of Public Works, Facilities and Parks (PWFP), or designee, to act as agent for the County of Monterey (County) in processing all documentation to secure these funds; and
- c. Direct PWFP staff to return to the Board of Supervisors for approval prior to acceptance of any grant award(s).

SUMMARY:

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

To access those funds, a formal grant application to the Water Resources Control Board's Drinking Water State Revolving Fund (DWSRF) Program is necessary. An application for the grant is presently being drafted; however, Board authorization is necessary for actual submittal through the State's online Financial Assistance Application and Submittal Tool (FAAST). A formal Board Resolution is necessary for inclusion in the grant application and is attached for adoption.

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 eight miles south of King City. The community water system (approximately 100 connections) is owned and operated by the San Lucas County Water District (District). The San Lucas Clean Drinking Water Project would address persistent water quality problems which have occurred since 2006. In 2011, a "Do Not Drink" order was issued, and despite the subsequent establishment of an alternative well to serve the community, a second "Do Not Drink" order was necessary in 2016.

The lack of safe, affordable drinking water for the community has also caused a delay of needed affordable housing projects in San Lucas. Since San Lucas is a designated Rural Center in the County's General Plan, with the potential for improved infrastructure to support future development, San Lucas 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 new wells with an onsite water treatment system. The State of California has contracted with a private consulting engineering firm who has completed Engineering Reports and are currently preparing an Addendum to focus specifically on the District's selected preferred alternative calling for the installation of two wells/water sources, installation of a new water treatment system, and necessary infrastructure (including transmission and distribution system improvements) to allow California Water Company to potentially managerially consolidate the new San Lucas system with their King City Division. The Addendum will evaluate the hydrogeology of the area to identify sites to drill test wells.

The County, working on behalf of the District, is seeking funding from State, Federal, and private sources for this critical water project for the community which has been on bottled water orders for 10 years.

Project Phasing

The preliminary estimate of total project cost is \$18,000,000. To date, the County has commitments for approximately \$5,000,000 in funding for the Project. Approximately \$1,000,000 is the result of Earmarks secured by the Federal Congressional Delegation - and the other \$4,000,000 is an Earmark from the State Legislature (the subject of this memorandum).

Phase 1 will combine the pending State funds with the federal Earmark to cover the costs associated with a \$5,000,000 project to address the planning, environmental permitting, design and construction of test wells, collecting water samples, analyzing the water quality of the test wells, and drilling and initial development of two production wells. The 'critical path' item for completing the Phase 1 Scope of Work and associated grant applications is completing the Engineering Report Addendum. The Addendum is expected to be complete within 3 months (i.e. summer of 2026). Grant Applications and associated Funding agreements will be completed and filed shortly after that.

The Phase 1 Project preliminary schedule anticipates funding encumbrance by 6/30/2027 and construction completion by 6/30/2029.

Phase 2 - which is presently unfunded (estimated at approximately \$13,000,000), is planned to complete the project, including full construction of 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 the Phase 2 Project is not yet determined, as additional detailed engineering design work will first be necessary.

Grant Program Background

There are two presently identified sources of funding - approximately \$1,000,000 is the result of federal Earmarks secured by the Federal Congressional Delegation - and another \$4,000,000 Earmark from the State Legislature (the subject of this memorandum).

Federal Congressional Earmarks

On March 9, 2024, President Biden signed the FY 2024 Consolidated Appropriation Act into law. In this law, Congress continued the practice of funding specifically named community infrastructure projects, referred to by the Senate as Congressionally Directed Spending items and in the House of Representatives as Community Project Funding items, both referred to as “Community Grants projects.” Community Grants projects are designated for the planning, design, and construction of drinking water, wastewater, and stormwater infrastructure and for water quality protection. In FY2024, the US Congress appropriated \$959,752 from the Community Grants projects program for the San Lucas Clean Drinking Water project.

A formal grant application to the U.S. EPA is necessary to obtain the appropriated funds. That was authorized by the Board last June and subsequently submitted to EPA in September of 2026; however, the grant has not yet been awarded as we are presently working to combine the pending State funds with the federal Earmark funds to be able to proceed with the Phase 1 Project.

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

In December of 2025, PWF staff learned from State of California, State Water Resources Control Board, Division of Financial Assistance (DFA) staff of a specific grant opportunity resulting from a \$4,000,000 Earmark by the State Legislature for financial assistance to be applied to construction costs associated with the San Lucas Water District Clean Drinking Water Supply Project (Project) in San Lucas, California.

County staff are working with State Water Board staff to prepare a Phase 1 Project Scope/Workplan which combines the State funds with the (also pending) federal Earmark (\$960,000) to provide sufficient funding to be able to move forward with a \$5,000,000 Phase 1 Project to get new wells drilled for the San Lucas County Water District. Grant Applications are required by both EPA and the State Water Board to access the earmarked funding. The State has retained the Rural Community Assistance Corporation (RCAC) to assist with

preparation of the Workplan and Grant applications. That work is in progress and expected to be complete by mid-summer.

Today's requested action will authorize formal submittal of a grant application for the State's \$4,000,000 Earmark through the Drinking Water State Revolving Fund (DWSRF) Program. When the Grant is awarded, staff will return to the Board for formal action to accept it.

Future Actions

At some point, additional funding will be needed to implement Phase 2 of the project to complete construction of the new clean water system for San Lucas. Realistically, this will be a 5-7 year project.

The preliminary estimate of total Project cost is \$18,000,000. Since about \$5,000,000 has been made available - approximately another \$13,000,000 will be needed. Additional State, Federal, or private funding will be needed to help close the funding gap - the amount of which will be refined as part of planned Phase 1 engineering work. If the funding were to continue to consist of 1/3 Federal and 2/3 State funding, an additional \$4,000,000 in Federal funds will be necessary, along with \$9,000,000 to be requested from the State. These funds will not be needed for about 2 years (FY 29-30).

Next Steps

The next steps for this Project are:

1. Complete the Phase 1 Project Scope/Workplan;
2. Prepare and submit a construction Grant Application for consideration by the State of California; and
3. Return to the Board of Supervisors for Formal Action/Acceptance of the Grant when it is awarded.
4. When the Project is awarded State grant funding, staff will bring an item to the Capital Improvement Committee, Budget Committee and Board of Supervisors to add the Project to the Capital Improvement Plan and Annual Work Program.
5. Refine the engineering cost estimate for Phase 2 and pursue additional State, Federal and/or private funding to cover the funding gap.

OTHER AGENCY INVOLVEMENT:

Coordinate with San Lucas County Water District, which will likely include entering into an intergovernmental agreement or Memorandum of Understanding (MOU) regarding Project Implementation. Continue to work with RCAC and the State Water Board on project scoping and grant funding application(s). Keep California Water Company involved, as they may be managerially consolidating the new system with their King City operation.

FINANCING:

PWFP will use \$4,000,000 in State funds for construction of the Phase 1 Project (well improvements). Design engineering, project management, and environmental work are planned to be funded by EPA. Staff anticipates that there will be no direct cost to the County to receive this grant as there will be a request for a waiver for any possible cost share requirement since San Lucas is a financially disadvantaged community; however, if that changes, staff will return to the Board for further direction.

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 for San Lucas Clean Drinking Water Grant Application