

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 of Supervisors authorized the Resource Management Agency (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 [M1W]), California American Water Company (CalAm), and California Utilities Service, Inc. (CUS). M1W 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 of the responders, RMA selected CalAm and M1W 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 CSA 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 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 on January 1st of this year.

In August 2019, the Wallace Group was procured to complete the condition assessments and rate studies for the Sanitation Systems. The initial step involved 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.

The first community outreach meeting for the Pajaro County Sanitation District was held on October 30, 2019. A follow-up community meeting will be held after the draft rate studies have been completed. Outreach meetings in the Boronda County Sanitation District and CSA 75 Chualar will be scheduled for late March/early April. A Schedule of Performance that provides estimate completion dates of tasks associated with the completion of the condition assessments, rates studies, and other task 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 Board approved San Jerardo Cooperative (Cooperative) as eligible to receive the San Jerardo Water System following a successful Technical, Managerial, and Financial Study. In 2018-2019, staff focused on getting the ENA in place with CalAm, so those negotiations could proceed. In the second half of 2019, staff reinitiated discussions with the Cooperative to map out and begin work toward the transfer of the system to them.

2017 Storm Repairs

Prior to the transfer, repairs to the control panel and replacement of the fire pump damaged by a falling 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. The computer logic system was destroyed causing the fire pump to run continuously until it overheated and seized. A section of perimeter fencing, the fire pump house roof, security light, and various small components were also damaged. In 2018, due to costs for repairs exceeding the BCSD-Zone 2 San Jerardo fund balance, 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 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 consultation with a County on-call engineering firm and RMA Public Works staff, a revised estimate of \$276,000 was calculated for the cost to complete repairs to the computer control system and fire pump. This revised cost leaves a shortfall of \$102,006 for engineering, JOC construction, and contingency to complete the repairs. Based on communication with the County insurance carrier, staff is confident that all of the repair costs will be covered under the claim, so that the General Fund loan can be fully reimbursed once the claim is paid. This work is anticipated to be completed by December 31, 2020.

2010 Intertie Agreement A-11846 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 Environmental Health Division 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, an Option to Purchase Real Property (Purchase Option) with a private property owner (Seller) on Zabala Road was instituted to develop a new well site. 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 by the Seller. 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 B contains Option and Purchase Agreements). As his current well has failed, the Seller wishes to exercise the reservation of water rights to have two (2) metered connections installed. Costs for engineering the modifications to the Foothill Estates system and installation of the two (2) metered connections are estimated not to 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 (Attachment B). 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 to allow Foothill to access BCSD-Zone 2 San Jerardo water for a consistent water supply to the Seller’s meters were not completed. Staff conducted extensive research but was unable to determine why the Intertie was not completed. 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 contingency are estimated not to exceed \$119,900, with funding scheduled for Fiscal Year 2020-21. The Intertie is anticipated to be completed by December 31, 2020.