

## **Background Information**

It has long been 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 [M1W]), 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 responder, 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 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. This assessment, which will facilitate negotiations and is necessary regardless of any negotiations and disposition, has been completed. 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 fourth step increase was initiated in January 2021.

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 in February 2020 and finalized in October 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 pandemic continues to impact 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 early 2021. A Schedule of Performance (Attachment A) is included with this 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.

Insurance reimbursement in the amount of \$209,137.73 has been received. County staff is currently working with a consulting engineer to design the replacement computer control system and develop specifications for repair/replacement of the fire pump. 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, originally estimated by June 30, 2020, has been delayed, however, is expected to be completed by June 2021.

### 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.

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. The plans for the completion of the intertie are currently in progress by an engineering consultant. Upon completion of the intertie, two metered water connections can be installed. The target date for this work is December 2021.