



Board Report

File #: 17-0841, Version: 1

- a. Receive a project report on the San Lucas Water Supply Replacement Project;
- b. Support staff initiating Amendment No. 3 to the Safe Drinking Water State Revolving Fund (SDWSRF) Funding Agreement No. SRF13P116 with the State Water Resources Control Board to extend the term and amend the scope to include additional feasibility study for treated groundwater;
- c. Support amending the Professional Services Agreement No. A-12648 with Amec Foster Wheeler Environment & Infrastructure, Inc. to extend the term and include the additional feasibility study in the scope, with no change to the not to exceed amount of \$440,000; and
- d. Provide direction to staff.

RECOMMENDATION:

Staff recommends that the Capital Improvement Committee:

- a. Receive a project report on the San Lucas Water Supply Replacement Project;
- b. Support staff initiating Amendment No. 3 to the Safe Drinking Water State Revolving Fund (SDWSRF) Funding Agreement No. SRF13P116 with the State Water Resources Control Board to extend the term and amend the scope to include additional feasibility study for treated groundwater;
- c. Support amending the Professional Services Agreement No. A-12648 with Amec Foster Wheeler Environment & Infrastructure, Inc. to extend the term and include the additional feasibility study in the scope, with no change to the not to exceed amount of \$440,000; and
- d. Provide direction to staff.

SUMMARY:

The San Lucas Water District, in collaboration with the County of Monterey, has been working diligently since 2003 to upgrade its public water system. The San Lucas Water District had been without a reliable permanent source of potable water for nearly six years, when on March 15, 2011 the Monterey County Environmental Health Bureau first imposed a “Do Not Drink” on the community due to nitrate contamination of its well attributed to the agricultural operations surrounding the well. That order remained in effect for over three years, until November 2014 when an interim well was constructed by lessee. In October 2016, the nitrate concentrations were found to exceed State-mandated levels in the interim well and EHB issued an immediate “Do Not Drink” order that remains in effect.

Since 2012, the County has been acting on behalf of the District to seek funding and provide project management support to develop a new municipal water supply project. With grant funds awarded to the County in 2013, on behalf of the District, the County secured a consultant who prepared a Feasibility Study identifying five alternatives for a long-term replacement water supply for the Water District. After an extensive review process, in September 2015 the District selected the preferred alternative to purchase water from California Water Service Co. via construction of an intertie pipeline from King City, seven miles away.

In August 2016, the SWRCB directed the County to stop work on the design of a pipeline to further evaluate a treated groundwater alternative; SWRCB stated the cost-benefit ratio for the pipeline project is significantly higher than SWRCB guidelines for funding allow and that there had not been adequate analysis of groundwater options. SWRCB agreed to pay for these additional studies, and approved the scope of work developed by the County’s consultant to conduct the feasibility analysis of treated groundwater in April 2017. Subsequently, the

agricultural operator's consultant submitted a separate proposal to perform additional feasibility analysis. County technical and project team evaluated both proposals, and based on evaluation proposes to move forward with Amec's proposal. For detailed discussion of the proposals and staff evaluation see Attachment 1.

Given the scale of this capital project, significant staff resources dedicated to this project, and the transition of the project to move forward from feasibility into the next phase (environmental review and permitting), staff anticipates returning to the committee in the spring to add the project to the Capital Improvement Project list for FY 2018-19.

Staff is seeking the committees support to use Amec Foster Wheeler Environment & Infrastructure, Inc. as the consultant to prepare a Feasibility Study for Treated Groundwater for \$148,000.

DISCUSSION

See Attachment 1.

OTHER AGENCY INVOLVEMENT:

On September 18, 2012, the Board of Directors of the San Lucas County Water District approved Resolution No. 81-2012 authorizing the County of Monterey to continue to assist the District's efforts to improve its community water supply by acting on its behalf to seek funding and to prepare the necessary engineering and environmental studies and reports, acquire rights-of-way, apply for permits, and construct a new municipal water supply project.

The State Water Resources Control Board (SWRCB) continues to provide funding for the County to assist the San Lucas Water District to replace its permanent long-term water supply.

Staff from the State of California Regional Water Quality Control Board (RWQCB), Monterey County RMA Land Use and Community Development Division, the Monterey County Health Department's Environmental Health Bureau, and the Monterey County Water Resources Agency continue to participate in development of the San Lucas Water District Water Supply Replacement project.

FINANCING:

The San Lucas Water District Water Supply Replacement Project is intended to be funded entirely by grants or other external funding sources so that it has no cost to the District or the County acting on its behalf. Through November 2016 when the intertie pipeline alternative project was put on hold, the project had spent a total of \$235,241, which was fully reimbursed by a grant from the State Water Resources Control Board (SWRCB) Safe Drinking Water State Revolving Fund (SDWSRF) under a Funding Agreement No. SRF13P116 approved by the Board of Supervisors on September 11, 2013, as amended on March 18, 2013. There is no County match requirement for the subject grant. The grant reimburses the County for both the contractor and County staff time. The impact on the General Fund is temporary, as the County must pay for staff and consultant costs up front before requesting reimbursement. There is typically a three to six-month lag time to receive reimbursement for costs expended under the grant.

The estimated cost to complete the SWRCB-required project-level feasibility analysis of treated groundwater is approximately \$168,000 for County staff (\$20,000) and Amec consultant time (\$148,000) anticipated in FY17-18, assuming no additional field work nor additional alternative location analyses are needed. The SWRCB has stated its intention to pay the full cost of these additional studies, and has verbally agreed to amend the grant agreement to for the revised scope of work and budget increase. This work is anticipated to be completed by early spring 2018.

These funds are budgeted in Fund 001 Budget Unit 8444 - Environmental Services. There are sufficient funds appropriated in the approved FY17/18 budget for anticipated cost expenditures related to this project during this fiscal year. Staff will return to the Board to request additional appropriations if there are increased costs resulting from the additional feasibility studies.

Once the additional feasibility analysis is complete, the treated groundwater project can move into the next phase of preliminary (pre-environmental) engineering design, environmental review (CEQA and NEPA), rights-of-way/easement acquisition, permitting, and final design and bid package. The cost of this phase is not known, as it will depend on the outcome of the proposed project-level feasibility analysis. Preliminary cost estimates based on work completed to date on the intertie pipeline anticipate pre-construction costs could be in the \$500,000 to \$750,000 range. This cost estimate will be refined following the completion of the additional feasibility analysis. This work is anticipated to take approximately twenty-four months. The County plans to pursue an increase in the current planning grant to cover these costs, and the SWRCB has stated a willingness to consider such an increase.

Cost and timeline for construction of the project is not yet known. Subject to the outcomes of the feasibility analysis and environmental review, preliminary construction costs range from the order of \$3.5 million as estimated in the 2015 Feasibility Study for treated groundwater, to an order of \$10 to \$12 million based on preliminary estimates for the intertie pipeline. It is anticipated that SWRCB funding will be available to cover the full costs of construction of the project. Construction is anticipated to begin at the earliest late 2019/early 2020. Once completed, the District will accept ownership of the project and be solely responsible for the cost of operation and maintenance.

There are several large capital improvement projects that are anticipated to be under construction during a similar timeframe, which may impact the General Fund to cash-flow reimbursable projects or directly fund (e.g. as match to grants). The jail and juvenile hall construction should be finishing up the time the San Lucas Project would come on board. The Carmel River FREE project, which is entirely grant funded and is estimated to costs approximately \$23 million for construction, is anticipated to be under construction beginning in 2019. The Carmel Lagoon Ecosystem Protection Barrier (EPB)/Scenic Road Protective Structure (SRPS) project continues to advance through environmental review, and is anticipated to begin construction by 2020. Depending on the outcomes of environmental review, constructions costs are preliminarily estimated costs of \$15 to \$17 million.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The San Lucas Water District Water Supply Replacement Project complies with the Board's FY15-16 Strategic Initiative for Infrastructure through the planning and development of a sustainable, physical infrastructure that improves the quality of life for County residents by providing necessary water infrastructure improvements for the community of San Lucas. The project also supports the Boards Strategic Initiative for Health and Human Services to promote access to equitable opportunities for a healthy environment by providing a potable water source to the community of San Lucas.

Check the related Board of Supervisors Strategic Initiatives:

- ☐ Economic Development
- ☐ Administration
- ☒ Health & Human Services
- ☒ Infrastructure
- ☐ Public Safety

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Approved by: Carl P. Holm, AICP, RMA Director

Attachments:

Attachment 1 - San Lucas Water District Water Supply Replacement Project Discussion