



Board Report

File #: RES 18-123, **Version:** 1

Adopt a Resolution authorizing the Director of the Monterey County Resource Management Agency to:

- a. Sign and file, for and on behalf of the County of Monterey and the San Lucas Water District, a Financial Assistance Application for a financing agreement from the State Water Resources Control Board to fund certain pre-construction activities for a project to provide a long-term reliable water supply for the San Lucas Water District and to enhance the provision and protection of the municipal drinking water supplied to consumers in the community of San Lucas; and
- b. Provide the assurances, certifications, and commitments required for the financial assistance application.

RECOMMENDATION:

It is recommended that the Board of Supervisors adopt a Resolution authorizing the Director of the Monterey County Resource Management Agency to:

- a. Sign and file, for and on behalf of the County of Monterey and the San Lucas Water District, a Financial Assistance Application for a financing agreement from the State Water Resources Control Board to fund certain pre-construction activities for a project to provide a long-term reliable water supply for the San Lucas Water District and to enhance the provision and protection of the municipal drinking water supplied to consumers in the community of San Lucas; and
- b. Provide the assurances, certifications, and commitments required for the financial assistance application.

SUMMARY:

To further the planning for a replacement long-term water supply for the San Lucas Water District ("District"), the County is prepared to submit an application to the State Water Resources Control Board (SWRCB) on behalf of the District, in the amount of \$1,288,600 for funding through the Safe Drinking Water State Revolving Fund (SDWSRF) to complete the planning steps for the replacement water supply project. The resolution (Attachment A) includes authorization to apply for funding to complete the additional analysis of the remaining viable alternatives (and compare them with the King City Intertie Pipeline Alternative), as well as the environmental analysis, final engineering specifications, acquisition of property and easements, acquisition of permits, and preparation of bid documents for the selected project. The County intends to act on behalf of the San Lucas Water District (SLWD) to apply for and administer the grant, managing the consultants and feasibility analysis once the grant is received, working in partnership with the District. If the grant is awarded, if appropriate under the terms of the grant staff may return to the Capital Improvement Committee (CIC) to request this project be added to the FY 2018-19 Capital Improvements Program (CIP) as an unfunded project.

DISCUSSION:

The District is the municipal water purveyor for the unincorporated community of San Lucas. In March 2011, the District's sole source of water supply, a well located on land owned by Wendell J. Naraghi et al and being leased to and farmed by Mission Ranches of King City, became contaminated with nitrates in the groundwater. On March 15, 2012, the California Regional Water Quality Control Board issued a Notice of Violation and Water Code Section 13260 and 13267 Order for Information to the property owner and the lessee of the property where the District's well was located. The Monterey County Health Department Environmental Health Bureau (EHB) issued a "do not drink" order to all residents of the community of San Lucas. The Regional Board directed that the owner and lessee provide an alternative source of water until a permanent

solution could be found. In compliance with the Regional Board's directive to provide an alternate source of water to the community, the lessee began to provide bottled water to the residents of San Lucas at no cost to the residents.

In September 2014, Mission Ranches drilled a new well (interim) for the District. On November 5, 2014, the well was connected to the District's water system, and the water was tested each week. On December 12, 2014, Monterey County Environmental Health lifted the bottled water order for San Lucas. The interim well supplied water to San Lucas residents until July 20, 2016, when the nitrate levels increased again to unsafe levels for drinking. On October 26, 2016, the (EHB) issued another bottled water order to the SLWD, which is still in effect until a long-term solution can be found.

The County agreed to assist the District with finding a long-term water supply solution with funds from grants, and analyzed a range of alternatives via a feasibility study funded by the State's Safe Drinking Water State Revolving Fund (SDWSRF).

In 2015, the County delivered to the District a Final Feasibility Study analyzing five different alternatives to construct a new long-term water supply for the District. On September 17, 2015, the District's Board of Directors voted to select Alternative 4, purchase water from California Water Services via construction of an intertie pipeline to King City, as the Preferred Alternative. On October 19, 2015, SWRCB staff gave verbal approval for the District to proceed with the engineering design of the Intertie Pipeline alternative using grant funds.

In August 2016, citing the potential extreme cost of the Intertie Pipeline project, SWRCB directed the District and County to stop work on that alternative and to conduct additional feasibility analysis of Alternative 3, a new groundwater source with treatment if required.

In February 2017, a detailed scope of work and fee estimate from the County's consultant was provided to the SWRCB for its approval. Subsequently, Mission Ranches submitted for the County's consideration an alternate scope of work and fee estimate prepared by the consulting firm retained by Mission Ranches. The County evaluated both scopes of work and fee estimates, and on August 14, 2017, the County Board of Supervisors' Capital Improvement Committee considered staff's analysis and approved that staff proceed with the proposal provided by the County's consultant.

On October 16, 2017, SWRCB staff indicated its intention not to renew the now-expired Funding Agreement No. SRF 13P116. In a conference call on December 7, 2017, SWRCB senior financial staff supported the County to submit on behalf of the District an application for a new SRF grant to fund the additional feasibility analysis plus the remaining pre-construction activities required to make the project bid-ready. The proposed activities for the SRF grant include:

- The project-level feasibility study for the treated groundwater alternative and additional feasibility study of the alternative to consolidate with Cal Water (added per request of the SLWD Board of Directors at its April meeting);
- Comparison of these analyses with the completed Preliminary Engineering Report for the proposed King City Intertie Pipeline alternative;
- In consultation with SWRCB select a Preferred Alternative; and
- Completion of the environmental analysis, final engineering, acquisition of property and easements, acquisition of permits, and preparation of bid documents for the selected project.

See Attachment C for the proposed scope and budget.

As required as part of the application funding, on July 12, 2018, the District's Board of Directors approved a Resolution (SLWD Board of Directors Resolution 10-2018) authorizing the County to submit a new application to SWRCB for planning funds under the SDWSRF program, to fund the complete cost of the remaining pre-construction activities required to make the project bid-ready as described in the summary above, including authorizing the Director or Designee to sign the application and prepare additional feasibility studies, determine the preferred alternative, and complete the remaining planning tasks to make the project bid-ready (Attachment B).

The request before the Board today includes a Resolution (Attachment A) and authorization to apply for funding to complete the additional analysis of the remaining viable alternatives (and compare them with the King City Intertie Pipeline Alternative), as well as the environmental analysis, final engineering specifications, acquisition of property and easements, acquisition of permits, and preparation of bid documents for the selected project.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel has approved the resolution as to form.

The District's Board of Directors has approved a Resolution to allow the County to apply for funding with the SWRCB to complete the project on their behalf (Attachment B).

The recommended action is in conformance with the direction of the SWRCB's Division of Financial Assistance.

EHB regulates the District's public water supply in accordance with public health requirements. Staff of the Monterey County Water Resources Agency has provided peer review of the technical aspects of this project.

FINANCING:

There may be an impact to the General fund as a result of this project if the grant is not awarded or the unreimbursed costs for staff time between October 2016 through June 30, 2018 described below are not reimbursable as indicated by SWRCB staff. Approving the recommended action makes it possible that, if the grant is awarded, the County may be reimbursed for these costs. Since this is a grant application, there will be cashflow considerations for this project as the County will front the costs then seek reimbursement under the grant agreement. County staff time to prepare this report and the grant application for submittal is included in the FY 2018-19 Adopted Budget Fund 001-RMA013.

Total costs incurred and reimbursed under Funding Agreement No. SRF13P116 for feasibility analysis from FY13-14 through October 15, 2016, when SWRCB directed work on the Intertie Pipeline to be halted, totaled \$235,241. Funding Agreement No. SRF13P116 is closed.

Since October 15, 2016, staff costs through June 30, 2018 totaled \$27,937 to provide necessary coordination with SWRCB, the SLWD, and stakeholders to identify and develop the scope and next steps for this project. SWRCB indicated to staff that these costs will be eligible for retroactive reimbursed through the proposed new grant agreement, if awarded.

Total costs proposed in this new Financial Assistance Application for pre-construction planning activities are \$1,288,600. There is no match requirement for this grant. This proposed budget includes \$27,937 in unrecovered staff costs through June 30, 2018, and an estimated \$83,000 in additional staff costs through completion of the planning activity.

If the grant is awarded, staff will return to the Budget Committee and Board of Supervisors to approve the agreement and increase appropriations if needed. If appropriate under the terms of the grant, staff may return to the Capital Improvement Committee (CIC) to request this project be added to the FY 2018-19 Capital Improvements Program (CIP) as an unfunded project.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The recommended action complies with the Board of Supervisors Strategic Initiative for Infrastructure, “Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents...” by providing a long-term reliable water supply for the residents of the community of San Lucas.

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

Prepared by: Christina McGinnis, Special Programs Section, RMA-Land Use and Community Development Division

Reviewed by: Melanie Beretti, Special Programs Manager, RMA-Land Use and Community Development Division 831-755-5285

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

Attachments:

Attachment A - Resolution

Attachment B - San Lucas Water District Resolution July 12, 2018

Attachment C - Scope and Budget

(Attachments on file with the Clerk of the Board)