



County of Monterey

Item No.

Board Report

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

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Receive a report for the quarter ending September 30, 2025, on the status of the transfer of ownership of the Boronda County Sanitation District (BCSD) - Zone 2 San Jerardo Water System.

RECOMMENDATION:

It is recommended that the Capital Improvement Committee receive a report on the status of the transfer of ownership of the Boronda County Sanitation District (BCSD) - Zone 2 San Jerardo Water System (Water System or System) for the quarter ending September 30, 2025.

SUMMARY:

The Board of Supervisors of the County of Monterey (County) acts as the Board of Directors of the BCSD. The San Jerardo Housing Cooperative, Inc. (Cooperative) has requested transfer of ownership of the County/BCSD owned Water System from the County/BCSD to the pending San Jerardo Mutual Water Company. The Cooperative, with legal assistance from UC Berkeley Law, is working on establishing a Mutual Water Company and the submittal of an updated Technical, Managerial and Financial (TMF) Report to the State Water Board. Once the Cooperative has established TMF to the satisfaction of the State Water Board and the San Jerardo Mutual Water Company has been formed, ownership of the Water System can be transferred from the County/BCSD to the (currently pending) San Jerardo Mutual Water Company.

BACKGROUND:

The County/BCSD has owned and operated the Water System since on or about March 18, 2011.

On November 30, 2010, the Board of Supervisors, acting as the Board of Directors of the BCSD, approved the Purchase and Sale Agreement between the County/BCSD and Federal Receiver John W. Richardson for the then proposed sale of the Water System owned by Alisal Water Company under Federal Receivership in *United States of America v. Alisal Water Company Et al.*

On March 7, 2011, in *United States of America v. Alisal Water Company Et al.*, pursuant to the Court's Amended Order (Document 948, United States District Court - Ninth District [USDC], Case No. C97-20099), the Honorable Jeremy Fogel approved the Purchase and Sale Agreement (Agreement) approved by the County/BCSD on November 30, 2010. The Court authorized the Receiver and County to execute and enter into the Agreement and take further steps to complete the matters described in the Agreement approved by the County/BCSD on November 30, 2010.

Said Agreement, at Section 3.2 Basic Terms for the Purchase and Sale of the San Jerardo Water System provided for:

- (a) Substantial completion of the improvements described in the State and Federal Grant agreements and CDBG agreement;
- (b) Completion of any repair or replacement of any defects in the System identified as part of the application process for State and Federal Grant Funds and CDBG funds;
- (c) Payment of One Dollar (\$1.00) by County for title to the System, in light of the actions taken by County pursuant to the Court approved Predevelopment Agreement and this (Purchase and Sale) Agreement;
- (d) Formal approval by the USD Court in Case No. C97-20099 (JF); and
- (e) Formal approval of the purchase by the California Public Utilities Commission.
- (f) Transfer of the System Operation and Maintenance Agreements and Amendments between the Federal Receiver and MCSI from the Federal Receiver to the County. (Document 944-1, Purchase and Sale Agreement, at pages 5-6, on file in Case No. C97-20099).

On March 16, 2011, County/BCSD transmitted a check for One Dollar (\$1.00) payable to Receiver John W. Richardson in his capacity as Federal Receiver for the Water System as payment for purchase of title to the System, together with a transmittal letter dated March 16, 2011, from then Project Manager Dirk Medema, P.E., to Receiver. Said payment was transmitted to satisfy Section 3.2 (c) of the Agreement. Confirmation of receipt was provided by Receiver on March 18, 2011, and through the Golden State Overnight (GSO) Shipment Report confirming delivery to Receiver's Office on March 18, 2011 (Exhibit "A" to Doc. 949-1 on file in USDC Case No. C97-20099).

The Water System serves the San Jerardo Housing Cooperative, Inc. (Cooperative). The Cooperative has been working toward meeting TMF requirements for transfer of ownership of the Water System to a Mutual Water Company to be formed by the Cooperative. Public Works, Facilities and Parks (PWFP) currently manages the Water System through an agreement between the County/BCSD and MCSI Water Systems Management, a private water utility company in Monterey County. PWFP Special Districts Staff is working with the Cooperative to facilitate transfer of ownership of the Water System from the County/BCSD to the Cooperative.

DISCUSSION:

The Cooperative has requested transfer of ownership of the Water System from the County/BCSD to a Mutual Water Company to be formed by the Cooperative. This action is supported by the County Health Department Environmental Health Bureau - Drinking Water Protection Services. The Water System has 66 connections. In April 2024 the Cooperative submitted a TMF report which was tentatively approved by the Health Department. Since then, the Health Department has ended the Delegation Agreement between the County and the State Water Board; and regulatory oversight of public water systems with less than 200 connections was transferred back to the State Water Board. As a part of the State Water Board's transition to create a more centralized regulatory system, this change was effective as of September 1, 2025.

Prior to transfer of ownership of the Water System, the County/BCSD must meet its legal obligations pursuant to the Purchase Agreement for the Production Well Site dated August 24, 2007, Agreement Number A-11890 between the County/BCSD and the Production Well Site Sellers, as well as the Intertie Agreement August 31, 2010, Agreement Number A-11846 between the County/BCSD and Foothill Estates. Pursuant to the Purchase Agreement for the Production Well Site, the County/BCSD was required to install two metered connections from Foothill Estates to the Production Well Site to serve the property of the Sellers of the Production Well Site. Said metered connections were constructed on June 2, 2023, and tested on December 6, 2024, to confirm capacity for Foothill Estates to serve the production well site through the two metered connections.

Due to budget limitations related to grant funding restrictions, the intertie connection between the County/BCSD and Foothill Estates was constructed to provide a backup system from Foothill Estates to the County/BCSD. However, the Intertie Agreement between the County/BCSD and Foothill Estates requires reciprocity so that each system will serve as a backup for the other system. The intertie connection between the County/BCSD and Foothill Estates is now reciprocal. Intertie system improvements were completed on December 13, 2024. On August 5, 2025, the intertie system improvements were tested and passed inspection. The intertie system connection has been tested to confirm that the intertie system will provide a backup water supply for both Foothill Estates and the San Jerardo Water Systems. With the completion of these projects, the County/BCSD has met the requirements of the Purchase Agreement for the Production Well Site and the Intertie Agreement between the County/BCSD and Foothill Estates, respectively.

The Cooperative previously received legal assistance from attorneys, professors and interns from Morrison Foerster's San Francisco Office and Hastings Law School now known as University of California College of the Law, San Francisco (UC Law San Francisco). Legal assistance is currently being provided to the Cooperative by the University of California Berkeley Law (UC Berkeley Law). UC Berkeley Law will continue to provide legal assistance to the Cooperative until ownership of the Water System is transferred from the County/BCSD to the Cooperative. Legal assistance to be provided to the Cooperative by UC Berkeley Law will include assistance with establishing a Mutual Water Company and submittal of an updated TMF Report to the State Water Board.

OTHER AGENCY INVOLVEMENT

The State Water Board

FINANCING

Internal County costs associated with oversight of this transition include staff time from PWFP and County Counsel. These costs are charged to the BCSD.

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