



County of Monterey

Item No.1

Board Report

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

Legistar File Number: PCSD RES 25-001

February 18, 2025

Introduced: 2/5/2025

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Matter Type: PCSD Resolution

Acting as the Board of Directors of the Pajaro County Sanitation District, adopt a Resolution to:

- a. Approve acceptance of a Financial Assistance grant from the U.S. Department of Agriculture (USDA) Rural Development Service for funding of restoration and repairs to the Pajaro County Sanitation District (PCSD) Wastewater System; and
- b. Authorize the Director of Public Works, Facilities and Parks (PWFP), or designee, to execute the Grant Agreement (\$4,075,000) and associated documents and act as agent for the County of Monterey/PCSD in processing all documentation to secure these funds and to satisfy the conditions associated with the grant on behalf of the County of Monterey/PCSD; and
- c. Add a project for Restoration and Repairs to the Pajaro County Sanitation District (PCSD) Wastewater System to the 5-Year Capital Improvement Program starting in the current Fiscal Year (FY 2024-25)

RECOMMENDATION:

Acting as the Board of Directors of the Pajaro County Sanitation District, it is recommended that the Board of Supervisors adopt a Resolution to:

- a. Approve acceptance of a Financial Assistance grant from the U.S. Department of Agriculture (USDA) Rural Development Service for funding of restoration and repairs to the Pajaro County Sanitation District (PCSD) Wastewater System; and
- b. Authorize the Director of Public Works, Facilities and Parks (PWFP), or designee, to execute the Grant Agreement and associated documents and act as agent for the County of Monterey/PCSD in processing all documentation to secure these funds and to satisfy the conditions associated with the grant on behalf of the County of Monterey/PCSD; and
- c. Add a project for Restoration and Repairs to the Pajaro County Sanitation District (PCSD) Wastewater System to the 5-Year Capital Improvement Program starting in the current Fiscal Year (FY 2024-25)

SUMMARY/DISCUSSION

USDA Rural Development Service - 2022 Disaster Water Grants Program

In calendar year 2023, the U.S. Department of Agriculture (USDA) Rural Development Service announced a funding opportunity through their Calendar Year (CY) 2022 Disaster Water Grants Program. The Agency offered grant funding nationwide through the Disaster Relief Supplemental Appropriations Act, 2023. Grant funds were made available to qualified, rural applicants to pay for expenses (restoration, repair, or rebuilding) related to water infrastructure systems damaged by events that occurred during CY 2022 (and which resulted in a Presidential Major Disaster Declaration).

Water infrastructure systems, as defined by the grant, include all water resource infrastructure, including wastewater, drinking water, storm drainage, and solid waste facilities.

Applications were accepted on a continual basis, beginning on August 21, 2023. Projects located in a disadvantaged or distressed community received bonus points in the rankings process. There are no cost sharing or matching requirements associated with this grant.

On November 7, 2023, the Board adopted Resolution No. 23-460 authorizing the Department of Public Works, Facilities and Parks (PWFP) to submit a grant application under this program and directing staff to return to the Board of Supervisors for approval prior to acceptance of any grant award(s). That action authorized submittal of a grant encompassing two projects: (1) Relocate or Replace the Pajaro Force Main (which failed during the March 2023 areawide flooding event); and 2 Internal System Repairs in PCSD needed to maintain compliance with discharge requirements under an operating permit issued by the Regional Water Quality Control Board, including upgrades to the Pajaro Lift Station as well as spot sewer repairs at approximately 25 locations identified as failing, primarily within the Las Lomas area.

The initial grant application was submitted in December 2023; however, in March of 2024, USDA staff requested that the two projects be separated and individually submitted. The rationale for separating revolved around the fact that each project would need a differing amount of up-front environmental work to comply with the National Environmental Protection Act (NEPA) - permitting the “Internal System Repairs” project to proceed at a faster pace. That project was then submitted in April of 2024.

On January 15, 2025, the Director of PWFP received notice that a grant in the amount of \$4,075,000 had been awarded to the County of Monterey/Pajaro County Sanitation District for the second of the two projects submitted (Internal System Repairs), as that work is eligible for a ‘Notice of Exemption’ under NEPA (since all the proposed work is on County owned property or in the public Right-of-Way). The first project (Relocate or Replace the Pajaro Force Main) is still under consideration; however, additional environmental work is necessary before a USDA decision can be rendered on that possible award. If both proposed projects are ultimately determined to be eligible for inclusion, the total amount of funding will be more than \$10 million total.

PAJARO COUNTY SANITATION DISTRICT - Wastewater System Overview

The Pajaro County Sanitation District (PCSD) is a dependent Special District. The PCSD Wastewater System is a County-owned System located within the jurisdictional boundaries of the PCSD in the northern unincorporated area of the County of Monterey. The system includes a wastewater collection system of approximately 20 miles of gravity sewer pipe, 6 pump stations, and 2.4 miles of force sewer main. There are approximately 1,047 sewer connections and 1,768 billing units.

The PCSD Wastewater System is a collection system only and does not provide wastewater treatment. Instead, collected sewage is pumped to the City of Watsonville (City) wastewater treatment plant (plant). Under an agreement with the City, the plant accepts and treats PCSD sewage. The PCSD is charged for its share of the plant’s costs based on its fraction of the total wastewater received by the plant and the quality of the received wastewater.

The work to be completed utilizing the funding from this Grant will be concentrated in the census designated and unincorporated communities of Las Lomas and Pajaro, which have been designated as disadvantaged communities with a service population of about 6,000 persons.

NEXT STEPS - CURRENT GRANT

Develop a Project Implementation Plan in Consultation with USDA

The project work funded by the grant is to be completed and USDA funds fully disbursed within three years of the date of obligation (January 15, 2025). We are in receipt of a ‘Letter of Conditions’ (Attachment B) which is currently under review and discussion with USDA as part of developing an Implementation Plan for the project. The preliminary schedule anticipates that construction will be completed in the Spring of 2027, so it is important to commence work as soon as possible. We have signed a letter of intent to comply with the grant conditions, some of which may necessitate changes from the standard County practices or specifications. We will return to the Board for separate actions on those if/as necessary.

Add the Project to the Capital Improvement Program

To commence work as soon as possible, it is necessary to add the project to the current year Capital Improvement Program and add sufficient appropriations to cover the work anticipated between now and June 30 (during current Fiscal Year). A little over \$200,000 is estimated to be needed to cover those costs.

Continue to Investigate other Grant Possibilities

There are other substantial near- and long- term improvements needed for the PCSD Wastewater System. The costs are significant. Staff and retained consulting engineers are also investigating other possible grant options for further potential investment in the system.

OTHER AGENCY INVOLVEMENT:

The work under this grant may need to be coordinated with other essential partners, including the United States Army Corps of Engineers, Monterey County Water Resources Agency, the Pajaro River Flood Management Agency, and the City of Watsonville. Close coordination and involvement with them will be necessary if the second still pending USDA Grant (Relocate or Replace the Pajaro Force Main) is successful. Intergovernmental Agreements will eventually be required. The design and environmental review work to be completed as part of the work contemplated under that possible second Grant will help inform discussions with all entities.

Due to the short timeline for initiating this work, PWFPP has asked to be permitted to bypass both the Capital Improvement and Budget Committees so that this could be presented to the Board of Supervisors at the February 18, 2025 Board meeting.

FINANCING:

The design phase will begin in the current Fiscal Year (FY) 2024 -25, with construction starting in FY 2025-26. Out of the \$4,075,000 USDA grant, staff plans to spend \$213,000 in FY 2024-25 and the remaining \$3,862,000 in FY 2025-26. PCSD has sufficient appropriations and cash to cover the FY 2024-25 project costs. The \$3,862,000 needed for FY 2025-26 will be included in next year’s budget.

Since the USDA grant is reimbursed after expenses are incurred, the county may need a temporary loan from the General Fund in FY 2025-26 to cover costs until the reimbursement is received. If this happens, staff will return to the Board of Supervisors for approval.

In this fiscal year, PWWP will initially use a portion of the funds for the preliminary design and review work needed to finalize the project parameters. This project is fully funded by the USDA grant, which covers design, right-of way, and construction costs, with no required matching funds from the County.

Additionally, the County's staff time and associated consulting engineering costs necessary to prepare the application were covered by the PCSD budget (approximately \$40,000). However, neither the PCSD nor the County will be required to contribute additional funds for the project moving forward.

BOARD OF SUPERVISORS' STRATEGIC INITIATIVES:

The Project will construct a sustainable, physical infrastructure that improves the quality of life for County residents and visitors. The recommended action supports the following Board of Supervisors' Strategic Initiatives:

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

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Attachment A - Resolution USDA Grant Application

Attachment B - Letter of Conditions