



County of Monterey

Budget Committee Report

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Item No.

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

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Receive a report on financial status and recent developments for the Department of Public Works, Facilities and Parks (PWFP) American Rescue Plan Act (ARPA) Program.

RECOMMENDATION:

It is recommended that the Budget Committee receive a report on financial status and recent developments for the Department of Public Works, Facilities and Parks (PWFP) American Rescue Plan Act (ARPA) Program.

SUMMARY:

PWFP staff is continuing to implement water and sewer infrastructure improvement projects funded under the ARPA program, and a detailed mid-year report on the progress of work/projects will be provided to both the CIC and the Budget Committee (BC) in January 2024.

During the BC meeting on September 27, staff presented a quarterly update for the program (through the end of FY23). The Committee noted that several of the projects had notations to the effect that additional funds are needed to complete the work as originally planned - and requested additional information regarding the possible need for supplemental ARPA funds, if available. This report is to provide the BC with a financial status update and to inform the BC of additional water/sewer infrastructure funding needs that have been identified.

Staff is providing this information to the BC for reference in the event additional ARPA funds become available from other County programs which could potentially be re-allocated to support critical infrastructure needs as discussed in this report.

BACKGROUND:

In Fiscal Year (FY) 2021/22 the Department of Public Works, Facilities and Parks (PWFP) was allocated \$15,887,607 of American Rescue Plan Act (ARPA) funding to implement a three-year water and sewer infrastructure improvement program. The overall expenditure plan, as approved by the Board of Supervisors in 2021, is included as **Attachment A**.

Improvements fall into three main categories (plus contingency):

1. Parks and Lakes - \$7,656,221
2. Laguna Seca - \$3,355,000
3. CSD and CSA Projects - \$4,100,000
4. Program Contingency - \$776,386 (some of which has been allocated to current projects)

Total: \$15,887,607

As part of developing the recommended Capital Improvement Program for FY24, the total estimated additional need (in FY 2023-24) was estimated at approximately **\$10.5** million. A request for supplemental allocation to the ARPA water and sewer infrastructure improvement program was included in the Unfunded CIP (reference **Attachment B**); however, the adopted budget for FY24 did not include any additional allocations.

Current Program Status

There are approximately 70 water and sewer infrastructure improvement projects/tasks combined within the facility categories listed above. PWFP is implementing a significant portion of the work utilizing the County's Job Order Contracting (JOC) process. As of this report, all but 6 of approximately 30 originally planned JOC projects have been completed or are underway. Of the remaining planned JOC work, 5 (of the 6) projects are on hold pending the possible availability of additional funding. The balance of the planned program improvements is being completed via self-performed tasks (by County force account) and the tasks are at various stages of completion.

Staff's internal goal has been to complete work or obligate all available funds by the end of calendar year 2023. To date, PWFP has expended or obligated approximately 85% (\$13.6 million) of the programmed funds.

Additional Project Funding Needs

When PWFP staff was first notified of the potential use of ARPA funds for water and sewer improvements, there was very little time available to develop or update reliably accurate scopes of work or cost estimates. Staff largely relied on previous (dated) assessments and field crew working knowledge of historic areas of need to develop a list of potential improvement tasks and rough cost estimates for the County Administrative Office to be able prepare an allocation for this program.

Early work on the Program included a significant and more in-depth system(s) inspection component to better understand water and sewer upgrade and improvement needs in County Parks and CSD/CSAs. Initial project(s) development work also surfaced needs that were unknown at program inception. The inspection and assessment efforts have identified significant additional infrastructure needs, primarily in the CDS/CSAs and Lakes facilities as further discussed below.

It is important to note that inflation and post COVID-19 pandemic supply issues have contributed to greater than anticipated costs compared to what was estimated when original project budgets were estimated. The County still has time to address some of the additional critical infrastructure needs if supplemental funds can be allocated to this program; however, time is of the essence as the funding lapses at the end of Calendar Year 2024. If expenditures are obligated by the end of December 2024, then an additional 2 years are allowed for actual completion of the work.

CSD-CSA Projects

Funding for CSD/CSA water and sewer projects has been limited in past years. While a general knowledge of a need for possible significant improvements existed, the County had limited resources

to conduct detailed inspections and cost estimates of needed upgrades and improvements. Initial ARPA funding provided for much needed field inspections of sewer lines, manholes and lift station conditions. As a result of these inspections, staff can more accurately report on system conditions and the associated estimated cost of critical repairs.

To bring identified systems into proper operating condition and address extensive deterioration, approximately \$5 million in additional ARPA (or other) funding is desirable for critical immediate needs in CSD-CSA areas.

The Pajaro CSD system has most of the funding needs in this category. Engineering evaluations of the manholes and sewer lines in the Pajaro CSD wastewater system were completed in the fall of 2022. Although some critically needed work was completed on severely compromised sewer lines and manholes, the evaluations identified the need for approximately \$1,850,000 of additional investment in other urgently needed sewer line improvements, along with further manhole upgrades and lift station improvements. If additional funding is not available, then these critical upgrades cannot be implemented under this (ARPA) program. Other grant opportunities will need to be explored/pursued.

Parks and Lakes Projects

Staff has identified a little more than \$5.5 million in additional water and sewer infrastructure improvements needs at Lake San Antonio, Lake Nacimiento, and Toro Park. As with the CSD-CSA projects, this is principally attributable to infrastructure degradation worse than anticipated when budgets were originally established. Emergency responses (including two water main breaks on the intake line to Lake Nacimiento) after the program was developed are evidence of that. Post COVID materials supply issues and inflation have also contributed to greater than anticipated costs.

The major project in this category is a revamped/improved water system at Lake San Antonio South Shore. The funding available for this project has been fully allocated to the first two phases of this project (which are currently underway) to replace the lake water intake system/piping and construct a new water storage tank. Current funding is insufficient to permit construction of the third phase - Water Treatment; however, a more reliable water intake and storage system will still be completed and in place using currently available funding.

At Toro Park, current funding is insufficient to fully complete irrigation and booster pumping system improvements as planned; however, the County will still have a newly refurbished and operable irrigation well available (which has been offline since the 70s) using currently available funding.

Summary: Key water projects at both Lake San Antonio and Toro Park may have to be substantially reduced if additional funds are not available. The only other near-term option would be to consider cutting other projects from the Program to free up capacity for the Parks/Lake work.

Laguna Seca Water and Wastewater Element

At this point, the funds currently programmed for Laguna Seca appear to be adequate to cover projected costs for both planned water and sewer system improvements.

TOTAL ESTIMATED ADDITIONAL NEED - Funding Prioritization

As explained above, there is a need for up to an additional **\$10.5** million allocation to the ARPA water and sewer infrastructure improvement program should ARPA or other funds become available. Attachment B is an excerpt from the FY24 Unfunded CIP which includes staff suggested priorities, brief commentary, and a running total.

As the Budget Committee is aware, there are other components of the overall County ARPA program. If ARPA funds become available from the other programs, those remaining funds could potentially be re-allocated to water/sewer infrastructure to address critical needs and help the County maximize and make timely use of its entire ARPA allocation. PWFP is continuing to experience long lead times for needed equipment; therefore, it would be ideal to re-allocate additional ARPA funds, if available, as soon as practicable so that project implementation can occur within prescribed ARPA funding deadlines.

For the CSD/CSAs, funding for the cost of needed remaining improvements could be pursued via additional grants and/or incorporated into proposed updated and increased service rates.

For the water and sewer system infrastructure at the Parks and Lakes, additional funds to support those improvement projects could be requested/considered via the annual budget process and/or exploration of other grant possibilities.

PWFP will continue to implement and complete as much water and sewer infrastructure work as existing ARPA allocations allow. If additional funding cannot be identified, the added work identified above will remain incomplete and the water and sewer systems may remain at a higher risk for failure.

OTHER AGENCY INVOLVEMENT:

PWFP discussed this report with the County Administrative Office Budget and Analysis Division.

FINANCING:

If additional funds are made available, they will be added to the FY 2023-24 Adopted Budget for the PWFP ARPA Water/Sewer Infrastructure Improvement Program. The current allocation is in FY 2023/24 Fund 404.

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Attachments:

Attachment A - ARPA Program Budget Funding Summary

Attachment B - Excerpt from FY24 Unfunded CIP

Attachment C - Unfunded CIP Project Sheet

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