



# Monterey County

Item No.

## Board Report

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

Legistar File Number: BC 22-115

August 31, 2022

Introduced: 8/16/2022

Current Status: Agenda Ready

Version: 1

Matter Type: Budget Committee

- a. Support a recommendation that the Monterey County Board of Supervisors approve and authorize a Memorandum of Understanding (MOU) with Monterey County Water Resources Agency for the amount not to exceed \$193,700 per fiscal year, effective October 1, 2022 thru June 30, 2030, for the Cost Share Agreement with the City of Watsonville, Santa Cruz Flood Control and Water Conservation District -Zone 7, and the Pajaro Regional Flood Management Agency to funding activities of the Pajaro Regional Flood Management Agency; and
- b. Authorize and direct the Auditor-Controller to amend the Fiscal Year 2022-23 Adopted Budget, Fund 001, Appropriation Unit CAO017, to increase appropriations by \$193,700, financed by a decrease in appropriations in General Fund Contingencies, Fund 001, Appropriation Unit CAO020; and
- c. Authorize and direct the Auditor-Controller to transfer up to \$193,700 in FY 2022-23 to the Monterey County Water Resources Agency's Pajaro Levee Fund, Fund 112, Appropriation Unit WRA002 from Other Financing Uses, Fund 001, Unit 8038, Appropriation Unit CAO017.

### RECOMMENDATION:

It is recommended that the Budget Committee:

- a. Support a recommendation that the Monterey County Board of Supervisors approve and authorize a Memorandum of Understanding (MOU) with Monterey County Water Resources Agency for the amount not to exceed \$193,700 per fiscal year, effective October 1, 2022 thru June 30, 2030, for the Cost Share Agreement with the City of Watsonville, Santa Cruz Flood Control and Water Conservation District -Zone 7, and the Pajaro Regional Flood Management Agency to funding activities of the Pajaro Regional Flood Management Agency; and
- b. Authorize and direct the Auditor-Controller to amend the Fiscal Year 2022-23 Adopted Budget, Fund 001, Appropriation Unit CAO017, to increase appropriations by \$193,700, financed by a decrease in appropriations in General Fund Contingencies, Fund 001, Appropriation Unit CAO020; and
- c. Authorize and direct the Auditor-Controller to transfer up to \$193,700 in FY 2022-23 to the Monterey County Water Resources Agency's Pajaro Levee Fund, Fund 112, Appropriation Unit WRA002 from Other Financing Uses, Fund 001, Unit 8038, Appropriation Unit CAO017.

### SUMMARY/DISCUSSION:

The Pajaro Regional Flood Management Agency ("PRFMA") was formed under the Joint Exercise of Powers Act, Government Code section 6500 *et seq.*, pursuant to a Joint Exercise of Powers Agreement ("JPA Agreement") dated July 21, 2021 in order to coordinate, finance, acquire, construct, improve, operate or maintain flood management infrastructure on the Pajaro River in

Santa Cruz and Monterey Counties.

The Member Agencies of the PRFMA are County of Santa Cruz, Santa Cruz County Flood Control and Water Conservation District, Zone 7 (“Zone 7”), County of Monterey (“County”), City of Watsonville, and the Monterey County Water Resources Agency (“MCWRA” or “Agency”). The PRFMA is the lead local agency to work with the United States Army Corps of Engineers in continuing the Pajaro River Federal Flood Control Project, which is currently maintained jointly by Zone 7 and MCWRA.

A Cost Share Agreement has been proposed by PRFMA to allocate annual contributions of Watsonville, Zone 7, and MCWRA (“Cost Share Agencies”), and to fund operating expenses of the PRFMA by dedicating existing revenues generated within the boundaries of the PRFMA. The proposed Fiscal Year (FY) 2022-2023 budget of the PRFMA is \$3.832 million. Under the Cost Share Agreement, contribution allocations are \$2,138,400 for Zone 7, \$49,900 for Watsonville, and \$443,700 for MCWRA. On July 13, 2022, the PRFMA certified a newly formed Proposition 218 benefit zone that will collect \$1,200,000 a year in assessments. The contributions from the Cost Share Agencies will be subject to an annual cost-of-living adjustment by the Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-Hayward area during the previous fiscal year ending June 30. The amount of \$443,700 allocated to MCWRA is proposed to be a combined total contribution by MCWRA and the County. The PRFMA Board of Directors approved the draft Cost Share Agreement on July 13, 2022.

MCWRA is currently negotiating an Operations, Maintenance, Repair, Rehabilitation and Replacement Agreement (“OMRR&R Agreement”) with the PRFMA to transfer MCWRA’s assets, current responsibilities, operation and maintenance activities, capital projects, flood monitoring, and related emergency response, all of which relate to Infrastructure in Zone 1/1A, to the PRFMA. In the event the OMRR&R Agreement is neither executed nor approved by December 31, 2022, MCWRA is not obligated to make any further contributions to the PRFMA.

To pay the total allocated amount of \$443,700 in FY 2022-23, MCWRA will dedicate \$250,000 of Zone 1/1A assessment revenue to the PRFMA, and MCWRA requests the County to contribute up to \$193,700. County’s annual contributions shall be continued to cover funding gaps for the next seven years with the final contribution in FY 2029-30.

The funding gap will be calculated using variances between MCWRA’s maximum cost share amount of \$443,700 and Zone 1/1A assessments available for the PRFMA cost share. MCWRA needs parts of Zone 1/1A assessments to pay administrative expenses of Fund 112, as well as overhead expenses of WRA General Administration that is allocable to Fund 112. The administrative and overhead expenses include third party insurance cost, reimbursements to other government agencies and charges by other county service departments, which would be ineligible for reimbursements by PRFMA under the OMRRR Agreement. The annual contribution by the County to MCWRA for the Cost Share Agreement shall not exceed \$193,700.

It is expected that as the operations and responsibilities of PRFMA grows, Zone 1/1A flood assessment that MCWRA can contribute to the PRFMA Cost Share Agreement will increase while

County's contributions will decrease.

The County's contribution to MCWRA for the Cost Share Agreement shall be terminated prior to FY 2029-30 and the County will be no longer obligated for its annual contributions if Zone1/1A assessments available for the Cost Share Agreement exceeds \$443,700 and there is no funding gap.

The Cost Share Agreement along with the OMRR&R Agreement is a necessary step for the PRFMA to take over operations and maintenance responsibilities of the Pajaro River levee system, currently undertaken by the Member Agencies. The MOU with the County will provide sufficient fundings for such transfer of operations and maintenance responsibilities by covering the funding gaps.

The Budget Office considers that the Cost Share Agreement that pledges assessment revenue without clearly outlining the transfers of O&M, capital projects, and flood monitoring to the PRFMA would be a financial risk for the MCWRA.

OTHER AGENCY INVOLVEMET:

MCWRA is working with PRFMA, Office of the County Counsel, CAO's office and County Budget Office on the Cost Share Agreement and the OMRR&R Agreement. The Water Resources Agency Board of Directors approved the draft PRFMA Cost Share Agreement and the draft MOU at its August 15, 2022 meeting.

FINANCING:

Sufficient appropriations for the Cost Share Agreement are available in Agency's FY 2022-2023 Adopted Budget Fund 112-9300-WRA002- UNIT 8484. Zone 1/1A flood benefit assessments in FY 2022-23 is estimated at \$506,290.

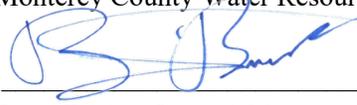
Of the combined total contribution of \$443,7000 allocated to MCWRA and County, MCWRA will dedicate \$250,000 of Zone 1/1A flood benefit assessments revenue to PRFMA in FY23 and request County to contribute up to \$193,700 in FY 2022-23. County's annual contributions will continue for the next seven years until the final contribution in FY2029-30, for the annual amount not to exceed \$193,700. The actual amount contributed to the PRFMA in FY 2022-23 will be prorated to the Cost Share Agreement execution date.

It is expected that available Zone 1/1A benefit assessment revenues for the Cost Share Agreement would increase as operations and responsibilities of the PRFMA increase and the contributions needed from County will decrease.

The funding source for the FY 2022-23 County contribution is General Fund Contingencies, which has a balance of \$809,118 at the writing of this report. The use of \$193,700 in Contingencies would leave a remaining Contingencies balance of \$615,418. If the Board of Supervisors approves this MOU, the County Administrative Office will budget for the contribution in future years in the annual recommended budget financed by General Fund Contributions (GFC). The use of GFC for subsidizing a Water Resource Agency program reduces the available funding for County programs that rely on GFC.

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Monterey County Water Resources Agency

Approved by:



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Monterey County Water Resources Agency

Attachments:

1. MCWRA Cost Share Agreement with PRFMA
2. MOU - PRFMA Cost Share Contributions