

**AMENDMENT NO. 4 TO THE AMENDED AND RESTATED WATER RECYCLING AGREEMENT**

**AMENDMENT NO. 4  
TO THE AMENDED AND RESTATED WATER RECYCLING AGREEMENT  
BETWEEN MONTEREY COUNTY WATER RESOURCES AGENCY AND  
MONTEREY ONE WATER**

**THIS AMENDMENT NO. 4** to the Amended and Restated Water Recycling Agreement, dated November 3, 2015 between the Monterey County Water Resources Agency (hereinafter, “WRA”) and Monterey One Water, previously referred to Monterey Regional Water Pollution Control Agency (hereinafter, “M1W”) is hereby entered into between WRA and M1W (collectively, WRA and M1W are referred to as the “Parties”) as of July 1, 2025 (“Effective Date”).

**RECITALS**

**WHEREAS**, WRA and M1W entered into the Amended and Restated Water Recycling Agreement, dated November 3, 2015 (hereinafter, “Agreement”), related to the ongoing coordination of and accounting for the operations and maintenance of the Salinas Valley Reclamation Project (“SVRP”), the Castroville Seawater Intrusion Project (“CSIP”), the Salinas River Diversion Facility (“SRDF”), and implementing certain portions of the Pure Water Monterey project.

**WHEREAS**, the Parties entered into Amendment No. 1 to the Agreement on August 26, 2019, Amendment No. 2 to the Agreement on July 14, 2020, and Amendment No. 3 to the Agreement on July 16, 2021.

**WHEREAS**, the Parties now wish to amend Article VII, Sections 7.01 - 7.11, and Article VIII, Sections 8.01-8.06, of the Agreement to reflect updated budget and accounting procedures mutually negotiated and agreed to by the Parties.

**NOW, THEREFORE**, the Parties agree to amend Article VII, Sections 7.01 - 7.11, and Article VIII, Sections 8.01 - 8.06, of the Agreement as follows:

**1. AMENDMENTS TO ARTICLE VII.** The following provisions shall amend and replace in their entirety the existing terms set forth in Article VII, Sections 7.01 - 7.11, of the Agreement:

**VII. PAYMENTS BY WRA TO M1W**

**7.01. Considerations.**

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### **1. ACCOUNTING**

As consideration for the services performed by M1W under this Agreement, the WRA shall make payments to M1W pursuant to this Agreement.

WRA's CSIP, SVRP, and SRDF programs ("WRA Program(s)"), which have services provided by M1W pursuant to this Agreement, are funded by distinct WRA benefit assessments, fees, and other revenue sources. Therefore, M1W shall establish a separate fund for each WRA Program among which monies cannot be transferred without written authorization from WRA. Each WRA Program's financials, including WRA approved annual budgets for M1W services, pre-paid revenues, and actual expenses, shall be maintained separately. If WRA initiates a new program that is operated by M1W, WRA shall then inform M1W as to how funds for the new WRA Program shall be maintained.

A separate fund is defined as a self-balancing group of accounts that records a pool of money and its related financial resources, liabilities, and balances. It is used to classify revenue, track expenses, and segregate resources for specific activities and can be specific to one department of M1W or shared by many departments. Each fund established for the WRA Programs shall have its own liability account and interest-bearing account.

### **2. PAYMENTS**

WRA shall be responsible for paying M1W for costs incurred in connection with the WRA Programs. The total annual amount paid by WRA to M1W shall not exceed the WRA approved annual budgets of each WRA Program. WRA shall not reimburse M1W for expenses exceeding the WRA approved annual budget of for each WRA Program, unless approved through the formal WRA budget amendment process.

#### **7.02. Annual M1W Budgets for WRA Programs.**

WRA and M1W shall collaborate to establish annual budgets for M1W services provided to each WRA Program in advance of the operating year for which the budgets are proposed. The annual budgets must align with the fiscal year of July 1<sup>st</sup> to June 30<sup>th</sup>. WRA retains discretion to plan, implement, and manage additional activities, outside of the M1W budgeted activities, in coordination with M1W. The annual budget shall be comprised of three components prepared for each WRA Program: one for operations and maintenance ("O&M"); one for capital outlay ("CapO"); and one for capital improvement projects ("CapI"). The annual budget components will be included in the final annual budget, which must be adopted by the M1W Board of Directors and the WRA Board of Supervisors. The final annual budget must adhere to the terms of this Agreement. The scheduling requirements for annual budgets is described in Section 7.02(4) below.

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### 1. OPERATIONS AND MAINTENANCE ACTIVITIES

The O&M budget for each WRA Program is to include operations and maintenance expenses. For purposes of this Agreement, examples of operations include the cost of labor and consumables, such as electricity and chemicals, and other materials necessary to regularly operate the WRA Programs. Maintenance examples include the labor, including contract and materials to perform activities that are routine, involve functional checks and servicing, and are necessary to ensure smooth, reliable operation, and the longevity of WRA Programs. See Exhibit B for detailed descriptions of O&M activities related to the WRA Programs.

- a. In preparing the O&M budgets, WRA's General Manager will provide to M1W's General Manager and the Director of Finance, an estimated demand schedule for the following fiscal year, for each water source available to WRA, by December 1<sup>st</sup> of each year.
- b. M1W shall provide detailed supporting documents for the proposed O&M budgets, including all the items below:
  - i. Salaries and benefits.
  - ii. Budgeted full time equivalent and employee labor details, such as position and billing rate.
  - iii. Estimates for services and supplies, including descriptions.
  - iv. Indirect charges. The indirect charge amount shall be calculated in accordance with the following cost structure:
    - The indirect charges for Fiscal Year 2024–2025 shall be 14.5% of the O&M budget and Capital Outlay. Preparation and approvals of this budget predates the effective date of this Amendment. The actual indirect charges shall be 14.5% of actual O&M and Capital Outlay expenditures, reconciled at the fiscal year end.
    - The indirect charges for Fiscal Year 2025–2026 shall be 14.5% of the O&M budget and Capital Outlay. Preparation and approvals of this budget predates the effective date of this Amendment. The actual indirect charges shall be 14.5% of actual O&M and Capital Outlay expenditures, reconciled at the fiscal year end.
    - For Fiscal Year 2026–2027, WRA and M1W shall meet by December 15, 2025, to determine a future indirect cost allocation method, unless extended by mutual agreement. If extended by mutual agreement, indirect charges for Fiscal Year 2026–2027 shall be 14.5% of the O&M budget.

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- Prior to finalization of the Fiscal Year 2026-2027 budget, M1W shall develop and implement accounting procedures to allow for the independent tracking of all costs associated with Capital Outlay projects to improve administration and fiscal transparency.
  - M1W may develop a cost allocation plan to determine a new, potential indirect cost allocation method, specific to serving outside agencies, that could be applied uniformly across all M1W programs serving: Marina Coast Water District, Monterey Peninsula Water Management District and WRA. The cost allocation plan may consider including the finance department as a direct charge and other approaches to direct versus indirect charges. Payment for the development of the cost allocation plan shall be split between all participating parties. The costs associated with the development of a cost allocation plan shall be shared equally by all parties involved.
  - Prior to December 15, 2026, WRA and M1W shall meet to determine a future indirect cost allocation method for Fiscal Year 2027-2028 and beyond.
- v. Any additional costs associated with the use of New Source Waters, will be calculated based on the demand schedule and M1W's Interruptible Rate; and will be included as a separate line item in the WRA Program's O&M budgets.
- c. The proposed O&M budgets shall include one (1) year forecasts for each WRA Program with an understanding the second year is for projection only.

### 2. CAPITAL OUTLAY (CAPO) ACTIVITIES

For purposes of this Agreement, CapO for each WRA Program shall refer to the labor, including contract and materials to perform extraordinary maintenance, including equipment purchases, necessary to perform planned repairs and/or replacements, and which, under M1W's Purchasing Policy, requires a competitive bid process, including informal bids and proposals. CapO projects are performed under the direction of the M1W Assistant General Manager, or delegate.

- a. M1W and WRA shall collectively create the list of CapO projects to be performed by M1W in each fiscal year.
- b. Budgets shall be prepared by M1W for CapO projects and shall include the proposed project scope, estimated cost, and work schedule broken down by quarter, including:
  - i. Estimated contract labor costs; and
  - ii. Material and equipment cost estimates.
- c. Budgets shall be prepared and presented in a sharable, spreadsheet format.

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- d. The proposed CapO budgets shall include two (2) year forecasts of each WRA Program with an understanding the second year is for projection only.

### **3. CAPITAL IMPROVEMENT (CAPI) ACTIVITIES**

For purposes of this Agreement, CapI projects for each WRA Program shall refer to the labor, including contract, and materials necessary to modify and improve existing infrastructure, create new infrastructure, or make some other change to public land, property, or equipment, and which, under M1W's Purchasing Policy, requires a formal, competitive bid process. CapI projects are performed at the direction of the M1W Director of Engineering, or delegate.

- a. M1W and WRA shall collectively create the list of CapI projects to be performed by M1W in each fiscal year.
- b. Budgets shall be prepared by M1W for CapI projects and shall include the proposed project scope, estimated cost, and work schedule broken down by quarter, including:
  - i. Proposed M1W salaries and benefits;
  - ii. Estimated contract labor costs; and
  - iii. Material and equipment cost estimates.
- c. Budgets shall be prepared and presented in a sharable, spreadsheet format.
- d. The proposed CapI budgets shall include two (2) year forecasts of each WRA Program with an understanding the second year is for projection only.

### **4. SCHEDULE FOR BUDGET DEVELOPMENT**

- a. By January 15th of each year, M1W will provide WRA with written, preliminary, proposed O&M, CapO and CapI budgets for each WRA Program.
- b. Following receipt of the proposed budgets, the Parties will meet to review the proposed O&M CapO, and CapI budgets.
- c. By January 31 of each year, M1W will provide WRA with final proposed O&M budgets for each WRA Program.
- d. WRA shall notify M1W of the preliminary budget proposal, no later than April 10<sup>th</sup> of each year.
- e. WRA shall notify M1W of the budget recommended by the WRA Board of Directors, no later than May 5th of each year.
- f. WRA shall notify M1W of the final budget adopted by the WRA Board of Supervisors, no later than June 30th of each year.

### **7.03. Payment Procedures and Schedule.**

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M1W shall invoice WRA for all requested payments. WRA shall approve invoices for compliance with this Agreement and within seven (7) business days submit such claim to the County of Monterey Auditor-Controller, who shall pay the approved amount within thirty (30) days after receiving the approved invoice from WRA. Any invoices that are not in compliance with this Agreement will need to be corrected by M1W in a timely manner and may extend the review period for WRA.

M1W shall submit invoices via email to [WRAAccountsPayable@countyofmonterey.gov](mailto:WRAAccountsPayable@countyofmonterey.gov) and to WRA's Finance Manager.

M1W must place unused funds received from WRA in an interest-bearing account. All interest earned on WRA accounts will be applied for WRA's benefit, on a quarterly basis. Year-end reconciliation statements will accurately reflect any interest earned on WRA accounts.

### **1. PAYMENTS FOR O&M ACTIVITIES**

WRA shall issue payments to M1W in advance, for the adopted annual O&M budgets for each WRA Program, in accordance with the following bi-annual payment process and schedule.

- a. M1W shall submit an invoice to WRA for the first installment payment for 50% of the adopted O&M budgets no later than July 5<sup>th</sup> of each fiscal year, with a due date at least thirty (30) days from issuance. The invoice shall specify the amount due and the payment due date.
- b. M1W shall submit an invoice for the second installment payment for the remaining 50% of the adopted O&M budgets no later than January 5<sup>th</sup> of each fiscal year, with a due date at least thirty (30) days from issuance.
- c. WRA shall promptly review all requests for payments and shall approve for payment from the County Auditor such requests or portion thereof that are in conformity with this Agreement.
- d. WRA shall promptly notify M1W of any disputed payment request. Disputes over payments shall be resolved as provided in Article XIII of this Agreement.

### **2. PAYMENTS FOR CAPO AND CAPI ACTIVITIES**

- a. Under M1W's Purchasing Policy, specifications shall be developed and used for the purpose of soliciting quotations from prospective vendors for goods and/or services necessary to perform the planned CapO and CapI project(s).
- b. CapO and CapI project solicitations will be developed in quarterly timeframes.
- c. Prior to issuance of a solicitation for quotes, M1W must meet with WRA to review and agree upon the solicitation package(s).
- d. When the nature of an acquisition of goods and/or services is impractical to the preparation of a solicitation package, M1W shall meet with WRA to discuss and agree upon the proposed acquisition, develop a scope of work and schedule, and establish a cost estimate for the CapO project.

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- e. On a quarterly basis, based on the fiscal year quarters, beginning July 1<sup>st</sup>, M1W shall invoice WRA for the projected costs to be expended for the agreed upon CapO and CapI projects planned for the forthcoming quarter, based on actual expenditures and up to the total budgeted amount, per the invoicing and payment procedures described in this Agreement.
  - i. By the 15<sup>th</sup> day following the end of each quarter (July 15<sup>th</sup>, October 15<sup>th</sup>, January 15<sup>th</sup>, April 15<sup>th</sup>) M1W shall submit an invoice for the estimated CapO and CapI expenses, by project, for the current quarter and include total YTD expenditures, including all necessary back-up information, for each project. The invoice shall be due no later than 45 days from issuance.
  - ii. Quarterly invoices shall indicate an amount requested, total payment received and total expenses through the invoice date, for each project number.
  - iii. CapO and CapI Quarterly Progress Reports for the invoice period shall be submitted together with a quarterly invoice.
- f. On an annual basis, WRA advance payments for projected CapO and CapI projects costs will be reconciled with actual expenses, per the annual reconciliation process described in this Agreement.

### **3. DEBT SERVICE AND AMORTIZATION**

- a. By May 15<sup>th</sup> of each year, M1W will submit an invoice to WRA for the annual USBR loan payment for the SVRP. WRA will reimburse M1W for the amount offset by charges related to annual excess land percentage. M1W will provide a confirmation of annual payment made by June 30<sup>th</sup> of each year. WRA shall not be responsible for any penalties or late fees.
- b. Amortization of any loans (USBR, etc.), bonds, certificates of participation, and any interim or other financing options shall be adhered to as agreed upon between WRA and M1W, consistent with any debt issuance covenants or other legal requirements.
- c. Debt service and amortization schedules are shown in Exhibit H.
- d. All payments made by WRA to M1W for the repayment of the USBR SVRP loan shall be used for such repayment. Upon termination of any loan agreement, any unused funds returned to M1W and retained by M1W shall be returned to WRA within 60 days from the date of the approved M1W audit for the fiscal year in which the agreement was terminated all in accordance with Section 9.01.

### **4. PAYMENTS AS NEEDED**

WRA shall make additional payments listed below, outside of annual budgets:

- a. M1W shall submit additional invoices for each approved budget amendment.

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- b. Loss of interest earnings on M1W's monies used to cover any WRA Program costs until such costs are reimbursed by WRA. Interest will be calculated from the time of expense occurred by the M1W wastewater fund through receipt of payment from WRA. Interest rate will be based on Local Agency Investment Fund ("LAIF").

### **7.04. Budget Adjustments.**

If M1W's O&M, CapO, or CapI expenditures within WRA Programs are anticipated to exceed the adopted budget and additional program funding is needed from WRA, a budget adjustment shall be pursued. In the event WRA's revenues to fund the WRA Program's budgets fall below projected amounts, WRA may request, with a minimum thirty (30) days' notice, that M1W revise the operations to incur lower operating costs to stay within the revised revenue projections. This may result in decreased water production and/or delivery.

#### **1. EXPENSE ALLOCATION CHANGES WITHIN EACH WRA PROGRAM**

If O&M, CapO, or CapI needs require an allocation change for expense categories to the adopted budget, M1W should first seek to support the new expenditures through a net-zero, inner fund transfer. Transfers cannot occur between WRA Program funds; only between expense categories within a fund.

- a. For expenses that require an inner fund transfer of \$10,000 or less, M1W will have the latitude to execute the transfer without WRA approval, but WRA must be notified within seven (7) days of posting.
- b. For expenses that require an inner fund transfer in excess of \$10,000, approval from WRA is required prior to posting and to incurring the related expenses.
- c. Any inner fund transfer between O&M, CapO, or CapI budgets must be approved by WRA staff.

#### **2. BUDGET AMENDMENT**

If a WRA Program is projected to go over budget, none of the expenses, related to the projected exceedance, should be incurred by M1W until a budget amendment for the associated WRA Program is approved by WRA. A mutually agreed upon form shall be utilized for the requests described below.

Budget amendments must comply with the following terms:

- a. M1W shall evaluate all completed and proposed expenditures in order to reduce any budget amendments requested.
- b. M1W expenses that exceed the annual budget allocations for each WRA Program are not eligible for reimbursement by WRA unless a budget amendment has been approved by the required decision making bodies.
- c. M1W must submit a written request for a budget amendment to WRA for any anticipated expenditures that exceed the limits of the adopted budget. All



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budget amendment requests must include description of the proposed change, reason for the change, amount of change, and estimated timeframe for expense to be incurred.

- d. No budget amendment shall be considered final or acted upon until it has received the necessary recommendation and approval by the appropriate WRA Board(s). M1W must obtain approval through its Board process concurrently or after approval by WRA Board(s).
- e. WRA shall notify M1W, in writing, of WRA Boards' decision within five (5) days from when the WRA Board of Supervisors take action on a budget amendment request.
- f. Each party representative is responsible for presenting the item to their respective governing boards and attaining approval prior to finalizing any decisions or commitments.
- g. For any approved budget amendment, M1W shall invoice WRA separately for the budget amendment, no later than June 30<sup>th</sup> of each fiscal year. All changes in funding or expenditures must be adequately documented and invoiced in alignment with the amended budget.

### **3. UNANTICIPATED EVENTS**

Circumstances or events may arise which were not anticipated in either the scopes of services or the budgets for WRA Programs. In this case, M1W will prepare written plans for addressing such circumstances or events, including justification and estimated costs, and provide to WRA for approval. If plans cannot be executed through an inner fund transfer as described in Section 7.04(1), then a budget amendment process should be followed as described in Section 7.04(2).

### **4. EMERGENCY SITUATIONS**

If the unanticipated event or circumstance constitutes an emergency situation which threatens health and safety, damage to property, or injury to persons, M1W will act as promptly and as efficiently as possible to mitigate the situation without waiting for WRA approval. M1W will notify WRA immediately of the emergency, mitigating actions, and of any further action that may be necessary. WRA will coordinate emergency response with M1W, the County of Monterey, and WRA Board of Supervisors, as appropriate, including potential budget adjustment requests.

## **7.05 Reduction or Termination of Water Delivery for Lack of Payment; Judicial Remedies.**

1. Notwithstanding anything to the contrary in this Agreement (except for the provisions of paragraph (2), below), if WRA should fail to make any payment to M1W required under this Agreement for a period of ninety (90) days or more after the due date, then M1W, upon fifteen (15) days' written notice to WRA, may act to reduce or terminate the

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production and/or delivery and/or distribution of tertiary treated water from the SVRP and/or discontinue operation of the CSIP. Such reduction or termination in the delivery of water or discontinuance of operations of CSIP may continue only for such period of time as payments from WRA to M1W remain delinquent, and may continue even though dispute resolution procedures pursuant to Article XIII are pending between the parties, unless WRA makes full payment of the amount in question, under protest, as provided in Section 13.01.

2. For as long as any notes or bonds issued to finance the SVRP or CSIP are outstanding, M1W shall not exercise its right to terminate or reduce the water supply of the tertiary treated water to the CSIP, except that M1W may reduce the water supply to the extent that the failure of WRA leaves M1W without all necessary and sufficient funds to operate the SVRP.
3. In addition, if WRA should fail to make any payment to M1W required under this Agreement for a period of ninety (90) days or more after the due date, M1W shall have the right to seek any appropriate judicial relief, at law or in equity, for such default after following the dispute resolution provisions of Article XIII of this Agreement. Such relief may include, but need not be limited to, damages, injunctive relief, and the appointment of a receiver.

### **7.07. Priorities of Payment.**

WRA's obligations to make payments for the WRA Programs shall be prioritized as follows, and the obligations in each category shall be subordinate to the obligations in each prior category, shall be on a parity with all other obligations in its category, and shall be senior to the obligations in each subsequent category:

1. Debt service obligations of the USBR SVRP loan;
2. Operation and maintenance costs for the WRA Programs; and
3. Repair, replacement, capital improvements, capitalized equipment, of the WRA Programs (to the extent the same do not constitute operation and maintenance costs).

### **7.08. Decision-Making Authority.**

In order to provide for the smooth and efficient operation of all WRA Programs, M1W will implement decisions with regard to activities and expenditures for these purposes based on collaboration and Program oversight by WRA and in accordance with established plans and priorities. All such activities shall be within the scope of services described in Exhibit B

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"Operation and Maintenance of WRA Programs," respectively. All such expenditures shall be within the budget amounts of O&M, CapO, and CapI for the WRA Programs, respectively.

To help ensure effective collaboration and oversight, WRA and M1W agree to convene a group, including the chairs and vice chairs of the M1W and WRA board of directors and the respective General Managers ("Leadership Group") to meet on a quarterly basis to review WRA Programs to discuss status and provide direction as needed.

2. **AMENDMENTS TO ARTICLE VIII.** The following provisions shall amend and replace in their entirety the existing terms set forth in Article VIII, Sections 8.01 - 8.06, of the Agreement:

### **VIII. ACCOUNTING SYSTEM, REPORTS**

#### **8.01. Accounting System.**

M1W shall maintain an accounting system that is in conformity with generally accepted accounting principles ("GAAP") and will allow for the segregation and tracking of all revenues and direct costs related to the WRA Programs. Each of the WRA Program's financials including budgets, expenses, and revenues shall be separated and monies cannot be moved between the individual funds established for each WRA Program.

The accounting system shall properly record costs, revenues, and available cash to the SVRP, CSIP, and SRDF and to M1W's other activities that are not subject to reimbursement by WRA under this Agreement.

The accounting system shall provide the ability to adequately identify indirect cost centers and establish allocation factors to assign indirect costs proportionally to the CSIP, SVRP, SRDF, and the Interruptible Rate for New Source Waters.

Cost accounting shall be in accordance with GAAP. M1W shall make the details of such system available to or known to WRA and/or to WRA's auditor, at WRA's request.

#### **8.02. Direct and Indirect Costs.**

1. Direct costs of the WRA Programs are costs of activities, which are directly tied to the WRA Programs and can be tracked through invoices, time cards, record keeping systems, and other records that specifically allocate a cost to these activities.
2. Indirect costs are all other costs incurred by M1W in order to manage, maintain, support, and operate the WRA Programs. The cost allocation plan shall identify the specific functions that are typically considered administrative or support in nature.

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3. M1W shall implement the accounting system described in Section 8.01 to uniformly identify and allocate all direct and indirect costs for the WRA Programs and for all the M1W's other activities.
4. For purposes of allocating indirect costs, M1W will not include as a direct cost the debt service (principal and interest) on the loans obtained for the WRA Programs.
5. The indirect rate for Fiscal Year 2024-25 and 2025-26 is 14.5% as indicated in Section 7.02(1)(b)(iv). The actual indirect charges shall be 14.5% of actual O&M and CapO expenditures, reconciled at the fiscal year end. For Fiscal Year 2026–2027, the indirect costs will be determined using the allocation method per Section 7.02(1)(b)(iv).
6. M1W and WRA retain the right to transition from the cost allocation plan identified in 7.02 (1)(b)(iv) to a cost allocation model that is compliant with the Office of Management and Budget (OMB) Circular A-87 - Cost Principles for State, Local, and Indian Tribe Governments or a subsequent revision. Any cost allocation plan subject to this provision shall be accompanied by a Certificate of Cost Allocation Plan and be in compliance with Title 2 CFR, Part 200. All indirect costs charged to functional activities will be applied consistently with the results of this plan to ensure equity between costs centers and conformance with OMB standards; provided, however, no allocation of any indirect cost unrelated to the WRA Programs shall be made.
7. Implementation of an OMB Circular A-87 Cost Allocation Plan will become effective in the new fiscal year immediately following the cost allocation study.
8. All OMB Circular A-87 Cost Plans will be subject to updates as consistent with industry standards. All costs associated with a consultant retained to update the cost allocation plan shall be paid in accordance with Section 7.02(1)(b)(iv) above.

### **8.03. Audit and Reconciliation Processes.**

#### **1. ANNUAL AUDIT AND RECONCILIATION**

M1W shall annually audit the accounting of each WRA Program fund. A copy of the annual audit report for the WRA funds will be provided to WRA no later than January 31st following the close of the prior fiscal year. WRA Programs will be charged for these additional auditing costs and included in the annual O&M budget requests.

M1W shall also submit annual reconciliation statements for each WRA fund to WRA by January 31st of each year. The reconciliation statement will compare the budgeted program costs against the actual expenses incurred in the audited statements and it shall exclude encumbered funds. The statement shall be produced in the form of Cash Flow Statements in a separate audited Financial Statement of WRA Programs and will

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form the basis of any resulting refund. M1W shall not include encumbered funds in the annual reconciliation statements submitted to the WRA.

M1W shall issue a refund to WRA no later than February 15th if budget savings are identified in the reconciliation statement. The savings shall not be rolled over to a following fiscal year.

If an extension is required to complete the audit and reconciliation process, M1W must notify WRA by December 15th. If the extension impacts the reconciliation process, a preliminary reconciliation statement is to be submitted by January 31st and the final reconciliation report along with any refund is to be issued by May 31st.

### **2. RIGHT TO INSPECT AND AUDIT RECORDS**

WRA shall have the right to inspect M1W's records pertaining to the WRA Programs. For records related to the current fiscal year, inspection shall be permitted upon reasonable advance notice. For records pertaining to prior fiscal years, WRA shall provide no less than sixty (60) days advance notice. WRA shall also have the right to audit M1W's records pertaining to the WRA Programs or to have them audited by an auditor selected by WRA, at WRA's sole cost and expense. However, if the audit shows that M1W has overcharged annual costs to WRA by more than five (5) percent, M1W shall, within ninety (90) days, after demand by WRA, reimburse WRA for the cost of the audit. Such audit may be performed at any time during regular business hours, upon the giving of reasonable advance notice. If any audit shows that an undercharge or an overcharge within the approved fiscal budgets has occurred, each agency will have 90 days to comply with the audit findings.

## **8.04. Reports.**

### **1. MONTHLY REPORTS**

Within 45 days after the end of each month, the M1W Finance Department will provide to the WRA Finance Section, a report on expenditures made during the previous month and contain the following information:

- a. Expenditure reports for WRA Programs that describe year-to-date ("YTD") expenditure, YTD encumbrance, and YTD total, for each account along with the YTD total for all accounts, including indirect costs and contingency, and the percentage used YTD of the budgeted amount.
- b. Expenditure reports for WRA Programs that describe previous month expenditures, previous month encumbrance, and previous month totals, for each account along with the previous month total for all accounts, including indirect costs and contingency.
- c. Payroll records and activity logs for the previous month.

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- d. All operations and maintenance reports, including work order reports when available, for the WRA Programs, as defined in Exhibit B.
- e. The parties shall convene meetings on a monthly basis, with dates mutually agreed upon in advance, to review the current budget, expenditures, and any emerging operational needs or challenges related to the WRA Programs.
- f. WRA shall prepare and submit proposed discussion items and questions in writing to M1W no later than one week after the reports are received.

Backup information for each direct charge will be maintained by M1W and provide to WRA as requested.

### **2. CAPO AND CAPI PROJECTS QUARTERLY REPORTS**

M1W shall provide WRA quarterly progress reports by CapO and CapI projects containing the following information:

- a. Listing of each CapO and CapI for WRA Programs and their year-to-date (YTD) expenditure, YTD encumbrance, and YTD total, for each account along with the YTD total for all accounts, and the percentage used YTD of the budgeted amount;
- b. Status of CapO and CapI projects – activities and projects planned & completed during the period that the payments are requested;
- c. Payroll records and activity logs associated with CapO and CapI projects;
- d. Shall indicate invoiced amounts and total payment received from WRA;
- e. Updated projected cash flow forecast and project schedules; and
- f. Updated CapO and CapI project accounting will be performed in a sharable, spreadsheet format.

M1W and WRA will meet quarterly to review CapO & CapI project(s) status, budget-to-actual reports, and proposed solicitations for forthcoming CapO & CapI projects, during the first week of January, April, July, and October.

Backup information will be maintained by M1W to support each direct charge and provide to WRA as requested.

### **3. ANNUAL REPORTS**

M1W will submit the following reports annually:

- a. M1W shall submit the annual reconciliation statements for O&M, CapO, and CapI for each WRA Programs to WRA by January 31st following the close of the prior fiscal year.
- b. A copy of M1W's Annual Audit Report for each WRA fund will be provided to WRA no later than by January 31st following the close of the prior fiscal year.
- c. In the event M1W's audit process is delayed, M1W will notify WRA by December 15<sup>th</sup>.

## AMENDMENT NO. 4 TO THE AMENDED AND RESTATED WATER RECYCLING AGREEMENT

### 4. GRANTS AND SPECIAL FUNDING

For any activities that M1W performs that are funded through grants or other outside sources received by WRA, M1W must comply with all grant or funding terms and conditions. In addition, the below must be followed to support compliance with funding obligations.

- a. WRA must inform M1W when a project or activity is grant-funded and provide a copy of the grant or funding agreement.
- b. M1W shall establish project-specific accounting for the grant and follow the grant guidelines to ensure full compliance with all funding requirements.
- c. M1W must complete all grant projects within the specified grant term, or sooner as requested by WRA if feasible for M1W and must inform WRA as soon as possible if any work cannot be completed within the grant required timeframe.
- d. Throughout the term of the grant agreement, M1W will submit detailed invoice backup and payroll report to WRA on a monthly basis. This documentation will include all necessary records to support the invoiced amounts, as required by the grant guidelines.
- e. M1W shall maintain thorough records of all grant-related activities and expenses for the duration of the grant, ensuring that all documentation is readily available for audit or review.
- f. Expenditures supported by grants or specialized funding are not subject to inner fund transfers as described in Section 7.04(1) and must comply with Section 7.04(2) independent of cost thresholds.

3. **OTHER TERMS UNCHANGED.** This Amendment No. 4 shall be attached to the Agreement as amended and incorporated therein as if fully set forth in the Agreement. All other terms and conditions of the Agreement shall remain unchanged and in full force.

4. **AUTHORITY TO EXECUTE.** The persons executing this Amendment No. 4 on behalf of the Parties hereto warrant that: (i) such Party is duly organized and existing; (ii) they are duly authorized to execute and deliver this Agreement on behalf of said Party; and (iii) by so executing this Agreement such Party is formally bound to the provisions of this Agreement.

5. **COUNTERPARTS.** Amendment No. 4 may be executed in counterparts with facsimile or electronic signatures, each of which shall be deemed an original and all of which, together shall constitute the Agreement.

**AMENDMENT NO. 4 TO THE AMENDED AND RESTATED WATER RECYCLING AGREEMENT**

**[SIGNATURES BEGIN ON FOLLOWING PAGE]**

**IN WITNESS WHEREOF**, the duly authorized representatives of the Parties hereto have executed this Amendment No. 4 to the Agreement and agree it will become effective on July 1, 2025:

Date: _____	Date: _____
<b>MONTEREY COUNTY WATER RESOURCES AGENCY</b>	<b>MONTEREY ONE WATER</b>
By: _____ Name: Ara Azhderian Title: General Manager	By: _____ Name: Paul Sciuto Title: Executive Officer/General Manager
<b>APPROVED AS TO FORM</b>	
Date: _____	Date: _____
By: _____ Chief Assistant County Counsel	By: _____ M1W General Counsel