





TODAY'S ACTION

Consider recommending that the Monterey County Water Resources Agency Board of Supervisors:

- a. Approve Amendment No. 4 to the 2015 Amended and Restated Water Recycling Agreement with Monterey One Water for changes in Section 7 and Section 8, related to Payments, Accounting Systems and Reports; and
- b. Request the Chair of the Monterey County Water Resources Agency Board of Supervisors to execute the Amendment.





Prior Actions

- MCWRA Finance Committee, Board of Directors and Board of Supervisors approved the original agreement and all three amendments with the final approval date shown below:
 - Original Agreement approved on 11/3/2015
 - Amendment No. 1 approved on 7/16/2019
 - Amendment No. 2 to the Agreement on 6/16/2020
 - Amendment No. 3 to the Agreement 6/22/2021
- MCWRA Finance Committee recommended Amendment 4 at their May 2, 2025 meeting



Background

- The Agency and Monterey One Water (M1W) originally entered into an agreement related to recycled water use in the Castroville Seawater Intrusion Project area in 1992 with subsequent amendments and new agreements since then
- Currently the Amended and Restated Water Recycling Agreement (ARWRA), as amended, is in effect through 2045
 - 3 amendments were related to satisfying Section 16.15 *Conditions Precedent for New Source Water Facilities*

Background

- In 2023, the Agency requested a 3rd party financial audit to assess the accuracy and compliance of expenses reported by M1W for four fiscal years (FY 2018–19 to FY 2021–22) in accordance with the ARWRA
 - County's Auditor-Controller's Office engaged GPP Analytics to verify if expenses for the three Agency Programs (SVRP, CSIP, and SRDF) were reasonably incurred
 - Includes direct and indirect costs documentation, reporting, financial systems and internal controls.
 - The Audit resulted in seven findings and recommendations by GPP to address them

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Background

- In September 2024, the Agency and M1W formed a workgroup and a leadership committee to address the findings and implement recommendations from the Audit, which includes amending items related to Payments, Accounting Systems and Reports that are included within Sections 7 and 8 of the Agreement.
- These groups have made significant progress in newly proposed amendment language, over these last few months.
- Final language is still under review with a goal to be approved prior to the beginning of next Fiscal year or July 1, 2025.

Discussion

The proposed changes are summarized below:

- Re-organizes the Sections to provide clarity
 - For example, all required reports are in the same section so that they can be easily referenced
- Requirement for M1W to hold distinct individual funds for CSIP, SVRP and SRDF
 - Supports that each are funded by distinct benefit assessments, fees, and other revenue sources
- Aligns key milestone dates with both agencies internal and workflow processes
- Separates budgets for operations & maintenance (O&M) and capital projects
 - requiring regular activity progress reports
 - changing payment methods for capital projects that balances cashflow and project timelines

Discussion, cont.

- Revisits the Indirect Cost Allocation
 - Currently negotiated rate of 14.5%
 - Develop a new cost allocation plan for future
- Defines types of budget adjustments and approval processes
 - Within a fund versus additional appropriations
- Includes a separate annual financial audit that informs the annual reconciliation process
 - Audit performed by January 31st
 - Payments made by February 15th
- Clarifies roles and responsibilities of both parties so that appropriate financial system and internal controls are in place for effective management of the Agreement



Next Steps

This item is being proposed to be considered at the following meetings:

- May 15: M1W Recycled Water Committee
- May 19: WRA Board of Directors
- May 21: Recycled Water Projects Water Quality and Operations Committee
- June 2: M1W Board of Directors
- June 10: WRA Board of Supervisors



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